



FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
September 30, 2022



CITY OF TUSKEGEE, ALABAMA

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Manager and City Council
City of Tuskegee, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining governmental fund information, and the respective budgetary comparisons for the General Fund and Head Start Fund of the City of Tuskegee, Alabama (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 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 a Matter

Adoption of New Accounting Standards

For the year ended, September 30, 2022, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were primarily classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes





the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 (MD&A) on pages 5-11, schedule of changes in net pension liability, and schedule of employer contributions on pages 45-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Honorable Mayor, City Manager and City Council
City of Tuskegee, Alabama
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Birmingham, Alabama
October 27, 2023

Bank, Finley White & Co.

**CITY OF TUSKEGEE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Tuskegee, Alabama's (the "City") management discussion and analysis presents an overview of the City's financial activities for the two fiscal years ended September 30, 2022 and September 30, 2021. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Please read it in conjunction with the City's financial statements beginning on page 12.

Financial Highlights

The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources at September 30, 2022, by \$4,595,900 (net position) and by \$4,291,505 in 2021. The net investment in capital assets reported a deficit of \$4,279,694 in 2022, compared to \$4,090,263 in 2021. The City had an unrestricted surplus of \$6,744,024 in 2022, compared to \$5,145,000 in 2021.

The City's total net position **increased** by \$304,395 during the year ended September 30, 2022.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements, which consist of the Statement of Net Position and the Statement of Activities, 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, and deferred outflows of resources, less liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. It focuses on the gross and net costs of various activities, which are provided by general taxes and other revenues. All changes in net position are reported as soon as the underlying event giving rise to the changes 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 (such as uncollected taxes or earned but not used vacation leave).

The governmental activities of the City include general government, public safety, public works, culture and recreation, and education.

The government-wide financial statements can be found on pages 12-13 of this report.

**CITY OF TUSKEGEE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are classified 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 inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is similar to the manner in which the budget is developed. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of 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 the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Head Start Fund, Occupational Tax Fund, American Rescue Plan Fund, BBVA Loan Debt Service Fund and BBVA Loan Improvement Fund which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The City adopts an annual appropriated budget for its General Fund. The Head Start Fund budget is prepared by the City and approved by the federal grantor agency. A budgetary comparison statement has been provided for the General Fund and Head Start Fund to demonstrate budgetary compliance.

The basic governmental funds financial statements and the budgetary comparison statements can be found on pages 14-20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-44 of this report.

**CITY OF TUSKEGEE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,595,900 at September 30, 2022, and by \$4,291,505 at September 30, 2021. This is calculated as follows:

**NET POSITION
GOVERNMENTAL ACTIVITIES
September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Current and other assets	\$ 13,745,285	\$ 9,767,384
Capital assets	<u>6,255,144</u>	<u>6,118,558</u>
Total assets	<u>20,000,429</u>	<u>15,885,942</u>
Total deferred outflows of resources	<u>1,450,644</u>	<u>2,095,289</u>
LIABILITIES		
Long-term liabilities outstanding	10,439,263	10,768,917
Other liabilities	<u>2,822,643</u>	<u>1,372,942</u>
Total liabilities	<u>13,261,906</u>	<u>12,141,859</u>
Total deferred inflows of resources	<u>3,680,920</u>	<u>1,547,867</u>
NET POSITION		
Net investment in capital assets	(4,279,694)	(4,090,263)
Restricted	2,131,570	3,236,768
Unrestricted	<u>6,744,024</u>	<u>5,145,000</u>
Total net position	<u>\$ 4,595,900</u>	<u>\$ 4,291,505</u>

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**CITY OF TUSKEGEE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

Governmental activities increased net position by \$304,395 and decreased by \$75,361, in 2022 and 2021, respectively. The following schedule compares the revenue to expenses for the current year to the prior year:

**CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
For the years ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
REVENUES		
Program revenues:		
Charges for services	\$ 2,376,121	\$ 2,041,884
Operating grants and contributions	4,963,761	4,151,840
Capital grants and contributions	417,019	55,523
General revenues:		
Sales taxes	2,823,060	2,805,470
Property taxes	342,917	310,604
Other taxes	4,073,511	3,973,337
Other	<u>561,802</u>	<u>193,810</u>
Total revenues	<u>15,558,191</u>	<u>13,532,468</u>
EXPENSES		
General government	6,071,610	3,842,938
Public works	2,123,775	2,312,647
Public safety	3,312,309	3,604,156
Culture and recreation	139,895	146,908
Education	3,305,263	3,332,100
Interest on long-term debt	<u>300,944</u>	<u>369,080</u>
Total expenses	<u>15,253,796</u>	<u>13,607,829</u>
Change in net position	<u>304,395</u>	<u>(75,361)</u>
Net position - beginning	<u>4,291,505</u>	<u>4,366,866</u>
Net position - ending	<u>\$ 4,595,900</u>	<u>\$ 4,291,505</u>

Financial Analysis of the City's Funds

This section provides an analysis of the balances and transactions of individual funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF TUSKEGEE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Funds

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

At September 30, 2022, the City's governmental funds reported combined ending fund balances of \$3,512,382. Of this amount, \$279,326 was reported as a surplus in the General Fund, \$692,530 was reported as a surplus in Head Start, \$898,362 as a surplus in the Occupational Tax Fund, a surplus of \$3,356 in the American Rescue Plan Fund, a surplus of \$287 in the BBVA Loan Debt Service Fund, and a surplus of \$574,603 in the BBVA Loan Capital Improvements Fund and a surplus of \$1,063,918 in the combined nonmajor governmental funds.

General Fund Budgetary Highlights

Actual General Fund revenues were below budgeted revenues by \$510,090 and General Fund expenditures exceeded budgeted expenditures by \$975,384.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental activities as of September 30, 2022, amounted to \$6,601,318 and at September 30, 2021, amounted to \$6,464,732 (net of accumulated depreciation).

This investment in capital assets includes land, buildings, improvement, vehicles and equipment, furniture and office equipment, heavy equipment and infrastructure.

Capital Assets (Net of Depreciation)

	<u>2022</u>	<u>2021</u>
Land	\$ 702,625	\$ 702,625
Buildings	3,914,804	3,945,838
Improvements	400,281	508,406
Vehicles and equipment	935,413	615,708
Furniture and office equipment	34,902	36,664
Heavy equipment	336,511	369,608
Infrastructure	<u>276,782</u>	<u>285,883</u>
Total	<u>\$ 6,601,318</u>	<u>\$ 6,464,732</u>

Additional information on the City's capital assets can be found in Note 7 on page 30.

**CITY OF TUSKEGEE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-Term Debt

At September 30, the City's outstanding debt consisted of the following:

	<u>2022</u>	<u>2021</u>
General Obligation Bonds, net	\$ 10,325,000	\$ 10,850,000
Lease Obligations	589,449	-
Notes Payable	<u>169,604</u>	<u>249,995</u>
Total	<u>\$ 11,084,053</u>	<u>\$ 11,099,995</u>

Additional information on the City's long-term debt can be found in Note 9 beginning on page 31.

Economic Factors and Next Year's Budget and Rates

- The general ad valorem tax rate for fiscal year 2022 was 10 mills and remains unchanged for fiscal year 2023.
- The Tuskegee Airmen Museum, although closed for a period of time due to COVID-19, is again open to welcome visitors and continues to attract visitors and bring in a moderate increase in revenue to the City's economy.
- Exit 38 developments remain in process; the main infrastructure of the water and sewer lines was completed. The full-service travel center which includes franchises of Huddle House, A Pizza Franchise, Krispy Crunchy Chicken, and a Greyhound bus terminal were largely affected by COVID and other factors on its completion. However, we are anticipating an opening date very soon. A Popeye's Chicken restaurant continues to operate in the area. According to the Macon County Economic Development Authority Director many retailers continue to express serious interest in locating at this site. With these franchises, a significant increase in sales tax and fuel tax revenue will be realized when operation is at its fullest. A family style restaurant and a hotel chain are also expected to locate at this exit soon.
- The City's Commerce Park is another site that continues to generate interest. An auto industry supplier is in development with the first part expected to open in the spring of 2024. This plant is expected to bring other manufacturing or distribution operations and related enterprises.
- Downtown development activity is an ongoing expectation. This will include repairs and rehabilitation of dilapidated buildings, and beautification efforts. The city continues to work towards becoming an Alabama Main Street Certified City.
- Economic development plans include specific initiatives to increase tourism traffic, revenue and efforts to grow the current population base.

