

**CITY OF HOMEWOOD, ALABAMA**

**HOMEWOOD, ALABAMA**

Financial Statements

September 30, 2021

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2021, 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 64-70 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 August 5, 2022, 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  
August 5, 2022

## 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, 2021. 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 2021 fiscal year by approximately \$2.0 million (net position).
- The City's net position increased by approximately \$1.9 million in fiscal year 2021, primarily due to increase in sales and use tax and property tax.
- The total cost of the City's programs for the 2021 fiscal year was approximately \$77.9 million. The net cost was approximately \$67.6 million after subtracting grants and charges for services. Of this net cost, approximately \$19.6 million were payments to the Homewood Board of Education.
- The General Fund revenues received for the 2021 fiscal year exceeded expenditures by \$269,357. This was the amount of revenues exceeding expenditures after the City transferred \$8.8 million from the General Fund to the Debt Service Fund for future principal and interest payments.
- At the end of the 2021 fiscal year, the General Fund unassigned fund balance was \$13.6 million, or 35% of the total General Fund operating expenditures.
- Net capital assets for the 2021 fiscal year decreased by approximately \$3.7 million primarily due to the completion of infrastructure projects and the City's Public Safety Facility offset by current year depreciation expense.
- The City's long-term debt increased by approximately \$15.9 million primarily due to borrowings for capital projects within the City offset by principal payments made during the 2021 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, 2021.

**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, Capital Projects Fund, GOW Construction Fund, and Grants Fund. All special revenue funds are presented as *other governmental funds*, except the 1947 School Tax Fund and Grants Fund, which are major funds.

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 64 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)	
	2021	2020
<b>Assets and deferred outflow of resources</b>		
Current and other assets	\$ 100,853	\$ 83,290
Capital assets	141,749	144,260
Deferred outflow of resources	19,377	10,725
Total assets and deferred outflow of resources	261,979	238,275
<b>Liabilities and deferred inflows of resources</b>		
Current liabilities	17,365	13,870
Long-term liabilities	222,459	206,200
Deferred inflows of resources	24,136	23,375
Total liabilities and deferred inflows of resources	263,960	243,445
<b>Net position</b>		
Net investment in capital assets	45,828	2,790
Restricted	25,404	13,025
Unrestricted	(73,213)	(20,985)
Total net position	\$ (1,981)	\$ (5,170)



The City's assets were less than its liabilities (net position) by approximately \$2.0 million at September 30, 2021. This consists of assets (net of related debt) invested in capital of approximately \$45.8 million and \$25.4 million of assets restricted by law for specific purposes and a negative balance in unrestricted net position of approximately \$73.2 million. This negative balance in unrestricted net position is primarily the result of warrant proceed amounts contributed to the Homewood Board of Education for capital improvements and due to restricted net position pertaining to funds required to be used for capital projects.

Assets (net of related debt) invested in capital of approximately \$45.8 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 net position, as a whole, are reported in detail in the *Statement of Net Position* on page 15. *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, 2021.

**Table 2: Summary of Changes in Net Position**

	Fiscal year ended September 30,	
	2021	2020
Program revenues		
Charges for services	\$ 8,002	\$ 7,350
Operating grants and contributions	1,764	1,542
Capital grants and contributions	474	1,592
General revenues		
Taxes	69,124	63,125
Investment earnings	148	584
Gain on disposal of capital assets	29	41
Miscellaneous revenue	254	216
Total revenues	79,795	74,450
Program expenses		
General government	12,033	15,199
Public safety	22,814	22,007
Public works	7,209	7,733
Culture/recreation	9,309	8,041
Payments to Homewood BOE	19,551	38,700
Interest on long-term debt	6,945	6,441
Total expenses	77,861	98,121
Change in net position	1,934	(23,671)
Net position, beginning	(5,170)	18,501
Restatement	1,255	-
Net position, ending	\$ (1,981)	\$ (5,170)

The City's revenues increased by approximately \$5.3 million, or approximately 7.2% from the last fiscal year. This increase is primarily attributable to increased tax revenues received. Capital and operating grants and contributions decreased by approximately \$896,000 in FY 2021 due to prior year receipt of CARES Act funds not received in the current year. The City's program expenses decreased by \$20.3 million resulting from a decrease in payments to the Homewood Board of Education related to capital projects in the prior year.

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, 2021 (dollars in thousands)	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General governmental administration	\$ 12,033	\$ 6,188
Public safety	22,814	22,648
Public works	7,209	4,109
Culture and recreation	9,309	8,180
Payments to Homewood BOE	19,551	19,551
Interest on long-term debt	6,945	6,945
<b>Total</b>	<b>\$ 77,861</b>	<b>\$ 67,621</b>

### **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 \$68.6 million available for future operations, with \$13.9 million of this fund balance consisting of bond proceeds which will be spent in the immediate future from the GOW Construction Fund capital projects and 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 64. The City's actual results as compared to the City's budget can be briefly summarized as follows:

- Revenues were more than the final approved budget by \$1.4 million, primarily due to sales tax actual collections and lodging taxes being more than budgeted projections.
- Actual expenditures were more than the final approved budget amount by approximately \$2.6 million, primarily due to actual revenues over approved budgeted amounts.
- Overall actual results exceeded final budget projections by \$238,192, after transferring \$8.8 million from the General Fund to the debt service fund and accruing employee bonuses payable in November, 2021 of approximately \$314,000. The adopted budget for fiscal year 2021 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, 2021, amounted to \$141.7 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)**

	As of September 30, (dollars in thousands)	
	2021	2020
Land	\$ 39,642	\$ 39,642
Construction in progress	4,737	26,483
Buildings	79,464	60,202
Land/infrastructure improvements	8,586	8,428
Equipment, furniture, computers and vehicles	9,320	10,760
Capital assets, net of depreciation	<u>\$ 141,749</u>	<u>\$ 145,515</u>

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

Construction in progress	\$ 1,574
Buildings	22,687
Land/infrastructure improvements	1,517
Equipment, furniture, computers, and vehicles	1,001
<b>Total</b>	<u><u>\$ 26,779</u></u>

**Long-Term Debt** - At year end, the City had almost \$180 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, 2021 (dollars in thousands)		
	Beginning Balance	Net Change	Ending Balance
Governmental activities			
2012 warrants with unamortized warrant premium	\$ 7,670	\$ (7,670)	\$ -
2016 warrants with unamortized warrant premium	141,947	(92,609)	49,338
2017 warrants with unamortized warrant premium	9,672	(61)	9,611
2020 warrants	-	48,410	48,410
2021-A warrant with unamortized warrant premium	-	6,454	6,454
2021-B warrant with unamortized warrant premium	-	62,584	62,584
Capital lease payable	562	(432)	130
Notes payable	3,888	(791)	3,097
Totals	<u>\$ 163,739</u>	<u>\$ 15,885</u>	<u>\$ 179,624</u>

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

- Outstanding Warrant Obligations were approximately \$159 million at the beginning of the fiscal year and consisted of the 2012, 2016, and 2017 warrant issues. During fiscal year 2021, the City issued Series 2020 warrants to refund series 2012 and partially refund Series 2016 warrants. In addition, the City issued Series 2021-A warrants for capital improvements and issued Series 2021-B to partially refund Series 2016 warrants.

