

CITY OF IRONDALE, ALABAMA

Financial Statements

September 30, 2022

**CITY OF IRONDALE, ALABAMA
IRONDALE, ALABAMA**

MAYOR

James Stewart

CITY COUNCIL

Robert Box
Cindy Cuellar
John London
Aaron Sims
David Spivey

CITY CLERK

Leigh Allison

CITY ATTORNEYS

Wallace, Jordan, Ratliff & Brandt, LLC

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditors' Report	4
Management's Discussion and Analysis	7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	18
Statement of Activities	20
Fund Financial Statements	
Balance Sheet - Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Statement of Net Position - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Net Position - Fiduciary Funds	29
Statement of Changes in Net Position - Fiduciary Funds	30
Notes to the Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund	70
Schedule of Changes in the Net Pension Liability and Related Ratios	71
Schedule of Employer Contributions - Pension	72
Schedule of Changes in the Total OPEB Liability and Related Ratios	73
Notes to the Required Supplementary Information	74
SUPPLEMENTARY INFORMATION	
Combining Balance Sheets - Nonmajor Governmental Funds	77
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	78
Combining Balance Sheets - Component Units	79
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Component Units	80
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	82
Schedule of Findings and Responses	84

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the fiduciary funds, each major fund, and the aggregate remaining fund information of the City of Irondale, Alabama (the City), as of and for the year ended September 30, 2022 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, the business-type activities, the aggregate discretely presented component units, the fiduciary funds, each major fund, and the aggregate remaining fund information of the City of Irondale, Alabama as of September 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and budgetary comparison information on pages 7-17 and 70-75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining nonmajor fund financial statements and combining component units financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and combining component units financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023, on our consideration of the City'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'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's internal control over financial reporting and compliance.

BMSS, LLC

Birmingham, Alabama
June 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2022 by \$16.6 million.
- The statement of activities shows the Primary Government received taxes and other revenue of \$30.7 million and had expenses of \$28.9 million.
- The City's governmental funds reported a combined ending fund balance of \$28.7 million. This is \$7.9 million greater than last fiscal year primarily due to an increase in general revenues and issuance of warrants.
- The City retired \$2.6 million of outstanding debt principal through scheduled debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public protection, public ways and facilities, and intergovernmental functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities.

The business-type activities of the City include the water operations. The activity is referred to in the financial statements as those of the *primary government*.

The government-wide financial statements can be found on pages 18 through 20 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash and what monies are left at year end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City maintains seven individual governmental funds:

- The General Fund and the Capital Projects Fund are considered *major* funds, and information is presented separately in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balances* for these funds.
- The five other governmental funds are considered *nonmajor* governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements found on pages 77 and 78 of this report.

The basic governmental fund financial statements can be found on pages 21 through 24 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water activities.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows:

- The Water Fund is considered a major proprietary fund of the City, and information is presented separately in the *proprietary funds statement of net position* and in the *proprietary funds statement of revenues, expenses, and changes in net position* for this fund.

The basic proprietary fund financial statements can be found on pages 25 through 28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31 through 68 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The City of Irondale adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 70 through 75 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and component units are presented immediately following the required supplementary information. Combining fund statements can be found on pages 77 through 80 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a government's financial position. Overall, the City's assets exceeded liabilities by \$20.8 million at the close of the recent fiscal year. Of this figure, \$10.3 million represents the City's total investment in capital assets (i.e. land, buildings, improvements, infrastructure and other), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position, \$748 thousand, represents resources that are subject to restrictions as to how they may be used. These are restrictions that are being imposed by legal requirements other than those imposed by the City Council (i.e. state or federal law).

The following table reflects the condensed statement of net position:

City of Irondale Statement of Net Position (in thousands)						
	Governmental		Business-type		Totals	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Current assets	\$ 35,026	\$ 25,367	\$ 4,872	\$ 3,084	\$ 39,898	\$ 28,451
Long-term assets	55,025	45,501	6,114	5,172	61,139	50,673
Total assets	<u>90,051</u>	<u>70,868</u>	<u>10,986</u>	<u>8,256</u>	<u>101,037</u>	<u>79,124</u>
Deferred outflows of resources	<u>5,153</u>	<u>3,807</u>	<u>529</u>	<u>197</u>	<u>5,682</u>	<u>4,004</u>
Current liabilities	10,158	7,954	1,154	713	11,312	8,667
Long-term liabilities	<u>62,908</u>	<u>47,650</u>	<u>5,909</u>	<u>5,377</u>	<u>68,817</u>	<u>53,027</u>
Total liabilities	<u>73,066</u>	<u>55,604</u>	<u>7,063</u>	<u>6,090</u>	<u>80,129</u>	<u>61,694</u>
Deferred inflows	<u>5,565</u>	<u>2,822</u>	<u>236</u>	<u>74</u>	<u>5,801</u>	<u>2,896</u>
Net position						
Net investment in capital assets	9,169	7,219	1,114	273	10,283	7,492
Restricted	748	2,554	-	-	748	2,554
Unrestricted	<u>6,656</u>	<u>6,476</u>	<u>3,102</u>	<u>2,016</u>	<u>9,758</u>	<u>8,492</u>
Total net position	<u>\$ 16,573</u>	<u>\$ 16,249</u>	<u>\$ 4,216</u>	<u>\$ 2,289</u>	<u>\$ 20,789</u>	<u>\$ 18,538</u>

For more detailed information, see the statement of net position on pages 18 and 19.

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

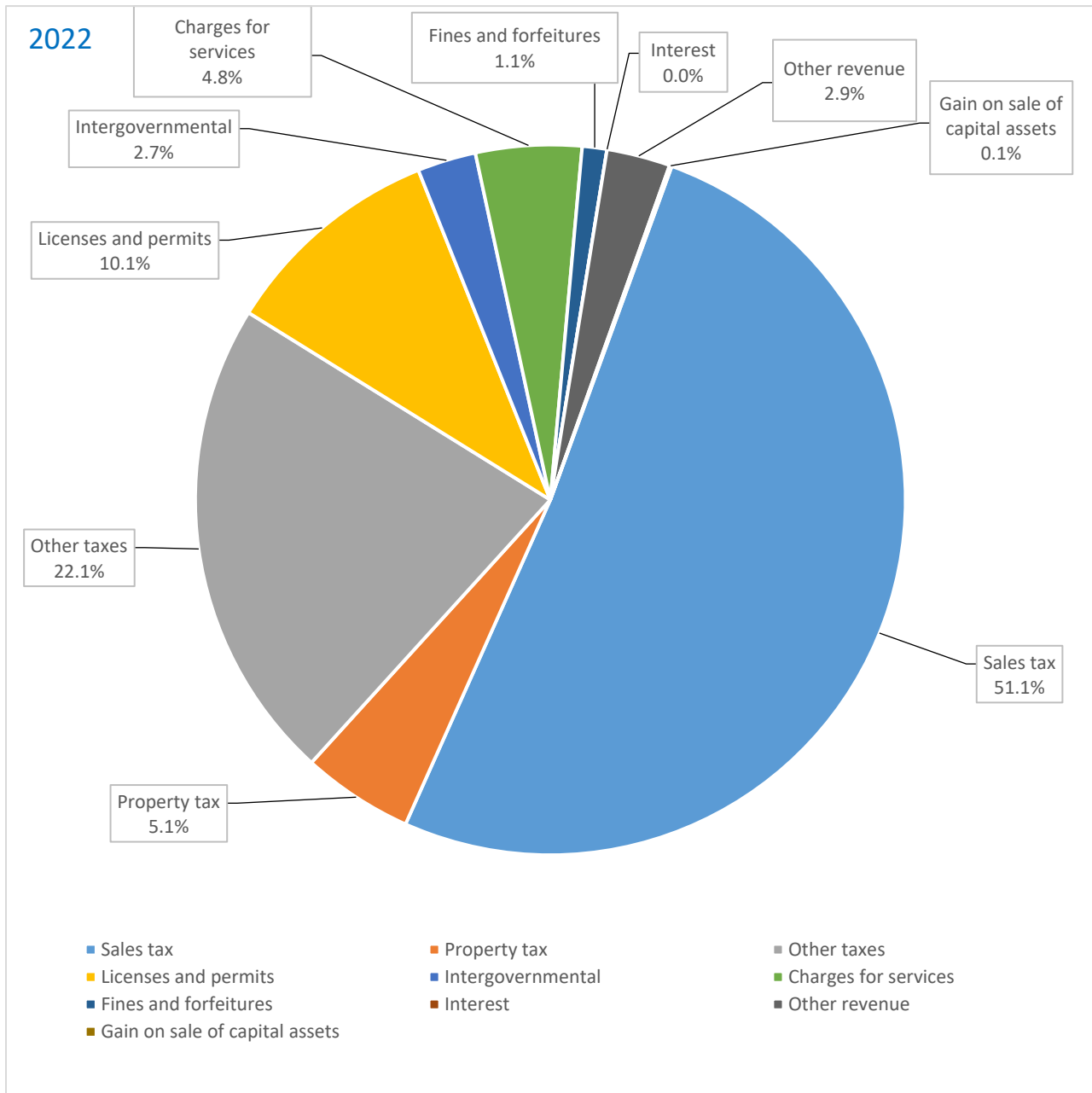
City of Irondale Statement of Activities (in thousands)						
	Governmental		Business-type		Totals	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 4,892	\$ 3,940	\$ 3,193	\$ 2,449	\$ 8,085	\$ 6,389
Operating grants and contributions	1,303	850	-	-	1,303	850
Capital grants and contributions	-	15	-	-	-	15
General revenues						
Property taxes	1,522	1,422	-	-	1,522	1,422
Sales and use taxes	15,386	13,492	-	-	15,386	13,492
Other taxes	6,650	6,171	-	-	6,650	6,171
Interest	-	1	-	-	-	1
Gain on disposal of capital assets	30	3	-	-	30	3
Other revenue	872	1,494	-	-	872	1,494
Total revenues	<u>30,655</u>	<u>27,388</u>	<u>3,193</u>	<u>2,449</u>	<u>33,848</u>	<u>29,837</u>
Expenses						
General government	7,650	5,311	-	-	7,650	5,311
Police	5,115	4,306	-	-	5,115	4,306
Fire	7,053	4,990	-	-	7,053	4,990
Parks and recreation	172	336	-	-	172	336
Public works	6,515	3,359	-	-	6,515	3,359
Library	687	652	-	-	687	652
Senior citizens' center	321	538	-	-	321	538
Payments to other governments	52	52	-	-	52	52
Interest and fiscal agent fees	1,382	1,093	-	-	1,382	1,093
Water Fund	-	-	2,650	2,002	2,650	2,002
Total expenses	<u>28,947</u>	<u>20,637</u>	<u>2,650</u>	<u>2,002</u>	<u>31,597</u>	<u>22,639</u>
Increase (decrease) in net position before transfers	1,708	6,751	543	447	2,251	7,198
Transfers	<u>(1,384)</u>	<u>(409)</u>	<u>1,384</u>	<u>409</u>	<u>-</u>	<u>-</u>
Change in net position	324	6,342	1,927	856	2,251	7,198
Net position - beginning of year	<u>16,249</u>	<u>9,907</u>	<u>2,289</u>	<u>1,433</u>	<u>18,538</u>	<u>11,340</u>
Net position - end of year	<u>\$ 16,573</u>	<u>\$ 16,249</u>	<u>\$ 4,216</u>	<u>\$ 2,289</u>	<u>\$ 20,789</u>	<u>\$ 18,538</u>

For more detailed information, see the statement of activities on page 20.

