

CITY OF FAIRFIELD, ALABAMA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

**CITY OF FAIRFIELD, ALABAMA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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THE CITY OF FAIRFIELD, ALABAMA

LIST OF PRINCIPAL OFFICIALS

AS OF SEPTEMBER 30, 2024

HONORABLE MAYOR

Eddie J. Penny

CITY COUNCIL MEMBERS

Herman Carnes, Jr.

Barakas Taylor

Susan Joe Rembert-Parks

E.J. Foster

Cedric J. Norman

Phyllis Oden-Jones

Robert Averhart III

CITY MANAGER

Mary Roberson



SHEPPARD-HARRIS & ASSOCIATES

Certified Public Accountants

214 24th Street North • Birmingham, Alabama 35203 • (205) 323-5922 • FAX (205) 449-1223

INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and Members
of the City Council
City of Fairfield, Alabama**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, Alabama (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Fairfield, Alabama's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 budgetary comparison information for the General Fund on page 43, the schedule of changes in the City's net pension liability on page 44 and related ratios, and schedule of the City's contributions on page 45 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

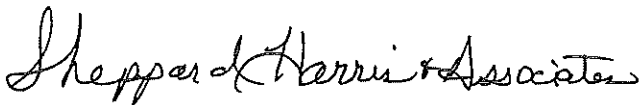
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2025, on our consideration of the City of Fairfield, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fairfield, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fairfield, Alabama's internal control over financial reporting and compliance.



Sheppard-Harris & Associates, P.C.
Birmingham, Alabama
March 1, 2025

THE CITY OF FAIRFIELD, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and cash equivalents-Unrestricted	\$ 1,824,285
Investments-Restricted	1,628,748
Receivables:	
Accrued Taxes Receivable	523,044
Accounts (net of uncollectibles)	340,869
Prepaid Expenditures	203,600
	<hr/>
Total Current Assets	4,520,546
	<hr/>
<u>Noncurrent Assets</u>	
Land	712,286
Building and Capital Facilities	4,557,210
Furniture and Other Equipment	4,749,476
Infrastructure	32,585,236
	<hr/>
Less: Accumulated Depreciation	42,604,208
	<hr/>
Total Noncurrent Assets	(40,382,281)
	<hr/>
Total Assets	2,221,927
	<hr/>
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	6,742,473
	<hr/>
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<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred amount on Pension	1,208,976
Deferred Charge on Refunding of Debt	157,102
	<hr/>
Total Deferred Outflows of Resources	1,366,078
	<hr/>
Total Assets and Deferred Outflows of Resources	\$ 8,108,551
	<hr/>
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THE CITY OF FAIRFIELD, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

<u>LIABILITIES</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<u>Current Liabilities</u>	
Accounts Payable	\$ 5,581,797
Accrued Payroll	68,531
Due to Fairfield Board of Education	2,091,000
Due to Retirement Systems of Alabama	127,593
Capitalized Leases	24,344
Bonds and Warrants Payable	470,000
Accrued Interest Payable	239,725
	<hr/>
Total Current Liabilities	8,602,990
	<hr/>
<u>Noncurrent Liabilities</u>	
Bonds and Warrants Payable	13,700,000
Capitalized Leases	70,193
Compensated Absences	382,339
Net Pension Liabilities	8,211,110
	<hr/>
Total Noncurrent Liabilities	22,363,642
	<hr/>
Total Liabilities	30,966,632
	<hr/>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Amount on Pension - difference between projected and actual earnings on pension plan investments	60,499
	<hr/>
<u>NET POSITION</u>	
Net investment in Capital Assets	(12,282,335)
Restricted for Debt Service	1,628,748
Restricted for Grant Program	268,550
Restricted Gas Tax Funds	533,687
Restricted for Prepaid Expenditures	203,600
Restricted for Municipal Court	149,502
Restricted for Firefighters	4,970
Unrestricted	(13,425,302)
	<hr/>
Total Net Position	(22,918,580)
	<hr/>
Total Liabilities and Net Position	\$ 8,108,551
	<hr/>

THE CITY OF FAIRFIELD, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

					Net (Expense) Revenue and Changes In Net Position
					Primary Government
		Program Revenues			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental Activities:					
Public Safety	\$ 3,685,329	\$ 260,329	\$ -	\$ -	\$ (3,425,000)
Street and Sanitation	828,371	-	-	-	(828,371)
Cultural and Recreational	435,836	-	-	-	(435,836)
General Government	4,230,386	1,802,167	-	131,490	(2,296,729)
Interest on Long-term Debt	1,385,472	-	-	-	(1,385,472)
Total governmental activities	<u>\$ 10,565,394</u>	<u>\$ 2,062,496</u>	<u>\$ -</u>	<u>\$ 131,490</u>	<u>(8,371,408)</u>
General Revenues:					
Sales and use tax					4,855,293
Property tax					1,949,015
Excise tax					330,629
Occupational & business tax					648,738
Unrestricted investment earnings					117,803
Miscellaneous					710,987
Total General Revenues					<u>8,612,465</u>
Changes in Net Position					<u>241,057</u>
Net Position (Deficit) - Beginning of Year					<u>(23,159,637)</u>
Net Position (Deficit) - End of Year					<u>\$ (22,918,580)</u>

THE CITY OF FAIRFIELD, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

<u>ASSETS</u>	General Fund	Debt Service Reserve	Grant Fund	Nonmajor Governmental Fund	Total Governmental Fund
Cash and Cash Equivalents-Unrestricted	\$ 666,000	\$ -	\$ 268,550	\$ 889,735	\$ 1,824,285
Cash and Cash Equivalents-Restricted	-	-	-	-	-
Investments-Restricted	-	1,628,748	-	-	1,628,748
Accounts receivable, net	523,044	-	-	340,869	863,913
Other Receivables	-	-	-	-	-
Due from Other Funds	504	-	-	17,213	17,717
Prepaid Expenditures	203,600	-	-	-	203,600
Total Assets	\$ 1,393,148	\$ 1,628,748	\$ 268,550	\$ 1,247,817	\$ 4,538,263
<u>LIABILITIES AND FUND BALANCE</u>					
Accounts Payable	\$ 5,581,797	\$ -	\$ -	\$ -	\$ 5,581,797
Unearned Revenue	-	-	-	-	-
Due to Fairfield Board of Education	2,091,000	-	-	-	2,091,000
Due to Other Agency	-	-	-	-	-
Due to Retirement Systems of Alabama	127,593	-	-	-	127,593
Accrued Payroll	68,531	-	-	-	68,531
Due to Other Funds	17,213	-	-	504	17,717
Total Liabilities	7,886,134	-	-	504	7,886,638
<u>Fund Balance</u>					
Restricted for:					
Prepaid Expenditures	203,600	-	-	-	203,600
Debt Service	-	1,628,748	-	-	1,628,748
Grant Program	-	-	268,550	-	268,550
Road repair, maintenance, and construction	-	-	-	533,687	533,687
Firefighters	-	-	-	4,970	4,970
Municipal Court	-	-	-	149,502	149,502
Committed for:					
Emergencies	-	-	-	-	-
Assigned for:					
Capital projects	-	-	-	157,100	157,100
Unassigned (deficit)	(6,696,586)	-	-	402,054	(6,294,532)
Total Fund Balance (Deficit)	(6,492,986)	1,628,748	268,550	1,247,313	(3,348,375)
Total Liabilities and Fund Balances	\$ 1,393,148	\$ 1,628,748	\$ 268,550	\$ 1,247,817	\$ 4,538,263