**Fiscal Year 2021-2022 Budget** - The City Council approved an original budget of revenues and expenditures for a total of approximately \$91 million for all funds (General and Special Revenue), exclusive of the 1947 School Tax Fund and GOW Construction Fund, for the fiscal year ended September 30, 2022. The 1947 School Tax Fund budget consists of property tax dedicated to the schools, and this budget for FY 2022 is approximately \$10.2 million. The GOW Construction Fund has an approximate budget of \$7.7 million for the I65 Lakeshore Diamond Interchange project, Greenway II construction and continued street paving expenditures.

**Economic Factors** - The 18<sup>th</sup> Street Revitalization Project on the east side was completed in FY 2020-2021 and Edgar's Bakery, Rodney Scott BBQ and Lil Donkey opened by the new Valley Hotel. The 18<sup>th</sup> Street Revitalization west side project as well as the Green Springs Highway Revitalization will continue in FY 2021-2022. The City received over \$3 million dollars in American Rescue Plan Act (ARPA) grant money in FY 2020-2021 and budgeted to use over \$1.5 million of this money for storm sewer infrastructure and creek wall repair needed in the City, and \$1 million to replace the HVAC system in City Hall in FY 2021-2022. The City also paid almost \$800,000 from the ARPA funds in FY 2020-2021 to employees working during the 2020 pandemic.

**Personnel Administration Cost** - The City's personnel administration is provided by the Personnel Board of Jefferson County (PBJC). The 2021-2022 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, \$338,277 was given by them and accrued as expense and payable at September 30, 2021. This amount represents costs incurred in the prior fiscal year and represents an approximately 2% increase over the FY 2019-2020 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 6%, beginning January 1, 2022. The City achieved preferred rating in part through meeting the wellness screening participation goals in fiscal year 2020-2021. The Mayor recommended, and the City Council approved, the City and not the employees to fund this increase for the FY 2021-2022 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. 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 \$700,000 payable over 15 years and became effective October 1, 2021. The City's contribution percentage for Tier 1 employees and converted Tier 2 employees contributing 7.5% and 8.5% to retirement is 16.06% for Tier 1 employees and 16.29% for converted Tier 2 employees for fiscal year 2021-2022.

**Cost-of-Living Raise** - The Mayor recommended, and the City Council of Homewood approved a 1% Cost-of-Living Raise in the Budget for FY2021-2022.

**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, 2021

	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 9,679,015
Deposit and investments	11,946,417
Accounts receivable	27,364,709
Prepaid expenses	479,102
Restricted cash and cash equivalents	43,711,385
Restricted deposits and investments	7,671,636
Total current assets	<u>100,852,264</u>
Noncurrent assets	
Nondepreciable capital assets	44,379,086
Depreciable capital assets, net	97,369,783
Total noncurrent assets	<u>141,748,869</u>
Total assets	<u>242,601,133</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	7,395,442
Deferred outflows related to OPEB	122,810
Deferred charge on refunding	11,859,201
Total deferred outflows of resources	<u>19,377,453</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	3,684,767
Accrued expenses	1,320,334
Due to other governments	1,608,329
Unearned revenue	2,258,407
Accrued interest payable	452,578
Current maturities of long-term liabilities	
Warrants payable, net	5,899,539
Capital lease payable	130,384
Notes payable	794,681
Compensated absences	1,216,008
Total current liabilities	<u>17,365,027</u>

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

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

	<b>Primary Government Governmental Activities</b>
Noncurrent liabilities	
Warrants payable, net	\$ 170,496,969
Notes payable	2,301,970
Compensated absences	1,216,008
Other post-employment benefits	2,263,626
Net pension liability	46,180,533
Total noncurrent liabilities	<u>222,459,106</u>
 Total liabilities	 <u>239,824,133</u>
 <b>Deferred inflows of resources</b>	
Property taxes levied for subsequent year	23,349,142
Deferred inflows related to pensions	701,085
Deferred inflows related to OPEB	85,326
Total deferred inflows of resources	<u>24,135,553</u>
 <b>Net position</b>	
Net investment in capital assets	45,827,638
Restricted for	
Public works	1,877,218
Public safety/Municipal court	1,375,871
Debt service	9,639,409
Capital projects	12,223,436
Other purposes	287,922
Unrestricted	<u>(73,212,594)</u>
 Total net position	 <u>\$ (1,981,100)</u>

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



# CITY OF HOMEWOOD, ALABAMA

## Statement of Activities Year Ended September 30, 2021

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>Governmental activities</b>					
General government administration	\$ 12,032,797	\$ 5,590,332	\$ 254,795	\$ -	\$ (6,187,670)
Public safety	22,814,187	59,162	107,351	-	(22,647,674)
Public works	7,208,813	1,282,723	1,343,029	473,964	(4,109,097)
Culture and recreation	9,309,008	1,070,189	59,028	-	(8,179,791)
Payments to Homewood BOE	19,550,621	-	-	-	(19,550,621)
Interest on long-term debt	6,945,058	-	-	-	(6,945,058)
<b>Total governmental activities</b>	<b>77,860,484</b>	<b>8,002,406</b>	<b>1,764,203</b>	<b>473,964</b>	<b>(67,619,911)</b>
<b>Total primary government</b>	<b>\$ 77,860,484</b>	<b>\$ 8,002,406</b>	<b>\$ 1,764,203</b>	<b>\$ 473,964</b>	<b>(67,619,911)</b>
<b>General revenues and other items</b>					
Taxes					
Sales					
Property					
Other					
Franchise fees					
Interest earnings					
Gain on disposal of capital assets					
Miscellaneous					
<b>Total general revenues and other items</b>					
<b>Change in net position</b>					
<b>Net position - beginning of year, as originally reported</b>					
<b>Prior period adjustment</b>					
<b>Net position - beginning of year, as restated</b>					
<b>Net position - end of year</b>					

