

**CITY OF HOMEWOOD, ALABAMA**

**HOMEWOOD, ALABAMA**

Financial Statements

September 30, 2024

**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 ATTORNEYS**

Waldrep, Stewart & Kendrick, LLC

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

#### ***Opinions***

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2024, 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.

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

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

#### ***Correction of Error***

As discussed in Note 19 to the financial statements, the City noted errors resulting in misstatements in the General Fund, several nonmajor funds, and the statement of net position at September 30, 2023. Accordingly, an adjustment has been made to the fund balance and net position as of September 30, 2023, to correct the errors. Our opinion is not modified with respect to these matters.

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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 7-15 and pages 66-71 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2025, on our consideration of the City of Homewood, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Homewood, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Homewood, Alabama's internal control over financial reporting and compliance.

BMSS, LLC

Birmingham, Alabama  
June 25, 2025

## 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, 2024. 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

- The assets and deferred outflows of resources of the City were more than the liabilities and deferred inflows of resources at the close of the 2024 fiscal year by approximately \$14.1 million (net position).
- The City's net position increased by approximately \$4.0 million in fiscal year 2024, primarily due to an increase in sales and use tax, property tax, and increase in investment earnings.
- The total cost of the City's programs for the 2024 fiscal year totaled approximately \$95.8 million. The net cost was approximately \$79.1 million after subtracting grants and charges for services. Of this net cost, approximately \$23.6 were payments to the Homewood Board of Education (BOE).
- The General Fund excess in revenues over expenditures was \$21.5 million. Total other financing uses were \$1.5 million, which includes appropriations to the Homewood Board of Education of \$10.8 million and transfers in from the Debt Service Fund of \$8.6 million. The General Fund net increase in fund balance was \$20.0 million.
- At the end of the 2024 fiscal year, the General Fund unassigned fund balance was \$33.7 million, or 68.7% of the total General Fund operating expenditures.
- Net capital assets for the 2024 fiscal year decreased by approximately \$2.6 million primarily due to current year depreciation expense offset by the additions to ongoing infrastructure and net book value of disposed assets.
- The City's long-term debt decreased by approximately \$6.1 million primarily due to principal payments made during the 2024 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 the *Required Supplementary Information*.

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

The financial statements for all governmental activities are based on the fiscal year ending September 30, 2024.

***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 financial 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 16) 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 18) 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 19. 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, and Debt Service Fund. All special revenue funds, except for the 1947 School Tax Fund, the Capital Projects Fund, and GOW Construction Fund are presented as *nonmajor governmental 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 20 and 22 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 23.

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 66 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**

	<b>For the Year Ended September 30, (Dollars in Thousands)</b>	
	<b>2024</b>	<b>2023</b>
<b>Assets and deferred outflow of resources</b>		
Current and other assets	\$ 91,868	\$ 111,881
Capital assets	137,422	140,204
Deferred outflow of resources	21,547	27,462
Total assets and deferred outflow of resources	<u>250,837</u>	<u>279,547</u>
<b>Liabilities and deferred inflows of resources</b>		
Current liabilities	18,555	15,466
Long-term liabilities	217,631	225,207
Deferred inflows of resources	598	28,720
Total liabilities and deferred inflows of resources	<u>236,784</u>	<u>269,393</u>
<b>Net position</b>		
Net investment in capital assets	37,515	60,911
Restricted	11,167	40,609
Unrestricted	(34,628)	(91,366)
Total net position	<u>\$ 14,054</u>	<u>\$ 10,154</u>

The City's assets were more than its liabilities (net position) by approximately \$14.1 million at September 30, 2024. This consists of assets (net of related debt) invested in capital assets of approximately \$37.5 million and \$11.2 million of assets restricted by law for specific purposes and a negative balance in unrestricted net position of approximately \$34.6 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, as well as net liabilities for pension and other post-employment benefits of \$51.4 million.

Investment in capital assets (net of related debt) of approximately \$37.5 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 16. *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, 2024.

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

	Fiscal Year Ended September 30, (Dollars in Thousands)	
	2024	2023
Program revenues		
Charges for services	\$ 13,671	\$ 10,659
Operating grants and contributions	2,087	2,106
Capital grants and contributions	946	3,534
General revenues		
Taxes	78,879	78,034
Investment earnings	3,752	1,963
Gain on disposal of capital assets	407	-
Miscellaneous revenue	101	488
Total revenues	99,843	96,784
Program expenses		
General government	16,093	15,168
Public safety	28,310	25,682
Public works	10,023	9,330
Culture/recreation	12,848	12,103
Payments to Homewood BOE	23,564	21,895
Interest on long-term debt	5,000	5,171
Total expenses	95,838	89,349
Change in net position	4,005	7,435
Net position, beginning	10,154	1,863
Restatement	(105)	856
Net position, ending	\$ 14,054	\$ 10,154

The City's revenues increased by approximately \$3.1 million, or approximately 3.2% from the last fiscal year. This increase is primarily attributable to increased charges for services for business licenses and building permits in addition to increase in investment income received. Capital and operating grants and contributions decreased by approximately \$2.6 million in FY 2024 due to prior year revenue from of ARPA Funds and capital grants for infrastructure projects. The City's program expenses increased by \$6.5 million resulting from an increase in payments for non-capital public works and culture and recreation projects and an increase in payments to the Homewood Board of Education.

*Table 3* is a condensed statement taken from the *Statement of Activities* on page 18 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**

	For the Year Ended September 30, 2024 (Dollars in Thousands)	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General governmental administration	\$ 16,093	\$ 6,616
Public safety	28,310	28,158
Public works	10,023	4,544
Culture and recreation	12,848	11,252
Payments to Homewood BOE	23,564	23,564
Interest on long-term debt	5,000	5,000
<b>Total</b>	<b>\$ 95,838</b>	<b>\$ 79,134</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 19.

**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 20). At the end of the fiscal year, the City's governmental funds reported a combined fund balance of approximately \$82.1 million available for future operations and \$4.9 million 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 66. 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 \$2.0 million, primarily due to sales tax actual collections and lodging taxes being more than budgeted projections.
- Actual expenditures were less than the final approved budget amounts by approximately \$1.5 million, primarily due to less than budgeted expenditures for public works, public safety and culture and recreation functions.
- Overall actual results exceeded final budget projections, including transfers in from the Debt Service Fund of \$8,613,688. The adopted budget for fiscal year 2024 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, 2024, totaled \$137.4 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.

**Table 4: Capital Assets (net of accumulated depreciation)**

	<b>As of September 30, (Dollars in Thousands)</b>	
	<b>2024</b>	<b>2023</b>
Land	\$ 39,854	\$ 40,205
Construction in progress	4,509	10,228
Buildings	73,616	75,746
Land/infrastructure improvements	13,157	7,052
Equipment, furniture, computers and vehicles	6,286	6,972
Capital assets, net of depreciation	<u>\$ 137,422</u>	<u>\$ 140,203</u>

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

Land and improvements	\$ -
Construction in progress	923
Buildings	1,408
Land/infrastructure improvements	7,187
Equipment, furniture, computers and vehicles	1,722
<b>Total</b>	<u><u>\$ 11,240</u></u>

**Long-Term Debt** - At year end, the City had approximately \$159.8 million in general obligation warrants and other long-term debt outstanding as shown in *Table 5* below.