THE CITY OF FAIRFIELD, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Fund balance - total governmental funds		\$ (3,348,375)
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred items related to debt issuance and debt refunding used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		157,102
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred inflows of resources - pension items	(60,499)	
Deferred outflows of resources - deferred charge on refunding of debt	<u>1,208,976</u>	
		1,148,477
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds balance sheet.		
Governmental capital assets	42,604,208	
Less: Accumulated depreciation	<u>(40,382,281)</u>	
		2,221,927
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		
Bonds and warrants payable	(14,170,000)	
Capital leases payable	(94,537)	
Accrued interest payable	(239,725)	
Compensated absences	(382,339)	
Net pension obligation	<u>(8,211,110)</u>	
Total long-term liability		<u>(23,097,711)</u>
Net position of governmental activities		<u><u>\$ (22,918,580)</u></u>

THE CITY OF FAIRFIELD, ALABAMA
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

<u>REVENUES:</u>	General	Debt Service Reserve	Grant Fund	Nonmajor Governmental Funds
Taxes	\$ 7,541,160	\$ -	\$ 100,900	\$ 186,690
License and Permits	1,450,284	-	-	-
Grants and Intergovernmental	25,006	-	-	106,484
Charges and Fees for Services	351,883	-	-	260,329
Fines and Forfeitures	-	-	-	-
Investment income	109,126	-	8,677	-
Other revenues	199,464	4,125	461,973	350
Total Revenues	9,676,923	4,125	571,550	553,853
<u>EXPENDITURES:</u>				
Current Operations:				
Public Safety:				
Police	1,575,450	-	-	133,331
Fire	1,733,485	-	-	-
Municipal court	107,352	-	-	-
Street and sanitation:				
Public works	811,779	-	-	292
Cultural and recreational:				
Park and recreation	217,054	-	-	146
Library	94,839	-	-	-
Civic Center	116,953	-	-	-
General government:				
Administration/nondepartmental	3,358,521	4,125	318,550	1,589
Councilor	445,885	-	-	-
Capital outlay:				
Capital outlay	59,485	-	-	-
Debt service:				
Principal Payments	-	1,405,000	-	-
Interest and fees	-	1,411,712	-	-
Total Expenditures	8,520,803	2,820,837	318,550	135,358
Excess (Deficiency) of Revenue				
Over (Under) Expenditures	1,156,120	(2,816,712)	253,000	418,495

THE CITY OF FAIRFIELD, ALABAMA
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Debt Service Reserve	Grant Fund	Nonmajor Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers In	3,850,247	2,018,944	360,000	351
Transfers Out	(2,379,220)	(3,005,147)	(726,075)	(119,100)
Total Other Financing Sources (uses)	<u>1,471,027</u>	<u>(986,203)</u>	<u>(366,075)</u>	<u>(118,749)</u>
Net Changes in Fund Balances	<u>2,627,147</u>	<u>(3,802,915)</u>	<u>(113,075)</u>	<u>299,746</u>
Fund Balance -Beginning of Year, As Originally Stated	(7,066,704)	5,431,663	381,625	947,567
Restatement	<u>(2,053,429)</u>	-	-	-
Fund Balance -Beginning of Year Restated	<u>(9,120,133)</u>	<u>5,431,663</u>	<u>381,625</u>	<u>947,567</u>
Fund Balance - Ending	<u>\$ (6,492,986)</u>	<u>\$ 1,628,748</u>	<u>\$ 268,550</u>	<u>\$ 1,247,313</u>

THE CITY OF FAIRFIELD, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances-total governmental funds

\$ (989,097)

Amounts reported for governmental activities in the statement of activities are different because:

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 depreciation exceeded capital outlays in the current period.

Capital Outlay
Depreciation

59,485
(175,370)

(115,885)

Repayment of principal of long-term debt and capital leases consumes current financial resources of governmental funds but has no effect on net position.

1,405,000

Debt discounts are deferred on the statement of net position and are amortized over the life of the debt.

Amortized Expenses

26,240

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

Change in debt agent fee
Change in compensated absences
Change in interest payable
Change in pension expense

-
-
-
(85,201)

Change in net position of governmental activities

\$ 241,057

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Fairfield, Alabama (the "City"), is a municipal corporation that was incorporated in 1906. The City operates under a Mayor-Council form of government and is comprised of a Mayor and six Council members.

The basic financial statements of the City of Fairfield, Alabama (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As required by accounting principles generally accepted in the United States of America, the City has reviewed other entities and activities for possible inclusion in the reporting entity as a component unit. It has been determined; the City does not have component units that are required to be presented in the reporting entity. The financial reporting entity consists of the primary government.

Related Organization

The City Council is responsible for appointing the members of the Fairfield Board of Education (the Board). However, the City has no control or influence in the presentation or adoption of the Board's annual operating budget; the City is not responsible for any budget deficits incurred by the Board; and the Board has the authority to issue debt securities which are neither secured by the City's revenues nor obligations of the City. Accordingly, the financial statements of the Board are not presented in the accompanying financial statements because the City is not considered to be financially accountable for the Board.

Government-wide and Fund Financial Statements

The government-wide financial statements of the City, consisting of the statement of net position and statement of activities, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities* are normally supported by taxes, charges for services, and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as a separate column in the funds financial statements.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this focus and basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the cash is received or expended.

Property taxes are recognized as revenues in the year of their levy; grants and similar items are recognized as revenue when all the eligibility requirements of the providers have been met.