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

# CITY OF HOMEWOOD, ALABAMA

## Balance Sheet Governmental Funds September 30, 2021

	General	1947 School Tax	Debt Service	Capital Projects	GOW Construction	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 9,679,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,679,015
Deposit and investments	11,946,417	-	-	-	-	-	-	11,946,417
Accounts receivable	10,054,796	10,567,279	6,340,282	199,600	51,641	104,878	46,233	27,364,709
Prepaid expenditures	479,102	-	-	-	-	-	-	479,102
Due from other funds	1,933,012	51,963	31,105	280,796	-	-	87,231	2,384,107
Restricted cash and cash equivalents	727,030	171,247	18,052,486	3,295,930	13,934,489	3,186,489	4,343,714	43,711,385
Restricted deposits and investments	7,671,636	-	-	-	-	-	-	7,671,636
Total assets	<u>\$ 42,491,008</u>	<u>\$ 10,790,489</u>	<u>\$ 24,423,873</u>	<u>\$ 3,776,326</u>	<u>\$ 13,986,130</u>	<u>\$ 3,291,367</u>	<u>\$ 4,477,178</u>	<u>\$ 103,236,371</u>
<b>Liabilities</b>								
Accounts payable	\$ 3,071,532	\$ -	\$ 17,942	\$ 278,342	\$ 55,225	\$ -	\$ 261,726	\$ 3,684,767
Accrued expenses	1,320,334	-	-	-	-	-	-	1,320,334
Due to other governmental units	1,608,329	-	-	-	-	-	-	1,608,329
Due to other funds	211,211	-	755,652	699	-	1,069,778	346,767	2,384,107
Unearned revenue	40,990	-	-	375	-	2,217,042	-	2,258,407
Total liabilities	<u>6,252,396</u>	<u>-</u>	<u>773,594</u>	<u>279,416</u>	<u>55,225</u>	<u>3,286,820</u>	<u>608,493</u>	<u>11,255,944</u>
<b>Deferred inflow of resources</b>								
Property taxes levied for subsequent years	6,537,760	10,507,114	6,304,268	-	-	-	-	23,349,142
Total deferred inflow of resources	<u>6,537,760</u>	<u>10,507,114</u>	<u>6,304,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,349,142</u>
<b>Fund balance</b>								
Nonspendable	479,102	-	-	-	-	-	-	479,102
Restricted	-	283,375	9,639,409	-	12,223,436	4,547	3,253,089	25,403,856
Committed	11,946,425	-	-	-	-	-	-	11,946,425
Assigned	3,627,076	-	7,706,602	3,496,910	1,707,469	-	615,132	17,153,189
Unassigned	13,648,249	-	-	-	-	-	464	13,648,713
Total fund balances	<u>29,700,852</u>	<u>283,375</u>	<u>17,346,011</u>	<u>3,496,910</u>	<u>13,930,905</u>	<u>4,547</u>	<u>3,868,685</u>	<u>68,631,285</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 42,491,008</u>	<u>\$ 10,790,489</u>	<u>\$ 24,423,873</u>	<u>\$ 3,776,326</u>	<u>\$ 13,986,130</u>	<u>\$ 3,291,367</u>	<u>\$ 4,477,178</u>	<u>\$ 103,236,371</u>

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, 2021

<b>Total fund balances - governmental funds</b>	\$	68,631,285
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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	249,390,167	
Less accumulated depreciation	<u>(107,641,298)</u>	141,748,869

Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.		(452,578)
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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	(169,675,000)	
Warrant premiums	(6,721,508)	
Deferred outflows of resources for pensions	7,395,442	
Deferred outflows of resources for OPEB	122,810	
Deferred outflow of resources for deferred charges	11,859,201	
Capital lease payable	(130,384)	
Notes payable	(3,096,651)	
Total OPEB liability	(2,263,626)	
Net pension liability	(46,180,533)	
Compensated absences	(2,432,016)	
Deferred inflows of resources for pensions	(701,085)	
Deferred inflows of resources for OPEB	<u>(85,326)</u>	<u>(211,908,676)</u>

<b>Total net position- governmental activities</b>	\$	<u><u>(1,981,100)</u></u>
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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, 2021

	General	1947 School Tax	Debt Service	Capital Projects	GOW Construction	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Taxes	\$ 47,149,618	\$ 10,257,875	\$ 6,089,395	\$ 2,400,097	\$ -	\$ -	\$ 648,331	\$ 66,545,316
Licenses and permits	8,033,821	-	-	-	-	-	32,452	8,066,273
Intergovernmental	107,351	-	257,295	-	-	471,464	1,343,667	2,179,777
Charges for services	1,224,485	-	-	-	-	-	314,284	1,538,769
Fines and forfeitures	536,467	-	-	-	-	-	126,785	663,252
Other	567,254	378	26,655	28,099	12,832	959	135,455	771,632
Total revenues	57,618,996	10,258,253	6,373,345	2,428,196	12,832	472,423	2,600,974	79,765,019
<b>Expenditures</b>								
General government administration	7,204,827	257,038	274,322	289,826	121,967	-	1,084,802	9,232,782
Public safety	18,642,843	-	-	835,413	33,254	-	1,045,460	20,556,970
Public works	6,145,248	-	-	145,247	-	-	112,794	6,403,289
Culture and recreation	6,805,966	-	-	65,634	-	-	48,239	6,919,839
Capital outlay	-	-	-	1,835,939	1,624,111	-	-	3,460,050
Debt service								
Principal retirement	-	-	5,232,578	-	-	-	-	5,232,578
Interest	-	-	6,400,838	-	-	-	-	6,400,838
Issuance of debt costs	-	-	1,101,825	-	-	-	-	1,101,825
Total expenditures	38,798,884	257,038	13,009,563	3,172,059	1,779,332	-	2,291,295	59,308,171
Excess (deficiency) of revenues over (under) expenditures	18,820,112	10,001,215	(6,636,218)	(743,863)	(1,766,500)	472,423	309,679	20,456,848
<b>Other financing sources (uses)</b>								
Proceeds from bond issuance	-	-	116,655,000	-	-	-	-	116,655,000
Premium on issuance of warrants	-	-	1,480,148	-	-	-	-	1,480,148
Payment to refunded warrant escrow agent	-	-	(105,317,390)	-	-	-	-	(105,317,390)
Proceeds from sale of capital assets	-	-	-	29,164	-	-	-	29,164
Appropriation to Homewood BOE	(9,747,446)	(9,803,175)	-	-	-	-	-	(19,550,621)
Operating transfers (out) in	(8,803,309)	-	(2,768,505)	326,409	11,717,583	(473,159)	981	-
Total other financing sources (uses)	(18,550,755)	(9,803,175)	10,049,253	355,573	11,717,583	(473,159)	981	(6,703,699)
Net changes in fund balance	269,357	198,040	3,413,035	(388,290)	9,951,083	(736)	310,660	13,753,149
Fund balance - beginning of year	29,431,495	85,335	13,932,976	3,885,200	3,979,822	5,283	3,558,025	54,878,136
Fund balance - end of year	\$ 29,700,852	\$ 283,375	\$ 17,346,011	\$ 3,496,910	\$ 13,930,905	\$ 4,547	\$ 3,868,685	\$ 68,631,285

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, 2021

**Net changes in fund balances - governmental funds** \$ 13,753,149

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	3,460,050	
Less depreciation expense	(7,226,499)	(3,766,449)

The proceeds from the sale of capital assets (\$29,164) 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 \$29,164.

-

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	5,232,578	
Proceeds from issuance of warrants	(116,655,000)	
Premium on issuance of warrants	(1,480,148)	
Payment to refunded warrant and bond escrow agent	105,317,390	
Warrant premiums and deferred amounts on refunding amortization expense	415,490	(7,169,690)

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	419,783	
Net increase in pension expense	(1,374,604)	
Net increase in post-employment benefit payable	(70,606)	
Net decrease in accrued interest	142,115	(883,312)

**Change in net position - governmental activities** \$ 1,933,698

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

## **CITY OF HOMEWOOD, ALABAMA**

### **Notes to Financial Statements**

September 30, 2021

#### **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 August 5, 2022, 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, 2021

(Continued)

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Government-Wide and Fund Financial Statements - Continued**

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

*Fund Financial Statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. 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, 2021

(Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Measurement Focus and Basis of Accounting - Continued

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Current resources measurement is connected with the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become *measurable* and *available*). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes and intergovernmental revenues. Expenditures are recognized when the related liability is incurred, with the exception of principal and interest on general obligation long-term debt, compensated absences, 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, 2021

(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.