**CITY OF TUSKEGEE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- The City received funds from the American Rescue Plan which allowed for Premium Pay for essential workers given during fiscal years 2021 and 2022. Continued improvements to buildings and water lines upgrades as we continue the process of paving some of the needed streets in our City.
- The City of Tuskegee also received a \$3,000,000. Grant from HHS. This Grant allowed the city to partner with many health-related agencies in our county along with other counties of the Blackbelt area. This grant helped to spread awareness and education of the many health issues that affect this community and to educate on the need for COVID vaccinations. A great benefit of the grant was to obtain an On Med Care Station which is location on the campus of Tuskegee University.
- The City received a major setback in losing one of the retail stores, Roses. This had an impact on the tax revenue for FY 2021 and 2022 and because it has not been replaced, we will still feel the impact for FY 2023. Economic Development office is still pushing for other developers to look at the area.
- COVID-19 had an impact on many businesses in the area although restrictions have been lifted it is hard for businesses in the community to bounce back. Hiring signs continue to be displayed for the business here as they are in other communities.
- To facilitate the achievement of some the economic development initiatives mentioned above, the Mayor and City Council approved the issuance of a general obligation warrant in the amount of \$2,560,000 in March 2023. The proceeds will be used for various City capital improvements, including an electrical substation, repairs and maintenance of Mizell Road, and water and sewer infrastructure improvements within Tuskegee Commerce Park.

Request for Information

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the City's Finance Director at 101 Fonville Street, Tuskegee, Alabama 36083. Additional information can be found on the City's web site at <http://www.tuskegeecalabama.org>.

CITY OF TUSKEGEE, ALABAMA
STATEMENT OF NET POSITION
September 30, 2022

ASSETS

Cash and cash equivalents	\$ 4,546,614
Receivables	573,678
Due from other governments	131,597
Money market accounts - restricted	500,344
Net pension asset	7,874,940
Other assets	118,112
Leases	87,653
Land and other nondepreciable assets	702,625
Capital assets, net of depreciation	<u>5,552,519</u>
Total assets	<u>20,088,082</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	1,436,983
Deferred outflows - contributions subsequent to measurement date	<u>13,661</u>
Total deferred outflows of resources	<u>1,450,644</u>

LIABILITIES

Accounts payable	223,563
Accrued payroll and payroll liabilities	363,479
Accrued interest payable	70,320
Due to other governments	1,708
Unearned revenue	1,442,080
Noncurrent liabilities	
Due within one year:	
Lease liability	92,723
Notes payable	83,770
Bonds payable	545,000
Due in more than one year:	
Lease liability	496,726
Notes payable	162,750
Bonds payable	9,586,658
Compensated absences	<u>193,129</u>
Total liabilities	<u>13,261,906</u>

DEFERRED INFLOWS OF RESOURCES

Unearned revenue - property taxes	409,912
Deferred inflows - pension	<u>3,271,008</u>
Total deferred inflows of resources	<u>3,680,920</u>

NET POSITION

Net investment in capital assets	(4,279,694)
Restricted for:	
Capital projects	1,049,196
Debt service	181,948
Special projects	900,426
Unrestricted	<u>6,744,024</u>
Total net position	<u>\$ 4,595,900</u>

CITY OF TUSKEGEE, ALABAMA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Expenses in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 6,071,610	\$ 1,065,872	\$ 1,249,445	\$ 417,019	\$ (3,339,274)
Public works	2,123,775	1,281,360	31,605	-	(810,810)
Public safety	3,312,309	15,074	56,099	-	(3,241,136)
Culture and recreation	139,895	13,815	250	-	(125,830)
Education	3,305,263	-	3,626,362	-	321,099
Interest on long-term debt	<u>300,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,944)</u>
Total governmental activities	<u>\$ 15,253,796</u>	<u>\$ 2,376,121</u>	<u>\$ 4,963,761</u>	<u>\$ 417,019</u>	<u>(7,496,895)</u>
General Revenues:					
Taxes:					
Sales taxes					2,823,060
Property taxes					342,917
Gasoline taxes					362,083
Other taxes					3,711,428
Miscellaneous					556,078
Investment earnings					<u>5,724</u>
Total general revenues					<u>7,801,290</u>
Change in net position					<u>304,395</u>
Net position - beginning					<u>4,291,505</u>
Net position - ending					<u>\$ 4,595,900</u>

**CITY OF TUSKEGEE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022**

	<u>General Fund</u>	<u>Head Start</u>	<u>Occupational Tax Fund</u>	<u>American Rescue Plan Fund</u>	<u>BBVA Loan Debt Service Funds</u>	<u>BBVA Loan Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash and cash equivalents	\$ 709,588	\$ 347,052	\$ 896,982	\$ 1,445,437	\$ -	\$ 255,572	\$ 700,346	\$ 4,354,977
Receivables	180,416	-	1,380	-	-	-	33,847	215,643
Due from other governments	131,597	358,034	-	-	-	-	-	489,631
Other assets	118,112	-	-	-	-	-	-	118,112
Money market accounts - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287</u>	<u>319,031</u>	<u>372,664</u>	<u>691,982</u>
Total assets	<u>\$ 1,139,713</u>	<u>\$ 705,086</u>	<u>\$ 898,362</u>	<u>\$ 1,445,437</u>	<u>\$ 287</u>	<u>\$ 574,603</u>	<u>\$ 1,106,857</u>	<u>\$ 5,870,345</u>
LIABILITIES								
Accounts payable	\$ 182,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,231	\$ 223,559
Accrued payroll and payroll liabilities	350,924	12,556	-	-	-	-	-	363,480
Due to other governments	-	-	-	-	-	-	1,708	1,708
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,442,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,442,081</u>
Total liabilities	<u>533,252</u>	<u>12,556</u>	<u>-</u>	<u>1,442,081</u>	<u>-</u>	<u>-</u>	<u>42,939</u>	<u>2,030,828</u>
DEFERRED INFLOWS OF RESOURCES								
Unearned revenue - property taxes	<u>327,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,135</u>
Total deferred inflows of resources	<u>327,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,135</u>
FUND BALANCES								
Restricted	-	692,530	-	3,356	287	574,603	1,063,918	2,334,694
Assigned	279,326	-	898,362	-	-	-	-	1,177,688
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>279,326</u>	<u>692,530</u>	<u>898,362</u>	<u>3,356</u>	<u>287</u>	<u>574,603</u>	<u>1,063,918</u>	<u>3,512,382</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,139,713</u>	<u>\$ 705,086</u>	<u>\$ 898,362</u>	<u>\$ 1,445,437</u>	<u>\$ 287</u>	<u>\$ 574,603</u>	<u>\$ 1,106,857</u>	<u>\$ 5,870,345</u>

CITY OF TUSKEGEE, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2022

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances - governmental funds (page 14)	\$ 3,512,382
Lease assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	87,653
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	6,255,144
Employer contributions to the defined benefit pension plan are recorded as expenditures in governmental funds when paid. Net employer contributions in excess of the actuarially determined total pension liability are reported as an asset in the Statement of Net Pension.	7,874,940
Deferred inflows and outflows related to pension represent an acquisition or consumption of net position, respectively, that applies to a future period and therefore are not reported as liabilities or assets in the governmental funds.	(1,820,364)
Unearned revenue are not available to pay current expenditures and therefore not reported in the governmental funds.	(82,778)
Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(11,231,077)</u>
Net position-governmental activities (page 12)	<u>\$ 4,595,900</u>

CITY OF TUSKEGEE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended September 30, 2022