All governmental funds are accounted for using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. The City considers revenues to be *available* if they are collected within 60 days of the end of the current fiscal period; the major sources of accrued revenue are the various business and ad valorem taxes the City collects as well as grant revenues. Expenditures are recorded when the liability is incurred, consistent with accrual accounting. Debt service expenditures, claims and judgments, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, sales taxes, charges for services, intergovernmental grants, interest income and other miscellaneous receipts associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered measurable and available only when cash is received by the City.

The City of Fairfield reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* is used for accumulating resources and payment of interest and principal on long-term debt.

The *Grant Fund* accounts for grant funding received by the City under the American Rescue Plan Act of 2021 and Rebuild Alabama.

Additionally, the City reports the following fund types:

The *special revenue fund* accounts for revenue sources that are restricted or committed to expenditure for specific purposes.

The *capital projects funds* are used to account for capital projects and improvements expended throughout the City.

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reports as *program revenues* include 1) charges to customer or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

Deposits and Investments

The City's cash and cash equivalents include amounts to be cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest certain funds in U.S. government obligations, U.S. government agency obligations, U.S. corporate stock, U.S. debt, State of Alabama obligations, county obligations, and other municipal obligations. The City invests its funds in accordance with State Law.

Investments are reported at fair value. Money market accounts and short-term investments are reported at cost, which approximates market value.

Investments consist of funds that are restricted for the payment of principal and interest on certain portions of long-term debt of the City. Investments held by the City are stated at fair value using Level 2 inputs.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, ad valorem taxes, and other taxes.

In the fund financial statements, material receivables in governmental funds include the receivables mentioned in the preceding paragraph and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

At September 30, 2024, the City has accrued taxes receivable from various agency of which the majority of \$460,355 due from Jefferson County related to ad valorem taxes collected by Jefferson County Tax Collector.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

The City ceased, in previous years, garbage services for the City of Fairfield, Alabama. The accounts receivable garbage balance in the accompanying financial statements represent previously unpaid garbage billings. The City has an allowance for the receivable of \$869,151 and is actively seeking collection of the balances. The City has a policy that no permit of said nature can be issued for an address with garbage receivable until at least fifty percent of the accounts receivable garbage balance is paid.

Receivables at September 30, 2024, for the City consist of the following:

	Governmental Activities
Accounts Receivable-Garbage Services	<u>\$ 1,210,020</u>
Gross Accounts Receivable	1,210,020
Less: Allowance for Uncollectible	(869,151)
Net Garbage Accounts Receivable	<u><u>\$ 340,869</u></u>

Capital Assets

Capital assets, which include property, plant, equipment, intangibles assets, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported government-wide financial statements. Such should be recorded at historical cost or estimated historical cost if purchased or constructed. In the government-wide financial statements, fixed assets with initial individual costs of more than \$5,000 and an estimated useful life more than one year should be accounted for as capital assets.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend useful lives are expensed as incurred.

Prior to October 1, 2004, governmental funds' infrastructure assets were not capitalized. These infrastructure assets have been valued primarily at estimated historical costs and have been capitalized on the government-wide statements.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets of the primary government are capitalized based on the following asset type and depreciated using the straight-line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Building	20-50
Building Improvements	10-20
Infrastructure	30
Machinery and equipment	3-20
Vehicles	3-20

Deferred Outflows/Inflows

In addition to assets, the statement of net position will sometimes report 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items that qualify for reporting in this category. The first is the deferred charge on debt refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second one is related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of net pension liability in subsequent years, and the difference between the projected and actual earnings on pension plan investments.

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 will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has transactions that meet the definition of deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments.

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

A full time City employee receives twelve days of annual vacation for the first twelve years of service and may earn up to twenty-four days of annual vacation leave after twenty-five years of satisfactory employment. Annual vacation leave can accumulate up to forty days or 320 hours and an employee cannot be paid for annual leave in lieu of time off. Accumulated vacation leave is paid to an employee at the time of separation of service.

A full time City employee accrues paid sick leave at the rate of 8 hours per month of service (10.64 hours for firefighting personnel). An employee does not accrue sick leave during any month in which for more than fifty percent (50%) of his or her normally scheduled work time, the employee is on leave of absence without pay, a suspension or is otherwise in a non-pay status. An employee who in good standing resigns, retires, or is separated in a reduction in force from the service after five years of service is paid for 50% of the first 480 hours of accrued sick leave.

A liability for vacation and sick pay is reported in the governmental funds only if the obligation has matured, for example, as a result of an employee's resignation or retirement. All vacation and sick pay are accrued when incurred in the government-wide statements.

The current portion of accrued vacation and sick pay on September 30, 2024 reported in the government-wide financial statements was \$0. The remaining long-term portion of the accrued vacation and sick pay of the governmental activities at September 30, 2024 totaled \$382,339.

In prior years, the General Fund has liquidated the annual current portion of this compensated absence liability related to governmental activities.

Long-term Debt

All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line method. Bond issuance cost is expensed in the period that it is incurred. The City's long-term debt consists of bonds and warrants payable, capital leases, compensated accrued compensated absences, and pension.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Capital Leases

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. In the year an asset is acquired by capital lease, the expenditures for the asset and the offsetting amount of the financing sources are reflected in the Fund Financial Statements. Capital lease obligations of governmental activities in the government-wide financial statements and the cost of the assets so acquired are reflected in the accounts of those funds and statements.

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net assets that do not meet the definition of "restricted" or "net invested in capital assets".

Fund equity at the governmental fund financial reporting level is classified as "fund balance". In fund financial statements, governmental funds report aggregates amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes but are neither restricted nor committed. The City Council and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use resources, in the following order and as needed: restricted resources, unrestricted resources, committed or assigned resources, and finally unassigned resources.

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for the governmental activities. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Property Taxes

All ad valorem real property taxes levied by municipalities in Jefferson County, Alabama are assessed by the Jefferson County Tax Assessor and collected by the Jefferson County Tax Collector. The Jefferson County Tax Assessor attaches taxes as enforceable liens on property as of October 1 and taxes become due October 1 through December 31. Property taxes not paid by January 1 are considered delinquent. Personal property taxes are also collected by the Jefferson County Tax Collector and are received throughout the year. After collecting property taxes, the Jefferson County Tax Collector remits the City's portion to the financial paying agent to remit applicable bond payment. Taxes collected by the Jefferson County Tax Collector before the fiscal year-end but remitted to the financial institution after September 30 are accrued in the General Fund.

Unearned Revenue

Unearned revenue arises when resources are received by the City before it has a legal claim against them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Unearned revenue was \$0 at September 30, 2024.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension

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

Interfund Transactions

During normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reported as operating transfers except in instances where the transfer represents reimbursement to a fund for expenditures incurred for the benefit of another fund. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers. These amounts have been eliminated in the government-wide financial statements.

