

CITY OF BAY MINETTE, ALABAMA
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

**Audited Financial Statements
City of Bay Minette, Alabama
September 30, 2022**

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

CITY OF BAY MINETTE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
September 30, 2022

Our discussion and analysis of the City of Bay Minette's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the City's financial statements, which begin on page 11.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the current fiscal year by \$33,672,105.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$9,463,969.
- The General Fund closed with a fund balance of \$2,720,226; a decrease of \$ (848,218) since the beginning of the year.
- The City's Statement of Activities reflects the net position decreased by \$304,761.

Using this Report

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) governmental fund statements, 3) notes to financial statements, and 4) supplementary information.

The Statement of Net Position and the Statement of Activities, (pages 11 and 12) provide information about the activities of the City as a whole and present a cumulative view of the City's finances.

Governmental fund statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Governmental fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The notes to financial statements 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 financial statements start on page 19.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability, employer contributions, general fund budget, and federal awards. This supplementary information begins on page 45.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the economic resources measurement focus and reflect an accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's changes in net position and ending net position. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

CITY OF BAY MINETTE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
September 30, 2022

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State Law and by bond covenants. However, the City Council established other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds are separately reported while all others are combined into a single, aggregated presentation.

- *Governmental funds* – The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the current financial resource method and the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a separate reconciliation following each fund financial statement.

Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$33,672,105. This is a decrease of \$304,761 from last year's net position of \$33,976,866. The following table provides a summary of the City's net position:

City of Bay Minette, AL
Summary of Net Position
September 30,

	Governmental Activities		Amount Change
	2022	2021	
Current assets	\$ 12,998,664	\$ 7,941,631	\$ 5,057,033
Capital assets	37,741,645	36,886,045	855,600
Deferred Outflows	1,347,668	864,115	483,553
Total assets and deferred outflows	<u>\$ 52,087,977</u>	<u>\$ 45,691,791</u>	<u>\$ 6,396,186</u>
Current liabilities	\$ 487,001	\$ 348,750	\$ 138,251
Noncurrent liabilities	16,709,773	9,870,874	6,838,899
Deferred Inflows	1,219,098	1,495,301	(276,203)
Total liabilities and deferred inflows	<u>\$ 18,415,872</u>	<u>\$ 11,714,925</u>	<u>\$ 6,700,947</u>
Net position:			
Net Investment in Capital Assets	\$ 25,659,295	\$ 29,133,924	\$ (3,474,629)
Restricted	6,050,230	757,276	5,292,954
Unrestricted	1,962,580	4,085,666	(2,123,086)
Total net position	<u>\$ 33,672,105</u>	<u>\$ 33,976,866</u>	<u>\$ (304,761)</u>
Total liabilities and net position	<u>\$ 52,087,977</u>	<u>\$ 45,691,791</u>	<u>\$ 6,396,186</u>

CITY OF BAY MINETTE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
September 30, 2022

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position may be used to meet the City's on-going obligations to citizens and creditors.

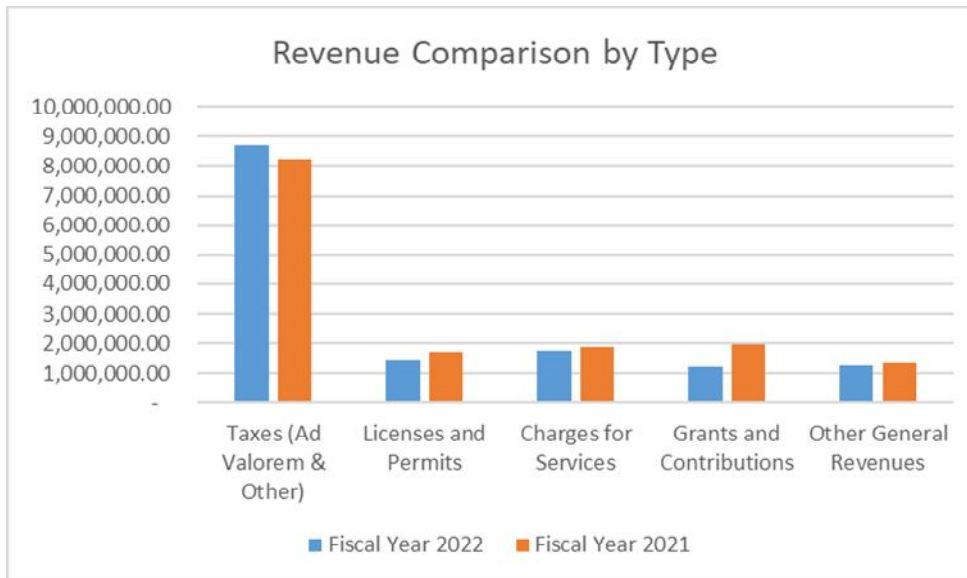
For fiscal year ended September 30, 2021, the increased expenses in General Government costs were attributable to the costs associated with the Clean Up from Hurricane Sally.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net position as presented on the Statement of Activities:

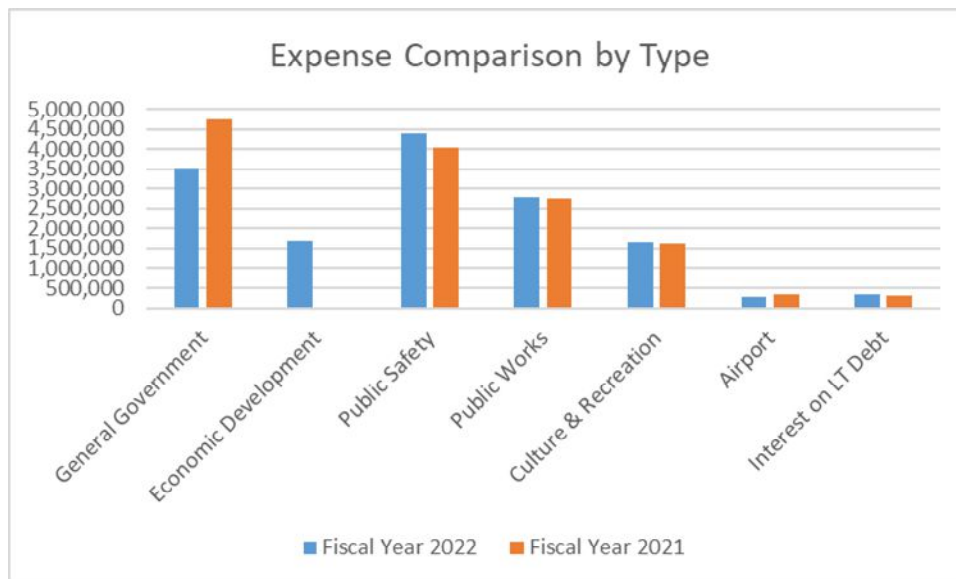
City of Bay Minette, AL			
Statement of Activities			
	Governmental Activities		Amount Change
	2022	2021	
Program Revenues:			
Charges for services	\$ 1,732,145	\$ 1,883,359	\$ (151,214)
Grants and Contributions	1,221,252	1,974,966	(753,714)
General Revenues:			
Taxes	8,697,974	8,218,254	479,720
Licenses and permits	1,459,779	1,718,134	(258,355)
Fines and forfeitures	733,122	895,361	(162,239)
Investment income	4,875	1,213	3,662
Rent income	148,207	139,724	8,483
Miscellaneous	343,747	265,658	78,089
Donations	36,094	64,325	(28,231)
Total revenues	<u>\$ 14,377,195</u>	<u>\$ 15,160,994</u>	<u>\$ (783,799)</u>
Program Expenses:			
General government	\$ 3,525,903	\$ 4,741,699	\$ (1,215,796)
Economic development	1,700,000	-	1,700,000
Public safety	4,391,446	4,036,716	354,730
Public works	2,801,284	2,756,804	44,480
Culture and recreation	1,664,604	1,641,299	23,305
Airport	274,482	324,459	(49,977)
Interest on long-term debt	324,237	290,277	33,960
Total expenses	<u>\$ 14,681,956</u>	<u>\$ 13,791,254</u>	<u>\$ 890,702</u>
Change in net position	\$ (304,761)	\$ 1,369,740	\$ (1,674,501)
Net position, beginning	\$ 33,976,866	\$ 32,607,126	\$ 1,369,740
Net position, ending	<u>\$ 33,672,105</u>	<u>\$ 33,976,866</u>	<u>\$ (304,761)</u>

CITY OF BAY MINETTE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
September 30, 2022

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2022 as compared to fiscal year 2021.



