

CITY OF HOMEWOOD, ALABAMA

HOMEWOOD, ALABAMA

Financial Statements

September 30, 2020

**CITY OF HOMEWOOD, ALABAMA
HOMEWOOD, ALABAMA**

MAYOR

Patrick McClusky

**CITY COUNCIL
PRESIDENT**

Alex Wyatt

CITY COUNCIL

Andy Gwaltney, Ward 1
Melanie Geer, Ward 1
Carlos Aleman, Ward 2
Andrew Wolverton, Ward 2
Nick Sims, Ward 3
Walter Jones, Ward 3
Barry Smith, Ward 4
Jalete Nelms, Ward 4
Jennifer Andress, Ward 5
John Hardin, Ward 5

CHIEF OF STAFF

JJ Bischoff

CITY CLERK/ASSISTANT FINANCE DIRECTOR

Melody Salter

FINANCE DIRECTOR/ASSISTANT CITY CLERK

Robert Burgett

CITY ATTORNEYS

Waldrep, Stewart & Kendrick, LLC

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Homewood, Alabama as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions - pension, and the schedule of changes in total OPEB liability and related ratios on pages 6-14 and pages 60-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the City of Homewood, Alabama'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 Homewood, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Homewood, Alabama's internal control over financial reporting and compliance.

BMSS, LLC

Birmingham, Alabama
June 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HOMEWOOD, ALABAMA

The City of Homewood Management's Discussion and Analysis report provides an overview of the City's financial activities for the fiscal year ended September 30, 2020. Please read the report in conjunction with the City's financial statements and notes to the financial statements that immediately follow this analysis.

Financial Highlights: Significant Items to Note

Governmental Activities

- The assets and deferred outflows of resources of the City were less than the liabilities and deferred inflows of resources at the close of the 2020 fiscal year by approximately \$5.2 million (net position).
- The City's net position decreased by approximately \$23.7 million in fiscal year 2020, primarily due to the new Public Safety Facility and the construction improvements overseen by the Board of Education but paid for by the City from the 2016 warrant proceeds.
- The total cost of the City's programs for the 2020 fiscal year was approximately \$98.1 million. The net cost was approximately \$87.6 million after subtracting grants and charges for services. Of this net cost, approximately \$38.7 million were payments to the Homewood Board of Education.
- The General Fund revenues received for the 2020 fiscal year exceeded expenditures by \$56,685. This was the amount of revenues exceeding expenditures after the City transferred \$4,697,022 from the General Fund to the Capital Projects Fund, Debt Service Fund & 2016 GOW Fund for future capital expenditures.
- At the end of the 2020 fiscal year, the General Fund unassigned fund balance was \$13.3 million, or 35% of the total General Fund operating expenditures.
- Net capital assets for the 2020 fiscal year increased by approximately \$7 million primarily due to the completion of the West Homewood Park/Pool project and the new Public Safety Facility.
- The City's long-term debt decreased by approximately \$2.3 million primarily due to principal payments made during the 2020 fiscal year.

Using the Annual Financial Report - An Overview for the User

The annual financial report consists of four parts – *Management's Discussion and Analysis* (this section), the *Independent Auditors' Report*, the *Basic Financial Statements* and *Required Supplementary Information*.

The City's basic financial statements are comprised of three components: 1) *Government-Wide Financial Statements*, 2) *Fund Financial Statements*, 3) *Notes to the Basic Financial Statements*.

The financial statements for all governmental activities are based on the fiscal year ending September 30, 2020.

Government-Wide Financial Statements - The focus of these statements is to provide readers with a broad overview of the City's finances as a whole, similar to a private-sector business, instead of on an individual fund basis.

Government-wide statements report both long-term and short-term information about the City's overall financial status including the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the City's current year revenues and expenses regardless of when cash is received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector.

The following *government-wide financial statements* report on all of the governmental activities of the City as a whole.

The *Statement of Net Position* (on page 15) most closely resembles a balance sheet. It presents information on all of the City's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increase or decrease in net position reported in this statement may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* (on page 17) most closely resembles an income statement. It presents information showing how the City's net assets changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the City. By showing the change in net assets for the year, the reader may be able to determine whether the City's financial position has improved or deteriorated over the course of the current fiscal year.

However, the reader will also need to consider non-financial factors, such as changes in the City's property tax base, businesses operating within the City, and the condition of the City's infrastructure assets, in order to assess the overall health of the City.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and internal requirements. The City's funds include governmental funds.

Governmental Funds - Governmental *fund financial statements* begin on page 18. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. *Fund financial statements* presented herein display information on each of the City's most important governmental funds or *major funds*. This is required in order to better assess the City's accountability for significant governmental programs or certain dedicated revenue. The City's *major funds* are the General Fund, 1947 School Tax Fund, Debt Service Fund, 2016 GOW Construction Fund, and the Capital Projects Fund. All special revenue funds are presented as *other governmental funds*, except the 1947 School Tax Fund which is a major fund.

The *Governmental Fund Financial Statements* are measured on the modified-accrual basis of accounting. As a result, the *fund financial statements* focus more on the near-term use and availability of spendable resources. The information provided in these statements is useful in determining the City’s immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall, long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 19 and 21 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the City’s short-term financing decisions.

Notes to the Basic Financial Statements - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the City’s financial position and its operations. The *notes to the basic financial statements* begin on page 22.

After the presentation of the basic financial statements, the *required supplementary information* is presented following the notes to the basic financial statements. The *required supplementary information* beginning on page 60 provides a comparison of the adopted budget of the City’s General Fund and 1947 School Tax Special Revenue Fund to the actual operating results for the fiscal year. The comparison of this data allows users to assess management’s ability to project and plan for its operations throughout the year.

Analysis of the City of Homewood’s Overall Financial Position

Government-Wide Funds

As indicated earlier, a City’s net position may serve over time as a useful indicator of a government’s financial position. Refer to *Table 1* when reading the following analysis of net position.

Table 1: Summary of Net Position

	For the year ended September 30, (dollars in thousands)	
	2020	2019
Assets and deferred outflow of resources		
Current and other assets	\$ 83,290	\$ 122,825
Capital assets	144,260	137,272
Deferred outflow of resources	10,725	10,310
Total assets and deferred outflow of resources	<u>238,275</u>	<u>270,407</u>
Liabilities and deferred inflows of resources		
Current liabilities	13,870	21,469
Long-term liabilities	206,200	203,791
Deferred inflows of resources	23,375	26,646
Total liabilities and deferred inflows of resources	<u>243,445</u>	<u>251,906</u>
Net position		
Net investment in capital assets	2,790	30,348
Restricted	13,025	43,006
Unrestricted	(20,985)	(54,853)
Total net position	<u>\$ (5,170)</u>	<u>\$ 18,501</u>

The City's assets were less than its liabilities (net position) by approximately \$5.2 million at September 30, 2020. This consists of assets (net of related debt) invested in capital of approximately \$2.8 million and \$13 million of assets restricted by law for specific purposes and a negative balance in unrestricted net position of over \$30 million. This negative balance in unrestricted net position is primarily the result of restricted net position pertaining to funds required to be used for capital projects.

Assets (net of related debt) invested in capital of \$2.8 million reflect the City's investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, fixtures, furniture, equipment and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.

Analysis of the City of Homewood's Operating Results

The results of this fiscal year's operations, as a whole, are reported in detail in the *Statement of Activities* on page 17. *Table 2* below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the City for the year. It also shows the impact that operations had on changes in net assets as of September 30, 2020.