**Table 5: Outstanding Debt**

	<b>As of September 30, 2024 (Dollars in Thousands)</b>		
	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Ending Balance</b>
Governmental activities			
2016 warrants with unamortized warrant premium	\$ 40,679	\$ (4,491)	\$ 36,188
2017 warrants with unamortized warrant premium	9,484	(66)	9,418
2020 warrants	47,370	(520)	46,850
2021-A warrant with unamortized warrant premium	6,340	(56)	6,284
2021-B warrant with unamortized warrant premium	60,591	(1,026)	59,565
Lease payable payable	-	18	18
Notes and financed equipment payable	2,338	(805)	1,533
Totals	<u>\$ 166,802</u>	<u>\$ (6,946)</u>	<u>\$ 159,856</u>

**Fiscal Year 2024-2025 Budget** – For the fiscal year ended September 30, 2025, the City Council approved an original budget of revenues of approximately \$70.3 and expenditures of approximately \$69 million for its General Fund. The City Council approved an original budget of revenues and expenditures for the 1947 School Tax fund of approximately \$12.8 million, which consists of property taxes dedicated to the schools, and for the Debt Service Fund of approximately \$11.7 million. The City Council approved revenues for non-major special revenue funds of \$5.2 million and expenditures of \$6.2 million, and revenues for non-major capital project funds of \$12.4 million and expenditures of \$13.3 million. Deficits in revenues of expenditures in the non-major funds will be covered by budget carryovers. The GOW Construction Fund has an approximate budget of \$4.9 million for the I-65 Lakeshore Diamond Interchange project, Greenway II construction and continued street paving expenditures.

**Economic Factors** - The City's Greenway Trails Phase II project that began in fiscal year 2022-2023 will continue into fiscal year 2024-2025. The City is currently evaluating the \$2.8 million I-65 Lakeshore Diverging Diamond project.

**Personnel Administration Cost** - The City's personnel administration is provided by the Personnel Board of Jefferson County (PBJC). The fiscal year 2024-2025 budget included a budgeted line item of \$360,000 for this expenditure. During fiscal year 2024-2025, the City received an invoice from the PBJC in the amount of \$380,874 which was accrued as an expense and payable at September 30, 2024. This amount represents costs incurred in the prior fiscal year and is an increase of approximately 10.2% increase from the fiscal year 2023-2024 payment of \$345,614.

**Medical Costs** - Employee health insurance is provided through the State of Alabama Insurance Board (SEIB). This Board voted to increase health insurance rates approximately 4.75% beginning January 1, 2025. The City achieved preferred rating in part through meeting the wellness screening participation goals in fiscal year 2023-2024. The Mayor recommended, and the City Council approved, that the City, and not the employees, fund this increase for the fiscal year 2024-2025 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 thousand 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 18.59% for Tier 1 employees and 18.77% for converted Tier 2 employees for fiscal year 2024-2025.

**Cost-of-Living Raise** - The Mayor recommended, and the City Council of Homewood approved, a 4% Cost-of-Living Raise in the Budget for fiscal year 2024-2025.

### **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 the Mayor's office at 205-332-6100.

**CITY OF HOMEWOOD, ALABAMA**

## Statement of Net Position

September 30, 2024

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 65,319,860
Deposits and investments	18,268,374
Accounts receivable	7,282,944
Lease receivable	221,392
Prepaid expenses	773,376
Restricted cash and cash equivalents	1,990
Total current assets	<u>91,867,936</u>
Noncurrent assets	
Nondepreciable capital assets	44,362,829
Depreciable capital assets, net	93,059,207
Total noncurrent assets	<u>137,422,036</u>
Total assets	<u>229,289,972</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	10,883,265
Deferred outflows related to OPEB	1,285,405
Deferred charge on refunding	9,378,321
Total deferred outflows of resources	<u>21,546,991</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	4,397,749
Accrued expenses	1,602,173
Due to other governments	3,170,560
Unearned revenue	399,236
Accrued interest payable	398,964
Current maturities of long-term liabilities	
Warrants payable, net	6,391,640
Lease payable	6,102
Notes and financed equipment payable	587,854
Compensated absences	1,600,565
Total current liabilities	<u>18,554,843</u>

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



**CITY OF HOMEWOOD, ALABAMA**

Statement of Net Position

September 30, 2024

(Continued)

	<b>Governmental Activities</b>
Noncurrent liabilities	
Warrants payable, net	\$ 151,912,616
Lease payable	11,736
Notes and financed equipment payable	945,170
Compensated absences	1,600,565
Other post-employment benefits	3,369,841
Net pension liability	59,790,583
Total noncurrent liabilities	<u>217,630,511</u>
 Total liabilities	 <u>236,185,354</u>
 <b>Deferred inflows of resources</b>	
Leases	221,392
Deferred inflows related to pensions	14,558
Deferred inflows related to OPEB	362,454
Total deferred inflows of resources	<u>598,404</u>
 <b>Net position</b>	
Net investment in capital assets	37,514,899
Restricted for	
Public works	3,467,414
Public safety/municipal court	1,513,749
Debt service	1,990
Capital projects	5,861,240
Other purposes	322,134
Unrestricted	<u>(34,628,221)</u>
 Total net position	 <u>\$ 14,053,205</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, 2024

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and
		Fees, Fines, and	Operating Grants	Capital Grants	Changes in Net Position
		Charges for Services	and Contributions	and Contributions	Primary Government
					Governmental Activities
<b>Governmental activities</b>					
General government administration	\$ 16,092,843	\$ 9,225,904	\$ 250,751	\$ -	\$ (6,616,188)
Public safety	28,311,305	32,323	120,900	-	(28,158,082)
Public works	10,022,708	2,880,187	1,652,842	945,574	(4,544,105)
Culture and recreation	12,847,802	1,533,005	62,684	-	(11,252,113)
Payments to Homewood BOE	23,564,157	-	-	-	(23,564,157)
Interest on long-term debt	5,000,096	-	-	-	(5,000,096)
<b>Total governmental activities</b>	<b>95,838,911</b>	<b>13,671,419</b>	<b>2,087,177</b>	<b>945,574</b>	<b>(79,134,741)</b>
<b>Total primary government</b>	<b>\$ 95,838,911</b>	<b>\$ 13,671,419</b>	<b>\$ 2,087,177</b>	<b>\$ 945,574</b>	<b>(79,134,741)</b>
<b>General revenues and other items</b>					
Taxes					
Sales					
Property					
Other					
Franchise fees					
Investment income (loss)					
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, see Note 19</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, 2024