As graphically portrayed above, the City is heavily reliant on taxes to support governmental operations. Taxes provided 60% of the City's total governmental revenues in fiscal year 2022 and 54% in 2021.



Governmental activity expenses varied from the prior year due to Hurricane Sally costs reflected in 2021 and economic development costs which were new to 2022. Of the \$14,681,956 of governmental expenditures, Public Safety made up 30% for 2022.

CITY OF BAY MINETTE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
September 30, 2022

General Fund Budgetary Highlights

The general fund budget for fiscal year 2022 was approximately \$12,980,525. This was an increase of approximately \$1,542,335 from the prior year budget.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2022, the City's investment in capital assets, net of accumulated depreciation for governmental activities was \$37,505,903. See Note 4 for additional information about changes in capital assets during the fiscal year.

Long-term Debt

As of September 30, 2022, the City had \$13,466,116 of long-term debt outstanding, including bonds payable, notes payable, compensated absences and net pension liability. See Note 7 for additional information about changes in long-term debt during the fiscal year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional information, please contact the City Administrator/Finance Director at 301 D'Olive Street, Bay Minette, Alabama 36507.

AUDITED FINANCIAL STATEMENTS

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MEMBERS
ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
Of the City Council of the
City of Bay Minette, Alabama

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bay Minette, 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 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 its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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



America Counts on CPAs

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability, the schedule of employer pension plan contributions, and the budgetary comparison information on page 49 be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kubina, Hayles & Associates, P.C.

KUBINA, HAYLES & ASSOCIATES, P.C.

Bay Minette, Alabama

March 15, 2023

City of Bay Minette, Alabama
Statement of Net Position
September 30, 2022

ASSETS

Cash and Cash Equivalents	\$ 4,331,517
Cash and Cash Equivalents, Restricted	7,442,289
Receivables, Net	1,224,858
Other Assets:	
Lease ROU, Net	151,598
Land	6,586,261
Depreciable Capital Assets, Net	30,052,364
Prepaid and Other	84,144
Construction in Progress	<u>867,278</u>
Total Assets	\$ 50,740,309

Deferred Outflows of Resources	<u>1,347,668</u>
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Total Assets and Deferred Outflows of Resources	<u><u>\$ 52,087,977</u></u>
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LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 487,001
Unearned Revenue - ARPA	1,392,059
Noncurrent Liabilities:	
Due Within One Year:	
Short-Term Warrants Payable	1,700,000
Current Maturities of Bonds and Warrants Payable	730,000
Notes Payable and Capital Financing	317,813
Lease Liability	43,578
Due In More Than One Year:	
Bonds and Warrants Payable	10,068,333
Notes Payable and Capital Financing	730,462
Lease Liability	108,020
Compensated Absences	177,478
Net Pension Liability	<u>1,442,030</u>
Total Liabilities	\$ 17,196,774

Deferred Inflows of Resources	1,219,098
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NET POSITION

Net Investment in Capital Assets	\$ 25,659,295
Restricted - for Capital Improvements	5,599,796
Restricted - for Debt Service	353,823
Restricted - Other	96,611
Unrestricted	<u>1,962,580</u>
Total Net Position	<u><u>\$ 33,672,105</u></u>

Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 52,087,977</u></u>
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City of Bay Minette, Alabama
Statement of Activities
For the Year Ended September 30, 2022

		Program Revenues			Governmental Activities
		Charges for	Operating	Capital	
	Expenses	Services	Grants and Contributions	Grants and Contributions	
Governmental Activities:					
General Government	\$ (3,525,903)	\$ 690,560	\$ 19,368	\$ 72,865	\$ (2,743,110)
Economic Development	(1,700,000)	-	-	-	(1,700,000)
Public Safety	(4,391,446)	300,950	246,696	196,664	(3,647,136)
Public Works	(2,801,284)	2,218	-	454,681	(2,344,385)
Culture and Recreation	(1,664,604)	711,421	-	50,140	(903,043)
Airport	(274,482)	26,996	-	180,838	(66,648)
Interest on Long-Term Debt	(324,237)	-	-	-	(324,237)
	<u>\$ (14,681,956)</u>	<u>\$ 1,732,145</u>	<u>\$ 266,064</u>	<u>\$ 955,188</u>	<u>\$ (11,728,559)</u>
General Revenues:					
Taxes					\$ 8,697,974
Licenses and Permits					1,459,779
Fines and Forfeitures					733,122
Investment Income					4,875
Rent Income					148,207
Donations					36,094
Miscellaneous					<u>343,747</u>
Total General Revenues					<u>\$ 11,423,798</u>
Change in Net Position					\$ (304,761)
Net Position, Beginning					<u>33,976,866</u>
Net Position, Ending					<u>\$ 33,672,105</u>

City of Bay Minette, Alabama
Balance Sheet
Governmental Funds
September 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,752,659	\$ 7,895
Cash and Cash Equivalents - Restricted	412,279	6,467,085
Cash and Cash Equivalents - Committed	815,186	-
Cash and Cash Equivalents - Assigned	-	309,347
Receivables, Net	616,827	597,793
Receivable from Other Funds	-	-
Other Prepaid	<u>44,365</u>	<u>-</u>
Total Assets	<u><u>\$ 4,641,316</u></u>	<u><u>\$ 7,382,120</u></u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 110,610	\$ 347,043
Payable to Other Funds	110,480	-
Deferred Revenue	-	1,392,059
Short-Term Debt	<u>1,700,000</u>	<u>-</u>
Total Liabilities	<u><u>\$ 1,921,090</u></u>	<u><u>\$ 1,739,102</u></u>
FUND BALANCE		
Nonspendable	\$ -	\$ -
Restricted	412,279	4,928,881
Committed	815,186	-
Assigned	-	309,347
Unassigned	<u>1,492,761</u>	<u>404,790</u>
TOTAL FUND BALANCE, as restated	<u><u>\$ 2,720,226</u></u>	<u><u>\$ 5,643,018</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 4,641,316</u></u>	<u><u>\$ 7,382,120</u></u>

Airport Fund	Other Governmental Funds	Total Governmental Funds
\$ 30,146	\$ 197,509	\$ 2,988,209
-	562,925	7,442,289
-	55,280	870,466
-	163,495	472,842
10,238	-	1,224,858
110,480	-	110,480
-	-	\$ 44,365
<u>\$ 150,864</u>	<u>\$ 979,209</u>	<u>\$ 13,153,509</u>
\$ 17,857	\$ 11,491	\$ 487,001
-	-	110,480
-	-	1,392,059
-	-	1,700,000
<u>\$ 17,857</u>	<u>\$ 11,491</u>	<u>\$ 3,689,540</u>
\$ -	\$ -	\$ -
-	519,442	5,860,602
-	55,280	870,466
-	163,495	472,842
133,007	229,501	2,260,059
<u>\$ 133,007</u>	<u>\$ 967,718</u>	<u>\$ 9,463,969</u>
<u>\$ 150,864</u>	<u>\$ 979,209</u>	<u>\$ 13,153,509</u>

City of Bay Minette, Alabama
Reconciliation of the Governmental Fund Balances
to the Net Position of Governmental Activities
September 30, 2022

Fund Balances of Governmental Funds as reported on page 14 \$ 9,463,969

Amounts Presented for Governmental Activities in the
Statement of Net Position are different because:

Capital Assets reported in the Statement of
Net Position are not financial resources:

Governmental Capital Assets	\$ 59,584,648	
Less Accumulated Depreciation	<u>(22,078,745)</u>	37,505,903
Lease Right of Use Assets		151,598

Long-term liabilities are reported in the Statement of
Net Position but they are not due and payable from financial
resources in the current period and therefore are not
reported as liabilities of fund balances:

Bond and Warrants Payable - Long-term	(10,798,333)
Notes Payable - Long-Term	(1,048,275)
Lease Liabilites - Long-term	(151,598)

Liability for Compensated Absences	(177,478)
Unamortized Bond Insurance	39,779

Pension Related Amounts:

Net Pension Liability	(1,442,030)
Deferred Outflows of Resources	1,347,668
Deferred Inflows of Resources	<u>(1,219,098)</u>

Net Position of Governmental Activities as reported on page 11 \$ 33,672,105

City of Bay Minette, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Revenues:		
Taxes	\$ 8,349,326	\$ -
Licenses and Permits	1,459,779	-
Fines and Forfeitures	716,157	-
Investment Income	4,433	351
Rent Income	27,849	-
Donations	9,938	10,800
Federal, State and Local Grants	31,438	857,173
Services and Miscellaneous	947,608	214,310
Total Revenues	<u>\$ 11,546,528</u>	<u>\$ 1,082,634</u>
Expenditures:		
Current:		
General Government	\$ 3,013,690	\$ 251,049
Economic Development	1,700,000	-
Public Safety	3,905,679	78,641
Public Works	2,580,098	39,784
Culture and Recreation	929,735	2,201
Airport	-	-
Capital Expenditures	31,622	1,638,338
Debt Service:		
Principal	830,000	256,706
Interest on Long-Term Debt	97,632	161,299
Total Expenditures	<u>\$ 13,088,456</u>	<u>\$ 2,428,018</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (1,541,928)	\$ (1,345,384)
Other Financing Sources and (Uses)		
Transfers In	\$ 1,623,949	\$ 1,161,692
Transfers Out	(930,239)	(1,168,325)
Issuance of Bonds/Warrants	-	5,310,000
Issuance of Notes	-	-
Total Other Financing Sources and (Uses)	<u>693,710</u>	<u>5,303,367</u>
Net Change in Fund Balances	\$ (848,218)	\$ 3,957,983
Fund Balances		
Beginning, As restated	<u>3,568,444</u>	<u>1,685,035</u>
Ending	<u>\$ 2,720,226</u>	<u>\$ 5,643,018</u>

Airport Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 348,648	\$ 8,697,974
-	-	1,459,779
-	16,965	733,122
-	91	4,875
87,574	32,785	148,207
-	15,355	36,094
180,838	151,803	1,221,252
26,996	886,979	2,075,893
<u>\$ 295,408</u>	<u>\$ 1,452,626</u>	<u>\$ 14,377,196</u>

\$ -	\$ 16,941	\$ 3,281,681
-	-	1,700,000
-	43,004	4,027,324
-	7,647	2,627,529
-	529,379	1,461,314
38,355	-	38,356
48,625	418,537	2,137,122
-	65,501	1,152,207
-	65,307	324,237
<u>\$ 86,980</u>	<u>\$ 1,146,316</u>	<u>\$ 16,749,770</u>

\$ 208,428	\$ 306,310	\$ (2,372,574)
------------	------------	----------------

\$ -	\$ 138,923	\$ 2,924,564
(394,000)	(432,000)	(2,924,564)
-	-	5,310,000
-	-	-
<u>(394,000)</u>	<u>(293,077)</u>	<u>5,310,000</u>

\$ (185,572)	\$ 13,233	\$ 2,937,426
--------------	-----------	--------------

<u>318,579</u>	<u>954,485</u>	<u>6,526,543</u>
<u>\$ 133,007</u>	<u>\$ 967,718</u>	<u>\$ 9,463,969</u>

City of Bay Minette, 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

Net Change in Fund Balances - Total Governmental Funds, page 17 **\$ 2,937,426**

Governmental Funds report capital investments as an expenditure, while the Statement of Activities reports depreciation expense on capital assets:

Expenditures for capital assets,		
including construction in progress	\$ 2,137,121	
Basis difference on disposal of capital assets	(18,580)	
Less current year depreciation	<u>(1,435,376)</u>	683,165

The issuance of long-term debt (e.g. Warrants, Leases, Notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other non-current liabilities also do not consume current financial resources.

Debt Obligations Issued	(5,310,000)
Principal Repayments	1,152,207
Compensated Absences	(21,043)
Unamortized Bond Insurance	20,837
Other	
Pension Related Amounts:	
Net Pension Liability	583,595
Deferred Outflows of Resources	483,553
Deferred Inflows of Resources	<u>(834,501)</u>

Change in Net Position of Governmental Activities, page 12 **\$ (304,761)**

**CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bay Minette, Alabama (the City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), street and drainage, sanitation, culture and recreation, public improvements, and general administrative services. The accounting policies of the City of Bay Minette, Alabama conform to accounting principles generally accepted in the United States of America. The following is a summary of significant policies.

The Reporting Entity

The City's basic financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

As required by accounting principles generally accepted in the United States of America, the financial statements of the City include the accounts of all City operations. The City includes, as necessary, component units as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Criteria for including a component unit include: the organization is legally separate (can sue and be sued in their own name); whether the City holds the corporate powers of the organization; whether the City appoints a voting majority of the organization's board; whether the City is able to impose its will on the organization; whether the organization has the potential to impose a financial benefit/burden on the City and whether there is fiscal dependency by the organization on the City.

Blended Component Unit

The Bay Minette Municipal Airport Authority, Inc. is governed by a board appointed by the City's Mayor and elected council. The Authority holds title to certain parcels of land at, and adjacent to, the City airport. Financial management of the Airport is performed by the City's employees.

Related Organizations

The City is responsible for appointing a majority of the members of the boards of North Baldwin Utilities, the Housing Authority of the City of Bay Minette, and the Industrial Development Authority of the City of Bay Minette; the City's accountability for these organizations does not extend beyond making appointments.

Basis of Presentation - Government-wide and Fund Level

Government-wide

The basic financial statements include government-wide and fund financial statements. The reporting model focuses on the City as a whole and on major funds. Government-wide and fund financial statements categorize primary activities as governmental or business-type.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In the Statement of Net Position, governmental and business-type activities (a) are presented using the economic resources measurement focus, and (b) reflect accrual accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. As a general rule, eliminations have been made to minimize the double-counting of internal activities. The Statement of Activities reflects both the gross and net cost per functional category (public works, police, fire, etc.) which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues. The program revenues must be directly associated with a function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Level

The governmental fund level financial statements are presented using the current financial resource method and the modified accrual basis of accounting. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation. The accounts of the City are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from nonexchange transactions or ancillary activities. The various funds are grouped into broad fund categories as follows:

The General Fund accounts for all revenues and expenditures of the City except those which must be accounted for by other funds, and it is the largest accounting activity of the City. These resources together with inter-fund revenues finance all of the current operations of the general governmental units which basically benefit all of the taxpayers or citizenry as a whole. In addition, it underwrites any deficits in other funds.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance resolutions to finance particular activities or functions.

Debt Service Funds of the City are used to account for the payment of interest on, and principal of, most long-term debt not being financed by Proprietary Funds. They also provide the bond holders assurance that the provisions of the indentures relating to sinking fund requirements for principal and interest are met and that the security for the debt is protected. The City does not report any Debt Service Funds for the year ended September 30, 2022.

Capital Projects Funds are used to account for financial resources segregated for the acquisition of major capital facilities. A separate capital projects fund is used to account for the expenditures of the proceeds for each bond issue or grant when the fund is used for capital projects. The requirement of one fund for each source of revenue is necessitated by the fact that the accounting for particular revenue must show that the proceeds were spent only on the projects and for the purposes authorized, and that any unused proceeds are properly handled and accounted for in accordance with applicable legal, budgetary, and policy provisions.