Table 2: Summary of Changes in Net Position

	Fiscal year ended September 30,	
	2020	2019
Program revenues:		
Charges for services	\$ 7,350	\$ 8,579
Operating grants and contributions	1,542	2,142
Capital grants and contributions	1,592	376
General revenues:		
Taxes	63,125	63,495
Investment earnings	584	2,448
Gain on disposal of capital assets	41	-
Miscellaneous revenue	216	700
Total revenues	<u>74,450</u>	<u>77,740</u>
Program expenses		
General government	15,199	14,096
Public safety	22,007	20,199
Public works	7,733	6,694
Culture/recreation	8,041	8,112
Payments to Homewood BOE	38,700	42,848
Interest on long-term debt	6,441	6,534
Total expenses	<u>98,121</u>	<u>98,483</u>
Change in net position	(23,671)	(20,743)
Net position, beginning	18,501	39,244
Net position, ending	<u>\$ (5,170)</u>	<u>\$ 18,501</u>

The City's revenues decreased by approximately almost \$3.3 million, or approximately 4% from the last fiscal year. This decrease is primarily attributable to decreased tax revenues received due to the COVID-19 pandemic. Capital and operating grants and contributions increased from \$2.5 million in FY 2019 to approximately \$3.1 million in FY 2020 due to the CARES Act Grant. The City's program expenses decreased by \$362 thousand primarily due to COVID related restrictions.

Table 3 is a condensed statement taken from the *Statement of Activities* on page 17 showing the total cost for providing services for six major City activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the City used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits provided.

Table 3: Net Cost of Government-Wide Activities

	Fiscal year ended September 30, 2020 (dollars in thousands)	
	Total Cost of Services	Net Cost of Services
General governmental administration	\$ 15,199	\$ 8,777
Public safety	22,007	21,865
Public works	7,733	4,431
Culture and recreation	8,041	7,423
Payments to Homewood BOE	38,700	38,700
Interest on long-term debt	6,441	6,441
Total	\$ 98,121	\$ 87,637

Performance of City Funds

As noted earlier, the City uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal and internal requirements. Using funds to account for resources for particular purposes helps the reader to determine the City's accountability for these resources whether provided by taxpayers or other entities, and to help provide more insight into the City's overall financial health. The following analysis of the City's funds should be read in reference to the *fund financial statements* that begin on page 18.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financial requirements (Note: the reconciliation statement between the *fund financial statements* and the *government-wide financial statements* is presented on page 19). At the end of the fiscal year, the City's governmental funds reported a combined fund balance of approximately \$54.9 million available for future operations, with \$30.1 million of this fund balance consisting of bond proceeds which will be spent in the immediate future from the 2016 GOW Construction Fund for the new Public Safety Facility and payments to the Homewood Board of Education for infrastructure improvements.

Budgetary Highlights of the General Fund

On or before October 1 of each year, the Mayor prepares and submits an annual budget to be adopted by the City Council. The comparison of General Fund budget to the actual results is detailed in the "Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual" on page 60. The City's actual results as compared to the City's budget can be briefly summarized as follows:

- Revenues were less than the final approved budget by \$4.6 million, primarily due to sales tax actual collections and lodging taxes being less than budgeted projections due to the COVID pandemic.
- Actual expenditures were lower by over \$2.7 million from the final approved budget, or almost 7% of the final budget primarily due to the City closely monitoring expenses during the pandemic. All City government departments were under budget at year end.
- Overall actual results exceeded final budget projections by \$36,700. This amount is the surplus existing after transferring \$4.7 million from the General Fund to the capital and debt service funds. The adopted budget for fiscal year 2020 included the use of a carryover of fund balance that did not have to be utilized during the fiscal year, mainly through closely monitoring expenditures.

Capital Assets and Debt Administration

Capital Assets - The City's investment in capital assets for governmental activities, for the year ended September 30, 2020, amounted to \$144.3 million, net of accumulated depreciation. A recap of the City's capital assets at actual or estimated historical cost is shown in *Table 4* on the following page. Assets are presented net of accumulated depreciation.

Table 4: Capital Assets (net of accumulated depreciation)

	For the year ended September 30, 2020 (dollars in thousands)	
	2020	2019
	<hr/>	<hr/>
Land	\$ 45,553	\$ 43,560
Construction in progress	20,687	43,781
Buildings	59,781	33,308
Land/infrastructure improvements	7,476	8,501
Equipment, furniture, computers and vehicles	10,763	8,122
Capital assets, net of depreciation	<hr/> <u>\$ 144,260</u>	<hr/> <u>\$ 137,272</u>

Additions to capital assets during the current year included the following (dollars in thousands):

Land and improvements	\$ 1,993
Construction in progress	10,660
Buildings	29,237
Land/infrastructure improvements	541
Equipment, furniture, computers, and vehicles	5,035
Total	<hr/> <u>\$ 47,466</u>

Long-Term Debt - At year end, the City had almost \$164 million in general obligation warrants and other long-term debt outstanding as shown in *Table 5* below.

Table 5: Outstanding Debt

	As of September 30, 2020 (dollars in thousands)		
	Beginning Balance	Net Change	Ending Balance
	<hr/>	<hr/>	<hr/>
Governmental activities:			
2012 warrants with unamortized bond premium	\$ 7,689	\$ (19)	\$ 7,670
2015 warrants	126	(126)	-
2016 warrants with unamortized bond premium	146,218	(4,271)	141,947
2017 warrants with unamortized bond premium	9,733	(61)	9,672
Capital lease payable	1,227	(665)	562
Notes payable	1,085	2,803	3,888
Totals	<hr/> <u>\$ 166,078</u>	<hr/> <u>\$ (2,339)</u>	<hr/> <u>\$ 163,739</u>

Long-term debt activity for the year consisted of the following:

- Outstanding Warrant Obligations were approximately \$164 million at the beginning of the fiscal year and consisted of the 2012, 2015, 2016, and 2017 warrant issues. The 2016 refunded the 2007 Warrants as well as provided additional money for the construction projects in process mentioned in the capital assets section of this report. The City made principal payments of \$4.5 million on outstanding bond issues during the fiscal year.

Economic Factors and Next Year's Budget

Fiscal Year 2021 Budget - The City Council approved an original budget of revenues and expenditures plus budget amendments during the fiscal year for a total of approximately \$89 million for all funds (General and Special Revenue), exclusive of the 1947 School Tax Fund and 2016 GOW Construction Fund, for the fiscal year ended September 30, 2021. The 1947 School Tax Fund budget consists of property tax dedicated to the schools and this budget for FY 2021 is over \$9 million. The 2016 GOW Construction Fund has an approximate budget of \$42 million for continued construction of the Public Safety Facility and amount borrowed by the City on behalf of the Board of Education for school infrastructure improvements.

Economic Factors - The new Public Safety Facility located in West Homewood was completed in February 2021 and houses the police, dispatch, court and jail facilities. Valley Hotel located in downtown Homewood completed their construction and opened in early 2021. The 18th Street Revitalization project is still under construction. Edgar's Bakery is completing construction near the Valley Hotel and plans to open sometime Summer, 2021. Two restaurants are under construction on 18th Street, Lil Donkey is relocating from its present location and Rodney Scott BBQ will be a new addition.

Personnel Administration Cost - The City's personnel administration is provided by the Personnel Board of Jefferson County (PBJC). The 2020-2021 budget included a budgeted line item of \$340,000 for this expenditure. At the time of this report the City of Homewood had not received an official invoice from the PBJC; however, \$323,857 was given by them and accrued as expense and payable at September 30, 2020. This amount represents costs incurred in the prior fiscal year and represents an approximate 3% increase over the FY 2018-2019 payment of \$331,646.

Medical Costs - Employee health insurance is provided through the State of Alabama Insurance Board (SEIB). This Board voted to increase health insurance rates approximately 5.4% beginning January 1, 2021. The City achieved preferred rating in part through meeting the wellness screening participation goals in fiscal year 2019-2020. The Mayor recommended, and the City Council voted for, the City and not the employees to fund this increase for the FY 2020-2021 budget.

Retirement Costs - The City's retirement program for employees is provided through the Retirement System of Alabama (RSA). Effective October 1, 2013, the City opted to come under the provisions of Act 2011-676 thereby changing the rates contributed by employees. The City's contribution percentage for Tier 1 employees that contribute 7.5% and 8.5% to retirement is 15.71% for fiscal year 2020-2021. The City's contribution percentage for Tier 2 employees that contribute 6% and 7% to retirement is 14.50% for fiscal year 2020-2021. In May 2021 the City Council elected to come under the provision of Act 2019-132 converting Tier 2 employees to Tier 1 benefits which will cost the city a conversion payment of over \$700K payable over 15 years and a change to the City's contribution percentage for FY 2021-2022 as this becomes effective October 1, 2021.

