

**CITY OF TUSCUMBIA  
ALABAMA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2022**

# CITY OF TUSCUMBIA

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# Hunt & Associates

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American Institute of CPAs  
Alabama Society of CPAs  
Institute of Management Accountants

Randall L. Hunt  
Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
Tuscumbia, Alabama

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Tuscumbia, Alabama (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Tuscumbia, Alabama 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 primary government of the City of Tuscumbia, Alabama as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the City of Tuscumbia, Alabama, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City of Tuscumbia's legal entity.

These primary government financial statements do not include financial data for the City of Tuscumbia, Alabama's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City of Tuscumbia, Alabama's primary government. As a result, the primary government financial statements do not purport to and do not present fairly the financial position of the reporting entity of the City of Tuscumbia, Alabama as of September 30, 2022, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the City of Tuscumbia, Alabama, as of and for the year ended September 30, 2022, and our report thereon, dated June 27, 2023, expressed an unmodified opinion on those financial statements.

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

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

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

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

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the net pension liability, and the schedule of employer contributions, on pages 4 – 8 and 35 – 39, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the City of Tuscumbia, 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 Tuscumbia, 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 City of Tuscumbia, Alabama's internal control over financial reporting and compliance.



Hunt & Associates  
June 27, 2023

## Management's Discussion and Analysis

As management of the City of Tuscumbia, Alabama ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Comparative analyses of key elements of total governmental funds have been provided.

### Financial Highlights

- ♦ The assets and deferred outflows of the City of Tuscumbia exceeded its liabilities and deferred inflows at the close of fiscal year 2022 by \$8,085,621 (net position).
- ♦ Total revenues of the governmental activities were \$11,498,619 and expenditures were \$10,479,844 creating an increase in net position of \$1,018,775.
- ♦ The City's net long-term debt decreased by \$137,733.

### Overview of the Financial Statements

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The main governmental activities of the City include general government, public safety, culture and recreation, and public works.

This discussion and analysis focuses on the primary government. The complete financial statements (including MD&A) of the component unit may be obtained from the Finance Department of the City.

**Fund financial statement.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City are reported as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances on spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains individual governmental funds:

- The General Fund, Fiscal Recovery Fund, 2021-B Warrant Fund, and the Capital Project Fund are considered major funds with information being presented separately in the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances for these funds.
- The other governmental funds are considered non-major governmental funds and they are combined into a single, aggregated presentation in the governmental funds' financial statements. Individual fund data for each of these funds is provided in the form of combining statements in the supplementary information section.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The budgetary comparison schedule, pension schedules, and combining non-major governmental funds statements referred to earlier can be found in the Required Supplementary Information Other Than MD&A and Supplementary Information, respectively.

**Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position.

**City of Tuscumbia  
Net Position - Primary Government  
September 30, 2022 and 2021**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Current and other assets	\$ 7,353,491	\$ 6,266,420
Capital assets (net)	12,776,083	12,801,011
Total Assets	20,129,574	19,067,431
 Deferred outflows	1,141,288	1,168,765
 Current and other liabilities	1,177,962	714,124
Long-term liabilities	11,083,140	12,202,386
Total liabilities	12,261,102	12,916,510
 Deferred inflows	924,139	252,840
 Net investment in capital assets	5,085,043	4,972,238
Restricted	4,130,578	3,420,965
Unrestricted	(1,130,000)	(1,326,357)
Total net position	\$ 8,085,621	\$ 7,066,846

**DEBT, CAPITAL ASSETS, AND ADMINISTRATION**

**Debt**

The City has worked diligently to keep debt to a reasonable level but from time to time additional debt is necessary. Debt payments of required principal and interest are paid in a timely manner. The City's debt is summarized as follows.

**The City's Warrant and Other Notes  
September 30, 2022 and 2021**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Series 2018 Warrant	\$ 2,420,000	\$ 2,420,000
Series 2021 Warrant	194,657	214,100
Series 2021-B Warrant	4,585,000	4,585,000
Notes payable-financial institutions	491,383	609,673
Total debt service	\$ 7,691,040	\$ 7,828,773

## Capital Assets

The City has worked extensively to develop and adequately maintain capital assets. City streets are routinely inspected for potholes, shoulder deterioration and other maintenance concerns. On a regularly scheduled basis, the City resurfaces streets utilizing shared gasoline tax revenues.

### The City's Capital Assets September 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Land	\$ 217,099	\$ 217,099
Buildings	3,331,098	3,318,835
Equipment and vehicles	5,325,511	4,858,261
Improvements	5,222,833	5,222,833
Infrastructure	8,018,621	7,864,197
Total capital assets	22,115,162	21,481,225
Less: Accumulated depreciation	9,339,079	8,680,214
Net capital assets	<u>\$ 12,776,083</u>	<u>\$ 12,801,011</u>

Additional information can be found in the notes to the financial statement.

## Financial Analysis of the Governmental Funds

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

### City of Tuscumbia Schedule of Activities

	Governmental Activities	
	2022	2021
<b>Revenues</b>		
Taxes	\$ 7,765,678	\$ 6,943,479
Charges for services	2,283,828	2,063,749
Grants and contributions	1,136,836	1,236,318
Other	312,277	208,870
<b>Total revenues</b>	<u>11,498,619</u>	<u>10,452,416</u>
<b>Expenses</b>		
General and administrative	2,808,156	2,649,203
Public safety	2,762,107	2,627,470
Public works	2,481,413	2,375,437
Culture and recreation	1,697,650	1,310,177
Education	615,664	580,851
Appropriations and other	114,854	105,504
<b>Total expenses</b>	<u>10,479,844</u>	<u>9,648,642</u>
<b>Net change in balances</b>	1,018,775	803,774
<b>Net position—beginning</b>	7,066,846	6,263,072
<b>Net position—ending</b>	<u>\$ 8,085,621</u>	<u>\$ 7,066,846</u>

## **OTHER HIGHLIGHTS**

### **Economic Factors and New Year's Budgets**

Tuscumbia's Spring Park continues to be a major attraction for visitors from all over the southeastern states. The Railway Depot has allowed the City to increase its main attractions by including the Railway Museum. The Roundhouse is anticipated to be a major asset to the Museum as well as other main attractions at Spring Park such as the Splash Pad, Roller Coaster, Carousel, Train, and the educational resources that reflect our heritage. Visitors also come to our city because it's the Birthplace of Helen Keller. The Keller Festival, held during the last week of June, continues to grow and is enjoyed by thousands who come here to enjoy our historic town. However, these activities were curtailed in the 2021-2022 fiscal year due to the Covid 19 Pandemic.

The mayor and council have adopted the 2022-2023 Budget with total revenues of approximately \$10,388,953.