The City reports the following major governmental funds:

- General Fund
- Capital Projects Fund
- Airport Fund

The Airport Fund accounts for revenues, expenses, and grants which benefit the City through airport improvements and operations.

Proprietary Funds are used to account for operations of the City that are: (a) financed and operated in a manner similar to private business enterprise, where the interest of the governing body is that the costs of providing goods or services to the general public on a continuing basis be recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or measurement of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City does not report any Proprietary Funds for the year ended September 30, 2022.

Capital Assets

The accounting treatment over capital assets depends on whether the assets are used by governmental funds or proprietary funds and fund level or government-wide reporting.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In government-wide reporting, all capital assets are reported as capital assets for both governmental-type and business-type activities. The City records as capital assets those having an original cost of \$7,500 or more and over three years of useful life. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds, while they remain capital assets in proprietary funds. Depreciation is not provided in governmental funds at the fund level.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (government-wide level).

Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

- | | |
|--|---------------|
| • Buildings, Structures and Improvements | 20 - 50 years |
| • Infrastructure and Improvements | 20 - 50 years |
| • Equipment | 7 - 10 years |
| • Vehicles | 5 - 15 years |

Basis of Accounting

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.

Governmental wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City considers sales taxes and similar taxes collected by an intermediary at year end but not remitted until the following fiscal year to be available and therefore recognized as revenues if collected within 30 days of the year end. Revenue which is not both measurable and available includes licenses, permits and fines. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Proprietary fund financial statements are presented on the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Budgetary Control

An annual budget is adopted for the general fund.

The City follows these procedures in establishing the budgetary data presented in the accompanying financial statements:

- Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Two consecutive public council meetings are conducted to provide taxpayers with an opportunity to ask questions or provide comments.
- Prior to October 1, the budget is legally enacted through passage of an ordinance.
- The Mayor and/or his designee is authorized to transfer budgeted amounts between departments within funds; however, revisions that alter the total budgeted expenditures must be approved by the City Council.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- Formal budgetary integration is employed as a management control device during the year for the general fund. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at year end.

For the fiscal year ended September 30, 2022 total general fund revenues were more than budgeted amounts while end of year total general fund expenditures were also more than budgeted amounts; see page 49 for the General Fund - Budget and Actual Comparison.

Recently Adopted Accounting Pronouncements

In June 2017, the GASB issued 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 previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements for this statement are effective for reporting periods beginning after June 15, 2021. The City adopted this statement effective October 1, 2021, as restatement of the prior year was deemed impractical.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The City adopted this statement effective October 1, 2021.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Investments

The City considers all highly liquid debt instruments purchased with a original maturity of three months or less to be cash equivalents. Investments in money market accounts are stated at cost which approximates fair value.

Accounts Receivable

Accounts receivable are recorded on the accrual basis of accounting. Accounts receivable from taxes and fees were \$616,827 at September 30, 2022. Accounts receivable from grants and reimbursements were \$608,031 at September 30, 2022, including \$463,020 from the Federal Emergency Management Agency and Alabama Emergency Management Agency for reimbursement of amounts expended as a result of damages from Hurricane Sally. Management is of the opinion that all accounts receivable are collectible.

Unearned Revenue

In the government-wide and fund level financial statements, unearned revenue represents amounts received which have not been earned, such as unexpended grants or governmental funding received in advance. At September 30, 2022, the City of Bay Minette reported unearned revenue of \$1,392,059, which represented the unexpended amount of the City's funding under the American Rescue Plan Act of 2021 (ARPA). The funding is subject to certain use restrictions and must be allocated/obligated by December 31, 2024 and spent by December 31, 2026.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Ad Valorem Taxes

Ad Valorem taxes are levied on the assessed property valuations as of October 1 each year. They are due on October 1, but are not considered delinquent until December 31, after which delinquent penalties are levied.

Inventories

Inventories (when held) are valued at cost which approximates market, using the first-in, first-out (FIFO) method.

Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. There were no instances of settlements that exceeded insurance coverage in the last three fiscal years.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave. Accrued vacation is payable upon separation from service and a liability of \$177,478 is accrued in the government wide Statement of Net Position; sick leave is not, however, available to be paid to employees upon separation from service and no liability is accrued. The amount of accumulated sick leave that will eventually be recognized may be material but is not readily determinable since the City's policy does not allow for payment at separation.

In governmental funds, the cost of both vacation and sick leave is recognized when payments are made to employees. There was no current liability recorded in the governmental fund types under the modified accrual basis because expenditures are expected to be made from future revenues rather than from expendable available resources.

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 Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Net Position and Equity Classifications

Government-wide Financial Statements:

The City adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, that superseded GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government.

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.

- Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position - The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Fund balance is classified into one of the following five categories:

- Nonspendable fund balance - Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance - Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance - Consists of fund balances that are useable only for specific purposes by formal action of the government's highest level of decision making authority. The City's highest level of decision making lies with the Mayor of the City and the City Council. In order to establish, modify or rescind a fund balance commitment, the Mayor and City Council must pass a law or ordinance by formal action committing the funds.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- Assigned fund balance - Consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself, or (2) a subordinate high-level body or official which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Mayor and the City Council have the power to assign fund balance amounts to specific purposes. The governing body must vote to grant authorization of assigned fund balances to specific purposes.
- Unassigned fund balance - All other fund balances that do not meet the definition of "nonspendable, restricted, committed, or assigned fund balances."

The City considers restricted fund balances to have been spent when both restricted and unrestricted fund balances are available. Also, the City considers assigned and committed fund balances to have been spent when unassigned or unrestricted amounts are available.

Capital Grant Proceeds in Governmental Funds

The City received/accrued proceeds from various grants during the fiscal year 2022. These and other capital grants and donations are recorded as capital grants and donations on the Statement of Revenues, Expenses and Changes in Fund Net Balance.

Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Total equity and net income remain unchanged due to these reclassifications.

Subsequent Events

The City of Bay Minette, Alabama has evaluated subsequent events through March 15, 2023, the date which the financial statements were available to be issued. See Note 13 on page 44 for a discussion of subsequent events.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 2 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made at October 1, 2021 to reclassify current portions of long-term debt out of the governmental funds.

The prior period adjustment had no effect on government-wide net position as of October 1, 2021.

The prior period adjustment had the following effect on governmental fund balance as reported at October 1, 2021:

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Other Funds</u>	<u>Total</u>
Fund balance as previously reported	\$ 2,738,444	\$ 1,447,514	\$ 1,207,180	\$ 5,393,138
Prior Period Adjustment	<u>830,000</u>	<u>237,521</u>	<u>65,884</u>	<u>1,133,405</u>
Restated fund balance at October 1, 2021	<u>\$ 3,568,444</u>	<u>\$ 1,685,035</u>	<u>\$ 1,273,064</u>	<u>\$ 6,526,543</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

At September 30, 2022, the City had an investment in Federated Hermes U.S. Treasury Cash Reserves Fund #125 (CUSIP # 60934N682) through its trustee agreement for debt sinking funds. The fair value of the investment was \$353,823. The average maturity of the portfolio was 43 days.

Investment Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of the state, and SEC registered mutual funds holding like maturities. The City has no investment policy that further limits investment choices.