Cost-of-Living Raise - Due to the unprecedented events of FY 19-20 there was no Cost-of-Living Raise given in the Budget for FY 20-21.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, 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 any questions about this report or need additional financial information, please contact Robert Burgett Finance Director/Assistant City Clerk at (205) 332-6118 or Melody Salter City Clerk/Assistant Finance Director at (205) 332-6108.

CITY OF HOMEWOOD, ALABAMA
Statement of Net Position
September 30, 2020

	Primary Government Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 12,879,905
Deposit and investments	11,151,238
Accounts receivable	26,938,215
Prepaid expenses	383,170
Restricted cash and cash equivalents	23,965,927
Restricted deposits and investments	7,971,712
Total current assets	83,290,167
Noncurrent assets	
Nondepreciable capital assets	66,240,027
Depreciable capital assets, net	78,019,958
Total noncurrent assets	144,259,985
Total assets	227,550,152
Deferred outflows of resources	
Deferred outflows related to pensions	7,433,455
Deferred outflows related to OPEB	146,891
Deferred charge on refunding	3,143,854
Total deferred outflows of resources	10,724,200
Liabilities	
Current liabilities	
Accounts payable	3,296,600
Accrued expenses	1,359,194
Due to other governments	1,550,368
Unearned revenue	7,096
Accrued interest payable	594,693
Current maturities of long-term liabilities	
Warrants payable, net	4,428,612
Capital lease payable	431,635
Notes payable	775,796
Compensated absences	1,425,900
Total current liabilities	13,869,894

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

CITY OF HOMEWOOD, ALABAMA
Statement of Net Position
September 30, 2020
(Continued)

	Primary Government
	Governmental
	Activities
Noncurrent liabilities	
Warrants payable, net	\$ 154,860,281
Capital lease payable	130,384
Notes payable	3,111,798
Compensated absences	1,425,899
Other post-employment benefits	2,200,371
Net pension liability	44,471,247
Total noncurrent liabilities	206,199,980
Total liabilities	220,069,874
Deferred inflows of resources	
Property taxes levied for subsequent year	22,198,773
Deferred inflows related to pensions	1,073,780
Deferred inflows related to OPEB	102,056
Total deferred inflows of resources	23,374,609
Net position	
Net investment in capital assets	2,789,669
Restricted for:	
Public works	1,444,489
Public safety/Municipal court	1,562,214
Debt service	6,226,374
Capital projects	3,701,089
Other purposes	90,618
Unrestricted	(20,984,584)
Total net position	\$ (5,170,131)

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

CITY OF HOMEWOOD, ALABAMA
Statement of Activities
Year Ended September 30, 2020

Program Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government administration	\$ 15,199,070	\$ 5,669,387	\$ 252,446	\$ 500,000	\$ (8,777,237)
Public safety	22,007,402	88,781	53,148	-	(21,865,473)
Public works	7,733,363	993,000	1,217,828	1,091,990	(4,430,545)
Culture and recreation	8,041,107	598,951	19,425	-	(7,422,731)
Payments to Homewood BOE	38,699,896	-	-	-	(38,699,896)
Interest on long-term debt	6,441,120	-	-	-	(6,441,120)
Total governmental activities	98,121,958	7,350,119	1,542,847	1,591,990	(87,637,002)
Total primary government	\$ 98,121,958	\$ 7,350,119	\$ 1,542,847	\$ 1,591,990	(87,637,002)
General revenues and other items:					
Taxes:					
Sales					34,191,188
Property					22,064,511
Other					3,981,939
Franchise fees					2,887,376
Interest earnings					583,858
Gain on disposal of capital assets					40,977
Miscellaneous					216,209
Total general revenues and other items					63,966,058
Change in net position					(23,670,944)
Net position - beginning of year					18,500,813
Net position - end of year					\$ (5,170,131)

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

CITY OF HOMEWOOD, ALABAMA

Balance Sheet
Governmental Funds
September 30, 2020

	General	1947 School Tax	Debt Service	Capital Projects	2016 GOW Construction	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 12,879,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,879,905
Deposit and investments	11,151,238	-	-	-	-	-	11,151,238
Accounts receivable	10,382,465	10,045,330	6,026,555	185,987	51,641	246,237	26,938,215
Prepaid expenditures	383,170	-	-	-	-	-	383,170
Due from other funds	3,459,780	32,779	2,236,748	1,380,396	31,932	73,880	7,215,515
Restricted cash and cash equivalents	1,051,801	358,762	11,663,342	2,724,878	3,992,376	4,174,768	23,965,927
Restricted deposits and investments	7,971,712	-	-	-	-	-	7,971,712
Total assets	\$ 47,280,071	\$ 10,436,871	\$ 19,926,645	\$ 4,291,261	\$ 4,075,949	\$ 4,494,885	\$ 90,505,682
Liabilities							
Accounts payable	\$ 2,077,079	\$ 362,088	\$ -	\$ 373,754	\$ 96,127	\$ 387,552	\$ 3,296,600
Accrued expenses	1,359,194	-	-	-	-	-	1,359,194
Due to other governmental units	1,550,368	-	-	-	-	-	1,550,368
Due to other funds	6,639,558	-	-	31,932	-	544,025	7,215,515
Unearned revenue	6,721	-	-	375	-	-	7,096
Total liabilities	11,632,920	362,088	-	406,061	96,127	931,577	13,428,773
Deferred inflow of resources							
Property taxes levied for subsequent years	6,215,656	9,989,448	5,993,669	-	-	-	22,198,773
Total deferred inflow of resources	6,215,656	9,989,448	5,993,669	-	-	-	22,198,773
Fund balance							
Nonspendable	383,170	-	-	-	-	-	383,170
Restricted	-	85,335	6,226,374	-	3,701,089	3,011,986	13,024,784
Committed	11,790,142	-	-	-	-	-	11,790,142
Assigned	3,937,993	-	7,706,602	3,885,200	278,733	550,857	16,359,385
Unassigned	13,320,190	-	-	-	-	465	13,320,655
Total fund balances	29,431,495	85,335	13,932,976	3,885,200	3,979,822	3,563,308	54,878,136
Total liabilities, deferred inflows and fund balance	\$ 47,280,071	\$ 10,436,871	\$ 19,926,645	\$ 4,291,261	\$ 4,075,949	\$ 4,494,885	\$ 90,505,682

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

CITY OF HOMEWOOD, ALABAMA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2020

Total fund balances - governmental funds		\$ 54,878,136
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	245,128,933	
Less accumulated depreciation	<u>(100,868,948)</u>	144,259,985
Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.		
		(594,693)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Warrants payable	(143,475,000)	
Warrant premiums	(15,813,893)	
Deferred outflows of resources for pensions	7,433,455	
Deferred outflows of resources for OPEB	146,891	
Deferred outflow of resources for deferred charges	3,143,854	
Capital lease payable	(562,019)	
Notes payable	(3,887,594)	
Total OPEB liability	(2,200,371)	
Net pension liability	(44,471,247)	
Compensated absences	(2,851,799)	
Deferred inflows of resources for pensions	(1,073,780)	
Deferred inflows of resources for OPEB	<u>(102,056)</u>	<u>(203,713,559)</u>
Total net position- governmental activities		<u>\$ (5,170,131)</u>

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

CITY OF HOMEWOOD, ALABAMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2020