Details of current interfund receivables and payables are as follows:

<u>Payable from</u>	<u>Payable to</u>	<u>Amount</u>
General Fund	Four & Five Cent Fund	\$ 7,982
General Fund	Seven Cent Fund	9,231
General Fund	Solid Waste	504
Total		<u>\$ 17,717</u>

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- GASB Statement No. 101 – Compensated Absences.

The City is currently evaluating the effects that these statements will have on its financial statements for the subsequent fiscal years.

In the fiscal year 2022, the City has implemented GASB Statement No. 87, Leases. The implementation of this statement did not result in any change in the City's financial statements in that the only lease obligations the City currently has are capital leases. GASB Statement No. 87's objective 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 foundational principle that leases are financing 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.

Budgets and Budgetary Accounting

In fiscal year 2024, the City operated under an approved general fund budget in these financial statements. Budget and actual comparison for the General Fund is presented in the required supplementary information section.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance

Funds with deficit fund balances are as follows:

<u>Fund</u>	<u>Deficit Amounts</u>
Major Fund	
General Fund	<u>\$ (6,492,986)</u>
Total	<u><u>\$ (6,492,986)</u></u>

The City's intent is that the deficits are expected to be eliminated through improved operations and increased revenues.

Compliance with Finance Related Legal and Contractual Provision

The City elected April 1, 1973 to have its employees participate in the Employees' Retirement System of Alabama (RSA) to provide retirement benefits for employees of the City. The City is responsible for contributing funds to the RSA so that the City maintains sufficient reserves in the RSA that is determined by an actuary and the funding level of the City's plan changes with the actual market returns and changes in actuarial assumptions. The City failed to remit an amount of at least \$287,095 to the RSA for the benefit of the City's employees and retirees. The City and RSA have engaged in arms' length negotiations to resolve the arrearage. As conditioned in the agreement, the City is to adopt a resolution approving the said terms of the agreement no later than December 31, 2022. The City agrees to pay RSA and the RSA agreed to accept for the benefit of Fairfield's employees and retirees, \$287,095, in satisfaction of the arrearage with 36 monthly payments of \$7,975 each month. The first payment is due the 10th month of the month after the effective date.

As of September 30, 2024, the City has a Due to Retirement System of Alabama of \$127,593 in these financials.

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 3 – RESTATEMENT

The beginning fund balance of the general fund governmental fund reported on the fund financial statements have been restated to correct prior year errors as listed in the table below:

	General Fund Governmental Fund
	<u> </u>
Fund balance (deficit) September 30, 2023, as previously reported	\$ (7,066,704)
Adjustment for Correction of Debt Service Activity	<u>(2,053,429)</u>
Fund balance (deficit) September 30, 2023, as restated	<u><u>\$ (9,120,133)</u></u>

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 4 – CASH AND CASH EQUIVALENTS

The City maintains several checking accounts that are separately held by several of the City's funds.

At year-end, the carrying amount and bank balance of the City's governmental activities deposit accounts were as follows:

<u>Institution</u>	<u>Amount</u>	<u>Balance</u>
PNC Bank	\$ 1,824,285	\$ 1,921,254
Total	<u>\$ 1,824,285</u>	<u>\$ 1,921,254</u>

Under the Security of Alabama Funds Enhancement (SAFE) Act, the City's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. At September 30, 2024, all of the City's depositories are participating in the SAFE Act.

Interest Rate Risk

The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio outside of trustee held funds to less than ten months.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – CAPITAL ASSETS

The following is a summary of the changes in the City's capital assets for the year ended September 30, 2024:

	Balance September 30, 2023	Increases	Decreases	Balance September 30, 2024
Capital assets, not being depreciated:				
Land	\$ 712,286	\$ -	\$ -	\$ 712,286
Total capital assets, not being depreciated	712,286	-	-	712,286
Capital assets, being depreciated:				
Building and capital facilities	3,811,486	-	-	3,811,486
Building improvements	707,722	38,000	-	745,722
Office, non-office and other equipment	1,434,897	21,485	-	1,456,382
Infrastructure	32,585,236	-	-	32,585,236
Vehicles	3,293,095	-	-	3,293,095
Total capital assets, being depreciated	41,832,436	59,485	-	41,891,921
Less accumulated depreciation for:				
Building and capital facilities	3,811,486	-	-	3,811,486
Building improvements	394,274	15,063	-	409,337
Office, non-office and other equipment	1,222,700	70,044	-	1,292,744
Infrastructure	31,691,298	31,503	-	31,722,801
Vehicles	3,087,152	58,760	-	3,145,912
Total accumulated depreciation	40,206,910	175,370	-	40,382,280
Total capital assets, being depreciated, net	1,625,526	(115,885)	-	1,509,641
Capital assets, net	\$ 2,337,812	\$ (115,885)	\$ -	\$ 2,221,927

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

<u>Governmental Activities</u>	<u>Amount</u>
Public Safety	\$ 104,870
Street and Sanitation	21,562
Cultural and Recreational	11,338
General Government	37,600
	<u>\$ 175,370</u>

NOTE 6 – INVESTMENTS-RESTRICTED

In accordance with GASB Statement No. 72, the City categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The schedule of restricted investments is as follows:

	<u>Governmental Activities</u>
U.S. Treasury & Government Funds:	
Reserve Fund - Series 2012 General Obligation Warrants:	
Investment at fair market value:	
FIMM Government Portfolio Class III (Level 2 Inputs)	\$ 1,202,982
Debt Service Fund - Series 2012 General Obligation Warrants:	
Investment at fair market value:	
FIMM Government Portfolio Class III (Level 2 Inputs)	297,039
Revenue Fund - Series 2012 General Obligation Warrants:	
Investment at fair market value:	119,655
FIMM Government Portfolio Class III (Level 2 Inputs)	
Warrant Principle and Interest Fund - Series 2004 General Obligation Refunding Warrants:	
Investment at fair market value:	
FIMM Government Portfolio Class III (Level 2 Inputs)	<u>9,072</u>
Total Restricted Investments	<u>\$ 1,628,748</u>

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6 – INVESTMENTS-RESTRICTED (Continued)

Concentration of Credit Risk

The State of Alabama authorizes the City to invest in obligations of the U.S. Treasury and federal agency securities. Investments in U.S. Treasury Reserves make up one hundred percent of the City's investments.

As of September 30, 2024, the City had the following investment balances:

Asset Class	Carrying Amount	Market Value	Maturity Date
U.S. Treasury & Government	<u>\$ 1,628,748</u>	<u>\$ 1,628,748</u>	Less than one year

NOTE 7 - GRANT RELATED CLAIMS AND JUDGEMENTS

The City participates in a number of federal and state programs that are fully and partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government.