### **Request for Information**

This financial report is designed to present a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer Department, P.O. Box 29, Tuscumbia, Alabama 35674, by calling (256) 383-5463, or by sending an email to [jarmstead@cityoftuscumbia.org](mailto:jarmstead@cityoftuscumbia.org).

**CITY OF TUSCUMBIA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,169,119
Receivables (net)	407,467
Restricted assets:	
Cash and investments	2,827,845
Capitalization fee	76,727
Note Receivable	872,333
Capital assets (net)	12,776,083
<b>Total assets</b>	<b>20,129,574</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,141,288</b>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	387,747
Long-term liabilities:	
Portion due within one year:	
Warrants and notes payable	413,249
Compensated absences	376,966
Portion due after one year:	
Warrants and notes payable	7,277,791
Unamortized Premium	492,243
Compensated absences	268,200
Net pension liability	3,044,906
<b>Total liabilities</b>	<b>12,261,102</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>924,139</b>
<b>NET POSITION</b>	
Net investment in capital assets	5,085,043
Restricted for:	
Capital projects	167,863
Debt service	261,140
Governmental activities	3,701,575
Unrestricted	(1,130,000)
<b>Total net position</b>	<b>\$ 8,085,621</b>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

**CITY OF TUSCUMBIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General and administrative	\$ 2,808,156	\$ 650,030	\$ 37,255	\$ 1,085,831
Public safety	2,762,107	78,783		13,750
Public works	2,481,413	1,295,902		
Culture and recreation	1,697,650	259,113		
Education	615,664			
Appropriation	114,854			
Total Governmental Activities	10,479,844	2,283,828	37,255	1,099,581

General revenues:	
Taxes:	
Sales, use and lodging	\$ 4,578,612
Advalorem	1,251,622
Payments in lieu of tax	1,103,311
Other taxes	832,133
Interest revenues	7,639
Other	304,638
Total general revenues	8,077,955
Change in net position	1,018,775
Net position—beginning	7,066,846
Net position—ending	\$ 8,085,621

**CITY OF TUSCUMBIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022**

	General Fund	Fiscal Recovery Fund	2021-B Warrant Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,184,445	\$ 984,674	\$ —	\$ —	\$ —	\$ 3,169,119
Cash and cash equivalents-restricted			285,017	1,819,175	723,653	2,827,845
Receivables (net)	407,467					407,467
Capitalization fee	76,727					76,727
<b>Total assets</b>	<b>\$ 2,668,639</b>	<b>\$ 984,674</b>	<b>\$ 285,017</b>	<b>\$ 1,819,175</b>	<b>\$ 723,653</b>	<b>\$ 6,481,158</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 89,265	\$ —	\$ —	\$ 178,014	\$ 33,631	\$ 300,910
Accrued expenses	29,524		57,313			86,837
<b>Total liabilities</b>	<b>118,789</b>	<b>—</b>	<b>57,313</b>	<b>178,014</b>	<b>33,631</b>	<b>387,747</b>
<b>FUND BALANCES</b>						
Non-spendable	76,727					76,727
Restricted for:						
Capital projects						
Debt service			227,704		167,863	167,863
Governmental activities	600,685	984,674		1,641,161	475,055	3,701,575
Unassigned	1,872,438				13,668	1,886,106
<b>Total fund balances</b>	<b>2,549,850</b>	<b>984,674</b>	<b>227,704</b>	<b>1,641,161</b>	<b>690,022</b>	<b>6,093,411</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,668,639</b>	<b>\$ 984,674</b>	<b>\$ 285,017</b>	<b>\$ 1,819,175</b>	<b>\$ 723,653</b>	<b>\$ 6,481,158</b>

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**

<b>Total fund balance—governmental funds</b>	<b>\$ 6,093,411</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in funds.	
Capital assets	
Accumulated depreciation	\$ 22,115,162
Note receivables are not reported in governmental funds	(9,339,079)
Deferred outflows of resources are not reported in governmental funds	12,776,083
Deferred inflows of resources are not reported in governmental funds	872,333
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the funds.	1,141,288
Warrants and notes payable	(924,139)
Compensated absences	(7,691,040)
Unamortized premium	(645,166)
Net pension liability	(492,243)
<b>Net position of governmental activities</b>	<b>\$ (11,873,355)</b>
	<b>\$ 8,085,621</b>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

**CITY OF TUSCUMBIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	General Fund	Fiscal Recovery Fund	2021-B Warrant Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 7,630,609	\$ —	\$ —	\$ —	\$ 135,069	\$ 7,765,678
Licenses, permits, and rentals	650,030					650,030
Fines and forfeitures	78,783					78,783
Charges for services	1,555,015					1,555,015
Grants and contributions	130,089	1,006,747	4	2,962	3,148	1,136,836
Interest revenues	1,264	261				7,639
Other	178,890				125,748	304,638
<b>Total revenues</b>	<b>10,224,680</b>	<b>1,007,008</b>	<b>4</b>	<b>2,962</b>	<b>263,965</b>	<b>11,498,619</b>
<b>EXPENDITURES</b>						
Current operating:						
General and administrative	2,458,688		20		3,557	2,462,265
Public safety	2,640,971	6,000			1,413	2,648,384
Public works	2,010,464				75,578	2,086,042
Culture and recreation	1,242,183	190,000				1,432,183
Appropriations	114,854					114,854
Education funding for school district	615,664					615,664
Capital outlay and improvements	380,167	16,300	186,117	344,676	114,345	1,041,605
Debt service	141,709	—		—	51,252	192,961
<b>Total expenditures</b>	<b>9,604,700</b>	<b>212,300</b>	<b>186,137</b>	<b>344,676</b>	<b>246,145</b>	<b>10,593,958</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>619,980</b>	<b>794,708</b>	<b>(186,133)</b>	<b>(341,714)</b>	<b>17,820</b>	<b>904,661</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Board of Education loan	90,378					90,378
Transfers in	454,000		410,965		81,208	946,173
Transfers out	(692,173)	(234,000)			(20,000)	(946,173)
<b>Total other financing sources (uses)</b>	<b>(147,795)</b>	<b>(234,000)</b>	<b>410,965</b>	<b>—</b>	<b>61,208</b>	<b>90,378</b>
<b>Net change in fund balances</b>	<b>472,185</b>	<b>\$ 560,708</b>	<b>\$ 224,832</b>	<b>\$ (341,714)</b>	<b>79,028</b>	<b>995,039</b>
<b>Fund balances—beginning</b>	<b>2,077,665</b>	<b>423,966</b>	<b>2,872</b>	<b>1,982,875</b>	<b>610,994</b>	<b>5,099,000</b>
<b>Fund balances—ending</b>	<b>\$ 2,549,850</b>	<b>\$ 984,674</b>	<b>\$ 227,704</b>	<b>\$ 1,641,161</b>	<b>\$ 690,022</b>	<b>\$ 6,094,039</b>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