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

**Grants Fund** - The City's Grant Fund is used to account for grant proceeds and expenditures related to various grants awarded to the City. The fund includes the City's allocation of the American Rescue Plan Act funds.

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 and the Grants 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.

## **CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Cash and Cash Equivalents - Continued**

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.

#### **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, 2021**

**(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, 2021

(Continued)

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Fair Value - Continued**

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

#### **Deferred Outflows of Resources**

The City's Statements of Net Position report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. Deferred outflows of resources reported in the financial statements are amounts of pension contributions through the end of the City's fiscal year to be recognized by the pension plan on the accrual basis of accounting in the next measurement period and are deferred amounts arising from the refunding of warrants payable. The deferred refunding amounts are being amortized over the remaining lives 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, 2021

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Position. Warrant premiums and discounts are deferred and amortized over the lives 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, 2021

(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, 2020 and, therefore, this actuarial information is reported in the 2021 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, 2021

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fund Equity**

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

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

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

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

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

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

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

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, 2021

(Continued)

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Equity**

The deficit fund equities of \$72 in the Homewood court restitution fund and \$22,629 in the Municipal court 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, 2021, 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
U.S. Treasury bills	\$ 999,950	\$ 999,950	\$ -
Municipal bonds	3,327,749	3,148,008	179,741
Government-sponsored entities	15,290,354	8,684,938	6,605,416
Total	<u>\$ 19,618,053</u>	<u>\$ 12,832,896</u>	<u>\$ 6,785,157</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, 2021

(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, 2021: Federal Home Loan Bank – 34.03%, Federal Home Loan Mortgage Corporation – 12.33%, Federal National Mortgage Association – 13.79%, Federal Farm Credit Bank – 15.7%, Alabaster Board of Education municipal bonds – 5.44%, 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, 2021 were insured.

At September 30, 2021, the City held certain investments that were not authorized by state statute.

### NOTE 4 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2021:

	General	1947 School Tax	Debt Service	Capital Projects	2016 GOW Construction	Grants Fund	Nonmajor Governmental Funds	Total
Sales tax	\$ 3,270,033	\$ -	\$ -	\$199,600	\$ -	\$ -	\$ -	\$ 3,469,633
Property tax	6,537,760	10,507,114	6,304,268	-	-	-	-	23,349,142
Intergovernmental	-	-	-	-	-	-	46,120	46,120
Other receivables	247,003	60,165	36,014	-	51,641	104,878	113	499,814
Total receivables	<u>\$ 10,054,796</u>	<u>\$ 10,567,279</u>	<u>\$ 6,340,282</u>	<u>\$ 199,600</u>	<u>\$ 51,641</u>	<u>\$ 104,878</u>	<u>\$ 46,233</u>	<u>\$ 27,364,709</u>

Payables consisted of the following at September 30, 2021:

	General	Debt Service	Capital Projects	2016 GOW Construction	Nonmajor Governmental Funds	Total
Trade	\$ 1,008,904	\$ -	\$ -	\$ -	\$ 261,726	\$ 1,270,630
Other	2,062,628	17,942	182,584	-	-	2,263,154
Capital assets	-	-	95,758	55,225	-	150,983
Total payables	<u>\$ 3,071,532</u>	<u>\$ 17,942</u>	<u>\$ 278,342</u>	<u>\$ 55,225</u>	<u>\$ 261,726</u>	<u>\$ 3,684,767</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 5 - CAPITAL ASSETS**

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

	<b>Governmental Activities</b>			
	<b>October 1, 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>September 30, 2021</b>
<b>Depreciable assets</b>				
Land and infrastructure improvements	\$ 56,874,546	\$ 1,517,357	\$ -	\$ 58,391,903
Buildings and improvements	84,406,892	22,686,849	-	107,093,741
Equipment	38,889,989	1,001,448	366,000	39,525,437
	<u>180,171,427</u>	<u>25,205,654</u>	<u>366,000</u>	<u>205,011,081</u>
Less accumulated depreciation				
Land and infrastructure improvements	48,446,433	1,358,973		49,805,406
Buildings and improvements	24,204,805	3,425,269	-	27,630,074
Equipment	28,129,561	2,442,257	366,000	30,205,818
	<u>100,780,799</u>	<u>7,226,499</u>	<u>366,000</u>	<u>107,641,298</u>
	79,390,628	17,979,155	-	97,369,783
<b>Non-depreciable assets</b>				
Land and improvements	39,642,075	-	-	39,642,075
Construction in progress	26,482,615	1,574,052	23,319,656	4,737,011
	<u>66,124,690</u>	<u>1,574,052</u>	<u>23,319,656</u>	<u>44,379,086</u>
	<u>\$ 145,515,318</u>	<u>\$ 19,553,207</u>	<u>\$ 23,319,656</u>	<u>\$ 141,748,869</u>

Depreciation expense was charged to governmental activities as follows:

General government administration	\$ 2,736,721
Public safety	1,676,987
Public works	561,014
Culture and recreation	<u>2,251,777</u>
	<u>\$ 7,226,499</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 6 - LONG-TERM DEBT**

The City issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities. The City is in compliance with all significant limitations and restrictions contained in the ordinances authorizing the issuance of general obligation warrants.

General obligation warrants are direct obligations and pledge the full faith and credit of the City. Debt service for the warrants is provided by tax revenues of the City's General Fund. These warrants generally are issued as 20-year serial warrants with increasing amounts of principal maturing and decreasing amounts of interest payable each year.

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

	<b>Governmental Activities</b>
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%	\$ 44,295,000
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%	9,405,000
Series 2020 Taxable General Obligation Warrants, dated October 22, 2020, due in semi-annual payments through September 1, 2046, bearing interest rates of .325% to 2.753%	48,410,000
Series 2021-A General Obligation Warrants, dated September 1, 2021, due in semi-annual payments through September 1, 2041, bearing interest rates of 4.00%	5,330,000
Series 2021-B Taxable General Obligation Warrants, dated September 1, 2021, due in semi-annual payments through September 1, 2040, bearing interest rates of 1.891% to 2.60%	<u>62,235,000</u>
Total warrants payable	<u><u>\$ 169,675,000</u></u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 6 - LONG-TERM DEBT - Continued**

	<b>Governmental Activities</b>
Total warrants payable	\$ 169,675,000
Deferred amounts for	
Unamortized premiums (GOW Series 2016)	5,042,648
Unamortized premiums (GOW Series 2017)	205,689
Unamortized premiums (GOW Series 2021-A)	1,123,688
Unamortized premiums (GOW Series 2021-B)	349,483
Total warrants payable, net	<u>\$ 176,396,508</u>