Custodial Credit Risk

The City is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledge collateral coverage for all governments and agencies in the State and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS, CONTINUED

The State guarantees deposits identified as “public funds” will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

NOTE 4 - CAPITAL ASSETS

Changes in capital assets during the fiscal year were as follows:

	Balance 10/01/21	Additions	Reclass/ Retirements	Balance 09/30/22
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 6,586,261	\$ -0-	\$ -0-	\$ 6,586,261
Construction in Progress	<u>-0-</u>	<u>867,278</u>	<u>-0-</u>	<u>867,278</u>
Capital assets not being depreciated	\$ 6,586,261	\$ 867,278	\$ -0-	\$ 7,453,539
Capital assets being depreciated				
Buildings and Structures	\$ 22,269,073	\$ 283,139	\$ 10,000	\$ 22,542,212
Infrastructure (Streets, Roads, Drainage Systems)	16,447,376	307,296	-0-	16,754,672
Vehicles and equipment	<u>12,306,481</u>	<u>679,408</u>	<u>151,664</u>	<u>12,834,225</u>
Capital assets being depreciated	<u>\$ 51,022,930</u>	<u>\$ 1,269,843</u>	<u>\$ 161,664</u>	<u>\$ 52,131,109</u>
Total Capital Assets	\$ 57,609,191	\$ 2,137,121	\$ 161,664	\$ 59,584,648
Less accumulated depreciation for:				
Buildings and Structures	\$ 6,708,495	\$ 497,929	\$ 917	\$ 7,205,507
Infrastructure	5,009,473	353,112	-0-	5,362,585
Vehicles and equipment	<u>9,068,485</u>	<u>584,335</u>	<u>142,167</u>	<u>9,510,653</u>
Total accumulated depreciation	<u>\$ 20,786,453</u>	<u>\$ 1,435,376</u>	<u>\$ 143,084</u>	<u>\$ 22,078,745</u>
Total Capital assets, net	<u>\$ 36,822,738</u>	<u>\$ 701,745</u>	<u>\$ 18,580</u>	<u>\$ 37,505,903</u>

Depreciation was charged to governmental activities as follows:

General	\$ 458,083
Public Safety	364,122
Public Works	173,755
Culture and Recreation	203,290
Airport	<u>236,126</u>
Total	<u>\$ 1,435,376</u>

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 5 - RIGHT OF USE ASSETS AND LEASE LIABILITY

The City entered into certain leases for equipment. Approximate future maximum principal and interest payments under these leases at September 30, 2022, are as follows:

	2022		
	Principal	Interest	Total
2023	\$ 43,578	\$ 2,523	\$ 46,101
2024	44,530	1,571	46,101
2025	42,150	591	42,741
2026	21,340	45	21,385
2027	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-
	<u>\$ 151,598</u>	<u>\$ 4,730</u>	<u>\$ 156,328</u>
Less Current	<u>43,578</u>	<u>2,523</u>	<u>46,101</u>
Long Term	<u>\$ 108,020</u>	<u>\$ 2,207</u>	<u>\$ 110,227</u>

	2022			
	Right of Use Asset Balance 10/1/2021	Additions	Amortization	Right of Use Asset Balance 9/30/2022
Leased Equipment	\$ 194,258	\$ -0-	\$ (42,660)	\$ 151,598
Total	<u>\$ 194,258</u>	<u>\$ -0-</u>	<u>\$ (42,660)</u>	<u>\$ 151,598</u>

NOTE 6 - SHORT-TERM DEBT

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

	2022			
	Balance 10/01/21	Issued or Assumed	Reductions	Balance 9/30/22
General Obligation Warrants	\$ -0-	\$ 1,700,000	\$ -0-	\$ 1,700,000
Total	<u>\$ -0-</u>	<u>\$ 1,700,000</u>	<u>\$ -0-</u>	<u>\$ 1,700,000</u>

On September 8, 2022 the City issued a Taxable General Obligation Warrant Series 2022, to provide a short term, revolving line of credit not to exceed \$5,000,000 which terminates and is due and payable on September 8, 2023. Interest is variable and is due monthly until maturity. The balance outstanding at September 30, 2022 was \$1,700,000.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
General Obligation Warrants	\$ 6,318,333	\$ 5,310,000	\$ 830,000	\$ 10,798,333	\$ 730,000
Notes Payable, Capital Financing Activities, and General Obligation Warrants from Direct Borrowings:					
General Obligation Warrants	220,444	-0-	8,433	212,011	8,800
Notes Payable	38,897	-0-	14,992	23,905	23,905
Capital Lease	<u>1,111,140</u>	<u>-0-</u>	<u>298,781</u>	<u>812,359</u>	<u>285,108</u>
	1,370,481	-0-	322,206	1,048,275	317,813
Net Pension Liability	2,025,625	-0-	583,595	1,442,030	-0-
Compensated Absences	<u>156,435</u>	<u>21,043</u>	<u>-0-</u>	<u>177,478</u>	<u>-0-</u>
	2,182,060	21,043	583,595	1,619,508	-0-
Governmental Activities, long-term liabilities	<u>9,870,874</u>	<u>5,331,043</u>	<u>1,735,801</u>	<u>13,466,116</u>	<u>1,047,813</u>
Total Long-term Liabilities	<u>\$ 9,870,874</u>	<u>\$ 5,331,043</u>	<u>\$ 1,735,801</u>	<u>\$ 13,466,116</u>	<u>\$ 1,047,813</u>

Compensated absences and the Net Pension Liability, typically, have been liquidated in the general fund.

General Obligation Warrants were comprised of the following at September 30, 2022:

Series 2008 General Obligation Warrants; due monthly with interest at 3.60%, maturing November 20, 2029.	\$ 818,333
--	------------

Series 2013 General Obligation Warrants payable in annual installments ranging from \$455,000 to \$720,000 through June 1, 2024, with interest ranging from 1.00% to 3.00%, payable on June 1, and December 1.	625,000
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CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 7 - LONG-TERM LIABILITIES, CONTINUED

Series 2018 General Obligation Economic Development Improvement Warrants payable with interest ranging from 3.00% to 4.00%, payable on February 15, and August 15, with principal due in annual installments beginning August 15, 2029 and ranging from \$80,000 to \$295,000 through August 15, 2047. 4,045,000

Series 2022 General Obligation Warrants payable with interest ranging from .50% to 3.00%, payable on January 1 and July 1, with principal due in annual installments beginning January 1, 2024, and ranging from \$160,000 to \$295,000 through January 1, 2047. 5,310,000
\$ 10,798,333

Notes Payable, Capital Financing Activities and General Obligation Warrants from Direct Borrowings were comprised of the following at September 30, 2022:

Direct Borrowings

Series 2019 General Obligation Warrants;
Payable in monthly installments of \$1,560.18
with interest at 4.75%, maturing April 5, 2039. \$ 212,011

Mortgage note payable, due in 114 monthly installments of \$1,315.53, including interest at 1.50%. The note matures in September, 2023 and is secured by real estate located at Holly Hills Country Club. 23,905

Capital financing activity payable for purchase of equipment, due in 36 monthly installments of \$781.33, including interest at 5.25% and maturing June, 2023. 6,130

Capital financing activity payable for purchase of equipment, due in 60 monthly installments of \$10,520.62, including interest at 3.05% and maturing December, 2023. 144,480

Capital financing activity payable for purchase of equipment, due in 60 monthly installments of \$9,953.99, including interest at 2.85% and maturing March, 2025. 278,542

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 7 - LONG-TERM LIABILITIES, CONTINUED

Capital financing activity payable for purchase of equipment, due in 9 annual installments of \$54,751.25, including interest at 3.07% and maturing December, 2029.