**CITY OF TUSCUMBIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<b>Total net change in fund balances—governmental funds</b>	\$	995,039
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.		
Capital outlay expenditures	\$	633,938
Depreciation expense		(24,927)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net position and are amortized over the life of the debt. The effects of these differences in the treatment of long-term debt and related items are detailed below:		
Repayments of debt principal	\$	137,733
Amortization of premiums on debt issuance		30,493
Proceeds from warrants		168,226
Repayments of Loans from the Board of Education (net)		(32,667)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in net pension obligation		720,351
Increase in compensated absences		(108,471)
Increase in deferred inflows		(671,299)
Decrease in deferred outflows		(27,477)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,018,775</u></b>

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Tuscumbia, Alabama (the “City”) is a municipal corporation incorporated on December 30, 1820 under the laws of the State of Alabama. The City operates under a Mayor-Council form of government. The Mayor, elected for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes. The Mayor oversees the enforcement of all laws and ordinances and executes all contracts, conveyances, and evidences of indebtedness of the City. Legislative authority is vested in a five-member council elected by district for a four-year term with the chair pro tempore of the Council being selected by the Council members. The City Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes.

The primary government of the City consists of all funds and departments that are not legally separate from the City. The primary government includes the City departments that provide the following services: police protection, fire protection and prevention, street maintenance and repairs, building inspection, planning and zoning, parks and recreation, solid waste collection, as well as administrative staff to provide support services. The operation and control of these activities are provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

The decision to include a potential component unit in the City’s reporting entity is based on the criteria stated in GASB Statement No. 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations are Component Units” and GASB 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34,” which includes the ability to appoint a voting majority of an organization’s governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burden on the City, or the nature and significance of the relationship between the City and the organization is such that exclusion would cause the City's financial statements to be incomplete.

Component units of the City issue separately-audited financial statements. Copies of these reports are available from the respective organizations; therefore, the component unit financial statement notes are not repeated here.

Based upon the foregoing criteria and information, the City considers the City of Tuscumbia Utilities (Electricity, Natural Gas, and Water and Sewer Departments) and the City of Tuscumbia Board of Education to be discretely presented component units for financial reporting purposes. These are discussed further below:

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Discretely Presented Component Units

City of Tuscumbia Utilities – Electricity, Natural Gas, and Water and Sewer Departments – The Tuscumbia Utilities (Utilities) provide utility services to the residents of the City. On June 14, 2007, the Alabama Legislature passed Act 2007-502 (HB961) that amended the authority and duties of the Tuscumbia Utilities Board (Board), as stated herein. The Utilities are governed by a three-member board of directors that are appointed by the City Council for staggered six-year terms. The City also issues bonded debt for the utilities. The Board is authorized to establish all utility rates. The Board is required to obtain approval from the City Council of expenditures for system improvements greater than \$50,000. The Act established in lieu of tax rates for each department. The City is secondary liable for the outstanding debt of the Utilities. The financial statements of each department are presented as a Proprietary Fund type. Each department is reported in a separate column in a combining statement in the basic financial statements with the total of all discretely presented component units reported in the government-wide financial statements to emphasize that they are legally separate from the City. The Electricity Department has a June 30 year-end, while the Natural Gas and Water and Sewer Departments have a September 30 year-end. The Utilities financial statements are not presented in this report.

Complete financial statements for each of the utility individual component units may be obtained from their administrative office located at 202 East Sixth Street, Tuscumbia, Alabama 35674.

Tuscumbia City Board of Education - The Tuscumbia City Board of Education is a legally separate entity that is governed by a five-member board appointed by the City Council. The Board of Education derives a significant amount of revenue for its general fund from appropriations and other City-imposed taxes (primarily property and sales tax). Additionally, the city owns a significant portion of the school facilities and property. These were purchased through general obligation warrants of the city. The Board of Education financial statements are not presented in this report.

Complete financial statements of the Board of Education component unit may be obtained from their administrative office located at 303 North Commons Street East, Tuscumbia, Alabama 35674.

Related Organizations - Other related organizations are excluded from the reporting entity because the City's accountability does not extend beyond the appointment of members to the governing board. These are:

Helen Keller Birthplace Foundation, Historic Preservation Board, Zoning Adjustments Board, and Housing Authority Board.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Other - The following are separate legal entities that are jointly governed by the City and other municipalities in which no government appoints a voting majority of the Board. The organizations were created for the benefit of Shoals area residents and generally receive financial assistance from various governments. These are:

- Shoals Economic Development Authority Board
- Riverbend Center for Mental Health Board
- Shoals Solid Waste Disposal Authority
- Colbert Convention and Tourism Board

**B. Government-Wide and Fund Financial Statements**

Government-wide financial statements consist of a statement of net position and a statement of activities. These financial statements report all of the non-fiduciary activities of the primary government. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Governmental activities are normally supported by taxes whereas business-type activities rely mainly on fees and charges for services.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include charges for goods or services and operating and capital grants and contributions. Revenues that are not classified as program revenues are presented as general revenues and include all taxes.

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units as promulgated by the Governmental Auditing Standards Board (GASB).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all requirements have been satisfied.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when the resources are measurable and available. Measurable means the amount can be determined and available means collectible within a certain period or soon thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recognized when the liability is incurred. Debt service expenditures, compensated absences, and other long-term commitments are recorded when the payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

The City reports the following major governmental funds:

General Fund – The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Alabama.

Fiscal Recovery Fund – This Fund accounts for the response to and recovery from the Covid-19 public health emergency.

2021-B Warrant Fund – This Fund accounts for the transfers from other funds and the payment of the 2021-B warrants.

Capital Projects Fund – This Fund accounts for the acquisition or construction of capital facilities and/or other capital projects.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from providing services in connection with the primary activity of the fund's ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for services and benefit fees. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of inter-fund activity has been removed from the government-wide financial statements. Exceptions to this rule are in lieu of tax payments and other charges between various functions of the City. Elimination of these charges would distort the direct cost and program revenues reported for the various functions affected.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

**Cash and Cash Equivalents**

The City considers cash and cash equivalents to include cash on hand, demand deposits, short-term investments with original maturities of three months or less and certificates of deposit. State statutes authorize the City to invest in obligations of the U.S. Treasury and the State of Alabama including general obligations of its counties and municipalities.

**Receivables and Payables**

Receivables consist of taxes and a note receivable from the Tuscumbia Board of Education. Payables represent amounts owed to vendors for goods and services.

**Inventory**

Inventory consists of materials and supplies held for consumption or construction projects. Inventories are presented at the lower of cost or market.

**Due to/Due from**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

**Capitalization Fee**

In November 1993, the City paid a one-time capitalization fee of \$76,727 to become a member of the Alabama Municipal Insurance Corporation (AMIC). The capitalization fee is nonrefundable and entitles the City to purchase insurance through AMIC. In the event of liquidation or distribution of profits, the City would receive a pro-rata distribution based on its investment.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets are recorded at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition. The City’s capitalization level is \$10,000 on tangible personal property, \$10,000 on buildings and improvements, and \$50,000 on infrastructure.