Governmental Activities

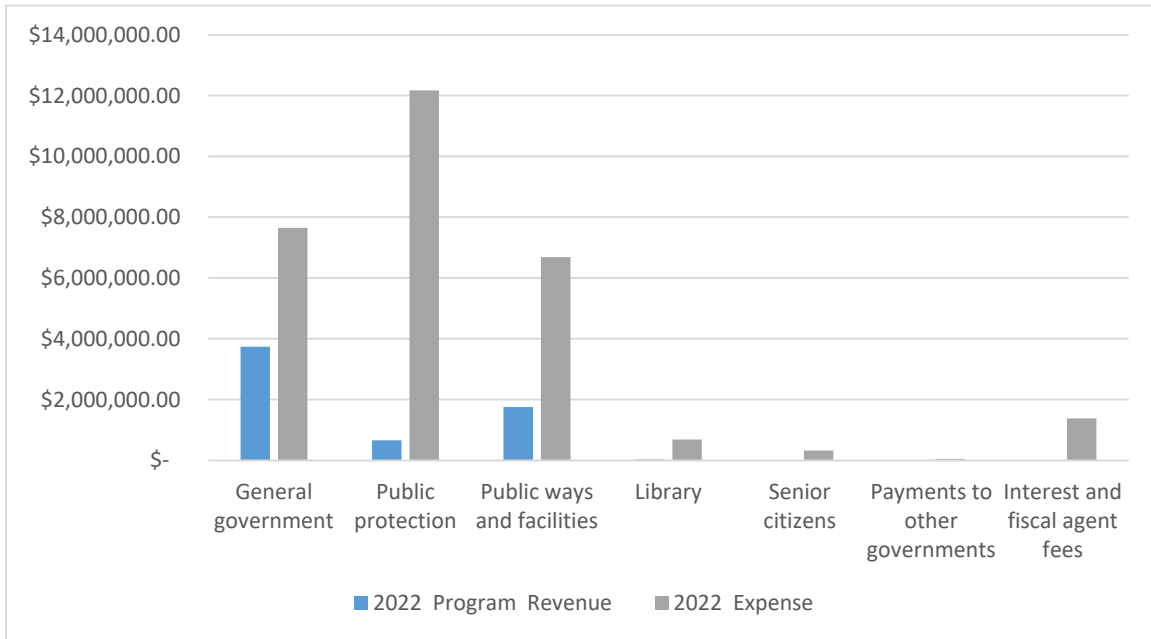
The City's governmental activities rely heavily on property taxes and sales taxes to support governmental operations. Property taxes provided 5.0% and sales taxes provided 50.2% of the City's total governmental revenues. Sales tax revenue increased by 14.0% from 2021. It should be noted that program revenues covered 21.4% of government operating expenses and the government's taxpayers and the City's other general revenues covered 78.6% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

Revenue - Governmental Activities



The most significant governmental expense for the City is providing public protection services such as fire and police protection. This comprised 42.0% of the total governmental expenses. Public protection expenses increased by \$2.9 million, or 30.9%, from 2021. The second largest cost incurred by the City for governmental activities is general government expense, which is 26.4% of total governmental expenses. General governmental expenses increased by \$2.3 million, or 44.0%, from 2021. The total cost of all governmental activities increased by \$8.3 million, while revenues increased by \$3.3 million.

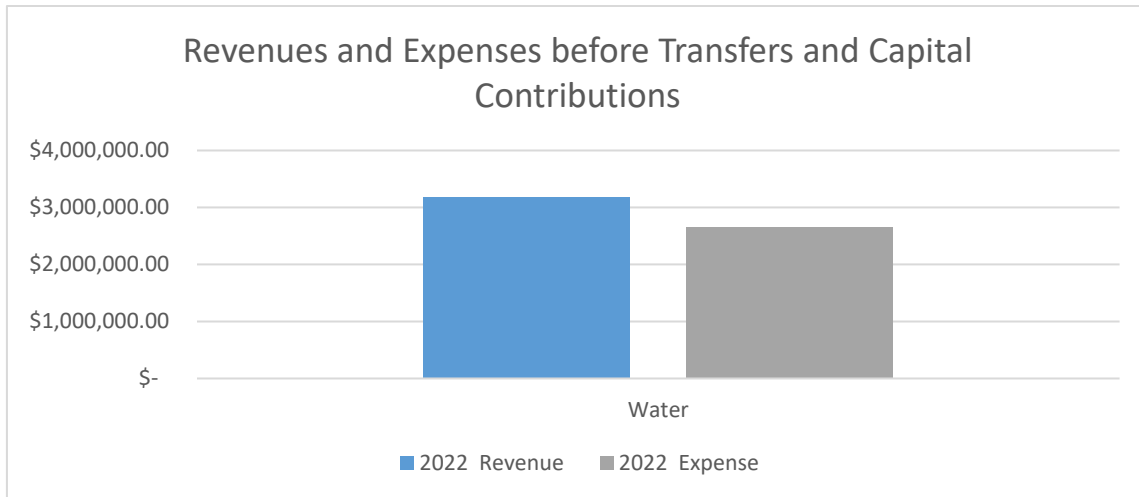
Program Revenues and Expenses - Governmental Activities



Business-Type Activities

The cost of all proprietary (business-type) activities was \$2.7 million, which is a \$648 thousand increase from 2021. The amount paid by users of the water services was \$3.2 million, which is an increase of 30.3% from 2021. This increase was due to increase in water rates.

Program Revenues and Expenses – Business-Type Activities



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The combined fund balance of the City’s governmental funds increased \$7.9 million in 2022. This increase was due to current year activities. The total combined fund balance of the City’s governmental funds, as of September 30, 2022, was \$28.7 million. Of this amount, \$10.0 million consisted of unassigned fund balance. Nonspendable fund balance totaled \$222 thousand, and fund balance that was committed, generally specified in council ordinances, totaled \$0. Assigned fund balance, generally authorized by the City Council or an official body for specific uses, totaled \$8.1 million. The remainder of the total fund balance totaled \$10.4 million, which was reserved to indicate that it was not available for new spending because it had already been committed to pay debt service and other purposes or must be spent for specific purposes in the future as required by legal constraints.

Total revenues were \$30.9 million, an increase of 12.0% from 2021. Sales tax revenue increased by \$2.0 million or 14.5%.

Looking at each major governmental fund individually, the fund balance for the General Fund at September 30, 2022 was \$18.7 million, an increase of \$492 thousand from the prior year. This increase in fund balance was primarily attributable to an increase in sales tax revenues and various proceeds, coupled with a smaller increase in General Fund expenditures. The fund balance at September 30, 2022 for the Capital Projects Fund was \$7.8 million, an increase of \$6.7 million. The increase was primarily attributable to transfers from the General Fund.

Proprietary Funds

The focus of the City's proprietary funds (enterprise) is to provide the same type of information as found in the government-wide financial statements, but in greater detail.

Net position of the Water Fund was \$4.2 million. The total growth in net position for the Water Fund was \$1.9. The increase in net position for the Water Fund was primarily attributable to an increase in revenues and \$1.4 million transferred from the General Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Irondale's business-type activities.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Budget to actual statements and schedules are provided in the financial statements for the General Fund on page 70. Columns are provided for both the original adopted budget as well as the final budget. These budgets are followed by columns for actual revenues and expenditures and for variances between the final budget and actual revenues and expenditures.

As of September 30, 2022, actual revenues for the General Fund exceeded the final budgeted amounts by \$1.2 million or 4.0%. The primary reason for this variance was taxes being greater than anticipated.

As of September 30, 2022, actual expenditures for the General Fund were more than the final budgeted amounts by \$5.0 million or 20.95%. The primary reason for this variance was due to increased principal retirement obligations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of September 30, 2022, totaled \$59.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, infrastructure, right-of-use assets, water plant and equipment. For further information on capital assets see Note 4 in the notes to the financial statements. Major purchases for 2022 consisted of \$860 thousand in vehicles and equipment, \$6.3 million in land and buildings, and \$500 thousand of water infrastructure improvements. The largest portion of disposed assets in the current year were old vehicles that were taken out of service and replaced with newer vehicles.

City of Irondale Capital Assets (in thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Buildings and improvements	\$ 17,434	\$ 13,208	\$ 38	\$ 38	\$ 17,472	\$ 13,246
Equipment	7,527	10,515	839	808	8,366	11,323
Right-of-use assets	6,322	-	665	-	6,987	-
Infrastructure	38,228	38,228	12,322	11,818	50,550	50,046
Land and improvements	11,495	9,347	39	39	11,534	9,386
Construction in progress	935	70	246	32	1,181	102
	81,941	71,368	14,149	12,735	96,090	84,103
Accumulated depreciation	(28,178)	(27,434)	(8,035)	(7,564)	(36,213)	(34,998)
Total	\$ 53,763	\$ 43,934	\$ 6,114	\$ 5,171	\$ 59,877	\$ 49,105

Long-Term Debt

General obligation warrants are secured by the full faith and credit of the City and payable from the proceeds of various taxes. The City continues to maintain a high bond rating from Standard & Poor's (AA). Refer to Note 6 to the financial statements for additional information on long-term debt. As of September 30, 2022, the governmental activities had outstanding warrants totaling \$48.2 million and business-type activities had outstanding warrants totaling \$5.0 million. As of September 30, 2022, governmental activities had lease payables totaling \$6 million and business-type activities had leases payables totaling \$558 thousand.

The City's total debt increased by \$16.9 million during the current fiscal year. This increase was due to issuance of warrants and leases.

City of Irondale Long-Term Debt (in thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
General Obligation Warrants	\$ 48,160	\$ 36,245	\$ 5,001	\$ 4,898	\$ 53,161	\$ 41,143
Lease obligations	6,026	1,706	558	-	6,584	1,706
Total	\$ 54,186	\$ 37,951	\$ 5,559	\$ 4,898	\$ 59,745	\$ 42,849

ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ending September 30, 2022, the City of Irondale continues its positive trend. The City continues its emphasis on retail, healthcare, industrial and residential sectors of the economy.

During fiscal year 2022, the City had numerous businesses along the entire spectrum of industrial, retail and healthcare either open in a new location, expand or backfill existing space.

CONTACTING THE CITY

This financial report is designed to provide a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Irondale Finance Department, 101 20th Street South, Irondale, Alabama 35210 or by calling (205) 956-9200.