	<u>General Fund</u>	<u>Head Start</u>	<u>Occupational Tax Fund</u>	<u>American Rescue Plan Fund</u>	<u>BBVA Loan Debt Service Funds</u>	<u>BBVA Loan Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES								
Taxes	\$ 4,201,276	\$ -	\$ 2,749,103	\$ -	\$ -	\$ -	\$ 289,109	\$ 7,239,488
Licenses and permits	727,384	-	-	-	-	-	-	727,384
Intergovernmental	471,664	3,616,223	-	493,500	-	-	1,160,570	5,741,957
Charges for services	1,530,617	-	-	-	-	-	-	1,530,617
Fines and forfeitures	84,441	-	-	-	-	-	-	84,441
Interest	55	349	-	3,356	-	-	1,682	5,442
Donated services and space	-	10,139	-	-	-	-	-	10,139
Miscellaneous	95,153	69,007	7,516	-	-	-	15,376	187,052
Total revenues	<u>7,110,590</u>	<u>3,695,718</u>	<u>2,756,619</u>	<u>496,856</u>	<u>-</u>	<u>-</u>	<u>1,466,737</u>	<u>15,526,520</u>
EXPENDITURES								
Current:								
General government	3,962,698	-	107	296,561	-	1,432,297	591,564	6,283,227
Public works	1,524,569	-	-	-	-	-	674,738	2,199,307
Public safety	3,924,720	-	-	-	-	-	-	3,924,720
Culture and recreation	144,445	-	-	-	-	-	-	144,445
Education	-	3,305,401	-	-	-	-	-	3,305,401
Debt service:								
Principal	80,139	-	-	-	-	320,000	205,000	605,139
Interest	9,217	-	-	-	-	213,489	95,666	318,372
Capital outlay	-	105,184	-	-	-	-	-	105,184
Total expenditures	<u>9,645,788</u>	<u>3,410,585</u>	<u>107</u>	<u>296,561</u>	<u>-</u>	<u>1,965,786</u>	<u>1,566,968</u>	<u>16,885,795</u>
Excess (deficiency) of revenues over expenditures	<u>(2,535,198)</u>	<u>285,133</u>	<u>2,756,512</u>	<u>200,295</u>	<u>-</u>	<u>(1,965,786)</u>	<u>(100,231)</u>	<u>(1,359,275)</u>
OTHER FINANCING SOURCES(USES)								
Insurance recoveries	31,394	-	-	-	-	-	-	31,394
Lease agreements	499,982	105,184	-	-	-	-	-	605,166
Transfers in	2,513,520	-	-	-	-	567,200	203,071	3,283,791
Transfers out	(830,271)	-	(2,256,581)	(196,939)	-	-	-	(3,283,791)
Total other financing sources (uses)	<u>2,214,625</u>	<u>105,184</u>	<u>(2,256,581)</u>	<u>(196,939)</u>	<u>-</u>	<u>567,200</u>	<u>203,071</u>	<u>636,560</u>
Net change in fund balances	<u>(320,573)</u>	<u>390,317</u>	<u>499,931</u>	<u>3,356</u>	<u>-</u>	<u>(1,398,586)</u>	<u>102,840</u>	<u>(722,715)</u>
Fund balances - beginning	<u>599,899</u>	<u>302,213</u>	<u>398,431</u>	<u>-</u>	<u>287</u>	<u>1,973,189</u>	<u>961,078</u>	<u>4,235,097</u>
Fund balances - ending	<u>\$ 279,326</u>	<u>\$ 692,530</u>	<u>\$ 898,362</u>	<u>\$ 3,356</u>	<u>\$ 287</u>	<u>\$ 574,603</u>	<u>\$ 1,063,918</u>	<u>\$ 3,512,382</u>

CITY OF TUSKEGEE, ALABAMA
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

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ (722,715)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	241,770
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The issuance of long-term debt (e.g., bonds, leases) 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 has any effect on net position.	(605,139)
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Decreases and increases in accrued interest affect expenditures in the Statement of Activities; however these are not included in the governmental funds.	21,330
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Certain items reported as expenditures in governmental funds are allocable to future accounting periods and therefore are not reported as expenses in the Statement of Activities. These items include:	
Current year decrease in pension expense	570,195

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>190,164</u>
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Change in net position of governmental activities (page 13)	<u>\$ (304,395)</u>
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CITY OF TUSKEGEE, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,028,500	\$ 4,028,500	\$ 4,201,276	\$ 172,776
Licenses and permits	569,000	569,000	727,384	158,384
Intergovernmental	250,000	250,000	471,664	221,664
Charges for services	1,557,000	1,557,000	1,530,617	(26,383)
Fines and forfeitures	145,000	145,000	84,441	(60,559)
Interest	-	-	55	55
Miscellaneous	<u>51,000</u>	<u>51,000</u>	<u>95,153</u>	<u>44,153</u>
Total revenues	<u>6,600,500</u>	<u>6,600,500</u>	<u>7,110,590</u>	<u>510,090</u>
EXPENDITURES				
Current:				
General government	3,066,572	3,066,572	3,962,698	(896,126)
Public works	1,525,882	1,525,882	1,524,569	1,313
Public safety	3,746,985	3,746,985	3,924,720	(177,735)
Culture and recreation	138,129	138,129	144,445	(6,316)
Debt service:				
Principal	80,124	80,124	80,139	(15)
Interest	<u>112,712</u>	<u>112,712</u>	<u>9,217</u>	<u>103,495</u>
Total expenditures	8,670,404	8,670,404	9,645,788	(975,384)
Excess revenues (under) expenditures	(2,069,904)	(2,069,904)	(2,535,198)	4,703
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	25,000	25,000	31,394	(6,394)
Transfers in	2,736,939	2,736,939	2,513,520	223,419
Transfers out	<u>(427,640)</u>	<u>(427,640)</u>	<u>(830,271)</u>	<u>402,631</u>
Total other financing sources (uses)	<u>2,334,299</u>	<u>2,334,299</u>	<u>1,714,643</u>	<u>(853,442)</u>
Net change in fund balance	264,395	264,395	(820,555)	(848,739)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 264,395</u>	<u>\$ 264,395</u>	<u>\$ (820,555)</u>	<u>\$ (848,739)</u>

CITY OF TUSKEGEE, ALABAMA
HEAD START
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
(Contract Period November 1, 2021 - October 31, 2022)
For the year ended September 30, 2022

	Original Budget	Final Budget	Budgetary Basis		Variance With Final Budget- Positive (Negative)
			PY Actual	Actual Amounts	
REVENUES					
Intergovernmental	\$ 2,605,810	\$ 2,605,810	\$ 2,901,362	\$ 3,226,362	\$ 620,552
Interest	-	-	278	349	349
Donated services and space	400,000	400,000	400,000	389,861	(10,139)
Miscellaneous	-	-	5,493	1,533	1,533
Total revenues	<u>3,005,810</u>	<u>3,005,810</u>	<u>3,307,133</u>	<u>3,618,105</u>	<u>612,295</u>
EXPENDITURES					
Education					
Personnel	1,749,022	1,749,022	1,749,023	1,778,679	29,657
Fringe	340,559	340,559	363,111	373,299	32,740
Travel	1,216	1,216	1,216	24	(1,192)
Supplies	178,405	178,405	186,015	186,172	7,767
Contractual	39,457	39,457	34,099	28,134	(11,323)
Other	549,160	549,160	547,279	549,231	71
Grantee's share	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>389,861</u>	<u>(10,139)</u>
Total expenditures	<u>3,257,819</u>	<u>3,257,819</u>	<u>3,280,743</u>	<u>3,305,400</u>	<u>-</u>
Net change in fund balance	<u>\$ (252,009)</u>	<u>\$ (252,009)</u>	<u>\$ 26,390</u>	<u>\$ 312,705</u>	<u>\$ 312,705</u>

CITY OF TUSKEGEE, ALABAMA
HEAD START
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
(Contract Period November 1, 2020 - October 31, 2021)
For the year ended September 30, 2021

	Original Budget	Final Budget	Budgetary Basis		Variance With Final Budget- Positive (Negative)
			PY Actual	Actual Amounts	
REVENUES					
Intergovernmental	\$ 2,605,810	\$ 2,605,810	\$ 2,773,668	\$ 3,102,919	\$ 497,109
Interest	-	-	266	334	334
Donated services and space	400,000	400,000	389,861	66,207	(333,793)
Miscellaneous	-	-	1,533	1,533	1,533
Total revenues	<u>3,005,810</u>	<u>3,005,810</u>	<u>3,165,328</u>	<u>3,170,993</u>	<u>165,183</u>
EXPENDITURES					
Education					
Personnel	1,740,486	1,740,486	1,766,459	1,766,459	25,973
Fringe	321,743	321,743	374,590	374,590	52,847
Travel	2,480	2,480	287	287	(2,193)
Supplies	101,650	101,650	232,250	232,250	130,600
Contractual	114,418	114,418	37,847	37,847	(76,571)
Other	325,033	325,033	475,718	475,718	150,685
Grantee's share	<u>400,000</u>	<u>400,000</u>	<u>389,861</u>	<u>389,861</u>	<u>(10,139)</u>
Total expenditures	<u>3,005,810</u>	<u>3,005,810</u>	<u>3,277,012</u>	<u>3,277,012</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,684)</u>	<u>\$ (106,019)</u>	<u>\$ (106,019)</u>

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tuskegee, Alabama (the “City”), was incorporated in 1843. The City operates under a Council-Manager form of government lead by a four-member Council, a Mayor and an appointed City Manager. The Council-Manager form is the system of local government that combines the political leadership of elected officials in the form of a council and mayor, with the managerial experience of an appointed local government manager. The form establishes a representative system where all power is concentrated in the elected council and where the council hires a professionally trained manager to oversee the delivery of public services.