All capital assets are depreciated, except for land, inexhaustible land improvements, and construction in progress. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Buildings, structures, and improvements	20-50
Furniture, fixtures, and equipment	3-20
Roads and streets	50
Storm sewers and drainage ditches	30
Utilities	
Utility plant	4-50

**Compensated Absences**

All permanent employees of the City accumulate annual and sick leave during the calendar year. Annual leave is earned at a rate of five to twenty days per calendar year for all permanent employees, depending on years of service, date of hire, and department employed, and is accrued as a liability at the current rate of pay. The policy allows employees to accumulate a maximum of 160 days of annual leave. After three years of continuous service, employees may work during their annual leave period up to a maximum equal to one-half of the total annual leave granted per year. Employees who choose to work a portion of their annual leave time will receive the normal pay plus annual leave pay for the period worked. Sick leave is earned at the rate of one day per month of employment for all permanent employees. The policy allows employees to accumulate an unlimited number of sick leave days.

Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the retirement system, with no additional cost to the City. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded in the financial statements.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the estimated current portion of the liability is reported as a fund liability.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**Transfers**

The City may transfer amounts between funds to insure continuing operations. These receivables and payables are classified as “due from other funds” or “due to other funds”.

**Long-term Debt**

In the government-wide financial statements, outstanding long-term debt is reported as a liability. The governmental fund financial statements recognize debt proceeds and premiums as other financing sources of the current period. Issuance costs are reported as debt service expenditures.

**Net Position**

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ♦ *Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.
- ♦ *Restricted* – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation. Restricted assets may also represent certain resources that are segregated from other resources to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.
- ♦ *Unrestricted* – Net position that is not subject to external imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Council.

When an expense is incurred for purposes for which there are both restricted and unrestricted net positions available, it is the City’s policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position. It is also the City’s policy to apply expenditures to committed, then assigned, and lastly unassigned net positions to the extent such amounts are available.

**Estimates**

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

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are:

- ♦ Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact such as inventory. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
- ♦ Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The City has established a General Fund reserve policy.
- ♦ Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinances or resolutions). Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.
- ♦ Assigned – Amounts in the assigned fund balance classification are intended by City action to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.
- ♦ Unassigned – Unassigned fund balance is the residual classification and includes all spendable amounts not contained in the other classifications.

**Pensions**

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

**Budgetary Process**

The City Council adopted an annual budget for the General Fund but not the Fiscal Recovery Fund, 2021-B Warrant Fund, nor the Capital Projects Fund. Budgets for other nonmajor funds are not required. All annual appropriations lapse at year-end.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**Revenues**

*Sales Tax* - The City levies tax on taxable sales within the City. Sales tax applicable to the month of September, but not received until after year-end, are recorded as a receivable on both the government-wide and the fund financial statements.

*Property taxes* - Property taxes are levied and are due and payable on October 1 of each year and may be paid without penalty through December 31. All unpaid taxes on real and personal property become delinquent on January 2 of the year following the year in which the taxes were levied. Penalties, interest, and late fees are assessed on all payments made after December 31. On the first Monday in April of each year, a tax auction for real property is held at which a certificate of lien is sold at auction for properties on which the taxes are delinquent.

**NOTE 2 – Cash and Investments**

Deposits are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Deposits exceeding \$250,000 are made to banks participating in the Security for Alabama Funds Enhancement Program (SAFE Program). In the State of Alabama, all public funds are protected through a collateral pool administered by the Alabama State Treasurer. Banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against those 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, then every bank participating in the pool would share the liability for the remaining balance.

Each of the banks containing more than \$250,000 of the City of Tuscumbia’s deposits have been designated by the State Treasurer as a qualified public depository.

**NOTE 3 – Interfund Transfers**

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

<i>Transfer From</i>	<i>Transfer to Other Funds</i>
General Fund	\$ 692,173
Other Funds	254,000
Total Transfers	<u>\$ 946,173</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for and are carried at fair market value.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 4 – Receivables**

Receivables at year-end were as follows:

	<i>Taxes</i>	<i>Tuscumbia Board of Education</i>	<i>Total</i>
Receivables	\$ 407,467	\$ 872,333	\$ 1,279,800

Annual maturities of notes receivables for the next five years and thereafter are as follows:

<i>Fiscal Year Ending September 30</i>	<i>Tuscumbia Board of Education</i>
2023	\$ 35,000
2024	35,000
2025	35,000
2026	40,000
2027	40,000
2028 - 2032	215,000
2033 - 2037	245,000
2038 - 2042	227,333
	872,333

**NOTE 5 – Capital Assets**

Capital asset activity for the fiscal year was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements &amp; Adjustments</i>	<i>Ending Balance</i>
<b>Governmental activities:</b>				
Depreciable assets:				
Buildings	\$ 3,318,835	\$ 12,264	\$ —	\$ 3,331,099
Equipment and vehicles	4,858,260	467,250		5,325,510
Improvements	5,222,833			5,222,833
Infrastructure	7,864,197	154,424		8,018,621
Total depreciable capital assets	21,264,125	633,938	—	21,898,063
Land (nondepreciable)	217,099			217,099
Total capital assets	21,481,224	633,938	—	22,115,162
Less accumulated depreciation:	8,680,214	658,865		9,339,079
Total capital assets, net	\$ 12,801,010	\$ (24,927)	\$ —	\$ 12,776,083

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 5 – Capital Assets (continued)**

Depreciation expense was charged to functions for the fiscal year as follows:

<i>Functions</i>	<i>Amounts</i>
Governmental activities:	
General administration	\$ 68,433
Public safety	53,253
Public works	183,763
Infrastructure	201,416
Culture and recreation	152,000
Total depreciation expense	\$ 658,865

**NOTE 6 – Restricted Assets/Net Assets**

General obligation warrants issued by the City require that certain amounts be deposited into restricted funds for specified uses. These funds are invested in cash and short-term U.S government securities and are carried at fair market value. Other restricted assets or net assets are reflected in General Fund, Special Revenue Funds, and Capital Project Funds. See the Governmental Funds Balance Sheet and Combining Balance Sheet for Other Governmental Funds for more detailed information.

**NOTE 7 – Warrants and Long-term Debt**

On May 24, 2018, the City issued General Obligation Warrants, Series 2018 in the amount of \$2,420,000. These warrants bear interest at rates of 3.00% to 3.60% and will be paid fully in 2038. Principal is payable annually beginning in 2028. Interest is payable semi-annually on each May 1 and November 1.