CITY OF IRONDALE, ALABAMA
Statement of Net Position
September 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 19,795,480	\$ 3,763,299	\$ 23,558,779	\$ 555,148
Receivables, net	3,774,700	235,995	4,010,695	185,969
Prepaid expenses and supplies	222,149	581,834	803,983	-
Cash and cash equivalents - restricted	11,233,900	289,356	11,523,256	-
Total current assets	<u>35,026,229</u>	<u>4,870,484</u>	<u>39,896,713</u>	<u>741,117</u>
Noncurrent assets				
Nondepreciable capital assets	12,429,692	285,177	12,714,869	142,100
Depreciable capital assets, net	41,333,598	5,829,124	47,162,722	1,521,022
Receivables, net	1,261,796	-	1,261,796	-
Total noncurrent assets	<u>55,025,086</u>	<u>6,114,301</u>	<u>61,139,387</u>	<u>1,663,122</u>
Total assets	<u>90,051,315</u>	<u>10,984,785</u>	<u>101,036,100</u>	<u>2,404,239</u>
Deferred outflows of resources				
Deferred outflows related to pensions	3,176,920	156,647	3,333,567	-
Deferred outflows related to OPEB	906,672	62,492	969,164	-
Deferred charge on refunding	1,068,458	310,291	1,378,749	-
Total deferred outflows of resources	<u>5,152,050</u>	<u>529,430</u>	<u>5,681,480</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable	1,751,956	186,724	1,938,680	-
Accrued payroll and benefits	535,621	17,653	553,274	-
Accrued interest payable	498,772	56,936	555,708	-
Meter deposits	-	270,959	270,959	-
Due (from) to other funds	(121,420)	157,811	36,391	(36,391)
Unearned revenue	2,508,092	-	2,508,092	-
Current maturities of long-term liabilities				
Warrants and notes payable, net	2,923,400	295,616	3,219,016	47,776
Lease liability and related accrued interest	850,072	134,307	984,379	-
Compensated absences	1,211,787	33,882	1,245,669	-
Total current liabilities	<u>10,158,280</u>	<u>1,153,888</u>	<u>11,312,168</u>	<u>11,385</u>

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

CITY OF IRONDALE, ALABAMA
Statement of Net Position
September 30, 2022
(Continued)

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
Noncurrent liabilities				
Warrants and notes payable, net	\$ 45,236,484	\$ 4,705,096	\$ 49,941,580	\$ 138,193
Lease liability and related accrued interest	5,176,214	423,698	5,599,912	-
Compensated absences	1,211,786	33,881	1,245,667	-
Net pension liability	9,184,276	586,541	9,770,817	-
Net OPEB liability	2,098,809	159,697	2,258,506	-
Total noncurrent liabilities	<u>62,907,569</u>	<u>5,908,913</u>	<u>68,816,482</u>	<u>138,193</u>
Total liabilities	<u>73,065,849</u>	<u>7,062,801</u>	<u>80,128,650</u>	<u>149,578</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	1,618,569	-	1,618,569	-
Deferred inflows related to pensions	2,983,305	169,293	3,152,598	-
Deferred inflows related to OPEB	963,058	66,764	1,029,822	-
Total deferred inflows of resources	<u>5,564,932</u>	<u>236,057</u>	<u>5,800,989</u>	<u>-</u>
Net position				
Net investment in capital assets	9,169,296	1,113,589	10,282,885	1,477,153
Restricted for				
Library	7,559	-	7,559	-
Public protection	558,892	-	558,892	-
Infrastructure				
maintenance	181,188	-	181,188	-
Unrestricted	<u>6,655,649</u>	<u>3,101,768</u>	<u>9,757,417</u>	<u>777,508</u>
Total net position	<u>\$ 16,572,584</u>	<u>\$ 4,215,357</u>	<u>\$ 20,787,941</u>	<u>\$ 2,254,661</u>

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

CITY OF IRONDALE, ALABAMA
Statement of Activities
For the Year Ended September 30, 2022

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 7,649,537	\$ 3,129,825	\$ 610,118	\$ -	\$ (3,909,594)	\$ -	\$ (3,909,594)	\$ -
Police	5,115,454	309,196	341,330	-	(4,464,928)	-	(4,464,928)	-
Fire	7,053,108	11,250	-	-	(7,041,858)	-	(7,041,858)	-
Parks and recreation	171,954	26,451	-	-	(145,503)	-	(145,503)	-
Public works	6,514,793	1,385,814	341,320	-	(4,787,659)	-	(4,787,659)	-
Library	686,751	18,180	10,398	-	(658,173)	-	(658,173)	-
Senior citizens' center	321,321	10,582	-	-	(310,739)	-	(310,739)	-
Payments to other governments	51,661	-	-	-	(51,661)	-	(51,661)	-
Interest on long-term debt	1,382,377	-	-	-	(1,382,377)	-	(1,382,377)	-
Total governmental activities	28,946,956	4,891,298	1,303,166	-	(22,752,492)	-	(22,752,492)	-
Business-type activities								
Water	2,649,657	3,191,833	-	-	-	542,176	542,176	-
Total business-type activities	2,649,657	3,191,833	-	-	-	542,176	542,176	-
Total primary government	\$ 31,596,613	\$ 8,083,131	\$ 1,303,166	\$ -	(22,752,492)	542,176	(22,210,316)	-
Component units								
Community Development Authority	\$ 193,022	\$ 185,446	\$ -	\$ -	-	-	-	(7,576)
General revenues and other items								
Taxes								
Sales and use					15,385,717	-	15,385,717	-
Property					1,522,306	-	1,522,306	-
Other					6,649,509	-	6,649,509	-
Interest earnings					110	-	110	-
Gain on disposal of capital assets					30,119	-	30,119	-
Other revenue					871,882	-	871,882	-
Payments from other governments					-	-	-	51,661
Transfers in (out)					(1,384,290)	1,384,290	-	-
Total general revenues and other items					23,075,353	1,384,290	24,459,643	51,661
Change in net position					322,861	1,926,466	2,249,327	44,085
Net position - beginning of year					16,249,723	2,288,891	18,538,614	2,210,576
Net position - end of year					\$ 16,572,584	\$ 4,215,357	\$ 20,787,941	\$ 2,254,661

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

CITY OF IRONDALE, ALABAMA

Balance Sheet
Governmental Funds
September 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 19,795,480	\$ -	\$ -	\$ 19,795,480
Taxes receivable, net	3,752,361	-	22,339	3,774,700
Prepaid items	215,271	-	6,878	222,149
Cash and cash equivalents - restricted	467,537	8,523,718	2,242,645	11,233,900
Due from other funds	26,743	-	-	26,743
Total assets	<u>\$ 24,257,392</u>	<u>\$ 8,523,718</u>	<u>\$ 2,271,862</u>	<u>\$ 35,052,972</u>
Liabilities				
Accounts payable	\$ 977,061	\$ 756,168	\$ 18,727	\$ 1,751,956
Accrued payroll and benefits	516,115	-	19,506	535,621
Due to other funds	(109,278)	-	14,601	(94,677)
Unearned revenue	2,508,092	-	-	2,508,092
Total liabilities	<u>3,891,990</u>	<u>756,168</u>	<u>52,834</u>	<u>4,700,992</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	1,618,569	-	-	1,618,569
Total deferred inflows of resources	<u>1,618,569</u>	<u>-</u>	<u>-</u>	<u>1,618,569</u>
Fund balance				
Nonspendable	215,271	-	6,878	222,149
Restricted for				
Capital improvements	-	7,767,550	-	7,767,550
Library	7,559	-	-	7,559
Public protection	240,626	-	1,056,683	1,297,309
Infrastructure maintenance	181,028	-	1,155,467	1,336,495
Assigned	8,052,702	-	-	8,052,702
Unassigned	10,049,647	-	-	10,049,647
Total fund balance	<u>18,746,833</u>	<u>7,767,550</u>	<u>2,219,028</u>	<u>28,733,411</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 24,257,392</u>	<u>\$ 8,523,718</u>	<u>\$ 2,271,862</u>	<u>\$ 35,052,972</u>

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

CITY OF IRONDALE, ALABAMA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2022

Total fund balances - governmental funds \$ 28,733,411

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	81,941,070	
Less accumulated depreciation	<u>(28,177,780)</u>	53,763,290

Receivables related to incentive agreements are not current financial resources until collected and, therefore, are not recognized as assets in the governmental funds balance sheet.

1,261,796

Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.

(498,772)

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	(47,089,482)	
Warrant discounts and premiums	(1,070,402)	
Lease obligations	(6,026,286)	
Deferred outflow of resources for deferred charges	1,068,458	
Deferred outflows of resources for pensions	3,176,920	
Deferred outflows of resources for OPEB	906,672	
Deferred inflows related to pensions	(2,983,305)	
Deferred inflows related to OPEB	(963,058)	
Compensated absences	(2,423,573)	
Net pension liability	(9,184,276)	
Net OPEB liability	<u>(2,098,809)</u>	<u>(66,687,141)</u>

Total net position - governmental activities \$ 16,572,584

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

CITY OF IRONDALE, ALABAMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Sales and use	\$ 15,690,798	\$ -	\$ -	\$ 15,690,798
Property tax	1,522,306	-	-	1,522,306
Other	6,649,509	-	-	6,649,509
Licenses and permits	3,039,003	-	-	3,039,003
Intergovernmental	101,908	125,360	577,421	804,689
Charges for services	1,451,918	-	-	1,451,918
Fines and forfeitures	235,645	-	102,022	337,667
Interest	83	27	-	110
Other	1,347,185	-	54,460	1,401,645
Total revenue	<u>30,038,355</u>	<u>125,387</u>	<u>733,903</u>	<u>30,897,645</u>
Expenditures				
General government	5,937,941	2,587,443	291,561	8,816,945
Public protection	8,496,069	-	832,461	9,328,530
Public ways and facilities	3,525,960	-	21,822	3,547,782
Library	625,250	-	-	625,250
Senior citizens	277,581	-	-	277,581
Payments to other governments	51,661	-	-	51,661
Capital outlay	-	12,712,142	69,779	12,781,921
Debt service				
Principal retirement	8,090,608	-	-	8,090,608
Issuance costs	422,483	-	-	422,483
Interest and fees	1,181,766	-	-	1,181,766
Total expenditures	<u>28,609,319</u>	<u>15,299,585</u>	<u>1,215,623</u>	<u>45,124,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,429,036</u>	<u>(15,174,198)</u>	<u>(481,720)</u>	<u>(14,226,882)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	31,423	-	-	31,423
Issuance of leases	4,697,397	-	-	4,697,397
Issuance of warrants	32,346,882	-	-	32,346,882
Premiums from issuance of warrants	(83,547)	-	-	(83,547)
Payments to refund warrant	(13,475,567)	-	-	(13,475,567)
Transfers in	119,504	22,938,575	1,199,549	24,257,628
Transfers out	(24,573,007)	(1,060,936)	(7,975)	(25,641,918)
Total other financing sources (uses)	<u>(936,915)</u>	<u>21,877,639</u>	<u>1,191,574</u>	<u>22,132,298</u>
Net change in fund balance	492,121	6,703,441	709,854	7,905,416
Fund balance - beginning of year	<u>18,254,712</u>	<u>1,064,109</u>	<u>1,509,174</u>	<u>20,827,995</u>
Fund balance - end of year	<u>\$ 18,746,833</u>	<u>\$ 7,767,550</u>	<u>\$ 2,219,028</u>	<u>\$ 28,733,411</u>

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

CITY OF IRONDALE, ALABAMA
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended September 30, 2022

Net changes in fund balances - governmental funds \$ 7,905,416

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

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

Capital outlay	12,781,921	
Less depreciation expense	<u>(2,951,479)</u>	9,830,442

The proceeds from the sale of capital assets (\$31,423) are reported as other
 financing sources in the governmental funds. However, the net book value of
 the capital assets (\$1,304) is removed from the capital assets account in the
 statement of net position and offsets against the sales proceeds resulting in a
 gain in the statement of activities of \$30,119. (1,304)