As of September 30, 2024, significant amounts of grant expenditures have not been audited by the granting agency, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8 - LONG-TERM DEBT

The following is a summary of long-term debt activity for the primary government for the year ended September 30, 2024:

	<u>September 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2024</u>	<u>Due within one year</u>
Bond and Warrants Payable:					
General Obligations Warrants, Series 2012, Mature 2037	\$ 12,070,000	\$ -	\$ (635,000)	\$ 11,435,000	\$ 185,000
General Obligations Warrants, Series 2004, Mature 2028	<u>3,505,000</u>	<u>-</u>	<u>(770,000)</u>	<u>2,735,000</u>	<u>285,000</u>
Total Principal Due	15,575,000	-	(1,405,000)	14,170,000	470,000
Less: Current Amounts Due	(1,405,000)		935,000	(470,000)	-
Plus: Unamortized Premium	(26,240)			(26,240)	26,240
Total Bonds and Warrants Payable	14,143,760	-	(470,000)	13,673,760	496,240
Capital Lease Payable:					
The Bankcorp-Police Vehicles	<u>126,195</u>	<u>-</u>	<u>(31,658)</u>	<u>94,537</u>	<u>24,344</u>
Total Capital Lease Payable	126,195	-	(31,658)	94,537	24,344
Compensated Absences	<u>382,339</u>			<u>382,339</u>	<u>1,838</u>
Total Long-term Debt	<u>\$ 14,652,294</u>	<u>\$ -</u>	<u>\$ (501,658)</u>	<u>\$ 14,150,636</u>	<u>\$ 522,422</u>

For governmental activities, compensated absences, capital leases and other governmental obligations are generally liquidated by the General Fund.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8 - LONG-TERM DEBT (Continued)

Outstanding debt related to warrants of the City at September 30, 2024 consist of the following:

General Obligation Warrants, Series 2004 were issued in the principal amount of \$14,600,000 on August 1, 2004 for the purpose of refunding and retiring City's obligations for the Series 1977 Bonds, *Series 1994 Warrants, City's revenue bonds for the Series 1977 Bonds, Visionland obligation, and various lease obligations of the City. The Warrants bear interest at an average rate of 6%, interest payable semi-annually on February 5 and August 5 and principal payable annually on February 5 with a final maturity in 2028.* It is secured by the full faith, credit and taxing power for the City. Ambac is the guarantor of the 2004 Series Warrants.

\$ 2,735,000

General Obligation Warrants, Series 2012 were issued in the principal amount of \$12,460,000 on April 1, 2012 for the purpose of refunding Series 1998 Warrant Bonds, refunding a portion of Refund Series 2004 Warrants, working capital, capital improvements and deposit to Debt Service Reserve Fund and other issuance expenses.. The Warrants bear interest at an average rate of 6%, interest payable semi-annually in June and December and principal payable annually in June with a final maturity in 2034. It is secured by the full faith, credit and taxing power of the City.

11,435,000

Total principal balance on General Obligations long-term debt

\$ 14,170,000

Outstanding debt related to capital leases of the City at September 30, 2024 consist of the following:

Capital lease to finance the purchase of police vehicles in June 2021. First principal and interest payment of \$4,059 was due on June 17, 2021 . The remaining principal and interest payments of \$4,059 are payable monthly through May 2026.

\$ 94,537

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8 - LONG-TERM DEBT (Continued)

The following schedule shows the future minimum lease payments of the City's governmental activities at September 30, 2024:

Fiscal year,	Direct Borrowings		Total
	Principal	Interest	
2025	\$ 33,054	\$ 15,654	\$ 48,708
2026	38,515	10,193	48,708
2027	22,968	-	22,968
	94,537	25,847	234,873
Less: Amounts representing interest			25,847
Net minimum lease payments			<u>\$ 94,537</u>

The following schedule shows the debt service requirements of the City's governmental activities at September 30, 2024:

Fiscal year,	Debt Service Related to	Debt Service Related to	Total Debt Service
	Principal	Interest	
2025	\$ 470,000	\$ 816,081	\$ 1,286,081
2026	1,045,000	776,250	1,821,250
2027	1,105,000	720,925	1,825,925
2028	925,000	668,325	1,593,325
2028-2034	10,625,000	3,870,900	14,495,900
Totals	<u>\$ 14,170,000</u>	<u>\$ 6,852,481</u>	<u>\$ 21,022,481</u>

2012 Series Fund Accounts

The 2012 Series Warrants Indenture require the Special Sales Tax and Ad Valorem Tax Revenues of the City to be paid in their entirety to U.S. Bank National Association (the "trustee"), with the Trustee deducting amounts required for payments under the Indenture and remitting the remainder to the City.

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 8 - LONG-TERM DEBT (Continued)

At September 30, 2024, the Trustee held Revenue Fund balance was \$1,202,982 which is presented in these financials as investments-restricted.

Continuing Disclosure: Annual Financial Information to Repository

The City has covenanted for the benefit of the holders of the Series 2012 Warrants to provide the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (EMMA) with certain financial information and operating data relating to the City on an annual basis (the "Annual Financial Information") within 180 days after the end of its fiscal year and notices ("Material Event Notices") of the occurrence of certain events listed in the covenant in a timely manner not in excess of 10 business days after the occurrence of the event. The City has not received an Event of Default regarding this covenant.

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 9 -EMPLOYEES' 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- 37-6.
 - 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 or retiree 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 FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 9 -EMPLOYEES' PENSION PLAN

Benefits Provided: State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase to 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 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 credible 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 618 employers adopted Act 2019-132 as of September 30, 2023.