On June 25, 2021, the City issued General Obligation Warrants, Series 2021 in the amount of \$214,100. These warrants bear interest at a rate of 2.125% and will be paid fully in 2031. Principal is payable annually on June 25. Interest is payable semi-annually on each May 1 and November 1.

On August 11, 2021, the City issued General Obligation Warrants, Series 2021-B, in the amount of \$4,585,000. These warrants were used to retire the City’s previously issued Series 2012 warrants. These warrants bear interest at a rate of 3.00% and will be paid fully in 2042. Principal is payable annually beginning in 2023. Interest is payable semi-annually on each May 1 and November 1.

The City has entered into three secured and unsecured note agreements with financial institutions to provide financing for various vehicles, machinery, and equipment. The notes are payable in monthly installments bearing interest rates from 2.22% to 3.31% and mature at varying dates through 2027.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
(Continued)

**NOTE 7 – Warrants and Long-term Debt (continued)**

Debt activity for the year ended September 30, 2022 was as follows:

<b>Governmental activities:</b>	<b><i>Beginning Balance</i></b>	<b><i>Additions</i></b>	<b><i>Retirements &amp; Adjustments</i></b>	<b><i>Ending Balance</i></b>
General Obligation Warrants				
Series 2018	\$ 2,420,000	\$ —	\$ —	\$ 2,420,000
Series 2021	214,100		(19,443)	194,657
Series 2021-B	4,585,000			4,585,000
Direct Borrowings - Notes Payable to financial institutions payable in monthly installments	609,673		(118,290)	491,383
	<u>\$ 7,828,773</u>	<u>\$ —</u>	<u>\$ (137,733)</u>	<u>\$ 7,691,040</u>

Debt service over the remaining term of the warrant is summarized as follows (amounts in thousands):

<b><i>Fiscal Year Ending September 30</i></b>	<b><i>Principal</i></b>		<b><i>Interest</i></b>		<b><i>Total</i></b>	
	<b><i>Direct Borrowings</i></b>	<b><i>Bonds</i></b>	<b><i>Direct Borrowings</i></b>	<b><i>Bonds</i></b>	<b><i>Principal</i></b>	<b><i>Interest</i></b>
2023	\$ 123	\$ 290	\$ 11	\$ 218	\$ 413	\$ 229
2024	126	300	7	210	426	217
2025	130	306	4	201	436	205
2026	59	316	2	191	375	193
2027	53	327	1	183	380	184
2028 - 2032		2,751		685	2,751	685
2033 - 2037		2,375		257	2,375	257
2038 - 2042		535		26	535	26
Totals	491	7,200	25	1,971	7,691	1,996
Less: portion due within one year	(123)	(290)	(11)	(218)	(413)	(229)
Long-term debt	<u>\$ 368</u>	<u>\$ 6,910</u>	<u>\$ 14</u>	<u>\$ 1,753</u>	<u>\$ 7,278</u>	<u>\$ 1,767</u>

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 8 – Related Party Transactions**

The Electricity and Natural Gas Departments are required to pay to the City a tax equivalent that is determined by applying the current property tax rate to their net plant in service at the end of the preceding fiscal year. The amount of tax equivalents paid to the City during the fiscal year was \$441,600 by the Electricity Department and \$110,517 by the Natural Gas Department. The Water and Sewer Department is required, through enabling legislation, to pay its *net revenues*, although the term was not defined in the enabling legislation, on a quarterly basis. The Water and Sewer Department paid \$120,685 during the fiscal year. These amounts are reported as payments in lieu of taxes in the financial statements of the City and as operating expenses by the Utilities.

Under the provisions of Act 2007-502 (HB961) passed by the Alabama Legislature on June 14, 2007, the Electricity Department is required to disburse payments in lieu of taxes in accordance with the terms of the power contract between the Tennessee Valley Authority and the Department, which currently is based on 4.7% of the net plant in service at the end of the preceding fiscal year; (b) the Natural Gas Department is required to disburse payments in lieu of taxes based on 7.4% of the value of the plant in service at the end of the preceding fiscal year, but not to exceed 4.5% of gross sales of natural gas in the preceding fiscal year; and, (c) the Water and Sewer Department is required to disburse payments in lieu of taxes based on thirty-cents (\$.30) per thousand gallons of gross sales of water in the preceding fiscal year.

The City made appropriations to the Tuscumbia City Board of Education for the fiscal year in the amount of \$615,644.

**NOTE 9 – Contingencies and Commitments**

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to request for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. City management believes that such disallowance, if any, will be immaterial.

The Public Park Authority of the Shoals, a public corporation created pursuant to State Law by the Cities of Florence, Muscle Shoals, Sheffield, and Tuscumbia and the Counties of Colbert and Lauderdale, issued Special Obligation Bonds in the amount of \$17,925,000. These Special Obligation Bonds are to be payable from a new two-cent per gallon gasoline tax levied in Colbert and Lauderdale Counties. While it is anticipated that such gasoline taxes will be sufficient to pay the principal of and interest on these bonds, the Cities of Florence, Muscle Shoals, Sheffield, and Tuscumbia and the Counties of Colbert and Lauderdale have agreed to pay a portion of the debt service on the bonds if the gasoline taxes are insufficient to make such payments. The City's portion of such debt issued by The Public Park Authority of the Shoals is 5.4956%. During the current fiscal year, the City has not been required to remit any amounts for this debt service and the Bonds were paid off.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 10 – Pension Plan**

**A. Plan Description**

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established 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 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of Control consists of 15 trustees as follow:

- 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. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - e. One full time employee 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*.

**B. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB 68 Report for the ERS prepared as of September 30, 2021. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes 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/>.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 10 – Pension Plan (continued)**

**C. Benefits Provided**

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

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

Members are eligible for disability retirement if they have 10 years of 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. As of the measurement date of September 30, 2021, the City's pension plan had 39 retired members or their beneficiaries currently receiving benefits, 2 vested inactive member, 8 non-vested inactive members and 92 active members.

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

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 10 – Pension Plan (continued)**

**D. Contributions**

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

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers 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 contribution 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 cost of benefits earned 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, 2022, the City's active employee contribution rate of covered employee payroll was 6.00% for Tier 1 law enforcement, 8.50% for Tier 2 law enforcement, 5.00% for Tier 1 regular employees, and 7.50% for Tier 2 regular employees.