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

	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 4,970,000	\$ 5,338,590
2023	5,170,000	5,143,940
2024	5,365,000	4,939,579
2025	5,585,000	4,724,945
2025-2028	24,740,000	16,527,746
2029-2033	36,690,000	14,893,500
2034-2038	38,685,000	10,229,713
2039-2043	36,130,000	4,793,742
2044-2046	12,340,000	511,920
	<u>\$ 169,675,000</u>	<u>\$ 67,103,675</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 6 - LONG-TERM DEBT - Continued**

Notes payable consisted of the following at September 30, 2021:

	<b>Governmental Activities</b>
	<hr/>
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	\$ 549,831
3.04% line of credit - bank, due in monthly installments including interest, final unpaid balance due December 2028	1,204,496
2.160% note payable - bank, due in sixty monthly installments of \$14,093 including interest, final unpaid balance due January 2025, secured by motor vehicles	543,183
2.160% note payable - bank, due in sixty monthly installments of \$20,735 including interest, final unpaid balance due January 2025, secured by motor vehicles	799,141
Total notes payable	<hr/> <u>\$ 3,096,651</u> <hr/>

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

	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
	<hr/>	<hr/>
2022	\$ 794,681	\$ 73,838
2023	816,956	51,563
2024	613,178	33,101
2025	306,201	20,593
2026	172,686	14,795
Thereafter	392,949	13,588
	<hr/> <u>\$ 3,096,651</u> <hr/>	<hr/> <u>\$ 207,478</u> <hr/>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 6 - LONG-TERM DEBT - Continued**

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

<b>Governmental Activities</b>	<b>October 1, 2020</b>	<b>Additions</b>	<b>Retirements</b>	<b>September 30, 2021</b>	<b>Due within one year</b>
Warrants, notes and capital lease payables					
Capital lease payable	\$ 562,019	\$ -	\$ 431,635	\$ 130,384	\$ 130,384
Notes payable	3,887,594	-	790,943	3,096,651	794,681
General obligation warrants	143,475,000	116,655,000	90,455,000	169,675,000	4,970,000
	147,924,613	116,655,000	91,677,578	172,902,035	5,895,065
Plus: warrant premiums	15,813,893	1,480,148	10,572,533	6,721,508	929,539
Total warrants, notes and capital lease payables	163,738,506	118,135,148	102,250,111	179,623,543	6,824,604
Other liabilities					
Net pension liability	44,471,247	1,709,286	-	46,180,533	-
Total OPEB liability	2,200,371	63,255	-	2,263,626	-
Compensated absences	2,851,799	1,006,117	1,425,900	2,432,016	1,216,008
	<u>\$ 213,261,923</u>	<u>\$ 120,913,806</u>	<u>\$ 103,676,011</u>	<u>\$ 230,499,718</u>	<u>\$ 8,040,612</u>

General obligation warrants, capital leases, and notes payable are liquidated by the Debt Service Fund while net pension liabilities, net other post-employment benefit liabilities, and compensated absences are liquidated by the General Fund and certain special revenue funds.

On December 28, 2017, the City issued Series 2017 Warrants in the amount of \$9,715,000 for the purpose of (i) financing certain capital improvements in the City, (ii) advance refunding a portion of the City's Series 2012 Warrants (the "Refunded Series 2012 Warrants") in the amount of \$8,000,000, and (iii) paying the costs of issuance of the Series 2017 Warrants. The proceeds of the Series 2017 warrants used to advance refund a portion of Series 2012 warrants were placed in an irrevocable trust account to provide for all future debt service payments on old warrants. Accordingly, the trust account assets and the liabilities for the defeased warrants are not included in the government's financial statements. At September 30, 2021, \$8,000,000 of the defeased warrants remained outstanding.

On October 22, 2020, the City issued Series 2020 Taxable General Obligation Warrants in the amount of \$49,090,000 for the purpose of (i) financing certain capital improvements in the City, (ii) advance refunding the City's outstanding General Obligation Capital Improvement Warrants, Series 2012 (the "Refunded Series 2012 Warrants") in the amount of \$7,330,000, (iii) advance refunding a portion of the City's outstanding General Obligation Warrants, Series 2016 (the "Refunded Series 2016 Warrants") in the amount of \$27,625,000, and (iv) paying the costs of issuance of the Series 2020 Warrants.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 6 - LONG-TERM DEBT - Continued**

The proceeds of the Series 2020 warrants used to advance refund outstanding Series 2012 warrants and a portion of Series 2016 warrants were placed in an irrevocable trust account to provide for all future debt service payments on old warrants. Accordingly, the trust account assets and the liabilities for the defeased warrants are not included in the City's financial statements. At September 30, 2021, \$34,955,000 of the defeased warrants remained outstanding. This refunding produced a cash benefit of approximately \$69,924 and obtained an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$5,376,173.

On September 1, 2021, the City issued Series 2021-B Taxable General Obligation Warrants in the amount of \$62,235,000 for the purpose of (i) refunding a portion of the City's outstanding General Obligation Warrants, Series 2016 (the "Refunded Warrants"), and (ii) paying the costs of issuance of the Series 2021-B Warrants. The proceeds of the Series 2021-B warrants used to advance refund a portion of Series 2016 warrants were placed in an irrevocable trust account to provide for all future debt service payments on old warrants. Accordingly, the trust account assets and the liabilities for the defeased warrants are not included in the City's financial statements. At September 30, 2021, \$62,235,000 of the defeased warrants remained outstanding. This refunding produced a cash benefit of approximately \$6,953,450 and obtained an economic loss (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$6,953,703.

**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, 2021, the future minimum lease payments under the capital lease agreements consist of the following:

	<b>Governmental Activities</b>
2022	\$ 134,217
Future minimum lease payments	134,217
Less: amount representing interest	(3,833)
Present value of minimum lease payments	130,384
Less: current portion	(130,384)
Long-term capital lease obligation	\$ -

As of September 30, 2021, the governmental activities lease had capitalized costs totaling \$1,078,772 and accumulated depreciation of \$638,273, and a net book value of \$440,499. Interest expense paid under the capital lease agreement totaled \$10,461 during the year ended September 30, 2021.

## **CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

### **NOTE 8 - COMMITMENTS**

The GOW Construction Fund had contractual commitments as of September 30, 2021 totaling \$18,821,768 pertaining to ongoing construction for the City's Public Safety Building project, City park improvements, the Athletic Complex, and School Renovation projects.

### **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 valuation took into account amendments to the ERS effective through the valuation date. 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](http://www.rsa-al.gov).

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

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



## **CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(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.

Act 2019-132 allowed local employers that participate in the ERS to elect to provide Tier 1 retirement benefits to their Tier 2 employees, upon approval by the Board of Control, and is reflected in the valuations prepared for the individual employers. The City of Homewood elected to provide Tier 1 benefits to Tier 2 employees. As a result, effective October 1, 2020, the benefits provided to Tier 2 employees are the same as those provided to Tier 1 employees.