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

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

	ERS	City
Retirees and beneficiaries currently receiving benefits	31,481	90
Vested Inactive Members		2
Non-vested Inactive Members		
Terminated Vested Employees	2,350	
Terminated Non-vested Employees	20,556	17
Active Members	58,659	34
Post-DROP participants who are still in active service	33	0
Total	113,079	143

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9 -EMPLOYEES' PENSION PLAN

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 firefighter of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

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

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

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 carried by employees during the year with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2024, the City's active employee contribution rate was 20.76% of covered employee payroll, and the City's average contribution rate to fund the normal liability costs was 3.38% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2024, was 26.66% of pensionable pay for Tier 1 employees, and 24.95% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2021, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$646,066 for the year ended September 30, 2024.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9 - EMPLOYEES' PENSION PLAN

Net Pension Liability

The City's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at September 30, 2020, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
Total Pension Liability as of 9/30/2022 (a)	22,044,534	21,982,622	21,982,622
Discount Rate	7.45%	7.45%	7.45%
Entry Age Normal Cost* for 10/1/2022 - 9/30/2023 (b)	209,631	209,631	209,631
Transfers Among Employers	-	90,907	90,907
Actual Benefit Payments and Refunds for the period 10/1/2022- 9/30/2023 (c)	(1,764,156)	(1,764,156)	(1,764,156)
Total Pension Liability as of 9/30/2023	\$22,066,612	22,090,994	22,090,994
[(a) x (1.0775)] + (b) - [(c) x (1.03875)]			
Difference between expected and Actual		(24,382)	
Less Liability Transferred for Immediate Recognition		90,907	
Difference between Expected and Actual-Experience (Gain)/Loss		(66,525)	
Difference between Actual TPL before and After Plan Changes - Benefit Change (Gain)/Loss			

Actuarial assumptions: The total pension liability as of September 30, 2024 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2022. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.25% - 6.00% including inflation
Investment Rate of Return*	7.45%, net of pension plan investment expense, including inflation

**CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 9 – EMPLOYEES' PENSION PLAN (Continued)

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

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

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

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:

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9 -EMPLOYEES' PENSION PLAN (Continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash	<u>5.0%</u>	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.00%

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

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9 -EMPLOYEES' PENSION PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension	Plan Fiduciary Net	Net Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2022	\$ 22,044,534	\$ 13,166,559	\$ 8,877,975
Changes for the year:			
Service cost	209,631	-	209,631
Interest	1,576,603	-	1,576,603
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(66,525)	-	(66,525)
Contributions--employer	-	667,438	(667,438)
Contributions--employee	-	151,909	(151,909)
Net investment income	-	1,653,912	(1,653,912)
Benefit payments, including refunds of employee contributions	(1,764,156)	(1,764,156)	-
Administrative expense	-	-	-
Transfers Among Employers	90,907	90,907	-
Net changes	46,460	800,010	(753,550)
Balances at 9/30/2023	\$ 22,090,994	\$ 13,966,569	\$ 8,124,425

	Expected	Actual Before Plan	Actual After Plan
		Changes	Changes
Total Pension Liability as of 9/30/2022 (a)	22,044,534	21,982,622	21,982,622
Discount Rate	7.45%	7.45%	7.45%
Entry Age Normal Cost* for 10/1/2022 - 9/30/2023 (b)	209,631	209,631	209,631
Transfers Among Employers	-	90,907	90,907
Actual Benefit Payments and Refunds for the period 10/1/2022- 9/30/2023 (c)	(1,764,156)	(1,764,156)	(1,764,156)
Total Pension Liability as of 9/30/2023	\$22,066,612	22,090,994	22,090,994
[(a) x (1.0775)] + (b) - [(c) x (1.03875)]			
Difference between expected and Actual		(24,382)	
Less Liability Transferred for Immediate Recognition		90,907	
Difference between Expected and Actual-Experience (Gain)/Loss		(66,525)	
Benefit Change (Gain)/Loss			-

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9 - EMPLOYEES' 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:

1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
\$10,153,169	\$8,211,110	\$6,389,613

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at: <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended September 30, 2024, the City recognized pension expense of \$141,016. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	60,499
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	602,923	-
Changes in proportion & differences between Employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	567,052	-
Total	\$ 1,169,975	\$ 60,499

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9 -EMPLOYEES' PENSION PLAN (Continued)

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

Year ended September 30:

2025	94,339
2026	91,210
2027	497,838
2028	(140,963)
2029	-
Thereafter	-

NOTE 10- RISK MANAGEMENT AND CONTINGENCIES

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years, the City obtained coverage from various sources and has effectively managed risk through various employee education and prevention programs.

All risk management activities are accounted for in the appropriate fund. Expenditures and claims are recognized when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and the loss amount exceeds insurance coverage. In determining claims, events that might create claims, but for which non have been reported, are considered.

The management estimates that the amount of actual or potential claims against the City as of September 30, 2024, individually or in the aggregate, would not be material to the financial statements of the City.

Workers' compensation coverage is provided through the State of Alabama Department of Industrial Relations. The City pays an annual premium, reflecting a base rate plus an experience premium, to the department.

There were no significant reductions in insurance from the previous year and there were no settlements in excess of insurance coverage in each of the past three years.

NOTE 11 - BANKRUPTCY-Release

The City filed for relief under Chapter 9 of the United States Bankruptcy Code, on May 19, 2020 (the "Petition Date"), in the United States Bankruptcy Court for the Norther District of Alabama (the Bankruptcy Court), there by commencing the case *In re City of Fairfield*, Case No. 20-01800 (the Bankruptcy Case). An order for relief was entered by the bankruptcy court on July 10, 2020. The Bankruptcy Case was dismissed on January 08, 2024 in the United States Bankruptcy Court for the Northern District of Alabama.

CITY OF FAIRFIELD, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 12 - GOING CONCERN

As indicated in the accompanying financial statements, the City's current liabilities (\$8,604,990) exceeded its current assets (\$4,520,546) by \$4,084,444 and its total liabilities exceeded its total assets by \$24,226,159. The City has experienced a decline in revenue over the years. In general, the City has been unable to pay its debt as they become due over the years. Those factors, as well as the uncertain conditions that the City faces regarding its debt agreements create uncertainty about the City's ability to continue as a going concern.

Management and the City Council of the City have evaluated these conditions and determined that the bankruptcy dismissal as discussed in these financials would alleviate this uncertainty.

The City is monitoring spending.