The City's contractually required contribution rate for the year ended September 30, 2022 was 11.33% of pensionable pay for Tier 1 employees, and 8.87% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with members' 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 \$345,761 for the year ended September 30, 2022.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 10 – Pension Plan (continued)**

**E. Net Pension Liability**

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

	<i>Expected</i>	<i>Actual Before Act 2019-132</i>	<i>Actual After Act 2019-132</i>	<i>Actual After 2020 Experience Study</i>
(a) TPL as of September 30, 2020	\$ 11,212,032	\$ 11,073,920	\$ 11,073,920	\$ 11,471,739
(b) Discount Rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 - September 30, 2021	249,468	249,468	249,468	272,598
(d) Transfers Among Employers		(114,736)	(114,736)	(114,736)
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021	(604,956)	(604,956)	(604,956)	(604,956)
(f) TPL as of September 30, 2021 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 11,696,580</u>	<u>\$ 11,433,097</u>	<u>\$ 11,433,097</u>	<u>\$ 11,856,755</u>
(g) Difference between Expected and Actual		\$ (263,483)		
(h) Less Liability Transferred for Immediate Recognition:		<u>(114,736)</u>		
(i) Difference between Expected and Actual - Experience (Gain)/Loss		<u>\$ (148,747)</u>		
(j) Difference between Actual TPL Before and After 2020 Experience Study-Assumption Change (Gain)/Loss				<u>\$ 423,658</u>

**F. 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 or 1-percentage point higher than the current rate:

	<i>1% Decrease (6.45%)</i>	<i>Current Discount Rate (7.45%)</i>	<i>1% Increase (8.45%)</i>
Plan's Net Pension Liability (Asset)	\$ 4,368,563	\$ 3,044,906	\$ 1,919,730

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 10 – Pension Plan (continued)**

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

For the year ended September 30, 2022, the City recognized pension expense of \$304,292. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 420,841	\$ 287,301
Changes in assumptions	374,686	
Net difference between projected and actual earnings on plan investments		636,838
Employer contributions subsequent to the measurement date	345,761	
Total	\$ 1,141,288	\$ 924,139

The \$345,761 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

<i>Year ended September 30</i>	<i>Amount</i>
2023	\$ (6,472)
2024	2,220
2025	(40,980)
2026	(103,746)
2027	20,366
Thereafter	—

**H. Discount Rate**

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

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 10 – Pension Plan (continued)**

**I. Changes in Net Pension Liability**

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a)-(b)</i>
Balances as of September 30, 2020	<u>\$ 11,212,032</u>	<u>\$ 7,446,774</u>	<u>\$ 3,765,258</u>
Changes for the year:			
Service cost	249,468		249,468
Interest	840,036		840,036
Changes in assumptions	423,658		423,658
Difference between expected and actual experience	(148,747)		(148,747)
Contributions - employer		276,736	(276,736)
Contributions - employee		183,201	(183,201)
Net investment income		1,624,830	(1,624,830)
Benefit payments, including refunds of employee contributions	(604,956)	(604,956)	—
Transfers among employers	(114,736)	(114,736)	—
Net changes	<u>644,723</u>	<u>1,365,075</u>	<u>(720,352)</u>
Balances as of September 30, 2021	<u>\$ 11,856,755</u>	<u>\$ 8,811,849</u>	<u>\$ 3,044,906</u>

**J. Actuarial Assumptions**

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

Inflation	2.50%
Salary increases	3.25% - 6.00% including inflation
Investment rate of return	7.45%, net of pension plan investment expense

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:

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 10 – Pension Plan (continued)**

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

The actuarial assumptions used in the September 30, 2020 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 summarized as follows:

<u>Investment Type</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return*</u>
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
Total	100.00%	

\*Includes assumed rate of inflation of 2.00%.

**CITY OF TUSCUMBIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

**NOTE 11 – Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance for its buildings and contents, automobile liability, employee dishonesty, director's and officer's liability, and employee injury. The City pays an annual premium based on the amount of coverage. Settled claims from these risks did not exceed the City's coverage.

**NOTE 12 – Postemployment Benefits Other Than Pensions (OPEB)**

The City's other postemployment benefit (OPEB) plan provides medical benefits to eligible retired City employees. Only two retirees are eligible for the benefits. Benefit provisions are established and may be amended by the City Council.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TUSCUMBIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Final Budget—</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Taxes:				
Sales, use, and lodging	\$ 3,895,656	\$ 3,895,656	\$ 4,578,612	\$ 682,956
Advalorem	1,112,313	1,112,313	1,251,622	139,309
Payment in lieu of tax	1,097,052	1,097,052	1,103,311	6,259
Motor fuel	184,585	184,585	198,964	14,379
Alcoholic beverages	126,722	126,722	132,973	6,251
Franchise tax	87,796	87,796	81,408	(6,388)
Tobacco tax	73,710	73,710	83,880	10,170
Other	151,000	151,000	199,839	48,839
Total taxes	<u>6,728,834</u>	<u>6,728,834</u>	<u>7,630,609</u>	<u>901,775</u>
Licenses, permits, and rentals	<u>577,525</u>	<u>577,525</u>	<u>650,030</u>	<u>72,505</u>
Fines and forfeitures	<u>65,550</u>	<u>65,550</u>	<u>78,783</u>	<u>13,233</u>
Charges for services:				
Culture and recreation	255,988	255,988	259,113	3,125
Solid waste disposal	1,139,527	1,139,527	1,178,169	38,642
Other	55,402	55,402	117,733	62,331
Total charges for services	<u>1,450,917</u>	<u>1,450,917</u>	<u>1,555,015</u>	<u>104,098</u>
Other				
Grants and contributions	37,350	37,350	130,089	92,739
Interest revenue	450	450	1,264	814
Miscellaneous	79,800	79,800	178,890	99,090
Total other	<u>117,600</u>	<u>117,600</u>	<u>310,243</u>	<u>192,643</u>
Proceeds from Board of Education loan			90,378	90,378
<b>Total revenues</b>	<u>8,940,426</u>	<u>8,940,426</u>	<u>10,315,058</u>	<u>1,374,632</u>
<b>Expenditures:</b>				
Current operations:				
General and administrative services				
Mayor	76,502	76,502	74,484	2,018
City treasurer	317,877	317,877	357,594	(39,717)
City council	53,859	53,859	49,043	4,816
Buildings	107,799	107,799	111,251	(3,452)
Legal	53,000	53,000	71,670	(18,670)
Other professional services	184,800	184,800	115,874	68,926
Community promotion	80,589	80,589	99,047	(18,458)
Insurance and technology	202,244	202,244	213,114	(10,870)