The issuance of long-term debt (e.g., warrants, leases, 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	8,090,608	
Payment to refund warrants	13,475,567	
Issuance of lease	(4,697,397)	
Issuance of warrants	(32,346,882)	
Premium on issuance of warrants	83,547	
Warrant discount amortization expense	<u>114,975</u>	(15,279,582)

Collections on economic development accounts receivable not recognized as an
 asset in the governmental fund balance sheet. (305,081)

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	(162,613)	
Net decrease in pension expense	158,752	
Net decrease in post-employment benefit payable	(1,930,066)	
Increase in accrued interest	<u>106,897</u>	<u>(1,827,030)</u>

Change in net position - governmental activities \$ 322,861

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

CITY OF IRONDALE, ALABAMA
Statement of Net Position
Proprietary Funds
September 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,763,299
Receivables, net	235,995
Prepaid expenses and supplies	581,834
Cash and cash equivalents - restricted	289,356
Total current assets	<u>4,870,484</u>
Noncurrent assets	
Nondepreciable capital assets	285,177
Depreciable capital assets, net	5,829,124
Total noncurrent assets	<u>6,114,301</u>
Total assets	<u>10,984,785</u>
Deferred outflows of resources	
Deferred outflows related to pensions	156,647
Deferred outflows related to OPEB	62,492
Deferred outflows related to warrants	310,291
Total deferred outflows of resources	<u>529,430</u>
Liabilities	
Current liabilities	
Accounts payable	186,724
Accrued payroll and benefits	17,653
Accrued interest	56,936
Meter deposits	270,959
Due to other funds	157,811
Current maturities of long-term liabilities	
Warrants payable	295,616
Compensated absences	33,882
Lease liability	134,307
Total current liabilities	<u>1,153,888</u>

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

CITY OF IRONDALE, ALABAMA
Statement of Net Position
Proprietary Funds
September 30, 2022
(Continued)

	Business-type Activities - Enterprise Funds
	Water
Noncurrent liabilities	
Warrants payable, net	\$ 4,705,096
Compensated absences	33,881
Lease liability	423,698
Net pension liability	586,541
Net OPEB liability	159,697
Total noncurrent liabilities	5,908,913
Total liabilities	7,062,801
Deferred inflows of resources	
Deferred inflows related to pensions	169,293
Deferred inflows related to OPEB	66,764
Total deferred inflows of resources	236,057
Net position	
Net investment in capital assets	1,113,589
Unrestricted	3,101,768
Total net position	\$ 4,215,357

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

CITY OF IRONDALE, ALABAMA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water</u>
Operating revenues	
Charges for services	\$ 2,519,099
Other	672,734
Total operating revenues	<u>3,191,833</u>
Operating expenses	
Administration, operations, and maintenance	1,981,125
Depreciation and amortization	490,102
Total operating expenses	<u>2,471,227</u>
Operating income	<u>720,606</u>
Non-operating expenses	
Interest expense	<u>(178,430)</u>
Total non-operating expenses	<u>(178,430)</u>
Income before transfers	542,176
Transfers in	<u>1,384,290</u>
Change in net position	1,926,466
Net position, beginning of year	<u>2,288,891</u>
Net position, end of year	<u><u>\$ 4,215,357</u></u>

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

CITY OF IRONDALE, ALABAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2022

	Business-type Activities - Enterprise Funds
	Water
Cash flows from operating activities	
Cash received from customers	\$ 3,384,332
Cash paid to suppliers for goods and services	(752,852)
Cash paid to employees	(1,180,084)
Net cash provided by operating activities	1,451,396
Cash flows from noncapital financing activities	
Transfers from other funds	1,384,290
Net cash provided by noncapital financing activities	1,384,290
Cash flows from capital and related financing activities	
Purchase of property, plant, and equipment	(768,742)
Principal payments on debt	(3,893,224)
Principal payments on capital leases	(106,583)
Proceeds from issuance of debt	3,658,118
Payment of debt issuance costs	(46,293)
Interest payments on debt	(129,670)
Net cash used by capital and related financing activities	(1,286,394)
Net increase in cash and cash equivalents	1,549,292
Cash and cash equivalents at beginning of year	2,503,363
Cash and cash equivalents at end of year	\$ 4,052,655
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 720,606
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	490,102
Decrease (increase) in	
Accounts receivable	185,332
Prepaid expenses	(209,576)
(Decrease) increase in	
Accounts payable	94,522
Accrued payroll and related liabilities	163,243
Meter deposits	7,167
Net cash provided by operating activities	\$ 1,451,396
Reconciliation of cash and cash equivalents	
Cash and cash equivalents	\$ 3,763,299
Cash and cash equivalents - restricted	289,356
Total cash and cash equivalents at end of year	\$ 4,052,655

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

CITY OF IRONDALE, ALABAMA
Statement of Net Position
Fiduciary Funds
September 30, 2022

	OPEB Trust Fund	Deferred Compensation Trust	Total
Assets			
Current assets			
Cash and invested assets	\$ 914,102	\$ 4,808,301	\$ 5,722,403
Loans receivable	-	38,321	38,321
Cash value of life insurance	-	6,552	6,552
Total current assets	914,102	4,853,174	5,767,276
Net position			
Unrestricted	914,102	4,853,174	5,767,276
Total net position	\$ 914,102	\$ 4,853,174	\$ 5,767,276

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

CITY OF IRONDALE, ALABAMA
Statement of Changes in Net Position - Fiduciary Funds
September 30, 2022

	OPEB Trust Fund	Deferred Compensation Trust	Total
	<u> </u>	<u> </u>	<u> </u>
Additions			
Investment earnings	\$ (222,935)	\$ (494,113)	\$ (717,048)
Interest income	47,308	-	47,308
Employee contributions	-	139,093	139,093
Total additions	<u>(175,627)</u>	<u>(355,020)</u>	<u>(530,647)</u>
Deductions			
Employee withdrawals	-	223,075	223,075
Administrative fees	6,036	2,433	8,469
Total deductions	<u>6,036</u>	<u>225,508</u>	<u>231,544</u>
Change in net position	<u>(181,663)</u>	<u>(580,528)</u>	<u>(762,191)</u>
Net position, beginning of year	<u>1,095,765</u>	<u>5,433,702</u>	<u>6,529,467</u>
Net position, end of year	<u>\$ 914,102</u>	<u>\$ 4,853,174</u>	<u>\$ 5,767,276</u>

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

CITY OF IRONDALE, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Irondale, Alabama (the City), an Alabama Municipal Corporation, was incorporated in 1887, and is governed by an elected Mayor and a five-member City Council.

The financial statements of the City have been 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 15, 2023, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units.

Discretely Presented Component Units

Industrial Development Board (IDB) - The IDB was created for the recruitment of retail, light industrial, and heavy industrial businesses. The IDB is governed by a member board appointed by the City Council. The IDB is combined with the CDA and presented in a separate column on the government-wide financial statements to emphasize that they are legally separate from the City.

Commercial Development Authority (CDA) - The CDA was created to acquire, own, and lease projects for the purpose of promoting trade and commerce by inducing commercial enterprises to locate new facilities in the City and expand existing facilities in the City. The CDA is governed by a member board appointed by the City Council. The CDA is combined with the IDB and presented in a separate column on the government-wide financial statements to emphasize that they are legally separate from the City.

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements display information about the City as a whole and its component units. 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.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

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.

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

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

Measurement Focus and Basis of Accounting

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

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

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

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

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

Basis of Presentation - Fund Level Financial Statements

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund Level Financial Statements - Continued

The City reports the following major governmental funds:

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

Capital Projects Fund - To account for financial resources that are received and used for the acquisition, construction, or improvement of capital assets.

The City reports the following major proprietary fund:

Water Fund - To account for the operation of the City's water services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

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.

Use of Estimates

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

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

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

Allowance for Uncollectible Accounts

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

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. Prepaids are presented using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transfers, Receivables and Payables

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

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

Capital Assets

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

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ useful lives are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: building and improvements, 3 to 40 years; equipment, 5 to 40 years; and infrastructure 5 to 75 years.

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

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has three items that qualify for reporting in this category: (1) unamortized amounts on refunded warrants, (2) deferred outflow items related to the City’s pension plan, which are described further in Note 8, and (3) deferred outflow items related to the City’s other post-employment benefits, which are described further in Note 9.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize warrants premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

All full-time employees of the City accumulate vacation (annual leave) and holiday time during the calendar year. Accumulated vacation leave is paid to an employee at the time of separation of service, subject to a cap.

Eligible employees earn sick leave based on length of employment. Sick leave can be converted as years of service upon retirement in the Retirement Systems of Alabama. Unless employed for five years, employees are not paid for unused sick leave upon termination of employment. If employed for five years or more, sick leave is paid to an employee at the time of separation of service at a rate of 50%, subject to a cap.

The accrued amounts of vacation are recorded as noncurrent liabilities in proprietary funds, net of estimated current portion. The accrued amounts of vacation 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 Liability (OPEB)

The City is required to report the City's actuarially determined total OPEB liability as a long-term liability in the government-wide financial statements (See Note 9).

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has three items that qualify for reporting in this category: (1) deferred amount on property tax levy, (2) deferred inflow items related to the City's pension plan, which are described further in Note 8, and (3) deferred inflow items related to the City's other post-employment benefits, which are described further in Note 9.

Net Position

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

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

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

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

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

Non-spendable - Includes items that cannot be spent because they are either (a) not in a spendable form, or; (b) 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 for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded through resolutions approved by the City Council.

Assigned - Includes items that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has the authority to assign amounts to be used for specific purposes.

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

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

Property Taxes

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time, a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Jefferson County, Alabama tax collector and remitted to the City net of a collection fee.

New Accounting Standards Adopted

In fiscal year 2022, the City adopted GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Standards Adopted - Continued

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this standard required the City to record \$80,352 in right-of-use assets and lease liabilities and to reclassify capital lease assets and related debt of \$1,638,732 and \$1,705,897, respectively, as of October 1, 2021.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's formal written investment policy, consistent with the Government Finance Officer Association (GFOA) Policy, authorizes 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. The policy also addresses specific types of risks that the government is exposed to through its deposits or investments. At year end, the government did not have any investment balances.

Interest Rate Risk - As a means of limiting its exposure to interest rate risk, the City's policy is to diversify its investments by security type and institution, and limit holdings in any one type of investment with any one issuer. The City also coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term.

Custodial Credit Risk - For deposits, custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned to it. All of the City's investments at September 30, 2022 were insured.