NOTE 13 - SUBSEQUENT EVENTS

Events occurring after September 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of March 1, 2025, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**THE CITY FAIRFIELD,
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

REVENUES:	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Taxes	\$ 5,500,344	\$ 5,500,344	\$ 7,541,160	\$ 2,040,816
License and Permits	1,223,455	1,223,455	1,450,284	226,829
Grants and Intergovernmental	182,000	182,000	25,006	(156,994)
Charges and Fees for Services	679,830	679,830	351,883	(327,947)
Fines and Forfeitures	58,600	58,600	-	(58,600)
Investment income	-	-	109,126	109,126
Other operating revenues	378,496	378,496	199,464	(179,032)
Total Revenues	8,022,725	8,022,725	9,676,923	1,654,198
EXPENDITURES:				
Current Operations:				
Public Safety				
Police	1,076,876	1,076,876	1,575,450	(498,574)
Fire	1,069,428	1,069,428	1,733,485	(664,057)
Municipal court	162,688	162,688	107,352	55,336
Street and sanitation				
Public works	632,470	632,470	811,779	(179,309)
Cultural and recreational				
Park and recreation	78,928	78,928	217,054	(138,126)
Library	61,200	61,200	94,839	(33,639)
Civic Center	-	-	116,953	(116,953)
General government				
Administration/nondepartmental	2,881,847	2,881,847	3,358,521	(476,674)
Councilor	114,600	114,600	445,885	(331,285)
Capital Outlay	-	-	59,485	(59,485)
Debt Services				
Principal Payments	845,000	845,000	-	845,000
Interest and Fiscal Charges	917,688	917,688	-	917,688
Total Expenditures	7,840,725	7,840,725	8,520,803	(680,078)
Excess (Deficiency) of Revenue Over (Under) Expenditures	182,000	182,000	1,156,120	974,120
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	3,850,247	3,850,247
Transfers Out	-	-	(2,379,220)	(2,379,220)
Total Other Financing Sources (Uses)	-	-	1,471,027	1,471,027
Net Change in Fund Balance	182,000	182,000	2,627,147	2,445,147
Fund Balance -Beginning of Year Restated		-	(9,120,133)	
Fund Balance - Ending of Year		\$ 182,000	\$ (6,492,986)	

CITY OF FAIRFIELD, ALABAMA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

AS OF MEASUREMENT DATE

Below is the schedule of Changes in the Net Pension Liability for the Governmental Activities:

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:										
Service cost	\$ 209,631	\$ 201,757	\$ 150,906	\$ 198,383	\$ 173,235	\$ 220,778	\$ -	\$ 368,418	\$ 423,383	\$ 422,540
Interest	1,576,603	1,613,995	1,573,200	1,528,979	1,643,869	1,400,590	1,704,047	1,690,102	1,687,868	1,640,765
Changes of benefit terms	-	6,284	39,953	-	-	-	-	-	-	-
Difference between expected and actual experience	(66,525)	(538,729)	645,330	(625,743)	(163,581)	3,629,533	(3,499,000)	(177,228)	(435,473)	-
Changes of assumptions	-	-	619,494	-	-	98,738	-	986,563	-	-
Benefits payments, including refunds of employee contributions	(1,764,156)	(1,784,926)	(1,778,383)	(1,820,861)	(1,882,666)	(2,112,134)	(1,839,754)	(1,667,375)	(1,628,339)	(1,320,697.00)
Transfers among employers	90,907	(5,673)	(9,040)	(126,399)	4,867	(75,424)	(144,667)	(250,866)	-	-
Net change in total pension liability	48,460	(517,292)	1,241,460	(745,641)	(224,276)	3,162,081	(3,779,374)	947,614	47,439	742,608
Total pension liability - beginning	22,044,534	22,561,826	21,320,366	22,066,007	22,290,283	19,128,202	22,907,576	21,959,962	21,912,523	21,169,915
Total pension liability - end (a)	\$ 22,090,994	\$ 22,044,534	\$ 22,561,826	\$ 21,320,366	\$ 22,066,007	\$ 22,290,283	\$ 19,128,202	\$ 22,907,576	\$ 21,959,962	\$ 21,912,523
PLAN FIDUCIARY NET POSITION:										
Contributions - employer	\$ 667,438	\$ 467,251	\$ 444,581	\$ 375,661	\$ 214,685	\$ 88,875	\$ 240,393	\$ 274,152	\$ 451,937	\$ 438,885
Contributions - member	151,909	140,045	110,890	114,985	117,581	45,799	138,056	151,990	251,290	248,670
Net investment income	1,653,912	(2,018,283)	3,088,075	824,352	398,742	1,467,790	2,007,862	1,592,566	197,639	1,872,933
Benefits payments, including refunds of employee contributions	(1,764,156)	(1,794,926)	(1,778,383)	(1,820,861)	(1,882,666)	(2,112,134)	(1,839,754)	(1,667,375)	(1,628,339)	(1,320,697.00)
Transfers among employers	90,907	(5,673)	(9,040)	(126,399)	4,867	(75,424)	(144,667)	(250,866.00)	(20,276)	(68,532)
Net change in plan fiduciary net position	800,010	(3,211,586)	1,855,923	(632,262)	(1,146,791)	(585,094)	401,890	100,487	(747,749)	1,171,259
Plan net position - beginning	13,166,559	16,378,145	14,522,222	15,154,484	16,301,275	16,886,369	16,484,479	16,383,992	17,131,741	15,960,482
Plan net position - end (b)	\$ 13,966,569	\$ 13,166,559	\$ 16,378,145	\$ 14,522,222	\$ 15,154,484	\$ 16,301,275	\$ 16,886,369	\$ 16,484,479	\$ 16,383,992	\$ 17,131,741
Net pension liability - ending (a) - (b)	\$ 8,124,425	\$ 8,877,975	\$ 6,183,681	\$ 6,799,144	\$ 6,911,523	\$ 5,989,008	\$ 2,241,833	\$ 6,423,097	\$ 5,575,970	\$ 4,780,782
Plan fiduciary net position as a percentage of the total pension liability	63.22%	59.73%	72.59%	68.11%	68.66%	73.13%	88.28%	71.96%	74.61%	78.18%
Covered employee payroll	1,594,539	2,083,934	1,806,700	1,694,539	2,409,684	1,846,322	2,634,352	2,684,352	2,995,908	4,381,491
Net pension liability as a percentage of covered employee payroll	479.45%	426.02%	342.26%	401.18%	286.82%	324.36%	85.10%	239.26%	186.12%	109.11%

Employer's covered payroll during the measurement period is the total covered payroll. For FY2023 the measurement period is October 1, 2021 - September 30, 2022. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017

This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10 year trend is compiled, The City of Fairfield has presented information for those years which information is available.

**CITY OF FAIRFIELD, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AS OF FISCAL YEAR END**

Below is the Schedule of Employer contributions for the Governmental Activities:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 587,052	\$ 646,066	\$ 312,829	\$ 345,273	\$ 451,439	\$ 333,566	\$ 349,053	\$ 249,216	\$ 416,097	\$ 687,555
Contributions in relation to the actuarially determined contribution*	587,052	646,066	312,829	345,273	451,439	333,566	349,053	249,216	416,097	687,555
Contribution deficit	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	\$ 2,731,838	\$ 1,684,539	\$ 2,083,934	\$ 1,846,322	\$ 2,409,684	\$ 1,846,322	\$ 2,283,017	\$ 2,684,352	\$ 2,895,908	\$ 4,381,491
Contributions as a percentage of covered-employee payroll	20.76%	38.13%	15.01%	18.70%	18.73%	18.07%	15.29%	9.28%	13.89%	15.69%

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

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

Notes to schedule:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.