**CITY OF TUSCUMBIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Final Budget—</u> <u>Positive</u> <u>(Negative)</u>
General and administrative services (continued)				
Compensating absences (unallocated)	—	—	—	—
Employee benefits (unallocated)	1,253,172	1,253,172	1,366,611	(113,439)
Total general and administrative	<u>2,329,842</u>	<u>2,329,842</u>	<u>2,458,688</u>	<u>(128,846)</u>
Public safety				
Police	1,414,898	1,414,898	1,606,304	(191,406)
Municipal court	124,759	124,759	136,327	(11,568)
Fire	869,061	869,061	898,340	(29,279)
Total public safety	<u>2,408,718</u>	<u>2,408,718</u>	<u>2,640,971</u>	<u>(232,253)</u>
Public works				
Streets	446,239	446,239	490,819	(44,580)
Municipal lighting and utilities	255,000	255,000	271,245	(16,245)
Cemetery	107,693	107,693	119,923	(12,230)
Maintenance	42,369	42,369	43,534	(1,165)
Sanitation	917,026	917,026	1,084,943	(167,917)
Total public works	<u>1,768,327</u>	<u>1,768,327</u>	<u>2,010,464</u>	<u>(242,137)</u>
Culture and recreation				
Parks and recreation	562,462	562,462	717,003	(154,541)
Railroad depot	212,423	212,423	155,064	57,359
Golf course	146,819	146,819	161,893	(15,074)
Library	181,345	181,345	190,201	(8,856)
Senior citizens center	19,098	19,098	18,022	1,076
Total culture and recreation	<u>1,122,147</u>	<u>1,122,147</u>	<u>1,242,183</u>	<u>(120,036)</u>
Other				
Appropriations	105,016	105,016	114,854	(9,838)
Education-funding for school district	476,685	476,685	615,664	(138,979)
Transfers from other funds (net)	577,176	577,176	238,173	339,003
Debt service	22,023	22,023	141,709	(119,686)
Other	130,492	130,492	380,167	(249,675)
Total other	<u>1,311,392</u>	<u>1,311,392</u>	<u>1,490,567</u>	<u>(179,175)</u>
<b>Total expenditures</b>	<u>8,940,426</u>	<u>8,940,426</u>	<u>9,842,873</u>	<u>(902,447)</u>
<b>Net change in fund balance</b>	<u>\$ —</u>	<u>\$ —</u>	472,185	<u>\$ 472,185</u>
<b>Fund balances—beginning</b>			<u>2,077,665</u>	
<b>Fund balances—ending</b>			<u>\$ 2,549,850</u>	

**CITY OF TUSCUMBIA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

**Sources/inflows and resources**

Actual amounts (budgetary basis) "total revenues" from the budgetary comparison schedule	\$ 10,315,058
Differences-budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	
Note proceeds from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(90,378)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 10,224,680</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 9,842,873
Differences-budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 9,604,700</u>

**CITY OF TUSCUMBIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**Last 10 Fiscal Years Ending September 30**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Total pension liability</b>										
Service cost	\$ 249,468	\$ 235,694	\$ 231,083	\$ 234,674	\$ 232,999	\$ 228,542	\$ 226,393	\$ 222,025		
Interest	840,036	750,416	730,471	732,598	705,778	678,568	685,226	656,437		
Changes of benefit terms		162,881								
Difference between expected and actual experience	(148,747)	646,402	(69,064)	(347,757)	43,415	(125,353)	(442,651)			
Changes of assumptions	423,658			49,175		357,450				
Benefit payments, including refunds of employee contributions	(604,956)	(604,016)	(594,922)	(583,667)	(555,638)	(610,761)	(493,638)	(543,564)		
Transfers among employers	(114,736)	(27,021)	(33,992)	(45,631)	(66,474)	68,706				
<b>Net change in total pension liability</b>	644,723	1,164,356	263,576	39,392	360,080	597,152	(24,670)	334,898		
<b>Total pension liability - beginning</b>	11,212,032	10,047,676	9,784,100	9,744,708	9,384,628	8,787,476	8,812,146	8,477,248		
<b>Total pension liability - ending (a)</b>	<u>\$ 11,856,755</u>	<u>\$ 11,212,032</u>	<u>\$ #####</u>	<u>\$ 9,784,100</u>	<u>\$ 9,744,708</u>	<u>\$ 9,384,628</u>	<u>\$ 8,787,476</u>	<u>\$ 8,812,146</u>		
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 276,736	\$ 246,129	\$ 281,136	\$ 234,224	\$ 239,408	\$ 261,957	\$ 266,017	\$ 257,131		
Contributions - employee	183,201	153,695	164,619	229,240	147,607	148,674	150,849	138,043		
Net investment income	1,624,830	408,778	184,279	622,687	786,466	584,662	69,229	645,781		
Benefit payments, including refunds of employee contributions	(604,956)	(604,016)	(594,922)	(583,667)	(555,638)	(610,761)	(493,638)	(543,564)		
Transfers among employees	(114,736)	(27,021)	(33,992)	(45,631)	(66,474)	68,706	(118,963)	(41,188)		
<b>Net change in plan fiduciary net position</b>	1,365,075	177,565	1,120	456,853	551,369	453,238	(126,506)	456,203		
<b>Plan net position - beginning</b>	7,446,774	7,269,209	7,268,089	6,811,236	6,259,867	5,806,629	5,933,135	5,476,932		
<b>Plan net position - ending (b)</b>	<u>\$ 8,811,849</u>	<u>\$ 7,446,774</u>	<u>\$ 7,269,209</u>	<u>\$ 7,268,089</u>	<u>\$ 6,811,236</u>	<u>\$ 6,259,867</u>	<u>\$ 5,806,629</u>	<u>\$ 5,933,135</u>		
<b>Net pension liability - ending (a) - (b)</b>	\$ 3,044,906	\$ 3,765,258	\$ 2,778,467	\$ 2,516,011	\$ 2,933,472	\$ 3,124,761	\$ 2,980,847	\$ 2,879,011		
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	74.32%	66.42%	72.35%	74.28%	69.90%	66.70%	66.08%	67.33%		
<b>Covered payroll*</b>	\$ 2,940,432	\$ 2,612,222	\$ 2,759,561	\$ 2,606,392	\$ 2,658,348	\$ 2,618,036	\$ 2,559,413	\$ 2,548,105		
<b>Net pension liability as a percentage of covered-employee payroll</b>	103.55%	144.14%	100.69%	96.53%	110.35%	119.36%	116.47%	112.99%		

\*Employer covered payroll during the measurement period is the total covered payroll. For FY2022 the measurement period is October 1, 2020 - September 30, 2021. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll for FY2017.

**CITY OF TUSCUMBIA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
 Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution*	\$ 276,736	\$ 246,129	\$ 257,668	\$ 280,945	\$ 243,885	\$ 261,957	\$ 266,017	\$ 257,131		
Contributions in relation to the actuarially determined contribution*	276,736	246,129	257,668	280,945	243,885	261,957	266,017	257,131		
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
Covered-employee payroll**	\$ 2,940,432	\$ 2,612,222	\$ 2,759,561	\$ 2,606,392	\$ 2,658,348	\$ 2,618,036	\$ 2,559,413	\$ 2,548,105		
Contributions as a percentage of covered-employee payroll	9.41%	9.42%	9.34%	10.78%	9.17%	10.01%	10.39%	10.09%		

\* 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 FY2022 is the total covered payroll for the 12 month period of the underlying financial statement.