	General	1947 School Tax	Debt Service	Capital Projects	2016 GOW Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 41,696,984	\$ 9,932,404	\$ 5,894,136	\$ 2,071,921	\$ -	\$ 642,193	\$ 60,237,638
Licenses and permits	7,762,981	-	-	-	-	33,759	7,796,740
Intergovernmental	53,148	-	244,476	-	500,000	2,317,788	3,115,412
Charges for services	844,544	-	-	-	-	326,219	1,170,763
Fines and forfeitures	806,561	-	-	-	-	150,190	956,751
Other	814,598	844	60,614	56,561	98,351	142,742	1,173,710
Total revenues	51,978,816	9,933,248	6,199,226	2,128,482	598,351	3,612,891	74,451,014
Expenditures							
General government administration	6,698,234	221,003	247,846	3,018,619	242	980,305	11,166,249
Public safety	18,331,125	-	-	-	-	1,756,000	20,087,125
Public works	6,341,961	-	-	-	-	484,732	6,826,693
Culture and recreation	6,999,046	-	-	-	-	33,234	7,032,280
Capital outlay	-	-	-	4,866,303	8,034,615	133,116	13,034,034
Debt service	-	-	4,540,701	-	-	-	4,540,701
Principal retirement	-	-	7,184,613	-	-	-	7,184,613
Interest	-	-	-	-	-	-	-
Total expenditures	38,370,366	221,003	11,973,160	7,884,922	8,034,857	3,387,387	69,871,695
Excess (deficiency) of revenues over (under) expenditures	13,608,450	9,712,245	(5,773,934)	(5,756,440)	(7,436,506)	225,504	4,579,319
Other financing sources (uses)							
Proceeds from issuance of notes payable	-	-	3,327,843	-	-	-	3,327,843
Appropriation to Homewood Board of Education	(8,854,743)	(9,711,313)	-	-	(20,133,840)	-	(38,699,896)
Operating transfers (out) in	(4,697,022)	-	2,298,463	3,532,899	700,000	(1,834,340)	-
Total other financing sources (uses)	(13,551,765)	(9,711,313)	5,626,306	3,532,899	(19,433,840)	(1,834,340)	(35,372,053)
Net changes in fund balance	56,685	932	(147,628)	(2,223,541)	(26,870,346)	(1,608,836)	(30,792,734)
Fund balance - beginning of year	29,374,810	84,403	14,080,604	6,108,741	30,850,168	5,172,144	85,670,870
Fund balance - end of year	\$ 29,431,495	\$ 85,335	\$ 13,932,976	\$ 3,885,200	\$ 3,979,822	\$ 3,563,308	\$ 54,878,136

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

CITY OF HOMEWOOD, ALABAMA
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 Year Ended September 30, 2020

Net changes in fund balances - governmental funds \$ (30,792,734)

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	13,711,947	
Less depreciation expense	<u>(6,724,240)</u>	6,987,707

The proceeds from the sale of capital assets (\$40,977) are reported as
 other financing sources in the governmental funds. However,
 the net book value of the capital assets (\$0) is removed from
 the capital assets account in the Statement of Net Position and offset
 against the sales proceeds resulting in a gain in the Statement of
 Activities of \$40,977. -

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

Principal retirement	4,540,701	
Proceeds from issuance of notes payable	(3,327,843)	
Warrant premiums and deferred amounts on refunding amortization expense	<u>732,374</u>	1,945,232

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

Net decrease in accrued compensated absences	(325,327)	
Net increase in pension expense	(1,381,481)	
Net increase in post-employment benefit payable	(115,460)	
Net decrease in accrued interest	<u>11,119</u>	<u>(1,811,149)</u>

Change in net position - governmental activities \$ (23,670,944)

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

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Homewood, Alabama (the City), an Alabama Municipal Corporation, was incorporated in 1926. The City operates under a Mayor-Council form of government. The governing body is an elected Mayor, elected City Council President, and a ten-member elected City Council. The City's major operations include police and fire protection, culture and recreation, public works and general administrative services.

The financial statements of the City are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. In preparing the financial statements, management evaluated subsequent events through June 29, 2021, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

Financial Reporting Entity

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

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

Based on the aforementioned criteria, the City of Homewood 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. Governmental activities are normally supported by taxes and intergovernmental revenues. The government-wide financial statements are categorized by primary activities, such as the City's police and fire protection, culture and recreation, public works, and general administrative services, as governmental activities.

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

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

The *Statement of Activities* demonstrates the degree to which direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items (property, sales and use taxes, certain intergovernmental revenues, etc.) not attributable to a specific program are reported as general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

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

Measurement Focus and Basis of Accounting

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

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

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

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

Basis of Presentation - Fund Level Financial Statements

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

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

1947 School Tax Fund - The 1947 School Tax Fund is the City's major special revenue fund. The fund is used to collect property taxes to be disbursed as payments to the Homewood Board of Education.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund Level Financial Statements - Continued

Debt Service Fund - The debt service fund is used to account for payments of principal and interest on the general obligation warrants of the City.

Capital Projects Fund - Capital projects funds are used to account for financial resources and to be used for the acquisition or construction of major capital facilities. The Capital Project Fund accounts for revenues to the acquisitions, construction, and redevelopment of the City's capital assets and infrastructure and is classified as a major fund of the City.

2016 General Obligation Warrants Construction Fund - The 2016 General Obligation Warrants Construction Fund is used to account for bond proceeds that are being used for construction projects.

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. All of the City's special revenue funds are non-major with the exception of the 1947 School Tax Fund. The City reports all nonmajor funds in the Nonmajor Governmental funds column.

Use of Estimates

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

Cash and Cash Equivalents

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

The State Attorney General has issued a legal opinion that cities may not put public funds at risk by owning investments not insured by the federal government.

Investments are stated at market value.

Receivables

Receivables are reported as Receivables and Due from Other Governments in the government-wide financial statements and in the fund financial statements. Receivables due from other governments include amounts due to the City for property, sales and other taxes and due to the City from grantors for grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts.

Prepaid Expenses

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

Restricted Assets

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

Interfund Transfers, Receivables and Payables

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

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets, which consist of streets, roads, sidewalks and similar items, are reported in the government-wide financial statements. Capital assets are defined by the government as assets, not including infrastructure assets, with an initial individual cost of more than \$5,000 and more than one year of useful life. Infrastructure assets capitalized have an original cost of \$50,000 or more. 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: buildings, 20 to 50 years; improvements, 20 years; machinery and equipment, 5 to 10 years; and infrastructure, 30 to 35 years.

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

Property Taxes

Property taxes are collected and remitted to the City by the Jefferson 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.

Fair Value

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the City would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value - Continued

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

Deferred Outflows of Resources

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

Unearned Revenue

The City reports unearned revenue in connection with resources that have been received but are not yet recognizable.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

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

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

Compensated Absences

The City's full-time 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 is rolled over to employee sick leave balances. 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 overtime leave/compensatory time in lieu of monetary overtime compensation for hours worked in excess of a normal week. Forty hour per week employees may accrue up to 80 hours of overtime leave/compensatory time. Any time accrued over 80 hours, with the exception of public safety employees, is compensated at a rate in accordance with FLSA policy. Police department employees are permitted to carry 80 hours of overtime leave. Any time accrued over 80 hours is compensated at straight time up to 171 hours in a 28-day pay period. Any time accrued over 171 hours in a 28-day pay period is compensated at time and one half. Fire department non-exempt employees are allowed to carry up to 150 hours of overtime leave. Any time accrued over 150 hours is compensated at straight time unless earned within a 26-day pay period. Any time accrued over 150 hours in a 26-day pay period is compensated at time and one half.

The City's employees accrue paid sick leave at a rate of one work day for each month of service. Sick leave earned during the year but not used may be accumulated and carried forward from year to year with no maximum amount. Employees are not paid for unused sick leave upon termination of employment. Accordingly, sick pay is charged to expense when taken. No provision has been made in the financial statements for unused sick leave.

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Other Post-employment Benefit Obligations (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 (See Note 12).

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 requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. The last year for which actuarial information is available is for the fiscal year ending September 30, 2019 and, therefore, this actuarial information is reported in the 2020 financial statements.

Deferred Inflows of Resources

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

Net Position

The City reports information regarding its financial position and activities according to three classes of net position in the government-wide financial statements: 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 bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

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

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

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

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

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

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

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

The City has fiscal policies that define specific financial reserve policies for each fund. The General Fund must maintain undesignated cash reserves of at least 16% of annual General Fund budgeted expenditures (excluding Homewood Board of Education allocations). The Capital Projects Fund must maintain undesignated cash reserves of \$750,000. The Debt Service fund must maintain undesignated cash reserves equal to at least one year's worth of payments on its outstanding bond issues. The City assigns fund balance in the General Fund of \$1,000,000 for risk management to cover expenditures not covered by City insurance, and assigns fund balance equal to fiscal year end compensated absence liability.