NOTE 3 - RECEIVABLES

Receivables consisted of the following at September 30, 2022:

	Governmental Activities	Business-type Activities	Total
Taxes	\$ 3,804,700	\$ -	\$ 3,804,700
Customers	-	260,995	260,995
Gross receivables	3,804,700	260,995	4,065,695
Less: allowance for uncollectible accounts	(30,000)	(25,000)	(55,000)
Net receivables	<u>\$ 3,774,700</u>	<u>\$ 235,995</u>	<u>\$ 4,010,695</u>

CITY OF IRONDALE, ALABAMA

Notes to the Financial Statements

September 30, 2022

(Continued)

NOTE 3 - RECEIVABLES - Continued

In April 2016, economic incentive advances of \$2,000,000 were made to Benchmark Imports, LLC. These incentives are to be repaid through sales tax collections applied to the loan. This advance is treated as a noncurrent receivable and is reflected in the statement of net position. Collections totaled \$305,081 for the year ended September 30, 2022.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for governmental activities consisted of the following for the year ended September 30, 2022:

	Governmental Activities				
	October 1, 2021	Additions	Disposals	Transfers	
Depreciable assets					
Buildings and improvements	\$ 13,207,530	\$ 4,226,106	\$ -	\$ -	\$ 17,433,636
Equipment	6,986,357	859,876	319,018	-	7,527,215
Right-of-use assets	1,719,084	4,602,956	-	-	6,322,040
Infrastructure	38,228,487	-	-	-	38,228,487
	<u>60,141,458</u>	<u>9,688,938</u>	<u>319,018</u>	<u>-</u>	<u>69,511,378</u>
Less accumulated depreciation					
Buildings and improvements	6,757,786	399,210	-	-	7,156,996
Equipment	4,947,464	566,273	317,715	-	5,196,022
Right-of-use assets	-	1,103,311	-	-	1,103,311
Infrastructure	13,838,766	882,685	-	-	14,721,451
	<u>25,544,016</u>	<u>2,951,479</u>	<u>317,715</u>	<u>-</u>	<u>28,177,780</u>
	34,597,442	6,737,459	1,303	-	41,333,598
Non-depreciable assets					
Land and improvements	9,346,732	2,148,000	-	-	11,494,732
Construction in progress	70,329	864,631	-	-	934,960
	<u>9,417,061</u>	<u>3,012,631</u>	<u>-</u>	<u>-</u>	<u>12,429,692</u>
	<u>\$ 44,014,503</u>	<u>\$ 9,750,090</u>	<u>\$ 1,303</u>	<u>\$ -</u>	<u>\$ 53,763,290</u>

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 4 - CAPITAL ASSETS - Continued

Capital asset activity for business-type activities consisted of the following for the year ended September 30, 2022:

	Business-type Activities				September 30,
	October 1,	Additions	Disposals	Transfers	
Depreciable assets					
Buildings and improvements	\$ 38,332	\$ -	\$ -	\$ -	\$ 38,332
Equipment	808,142	50,777	19,737	-	839,182
Right-of-use assets	-	664,588	-	-	664,588
Infrastructure	11,817,939	503,821	-	-	12,321,760
	12,664,413	1,219,186	19,737	-	13,863,862
Less accumulated depreciation					
Buildings and improvements	38,332	-	-	-	38,332
Equipment	578,945	45,209	19,737	-	604,417
Right-of-use assets	-	105,919	-	-	105,919
Infrastructure	6,947,096	338,974	-	-	7,286,070
	7,564,373	490,102	19,737	-	8,034,738
	5,100,040	729,084	-	-	5,829,124
Non-depreciable assets					
Land and improvements	38,779	-	-	-	38,779
Construction in progress	32,255	214,143	-	-	246,398
	71,034	214,143	-	-	285,177
	\$ 5,171,074	\$ 943,227	\$ -	\$ -	\$ 6,114,301

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 4 - CAPITAL ASSETS - Continued

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

General government	\$ 1,055,918
Police	237,100
Fire	1,008,318
Parks and recreation	44,354
Public works	570,183
Library	15,626
Senior citizens' center	19,980
	\$ 2,951,479

Business-type activities

Water	\$ 490,102
-------	------------

Capital asset activity for the discretely presented component unit, CDA, consisted of the following for the year ended September 30, 2022:

	Component Unit Activities				
	October 1, 2021	Additions	Disposals	Transfers	September 30, 2022
Depreciable assets					
Buildings and improvements	\$ 2,304,579	\$ -	\$ -	\$ -	\$ 2,304,579
Less accumulated depreciation					
Buildings and improvements	737,466	46,091	-	-	783,557
	1,567,113	46,091	-	-	1,521,022
Non-depreciable assets					
Land and improvements	142,100	-	-	-	142,100
	\$ 1,709,213	\$ 46,091	\$ -	\$ -	\$ 1,663,122

Depreciation expense for all depreciable assets is charged to functions/programs of the discretely presented component unit. Depreciation expense totaled \$46,091 for the year ended September 30, 2022.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund payables and receivables consisted of the following at September 30, 2022:

	Interfund Receivables (Payables)
General Fund	\$ 136,021
7 Cent Gas Tax	12,142
Water Fund	(157,811)
Industrial Development Board	36,391
Police Drug Forfeiture	(26,743)
	\$ -

Interfund payables and receivables resulted from transfers made by the funds for various operating expenses.

Interfund transfers consisted of the following during the year ended September 30, 2022:

Transfers out	Transfers In				Total Transfer Out
	General	Capital Projects	Other Governmental	Water	
General	\$ -	\$ 22,938,575	\$ 1,199,549	\$ 434,883	\$ 24,573,007
Capital Projects	111,529	-	-	949,407	1,060,936
Other Governmental	7,975	-	-	-	7,975
Total transfer in	\$ 119,504	\$ 22,938,575	\$ 1,199,549	\$ 1,384,290	\$ 25,641,918

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 6 - LONG-TERM DEBT

The City issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities. General obligation warrants have been issued for both governmental and business-type activities. General obligation warrants are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from five to 20 years.

The general obligation warrants payable for governmental activities consisted of the following at September 30, 2022:

	Governmental Activities
Series 2013-B General Obligation Warrants, dated April 6, 2014, due in semi-annual payments through October 1, 2022, bearing interest rates of 0.50% to 2.90%	\$ 720,000
Series 2014-C General Obligation Warrants, dated June 17, 2014, due in semi-annual payments through October 1, 2034, bearing interest rates of 2.00% to 4.00%	2,660,000
Series 2015-A General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through October 1, 2033, bearing interest rates of 0.80% to 4.30%	3,270,000
Series 2015-C General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through January 1, 2036, bearing interest rates of 2.00% to 4.00%	752,600
Series 2015-D General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through July 1, 2035, bearing interest rates of 0.75% to 4.45%	750,000
Series 2016-A General Obligation Warrants, a direct placement bond, due in annual payments through June 5, 2026, bearing an interest rate of 2.03%	240,000
Series 2019 General Obligation Warrants, dated November 15, 2019, due in semi-annual payments through October 1, 2033, bearing interest rates of 2.00% to 5.00%	11,410,000
Series 2021-A General Obligation Warrants, dated December 28, 2021, due in annual payments through October 1, 2035, bearing interest rates of 1.14% to 2.56%	10,055,392
Series 2021-B General Obligation Warrants, dated December 28, 2021, due in annual payments through October 1, 2034, bearing interest rates of 1.14% to 2.46%	3,596,490

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 6 - LONG-TERM DEBT - Continued

Series 2022-A General Obligation Warrants, dated September 29, 2022, due in semi-annual payments through October 1, 2042, bearing interest rates of 4.00% to 4.50%	\$ 6,780,000
Series 2022-B General Obligation Warrants, dated September 29, 2022, due in semi-annual payments through October 1, 2035, bearing interest rates of 4.15% to 5.10%	<u>6,855,000</u>
Total warrants payable	47,089,482
Deferred amounts for	
Unamortized premiums	1,155,849
Unamortized discounts	<u>(85,447)</u>
Total warrants payable, net	<u><u>\$ 48,159,884</u></u>

The general obligation warrants payable for business-type activities consisted of the following at September 30, 2022:

	Business-type Activities
Series 2015-B General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through April 1, 2029, bearing interest rates of 0.80% to 4.38%	\$ 1,025,000
Series 2015-C General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through January 1, 2036, bearing interest rates of 2.00% to 4.00%	307,400
Series 2021-A General Obligation Warrants, dated December 28, 2021, due in annual payments through October 1, 2035, bearing interest rates of 1.14% to 2.56%	579,608
Series 2021-B General Obligation Warrants, dated December 28, 2021, due in annual payments through October 1, 2034, bearing interest rates of 1.14% to 2.46%	<u>3,078,510</u>
Total warrants payable	4,990,518
Deferred amounts for	
Unamortized premiums	12,425
Unamortized discounts	<u>(2,231)</u>
Total warrants payable, net	<u><u>\$ 5,000,712</u></u>

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 6 - LONG-TERM DEBT - Continued

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,727,150	\$ 1,289,361	\$ 292,850	\$ 109,154
2024	2,625,700	1,492,712	299,300	100,764
2025	2,814,822	1,384,726	365,178	91,201
2026	2,906,790	1,270,932	503,210	79,564
2027	3,108,122	1,160,394	361,878	69,926
2028-2032	16,736,866	4,185,536	1,983,134	240,407
2033-2037	10,750,032	1,810,066	1,184,968	40,669
2038-2043	5,420,000	742,479	-	-
	<u>\$ 47,089,482</u>	<u>\$ 13,336,206</u>	<u>\$ 4,990,518</u>	<u>\$ 731,685</u>

The notes payable for the discretely presented component unit, CDA, consisted of the following at September 30, 2022:

	<u>Component Unit Activities</u>
Jefferson County Commission, dated September 2011, due in monthly payments of \$4,305 through August 10, 2026, bearing an interest rate of 2.44%	\$ 185,969

Future principal and interest requirements of the note payable for the component unit consist of the following for the years ending September 30:

	<u>Component Unit Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 47,776	\$ 3,885
2024	48,954	2,706
2025	50,162	1,498
2026	39,077	317
	<u>\$ 185,969</u>	<u>\$ 8,406</u>

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 6 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2022:

Governmental Activities	October 1, 2021	Additions	Retirements	September 30, 2022	Due Within One Year
Warrants payable					
General obligation warrants	\$ 34,714,200	\$ 32,346,882	\$ 19,971,600	\$ 47,089,482	\$ 2,923,400
Less: discounts and premiums, net	1,531,015	(83,547)	377,066	1,070,402	-
Total warrants payable	<u>36,245,215</u>	<u>32,263,335</u>	<u>20,348,666</u>	<u>48,159,884</u>	<u>2,923,400</u>
Lease liability	1,786,249	4,617,045	377,008	6,026,286	850,072
Compensated absences	2,260,960	162,613	-	2,423,573	1,211,787
	<u>\$ 40,292,424</u>	<u>\$ 37,042,993</u>	<u>\$ 20,725,674</u>	<u>\$ 56,609,743</u>	<u>\$ 4,985,259</u>

For governmental activities, general obligation warrants, capital leases, net pension liabilities, net other post-employment benefit liabilities, and compensated absences are liquidated by the General Fund.