	<b>General</b>	<b>1947 School Tax</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 31,217,189	\$ 3,415,910	\$ 16,774,091	\$ 13,912,670	\$ 65,319,860
Investments	18,268,374	-	-	-	18,268,374
Accounts receivable	5,462,929	78,950	47,259	1,693,806	7,282,944
Lease receivable	-	-	-	221,392	221,392
Prepaid expenditures	768,307	-	-	5,069	773,376
Due from other funds	4,465,013	-	123,694	3,088,285	7,676,992
Restricted cash and cash equivalents	-	-	1,990	-	1,990
Total assets	<u>\$ 60,181,812</u>	<u>\$ 3,494,860</u>	<u>\$ 16,947,034</u>	<u>\$ 18,921,222</u>	<u>\$ 99,544,928</u>
<b>Liabilities</b>					
Accounts payable	\$ 3,223,700	\$ -	\$ 89,666	\$ 1,084,383	\$ 4,397,749
Accrued expenses	1,602,173	-	-	-	1,602,173
Due to other governmental units	2,235,501	935,059	-	-	3,170,560
Due to other funds	1,741,884	2,451,426	12,290	3,471,392	7,676,992
Unearned revenue	23,016	-	-	376,220	399,236
Total liabilities	<u>8,826,274</u>	<u>3,386,485</u>	<u>101,956</u>	<u>4,931,995</u>	<u>17,246,710</u>
<b>Deferred inflow of resources</b>					
Leases	-	-	-	221,392	221,392
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,392</u>	<u>221,392</u>
<b>Fund balance</b>					
Nonspendable	768,307	-	-	-	768,307
Restricted	-	108,375	1,990	11,056,162	11,166,527
Committed	11,872,368	-	-	-	11,872,368
Assigned	4,956,399	-	16,843,088	3,078,822	24,878,309
Unassigned	33,758,464	-	-	(367,149)	33,391,315
Total fund balances	<u>51,355,538</u>	<u>108,375</u>	<u>16,845,078</u>	<u>13,767,835</u>	<u>82,076,826</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 60,181,812</u>	<u>\$ 3,494,860</u>	<u>\$ 16,947,034</u>	<u>\$ 18,921,222</u>	<u>\$ 99,544,928</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, 2024

**Total fund balances - governmental funds** \$ 82,076,826

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	261,612,231	
Less accumulated depreciation	<u>(124,190,195)</u>	137,422,036

Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.	(398,964)
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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	(154,170,000)	
Warrant premiums	(4,134,256)	
Deferred outflows of resources for pensions	10,883,265	
Deferred outflows of resources for OPEB	1,285,405	
Deferred outflow of resources for deferred charges	9,378,321	
Lease payable	(17,838)	
Notes and financed equipment payable	(1,533,024)	
Total OPEB liability	(3,369,841)	
Net pension liability	(59,790,583)	
Compensated absences	(3,201,130)	
Deferred inflows of resources for pensions	(14,558)	
Deferred inflows of resources for OPEB	<u>(362,454)</u>	<u>(205,046,693)</u>

<b>Total net position - governmental activities</b>	<b>\$ <u>14,053,205</u></b>
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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, 2024

	General	1947 School Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 54,769,835	\$ 12,666,447	\$ 7,569,028	\$ 3,661,794	\$ 78,667,104
Licenses and permits	11,060,496	-	-	38,311	11,098,807
Intergovernmental	120,900	-	250,751	2,598,416	2,970,067
Charges for services	1,370,205	-	-	271,759	1,641,964
Fines and forfeitures	548,802	-	-	132,067	680,869
Other	2,835,013	69,212	967,465	506,538	4,378,228
Total revenues	70,705,251	12,735,659	8,787,244	7,208,885	99,437,039
<b>Expenditures</b>					
General government administration	9,779,622	312,765	351,456	3,369,342	13,813,185
Public safety	21,831,274	-	-	2,208,875	24,040,149
Public works	7,680,657	-	-	589,612	8,270,269
Culture and recreation	9,659,580	-	-	265,465	9,925,045
Capital outlay	180,064	-	-	4,564,311	4,744,375
Debt service					
Principal retirement	24,224	-	6,253,441	-	6,277,665
Interest	2,309	-	5,000,493	-	5,002,802
Total expenditures	49,157,730	312,765	11,605,390	10,997,605	72,073,490
Excess (deficiency) of revenues over (under) expenditures	21,547,521	12,422,894	(2,818,146)	(3,788,720)	27,363,549
<b>Other financing sources (uses)</b>					
Proceeds from lease issuance	19,335	-	-	-	19,335
Proceeds from financed equipment payable	106,516	-	-	-	106,516
Proceeds from sale of capital assets	510,206	-	-	416,284	926,490
Appropriation to Homewood BOE	(10,757,272)	(12,806,885)	-	-	(23,564,157)
Operating transfers (out) in	8,613,688	-	(8,613,688)	-	-
Total other financing sources (uses)	(1,507,527)	(12,806,885)	(8,613,688)	416,284	(22,511,816)
Net changes in fund balance	20,039,994	(383,991)	(11,431,834)	(3,372,436)	4,851,733
Fund balance - beginning of year, as originally reported	31,217,217	492,366	28,276,912	17,197,121	77,183,616
Prior period adjustment, see Note 19	98,327	-	-	(56,850)	41,477
Fund balance - end of year	\$ 51,355,538	\$ 108,375	\$ 16,845,078	\$ 13,767,835	\$ 82,076,826

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, 2024

**Net changes in fund balances - governmental funds** \$ 4,851,733

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	4,744,375	
Less depreciation expense	<u>(6,859,548)</u>	(2,115,173)

The proceeds from the sale of capital assets (\$926,490) are reported as  
other financing sources in the governmental funds. However, the net  
book value of the capital assets (\$519,776) 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 \$406,714. (519,776)

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	6,277,665	
Proceeds from issuance of leases	(19,335)	
Proceeds from issuance of financed equipment payable	(106,516)	
Warrant premiums and deferred amounts on refunding amortization expense	<u>(12,454)</u>	6,139,360

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

Net increase in accrued compensated absences	(350,484)	
Net increase in pension expense	(3,843,567)	
Net increase in post-employment benefit payable	(172,411)	
Net decrease in accrued interest	<u>15,160</u>	(4,351,302)

**Change in net position - governmental activities** \$ 4,004,842

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

## **CITY OF HOMEWOOD, ALABAMA**

### **Notes to Financial Statements**

September 30, 2024

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

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

The financial statements of the City are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. In preparing the financial statements, management evaluated subsequent events through June 25, 2025, 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, 2024

(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 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'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, 2024

(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 fund 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. 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, 2024

(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.

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.

***Capital Project Funds*** - Capital project 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 for the acquisitions, construction, and redevelopment of the City's capital assets. The General Obligation Warrants Construction Fund is used to account for bond proceeds that are being used for construction projects. All of the City's capital project funds are non-major.

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.

## **CITY OF HOMEWOOD, ALABAMA**

### **Notes to Financial Statements**

September 30, 2024

(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 banks holding the City's deposits are certified participants 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 fair market value.

##### **Receivables**

Receivables are reported as "Accounts receivable" in the government-wide financial statements and in the fund financial statements and consist of receivables due from other governments and other receivables. 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.