In addition to reserve policies, the City has a policy to address reserves for financial and economic uncertainty. The City strives to maintain an accumulated balance of 30% of the annual fund budgeted expenditures for economic uncertainty, to be funded with General Fund surplus.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The deficit fund equities of \$72 in the Homewood court restitution fund and \$127,179 in the Grant fund, non-major governmental funds, are the result of revenues being inadequate to cover expenditures. These deficits are offset through interfund borrowings from the General Fund.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of September 30, 2020, the City had the following investments, which were reported at fair value in governmental activities:

Type of Investment	Fair Value	Investment Maturities (in years)	
		1-5	6-10
Negotiable CDs	\$ 499,533	\$ 499,533	\$ -
U.S. Treasury bills	1,000,580	1,000,580	-
Municipal bonds	1,670,728	1,514,325	156,403
Government-sponsored entities	15,952,109	12,227,082	3,725,027
Total	<u>\$ 19,122,950</u>	<u>\$ 15,241,520</u>	<u>\$ 3,881,430</u>

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.

In addition to limits imposed by state statute, the City has a formal investment policy that limits its allowable deposits or investments or that addresses the specific types of risks that the government is exposed to through its deposits or investments.

Interest Rate Risk - Through its investment policy, the City manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average maturity of the total portfolio to no more than five years.

Credit Risk - It is the City's policy to invest public funds in a manner which maximizes return and provides maximum security in preserving and protecting funds while meeting the City's cash flow demands and conforming to all applicable statutes governing the investment of public funds. The City adheres to the "prudent person standard," and its pertinent application within state statutes made with judgment and care, under circumstances prevailing, which persons of prudence, discretion, and intelligence exercise in management of their own affairs, not for speculations, but for investment, considering probable safety of their principal as well as probable income to be derived.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Credit Risk - Continued - The City's investment in municipal bonds had ratings ranging from Aa1 to AA, none of which make up more than 5% of the City's total investment portfolio.

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. The following issuers represent 5% or more of the City's total investments portfolio at September 30, 2020: Federal Home Loan Bank - 21.1%, Federal Home Loan Mortgage Corporation - 11.7%, Federal National Mortgage Association - 9.32%, Federal Farm Credit Bank - 38.0%, and U.S. Treasury - 5.2%.

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, 2020 were insured.

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2020:

	<u>General</u>	<u>1947 School Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>2016 GOW Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Sales tax	\$ 3,223,191	\$ -	\$ -	\$185,987	\$ -	\$ -	\$ 3,409,178
Property tax	6,215,656	9,989,448	5,993,669	-	-	-	22,198,773
Intergovernmental	-	-	-	-	-	44,137	44,137
Other receivables	943,618	55,882	32,886	-	51,641	202,100	1,286,127
Total receivables	<u>\$ 10,382,465</u>	<u>\$ 10,045,330</u>	<u>\$ 6,026,555</u>	<u>\$ 185,987</u>	<u>\$ 51,641</u>	<u>\$ 246,237</u>	<u>\$ 26,938,215</u>

Payables consisted of the following at September 30, 2020:

	<u>General</u>	<u>1947 School Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>2016 GOW Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Trade	\$ 2,077,079	\$ 362,088	\$ -	\$350,244	\$ 96,127	\$ 387,552	\$ 3,273,090
Capital assets	-	-	-	23,510	-	-	23,510
Total payables	<u>\$ 2,077,079</u>	<u>\$ 362,088</u>	<u>\$ -</u>	<u>\$ 373,754</u>	<u>\$ 96,127</u>	<u>\$ 387,552</u>	<u>\$ 3,296,600</u>

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 5 - CAPITAL ASSETS

Capital assets activity for governmental activities consisted of the following for the year ended September 30, 2020:

	Governmental Activities			
	October 1, 2019	Additions	Disposals	
Depreciable assets				
Land and infrastructure improvements	\$ 55,288,425	\$ 540,518	\$ -	\$ 55,828,943
Buildings and improvements	54,735,000	29,237,297	-	83,972,297
Equipment	34,499,658	5,035,178	447,170	39,087,666
	<u>144,523,083</u>	<u>34,812,993</u>	<u>447,170</u>	<u>178,888,906</u>
Less accumulated depreciation				
Land and infrastructure improvements	46,786,926	1,566,065	-	48,352,991
Buildings and improvements	21,427,059	2,764,467	-	24,191,526
Equipment	26,377,893	2,393,708	447,170	28,324,431
	<u>94,591,878</u>	<u>6,724,240</u>	<u>447,170</u>	<u>100,868,948</u>
	49,931,205	28,088,753	-	78,019,958
Non-depreciable assets				
Land and improvements	43,560,451	1,992,928	-	45,553,379
Construction in progress	43,780,622	10,660,319	33,754,293	20,686,648
	<u>87,341,073</u>	<u>12,653,247</u>	<u>33,754,293</u>	<u>66,240,027</u>
	<u>\$ 137,272,278</u>	<u>\$ 40,742,000</u>	<u>\$ 33,754,293</u>	<u>\$ 144,259,985</u>

Depreciation expense was charged to governmental activities as follows:

General government administration	\$ 3,902,646
Public safety	1,479,117
Public works	575,698
Culture and recreation	766,779
	<u>\$ 6,724,240</u>

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - LONG-TERM DEBT

The City's long-term liabilities consisted of the following at September 30, 2020:

Governmental Activities	October 1, 2019	Additions	Retirements	September 30, 2020	Due within one year
Warrants and capital lease payables:					
Capital lease payable	\$ 1,227,054	\$ -	\$ 665,035	\$ 562,019	\$ 431,635
General Obligation Warrants	146,825,593	-	3,350,593	143,475,000	3,330,000
	148,052,647	-	4,015,628	144,037,019	3,761,635
Plus: bond premiums	16,939,476	-	1,125,583	15,813,893	1,098,612
Total warrants and capital lease payables	164,992,123	-	5,141,211	159,850,912	4,860,247
Other liabilities:					
Notes payable	1,084,824	3,327,843	525,073	3,887,594	775,796
Net pension liability	39,816,066	4,655,181	-	44,471,247	-
Total OPEB liability	2,040,076	160,295	-	2,200,371	-
Compensated absences	2,526,472	325,327	-	2,851,799	1,425,900
	<u>\$ 210,459,561</u>	<u>\$ 8,468,646</u>	<u>\$ 5,666,284</u>	<u>\$ 213,261,923</u>	<u>\$ 7,061,943</u>

The general obligation warrants payable consisted of the following at September 30, 2020:

	Governmental Activities
Series 2012 General Obligation Capital Improvement Warrants, dated December 1, 2012, due in semi-annual payments through September 1, 2042, bearing interest rates of 3.375% to 5.00%	\$ 7,330,000
Series 2016 General Obligation Warrants, dated December 8, 2016, due in semi-annual payments through September 1, 2046, bearing interest rates of 2.00% to 5.25%	126,690,000

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - LONG-TERM DEBT - Continued

	Governmental Activities
Series 2017 General Obligation Warrants, dated December 28, 2017, due in semi-annual payments through September 1, 2024, bearing interest rates of 2.00% to 4.00%	<u>\$ 9,455,000</u>
Total warrants payable	143,475,000
Add deferred amounts for:	
Unamortized premiums (GOW Series 2012)	340,111
Unamortized premiums (GOW Series 2016)	15,257,025
Unamortized premiums (GOW Series 2017)	<u>216,757</u>
Total warrants payable, net	<u><u>\$ 159,288,893</u></u>

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

	Governmental Activities	
	Principal	Interest
2021	\$ 3,330,000	\$ 6,987,485
2022	3,490,000	6,821,985
2023	3,670,000	6,648,485
2024	3,845,000	6,466,085
2025-2028	17,415,000	23,853,390
2029-2033	27,110,000	24,478,016
2034-2038	32,655,000	17,142,234
2039-2043	34,545,000	9,383,536
2044-2046	<u>17,415,000</u>	<u>1,859,811</u>
	<u><u>\$ 143,475,000</u></u>	<u><u>\$ 103,641,027</u></u>

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 6 - LONG-TERM DEBT - Continued

Notes payable consisted of the following at September 30, 2020:

	<u>Governmental Activities</u>
2.741% note payable - bank, due in sixty monthly installments of \$21,924 including interest, final unpaid balance due November 2023, secured by motor vehicles	\$ 797,124
3.04% line of credit - bank, due in monthly installments including interest, final unpaid balance due December 2028	1,364,163
2.160% note payable - bank, due in sixty monthly installments of \$14,093.51 including interest, final unpaid balance due January 2025, secured by motor vehicles	698,565
2.160% note payable - bank, due in sixty monthly installments of \$20,734.65 including interest, final unpaid balance due January 2025, secured by motor vehicles	1,027,742
Total notes payable	<u>\$ 3,887,594</u>

Future principal and interest requirements of notes payable for governmental activities consist of the following for the years ended September 30:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 775,796	\$ 92,717
2022	795,682	72,831
2023	816,088	52,425
2024	615,423	33,846
2025	305,521	21,273
Thereafter	579,084	30,220
	<u>\$ 3,887,594</u>	<u>\$ 303,312</u>

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The City has entered into a capital lease agreement to finance the purchase of fire trucks and radio equipment. As of September 30, 2020, the future minimum lease payments under the capital lease agreements consist of the following:

	Governmental Activities
2021	\$ 442,097
2022	134,217
Future minimum lease payments	576,314
Less: amount representing interest	(14,295)
Present value of minimum lease payments	562,019
Less: current portion	(431,635)
Long-term capital lease obligation	\$ 130,384

As of September 30, 2020, the governmental activities lease had capitalized costs totaling \$4,038,772 and accumulated depreciation of \$2,260,126, and a net book value of \$1,778,646. Interest expense paid under the capital lease agreement totaled \$24,469 during the year ended September 30, 2020.

NOTE 8 - COMMITMENTS

The 2016 GOW Construction Fund had contractual commitments as of September 30, 2020 totaling \$19,247,163 pertaining to ongoing construction for the City's Public Safety Building project and School Renovation projects.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 9 - PENSION PLAN

General Information about the Pension Plan

Plan Description

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

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

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 9 - PENSION PLAN - Continued

Benefits Provided

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

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

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.

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

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 9 - PENSION PLAN - Continued

The City's membership as of the measurement date of September 30, 2019 consisted of:

Retired members or their beneficiaries currently receiving benefits	215
Vested inactive members	7
Non-vested inactive members	31
Active members	361
Post-DROP retired members still in active service	-
	<hr/>
	614
	<hr/>

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. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2020, the City's active employee contribution rate was 7.58% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 15.00% of pensionable payroll.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 9 - PENSION PLAN - Continued

The City's contractually required contribution rate for the year ended September 30, 2020 was 15.75% of pensionable pay for Tier 1 employees, and 14.58% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City totaled \$3,168,832 for the year ended September 30, 2020.

Net Pension Liability

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

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability as of September 30, 2018	\$ 107,346,584	\$ 108,524,605
(b) Discount rate	7.70%	7.70%
(c) Entry age normal cost for the period October 1, 2018 - September 30, 2019	1,682,515	1,682,515
(d) Transfers among employers:	-	298,709
(e) Actual benefit payments and refunds for the period October 1, 2018 - September 30, 2019	<u>(7,210,155)</u>	<u>(7,210,155)</u>
(f) Total pension liability as of September 30, 2019 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 109,807,040</u>	<u>\$ 111,374,478</u>
(g) Difference between expected and actual:		\$ 1,567,438
(h) Less liability transferred for immediate recognition:		<u>298,709</u>
(i) Experience (gain)/loss = (g) - (h)		<u>\$ 1,268,729</u>

Actuarial Assumptions

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 9 - PENSION PLAN - Continued

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

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

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

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

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

*Includes assumed rate of inflation of 2.75%.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 9 - PENSION PLAN - Continued

Discount Rate

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

Changes in the City's net pension liability consisted of the following at September 30, 2019:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2018	\$ 107,346,584	\$ 67,530,518	\$ 39,816,066
Changes for the year:			
Service cost	1,682,515	-	1,682,515
Interest	7,988,096	-	7,988,096
Difference between expected and actual experience	1,268,729	-	1,268,729
Contributions - employer	-	2,951,627	(2,951,627)
Contributions - employee	-	1,628,411	(1,628,411)
Net investment income	-	1,704,121	(1,704,121)
Benefits of payments, including refunds of employee contributions	(7,210,155)	(7,210,155)	-
Transfers among employers	298,709	298,709	-
Net changes:	4,027,894	(627,287)	4,655,181
Balances at September 30, 2019	\$ 111,374,478	\$ 66,903,231	\$ 44,471,247

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 9 - PENSION PLAN - Continued

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

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability	\$ 56,441,046	\$ 44,471,247	\$ 34,308,416

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in the aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 9 - PENSION PLAN - Continued

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

For the year ended September 30, 2020, the City recognized pension expense of \$4,550,313. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,742,121	\$ 1,073,780
Changes of assumptions	1,798,566	-
Net difference between projected and actual earnings on pension plan investments	723,936	-
Employer contributions subsequent to the measurement date	3,168,832	-
	<u>\$ 7,433,455</u>	<u>\$ 1,073,780</u>

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

	Deferred Outflows/ (Inflows) of Resources
2021	\$ 734,767
2022	612,279
2023	790,912
2024	830,016
2025	202,068
Thereafter	20,801

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund payables and receivables consisted of the following at September 30, 2020:

	Transfers In (Out)						Net Transfers Out (In)
	General	1947 School Tax	Debt Service	Capital Projects	2016 GOW Construction	Nonmajor Governmental Funds	
Transfers Out (In)							
General Fund	\$ -	\$ -	\$ 5,625,556	\$ -	\$ -	\$ -	\$ 5,625,556
Debt Service Fund	-	-	-	3,327,093	-	-	3,327,093
Nonmajor Governmental Funds	928,534	-	-	205,806	700,000	-	1,834,340
Net Transfers In (Out)	\$ 928,534	\$ -	\$ 5,625,556	\$ 3,532,899	\$ 700,000	\$ -	\$ 10,786,989

Interfund payables and receivables resulted from reimbursements made by the General Fund to the Special Revenue for various operating expenses. Interfund payables from the General Fund to the Rental Fund were for refundable customer deposits, held by the General Fund for the Rental Fund.

Interfund transfers consisted of the following during the year ended September 30, 2020:

	Payable to						Total Interfund Balance
	General	1947 School Tax	Debt Service	Capital Projects	2016 GOW Construction	Nonmajor Governmental Funds	
Payable from							
General Fund	\$ -	\$ -	\$ 2,217,124	\$ 1,174,590	\$ -	\$ 1,785	\$ 3,393,499
Capital Projects					31,932		31,932
Nonmajor Governmental Funds	213,721	32,779	19,624	205,806	-	69,858	541,788
Total Interfund Balance	\$ 213,721	\$ 32,779	\$ 2,236,748	\$ 1,380,396	\$ 31,932	\$ 71,643	\$ 3,967,219

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

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 11 - CONTINGENCIES

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

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

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

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. Eligible participants must be eligible to retire through the Retirement Systems of Alabama and must meet the eligibility requirements of that system, which 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.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - Continued

The retiree contributes a portion of the monthly contribution rate for medical benefits elected based on the contribution rate for active employees. The City contributes the balance of the contribution for retirees who are not Medicare eligible. Benefits are provided through the Local Government Health Insurance Programs (“LGHIP”) administered by the Alabama State Employee Insurance Board. Dental benefits are included in the medical plan. Medical benefits continue for the life of the retiree, as long as contributions are made. The City does not contribute for coverage beyond the Medicare eligibility age. Life insurance benefits are provided by eligible retirees to age 65 with no contribution made by the City.

Employees Covered by Benefit Terms

At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	313
	<hr/>
	322
	<hr/>

Total OPEB Liability

The City’s total OPEB liability of \$2,200,371 was measured as of September 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2020 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	3.50% including inflation
Discount rate	4.06% annually (Beginning of year)
	2.25% annually (As of end of year measurement date)
Healthcare cost trend rates	4.50% level

The discount rate was based on the average of the Bond Buyers’ 20-Year General Obligation municipal bond index as of September 30, 2020, the end of the applicable measurement period.