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.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Benefits Provided - Continued***

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2020, membership consisted of:

**ERS Membership as of the Measurement Date**

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

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

Retired members or their beneficiaries currently receiving benefits	221
Vested inactive members	6
Non-vested inactive members	33
Active members	362
Post-DROP retired members still in active service	-
	<u>622</u>

***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.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Contributions - Continued***

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.

In accordance with the provisions of Act 2019-132, the City's Tier 2 covered members of the ERS contribute 7.5% of earnable compensation to the ERS. The City's Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.5% of earnable compensation.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2021, the City's active employee contribution rate was 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.

The City's contractually required contribution rate for the year ended September 30, 2021 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, 2021.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Net Pension Liability***

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

	<u>Expected</u>	<u>Act 2019-132</u>	<u>Act 2019-132</u>
(a) Total pension liability as of September 30, 2019	\$ 111,374,478	\$ 111,455,964	\$ 111,455,964
(b) Discount rate	7.70%	7.70%	7.70%
(c) Entry age normal cost for the period October 1, 2019 - September 30, 2020	1,737,226	1,737,226	1,737,226
(d) Transfers among employers	-	158,620	158,620
(e) Actual benefit payments and refunds for the period October 1, 2019 - September 30, 2020	(7,382,605)	(7,382,605)	(7,382,605)
(f) Total pension liability as of September 30, 2020 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 114,020,704</u>	<u>\$ 114,267,084</u>	<u>\$ 114,267,084</u>
(g) Difference between expected and actual		\$ 246,380	
(h) Less liability transferred for immediate recognition		<u>158,620</u>	
(i) Experience (gain)/loss = (g) - (h)		<u>\$ 87,760</u>	
(j) Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			\$ -

***Actuarial Assumptions***

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

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

*Actuarial Assumptions - 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:

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

\*Includes assumed rate of inflation of 2.5%.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Discount Rate***

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

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at September 30, 2019	\$ 111,374,478	\$ 66,903,231	\$ 44,471,247
Changes for the year			
Service cost	1,737,226	-	1,737,226
Interest	8,291,605	-	8,291,605
Difference between expected and actual experience	87,760	-	87,760
Contributions - employer	-	3,092,544	(3,092,544)
Contributions - employee	-	1,565,050	(1,565,050)
Net investment income	-	3,749,711	(3,749,711)
Benefits of payments, including refunds of employee contributions	(7,382,605)	(7,382,605)	-
Transfers among employers	158,620	158,620	-
Net changes	2,892,606	1,183,320	1,709,286
Balances at September 30, 2020	<u>\$ 114,267,084</u>	<u>\$ 68,086,551</u>	<u>\$ 46,180,533</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

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

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

	<b>1% Decrease (6.70%)</b>	<b>Current Discount Rate (7.70%)</b>	<b>1% Increase (8.70%)</b>
Plan's Net Pension Liability	\$ 58,455,183	\$ 46,180,533	\$ 35,751,489

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The 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, 2021

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

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

For the year ended September 30, 2021, the City recognized pension expense of \$3,116,217. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 1,136,768	\$ 701,085
Changes of assumptions	1,024,384	-
Net difference between projected and actual earnings on pension plan investments	2,111,568	-
Employer contributions subsequent to the measurement date	3,122,722	-
	<u>\$ 7,395,442</u>	<u>\$ 701,085</u>

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

	<b>Deferred Outflows/ (Inflows) of Resources</b>
2022	\$ 887,512
2023	1,066,145
2024	1,105,249
2025	477,303
2026	35,426
Thereafter	-



**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

	Transfers In						
	General	Debt Service	Capital Projects	GOW Construction	Nonmajor Governmental Funds	Transfers Out	
Transfers Out							
General Fund	\$ -	\$ 8,949,078	\$ 16,738	\$ -	\$ -	\$ 8,965,816	
Debt Service Fund	-	-	-	11,717,583	-	11,717,583	
Capital Projects Fund	-	-	-	-	7,075	7,075	
Grants Fund	156,413	-	316,746	-	-	473,159	
Nonmajor Governmental Funds	6,094	-	-	-	-	6,094	
Transfers In	\$ 162,507	\$ 8,949,078	\$ 333,484	\$ 11,717,583	\$ 7,075	\$ 21,169,727	

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

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued**

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

	Payable to						Total payable To
	General	1947 School Tax	Debt Service	Capital Projects	Nonmajor Governmental Funds		
<b>Payable from</b>							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 5,514	\$	5,514
1947 School Tax Fund	187,581	-	-	18,116	-		205,697
Debt Service Fund	755,650	-	-	-	-		755,650
Capital Projects	700	-	-	-	-		700
Grants Fund	804,861	-	-	262,680	2,237		1,069,778
Nonmajor Governmental Funds	183,671	51,963	31,105	-	-		266,739
<b>Total payable from</b>	<u>\$ 1,932,463</u>	<u>\$ 51,963</u>	<u>\$ 31,105</u>	<u>\$ 280,796</u>	<u>\$ 7,751</u>	<u>\$</u>	<u>2,304,078</u>

- 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, 2021

(Continued)

### **NOTE 11 - CONTINGENCIES**

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

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

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

### **NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS**

#### ***General Information about the OPEB Plan***

##### ***Plan Description***

The City provides certain continuing health care and life insurance benefits for its retired employees. The City of 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, 2021

(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, 2021, 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 \$2,263,626 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

***Actuarial Assumptions and Other Inputs***

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

Inflation	2.50%
Salary increases	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, 2021, 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, 2021

(Continued)

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - Continued**

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2019 to September 30, 2021.

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
Balances at September 30, 2019	\$ 2,200,371
Changes for the year	
Service cost	101,539
Interest	50,791
Benefit payments and net transfers	(89,075)
Net change in total OPEB liability	63,255
Balances at September 30, 2020	<u>\$ 2,263,626</u>

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

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

	<b>1% Decrease (1.25%)</b>	<b>Current Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Plan's Total OPEB Liability	<u>\$ 2,004,963</u>	<u>\$ 2,263,626</u>	<u>\$ 2,571,416</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(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.

	<b>1% Decrease (3.50)%</b>	<b>Current Trend Rate (4.50%)</b>	<b>1% Increase (5.50)%</b>
Plan's Total OPEB Liability	<u>\$ 2,062,633</u>	<u>\$ 2,263,626</u>	<u>\$ 2,484,756</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$160,295. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 85,326
Changes of assumptions	122,810	-
	<u>\$ 122,810</u>	<u>\$ 85,326</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(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:

	<b>Deferred Outflows/ (Inflows) of Resources</b>
2022	\$ 7,351
2023	7,351
2024	7,351
2025	7,351
2026	7,351
Thereafter	729

**NOTE 13 - FAIR VALUE**

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

- *U.S. 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, 2021

(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, 2021:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
U.S. Treasury bills	\$ 999,950	\$ 999,950	\$ -	\$ -
Municipal bonds	3,327,749	-	3,327,749	-
Government-sponsored entities	15,290,354	-	15,290,354	-
Total	<u>\$ 19,618,053</u>	<u>\$ 999,950</u>	<u>\$ 18,618,103</u>	<u>\$ -</u>