## **CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

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

#### **Interfund Transfers, Receivables and Payables - Continued**

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

#### **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 government-wide financial statements 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, collected and remitted to the City by Jefferson County, are levied annually on October 1 and are due October 1 of the following year. Municipal taxes due to the City are based and due on state and county assessment of the property within the limits of the City for the preceding tax year and are due and delinquent at the time when state and county taxes for the preceding year are due and delinquent.

#### **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.

## **CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

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

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

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

The City's Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. The City reports deferred outflows of resources related to pensions as follows: 1) difference between expected and actual experience, 2) changes of assumptions, 3) net difference between projected and actual earnings on pension plan investments, and 4) employer contributions subsequent to measurement date. The City reports deferred outflows of resources related to OPEB as follows: 1) difference between expected and actual experience, and 2) changes of assumptions. The City reports deferred outflows of resources for deferred refunding 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.

## **CITY OF HOMEWOOD, ALABAMA**

### **Notes to Financial Statements**

**September 30, 2024**

**(Continued)**

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

##### **Unearned Revenue**

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

##### **Long-term Obligations**

In the government-wide 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 warrant premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively.

##### **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 the 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.

## **CITY OF HOMEWOOD, ALABAMA**

### **Notes to Financial Statements**

September 30, 2024

(Continued)

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

##### **Compensated Absences - Continued**

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

##### **Other Post-employment Benefit Obligations (OPEB)**

The City uses the economic resources measurement focus and full accrual basis of accounting for purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflow of resources related to other post-employment benefits, and OPEB expense. 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, 2023, and, therefore, this actuarial information is reported in the 2024 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. The City reports deferred inflows of resources in the statement of net position related to pensions for differences between expected and actual experience. The City reports deferred inflows of resources in the statement of net position related to OPEB as follows: 1) difference between expected and actual experience, and 2) changes of assumptions. The City reports deferred inflows of resources for leases in the statement of net position and governmental fund balance sheet.

##### **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.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

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

**Net Position - Continued**

*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.

**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.



## **CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

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

#### **Fund Equity - Continued**

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.

#### **Leases and Subscription-based Information Technology Arrangements (SBITA)**

The City is a lessor for noncancellable leases of City property for wireless communications facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

As lessee/subscriber: At the commencement of a lease/subscription-based information technology arrangement (SBITA), the City initially measures the lease/subscription liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease liability is reduced by the principal portion of lease/subscription payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease/subscription receipts/payments to present value, (2) lease/subscription term, and (3) lease receipts. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its lease/subscription and will remeasure the lease/subscription if certain changes occur that are expected to significantly affect the amount of the lease/subscription.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

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

**Leases and Subscription-based Information Technology Arrangements (SBITA) - Continued**

Lease/subscription assets are reported with other capital assets and lease/subscription liabilities are reported with long-term debt, net of current portion, on the statement of net position.

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

**Deficit Fund Equity**

The deficit fund equities of \$172,164 in the Emergency Communication District Fund, \$72 in the Homewood Court Restitution Fund, \$154,900 in the Correction Fund, and \$40,013 in the Municipal Court Fund, all 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 - INVESTMENTS**

As of September 30, 2024, the City had the following investments, which were reported at fair value in governmental activities:

<u>Type of Investment</u>	<u>Fair Value</u>	<b>Investment Maturities</b>	
		<b>(in Years)</b>	
		<u>0-5</u>	<u>6-10</u>
U.S. Treasury bills	\$ 992,310	\$ 992,310	\$ -
Municipal bonds	625,908	469,488	156,420
Government-sponsored entities	16,650,156	12,970,134	3,680,022
Total	<u>\$ 18,268,374</u>	<u>\$ 14,431,932</u>	<u>\$ 3,836,442</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.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 3 – INVESTMENTS - Continued**

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 speculation, but for investment, considering probable safety of their principal as well as probable income to be derived. The City's investment in municipal bonds had ratings ranging from Aa2 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, 2024: Federal Home Loan Bank – 56.13%, Federal Home Loan Mortgage Corporation – 14.11%, Federal Farm Credit Bank – 11.46%, and Federal National Mortgage Association – 10.32%.

***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, 2024 were insured.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 4 - RECEIVABLES AND PAYABLES**

Receivables consisted of the following at September 30, 2024:

	<b>General</b>	<b>1947 School Tax</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Sales tax	\$ 4,664,172	\$ -	\$ -	\$ 279,362	\$ 4,943,534
Intergovernmental	-	-	-	941,833	941,833
Leases	-	-	-	-	-
Other receivables	798,757	78,950	47,259	472,611	1,397,577
Total receivables	<u>\$ 5,462,929</u>	<u>\$ 78,950</u>	<u>\$ 47,259</u>	<u>\$ 1,693,806</u>	<u>\$ 7,282,944</u>

Payables consisted of the following at September 30, 2024:

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Trade	\$ 3,223,700	\$ 89,666	\$ 459,335	\$ 3,772,701
Capital assets	-	-	625,048	625,048
Total payables	<u>\$ 3,223,700</u>	<u>\$ 89,666</u>	<u>\$ 1,084,383</u>	<u>\$ 4,397,749</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for governmental activities consisted of the following for the year ended September 30, 2024:

	<b>Governmental Activities</b>			
	<b>October 1, 2023</b>	<b>Additions</b>	<b>Disposals</b>	<b>September 30, 2024</b>
<b>Depreciable assets</b>				
Land and infrastructure improvements	\$ 59,448,057	\$ 7,186,560	\$ 3,200	\$ 66,631,417
Buildings and improvements	109,722,149	1,408,254	17,199	111,113,204
Equipment	41,213,443	1,702,898	3,430,895	39,485,446
Right of use asset - leases	-	19,335	-	19,335
	<u>210,383,649</u>	<u>10,317,047</u>	<u>3,451,294</u>	<u>217,249,402</u>
Less accumulated depreciation				
Land and infrastructure improvements	52,396,421	1,080,787	2,905	53,474,303
Buildings and improvements	33,975,696	3,537,996	16,386	37,497,306
Equipment	34,241,148	2,239,197	3,263,327	33,217,018
Right of use asset - leases	-	1,568	-	1,568
	<u>120,613,265</u>	<u>6,859,548</u>	<u>3,282,618</u>	<u>124,190,195</u>
	89,770,384	3,457,499	168,676	93,059,207
<b>Non-depreciable assets</b>				
Land and improvements	40,205,424	-	351,100	39,854,324
Construction in progress	10,228,224	923,129	6,642,848	4,508,505
	<u>50,433,648</u>	<u>923,129</u>	<u>6,993,948</u>	<u>44,362,829</u>
	<u>\$ 140,204,032</u>	<u>\$ 4,380,628</u>	<u>\$ 7,162,624</u>	<u>\$ 137,422,036</u>

Depreciation expense was charged to governmental activities as follows:

General government administration	\$ 2,415,673
Public safety	1,648,052
Public works	492,473
Culture and recreation	2,303,350
	<u>\$ 6,859,548</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 6 - LEASES**

The City has entered into lease agreements as lessor for office space and cell towers. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease related inflows recognized during the fiscal year was \$221,392.