Changes in long-term liabilities for business-type activities consisted of the following at September 30, 2022:

Business-type Activities	October 1, 2021	Additions	Retirements	September 30, 2022	Due Within One Year
Warrants payable					
General obligation warrants	\$ 4,870,800	\$ 3,658,118	\$ 3,538,400	\$ 4,990,518	\$ 295,616
Less: discounts and premiums, net	27,516	-	17,322	10,194	-
Total warrants payable	<u>4,898,316</u>	<u>3,658,118</u>	<u>3,555,722</u>	<u>5,000,712</u>	<u>295,616</u>
Lease liability	-	664,588	106,583	558,005	134,307
Compensated absences	59,198	8,565	-	67,763	33,882
	<u>\$ 4,957,514</u>	<u>\$ 4,331,271</u>	<u>\$ 3,662,305</u>	<u>\$ 5,626,480</u>	<u>\$ 463,805</u>

Changes in long-term liabilities for component units consisted of the following at September 30, 2022:

Component Unit Activities	October 1, 2021	Additions	Retirements	September 30, 2022	Due Within One Year
Notes payable	\$ 232,594	\$ -	\$ 46,625	\$ 185,969	\$ 47,776

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 6 - LONG-TERM DEBT - Continued

In prior years, the government defeased various general obligation bonds and warrants by placing the proceeds of the new bonds or warrants in an irrevocable trust account to provide for all future debt service payments on the old bonds and warrants. Accordingly, the trust account assets and liabilities for the defeased bonds and warrants are not included in the government's financial statements. At September 30, 2022, all defeased bonds and warrants have been retired.

NOTE 7 - LEASES

Active lease agreements consisted of the following at September 30, 2022:

Governmental Activities						
Description	Date	Terms	Payment	Interest Rates	Total Lease Liability	Ending Lease Liability
Stryker equipment	6/21/2021	36 months	\$ 2,548	1.14%	\$ 80,352	\$ 50,505
Grants Mill substation	5/1/2022	24 months	2,194	2.69%	51,318	40,853
Fire engines	11/12/2021	10 years	171,876	2.56%	1,497,670	1,533,123
Public Works equipment	12/10/2021	7 years	159,864	2.46%	1,015,587	1,036,582
Administration equipment	12/20/2021	4.5 years	20,217	3.08%	93,923	75,887
Public Works equipment	5/30/2022	4.5 years	66,333	3.89%	301,444	306,359
Fire equipment	8/15/2022	15 years	148,440	4.04%	1,643,014	1,654,088
Fire equipment	4/24/2015	15 years	96,076	3.02%	747,358	673,853
Police equipment	3/15/2021	5 years	172,586	2.62%	800,656	647,329
Fire equipment	8/18/2021	24 months	607	3.99%	13,881	7,707
					<u>\$ 6,245,203</u>	<u>\$ 6,026,286</u>

Business-Type Activities						
Description	Date	Terms	Payment	Interest Rates	Total Lease Liability	Ending Lease Liability
1801 Building	3/1/2022	60 months	Varies	2.46%	\$ 250,335	\$ 223,885
Water equipment	12/20/2021	4.5 years	88,000	2.52%	414,253	334,120
					<u>\$ 664,588</u>	<u>\$ 558,005</u>

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 7 - LEASES - Continued

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 727,092	\$ 175,015	\$ 127,233	\$ 12,481
2024	714,800	154,409	131,504	9,249
2025	701,238	134,153	135,896	5,909
2026	721,933	113,458	140,415	2,459
2027	550,205	92,384	22,957	94
2028-2032	1,945,603	262,929	-	-
2033-2037	665,415	76,784	-	-
	<u>\$ 6,026,286</u>	<u>\$ 1,009,132</u>	<u>\$ 558,005</u>	<u>\$ 30,192</u>

Right-to-use assets consisted of the following at September 30, 2022:

<u>Governmental Activities</u>				
<u>Description</u>	<u>Useful Life</u>	<u>Beginning Value</u>	<u>Accumulated Amortization</u>	<u>Current Value</u>
Stryker equipment	36 months	\$ 80,352	\$ 29,219	\$ 51,133
Grants Mill substation	24 months	51,318	10,691	40,627
Fire engines	120 months	1,497,670	136,152	1,361,518
Public Works equipment	84 months	1,015,587	119,481	896,106
Administration equipment	54 months	93,923	17,390	76,533
Public Works equipment	54 months	301,444	27,407	274,037
Fire equipment	180 month	1,643,014	18,256	1,624,758
Fire equipment	180 month	655,359	76,352	579,007
Police equipment	60 months	341,293	35,290	306,003
Fire equipment	24 months	13,592	4,585	9,007
Miscellaneous equipment with leases ended in 2022	Various	628,488	628,488	-
		<u>\$ 6,322,040</u>	<u>\$ 1,103,311</u>	<u>\$ 5,218,729</u>
<u>Business-Type Activities</u>				
<u>Description</u>	<u>Useful Life</u>	<u>Beginning Value</u>	<u>Accumulated Amortization</u>	<u>Current Value</u>
1801 Building	60 months	\$ 250,335	\$ 29,206	\$ 221,129
Water equipment	54 months	414,253	76,713	337,540
		<u>\$ 664,588</u>	<u>\$ 105,919</u>	<u>\$ 558,669</u>

CITY OF IRONDALE, ALABAMA

Notes to the Financial Statements

September 30, 2022

(Continued)

NOTE 8 - PENSION PLAN

General Information about the Pension Plan

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 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 full-time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One full-time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One full-time employee of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One full-time 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 IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 8 - 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 formula method. 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 up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

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

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.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 8 - PENSION PLAN - Continued

Benefits Provided - Continued

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active members	56,184
Post-DROP participants who are still in active service	54
	104,510

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

Retired members or their beneficiaries currently receiving benefits	78
Vested inactive members	4
Non-vested inactive members	17
Active members	162
	261

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members. City of Irondale did not elect to increase contribution rates for its members.

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 8 - PENSION PLAN - Continued

Contributions - Continued

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 September 30, 2022, the City's active employee contribution rate was 6.67% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 13.63% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2022 was 13.83% of pensionable pay for Tier 1 employees, and 12.17% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2019, 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 \$1,217,637 for the year ended September 30, 2022.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 8 - PENSION PLAN - Continued

Net Pension Liability

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) Total pension liability as of September 30, 2020	\$ 39,117,701	\$ 38,605,785	\$ 38,605,785	\$ 40,174,787
(b) Discount rate	7.70%	7.70%	7.70%	7.45%
(c) Entry age normal cost for the period October 1, 2020 - September 30, 2021	709,006	709,006	709,006	784,135
(d) Transfers among employers	-	18,958	18,958	18,958
(e) Actual benefit payments and refunds for the period October 1, 2020 - September 30, 2021	(2,228,924)	(2,228,924)	(2,228,924)	(2,228,924)
(f) Total pension liability as of September 30, 2021 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 40,524,032</u>	<u>\$ 39,991,657</u>	<u>\$ 39,991,657</u>	<u>\$ 41,658,950</u>
(g) Difference between expected and actual		\$ (532,375)		
(h) Less liability transferred for immediate recognition		<u>18,958</u>		
(i) Experience (gain)/loss = (g) - (h)		<u>\$ (551,333)</u>		
(j) Difference between actual TPL before and after act 2019-132 - benefit change (gain)/loss			\$ -	
(k) Difference between actual TPL before and after 2020 experience study - assumption change (gain)/loss				\$ 1,667,293

Actuarial Assumptions

The total pension liability, as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 8 - PENSION PLAN - Continued

Actuarial Assumptions - Continued

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2019, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	15.0%	2.8%
U.S. large stocks	32.0%	8.0%
U.S. mid stocks	9.0%	10.0%
U.S. small stocks	4.0%	11.0%
International developed market stocks	12.0%	9.5%
International emerging market stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real estate	10.0%	6.5%
Cash equivalents	5.0%	1.5%
	100.0%	

*Includes assumed rate of inflation of 2.00%.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 8 - PENSION PLAN - Continued

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.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2020	\$ 39,117,701	\$ 26,661,266	\$ 12,456,435
Changes for the year			
Service cost	709,006	-	709,006
Interest	2,926,249	-	2,926,249
Changes of assumptions	1,667,293	-	1,667,293
Difference between expected and actual experience	(551,333)	-	(551,333)
Contributions - employer	-	1,075,910	(1,075,910)
Contributions - employee	-	509,699	(509,699)
Net investment income	-	5,851,224	(5,851,224)
Benefits of payments, including refunds of employee contributions	(2,228,924)	(2,228,924)	-
Transfers among employers	18,958	18,958	-
Net changes	2,541,249	5,226,867	(2,685,618)
Balances at September 30, 2021	<u>\$ 41,658,950</u>	<u>\$ 31,888,133</u>	<u>\$ 9,770,817</u>

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 8 - 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 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Plan’s net pension liability	\$ 14,532,463	\$ 9,770,817	\$ 5,751,242

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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 *Report for the ERS* prepared as of September 30, 2021. 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 IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 8 - PENSION PLAN - Continued

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

For the year ended September 30, 2022, the City recognized pension expense of \$1,062,581. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 537,489	\$ 857,056
Changes of assumptions	1,578,441	-
Net difference between projected and actual earnings on pension plan investments	146,728	2,295,542
Employer contributions subsequent to the measurement date	1,070,909	-
	\$ 3,333,567	\$ 3,152,598

The \$1,070,909 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows for the years ending September 30:

	Deferred Outflows/ (Inflows) of Resources
2023	\$ 114,390
2024	(105,832)
2025	(572,799)
2026	(591,992)
2027	119,565
Thereafter	-

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description

The City provides certain continuing medical benefits that are provided to employees upon actual retirement through a comprehensive medical benefit plan.

Management of the Plan is vested in the Plan’s Board of Trustees, which consists of the five members of the Irondale City Council, who may vary from time to time and who may designate certain City officials as signatories on the Trust’s investment account.

Benefits Provided

The City’s medical benefits are provided through a comprehensive medical benefit plan. The plan provisions are contained in the official plan documents. Medical benefits are provided to employees upon actual retirement. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; age plus service at retirement equals 75; 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.

Contributions

The City of Irondale has the authority to establish and amend the contribution requirements of the City of Irondale and the plan members. Plan members are not required to contribute to their post-employment benefits costs.

Plan Membership

At September 30, 2022, the Plan’s membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	166
	<hr/>
	176
	<hr/> <hr/>

Total OPEB Liability

The City’s total OPEB liability of September 30, 2022 was measured as of October 1, 2021 and was determined by an actuarial valuation as of that date.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Investments

The OPEB plan's policy regarding the allocation of invested assets is established and may be amended by the Board of Trustees. The following was the asset allocation policy as of September 30, 2022:

Asset Class	Allocation
Equity	48.05%
Fixed income	34.18%
Alternative investment	17.60%

Concentrations

The Trust has over 5% invested in the following funds: Diamond Hill Large Cap Fund, 8.19%, Loomis Sayles Growth Fund, 8.48%, Vanguard 500 Index Fund, 16.73%, Baird Core Intermediate Muni Bond, 23.76%, Vanguard Tax-Exempt Bond, 10.42%, Columbia Strategic MF, 12.57%, and Municipal High Income Fund, 5.03%.

Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -15.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2022 actuarial valuation was determined by an actuarial valuation as of October 1, 2021, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary increases	4.00% including inflation
Discount rate	7.00% annually (beginning of year)
	4.02% annually (as of end of year measurement date)
Healthcare cost trend rates	0.00% annually

Mortality rates were based on the PubG.H-2010(B) Table.