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

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

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

## SUPPLEMENTARY INFORMATION

**CITY OF TUSCUMBIA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022**

	Special Revenue Funds				Debt Service Funds		Capital Project Funds		Total Other Governmental Funds		
	Seven Cent Gas Tax	Four Cent Gas Tax	Rebuild AL Gas Tax	Municipal Court	Other Special Funds		Municipal Capital Projects	Total			
					2012 Warrant	2018 Warrant				Total	
Cash and cash equivalents-restricted	\$ 84,186	\$ 27,721	\$ 169,114	\$ 104,622	\$ 89,412	\$ 475,055	\$ 13,668	\$ 67,067	\$ 80,735	\$ 167,863	\$ 723,653
Receivables (net)											
<b>Total assets</b>	<b>\$ 84,186</b>	<b>\$ 27,721</b>	<b>\$ 169,114</b>	<b>\$ 104,622</b>	<b>\$ 89,412</b>	<b>\$ 475,055</b>	<b>\$ 13,668</b>	<b>\$ 67,067</b>	<b>\$ 80,735</b>	<b>\$ 167,863</b>	<b>\$ 723,653</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities											
Accrued expenses											
<b>Total liabilities</b>											
Fund balances											
Non-spendable											
Restricted for:											
Capital projects											
Debt service											
Governmental activities	84,186	27,721	169,114	104,622	89,412	475,055	13,668	33,436	33,436	167,863	167,863
Unassigned											
<b>Total fund balances</b>	<b>\$ 84,186</b>	<b>\$ 27,721</b>	<b>\$ 169,114</b>	<b>\$ 104,622</b>	<b>\$ 89,412</b>	<b>\$ 475,055</b>	<b>\$ 13,668</b>	<b>\$ 33,436</b>	<b>\$ 33,436</b>	<b>\$ 167,863</b>	<b>\$ 690,022</b>
<b>Total liabilities and fund balances</b>	<b>\$ 84,186</b>	<b>\$ 27,721</b>	<b>\$ 169,114</b>	<b>\$ 104,622</b>	<b>\$ 89,412</b>	<b>\$ 475,055</b>	<b>\$ 13,668</b>	<b>\$ 67,067</b>	<b>\$ 80,735</b>	<b>\$ 167,863</b>	<b>\$ 723,653</b>

**CITY OF TUSCUMBIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Special Revenue Funds				Debt Service Funds			Capital Project Funds		Total Other Governmental Funds	
	Seven Cent Gas Tax	Four Cent Gas Tax	Rebuild AL Gas Tax	Municipal Court	Other Special Funds		2012 Warrant	2021-B Warrant	Municipal Capital Projects		Total
					Total	Total					
<b>REVENUES</b>											
Taxes	\$ 33,056	\$ 28,490	\$ 73,523	\$ —	\$ —	\$ 135,069	\$ —	\$ —	\$ —	\$ 135,069	
Interest	3,006	31	67	10,613	37	3,141	7	—	—	3,148	
Other					27,358	37,971	—	—	87,777	125,748	
<b>Total revenues</b>	<b>\$ 36,062</b>	<b>\$ 28,521</b>	<b>\$ 73,590</b>	<b>\$ 10,613</b>	<b>\$ 27,395</b>	<b>\$ 176,181</b>	<b>\$ 7</b>	<b>\$ —</b>	<b>\$ 87,777</b>	<b>\$ 263,965</b>	
<b>EXPENDITURES</b>											
Current operations:											
General administration	\$ —	\$ —	\$ —	\$ —	\$ 3,537	\$ 3,537	\$ —	\$ 20	\$ —	\$ 3,557	
Public safety					1,413	1,413	—	—	—	1,413	
Public works	43,775	31,803			75,578	75,578	—	—	—	75,578	
Capital outlay and improvements		99,221			99,221	99,221	—	—	15,124	114,345	
Debt service:											
Interest and fiscal charges								51,252	—	51,252	
<b>Total expenditures</b>	<b>\$ 43,775</b>	<b>\$ 131,024</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4,950</b>	<b>\$ 179,749</b>	<b>\$ —</b>	<b>\$ 51,272</b>	<b>\$ 15,124</b>	<b>\$ 246,145</b>	
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (7,713)</b>	<b>\$ (102,503)</b>	<b>\$ 73,590</b>	<b>\$ 10,613</b>	<b>\$ 22,445</b>	<b>\$ (3,568)</b>	<b>\$ 7</b>	<b>\$ (51,272)</b>	<b>\$ 72,653</b>	<b>\$ 17,820</b>	
<b>OTHER FINANCING SOURCES (USES)</b>											
Proceeds from debt issuance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Transfers in								81,208	—	81,208	
Transfers out					(20,000)	(20,000)	—	—	—	(20,000)	
<b>Total other financing sources (uses)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (20,000)</b>	<b>\$ (20,000)</b>	<b>\$ —</b>	<b>\$ 81,208</b>	<b>\$ —</b>	<b>\$ 61,208</b>	
<b>Net change in fund balances</b>	<b>\$ (7,713)</b>	<b>\$ (102,503)</b>	<b>\$ 73,590</b>	<b>\$ 10,613</b>	<b>\$ 2,445</b>	<b>\$ (23,568)</b>	<b>\$ 7</b>	<b>\$ 29,936</b>	<b>\$ 72,653</b>	<b>\$ 79,028</b>	
<b>Fund balances—beginning</b>	<b>91,899</b>	<b>130,224</b>	<b>95,524</b>	<b>94,009</b>	<b>86,967</b>	<b>498,623</b>	<b>13,661</b>	<b>3,500</b>	<b>95,210</b>	<b>610,994</b>	
<b>Fund balances—ending</b>	<b>\$ 84,186</b>	<b>\$ 27,721</b>	<b>\$ 169,114</b>	<b>\$ 104,622</b>	<b>\$ 89,412</b>	<b>\$ 475,055</b>	<b>\$ 13,668</b>	<b>\$ 33,436</b>	<b>\$ 167,863</b>	<b>\$ 690,022</b>	

## COMPLIANCE AND INTERNAL CONTROL

**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***

To the Honorable Mayor and Commissioners  
City of Tuscumbia, 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 Tuscumbia, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Tuscumbia, Alabama's basic financial statements and have issued our report thereon dated June 27, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Tuscumbia, Alabama'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 City of Tuscumbia, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tuscumbia, Alabama'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 the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, 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 City of Tuscumbia, Alabama'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 determination of 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 matter that is required to be reported under *Government Auditing Standards*.

**City of Tuscumbia, Alabama's Response to Finding**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hunt & Associates  
Florence, Alabama  
June 27, 2023

**CITY OF TUSCUMBIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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**Section I—Summary of Auditors' Results**

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*Financial Statements*

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
● Material weakness(es) identified?	___ Yes	___ <u>X</u> No
● Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	___ <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes	___ <u>X</u> No

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**Section II—Finding**

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NONE