The City is a lessee in an active lease agreement that consisted of the following at September 30, 2024:

<b>Governmental Activities</b>						
<b>Description</b>	<b>Date</b>	<b>Terms</b>	<b>Interest Rate</b>	<b>Total Lease Liability</b>	<b>Ending Lease Liability</b>	
Quadient - Folding machine	7/22/24	3 years	5.30%	\$ 19,335	\$ 17,838	

Annual requirements to amortize long-term obligations and related interest consist of the following

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	6,102	822	6,924
2026	6,431	492	6,923
2027	5,305	142	5,447
Total	17,838	1,456	19,294
Less: Present value discount			(1,456)
Lease liability			<u>\$ 17,838</u>

The City's right-of-use assets related to leases at September 30, 2024 totaled \$19,335, with accumulated depreciation of \$1,568 and are included in the right-of-use assets in Note 5.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 7 - 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, 2024:

	<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%	\$ 33,450,000
Series 2017 General Obligation Warrants, dated December 28, 2017, due in semi-annual payments through September 1, 2042, bearing interest rates of 2.00% to 4.00%	9,245,000
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%	46,850,000
Series 2021-A General Obligation Warrants, dated September 1, 2021, due in semi-annual payments through September 1, 2041, bearing an interest rate 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%	59,295,000
Total warrants payable	\$ 154,170,000

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 7 - LONG-TERM DEBT - Continued**

	<b>Governmental Activities</b>
Total warrants payable	\$ 154,170,000
Deferred amounts for	
Unamortized premiums (GOW Series 2016)	2,738,067
Unamortized premiums (GOW Series 2017)	172,844
Unamortized premiums (GOW Series 2021-A)	953,556
Unamortized premiums (GOW Series 2021-B)	269,789
Total warrants payable, net	<u>\$ 158,304,256</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>
2025	\$ 5,585,000	\$ 4,724,945
2026	5,815,000	4,499,603
2027	6,055,000	4,262,633
2028	6,300,000	4,013,545
2029	6,570,000	3,751,965
2030-2034	36,690,000	14,893,500
2035-2039	38,685,000	10,229,713
2040-2044	36,130,000	4,793,742
2045-2046	12,340,000	511,920
	<u>\$ 154,170,000</u>	<u>\$ 51,681,566</u>



**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 7 - LONG-TERM DEBT - Continued**

Notes payable consisted of the following at September 30, 2024:

	<b>Governmental Activities</b>
3.04% line of credit - bank, due in monthly installments including interest, final unpaid balance due December 2028	\$ 714,602
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	56,109
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	82,511
2.09% note payable - bank, due in sixty monthly installments of \$11,270 including interest, final unpaid balance due January 2027, secured by motor vehicles	295,950
2.09% note payable - bank, due in sixty monthly installments of \$11,427 including interest, final unpaid balance due January 2027, secured by motor vehicles	300,063
7.52% financed equipment payable - bank, due in annual installments of \$25,036 including interest, final unpaid balance due March 2028, secured by library equipment	83,789
Total notes and financed equipment payable	<u>\$ 1,533,024</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 7 - LONG-TERM DEBT - Continued**

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>
2025	\$ 587,854	\$ 36,269
2026	461,365	23,516
2027	265,909	12,473
2028	207,396	5,122
2029	10,500	26
Thereafter	-	-
	<u>\$ 1,533,024</u>	<u>\$ 77,406</u>

Changes in long-term liabilities consisted of the following at September 30, 2024:

<b>Governmental Activities</b>	<b>October 1, 2023</b>	<b>Additions</b>	<b>Retirements</b>	<b>September 30, 2024</b>	<b>Due within one year</b>
Warrants, notes and lease payables					
Lease payables	\$ -	\$ 19,335	\$ 1,497	\$ 17,838	\$ 6,102
Notes and financed equipment payable	2,337,676	106,516	911,168	1,533,024	587,854
General obligation warrants	159,535,000	-	5,365,000	154,170,000	5,585,000
	<u>161,872,676</u>	<u>125,851</u>	<u>6,277,665</u>	<u>155,720,862</u>	<u>6,178,956</u>
Plus: warrant premiums	4,928,442	-	794,186	4,134,256	806,640
Total warrants, notes and lease payables	166,801,118	125,851	7,071,851	159,855,118	6,985,596
Other liabilities					
Net pension liability	61,476,081	-	1,685,498	59,790,583	-
Total OPEB liability	2,532,434	837,407	-	3,369,841	-
Compensated absences	2,850,646	1,425,323	1,074,839	3,201,130	1,600,565
	<u>\$ 233,660,279</u>	<u>\$ 2,388,581</u>	<u>\$ 9,832,188</u>	<u>\$ 226,216,672</u>	<u>\$ 8,586,161</u>

General obligation warrants 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.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 7 - LONG-TERM DEBT - Continued**

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. 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, 2024, \$27,625,000 of the defeased warrants remained outstanding.

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, 2024, \$51,490,000 of the defeased warrants remained outstanding.

**NOTE 8 - COMMITMENTS**

The Capital Projects Fund had contractual commitments as of September 30, 2024, totaling \$605,683 pertaining to ongoing construction for the City's Greensprings revitalization, City park improvements, and various sidewalk projects.

## CITY OF HOMEWOOD, ALABAMA

Notes to Financial Statements

September 30, 2024

(Continued)

### NOTE 9 - PENSION PLAN

#### *General Information about the Pension Plan*

##### *Plan Description*

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The 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 15 trustees as follows:

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

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(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, 2024

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Benefits Provided - Continued***

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 618 employers adopted Act 2019-132 as of September 30, 2023.

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

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 113,079 participants. As of September 30, 2023, ERS membership consisted of:

**ERS Membership as of the Measurement Date**

Retirees and beneficiaries currently receiving benefits	31,481
Terminated employees entitled to but not yet receiving benefits	2,350
Terminated employees not entitled to a benefit	20,556
Active members	58,659
Post-DROP retired members still in active service	33
	<u>113,079</u>

The City's membership as of the measurement date of September 30, 2023 consisted of:

**Paragraph 40(c) Membership as of the Measurement Date**

Retired members or their beneficiaries currently receiving benefits	241
Vested inactive members	9
Non-vested inactive members	74
Active members	342
Post-DROP retired members still in active service	-
	<u>666</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Contributions***

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

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

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, 2024, the City's active employee contribution rate was 8.02% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 17.18% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2024 was 17.46% of pensionable pay for Tier 1 employees and 17.65% of pensionable pay for Tier 2 employees.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Contributions - Continued***

These required contribution rates are based upon the actuarial valuation dated September 30, 2020, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City totaled \$3,848,461 for the year ended September 30, 2024.