The actuarial assumptions used in the September 30, 2022 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2006 to September 30, 2022.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Actuarial Assumptions and Other Inputs - Continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2022 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.00%
Corporate bonds	5.00%
Certificates of deposit	1.00%

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at September 30, 2021	\$ 104,326
Changes for the year	
Service cost	37,260
Interest	81,307
Change of benefit terms	2,138,123
Changes of assumptions	204,898
Difference between expected and actual experience	(410,632)
Contributions - employer	-
Net investment loss	181,663
Benefit payments and net transfers	(78,439)
Net changes	2,154,180
Balances at September 30, 2022	\$ 2,258,506

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 4.02%. The projection of cash flows used to determine the discount rate assumed that City of Irondale contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 (3.02%) or 1-percentage-point higher (5.02%) than the current discount rate:

	1% Decrease (3.02%)	Current Discount Rate (4.02%)	1% Increase (5.02%)
Plan's total OPEB liability	\$ 3,414,209	\$ 3,172,608	\$ 2,940,195

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

The following represents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1% Decrease (4.50%)	Current Trend (5.50%)	1% Increase (6.50%)
Plan's total OPEB liability	\$ 2,783,274	\$ 3,172,608	\$ 3,637,754

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS - Continued

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

For the year ended September 30, 2022, the City recognized OPEB expense totaling \$51,879. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,006	\$ 494,304
Changes of assumptions	744,580	488,854
Net difference between projected and actual earnings on OPEB plan investments	208,578	46,664
	<u>\$ 969,164</u>	<u>\$ 1,029,822</u>

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

	Deferred Outflows/ (Inflows) of Resources
2023	\$ (13,594)
2024	(15,840)
2025	(15,506)
2026	20,326
2027	(23,278)
Thereafter	(12,406)

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City’s risk management program mainly encompasses obtaining property and liability insurance through commercial insurance carriers. There were no significant changes in coverage retention, or limits during the fiscal year. The General Fund handles property claims for the City and absorbs the loss for any amounts below the deductible amounts.

The City maintains a limited risk management program for an employee dental plan. Premiums are paid into the General Fund by all employees, and are available to pay claims, claim reserves and administrative costs of the program. These premiums are used to reduce the amount of claim expenditures reported in the General Fund. Dental plan liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims is reported in the General Fund because it is expected to be liquidated with expendable available financial resources. Changes in the balances of claim liabilities during the year ended September 30, 2022 consisted of the following:

Funds available for claims, October 1, 2021	\$ 178,425
Premiums received	48,950
Claim payables	<u>(23,740)</u>
Funds available for claims, September 30, 2022	<u>\$ 203,635</u>

NOTE 11 - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 52.24% of total governmental fund-type revenues for the year ended September 30, 2022.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 12 - 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, 2022, the City abated taxes totaling \$1,413,131 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
To bring Mercedes to Irondale	Sales	84%	\$ 1,191,325
To bring GDM to Irondale	Sales	2%	24,125
To bring Simply 10 to Irondale	Sales	11%	152,541
To bring DC Oil to Irondale	Sales	3%	45,140
			<u>\$ 1,413,131</u>

NOTE 13 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

The GASB has issued the following statements and implementation guides:

The GASB issued Statement No. 87, *Leases* to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement were in effect for financial statements starting with the fiscal year that ends June 30, 2022. The City implemented GASB 87 for the fiscal year ending September 30, 2022. See Note 1 and Note 7 for the impact of implementation of GASB 87.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 13 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

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

The GASB issued Statement No. 92, *Omnibus 2020* to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 were in effect for financial statements starting with the fiscal year that ends June 30, 2022. The City implemented GASB 92 for the fiscal year ending September 30, 2022. Adoption did not effect the City's current year financial statements.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirement in paragraph 11b will take effect for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 were in effect for financial statements starting with the fiscal year that ends June 30, 2022. The City implemented GASB 93 for the fiscal year ending September 30, 2022. Adoption did not effect the City's current year financial statements.

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

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2022
(Continued)

NOTE 13 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

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

The GASB issued Implementation Guide No. 2019-3, *Leases*, to provide guidance for reporting of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Implementation Guide were in effect for financial statements starting with the fiscal year that ends June 30, 2022. The City implemented GASB 87 for the fiscal year ending September 30, 2022. See Note 1 and Note 7 for the impact of implementation of GASB 87.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IRONDALE, ALABAMA
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Sales and use	\$ 13,110,000	\$ 14,150,000	\$ 15,690,798	\$ 1,540,798
Property tax	1,392,283	1,482,575	1,522,306	39,731
Other	5,304,063	6,370,563	6,649,509	278,946
Licenses and permits	2,293,526	2,768,526	3,039,003	270,477
Intergovernmental	54,958	108,958	101,908	(7,050)
Charges for services	1,224,386	1,399,286	1,451,918	52,632
Fines and forfeitures	239,110	155,110	235,645	80,535
Interest	1,000	1,000	83	(917)
Other	3,810,500	2,442,700	1,347,185	(1,095,515)
Total revenue	<u>27,429,826</u>	<u>28,878,718</u>	<u>30,038,355</u>	<u>1,159,637</u>
Expenditures, current				
General government	4,226,213	5,688,696	5,937,941	(249,245)
Public safety	8,657,472	8,799,947	8,496,069	303,878
Parks and recreation	300,375	309,830	116,571	193,259
Public works	3,344,364	3,775,094	3,409,389	365,705
Library	603,898	611,098	625,250	(14,152)
Senior citizens' center	217,590	272,850	277,581	(4,731)
Payments to other governments	-	-	51,661	(51,661)
Debt service				
Principal retirement	2,671,150	2,875,000	8,090,608	(5,215,608)
Issurance costs	-	-	422,483	(422,483)
Interest and fees	1,318,881	1,322,211	1,181,766	140,445
Total expenditures	<u>21,339,943</u>	<u>23,654,726</u>	<u>28,609,319</u>	<u>(4,954,593)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,089,883</u>	<u>5,223,992</u>	<u>1,429,036</u>	<u>(6,114,230)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	31,423	(31,423)
Issuance of leases	-	-	4,697,397	(4,697,397)
Issuance of warrants	-	-	32,346,882	(32,346,882)
Premiums from issuance of warrants	-	-	(83,547)	83,547
Payments to refund warrant	-	-	(13,475,567)	13,475,567
Transfers in	-	-	119,504	(119,504)
Transfers out	(1,000,000)	(1,000,000)	(24,573,007)	23,573,007
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(936,915)</u>	<u>(63,085)</u>
Net change in fund balance	<u>\$ 5,089,883</u>	<u>\$ 4,223,992</u>	<u>\$ 492,121</u>	<u>\$ (6,177,315)</u>

See notes to required supplementary information.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 709,006	\$ 652,501	\$ 656,764	\$ 726,564	\$ 749,157	\$ 664,894	\$ 653,499	\$ 628,940
Interest	2,926,249	2,834,267	2,766,131	2,679,655	2,435,923	2,254,708	2,179,436	2,090,325
Changes in benefit terms	-	276,764	-	-	-	-	-	-
Differences between expected and actual experience	(551,333)	(361,863)	(296,633)	(74,720)	1,825,665	710,775	(169,238)	-
Changes of assumptions	1,667,293	-	-	188,612	-	1,322,317	-	-
Benefit payments, including refunds of employee contributions	(2,228,924)	(2,134,695)	(2,158,182)	(2,047,458)	(1,821,642)	(1,721,873)	(1,723,725)	(1,487,028)
Transfers among employees	18,958	(25,284)	(94,934)	(69,707)	68,733	66,472	-	-
Net change in total pension liability	2,541,249	1,241,690	873,146	1,402,946	3,257,836	3,297,293	939,972	1,232,237
Total pension liability - beginning	39,117,701	37,876,011	37,002,865	35,599,919	32,342,083	29,044,790	28,104,818	26,872,581
Total pension liability - ending (a)	\$41,658,950	\$39,117,701	\$37,876,011	\$37,002,865	\$35,599,919	\$32,342,083	\$29,044,790	\$28,104,818
Plan fiduciary net position								
Contributions - employer	\$ 1,075,910	\$ 887,583	\$ 824,294	\$ 760,911	\$ 800,419	\$ 885,341	\$ 764,327	\$ 729,456
Contributions - member	509,699	439,771	419,444	427,522	458,129	458,375	451,105	389,541
Net investment income	5,851,224	1,463,651	664,308	2,273,528	2,869,198	2,108,430	246,666	2,263,366
Benefit payments, including refunds of employee contributions	(2,228,924)	(2,134,695)	(2,158,182)	(2,047,458)	(1,821,642)	(1,721,873)	(1,723,725)	(1,487,028)
Transfers among employers	18,958	(25,284)	(94,934)	(69,707)	68,733	66,472	149,732	55,760
Net change in plan fiduciary net position	5,226,867	631,026	(345,070)	1,344,796	2,374,837	1,796,745	(111,895)	1,951,095
Plan net position - beginning	26,661,266	26,030,240	26,375,310	25,030,514	22,655,677	20,858,932	20,970,827	19,019,732
Plan net position - ending (b)	\$31,888,133	\$26,661,266	\$26,030,240	\$26,375,310	\$25,030,514	\$22,655,677	\$20,858,932	\$20,970,827
Net pension liability (a) - (b)	\$ 9,770,817	\$ 12,456,435	\$ 11,845,771	\$ 10,627,555	\$ 10,569,405	\$ 9,686,406	\$ 8,185,858	\$ 7,133,991
Plan fiduciary net position as a percentage of the total pension liability	76.55%	68.16%	68.72%	71.28%	70.31%	70.05%	71.82%	74.62%
Covered-employee payroll	\$ 8,109,632	\$ 7,606,816	\$ 7,135,808	\$ 7,451,164	\$ 7,954,796	\$ 8,268,573	\$ 7,270,205	\$ 6,384,074
Net pension liability as a percentage of covered-employee payroll	120.48%	163.75%	166.00%	142.63%	132.87%	117.15%	112.59%	111.75%

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

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Employer Contributions - Pension
Last Eight Years Ended September 30,

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,217,637	\$ 1,070,909	\$ 887,583	\$ 825,550	\$ 784,554	\$ 971,187	\$ 898,985	\$ 786,685
Contributions in relation to the actuarially determined contributions	1,217,637	1,070,909	887,583	825,550	784,554	971,187	898,985	786,685
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 8,935,744	\$ 8,109,632	\$ 7,606,816	\$ 7,135,808	\$ 7,451,164	\$ 7,954,796	\$ 8,268,573	\$ 7,270,205
Contributions as a percentage of covered-employee payroll	13.63%	13.21%	11.67%	11.57%	10.53%	12.21%	10.87%	10.82%

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

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Five Years Ended September 30,