# CITY OF HOMEWOOD, ALABAMA

## Notes to Financial Statements

September 30, 2021

(Continued)

### NOTE 14 - FUND BALANCE CLASSIFICATIONS

The following table details fund balance categories as of September 30, 2021:

	General	1947 School Tax	Debt Service	Capital Projects	GOW Construction	Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund balances</b>								
<b>Non spendable</b>								
Prepaid expenses	\$ 479,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 479,102
<b>Restricted for</b>								
Road maintenance	-	-	-	-	-	-	1,193,335	1,193,335
Road paving	-	-	-	-	-	-	683,883	683,883
Debt service	-	-	9,639,409	-	-	-	-	9,639,409
BOE – property tax	-	283,375	-	-	-	-	-	283,375
Grant expenditures	-	-	-	-	-	4,547	-	4,547
E911	-	-	-	-	-	-	62,872	62,872
Court restricted by law	-	-	-	-	-	-	1,231,410	1,231,410
Drug enforcement task force	-	-	-	-	-	-	81,589	81,589
Construction projects in progress	-	-	-	-	12,223,436	-	-	12,223,436
<b>Committed to</b>								
Reserve for economic uncertainty	11,946,425	-	-	-	-	-	-	11,946,425
<b>Assigned to</b>								
Other capital projects	-	-	-	(87,673)	-	-	-	(87,673)
Debt service	-	-	5,951,380	-	-	-	-	5,951,380
Encumbrances	186,976	-	-	1,914,375	1,707,469	-	-	3,808,820
Environmental testing	-	-	-	-	-	-	81,766	81,766
Inspection technology	-	-	-	-	-	-	129,834	129,834
Park activity	-	-	-	-	-	-	268,186	268,186
Library donations	7,734	-	-	-	-	-	-	7,734
Other donations	350	-	-	-	-	-	-	350
Risk management	1,000,000	-	-	-	-	-	-	1,000,000
Compensated absences	2,432,016	-	-	-	-	-	-	2,432,016
Subsequent years' budget	-	-	1,755,222	1,670,208	-	-	135,346	3,560,776
<b>Unassigned (deficit)</b>	<u>13,648,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464</u>	<u>13,648,713</u>
<b>Total fund balance</b>	<u>\$ 29,700,852</u>	<u>\$ 283,375</u>	<u>\$ 17,346,011</u>	<u>\$ 3,496,910</u>	<u>\$ 13,930,905</u>	<u>\$ 4,547</u>	<u>\$ 3,868,685</u>	<u>\$ 68,631,285</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, 2021, the aggregate principal amount payable totaled \$222,815,006.

# CITY OF HOMEWOOD, ALABAMA

## Notes to Financial Statements

September 30, 2021

(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, 2021, the City abated taxes totaling \$1,462,682 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 Incentive <sup>1</sup>	Maximum Incentive Amount
Retail development	Sales <sup>4</sup>	87.50%	\$ 1,140,465	March 2023	\$ 9,000,000
		62.50%	-	March 2028	
Medical center development and expansion	Ad Valorem <sup>2</sup>	75.00%	104,994	March 2032	5,000,000
Bank development	Ad Valorem <sup>2</sup>	100% <sup>4</sup>	-	October 2027	N/A
	Construction-related transactions <sup>3</sup>			October 2037	
Commercial development	Lodging Tax	75.00%	148,690	December 2028	10,000,000
	Sales <sup>4</sup>	50.00%	7,543	February 2028	500,000
Restaurant development	Ad Valorem <sup>2</sup>	100.00%	-	February 2018	
	Business License	100.00%	-	February 2021	
	Ad Valorem <sup>2</sup>	100.00%	-	October 2024	N/A
Restaurant development	Construction-related transactions <sup>3</sup>				
Restaurant development	Sales <sup>4</sup>	50.00%	60,991	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 2% sales tax

## **CITY OF HOMEWOOD, ALABAMA**

### **Notes to Financial Statements**

**September 30, 2021**

**(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 has issued the following statements and implementation guides:

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

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

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 18 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued**

The GASB issued Statement No. 91, *Conduit Debt Obligations*, to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of GASB 91 will take effect for financial statements starting with the fiscal year that ends December 31, 2022. The City is currently evaluating the impact GASB 91 may have on its financial statements.

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

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

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

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

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2021

(Continued)

**NOTE 18 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued**

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

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

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

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

## **CITY OF HOMEWOOD, ALABAMA**

### **Notes to Financial Statements**

September 30, 2021

(Continued)

#### **NOTE 18 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued**

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

For the original pronouncements and the implementation guides, please visit the GASB's website, [www.gasb.org](http://www.gasb.org).

#### **NOTE 19 - PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2021, the City discovered that nondepreciable capital assets, and depreciable capital assets, net were misstated for the year ended September 30, 2020. Nondepreciable capital assets were overstated by \$115,337 and depreciable capital assets, net were understated by \$1,370,670, therefore, the net position was understated for the year ended September 30, 2020. The prior period adjustment increased the City's total capital assets and increased the government-wide net position by \$1,255,333. The prior period adjustment increased the change in net position by \$1,255,333 for the year ended September 30, 2020.

#### **NOTE 20 - UNCERTAINTIES**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HOMEWOOD, ALABAMA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended September 30, 2021

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 43,257,157	\$ 43,257,157	\$ 47,149,618	\$ 3,892,461
Licenses and permits	7,926,212	7,926,212	8,033,821	107,609
Intergovernmental	106,295	106,295	107,351	1,056
Charges for services	1,130,009	1,130,009	1,224,485	94,476
Fines and forfeitures	789,990	789,990	536,467	(253,523)
Other	2,236,120	3,046,203	567,254	(2,478,949)
Total revenues	<u>55,445,783</u>	<u>56,255,866</u>	<u>57,618,996</u>	<u>1,363,130</u>
<b>Expenditures</b>				
General government administration	7,113,818	7,425,578	7,204,827	220,751
Public safety	19,154,565	19,220,999	18,642,843	578,156
Public works	6,525,682	6,708,847	6,145,248	563,599
Culture and recreation	8,062,033	8,071,122	6,805,966	1,265,156
Total expenditures	<u>40,856,098</u>	<u>41,426,546</u>	<u>38,798,884</u>	<u>2,627,662</u>
Excess of revenues over expenditures	<u>14,589,685</u>	<u>14,829,320</u>	<u>18,820,112</u>	<u>3,990,792</u>
<b>Other financing sources (uses)</b>				
Appropriation to City Board of Education	(8,896,273)	(8,896,273)	(9,747,446)	(851,173)
Operating transfers in (out)	<u>(5,901,882)</u>	<u>(5,901,882)</u>	<u>(8,803,309)</u>	<u>(2,901,427)</u>
Total other financing sources (uses)	<u>(14,798,155)</u>	<u>(14,798,155)</u>	<u>(18,550,755)</u>	<u>(3,752,600)</u>
Net changes in fund balance	<u>\$ (208,470)</u>	<u>\$ 31,165</u>	<u>\$ 269,357</u>	<u>\$ 238,192</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, 2021

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 10,049,095	\$ 10,422,303	\$ 10,257,875	\$ (164,428)
Other	-	-	378	378
Total revenues	<u>10,049,095</u>	<u>10,422,303</u>	<u>10,258,253</u>	<u>(164,050)</u>
<b>Expenditures</b>				
General government administration	223,429	257,040	257,038	2
Total expenditures	<u>223,429</u>	<u>257,040</u>	<u>257,038</u>	<u>2</u>
Excess of revenues over expenditures	<u>9,825,666</u>	<u>10,165,263</u>	<u>10,001,215</u>	<u>(164,048)</u>
<b>Other financing sources (uses)</b>				
Appropriation to City Board of Education	(9,825,666)	(10,165,263)	(9,803,175)	(362,088)
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>(9,825,666)</u>	<u>(10,165,263)</u>	<u>(9,803,175)</u>	<u>(362,088)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,040</u>	<u>\$ (526,136)</u>

See notes to required supplementary information.