The City's major operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. Because one of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of those elected officials, the definition of the financial reporting entity should be based on accountability.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government.

A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency or component unit if its officials appoint a voting majority of that agency’s governing body and it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to or to impose specific financial burdens on the primary government.

The City has no component units that are required to be reported in these financial statements.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related Organization

The Utility Board of the City of Tuskegee (UBT) is a related organization to which the City appoints a voting majority of board members, but for which the City has no significant financial accountability. For the year 2022, three (3) of the five (5) board members are elected governing officials of the City (Mayor and 2 Councilors) and the remaining members are elected at large. All transactions with UBT are conducted in the ordinary course of business. Further financial information is available from UBT at P.O. Box 831050, 101 Fonville Street, Tuskegee, AL 36083.

Basic Financial Statements - Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, library and recreation, public works, and general administrative services are classified as governmental activities. The City does not operate any business-type activities.

In the government-wide statement of net position governmental activities are reported on a full accrual economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions (police, fire, parks, library and recreation, public works, and general administrative services). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police and fire protection, parks and recreation, public works, and general administrative services). Operating grants include operating-specific and discretionary grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs. An administrative service fee is not charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City may electively add funds, as major funds, which either has debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds:

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

Head Start – This fund accounts for the activities of the City's Head Start Program.

Occupational Tax – This fund accounts for tax revenue generated by a locally imposed tax used to fund debt service and general government operations.

CDBG Project account for grant revenue and expenditures related to community revitalization and infrastructure improvements.

BBVA Loan Improvements accounts for revenue and expenditures related to capital improvements funded by the 2007 G.O. Warrants and BBVA G.O. Warrants.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period (considered to be sixty days).

Expenditures generally are recorded when a liability is incurred per accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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 eligibility requirements imposed by the grantor have been met. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Financial Statement Amounts

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The City's investments are limited to money market funds. These investments are reported at amortized cost which approximates fair value.

Receivables and Due from Other Governments

The City considers all governmental fund receivables at year end to be collectible and as such, no allowance for doubtful accounts is recorded.

Inventories

Purchases of inventories for governmental funds are reported as expenditures in the period purchased. Inventories for governmental funds are not deemed material and are not reported on the balance sheet.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interfund Loans and Transfers

Activities 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.”

Restricted Assets

The assets restricted by bond agreement as shown in the statement of net position are to be used strictly to retire the long-term debt. The assets were accumulated according to the bond indenture of the various issues. It is the City’s policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and capital assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The City does not report infrastructure acquired prior to October 1, 1999.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30-50 years
Improvements	15-30 years
Furniture and office equipment	5-15 years
Vehicles and equipment	5-10 years
Heavy equipment	5-10 years
Infrastructure	30-50 years

Compensated Absences

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment an employee receives payment of accumulated vacation hours up to certain limits at current wage rates. The liability for compensated absences reported in the government-wide statements consists of unpaid accumulated annual leave balances.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Long-term Debt

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums, discounts and bond insurance are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts as well as bond issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Deferred Outflows/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, *deferred outflows of resources*, 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. The City has one item reported in this category, deferred outflows related to pensions. The deferred outflow related to pensions is a result of changes in actuarial assumptions and City contributions subsequent to the measurement date that will be recognized as an increase of the net pension asset in subsequent years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. They are deferred inflows related to pension and unearned property taxes. A deferred inflow related to pension results from the net difference between projected and actual earnings on plan investments.

Pensions

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

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Position/Fund Equity

Net positions are reported on the government-wide financial statements and are 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.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the City Council.

Fund equity is reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

Restricted – Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. The City's restricted fund balance primarily includes money market funds restricted for debt service.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City has no fund balances classified as committed.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The City has no fund balances classified as assigned.

Unassigned – Fund balances of the General Fund that are not constrained for any particular purpose.

When both restricted and unrestricted resources are available for use it is the City's policy to use restricted resources first, then unrestricted resources as needed to fund specific expenditures.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

The City recognizes lease contracts or equivalents that have a term exceeding one year. the City uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the City's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred. Short-term lease receipts and variable lease receipts not included in the measurement of the lease receivable are recognized when earned.

Donated Services and Space

Significant services, materials and facilities are donated to the City's Head Start program by various individuals and organizations. Donated materials, professional services and facilities were recorded at fair market value at the date of donation, and have been included in revenue and expenditures for the year.

Property Tax Calendar

In Alabama, City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31st. In accordance with the non-exchange transaction provision of GASB Statement No. 33, taxes levied in fiscal year 2022 for the 2022 budget year have been recorded as a receivable and deferred inflows of resources. Accounts receivable are carried at their estimated collectible amounts. They are periodically evaluated for collectibility based on past credit history.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 expenses during the reporting period. Actual results could vary from those estimates.

New Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The City is evaluating the impact, if any, upon its financial positions, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivatives and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement are effective for reporting periods ending after December 31, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 for paragraphs related to leases, PPPs, and SBITAs and June 15, 2023 for paragraphs related to financial guarantees and the classification and reporting of derivative instruments. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between "total fund balance-governmental funds" and "net position-governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this \$6,255,144 are as follows:

Land	\$ 702,625
Buildings and improvements	7,755,050
Furniture, equipment and vehicles	5,469,382
Infrastructure	2,643,123
Less:	
Accumulated depreciation - buildings and improvements	(3,579,125)
Accumulated depreciation - furniture, equipment, and vehicle	(4,360,471)
Accumulated depreciation - infrastructure	<u>(2,375,440)</u>
Net adjustment to increase total fund balance-governmental funds to arrive at net position - governmental activities	<u>\$ 6,255,144</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$11,231,077 difference are as follows:

Bonds payable	\$ 10,131,658
Notes payable	246,520
Lease liability	589,449
Accrued interest payable	70,320
Compensated absences	<u>193,130</u>
Net adjustment to reduce total fund balance-governmental funds to arrive at net position - governmental activities	<u>\$ 11,231,077</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. An element of that reconciliation states that "the issuance of long-term debt (e.g. bonds, leases) 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." The details of this \$(605,139) difference are as follows:

Principal repayments:	
Bonds payable	\$ (525,000)
Notes payable	<u>(80,139)</u>
Net adjustment to reduce total fund balance-governmental funds to arrive at net position - governmental activities	<u>\$ (605,139)</u>

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS

The City has elected to place its cash and cash equivalents in demand deposits, savings and certificates of deposit accounts. Demand and time deposits are fully insured and collateralized by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (“SAFE”) Program operated by the office of the Treasurer of the State of Alabama as authorized by Section 41-14A of the *Code of Alabama 1975*, as amended. The City maintains deposits only with “Qualified Public Depositories” as defined by Section 41-14A2 Code of Alabama 1975. In the event of default by a “Qualified Public Depository”, public deposits in excess of FDIC insurance limits will be repaid by liquidating collateral pledged to the SAFE Program by the bank in default. The liability for any remaining public deposits will be shared by all other “Qualified Public Depositories” participating in the SAFE Program.

Money Market Accounts - Restricted

In accordance with provisions of bond issues, the City maintains money market accounts which are restricted for debt service. Total funds invested in money market accounts at September 30, 2022 are \$500,344.

Custodial Risk

The custodial risk for deposits with financial institutions is the risk that in the event of a bank's failure the City's deposits may not be returned to it. Making deposits with Qualified Public Depositories mitigates the City's risk.

The custodial risk for investments is the risk that in the event of the failure of the counterparty to the investment the City will not be able to recover the value of its investments that are in possession of an outside party.

NOTE 4 - RECEIVABLES

At September 30, 2022, receivables of \$573,678 were comprised primarily funds due from the settlement of franchise fee litigation.