Mortality rates were based on the RPH-2014 Table with projection to MP-2019.

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - Continued

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at September 30, 2019	\$ 2,040,076
Changes for the year:	
Service cost	66,448
Interest	84,652
Changes of assumptions	170,972
Difference between expected and actual experience	(118,786)
Benefit payments and net transfers	(42,991)
Net change in total OPEB liability	160,295
Balances at September 30, 2020	\$ 2,200,371

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current discount rate.

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Plan's Total OPEB Liability	\$ 2,415,322	\$ 2,200,371	\$ 2,004,995

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - Continued

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

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 healthcare cost trend rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rate.

	1% Decrease (3.50)%	Current Trend Rate (4.50%)	1% Increase (5.50)%
Plan's Total OPEB Liability	\$ 1,948,936	\$ 2,200,371	\$ 2,499,560

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$160,295. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 102,056
Changes of assumptions	146,891	-
	\$ 146,891	\$ 102,056

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - Continued

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
2021	\$ 7,351
2022	7,351
2023	7,351
2024	7,351
2025	7,351
Thereafter	8,080

NOTE 13 - FAIR VALUE

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the year ended September 30, 2020.

- *Negotiable CDs:* Valued at cost plus accrued interest, which approximates fair value.
- *U.S. Treasury Bills:* Valued based on secondary trade data provided by an independent source.
- *Municipal bonds:* Valued based on recently executed transactions, market price quotations, matrix pricing, an income approach that factors in interest rates and bond or credit default swap spreads, or secondary trade data provide by an independent source.
- *U.S. Government-sponsored entities:* Valued based on issuance price and secondary trade data provided by recognized broker dealers.

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

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 13 - FAIR VALUE - Continued

The following table sets forth, by level within the fair value hierarchy, the investments at fair value as of September 30, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable CDs	\$ 499,533	\$ -	\$ 499,533	\$ -
U.S. Treasury bills	1,000,580	1,000,580	-	-
Municipal bonds	1,670,728	-	1,670,728	-
Government-sponsored entities	15,952,109	-	15,952,109	-
Total	<u>\$ 19,122,950</u>	<u>\$ 1,000,580</u>	<u>\$ 18,122,370</u>	<u>\$ -</u>

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 14 - FUND BALANCE CLASSIFICATIONS

The following table details fund balance categories as of September 30, 2020:

Fund balances	General	1947 School Tax	Debt Service	Capital Projects	2016 GOW Construction	Other Governmental Funds	Total Governmental Funds
Non spendable							
Prepaid expenses	\$ 383,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383,170
Restricted for:							
Road maintenance	-	-	-	-	-	1,043,473	1,043,473
Road paving	-	-	-	-	-	401,016	401,016
Debt service	-	-	6,226,374	-	-	-	6,226,374
BOE – property tax	-	85,335	-	-	-	-	85,335
Grant expenditures	-	-	-	-	-	5,283	5,283
E911	-	-	-	-	-	176,138	176,138
Court restricted by law	-	-	-	-	-	1,314,973	1,314,973
Drug enforcement task force	-	-	-	-	-	71,103	71,103
Construction projects in progress	-	-	-	-	3,701,089	-	3,701,089
Committed to:							
Reserve for economic uncertainty	11,790,142	-	-	-	-	-	11,790,142
Assigned to:							
Other capital projects	-	-	-	468,887	-	-	468,887
Debt service	-	-	5,951,380	-	-	-	5,951,380
Encumbrances	82,373	-	-	1,746,105	278,733	-	2,107,211
Environmental testing	-	-	-	-	-	81,605	81,605
Inspection technology	-	-	-	-	-	109,285	109,285
Park activity	-	-	-	-	-	224,621	224,621
Library donations	3,471	-	-	-	-	-	3,471
Other donations	350	-	-	-	-	-	350
Risk management	1,000,000	-	-	-	-	-	1,000,000
Compensated absences	2,851,799	-	-	-	-	-	2,851,799
Subsequent years' budget	-	-	1,755,222	1,670,208	-	135,346	3,560,776
Unassigned (deficit)	<u>13,320,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>465</u>	<u>13,320,655</u>
Total fund balance	<u>\$ 29,431,495</u>	<u>\$ 85,335</u>	<u>\$ 13,932,976</u>	<u>#####</u>	<u>\$ 3,979,822</u>	<u>\$ 3,563,308</u>	<u>\$ 54,878,136</u>

NOTE 15 - CONDUIT DEBT

From time to time, the City's Commercial Development Authority issues bonds to provide assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At September 30, 2020, the aggregate principal amount payable totaled \$227,227,500.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 16 - TAX ABATEMENTS

The City enters into sales 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, 2020, the City abated taxes totaling \$1,462,255 under this Act, as summarized below.

Purpose	Type of Taxes Abated	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year	Expiration of Incentive¹	Maximum Incentive Amount
Retail development	Sales ⁷	87.50%	\$ 1,276,283	March 2023	\$ 9,000,000
		62.50%	-	March 2028	
Medical center development and expansion	Ad Valorem ²	75.00%	101,328	March 2032	5,000,000
Bank development	Ad Valorem ² Construction-related transactions ³	100% ⁴	-	October 2027 October 2037	N/A
Commercial development	Lodging Tax	75.00%	-	December 2028	10,000,000
Restaurant development	Sales ⁷ Ad Valorem ² Business License	50.00% 100.00% 100.00%	- 5,059 -	February 2028 February 2021 February 2021	500,000
Restaurant development	Ad Valorem ² Construction-related transactions ³	100.00%	-	October 2024	N/A
Restaurant development	Sales ⁵	50.00%	79,585	July 2028	300,000

1 Earlier of date below or maximum incentive amount, if applicable

2 Non-educational portion only

3 Transaction taxes imposed by Chapter 23 of Title 40 of the Code of Alabama 1975 on tangible personal property and taxable services to be incorporated into the Project except any taxes levied for educational purposes

4 100% Jefferson County and State of Alabama and 100% City less \$30,000 payment by Bank

5 Non-educational portion only and none dedicated to capital reserves

6 From project tenants

7 2% sales tax

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 17 - DEFERRED COMPENSATION PLAN

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergencies.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plans. Under the plans, participants select investments from alternatives offered by the plan administrators, who are under contract with the City to manage the plans. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the particular plan and its administration.

The City placed the deferred compensation plan's assets into a trust for the exclusive benefit of the plan's participants and beneficiaries in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The City has little administrative involvement and does not perform the investing function for the plans. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plans. Therefore, the City employees' deferred compensation plans created in accordance with IRC 457 are not reported in the financial statements of the City.

NOTE 18 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. There was no financial statement impact as a result of the implementation of the Statement.

The GASB issued Statement No. 84, *Fiduciary Activities* to establish criteria for identifying fiduciary activities of all state and local governments. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2019. The City is currently evaluating the impact GASB 84 may have on its financial statements.

The GASB issued Statement No. 87, *Leases* to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB 87 are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact GASB 87 may have on its financial statements.

CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2020

(Continued)

NOTE 18 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2020. The City is currently evaluating the impact GASB 89 may have on its financial statements.

The GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of GASB 90 are effective for fiscal years beginning after December 15, 2019. The City is currently evaluating the impact GASB 90 may have on its financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations* to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of GASB 91 are effective for fiscal years beginning after December 15, 2021. The City is currently evaluating the impact GASB 91 may have on its financial statements.

The GASB issued Statement No. 92, *Omnibus 2020* to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact GASB 92 may have on its financial statements.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of GASB 93 are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact GASB 93 may have on its financial statements.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of GASB 94 are effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the impact GASB 94 may have on its financial statements.

CITY OF HOMEWOOD, ALABAMA
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 18 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the impact GASB 96 may have on its financial statements.