Contributions for fiscal year 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine the contributions rates for the period October 1, 2023 to September 30, 2024

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	27.9 years
Asset valuation method	5 - year smoothed market
Inflation	2.50%
Salary Increases	3.25-6.00%, including inflation
Investment rate of return	7.45%, Net of pension plan investment expense, including inflation

*If the employer's financial reporting period end is other than September 30, 2024, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.

**CITY OF FAIRFIELD, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

In fiscal year 2024, the City operated under an approved general fund budget which is included in these financial statements.

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY

The total pension liabilities presented in these schedules were provided by the Retirement System of Alabama's actuarial consultants, Cavanaugh MacDonald Consulting, LLC. Net pension liability is measured as the total pension liability less plan fiduciary net position. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

NOTE 3 – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The City's employer contribution rates for the fiscal year ended September 30, 2024, were 26.66% for Tier 1 employees (hired before January 1, 2013) and 24.95% for Tier 2 Employees (hired on or after January 1, 2013).

NOTE 4 – ACTUARIAL ASSUMPTIONS

The actuarially determined contribution rates in the schedules of employer contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2023 were based on the September 30, 2020, actuarial valuation.

CITY OF FAIRFIELD, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2024

NOTE 4 – ACTUARIAL ASSUMPTIONS (Continued)

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in the schedule for Governmental Activities:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.

Contributions *for fiscal year 2024* were based on the *September 30, 2021 actuarial valuation*.

Methods and assumptions used to determine the contributions rates for the period October 1, 2023 to September 30, 2024

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	27.9 years
Asset valuation method	5 - year smoothed market
Inflation	2.50%
Salary Increases	3.25-6.00%, including inflation
Investment rate of return	7.45%, Net of pension plan investment expense, including inflation

*If the employer's financial reporting period end is other than September 30, 2024, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.

SUPPLEMENTARY INFORMATION

THE CITY OF FAIRFIELD, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Special Revenue Funds						Capital Projects Fund		Total
	Four & Five Cent	Seven Cent	E911	Federal Shared Proceeds	Solid Waste	Restitution	Bingo Fund	Capital Projects Fund	
ASSETS									
Cash and Cash equivalents	\$ 235,235	\$281,239	\$ -	\$ 4,970	\$ 61,689	\$ 149,502	\$ -	\$ 157,100	\$ 889,735
Accounts Receivable (net of uncollectibles)	-	-	-	-	340,869	-	-	-	340,869
Due from Other Funds	7,982	9,231	-	-	-	-	-	-	17,213
Total Assets	\$ 243,217	\$290,470	\$ -	\$ 4,970	\$ 402,558	\$ 149,502	\$ -	\$ 157,100	\$ 1,247,817
LIABILITIES AND FUND BALANCES									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	504	-	-	-	504
Total Liabilities	-	-	-	-	504	-	-	-	504
Fund Balances									
Restricted for:									
Road repair, maintenance, and construction	243,217	290,470	-	-	-	-	-	-	533,687
Firefighters	-	-	-	4,970	-	-	-	-	4,970
Municipal Court	-	-	-	-	-	149,502	-	-	149,502
Committed for:									
Emergencies	-	-	-	-	-	-	-	-	-
Assigned for:									
Capital projects	-	-	-	-	-	-	-	157,100	157,100
Unassigned (deficit)	-	-	-	-	402,054	-	-	-	402,054
Total Fund Balances	243,217	290,470	-	4,970	402,054	149,502	-	157,100	1,247,313
Total Liabilities and Fund Balances	\$ 243,217	\$290,470	\$ -	\$ 4,970	\$ 402,558	\$ 149,502	\$ -	\$ 157,100	\$ 1,247,817

See Independent Auditor's Report and the Notes to the Financial Statements.

THE CITY OF FAIRFIELD, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Special Revenue Funds						Capital Projects		Total
	Four and Five Cent	Seven Cent	E911	Federal Shared Proceeds	Solid Waste	Restitution	Bingo Fund	Capital Projects Fund	
REVENUES:									
Taxes	\$ 88,235	\$ 98,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,690
Grants and Intergovernmental	-	-	-	-	-	-	-	-	106,484
Charges and Fees for Services	-	-	-	-	-	260,329	-	-	260,329
Other Operating Income	-	-	-	-	340	10	-	-	350
Total Revenues	88,235	98,455	-	-	340	260,339	-	106,484	553,853
EXPENDITURES:									
Current Operations									
Public Safety	146	146	-	456	-	132,875	-	-	133,331
Street and sanitation	-	-	-	-	-	-	-	-	292
Cultural and recreational	-	-	-	-	-	-	-	146	146
General government	-	-	-	-	1,049	540	-	-	1,589
Total Expenditures	146	146	-	456	1,049	133,415	-	146	135,358
Excess (Deficiency) of Revenue Over (Under) Expenditures	88,089	98,309	-	(456)	(709)	126,924	-	106,338	418,495
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	351	-	-	-	-	351
Transfers (Out)	-	-	-	(10,000)	(40,000)	(19,000)	-	(50,100)	(119,100)
Total Other Financing Sources (Uses)	-	-	-	(9,649)	(40,000)	(19,000)	-	(50,100)	(118,749)
Net Changes in Fund Balances	88,089	98,309	-	(10,105)	(40,709)	107,924	-	56,238	299,746
Fund Balance -Beginning of Year	155,128	192,161	-	15,075	442,763	41,578	-	100,862	947,567
Fund Balance - Ending of Year	\$ 243,217	\$ 290,470	\$ -	\$ 4,970	\$ 402,054	\$ 149,502	\$ -	\$ 157,100	\$ 1,247,313

See Independent Auditors Report and Notes to the Financial Statements.



SHEPPARD-HARRIS & ASSOCIATES

Certified Public Accountants

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**INDEPENDENT AUDITOR'S 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***

**The Honorable Mayor and Members
of the City Council
City of Fairfield, Alabama**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, Alabama (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2025.

Report on Internal Control over Financial Reporting

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

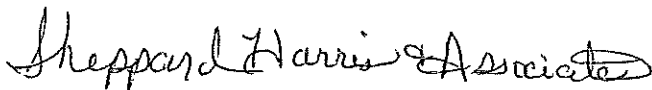
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



Sheppard-Harris & Associates, P.C.
Birmingham, Alabama
March 1, 2025

**THE CITY OF FAIRFIELD, ALABAMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

There were no audit findings in the prior year.