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Balances due from other governments as of September 30, 2022, are as follows:

	<u>General Fund</u>
Due from:	
Utility Board of Tuskegee	\$ 42,909
Macon County	88,689
Grantors	<u>358,034</u>
	<u>\$ 489,632</u>

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – INTERFUND ACTIVITY

Interfund transfers are generally used to (1) move revenues from the fund with collection authority to the General Fund to meet cash demands necessary to pay operating expenses and (2) to move funds from the General Fund to debt service funds as debt principal and interest payments become due. The composition of interfund transfers at September 30, 2022, is as follows:

Interfund Transfers	Transfers In	Transfers Out	Net
General Fund	\$ 2,513,520	\$ (830,270)	\$ 1,683,250
Occupational Tax Fund	-	(2,256,581)	(2,256,581)
2007 G.O. Warrants Improvement Fund	567,200	-	567,200
American Rescue Plan Fund	-	(196,940)	(196,940)
Other Governmental Funds	<u>203,071</u>	<u>-</u>	<u>203,071</u>
	<u>\$ 3,283,791</u>	<u>\$ (3,283,791)</u>	<u>\$ -</u>

NOTE 7 - CAPITAL ASSETS

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

	Balance 9/30/2021	Increases	Decreases	Balance 9/30/2022
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	<u>\$ 702,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 702,625</u>
Capital assets, being depreciated:				
Buildings	\$ 5,461,006	\$ -	\$ -	\$ 5,461,006
Improvements	2,294,044	-	-	2,294,044
Vehicles and equipment	2,951,444	521,368	-	3,472,812
Furniture and office equipment	201,072	6,528	-	207,600
Heavy equipment	1,788,971	-	-	1,788,971
Infrastructure	<u>2,643,123</u>	<u>-</u>	<u>-</u>	<u>2,643,123</u>
Total capital assets, being depreciated	<u>15,339,660</u>	<u>527,896</u>	<u>-</u>	<u>15,867,556</u>
Less accumulated depreciation for:				
Buildings	1,515,168	31,034	-	1,546,202
Improvements	1,785,638	108,125	-	1,893,763
Vehicles and equipment	2,335,736	201,663	-	2,537,399
Furniture and office equipment	164,408	8,290	-	172,698
Heavy equipment	1,419,363	33,097	-	1,452,460
Infrastructure	<u>2,357,240</u>	<u>9,101</u>	<u>-</u>	<u>2,366,341</u>
Total accumulated depreciation	<u>9,577,553</u>	<u>391,310</u>	<u>-</u>	<u>9,968,863</u>
Total capital assets, being depreciated, net	<u>\$ 5,762,107</u>	<u>\$ 136,586</u>	<u>\$ -</u>	<u>\$ 5,898,693</u>

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS (CONT'D)

Depreciation expense was charged to functions of governmental activities as follows:	
General government	\$ 202,371
Public safety	110,305
Public works	70,845
Education	3,137
Culture and recreation	<u>4,652</u>
Total depreciation expense - governmental activities	<u>\$ 391,310</u>

NOTE 8 - ACCRUED PAYROLL AND PAYROLL LIABILITIES

At September 30, 2022, accrued payroll and payroll liabilities are comprise of the following:

Salaries payable	\$ 331,741
Federal withholding taxes payable	21,004
Miscellaneous payable	<u>10,734</u>
Total accrued payroll and payroll liabilities	<u>\$ 363,479</u>

NOTE 9 - LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2022, was as follows:

	<u>Balance</u> <u>9/30/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2022</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation warrants	\$ 10,850,000	\$ -	\$ (525,000)	\$ 10,325,000	\$ 545,000
Bond discounts	-	-	-	-	-
Notes payable	249,995	-	(80,391)	169,604	83,770
Lease liability	-	605,166	(15,717)	589,449	92,723
Compensated absences	<u>390,739</u>	<u>-</u>	<u>(197,610)</u>	<u>193,129</u>	<u>-</u>
	<u>\$ 11,490,734</u>	<u>\$ 605,166</u>	<u>\$ (818,718)</u>	<u>\$ 11,277,182</u>	<u>\$ 721,493</u>

Debt service requirements on general obligation warrants at September 30, 2022, is as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u> <u>General Obligation Warrants</u>	
	<u>Principal</u>	<u>Interest</u>
2023	545,000	288,935
2024	555,000	273,030
2025	570,000	256,640
2026	590,000	239,436
2027	610,000	221,979
2028-2032	7,065,000	681,158
2033-2034	<u>390,000</u>	<u>17,285</u>
	<u>\$ 10,325,000</u>	<u>\$ 1,978,463</u>

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT (CONT'D)

2007 General Obligation Warrants

On or about February 1, 2007, the City issued \$8,220,000 of General Obligation Warrants Series 2007 bonds. The proceeds were used to retire all outstanding long-term debt of the City and fund certain capital improvements. The warrants mature at various times throughout the life of the bonds and pay interest at rates ranging from 4.00% to 4.70%.

The City has pledged a portion of future occupational tax revenues to repay \$8,220,000 of General Obligation Warrant Series 2007 bonds. The bonds are payable solely from the occupational tax revenues. Occupational tax revenues were projected to produce in excess of 100% of the debt service requirements over the life of the bonds.

On February 25, 2021, the City entered into a loan agreement with BBVA Mortgage Corporation in the amount of \$8,280,000 for the purpose of refunding the remaining \$6,525,000 principal plus interest on the General Obligation Warrant, Series 2007, and finance the cost of various capital improvements. The loan matures on January 1, 2031 and pays an interest rate of 2.60%. Net present value savings related to the refunding of the Series 2007 G.O. Warrants totaled \$1,690,563, or 18.7% of the refunded debt. Total debt service was reduced by \$1,570,308.

2013 Limited Obligation Gas Tax Warrants

On or about January 24, 2013, the City issued \$1,185,000 of Limited Obligation Gas Tax Warrants Series 2013 bonds. The proceeds were used to retire the Limited Obligation Gas Tax Warrants Series 2007 bonds and fund certain street improvements.

The warrants mature at various times throughout the life of the bonds and pay interest at rates ranging from 1.00% to 2.65%. The City has pledged a portion of future gas tax revenues to repay \$1,185,000 of Limited Obligation Gas Tax Warrants Series 2013 bonds. The bonds are payable solely from gas tax revenues. Gas tax revenues were projected to produce in excess of 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$587,758 payable through September 2027. For the current year, principal and interest paid and total gas tax revenues were \$99,368 and \$108,622, respectively.

2013 Tuskegee - UBT Cooperative District Revenue Bonds

On or about November 27, 2013, the City issued \$2,790,000 of 2013 Tuskegee - UBT Cooperative District Revenue bonds. The proceeds were used to retire a debt owed to the IRS and make certain capital improvements. The warrants mature at various times throughout the life of the bonds and pay interest at rates ranging from 3.00% to 4.40%.

The City has pledged a portion of future special gas tax revenues, special lodging tax revenues and special sales tax revenues to repay \$2,790,000 of bonds. The bonds are payable solely from special gas tax revenues, special lodging tax revenues and special sales tax revenues. These revenues were projected to produce in excess of 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$3,026,738 payable through September 2027. For the current year, principal and interest paid and total special tax revenues were \$203,595 and \$154,190, respectively.

**CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9 - LONG-TERM DEBT (CONT'D)

Fiscal Year Ending September 30,	Governmental Activities	
	Notes Payable	
	Principal	Interest
2023	83,770	5,586
2024	<u>86,086</u>	<u>1,790</u>
	<u>\$ 169,856</u>	<u>\$ 7,376</u>

Note Payable – Kansas State Bank

In August 2019, the City entered into an agreement to purchase public works heavy equipment in the amount of \$400,000. Payments are made in monthly installments of \$7,446 with an annual interest rate of 4.481%, maturing August 2024. The Note is secured by equipment.

Other Long-Term Debt

Compensated absences are generally liquidated by the City’s general fund.

NOTE 10 - LEASES

The City has acquired vehicles and heavy equipment under contract agreements at a total purchase price of \$499,982. The following schedule details debt service requirements to maturity for the City's financed purchase at September 30, 2022:

Fiscal Year Ending September 30,	Governmental Activities	
	Lease Liability	
	Principal	Interest
2023	77,007	15,745
2024	79,432	13,320
2025	81,933	10,819
2026	84,514	8,239
2027	87,175	5,577
2028	<u>89,921</u>	<u>2,832</u>
	<u>\$ 499,982</u>	<u>\$ 56,532</u>

The Tuskegee-Macon County Headstart contracted to lease office space from Sippial Electric & Construction Co., Inc. This asset is recognized as a right-to-use lease asset with a corresponding lease liability. The lease liability has been discounted at 11.13%, the City's borrowing rate. Details for the asset and liability is as follows:

Right to use asset	\$ 105,184
Less: accumulated amortization	<u>(17,531)</u>
Net Right-to-use asset	<u>\$ 87,653</u>

**CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 - LEASES (CONT'D)

The following schedule details minimum lease payment to maturity for the office space lease:

Fiscal Year Ending September 30,	Governmental Activities	
	Lease Liability	
	Principal	Interest
2023	15,716	9,756
2024	34,932	8,208
2025	<u>38,819</u>	<u>4,321</u>
	<u>\$ 89,467</u>	<u>\$ 22,285</u>

NOTE 11 – EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

Plan description. The Employees’ Retirement System of Alabama (“ERS”), an agent 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 operating of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (“RSA”). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – EMPLOYEE RETIREMENT PLAN (CONT'D)

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

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

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

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

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

The ERS services approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - EMPLOYEE RETIREMENT PLAN (CONT'D)

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

Retirees and beneficiaries currently receiving benefits	98
Vested inactive employees	5
Non-vested inactive employees	45
Active members	<u>129</u>
	<u>277</u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by a 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 7.5% 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 8.5% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits 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 was 6% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was .30% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2022, was 0.37% of pensionable pay for Tier 1 employees, and 0.37% 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 actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$13,661, for the year ended September 30, 2022.

**CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 - EMPLOYEE RETIREMENT PLAN (CONT'D)

Net Pension Liability

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

	Total Pension Liability Roll-Forward			
	Expected	Actual Before Act 2019- 132	Actual After Act 2019- 132	Actual After 2020 Experience Study
Total Pension Liability as of September 30, 2020 (a)	\$1,206,935	\$0,714,581	\$0,915,723	\$1,686,051
Discount rate (b)	7.70%	7.70%	7.70%	7.45%
Entry Age Normal Cost for the period October 1, 2020 - September 30, 2021 (c)	382,110	382,110	425,792	474,421
Transfers Among Employers (d)	-	(92,457)	(92,457)	(92,457)
Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021 (e)	<u>(1,532,219)</u>	<u>(1,532,219)</u>	<u>(1,532,219)</u>	<u>(1,532,219)</u>
Total Pension Liability, as of September 30, 2021 (f) [(a) x (1+b)] + (c) + (d) + [(e) x (1 + .05*(b))]	<u>\$1,630,770</u>	<u>\$1,008,048</u>	<u>\$1,268,359</u>	<u>\$2,094,332</u>
Difference between Expected and Actual (g)		\$ (622,722)		
Less Liability Transferred for Immediate Recognition (h)		(92,457)		
Difference between Expected and Actual- Experience (Gain)/Loss (i)		\$ (530,265)		
Difference between Actual Total Pension Liability Before and After Act 2019-132 - Benefit Change (Gain)/Loss (j)			\$ 260,311	
Difference between Actual Total Pension Liability Before and After 2020 Experience Study - Assumption Change (Gain)/Loss (j)				\$ 825,973

**CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 - EMPLOYEE RETIREMENT PLAN (CONT'D)

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%
Projected Salary Increases	3.25% - 6.00% State and Local Employees 4.00% - 7.75% for State Police, including inflation
Investment rate of return*	7.45% including inflation

* Net of pension plan investment expense.

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

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	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 actuarial valuation as of September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 - September 30, 2020.

**CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 - EMPLOYEE RETIREMENT PLAN (CONT'D)

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

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

*Includes assumed rate of inflation of 2.00%.

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

**CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 - EMPLOYEE RETIREMENT PLAN (CONT'D)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 9/30/2020	<u>\$21,206,935</u>	<u>\$25,733,982</u>	<u>\$(4,527,047)</u>
Changes for the year:			
Service cost	382,110	-	382,110
Interest	1,573,944	-	1,573,944
Changes of benefit terms	260,311	-	260,311
Changes of assumptions	825,973	-	825,973
Difference between expected and actual experience	(530,265)	-	(530,265)
Contributions-employer	-	-	-
Contributions-employee	-	293,177	(293,177)
Net investment income	-	5,566,789	(5,566,789)
Benefit payments, including refunds of employee contributions	(1,532,219)	(1,532,219)	-
Administrative expense	-	-	-
Transfers Among Employers	(92,457)	(92,457)	-
Net changes	<u>887,397</u>	<u>4,235,290</u>	<u>(3,347,893)</u>
Balances at 9/30/2021	<u>\$22,094,332</u>	<u>\$29,969,272</u>	<u>\$(7,874,940)</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.45%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
City's net pension liability (asset)	<u>\$(5,467,587)</u>	<u>\$(7,874,940)</u>	<u>\$(9,901,855)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes 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 TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 - EMPLOYEE RETIREMENT PLAN (CONT'D)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 761,052	\$ 1,113,694
Changes of assumptions	675,931	-
Net difference between projected and actual earnings on pension plan investments	-	2,157,314
Employer contributions subsequent to the measurement date	13,661	-
Total	\$ 1,450,644	\$ 3,271,008

\$13,661 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 recognized in pension expense as follows:

Year Ended September 30:	
2023	\$ (499,183)
2024	\$ (259,736)
2025	\$ (386,371)
2026	\$ (688,735)
2027	\$ -
Thereafter	\$ -

NOTE 12 - RISK MANAGEMENT AND LITIGATION

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from insurance companies effectively transferring any risk of loss above the City's deductible of \$25,000. The City is a defendant in several litigations and claims arising in the ordinary course of operations. In the opinion of legal counsel the range of potential recoveries or liabilities in excess of insurance coverage if any, is not reasonably determinable. No accruals for loss contingency have been made in the financial statements.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - RISK MANAGEMENT AND LITIGATION(CONT'D)

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 27, 2023, which is the date the financial statements were available to be issued.

On March 14, 2023, the City Council approved an ordinance authorizing the issuance of General Obligation Warrant, Series 2023-A, in the amount of \$2,560,000. The proceeds of the G.O. Series 2023-A Warrant will be used for the following City capital improvements (a) an electrical substation and related improvements to be owned and operated by the Utilities Board (b) improvements to Mizell Road, a public road in the City, and (c) public infrastructure within Tuskegee Commerce Park, including water and sewer infrastructure improvements.

CITY OF TUSKEGEE, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
Last 8 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability								
Service cost	\$ 382,110	\$ 407,510	\$ 411,323	\$ 375,342	\$ 385,994	\$ 459,591	\$ 406,304	\$ 352,012
Interest on total pension liability	1,573,944	1,460,880	1,476,124	1,565,561	1,549,781	1,472,758	1,358,615	1,315,276
Changes of benefit terms	260,311	-	-	-	-	-	-	-
Differences between expected and actual experience	(530,265)	1,304,662	(442,417)	(1,333,518)	(724,195)	497,047	977,839	-
Changes of assumptions	825,973	-	-	98,965	-	670,665	-	-
Benefit payments, including refunds of employee contributions	(1,532,219)	(1,605,311)	(1,580,543)	(1,542,559)	(1,500,066)	(1,350,733)	(1,281,202)	(969,892)
Transfers among employers	<u>(92,457)</u>	<u>(135,933)</u>	<u>(50,067)</u>	<u>(175,151)</u>	<u>513,347</u>	<u>(86,964)</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	887,397	1,431,808	(185,580)	(1,011,360)	224,861	1,662,364	1,461,556	697,396
Total pension liability - beginning	<u>21,206,935</u>	<u>19,775,127</u>	<u>19,960,707</u>	<u>20,972,067</u>	<u>20,747,206</u>	<u>19,084,842</u>	<u>17,623,286</u>	<u>16,925,890</u>
Total pension liability - ending (a)	<u>\$ 22,094,332</u>	<u>\$ 21,206,935</u>	<u>\$ 19,775,127</u>	<u>\$ 19,960,707</u>	<u>\$ 20,972,067</u>	<u>\$ 20,747,206</u>	<u>\$ 19,084,842</u>	<u>\$ 17,623,286</u>
Plan Fiduciary Net Position								
Contributions - employer	\$ -	\$ 80	\$ 60,163	\$ -	\$ -	\$ 47,837	\$ 11	\$ -
Contributions - member	293,177	273,455	332,256	264,999	242,777	283,968	293,762	259,690
Net investment income	5,566,789	1,430,692	660,682	2,293,450	2,937,533	2,205,995	264,671	2,469,531
Benefit payments, including refunds of employee contributions	(1,532,219)	(1,605,311)	(1,580,543)	(1,542,559)	(1,500,066)	(1,350,733)	(1,281,202)	(969,892)
Transfers among employers	<u>(92,457)</u>	<u>(135,933)</u>	<u>(50,067)</u>	<u>(175,151)</u>	<u>513,347</u>	<u>(86,964)</u>	<u>267,821</u>	<u>(54,574)</u>
Net change in plan fiduciary net position	4,235,290	(37,017)	(577,509)	840,739	2,193,591	1,100,103	(454,937)	1,704,755
Plan net position - beginning	<u>25,733,982</u>	<u>25,770,999</u>	<u>26,348,508</u>	<u>25,507,769</u>	<u>23,314,178</u>	<u>22,214,075</u>	<u>22,669,012</u>	<u>20,964,257</u>
Plan net position - ending (b)	<u>\$ 29,969,272</u>	<u>\$ 25,733,982</u>	<u>\$ 25,770,999</u>	<u>\$ 26,348,508</u>	<u>\$ 25,507,769</u>	<u>\$ 23,314,178</u>	<u>\$ 22,214,075</u>	<u>\$ 22,669,012</u>
Net Pension Liability (Asset)								
Net pension liability (asset) - ending (a) - (b)	\$ (7,874,940)	\$ (4,527,047)	\$ (5,995,872)	\$ (6,387,801)	\$ (4,535,702)	\$ (2,566,972)	\$ (3,129,233)	\$ (5,045,726)
Plan fiduciary net position as a percentage of the total pension liability	135.64%	121.35%	130.32%	132%	121.63%	112.37%	116.40%	128.63%
Covered-employee payroll*	4,231,184	3,952,050	4,003,018	5,802,077	5,400,055	5,482,274	\$ 5,482,274	\$ 5,988,077
Net pension liability (asset) as a percentage of covered-employee payroll	(186.12)%	(114.5)%	(103.3)%	(109.64)%	(83.99)%	(46.82)%	(57.08)%	(84.26)%