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

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service cost	\$ 1,737,226	\$ 1,682,515	\$ 1,617,464	\$ 1,596,114	\$ 1,570,223	\$ 1,606,256	\$ 1,514,594
Interest	8,291,605	7,988,096	7,900,805	7,631,698	7,452,923	7,064,565	6,864,354
Differences between expected and actual experience	87,760	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	(7,382,605)	(7,210,155)	(7,237,379)	(6,885,805)	(6,393,275)	(6,025,687)	(5,726,936)
Transfers among employers	158,620	298,709	(137,955)	673,497	118,385	-	-
<b>Net change in total pension liability</b>	<b>2,892,606</b>	<b>4,027,894</b>	<b>1,782,019</b>	<b>3,648,146</b>	<b>5,558,238</b>	<b>5,038,277</b>	<b>2,652,012</b>
<b>Total pension liability - beginning</b>	<b>111,374,478</b>	<b>107,346,584</b>	<b>105,564,565</b>	<b>101,916,419</b>	<b>96,358,181</b>	<b>91,319,904</b>	<b>88,667,892</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 114,267,084</b>	<b>\$ 111,374,478</b>	<b>\$ 107,346,584</b>	<b>\$ 105,564,565</b>	<b>\$ 101,916,419</b>	<b>\$ 96,358,181</b>	<b>\$ 91,319,904</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 3,092,544	\$ 2,951,627	\$ 2,490,953	\$ 2,362,811	\$ 2,227,078	\$ 2,175,800	\$ 2,170,917
Contributions - member	1,565,050	1,628,411	1,546,005	1,460,525	1,440,137	1,399,641	1,416,151
Net investment income	3,749,711	1,704,121	5,861,750	7,514,350	5,655,277	684,853	6,467,463
Benefit payments, including refunds of employee contributions	(7,382,605)	(7,210,155)	(7,237,379)	(6,885,805)	(6,393,275)	(6,025,687)	(5,726,936)
Transfers among employers	158,620	298,709	(137,955)	673,497	118,385	(703,937)	8,096
<b>Net change in plan fiduciary net position</b>	<b>1,183,320</b>	<b>(627,287)</b>	<b>2,523,374</b>	<b>5,125,378</b>	<b>3,047,602</b>	<b>(2,469,330)</b>	<b>4,335,691</b>
<b>Plan net position - beginning</b>	<b>66,903,231</b>	<b>67,530,518</b>	<b>65,007,144</b>	<b>59,881,766</b>	<b>56,834,164</b>	<b>59,303,494</b>	<b>54,967,803</b>
<b>Plan net position - ending (b)</b>	<b>\$ 68,086,551</b>	<b>\$ 66,903,231</b>	<b>\$ 67,530,518</b>	<b>\$ 65,007,144</b>	<b>\$ 59,881,766</b>	<b>\$ 56,834,164</b>	<b>\$ 59,303,494</b>
<b>Net pension liability (a) - (b)</b>	<b>\$ 46,180,533</b>	<b>\$ 44,471,247</b>	<b>\$ 39,816,066</b>	<b>\$ 40,557,421</b>	<b>\$ 42,034,653</b>	<b>\$ 39,524,017</b>	<b>\$ 32,016,410</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>59.59%</b>	<b>60.07%</b>	<b>62.91%</b>	<b>61.58%</b>	<b>58.76%</b>	<b>58.98%</b>	<b>64.94%</b>
<b>Covered payroll</b>	<b>\$ 20,618,399</b>	<b>\$ 26,124,101</b>	<b>\$ 18,668,442</b>	<b>\$ 17,881,512</b>	<b>\$ 17,449,607</b>	<b>\$ 17,215,560</b>	<b>\$ 17,735,242</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>223.98%</b>	<b>170.23%</b>	<b>213.28%</b>	<b>226.81%</b>	<b>240.89%</b>	<b>229.58%</b>	<b>180.52%</b>

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 Seven Years Ended September 30,

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 3,047,639	\$ 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	3,047,639	3,092,544	2,935,850	2,490,953	2,428,864	2,229,341	2,235,651
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Covered payroll</b>	<b>\$ 20,293,621</b>	<b>\$ 20,618,399</b>	<b>\$ 26,124,101</b>	<b>\$ 18,668,442</b>	<b>\$ 17,881,512</b>	<b>\$ 17,449,607</b>	<b>\$ 17,215,560</b>
<b>Contributions as a percentage of covered payroll</b>	<b>15.02%</b>	<b>15.00%</b>	<b>11.24%</b>	<b>13.34%</b>	<b>13.58%</b>	<b>12.78%</b>	<b>12.99%</b>

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 Four Years Ended September 30,

	2021	2020	2019	2018
<b>Total OPEB liability</b>				
Service cost	\$ 101,539	\$ 66,448	\$ 66,448	\$ 63,855
Interest	50,791	84,652	78,129	77,367
Differences between expected and actual experience	-	(118,786)	-	-
Changes of assumptions	-	170,972	-	-
Benefit payments and net transfers	(89,075)	(42,991)	(57,708)	(59,478)
<b>Net change in total OPEB liability</b>	63,255	160,295	86,869	81,744
<b>Total OPEB liability - beginning</b>	2,200,371	2,040,076	1,953,207	1,871,463
<b>Total OPEB liability - ending</b>	<u>\$ 2,263,626</u>	<u>\$ 2,200,371</u>	<u>\$ 2,040,076</u>	<u>\$ 1,953,207</u>
<b>Covered payroll</b>	<u>\$ 18,109,896</u>	<u>\$ 18,109,896</u>	<u>\$ 16,835,986</u>	<u>\$ 16,835,986</u>
<b>Total OPEB liability as a percentage of covered payroll</b>	<u>12.50%</u>	<u>12.15%</u>	<u>12.12%</u>	<u>11.60%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of 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, 2021

**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 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021 consisted of the following:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	28.0 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

**NOTE 3 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES**

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

**Changes in Assumptions** - The discount rate as of September 30, 2020 was 4.06% and it changed to 2.25% as of September 30, 2021.

No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Statement No. 75, paragraph 4, *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, 2021  
(Continued)

**NOTE 3 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES - Continued**

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021 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