NOTE 19 - UNCERTAINTIES

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOMEWOOD, ALABAMA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 44,175,778	\$ 45,053,592	\$ 41,696,984	\$ (3,356,608)
Licenses and permits	7,992,800	7,992,800	7,762,981	(229,819)
Intergovernmental	106,295	106,295	53,148	(53,147)
Charges for services	1,529,097	1,529,097	844,544	(684,553)
Fines and forfeitures	789,932	789,932	806,561	16,629
Other	813,847	1,067,958	814,598	(253,360)
Total revenues	<u>55,407,749</u>	<u>56,539,674</u>	<u>51,978,816</u>	<u>(4,560,858)</u>
Expenditures				
General government administration	6,866,020	7,138,570	6,698,234	440,336
Public safety	19,135,948	19,179,843	18,331,125	848,718
Public works	6,756,719	6,804,005	6,341,961	462,044
Culture and recreation	7,966,618	7,933,849	6,999,046	934,803
Total expenditures	<u>40,725,305</u>	<u>41,056,267</u>	<u>38,370,366</u>	<u>2,685,901</u>
Excess of revenues over expenditures	<u>14,682,444</u>	<u>15,483,407</u>	<u>13,608,450</u>	<u>(1,874,957)</u>
Other financing sources (uses)				
Appropriation to City Board of Education	(8,718,009)	(8,790,264)	(8,854,743)	(64,479)
Operating transfers in (out)	<u>(5,944,450)</u>	<u>(6,673,158)</u>	<u>(4,697,022)</u>	<u>1,976,136</u>
Total other financing sources (uses)	<u>(14,662,459)</u>	<u>(15,463,422)</u>	<u>(13,551,765)</u>	<u>1,911,657</u>
Net changes in fund balance	<u>\$ 19,985</u>	<u>\$ 19,985</u>	<u>\$ 56,685</u>	<u>\$ 36,700</u>

See notes to required supplementary information.

CITY OF HOMEWOOD, ALABAMA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
1947 School Tax Special Revenue Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 9,210,313	\$ 9,569,938	\$ 9,932,404	\$ 362,466
Other	292	292	844	552
Total revenues	<u>9,210,605</u>	<u>9,570,230</u>	<u>9,933,248</u>	<u>363,018</u>
Expenditures				
General government administration	214,269	221,004	221,003	1
Total expenditures	<u>214,269</u>	<u>221,004</u>	<u>221,003</u>	<u>1</u>
Excess of revenues over expenditures	<u>8,996,336</u>	<u>9,349,226</u>	<u>9,712,245</u>	<u>363,019</u>
Other financing sources (uses)				
Appropriation to City Board of Education	(8,996,336)	(9,349,226)	(9,711,313)	362,087
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>(8,996,336)</u>	<u>(9,349,226)</u>	<u>(9,711,313)</u>	<u>362,087</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 932</u>	<u>\$ 725,106</u>

See notes to required supplementary information.

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 1,682,515	\$ 1,617,464	\$ 1,596,114	\$ 1,570,223	\$ 1,606,256	\$ 1,514,594
Interest	7,988,096	7,900,805	7,631,698	7,452,923	7,064,565	6,864,354
Differences between expected and actual experience	1,268,729	(887,912)	632,642	(1,385,530)	2,393,143	-
Changes of assumptions	-	526,996	-	4,195,512	-	-
Benefit payments, including refunds of employee contributions	(7,210,155)	(7,237,379)	(6,885,805)	(6,393,275)	(6,025,687)	(5,726,936)
Transfers among employers	298,709	(137,955)	673,497	118,385	-	-
Net change in total pension liability	4,027,894	1,782,019	3,648,146	5,558,238	5,038,277	2,652,012
Total pension liability - beginning	107,346,584	105,564,565	101,916,419	96,358,181	91,319,904	88,667,892
Total pension liability - ending (a)	<u>\$ 111,374,478</u>	<u>\$ 107,346,584</u>	<u>\$ 105,564,565</u>	<u>\$ 101,916,419</u>	<u>\$ 96,358,181</u>	<u>\$ 91,319,904</u>
Plan fiduciary net position						
Contributions - employer	\$ 2,951,627	\$ 2,490,953	\$ 2,362,811	\$ 2,227,078	\$ 2,175,800	\$ 2,170,917
Contributions - member	1,628,411	1,546,005	1,460,525	1,440,137	1,399,641	1,416,151
Net investment income	1,704,121	5,861,750	7,514,350	5,655,277	684,853	6,467,463
Benefit payments, including refunds of employee contributions	(7,210,155)	(7,237,379)	(6,885,805)	(6,393,275)	(6,025,687)	(5,726,936)
Transfers among employers	298,709	(137,955)	673,497	118,385	(703,937)	8,096
Net change in plan fiduciary net position	(627,287)	2,523,374	5,125,378	3,047,602	(2,469,330)	4,335,691
Plan net position - beginning	67,530,518	65,007,144	59,881,766	56,834,164	59,303,494	54,967,803
Plan net position - ending (b)	<u>\$ 66,903,231</u>	<u>\$ 67,530,518</u>	<u>\$ 65,007,144</u>	<u>\$ 59,881,766</u>	<u>\$ 56,834,164</u>	<u>\$ 59,303,494</u>
Net pension liability (a) - (b)	<u>\$ 44,471,247</u>	<u>\$ 39,816,066</u>	<u>\$ 40,557,421</u>	<u>\$ 42,034,653</u>	<u>\$ 39,524,017</u>	<u>\$ 32,016,410</u>
Plan fiduciary net position as a percentage of the total pension liability	60.07%	62.91%	61.58%	58.76%	58.98%	64.94%
Covered payroll						
Net pension liability as a percentage of covered payroll	170.23%	213.28%	226.81%	240.89%	229.58%	180.52%

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 Homewood will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF HOMEWOOD, ALABAMA
Schedule of Employer Contributions - Pension
Last Six Years Ended September 30,

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 3,092,544	\$ 2,935,850	\$ 2,490,953	\$ 2,428,864	\$ 2,229,341	\$ 2,235,651
Contributions in relation to the actuarially determined contributions	3,092,544	2,935,850	2,490,953	2,428,864	2,229,341	2,235,651
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 20,618,399	\$ 26,124,101	\$ 18,668,442	\$ 17,881,512	\$ 17,449,607	\$ 17,215,560
Contributions as a percentage of covered payroll	15.00%	11.24%	13.34%	13.58%	12.78%	12.99%

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 Homewood will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF HOMEWOOD, ALABAMA
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Three Years Ended September 30,

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 66,448	\$ 66,448	\$ 63,855
Interest	84,652	78,129	77,367
Differences between expected and actual experience	(118,786)	-	-
Changes of assumptions	170,972	-	-
Benefit payments and net transfers	(42,991)	(57,708)	(59,478)
Net change in total OPEB liability	160,295	86,869	81,744
Total OPEB liability - beginning	2,040,076	1,953,207	1,871,463
Total OPEB liability - ending	\$ 2,200,371	\$ 2,040,076	\$ 1,953,207
Covered payroll	\$ 18,109,896	\$ 16,835,986	\$ 16,835,986
Total OPEB liability as a percentage of covered payroll	12.15%	12.12%	11.60%

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 Homewood will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF HOMEWOOD, ALABAMA
Notes to Required Supplementary Information
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

The City Council adopts budgets for the General Fund and the 1947 School Tax Special Revenue Fund at the beginning of each fiscal year in accordance with Alabama law. Once approved, the City Council may amend the legally adopted budgets when unexpected modifications are required in estimated revenues and expenditures.

NOTE 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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020 consisted of the following:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	28.6 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

NOTE 3 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES

Benefit Changes - There were no changes of benefit terms for the year ended September 30, 2020.

Changes in Assumptions - The discount rate as of September 30, 2019 was 4.06% and it changed to 2.25% as of September 30, 2020.

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

CITY OF HOMEWOOD, ALABAMA
Notes to Required Supplementary Information
September 30, 2020
(Continued)

NOTE 3 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES - Continued

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020 consisted of the following:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare trend	4.50% level
Salary increases	3.50%, including inflation
Discount rate	4.06% annually (beginning of year) 2.25% annually (as of end of year to measurement date)
Retirement age	Retirement through the Retirement System of Alabama with 25 years of service or age 60 and 10 years of service. Retirees must have at least 15 years of service with the City and be at least age 50 at retirement.
Mortality	RPH-2014 with projection MP-2019
Turnover	Age-specific table with an average of 10% when applied to the active census