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 37,260	\$ 23,974	\$ 24,530	\$ 51,110	\$ 51,879
Interest	81,307	80,810	83,365	126,847	62,445
Changes in benefit terms	2,138,123	-	-	-	-
Differences between expected and actual experience	(410,632)	(48,426)	(120,225)	(53,303)	24,011
Changes of assumptions	204,898	-	(2,761)	(704,129)	843,673
Benefit payments and net transfers	(78,439)	(21,402)	(21,402)	(61,983)	(61,983)
Net change in total OPEB liability	1,972,517	34,956	(36,493)	(641,458)	920,025
Total OPEB liability - beginning	1,200,091	1,165,135	1,201,628	1,843,086	923,061
Total OPEB liability - ending	\$ 3,172,608	\$ 1,200,091	\$ 1,165,135	\$ 1,201,628	\$ 1,843,086
Plan fiduciary net position					
Contributions - employer	\$ -	\$ -	\$ 79,000	\$ -	\$ 118,000
Net investment income	(181,663)	143,332	63,862	46,893	56,825
Administrative expense	-	-	-	(4,464)	-
Net change in plan fiduciary net position	(181,663)	143,332	142,862	42,429	174,825
Plan net position - beginning	1,095,765	952,433	809,571	767,142	592,317
Plan net position - ending	\$ 914,102	\$ 1,095,765	\$ 952,433	\$ 809,571	\$ 767,142
Net OPEB liability - ending	\$ 2,258,506	\$ 104,326	\$ 212,702	\$ 392,057	\$ 1,075,944
Plan fiduciary net position as a percentage of the total OPEB liability	28.81%	91.31%	81.74%	67.37%	41.62%
Covered-employee payroll	\$ 8,952,250	\$ 6,163,630	\$ 5,926,567	\$ 6,183,891	\$ 5,946,049
Net OPEB liability as a percentage of covered-employee payroll	25.23%	1.69%	3.59%	6.34%	18.10%

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

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Notes to the Required Supplementary Information
September 30, 2022

NOTE 1 - BUDGETARY INFORMATION

The annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following describes the budgeted and non-budgeted funds:

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. Instructions and budget work papers are distributed to departments.
2. Departments return copies of completed budget requests forms to the budget staff.
3. The Mayor and budget staff begin individual departmental reviews and prepare recommended changes to the departmental budgets.
4. The Mayor submits recommended departmental changes to individual departments affected.
5. Departments incorporate recommended budget changes and update budget schedules.
6. The Mayor's recommended budget is finalized for submission to the City Council.
7. The Mayor presents the proposed budget to the City Council.
8. The City Council takes final action for approval of the operating budget.

The annual budget is prepared by fund, department and object. Transfers of appropriations between departments or between funds require approval of the City Council. The legal level of budgetary control is by department.

The original and final/amended budget amounts are reflected in the required supplementary information.

CITY OF IRONDALE, ALABAMA
Notes to the Required Supplementary Information
September 30, 2022
(Continued)

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 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	26.7 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

NOTE 3 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.00%
Healthcare trend	Getzen Model
Salary increases	4.00%, including inflation
Discount rate	4.02% annually
Retirement age	25 years of service at any age; or attainment of age 60 and 10 years of service; or age plus service at retirement equals 75; employees hired on or after January 1, 2013 may not retire before age 62.
Mortality	PubG. H-2010(B)
Turnover	Age-specific table with an average of 5% when applied to the active census

SUPPLEMENTARY INFORMATION

CITY OF IRONDALE, ALABAMA
Combining Balance Sheets
Nonmajor Governmental Funds
September 30, 2022

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	<u>E-911</u>	<u>4 & 5 Cent Gas Tax</u>	<u>7 Cent Gas Tax</u>	<u>Corrections</u>	<u>Police Forfeiture</u>	
Assets						
Current assets						
Cash and cash equivalents						
- restricted	\$ 315,163	\$ 558,015	\$ 562,971	\$ 406,606	\$ 399,890	\$ 2,242,645
Receivables, net	-	10,358	11,981	-	-	22,339
Prepaid expenses	6,878	-	-	-	-	6,878
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 322,041</u>	<u>\$ 568,373</u>	<u>\$ 574,952</u>	<u>\$ 406,606</u>	<u>\$ 399,890</u>	<u>\$ 2,271,862</u>
Liabilities and fund balance						
Current liabilities						
Accounts payable	\$ 14,428	\$ -	\$ -	\$ 4,299	\$ -	\$ 18,727
Accrued payroll and benefits	12,482	-	-	7,024	-	19,506
Due to other funds	-	-	(12,142)	-	26,743	14,601
Total liabilities	<u>26,910</u>	<u>-</u>	<u>(12,142)</u>	<u>11,323</u>	<u>26,743</u>	<u>52,834</u>
Fund balance						
Nonspendable	6,878	-	-	-	-	6,878
Restricted for						
Public protection	288,253	-	-	395,283	373,147	1,056,683
Infrastructure maintenance	-	568,373	587,094	-	-	1,155,467
Total fund balance	<u>295,131</u>	<u>568,373</u>	<u>587,094</u>	<u>395,283</u>	<u>373,147</u>	<u>2,219,028</u>
Total liabilities and fund balance	<u>\$ 322,041</u>	<u>\$ 568,373</u>	<u>\$ 574,952</u>	<u>\$ 406,606</u>	<u>\$ 399,890</u>	<u>\$ 2,271,862</u>

CITY OF IRONDALE, ALABAMA
Combining Statements of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended September 30, 2022

	Special Revenue					
	E-911	4 & 5 Cent Gas Tax	7 Cent Gas Tax	Corrections	Police Forfeiture	Total Nonmajor Governmental Funds
Revenues						
Intergovernmental	\$ 338,009	\$ 112,056	\$ 127,356	\$ -	\$ -	\$ 577,421
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	37,659	64,363	102,022
Miscellaneous	-	-	-	-	54,460	54,460
Total revenues	338,009	112,056	127,356	37,659	118,823	733,903
Expenditures, current						
General government	-	-	-	291,561	-	291,561
Public protection	714,623	-	-	-	117,838	832,461
Public ways and facilities	-	13,237	8,585	-	-	21,822
Capital outlay	-	-	-	-	69,779	69,779
	714,623	13,237	8,585	291,561	187,617	1,215,623
Other financing (uses) sources						
Transfers in	580,655	-	-	618,894	-	1,199,549
Transfers out	-	(7,975)	-	-	-	(7,975)
	580,655	(7,975)	-	618,894	-	1,191,574
Net change in fund balance	204,041	90,844	118,771	364,992	(68,794)	709,854
Fund balance - beginning of year	91,090	477,529	468,323	30,291	441,941	1,509,174
Fund balance - end of year	\$ 295,131	\$ 568,373	\$ 587,094	\$ 395,283	\$ 373,147	\$ 2,219,028

CITY OF IRONDALE, ALABAMA
Combining Balance Sheets - Component Units
September 30, 2022

	Industrial Development Board	Commercial Development Authority	Total Component Units
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 555,148	\$ 555,148
Receivables, net	-	185,969	185,969
Due from other funds	36,391	-	36,391
Total current assets	<u>36,391</u>	<u>741,117</u>	<u>777,508</u>
Noncurrent assets			
Nondepreciable capital assets	-	142,100	142,100
Depreciable capital assets, net	-	1,521,022	1,521,022
Total noncurrent assets	<u>-</u>	<u>1,663,122</u>	<u>1,663,122</u>
Total assets	<u>36,391</u>	<u>2,404,239</u>	<u>2,440,630</u>
Liabilities			
Current liabilities			
Current maturities of long-term liabilities			
Notes payable	-	47,776	47,776
Noncurrent liabilities			
Notes payable, net	<u>-</u>	<u>138,193</u>	<u>138,193</u>
Total liabilities	<u>-</u>	<u>185,969</u>	<u>185,969</u>
Net position			
Net investment in capital assets	-	1,477,153	1,477,153
Unrestricted	<u>36,391</u>	<u>741,117</u>	<u>777,508</u>
Total net position	<u>\$ 36,391</u>	<u>\$ 2,218,270</u>	<u>\$ 2,254,661</u>

CITY OF IRONDALE, ALABAMA

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Component Units
For the Year Ended September 30, 2022

	Industrial Development Board	Commercial Development Authority	Total Component Units
Operating revenues			
Charges for services	\$ -	\$ 143,128	\$ 143,128
Payments from other governments	-	51,661	51,661
Total operating revenues	<u>-</u>	<u>194,789</u>	<u>194,789</u>
Operating expenses			
Administration, operations, and maintenance	-	141,895	141,895
Depreciation and amortization	-	46,091	46,091
Total operating expenses	<u>-</u>	<u>187,986</u>	<u>187,986</u>
Operating income	<u>-</u>	<u>6,803</u>	<u>6,803</u>
Non-operating revenues (expenses)			
Interest income	-	1,080	1,080
Miscellaneous	-	41,238	41,238
Interest expense	-	(5,036)	(5,036)
Total non-operating revenues (expenses)	<u>-</u>	<u>37,282</u>	<u>37,282</u>
Income before transfers	-	44,085	44,085
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	-	44,085	44,085
Net position, beginning of year	<u>36,391</u>	<u>2,174,185</u>	<u>2,210,576</u>
Net position, end of year	<u>\$ 36,391</u>	<u>\$ 2,218,270</u>	<u>\$ 2,254,661</u>

COMPLIANCE SECTION

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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the fiduciary funds, each major fund, and the aggregate remaining fund information of the City of Irondale, Alabama (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Irondale, Alabama's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

BMSS, LLC

Birmingham, Alabama
June 15, 2023

CITY OF IRONDALE, ALABAMA
Schedule of Findings and Responses
For the Year Ended September 30, 2022

Deficiencies in Internal Control

2022-1

Condition: Until June 2022, the City did not have complete written policies and procedures for the accounting function.

Criteria: Policies and procedures are essential in order to have consistency across accounting transactions.

Cause and effect: Failure to outline clear policies can lead to errors or omissions in the City's financial statements. Additionally, termination or retirement of key staff could result in inefficiencies as any replacements would have no information on procedures.

Recommendation: We recommend the City create and adopt written policies for all positions.

Planned corrective action: The City and management agree with this deficiency in internal controls. The City has implemented steps to adopt formal written policies and procedures across departments.

2022-2

Condition: During our test of permits issued during fiscal year 2022, we noted multiple instances where the amounts charged for permits did not agree to the City's fee schedule

Criteria: Permits should accurately tie to the fee schedule.

Cause and effect: Per discussion with City employees, it was determined that permits are calculated by hand as the amounts in the computer system have not been updated to reflect the current fee schedule.

Recommendation: We recommend the computer system be updated to eliminate the need for manual calculation of permit fees.

Planned corrective action: The City and management agree with this deficiency in internal controls. The City plans to investigate and ensure that permits are accurately calculated.

CITY OF IRONDALE, ALABAMA
Schedule of Findings and Responses
For the Year Ended September 30, 2022
(Continued)

2022-3

Condition: During our audit, we noted that prepaid expenses are not being recorded or tracked as of year end.

Criteria: Recording transactions on the accrual basis of accounting.

Cause and effect: Recording transactions on an accrual basis provides more meaningful financial information. Proper cutoffs are critical for the accuracy of the financial statements.

Recommendation: We recommend the City track and record prepaid assets.

Planned corrective action: The City and management agree with this deficiency in internal controls. The City plans to implement steps to track and record prepaid assets.

2022-4

Condition: During our audit, we noted that the City had a transaction where the bid process was potentially required but failed to provide supporting documentation of formal bids or support that these purchases were excluded from bid requirements.

Criteria: The City is required to follow Alabama Bid Law.

Cause and effect: Failure to comply with Alabama Bid Law. Violations are potentially subject to fines and/or voided contracts.

Recommendation: We recommend the City review its policies and consider additional controls in order to ensure compliance. We also recommend the City consult with its attorneys on improved processes and relevant laws to ensure legal compliance.

Planned corrective action: The City and management agree with this deficiency in internal controls. The City plans to implement additional purchase steps to ensure compliance.