***Net Pension Liability***

The City's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 rolled forward to September 30, 2023, using standard roll-forward techniques as shown in the following table:

	<b>Expected</b>	<b>Actual Before Plan Changes</b>	<b>Actual After Plan Changes</b>
(a) Total pension liability as of September 30, 2022	\$ 127,874,279	\$ 128,249,782	\$ 128,249,782
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry age normal cost for the period October 1, 2022 - September 30, 2023	2,204,349	2,204,349	2,204,349
(d) Transfers among employers	-	(1,215,138)	(1,215,138)
(e) Actual benefit payments and refunds for the period October 1, 2022 - September 30, 2023	(8,657,392)	(8,657,392)	(8,657,392)
(f) Total pension liability as of September 30, 2023 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 130,625,382</u>	<u>\$ 129,813,722</u>	<u>\$ 129,813,722</u>
(g) Difference between expected and actual		\$ (811,660)	
(h) Less liability transferred for immediate recognition		<u>(1,215,138)</u>	
(i) Difference between expected and actual - experience (gain)/loss		\$ 403,478	
(j) Difference between Actual TPL before and after Plan changes - benefit change (gain)/loss			\$ -



**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

*Actuarial Assumptions*

The total pension liability as of September 30, 2023 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2022. The key actuarial assumptions are summarized below:

1. An investment rate of return of 7.45% (net of pension plan investment expense), including inflation at 2.50%, per annum compounded annually on the investment of present and future assets.
2. Projected salary increases, based on age ranging from 3.25% to 6.00%.

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

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

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

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Actuarial Assumptions - Continued***

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

\*Includes assumed rate of inflation of 2.00%.

***Discount Rate***

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

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 9 - PENSION PLAN - Continued**

***Changes in Net Pension Liability***

Changes in the City's net pension liability consisted of the following at September 30, 2023:

	<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, 2022	\$ 127,874,279	\$ 66,398,198	\$ 61,476,081
Changes for the year			
Service cost	2,204,349	-	2,204,349
Interest	9,204,146	-	9,204,146
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	403,478	-	403,478
Contributions - employer	-	3,433,117	(3,433,117)
Contributions - employee	-	1,748,738	(1,748,738)
Net investment income	-	8,315,616	(8,315,616)
Benefits of payments, including refunds of employee contributions	(8,657,392)	(8,657,392)	-
Administrative expenses	-	-	-
Transfers among employers	(1,215,138)	(1,215,138)	-
Net changes	1,939,443	3,624,941	(1,685,498)
Balances at September 30, 2023	\$ 129,813,722	\$ 70,023,139	\$ 59,790,583

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

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

	<b>1% Decrease (6.45%)</b>	<b>Current Discount Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>
Plan's Net Pension Liability	\$ 74,597,375	\$ 59,790,583	\$ 47,307,506

***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, 2023. The supporting actuarial information is included in the GASB Statement No. 68 *Report for the ERS* prepared as of September 30, 2023. 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, 2024

(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, 2024, the City recognized pension expense of \$7,692,028. At September 30, 2024, 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	\$ 1,628,449	\$ 14,558
Changes of assumptions	2,351,149	-
Net difference between projected and actual earnings on pension plan investments	3,055,206	-
Employer contributions subsequent to the measurement date	3,848,461	-
	<u>\$ 10,883,265</u>	<u>\$ 14,558</u>

Deferred outflows of resources of \$3,848,461 related to contributions made subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows 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>
2025	\$ 2,176,263
2026	1,734,388
2027	3,632,686
2028	(552,979)
2029	29,888
Thereafter	-

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

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

Interfund payables and receivables consisted of the following at September 30, 2024:

	<b>Payable To</b>			
	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Payable To</b>
<b><u>Payable From</u></b>				
General Fund	\$ -	\$ -	\$ 1,741,884	\$ 1,741,884
1947 School Tax Fund	2,451,426	-	-	2,451,426
Debt Service Fund	12,290	-	-	12,290
Nonmajor Governmental Funds	2,001,297	123,694	1,346,401	3,471,392
<b>Total payable from</b>	<b>\$ 4,465,013</b>	<b>\$ 123,694</b>	<b>\$ 3,088,285</b>	<b>\$ 7,676,992</b>

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.

Interfund transfers consisted of \$8,613,688 from the Debt Service Fund to the General Fund during the year ended September 30, 2024:

Transfers from the General Fund, Debt Service Fund, Special Revenue Funds and Capital Project Funds are in accordance with the normal course of the City's operations.

## **CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(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. Although the outcome of these lawsuits and claims is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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 (OPEB)**

#### ***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, 2024

(Continued)

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

***Benefits Provided - 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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	34
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	297
	<u>331</u>

***Total OPEB Liability***

The City’s total OPEB liability of \$3,369,841 was measured as of September 30, 2024 and was determined by an actuarial valuation as of that date.

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the September 30, 2024 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	4.77% annually (Beginning of year)
	4.06% 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, 2024, the end of the applicable measurement period.

Mortality rates were based on the RPH-2014 Table with projection to MP-2021.



**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

***Actuarial Assumptions and Other Inputs - Continued***

The actuarial assumptions used in the September 30, 2024 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2024.

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

	<b>Total OPEB Liability</b>
Balances at September 30, 2023	\$ 2,532,434
Changes for the year	
Service cost	66,450
Interest	119,433
Changes of assumptions	166,736
Difference between expected and actual experience	674,900
Benefit payments and net transfers	(190,112)
Net change in total OPEB liability	837,407
Balances at September 30, 2024	<u>\$ 3,369,841</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1-percentage-point higher (5.06%) than the current discount rate.

	<b>1% Decrease (3.06%)</b>	<b>Current Discount Rate (4.06%)</b>	<b>1% Increase (5.06%)</b>
Plan's Total OPEB Liability	<u>\$ 3,627,105</u>	<u>\$ 3,369,841</u>	<u>\$ 3,138,595</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - 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	\$ 3,108,063	\$ 3,369,841	\$ 3,675,201

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$362,523. At September 30, 2024, 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	\$ 1,092,303	\$ 35,136
Changes of assumptions	193,102	327,318
	<u>\$ 1,285,405</u>	<u>\$ 362,454</u>

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - 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>
2025	\$ 176,641
2026	176,641
2027	170,019
2028	168,803
2029	122,158
Thereafter	108,689

**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, 2024.

- *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 provided 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, 2024

(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, 2024:

	<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	\$ 992,310	\$ 992,310	\$ -	\$ -
Municipal bonds	625,908	-	625,908	-
Government-sponsored entities	16,650,156	-	16,650,156	-
Total	<u>\$ 18,268,374</u>	<u>\$ 992,310</u>	<u>\$ 17,276,064</u>	<u>\$ -</u>

**NOTE 14 - CONDUIT DEBT**

From time to time, the City's Education Building 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, 2024, the aggregate principal amount payable totaled \$218,995,000.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 15 - FUND BALANCE CLASSIFICATIONS**

The following table details fund balance categories as of September 30, 2024:

	<b>General</b>	<b>1947 School Tax</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Fund balances</b>					
<b>Nonspendable</b>					
Prepaid expenses	\$ 768,307	\$ -	\$ -	\$ -	\$ 768,307
<b>Restricted for</b>					
Road maintenance	-	-	-	2,811,375	2,811,375
Road paving	-	-	-	656,039	656,039
Debt service	-	-	1,990	-	1,990
BOE – property tax	-	108,375	-	-	108,375
Grant expenditures	-	-	-	213,759	213,759
E911	-	-	-	-	-
Court restricted by law	-	-	-	1,237,520	1,237,520
Drug enforcement task force	-	-	-	19,397	19,397
Opioid settlement	-	-	-	256,832	256,832
Construction projects in progress	-	-	-	5,861,240	5,861,240
<b>Committed to</b>					
Reserve for economic uncertainty	11,872,368	-	-	-	11,872,368
<b>Assigned to</b>					
Other capital projects	-	-	-	713,531	713,531
Debt service	-	-	16,843,088	-	16,843,088
Encumbrances	732,628	-	-	1,708,625	2,441,253
Environmental testing	-	-	-	85,729	85,729
Inspection technology	-	-	-	220,397	220,397
Park activity	-	-	-	350,540	350,540
Library donations	22,291	-	-	-	22,291
Other donations	350	-	-	-	350
Risk management	1,000,000	-	-	-	1,000,000
Compensated absences	3,201,130	-	-	-	3,201,130
Subsequent years' budget	-	-	-	-	-
<b>Unassigned (deficit)</b>	<u>33,758,464</u>	<u>-</u>	<u>-</u>	<u>(367,149)</u>	<u>33,391,315</u>
<b>Total fund balance</b>	<u>\$ 51,355,538</u>	<u>\$ 108,375</u>	<u>\$ 16,845,078</u>	<u>\$ 13,767,835</u>	<u>\$ 82,076,826</u>

## CITY OF HOMEWOOD, ALABAMA

### Notes to Financial Statements

September 30, 2024

(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, 2024, the City abated taxes totaling \$816,062 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
Medical center development and expansion	Ad Valorem <sup>2</sup>	75.00%	117,964	March 2032	5,000,000
	Sales <sup>4</sup>	50.00%	22,893	February 2028	500,000
Restaurant development	Ad Valorem <sup>2</sup>	100.00%	-	February 2018	
	Business License	100.00%	1,421	February 2021	
Hotel development	Lodging Tax	75.00%	673,784		10,000,000

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

#### 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.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

**NOTE 17 - DEFERRED COMPENSATION PLAN - Continued**

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. 101, *Compensated Absences* to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of GASB 96 will take effect for financial statements starting with the fiscal year that ends September 2025. The City is currently evaluating the impact GASB 101 may have on its financial statements.

The GASB issued Statement No. 102, *Certain Risk Disclosures* to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of GASB 102 will take effect for financial statements starting with the fiscal year that ends September 2025. The City is currently evaluating the impact GASB 102 may have on its financial statements.

The GASB issued Statement No. 103, *Financial Reporting Model Improvements* to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of GASB 103 will take effect for financial statements starting with the fiscal year that ends September 2026. The City is currently evaluating the impact GASB 103 may have on its financial statements.

**CITY OF HOMEWOOD, ALABAMA**

Notes to Financial Statements

September 30, 2024

(Continued)

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

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of GASB 104 will take effect for financial statements starting with the fiscal year that ends September 2026. The City is currently evaluating the impact GASB 104 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 ADJUSTMENTS**

During the year ended September 30, 2024, the City had the total prior period adjustments:

Fund Financial Statements:

General Fund:

Adjustment to beginning due to/from employee	\$ (143,542)
Adjustment for beginning AP clearing (previously in nonmajor governmental funds)	203,892
Adjustment to increase beginning fund balance for current year replacement vehicle recorded in prior year	<u>37,977</u>
Total impact on beginning General Fund fund balance	<u><u>\$ 98,327</u></u>

Nonmajor governmental funds:

Adjustment to decrease beginning fund balance for prior year City Hall chiller expenditure recorded in current year year	\$ (72,234)
Adjustment for beginning AP clearing (previously in nonmajor governmental funds)	(203,892)
Adjustment to decrease beginning fund balance for prior year City of Bham expenditure recorded in current year year	<u>219,276</u>
Total impact on beginning Nonmajor Governmental Fund fund balance	<u><u>\$ (56,850)</u></u>

Government-wide Financial Statements:

Adjustment to beginning due to/from employee	\$ (143,542)
Adjustment to increase beginning fund balance for current year replacement vehicle recorded in prior year	<u>37,977</u>
Total impact on beginning Governmental Activities Net Position	<u><u>\$ (105,565)</u></u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HOMEWOOD, ALABAMA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund  
Year Ended September 30, 2024

	<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	\$ 55,331,596	\$ 55,331,596	\$ 54,769,835	\$ (561,761)
Licenses and permits	9,618,203	9,607,283	11,060,496	1,453,213
Intergovernmental	134,400	134,400	120,900	(13,500)
Charges for services	1,270,221	1,270,221	1,370,205	99,984
Fines and forfeitures	630,745	630,745	548,802	(81,943)
Other	804,344	1,740,436	2,835,013	1,094,577
Total revenues	<u>67,789,509</u>	<u>68,714,681</u>	<u>70,705,251</u>	<u>1,990,570</u>
<b>Expenditures</b>				
General government administration	9,247,136	9,484,788	9,779,622	(294,834)
Public safety	22,208,817	22,458,817	21,831,274	627,543
Public works	8,103,995	8,486,935	7,680,657	806,278
Culture and recreation	10,176,875	10,242,375	9,659,580	582,795
Capital outlay	-	-	180,064	(180,064)
Debt service				
Principal retirement	-	-	24,224	(24,224)
Interest	-	-	2,309	(2,309)
Total expenditures	<u>49,736,823</u>	<u>50,672,915</u>	<u>49,157,730</u>	<u>1,515,185</u>
Excess of revenues over expenditures	<u>18,052,686</u>	<u>18,041,766</u>	<u>21,547,521</u>	<u>3,505,755</u>
<b>Other financing sources (uses)</b>				
Proceeds from lease issuance	-	-	19,335	19,335
Proceeds from financed equipment payable	-	-	106,516	106,516
Proceeds from sales of capital assets	1,500	1,500	510,206	508,706
Appropriation to City Board of Education	(10,922,685)	(10,922,685)	(10,757,272)	165,413
Operating transfers in (out)	(7,131,501)	(7,131,501)	8,613,688	15,745,189
Total other financing sources (uses)	<u>(18,052,686)</u>	<u>(18,052,686)</u>	<u>(1,507,527)</u>	<u>16,545,159</u>
Net changes in fund balance	<u>\$ (0)</u>	<u>\$ (10,920)</u>	<u>\$ 20,039,994</u>	<u>\$ 20,050,914</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  
Year Ended September 30, 2024

	<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	\$ 12,867,246	\$ 12,867,246	\$ 12,666,447	\$ (200,799)
Other	200	200	69,212	69,012
Total revenues	<u>12,867,446</u>	<u>12,867,446</u>	<u>12,735,659</u>	<u>(131,787)</u>
<b>Expenditures</b>				
General government administration	317,000	317,000	312,765	4,235
Total expenditures	<u>317,000</u>	<u>317,000</u>	<u>312,765</u>	<u>4,235</u>
Excess of revenues over expenditures	<u>12,550,446</u>	<u>12,550,446</u>	<u>12,422,894</u>	<u>(127,552)</u>
<b>Other financing sources (uses)</b>				
Appropriation to City Board of Education	<u>(12,550,446)</u>	<u>(12,550,446)</u>	<u>(12,806,885)</u>	<u>256,439</u>
Total other financing sources (uses)	<u>(12,550,446)</u>	<u>(12,550,446)</u>	<u>(12,806,885)</u>	<u>256,439</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (383,991)</u>	<u>\$ 128,887</u>

See notes to required supplementary information.