383,207
\$ 1,048,275

Total General Obligation Bonds/Warrants, Notes Payable, and Capital Financing Activity, including Direct Borrowings

\$ 11,846,608

Annual debt service requirements to maturity for general obligation bonds and warrants, notes payable and capital financing activities are as follows:

Year Ending September 30,	Gen. Obligation Warrants		Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 730,000	\$ 342,301	\$ 317,813	\$ 32,183
2024	455,000	324,506	190,730	23,563
2025	295,000	313,756	105,180	18,616
2026	295,000	302,643	57,213	16,260
2027	300,000	299,018	59,052	14,422
2028-2032	1,643,333	1,367,584	215,542	42,323
2033-2037	1,975,000	1,058,125	77,164	16,447
2038-2042	2,345,000	690,855	25,581	11
2043-2047	2,760,000	266,720	-	-
2048-2052	-	-	-	-
Thereafter	-	-	-	-
	<u>\$10,798,333</u>	<u>\$ 4,965,508</u>	<u>\$ 1,048,275</u>	<u>\$ 163,825</u>

The bond agreement authorizing the 2008 warrant includes a provision requiring the City to pay, upon early payoff of the warrants (if occurring), an amount equivalent to the value of a certain interest rate swap between U.S. Bank and Bank of NY Mellon. The City is not counterparty to the swap; however the City's liability related to the agreement, contingent on early payoff, is estimated to be \$15,869 at September 30, 2022. If the warrants are outstanding to normal maturity no additional amounts are owed related to the swap agreement.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 8- DEBT ISSUANCE COST

Issuance expense, except any portion related to prepaid insurance costs, on long-term debt is accounted for as costs relating to the services provided in the current period and, as such, is expensed in the current period. For governmental funds, bond discounts/premiums are treated as other financing sources (uses) in the year of issue in the fund financial statements. In the government-wide financial statements and proprietary fund financial statements, bond discounts/premiums are presented as a reduction/addition to the face amount of the bonds payable.

NOTE 9 - PENSION PLAN

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Employees Retirement System of Alabama (RSA), an agency multiple-employer pension plan. The State of Alabama has the authority to establish and amend the benefit provisions of the plans that participate. RSA issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

The RSA was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing 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 general administration and operation of the RSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6.

Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the City authority to accept or reject various cost-of-living adjustments granted to retirees. RSA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained at www.rsa-al.gov.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 9 - PENSION PLAN, CONTINUED

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 fulltime employee of a municipality or city participating in ERS pursuant to 36-27-6.
 - d) One fulltime employee of a county participating in ERS pursuant to 36-27-6.
 - e) One fulltime employee or retiree of a participating employer in ERS pursuant to 36-27-6.
 - f) One fulltime employee or retiree of a participating employer other than a municipality, city or county in ERS pursuant to 36-27-6.

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.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 9 - PENSION PLAN, CONTINUED

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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

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

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 9 - PENSION PLAN, CONTINUED

As of September 30, 2021, membership of ERS in total, and of the City's plan, consists of:

	<u>ERS in Total</u>	<u>City of Bay Minette</u>
Retirees and beneficiaries		
currently receiving benefits	29,727	43
Terminated employees entitled to		
but not yet receiving benefits	2,130	9
Terminated employees not		
entitled to a benefit	16,415	73
Post-DROP participants who		
Are still in active service	54	0
Active Members	<u>56,184</u>	<u>115</u>
Total	<u><u>104,510</u></u>	<u><u>240</u></u>

Contributions

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.

The City's contractually required contribution rate for the year ended September 30, 2022 was 7.93% for Tier 1 employees, and 4.17% for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with 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 System were \$361,944 for the year ended September 30, 2022.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 9 - PENSION PLAN, CONTINUED

Net Pension Liability

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

	<u>Expected</u>	<u>Actual Before Act 2019-132</u>	<u>Actual After 2020 Experience Study</u>
(a) Total Pension Liability as of September 30, 2020	\$ 13,178,394	\$ 13,555,278	\$ 14,150,287
(b) Discount Rate	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 to September 30, 2021	431,066	431,066	479,918
(d) Transfers Among Employees	0	2,916	2,916
(e) Actual Benefit Payments & Refunds for October 1, 2020 to September 30, 2021	<u>(848,596)</u>	<u>(848,596)</u>	<u>(848,596)</u>
(f) Total Pension Liability as of September 30, 2021 [(a)x(1+(b))]+(c)+(d)+[(e)x(1+0.5x(b))]	<u>\$ 13,742,929</u>	<u>\$ 14,151,749</u>	<u>\$ 14,807,111</u>
(g) Difference between Expected and Actual Experience (Gain)/Loss		\$ 408,820	
(h) Less Liability Transferred		<u>2,916</u>	
(i) Experience (Gain) Loss		\$ 405,904	
(j) Difference between Actual TPL Before and After 2020 Experience Study Assumption Change (Gain) Loss			\$ 655,362

Actuarial Assumptions

The total pension liability as of September 30, 2021 was determined as part of actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) 7.45% investment rate of return (net of pension plan investment expense), (b) projected salary increases ranging from 3.25% to 7.75% per year, and an inflation component of 2.50%.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 9 - PENSION PLAN, CONTINUED

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2000 scale, which is adjusted by 66-2/3% beginning with year 2019. The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 - September 30, 2020.

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15.0%	2.80%
U.S. Large Stocks	32.0%	8.00%
U.S. Mid Stocks	9.0%	10.00%
U.S. Small Stocks	4.0%	11.00%
International Developed Mkt Stks	12.0%	9.50%
International Emerging Mkt Stks	3.0%	11.00%
Alternatives	10.0%	9.00%
Real Estate	10.0%	6.50%
Cash	5.0%	1.50%
	<u>100.0%</u>	

*Includes assumed rate of inflation of 2.0%

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 RSA 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 BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 9 - PENSION PLAN, CONTINUED

Changes in the Net Pension Liability - Measurement Date September 30, 2021

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2020	\$ 13,178,394	\$11,152,769	\$ 2,025,625
Changes for the year:			
Service cost	431,066	-	431,066
Interest	982,065	-	982,065
Changes of benefit terms	-	-	-
Changes of assumptions	655,362	-	655,362
Differences between expected and actual experience	405,904	-	405,904
Contributions - employer	-	313,353	(313,353)
Contributions - employee	-	294,411	(294,411)
Net investment income	-	2,450,228	(2,450,228)
Benefit payments, including refunds of employee contributions	(848,596)	(848,596)	-
Administrative expense	-	-	-
Transfers among employers	<u>2,916</u>	<u>2,916</u>	<u>-</u>
Net Changes	<u>1,628,717</u>	<u>2,212,312</u>	<u>(583,595)</u>
Balances at September 30, 2021	<u>\$ 14,807,111</u>	<u>\$13,365,081</u>	<u>\$ 1,442,030</u>

Sensitivity of the net pension liability to changes in the discount rate - The following table presents the Board's net pension liability calculated using the discount rate of 7.45%, as well as what the 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:

	<u>1% Decrease (6.45%)</u>	<u>Current Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Net pension liability	\$ 3,325,730	\$ 1,442,030	\$ (124,577)

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 RSA 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 www.rsa-al.gov.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 9 - PENSION PLAN, CONTINUED

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

For the year ended September 30, 2022, the City recognized pension expense of \$108,344. Components of pension expense recognized for the year ended September 30, 2022 are as follows:

Service Cost	\$ 431,066
Interest on the total pension liability	982,065
Current period benefit changes	-0-
Expensed portion of current period difference between expected and actual experience in the total pension liability	73,801
Expensed portion of the current period changes of assumptions	119,157
Member contributions	(294,411)
Projected earnings on plan investments	(849,603)
Expensed portion of current period differences between actual and projected earnings on plan investments	(320,125)
Recognition of beginning deferred outflows of resources as pension expense	101,979
Recognition of beginning deferred inflows of resources as pension expense	(135,585)
Pension Expense Recognized	<u>\$ 108,344</u>

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 357,418	\$ 249,012
Changes of assumptions	628,306	-
Net difference between projected and actual earnings on plan investments	-	970,086
Employer contributions subsequent to measurement date	361,944	-
Total	<u>\$ 1,347,668</u>	<u>\$ 1,219,098</u>

The \$361,944 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the City's net pension liability in the year ending September 30, 2023.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 9 - PENSION PLAN, CONTINUED

Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be amortized in pension expense in accordance with the following schedule of years ending September 30:

Amort. Year	Actual and Expected Experience	Investment Gains/Losses	Assumption Changes	Total
2023	\$ (12,026)	\$ (200,432)	\$ 179,106	\$ (33,352)
2024	12,355	(171,287)	143,753	(15,179)
2025	19,193	(278,242)	126,713	(132,336)
2026	51,985	(320,125)	119,157	(148,983)
2027	36,899	-0-	59,577	96,476
Thereafter	-0-	-0-	-0-	-0-
Total	<u>\$ 108,406</u>	<u>\$ (970,086)</u>	<u>\$ 628,306</u>	<u>\$ (233,374)</u>