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2022, the measurement period is October 1, 2020 - September 2021.

**CITY OF TUSKEGEE, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 8 Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution*	<u>13,661</u>	<u>11,973</u>	<u>13,073</u>	<u>51,005</u>	<u>12,386</u>	<u>11,394</u>	<u>43,046</u>	<u>15,977</u>
Contribution deficiency (excess)	<u>\$ (13,661)</u>	<u>\$ (11,973)</u>	<u>\$ (13,073)</u>	<u>\$ (51,005)</u>	<u>\$ (12,386)</u>	<u>\$ (11,394)</u>	<u>\$ (43,046)</u>	<u>\$ (15,977)</u>
Covered-employee payroll**	\$ 4,231,184	\$ 3,952,050	\$ 4,003,018	\$ 5,802,077	\$ 5,825,984	\$ 5,400,055	\$ 5,617,912	\$ 6,284,359
Contributions as a percentage of covered-employee payroll	.32%	.30%	.30%	.88%	.21%	.21%	.77%	.25%

*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 FY 2022 is the total payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

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

*If the employer's financial reporting period end is other than September 30, 2022, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds include operating funds which are restricted as to use by federal or state governments and special purpose funds established by authority of the City Council.

Local Law Enforcement Block Grant accounts for activities associated with grant funds from the federal government to assist with the funding of specific needs of local law enforcement.

\$0.04 and \$0.05 State Gas Tax accounts for proceeds from a local gasoline tax. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges, and streets.

\$0.07 Gas Tax accounts for proceeds from a state gasoline tax. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges, and streets.

Senior Citizens accounts for programs providing services primarily to senior citizens.

HHS - AHL accounts for proceeds received from the U.S. Department of Health and Human Services for Community Program and to Improve Minority Health Grant

Brownfields Grant accounts for proceeds received from the U.S. Environmental Protection Agency for Brownsfield grant.

Debt Service Funds are established to account for activity specifically related to the retirement of outstanding long-term debt. The City has the following bond issues accounted for in the following funds:

2013 Gas Tax Warrants Debt Service accounts for funds maintained for debt service of 2013 Limited Obligation Gas Tax Warrants

2013 Tuskegee UBT Cooperative District Fund accounts for funds maintained for debt service of The Tuskegee-UBT Cooperative District, Revenue Bonds, Series 2013-A

Capital Project Funds account for the acquisition and construction of major capital facilities, equipment and vehicles.

City Airport Project accounts for grant revenue and expenditures related to improvements at Moton Field.

CDBG Project Fund accounts for grant revenue and expenditures related to capital improvements paid with Community Development Block Grant Funds

Special Projects accounts for various capital projects undertaken at the discretion of City management.

2013 Tuskegee – UBT Cooperative Reserve Fund accounts for revenue and expenditures related to capital improvements funded by the 2013 Tuskegee – UBT Cooperative District Bond.

Exit 38 accounts for revenues and expenditures related to capital improvements for the Exit 38 construction project.

**CITY OF TUSKEGEE, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022**

	<u>Special Revenue Funds</u>					
	<u>Local Law Enforcement Block Grant</u>	<u>\$0.04 & \$0.05 State Gas Tax</u>	<u>\$0.07 State Gas Tax</u>	<u>Senior Citizen Fund</u>	<u>HHS-AHL Fund</u>	<u>Brownfields Grant Fund</u>
ASSETS						
Cash and cash equivalents	\$ 9,810	\$ 98,687	\$ 95,947	\$ 803	\$ 9,650	\$ -
Receivables	-	-	-	-	28,532	1,029
Money market accounts - restricted	-	-	-	-	-	-
Total assets	<u>\$ 9,810</u>	<u>\$ 98,687</u>	<u>\$ 95,947</u>	<u>\$ 803</u>	<u>\$ 38,182</u>	<u>\$ 1,029</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 38,182	\$ 29
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	1,708	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,708</u>	<u>38,182</u>	<u>29</u>
Fund Balance:						
Restricted	<u>9,810</u>	<u>98,687</u>	<u>95,947</u>	<u>(905)</u>	<u>-</u>	<u>1,000</u>
Total fund balance (deficit)	<u>9,810</u>	<u>98,687</u>	<u>95,947</u>	<u>(905)</u>	<u>-</u>	<u>1,000</u>
Total liabilities and fund balance	<u>\$ 9,810</u>	<u>\$ 98,687</u>	<u>\$ 95,947</u>	<u>\$ 803</u>	<u>\$ 38,182</u>	<u>\$ 1,029</u>

**CITY OF TUSKEGEE, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022**

	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>			
	<u>2013 Tuskegee UBT Cooperative Reserve Fund</u>	<u>2013 Gas Tax Warrants</u>	<u>City Airport Project Fund</u>	<u>CDBG Project Fund</u>	<u>Special Projects Fund</u>	<u>2013 Tuskegee UBT Cooperative Reserve Fund</u>
ASSETS						
Cash and cash equivalents	\$ 14,174	\$ -	\$ 31,016	\$ 25,740	\$ 403,847	\$ -
Receivables	-	-	4,286	-	-	-
Money market accounts - restricted	<u>100,037</u>	<u>67,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,177</u>
Total assets	<u>\$ 114,211</u>	<u>\$ 67,450</u>	<u>\$ 35,302</u>	<u>\$ 25,740</u>	<u>\$ 403,847</u>	<u>\$ 205,177</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 3,020	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>3,020</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit):						
Restricted	<u>114,211</u>	<u>67,450</u>	<u>32,282</u>	<u>25,740</u>	<u>403,847</u>	<u>205,177</u>
Total fund balance (deficit)	<u>114,211</u>	<u>67,450</u>	<u>32,282</u>	<u>25,740</u>	<u>403,847</u>	<u>205,177</u>
Total liabilities and fund balance (deficit)	<u>\$ 114,211</u>	<u>\$ 67,450</u>	<u>\$ 35,302</u>	<u>\$ 25,740</u>	<u>\$ 403,847</u>	<u>\$ 205,177</u>

**CITY OF TUSKEGEE, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022**

	<u>Capital Projects Funds</u>	
	<u>Exit 38 Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 10,672	\$ 700,346
Receivables	-	33,847
Money market accounts - restricted	-	372,664
	<hr/>	<hr/>
Total assets	<u>\$ 10,672</u>	<u>\$ 1,106,857</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ -	\$ 41,231
Due to other funds	-	-
Due to other governments	-	1,708
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>42,939</u>
Fund Balance (Deficit):		
Restricted	<u>10,672</u>	<u>1,063,918</u>
	<hr/>	<hr/>
Total fund balance (deficit)	<u>10,672</u>	<u>1,063,918</u>
	<hr/>	<hr/>
Total liabilities and fund balance (deficit)	<u>\$ 10,672</u>	<u>\$ 1,106,857</u>