**CITY OF HOMEWOOD, ALABAMA**  
**Schedule of Changes in the Net Pension Liability**  
**Last Ten Years Ended September 30,**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>										
Service cost	\$ 2,204,349	\$ 2,110,387	\$ 1,791,163	\$ 1,737,226	\$ 1,682,515	\$ 1,617,464	\$ 1,596,114	\$ 1,570,223	\$ 1,606,256	\$ 1,514,594
Interest	9,204,146	8,970,763	8,494,620	8,291,605	7,988,096	7,900,805	7,631,698	7,452,923	7,064,565	6,864,354
Changes of benefit terms	-	65,884	1,722,155	-	-	-	-	-	-	-
Differences between expected and actual experience	403,478	756,357	1,110,839	87,760	1,268,729	(887,912)	632,642	(1,385,530)	2,393,143	-
Changes of assumptions	-	-	4,685,025	-	-	526,996	-	4,195,512	-	-
Benefit payments, including refunds of employee contributions	(8,657,392)	(8,422,469)	(7,894,689)	(7,382,605)	(7,210,155)	(7,237,379)	(6,885,805)	(6,393,275)	(6,025,687)	(5,726,936)
Transfers among employers	(1,215,138)	(230,808)	447,968	158,620	298,709	(137,955)	673,497	118,385	-	-
<b>Net change in total pension liability</b>	<b>1,939,443</b>	<b>3,250,114</b>	<b>10,357,081</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>127,874,279</b>	<b>124,624,165</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>88,667,892</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 129,813,722</b>	<b>\$ 127,874,279</b>	<b>\$ 124,624,165</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	\$ 3,433,117	\$ 3,385,438	\$ 3,047,639	\$ 3,092,544	\$ 2,951,627	\$ 2,490,953	\$ 2,362,811	\$ 2,227,078	\$ 2,175,800	\$ 2,170,917
Contributions - member	1,748,738	1,653,375	1,526,366	1,565,050	1,628,411	1,546,005	1,460,525	1,440,137	1,399,641	1,416,151
Net investment income	8,315,616	(10,001,881)	14,800,708	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	(8,657,392)	(8,422,469)	(7,894,689)	(7,382,605)	(7,210,155)	(7,237,379)	(6,885,805)	(6,393,275)	(6,025,687)	(5,726,936)
Transfers among employers	(1,215,138)	(230,808)	447,968	158,620	298,709	(137,955)	673,497	118,385	(703,937)	8,096
<b>Net change in plan fiduciary net position</b>	<b>3,624,941</b>	<b>(13,616,345)</b>	<b>11,927,992</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>66,398,198</b>	<b>80,014,543</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>54,967,803</b>
<b>Plan net position - ending (b)</b>	<b>\$ 70,023,139</b>	<b>\$ 66,398,198</b>	<b>\$ 80,014,543</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>\$ 59,790,583</b>	<b>\$ 61,476,081</b>	<b>\$ 44,609,622</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>53.94%</b>	<b>51.92%</b>	<b>64.20%</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>\$ 23,600,303</b>	<b>\$ 22,225,248</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>\$ 17,735,242</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>253.35%</b>	<b>276.60%</b>	<b>219.82%</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>

\*Employer's covered payroll during the measurement period is the total covered payroll. For FY2024 the measurement period is October 1, 2022 – September 30, 2023. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll beginning with FY2017.

See notes to required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 3,848,361	\$ 3,433,117	\$ 3,224,000	\$ 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	3,848,361	3,433,117	3,224,000	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>\$ 24,749,040</b>	<b>\$ 23,600,303</b>	<b>\$ 22,225,248</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>15.55%</b>	<b>14.55%</b>	<b>14.51%</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>

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

\*\*Employer's covered payroll for FY2024 is the total covered payroll for the 12 month period of the underlying financial statement

See notes to required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>							
Service cost	\$ 66,450	\$ 66,450	\$ 101,539	\$ 101,539	\$ 66,448	\$ 66,448	\$ 63,855
Interest	119,433	120,003	51,045	50,791	84,652	78,129	77,367
Differences between expected and actual experience	674,900	-	902,854	-	(118,786)	-	-
Changes of assumptions	166,736	-	(573,417)	-	170,972	-	-
Benefit payments and net transfers	(190,112)	(206,703)	(192,963)	(89,075)	(42,991)	(57,708)	(59,478)
<b>Net change in total OPEB liability</b>	<b>837,407</b>	<b>(20,250)</b>	<b>289,058</b>	<b>63,255</b>	<b>160,295</b>	<b>86,869</b>	<b>81,744</b>
<b>Total OPEB liability - beginning</b>	<b>2,532,434</b>	<b>2,552,684</b>	<b>2,263,626</b>	<b>2,200,371</b>	<b>2,040,076</b>	<b>1,953,207</b>	<b>1,871,463</b>
<b>Total OPEB liability - ending</b>	<b>\$ 3,369,841</b>	<b>\$ 2,532,434</b>	<b>\$ 2,552,684</b>	<b>\$ 2,263,626</b>	<b>\$ 2,200,371</b>	<b>\$ 2,040,076</b>	<b>\$ 1,953,207</b>
<b>Covered payroll</b>	<b>\$ 20,945,043</b>	<b>\$ 18,299,512</b>	<b>\$ 18,299,512</b>	<b>\$ 18,109,896</b>	<b>\$ 18,109,896</b>	<b>\$ 16,835,986</b>	<b>\$ 16,835,986</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>16.09%</b>	<b>13.84%</b>	<b>13.95%</b>	<b>12.50%</b>	<b>12.15%</b>	<b>12.12%</b>	<b>11.60%</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**  
Notes to Required Supplementary Information  
September 30, 2024

**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 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2023 to September 30, 2024 consisted of the following:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	25.4 years
Asset valuation method	Five-year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

**Benefit Changes** - There were no changes of benefit terms for the year ended September 30, 2024.

**Changes in Assumptions** – The inflation rate of 3.00% used to determine contributions for the year ended September 30, 2022 decreased to 2.5% for the year ended September 30, 2024.

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

**Benefit Changes** - There were no changes of benefit terms for the year ended September 30, 2024.

**Changes in Assumptions** - The discount rate as of September 30, 2023 was 4.77% and it changed to 4.06% as of September 30, 2024.

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.