NOTE 10 - INTERFUND TRANSACTIONS

At September 30, 2022, interfund transfers consisted of the following:

	Transfers Out				Totals
	General	Capital Projects	Airport	Other	
Transfers In					
General	\$ 23,624	\$ 1,168,325	\$ -	\$ 432,000	\$ 1,623,949
Capital Projects	767,692	-	394,000	-	1,161,692
Airport	-	-	-	-	-
Other	138,923	-	-	-	138,923
Totals	<u>\$ 930,239</u>	<u>\$ 1,168,325</u>	<u>394,000</u>	<u>\$ 432,000</u>	<u>\$ 2,924,564</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due or to the general fund, and 2) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 11 - ECONOMIC DEVELOPMENT INCENTIVE OBLIGATIONS

The City in, in conjunction with the Industrial Development Board of the City of Bay Minette and the Baldwin County Economic Development Alliance enter into economic development incentive agreements with entities that propose to locate businesses within the city, or expand businesses within the City, which are expected to provide stimulus to the City's economy. These agreements provide for full or partial abatement of sales, use and/or property taxes, as well as other financial commitments. Property taxes are abated through reductions of assessed values. Sales and use taxes are abated either through exemptions granted on purchases for specified construction or equipment-purchase purposes or through tax rebate arrangements. The agreements have limited terms of duration and/or maximum thresholds.

CITY OF BAY MINETTE, ALABAMA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2022

NOTE 11 - ECONOMIC DEVELOPMENT INCENTIVE OBLIGATIONS, CONTINUED

As a result of these agreements the City expects to receive economic benefits including but not limited to increased revenue, job creation and job retention. These incentive agreements require approval by the Mayor and City Council and are pursuant to *Chapter 54A of Title 11 of the code of Alabama 1975, as amended and Chapter 9B of Title 40 of the Code of Alabama 1975, as amended*. Some agreements provide for the repayment to the City of abated amounts if the entity ceases to operate its business for a certain length of time, fails to produce and maintain a certain level of employment or fails to complete construction within a certain length of time.

The City does not collect property taxes. The Revenue Commissioner of Baldwin County is responsible for such collections.

Property taxes abated - fiscal year 2022 \$ 35,839

As authorized by Amendment 772 of the Constitution of Alabama, the City is party to a project agreement dated June 28, 2022 which landed Novelis at the MegaSite. The company agrees and commits to a cumulative capital investment of \$2,000,000,000 by December 31, 2026 and 800 project employees by December 31, 2027. In consideration of the Company undertaking the Project and the economic benefit to the City and local community, the City will provide \$5,000,000 in 3 installments with the initial installment of \$1,700,000 being paid on September 30, 2022.

NOTE 12 - CONTINGENCIES

The City is party to various legal proceedings which normally occur in governmental operations. The City's administration is of the opinion that these legal proceedings are not likely to have a material adverse impact on the City.

NOTE 13 - SUBSEQUENT EVENT

In March 2023, the City of Bay Minette issued General Obligation Warrants, Series 2023A and Series 2023B which will be used to fund the City's economic development incentive obligations and construction of a Justice Center. The warrants have a combined par amount of \$7,285,000 and interest rates ranging from 3.00% to 4.125%. The warrants mature in varying amounts from 2023 to 2053.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
MEASUREMENT PERIOD FISCAL YEAR ENDING SEPTEMBER 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability			
Service cost	\$ 431,066	\$ 337,912	\$ 341,421
Interest	982,065	921,470	894,829
Changes of benefit terms	-	248,832	-
Differences between expected and actual experience	405,904	(109,060)	(80,601)
Changes of assumptions	655,362	-	-
Benefit payments, including refunds of employee contributions	(848,596)	(756,788)	(708,332)
Transfers among employees	<u>2,916</u>	<u>190,491</u>	<u>(77,106)</u>
Net change in total pension liability	1,628,717	832,857	370,211
Total pension liability- beginning	<u>13,178,394</u>	<u>12,345,537</u>	<u>11,975,326</u>
Total pension liability- ending (a)	\$ 14,807,111	<u>\$ 13,178,394</u>	<u>\$ 12,345,537</u>
 Plan fiduciary net position			
Contributions- employer	\$ 313,353	\$ 304,759	\$ 265,757
Contributions- member	294,411	269,282	229,809
Net investment income	2,450,228	602,643	267,559
Benefit payments, including refunds of employee	(848,596)	(756,788)	(708,332)
Transfers among employers	<u>2,916</u>	<u>190,491</u>	<u>(77,106)</u>
Net change in plan fiduciary net position	2,212,312	610,387	(22,313)
Plan net position- beginning	<u>11,152,769</u>	<u>10,542,382</u>	<u>10,564,695</u>
Plan net position- ending (b)	<u>\$ 13,365,081</u>	<u>\$ 11,152,769</u>	<u>\$ 10,542,382</u>
Net pension liability (asset)- ending (a) - (b)	\$ 1,442,030	\$ 2,025,625	\$ 1,803,155
Plan fiduciary net position as a percentage of the total pension liability	90.26%	84.63%	85.39%
Covered payroll *	\$ 4,880,038	\$ 4,608,261	\$ 4,150,819
Net pension liability (asset) as a percentage of covered payroll	29.55%	43.96%	43.44%

* Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 313,301 862,397 -	\$ 328,279 829,790 -	\$ 290,849 807,960 -	\$ 302,046 799,426 -	\$ 304,693 764,445 -
(235,164) 64,244	78,050 -	(152,029) 368,655	(352,893) -	- -
(753,223) <u>219,458</u>	(636,044) <u>(120,757)</u>	(689,649) <u>(45,112)</u>	(594,167) <u>-</u>	(669,591) <u>-</u>
471,013	479,318	580,674	154,412	399,547
<u>11,504,313</u>	<u>11,024,995</u>	<u>10,444,321</u>	<u>10,289,909</u>	<u>9,890,362</u>
<u>\$ 11,975,326</u>	<u>\$ 11,504,313</u>	<u>\$ 11,024,995</u>	<u>\$ 10,444,321</u>	<u>\$ 10,289,909</u>
\$ 288,629 213,254 896,262	\$ 264,973 204,715 1,117,349	\$ 297,262 204,383 830,619	\$ 309,050 183,124 97,863	\$ 304,134 186,476 902,898
(753,223) <u>219,458</u>	(636,044) <u>(120,757)</u>	(689,649) <u>(45,112)</u>	(594,167) <u>(46,327)</u>	(669,591) <u>(30,814)</u>
864,380	830,236	597,503	(50,457)	693,103
<u>9,700,315</u>	<u>8,870,079</u>	<u>8,272,576</u>	<u>8,323,033</u>	<u>7,629,930</u>
<u>\$ 10,564,695</u>	<u>\$ 9,700,315</u>	<u>\$ 8,870,079</u>	<u>\$ 8,272,576</u>	<u>\$ 8,323,033</u>
\$ 1,410,631	\$ 1,803,998	\$ 2,154,916	\$ 2,171,745	\$ 1,966,876
88.22%	84.32%	80.45%	79.21%	80.89%
\$ 3,954,494	\$ 3,865,538	\$ 3,832,383	\$ 3,625,607	\$ 3,742,347
35.68%	46.67%	56.23%	59.90%	52.56%

**CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEAR ENDING SEPTEMBER 30,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution*	\$ 361,944	\$ 334,306	\$ 304,735
Contributions in relation to the actuarially determined contribution*	<u>361,944</u>	<u>334,306</u>	<u>304,735</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 5,495,140	\$ 4,880,038	\$ 4,608,261
Contributions as a percentage of covered employee payroll	6.58%	6.85%	6.61%

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments.

** Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll).

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

Methods and assumption used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	12.7 years
Asset valuation method	Five year smoothed market
Inflation	2.75
Salary increases	3.25 - 5.00%, including inflation

Investment rate of return 7.70%, net of pension plan investment expense, including inflation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 284,893	\$ 288,685	\$ 285,428	\$ 312,428	\$ 320,603
<u>284,893</u>	<u>288,685</u>	<u>285,428</u>	<u>312,428</u>	<u>320,603</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,150,819	\$ 3,954,494	\$ 3,865,538	\$ 3,832,383	\$ 3,625,607
6.87%	7.30%	7.38%	8.15%	8.84%

City of Bay Minette, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund - Budget and Actual
For the Year Ended September 30, 2022

	Budget		Actual	
	Original	Final	Budgetary	Variance
			Basis	
Revenues:				
Taxes	\$ 7,690,850	\$ 8,085,650	\$ 8,349,326	\$ 263,676
Licenses and Permits	1,311,500	1,402,750	1,459,779	57,029
Fines and Forfeitures	895,000	725,000	716,157	(8,843)
Investment Income	950	1,750	4,433	2,683
Rent Income	8,500	13,500	27,849	14,349
Services and Miscellaneous	1,586,100	2,751,875	2,845,165	93,290
Total Revenues	\$ 11,492,900	\$ 12,980,525	\$ 13,402,709	\$ 422,184
Expenditures				
Current:				
General Government	\$ 2,685,433	\$ 3,080,936	\$ 2,978,566	\$ (102,370)
Economic Development			1,700,000	1,700,000
Public Safety	3,628,902	3,977,070	3,913,434	(63,636)
Public Works	2,682,447	2,650,917	2,580,098	(70,819)
Culture and Recreation	951,413	983,977	1,024,524	40,547
Airport			-	-
Capital Expenditures			-	-
and Capital Transfers	350,000	350,000	476,772	126,772
Reserve	36,000	778,920	778,920	-
Debt Service:			-	-
Principal	1,100,000	1,100,000	1,148,686	48,686
Interest on Long-Term Debt	58,705	58,705	97,632	38,927
Total Expenditures	\$ 11,492,900	\$ 12,980,525	\$ 14,698,632	\$ 1,718,107
Excess of				
Expenditures over Revenues	\$ -	\$ -	<u>\$ (1,295,923)</u>	

The Notes are an Integral Part of These Financial Statements

OTHER SUPPLEMENTARY INFORMATION

CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number
U.S. Department of Justice -		
Edward Byrne Memorial		
Justice Assistance Grant	16.738	Unavailable
Bulletproof Vest		
Partnership Program	16.607	Unavailable
U.S. Department of Treasury -		
Passed through the Alabama Department		
of Finance:		
Coronavirus State and Local		
Fiscal Recovery Fund	21.027	Unavailable
U.S. Department of Transportation -		
Passed through the Alabama Department		
of Transportation:		
Airport Improvement Program	20.106	A.I.P. 3-01-0012-017-2020
Airport Improvement Program	20.106	A.I.P. 3-01-0012-021-2022
U.S. Department of Justice -		
Passed through the Alabama Department		
of Economic and Community Development:		
Edward Byrne Memorial		
Justice Assistance Grant	16.738	Unavailable
U.S. Department of Health		
and Human Services -		
Passed through the South Alabama		
Regional Planning Commission:		
Special Programs for the Aging, Title III	93.043	Unavailable
Institute of Museum and Library Services -		
Passed through the Alabama Public		
Library Service:		
LSTA Grants to States	45.310	21-ARPA-21-1
Grants to States Libraries	45.310	LS-252411-OLS-22
U.S. Department of Homeland Security-		
Federal Emergency Management Agency		
Passed through the Alabama		
Emergency Management Agency:		
Disaster Assistance	97.036	Unavailable

<u>Assistance Period</u>	<u>Recognized</u>	<u>Expenditures</u>
10/01/2021-09/30/2022	\$ 3,000	\$ 3,000
10/01/2021-09/30/2022	\$ 1,785	\$ 1,785
10/01/2021-09/30/2022	\$ 830,498	\$ 830,498
10/01/2021-09/30/2022	\$ 103,140	\$ 103,140
10/01/2021-09/30/2022	<u>77,698</u>	<u>77,698</u>
	\$ 180,838	\$ 180,838
10/01/2021-09/30/2022	\$ 18,722	\$ 18,722
10/01/2021-09/30/2022	\$ 17,349	\$ 17,349
10/01/2021-09/30/2022	\$ 4,089	\$ 4,089
10/01/2021-09/30/2022	<u>10,000</u>	<u>10,000</u>
	\$ 14,089	\$ 14,089
10/01/2021-09/30/2022	<u>\$ 2,019</u>	<u>\$ 2,019</u>
	<u>\$ 1,068,300</u>	<u>\$ 1,068,300</u>

The Notes are an Integral Part of These Financial Statements

CITY OF BAY MINETTE, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FISCAL YEAR ENDING SEPTEMBER 30, 2022

Note 1 - Significant Accounting Policies

- A. **Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance).
1. **Federal Awards** - According to the Single Audit Act Amendments of 1996 (Public Law 104-156) and the Uniform Guidance, Federal Awards consist of Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.
 2. **Federal Financial Assistance** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and the Uniform Guidance, Federal financial assistance is defined as assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 3. **Major Programs** - A risk-based approach to determine which Federal programs are major programs is required. Federal programs are classified as either Type A or Type B programs. The dollar threshold used to distinguish between Type A and Type B programs is \$750,000.
 4. **Indirect Costs** - The City has not elected to use the 10% de minimus indirect cost rule under Uniform Guidance.
- B. **Basis of Accounting** - 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 information presented in the Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred except for: (1) inventories of materials and supplies which are considered expenditures when consumed; (2) principal and interest on long-term debts which is generally recognized when due.

ADDITIONAL INFORMATION

KUBINA, HAYLES & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 970 • 2100 HAND AVENUE

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GEORGE A. HAYLES, C.P.A.

HANNAH B. RAY, C.P.A.

MEMBERS
ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
Of the City Council of the
City of Bay Minette, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bay Minette, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively compose the City of Bay Minette, Alabama's basic financial statements and have issued our report thereon dated March 15, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bay Minette, Alabama's financial statements are free of 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*.

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.

Kubina, Hayles & Associates, P.C.

KUBINA, HAYLES & ASSOCIATES, P.C.
Bay Minette, Alabama
March 15, 2023

KUBINA, HAYLES & ASSOCIATES, P.C.

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
Of the City Council of the
City of Bay Minette, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements identified as subject to audit 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 programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major



federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Kubina, Hayles & Associates, P.C.

KUBINA, HAYLES & ASSOCIATES, P.C.
Bay Minette, Alabama
March 15, 2023

**CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of the City of Bay Minette, Alabama.
2. No material weaknesses were identified relative to internal control over financial reporting.
3. No significant deficiencies identified that are not considered to be material weaknesses are reported relative to internal control over financial reporting.
4. No instances of noncompliance material to the consolidated financial statements of the City of Bay Minette, Alabama were noted.
5. No material weaknesses were identified relative to internal control over major programs.
6. No significant deficiencies identified that are not considered to be material weaknesses are reported relative to internal control over major programs.
7. The auditors' report on compliance for the major federal programs for the City of Bay Minette, Alabama expresses an unqualified opinion.
8. No audit findings are disclosed that are required to be reported in accordance with the Uniform Guidance.
9. The program tested as a major program was:

Coronavirus State and Local Fiscal Recovery Funds
Assistance Listing #21.027
10. The threshold for distinguishing Type A and B programs was \$750,000.
11. The City of Bay Minette, Alabama was determined to be a low-risk auditee.

**CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

B. FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT

None Identified

C. FINDINGS AND QUESTIONED COST - MAJOR FEDERAL AWARDS PROGRAM

None Identified