CITY OF TUSKEGEE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2022

	Special Revenue Funds					
	Local Law Enforcement Block Grant	\$0.04 & \$0.05 State Gas Tax	\$0.07 Gas Tax	Senior Citizen Fund	HHS-AHL Fund	Brownfield Grant Fund
REVENUES						
Taxes	\$ -	\$ 130,784	\$ 60,379	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	442,112	31,605
Interest	-	454	-	-	-	-
Miscellaneous	-	-	-	876	-	1,000
Total revenues	<u>-</u>	<u>131,238</u>	<u>60,379</u>	<u>876</u>	<u>442,112</u>	<u>32,605</u>
EXPENDITURES						
Current:						
General government	-	-	87,057	950	442,112	31,605
Public works	-	257,427	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>257,427</u>	<u>87,057</u>	<u>950</u>	<u>442,112</u>	<u>31,605</u>
Excess revenues over (under) expenditures	<u>-</u>	<u>(126,189)</u>	<u>(26,678)</u>	<u>(74)</u>	<u>-</u>	<u>1,000</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(126,189)	(26,678)	(74)	-	1,000
Fund balance (deficit) - beginning	<u>9,810</u>	<u>224,876</u>	<u>122,625</u>	<u>(831)</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - ending	<u><u>\$ 9,810</u></u>	<u><u>\$ 98,687</u></u>	<u><u>\$ 95,947</u></u>	<u><u>\$ (905)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,000</u></u>

CITY OF TUSKEGEE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2022

	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>			
	<u>2013 Tuskegee UBT Cooperative District Fund</u>	<u>2013 Gas Tax Warrants</u>	<u>City Airport Project Fund</u>	<u>CDBG Project Fund</u>	<u>Special Projects Fund</u>	<u>2013 Tuskegee UBT Cooperative Reserve Fund</u>
REVENUES						
Taxes	\$ -	\$ 97,946	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	417,019	181,812	88,022	-
Interest	356	148	-	1	-	723
Miscellaneous	-	-	13,500	-	-	-
Total revenues	<u>356</u>	<u>98,094</u>	<u>430,519</u>	<u>181,813</u>	<u>88,022</u>	<u>723</u>
EXPENDITURES						
Current:						
General government	-	-	29,820	-	-	20
Public works	-	-	417,019	270	-	-
Debt service:						
Principal	120,000	85,000	-	-	-	-
Interest	<u>79,995</u>	<u>15,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>199,995</u>	<u>100,671</u>	<u>446,839</u>	<u>270</u>	<u>-</u>	<u>20</u>
Excess revenues over (under) expenditures	<u>(199,639)</u>	<u>(2,577)</u>	<u>(16,320)</u>	<u>181,543</u>	<u>88,022</u>	<u>703</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	203,071	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>203,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,432	(2,577)	(16,320)	181,543	88,022	703
Fund balance (deficit) - beginning	<u>110,779</u>	<u>70,027</u>	<u>48,602</u>	<u>(155,803)</u>	<u>315,825</u>	<u>204,474</u>
Fund balance (deficit) - ending	<u>\$ 114,211</u>	<u>\$ 67,450</u>	<u>\$ 32,282</u>	<u>\$ 25,740</u>	<u>\$ 403,847</u>	<u>\$ 205,177</u>

CITY OF TUSKEGEE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2022

	Capital Projects	
	Exit 38 Fund	Total Nonmajor Governmental Funds
REVENUES		
Taxes	\$ -	\$ 289,109
Intergovernmental	-	1,160,570
Interest	-	1,682
Miscellaneous	-	15,376
Total revenues	-	1,466,737
EXPENDITURES		
Current:		
General government	-	591,564
Public works	22	674,738
Debt service:		
Principal	-	205,000
Interest	-	95,666
Total expenditures	22	1,566,968
Excess revenues over (under) expenditures	(22)	(100,231)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	203,071
Transfers out	-	-
Total other financing sources (uses)	-	203,071
Net change in fund balances	(22)	102,840
Fund balance (deficit) - beginning	10,694	961,078
Fund balance (deficit) - ending	\$ 10,672	\$ 1,063,918

**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***

Honorable Mayor, City Manager and City Council
City of Tuskegee, 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 governmental fund information of the City of Tuskegee, Alabama (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs are items 2020-001 that we consider to be material weaknesses.





Compliance and Other Matters

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

City of Tuskegee's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Birmingham, Alabama
October 27, 2023

Bank, Finley White & Co.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor, City Manager and City Council
City of Tuskegee, Alabama

Report on Compliance for Each Major Federal Program

We have audited the City of Tuskegee, Alabama's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.





Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Birmingham, Alabama
October 27, 2023

Bank, Finley White & Co.

CITY OF TUSKEGEE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	Pass-Through Grantor's No.	Expenditures
U.S. Department of Health and Human Services			
Head Start Cluster:			
Head Start	93.600	04CH011-040-04	\$ 2,433,350
Head Start	93.600	04CH011-040-03	452,540
Head Start	93.600	04CHE001-302-01-C6	71,093
Head Start	93.600	04CHE001-040-02-C5	<u>2,144</u>
Total Head Start Cluster			<u>2,959,127</u>
Community Programs to Improve Minority Health Grant	93.137	CPIMP1258C5	<u>442,112</u>
Total U.S. Department of Health and Human Services			<u>3,401,239</u>
U.S. Department of Agriculture			
Passed-through Alabama Department of Education:			
Child and Adult Care Food Program	10.558	N/A	<u>126,311</u>
Total U.S. Department of Agriculture			<u>126,311</u>
U.S. Department of Transportation			
Passed-through Alabama Department of Transportation:			
Airport Improvement Program	20.106	3-01-0078-022-2021	<u>417,019</u>
Total U.S. Department of Transportation			<u>417,019</u>
U.S. Department of the Treasury			
COVID - 19 Coronavirus State and Local Fiscal Recovery Funds			
	21.027		<u>493,500</u>
Total U.S. Department of the Treasury			<u>493,500</u>
Environmental Protection Agency			
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements			
	66.818	68128933	<u>29,520</u>
Total Environmental Protection Agency			<u>29,520</u>
Social Security Administration			
Passed-through Alabama Department of Early Childhood Education:			
Disability Insurance/SSI Cluster:			
Social Security-Disability Insurance	96.001	N/A	<u>190,927</u>
Total Social Security/SSI Cluster			<u>190,927</u>
Total Social Security Administration			<u>190,927</u>
Total Expenditures of Federal Awards			<u>\$ 4,658,516</u>

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The SEFA presents only a selected portion of the operations of the City; therefore, it is not intended to and does not present the financial position, changes in net assets or cash flows where applicable of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The modified accrual basis of accounting is followed in the SEFA. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually recognized based upon the expenditures recorded and are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

Expenditures reported in the SEFA are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The City has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2022, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

CITY OF TUSKEGEE, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 5 – FEDERAL PASS-THROUGH FUNDS

The City is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered direct.

NOTE 6 – NONCASH ASSISTANCE

The City did not receive any federal noncash assistance for the fiscal year ending September 30, 2022.

CITY OF TUSKEGEE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2022

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Identification of major programs:

Federal Assistance Listing Number

Name of Federal Program or Cluster

93.600

Head Start

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF TUSKEGEE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2022

Section II – Financial Statements Findings

2022-001 - Capital Asset Management

- Condition:** The City did not properly track its capital assets.
- Criteria:** The City's management is responsible for safeguarding all of its assets, including capital assets. An effective system of internal controls over capital assets should be designed to ensure that records accurately reflect capital assets currently in use. Capital asset acquisitions derived from intergovernmental funding sources may also have requirements to properly maintain adequate records.
- Cause:** The City does not properly utilize its asset management system to adequately track its capital assets. During our audit, we found that there were several capital assets such as vehicles that were disposed of, but were never removed from the capital asset inventory.
- Effect:** Capital assets no longer possessed by the City, yet continue to remain as part of its inventory could cause the City's assets to be overstated. Conversely, capital assets acquired by the City, yet not added to its inventory could cause an understatement of its assets.
- Recommendation:** We recommend that the City begin by conducting a physical inventory of its capital assets and adjust its records to properly reflect capital assets in its possession. We also recommend that the City implement policies and procedures to ensure that capital asset acquisitions are included in the capital asset detailed ledger and that departments notify the Finance Department when capital assets have been disposed of so that they may be removed from the City's records.
- City's Response:** The City will establish procedures and controls to ensure capital assets are properly recorded in the general ledger and that equipment items are easily identified and tracked in the Fixed Asset Module.

Section III - Federal Award Findings and Questioned Costs

No findings in the current year.

CITY OF TUSKEGEE, ALABAMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2022

2021-001

Capital Asset Management

- Condition:** This was a significant deficiency stating that the City did not adequately track its capital assets.
- Recommendation:** The auditors recommended that the City conduct a physical inventory and adjust its records to properly reflect capital assets.
- Current Status:** This finding was not resolved for the year ended September 30, 2022. See current year finding 2022-001.