

CITY OF RAINBOW CITY, ALABAMA
Rainbow City, Alabama

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**
September 30, 2023

City Council and Executive Personnel

City Council

Anita Bedwell	Place 1
Randy Vice	Place 2
Jeff Prince	Place 3
Jameson Jenkins	Place 4
Clark Hopper	Place 5

Executive Personnel

Joe Taylor	Mayor
Beth Lee	City Clerk
Jim Turnbach, Attorney at Law	City Attorney

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**MDA PROFESSIONAL
GROUP, P.C.**
MISSION DRIVEN ADVISORS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Rainbow City, Alabama
Rainbow City, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rainbow City, Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rainbow City, Alabama, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

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

Honorable Mayor and City Council
City of Rainbow City, Alabama

Emphasis of Matter (Continued)

These primary government financial statements do not include financial data for the City of Rainbow City, Alabama's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Rainbow City, Alabama, as of September 30, 2023, the changes in its financial position, or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the City of Rainbow City, Alabama, as of and for the year ended September 30, 2023, and our report thereon, dated March 25, 2024, expressed unmodified opinions on those financial statements.

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 of Rainbow City, Alabama'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 of Rainbow City, Alabama's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the pension related schedules on pages 43 – 48 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.

Honorable Mayor and City Council
City of Rainbow City, Alabama

Required Supplementary Information (Continued)

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rainbow City, Alabama's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of the City of Rainbow City, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rainbow City, Alabama's internal control over financial reporting and compliance.

MDA Professional Group, P.C.

Gadsden, Alabama
March 25, 2024

BASIC FINANCIAL STATEMENTS

CITY OF RAINBOW CITY, ALABAMA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government <u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 27,926,139
Certificates of Deposit	3,125,703
Accounts Receivable, Net	2,424,734
Prepaid Expenses	101,021
Deposits	54,549
Capital Assets, Not Being Depreciated	16,901,274
Capital Assets, Net of Accumulated Depreciation/Amortization	<u>23,042,629</u>
Total Assets	<u>73,576,049</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferrals	<u>3,042,625</u>
LIABILITIES	
Accounts Payable	104,988
Other Accrued Liabilities	342,863
Accrued Interest	211,770
Noncurrent Liabilities:	
Net Other Postemployment Benefit Obligation	634,278
Net Pension Liability	3,557,755
Due within one year	903,014
Due in more than one year	<u>16,835,033</u>
Total Liabilities	<u>22,589,701</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferrals	842,274
Unexpended Grants	<u>1,228,016</u>
Total Deferred Inflows of Resources	<u>2,070,290</u>
NET POSITION	
Net Investment in Capital Assets	22,569,561
Restricted:	
Street Maintenance and Improvements	156,339
Debt Service	153,410
Fire Protection	674,597
Court-Related Expenses	59,379
Unrestricted	<u>28,345,397</u>
Total Net Position	<u>\$ 51,958,683</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

CITY OF RAINBOW CITY, ALABAMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Expenses	Program Revenues			Net (Expenses)
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position Total Governmental Activities
Governmental Activities:					
General Government	\$ 2,943,044	\$ 54,685	\$ -	\$ -	\$ (2,888,359)
Police	2,820,506	5,082	42,524	-	(2,772,900)
Animal Control	773,157	28,662	29,997	-	(714,498)
Fire	2,258,939	9,340	-	-	(2,249,599)
Library	497,247	7,104	36,846	-	(453,297)
Parks and Recreation	1,053,759	29,559	-	-	(1,024,200)
Streets and Sanitation	2,891,530	535,291	23,963	-	(2,332,276)
Court	146,052	-	-	-	(146,052)
Interest and Fiscal Charges	833,601	-	-	-	(833,601)
Total Governmental Activities	14,217,835	669,723	133,330	-	(13,414,782)
Total Primary Government	\$ 14,217,835	\$ 669,723	\$ 133,330	\$ -	(13,414,782)
General Revenues:					
Taxes:					
Sales Tax					9,833,190
Wine Tax					7,551
Tobacco Tax					8,910
Occupational Tax					2,779,982
Ad Valorem Tax					736,161
Liquor Tax					16,988
Gasoline Tax					132,400
Licenses and Permits					1,840,246
Intergovernmental					1,161,398
Fines and Forfeitures					218,833
Interest Income					681,259
Miscellaneous					86,836
Other Income					40,120
Gain on Sale of Capital Assets					49,948
Total General Revenues					17,593,822
Change in Net Position					4,179,040
Net Position - Beginning of Year					47,779,643
Net Position - End of Year					\$ 51,958,683

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

CITY OF RAINBOW CITY, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 26,815,917	\$ 1,110,222	\$ 27,926,139
Certificates of Deposit	3,125,703	-	3,125,703
Accounts Receivable, Net	2,388,898	35,836	2,424,734
Due From Other Funds	96,497	26,400	122,897
Deposits	54,549	-	54,549
Total Assets	\$ 32,481,564	\$ 1,172,458	\$ 33,654,022
LIABILITIES			
Accounts Payable	\$ 104,988	\$ -	\$ 104,988
Accrued Expenses	322,550	-	322,550
Due to Other Funds	-	122,897	122,897
Other Liabilities	14,477	5,836	20,313
Total Liabilities	442,015	128,733	570,748
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Property Taxes	501,486	-	501,486
Unavailable Revenues - Unexpended Grants	1,228,016	-	1,228,016
Total Deferred Inflows of Resources	1,729,502	-	1,729,502
Fund Balances			
Nonspendable	54,549	-	54,549
Restricted for:			
Fire Protection Expenses	-	674,597	674,597
Debt Service	-	153,410	153,410
Street Maintenance and Improvements	-	156,339	156,339
Court-Related Expenses	-	59,379	59,379
Unassigned	30,255,498	-	30,255,498
Total Fund Balance	30,310,047	1,043,725	31,353,772
Total Liabilities and Fund Balances	\$ 32,481,564	\$ 1,172,458	\$ 33,654,022

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

CITY OF RAINBOW CITY, ALABAMA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 31,353,772
Prepaid expenses are reported as expenditures in the governmental funds when paid and, therefore are not reported as assets in the governmental funds balance sheet.	101,021
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	39,943,903
The City's property taxes will be collected after year-end but are not available soon enough to pay for current year expenditures and, therefore, and deferred in the funds.	501,486
Pension plan related deferred outflows and inflows of resources are not financial resources and, therefore, not reported in the funds.	2,200,351
Long-term liabilities including compensated absences, notes payable and related accrued interest payable, net pension liabilities, and net other post employment benefit obligations, are not due and payable in the current period, and therefore, not reported in the funds.	<u>(22,141,850)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 51,958,683</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

CITY OF RAINBOW CITY, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES			
Sales Tax	\$ 9,833,190	\$ -	\$ 9,833,190
Wine Tax	7,551	-	7,551
Tobacco Tax	8,910	-	8,910
Occupational Tax	2,779,982	-	2,779,982
Ad Valorem Tax	604,652	-	604,652
Liquor Tax	16,988	-	16,988
Gasoline Tax	132,400	271,850	404,250
Licenses and Permits	1,840,246	-	1,840,246
Intergovernmental	550,127	442,754	992,881
Fines and Forfeitures	179,915	38,918	218,833
Miscellaneous	598,921	169,056	767,977
Charges for Services	699,838	-	699,838
	<u>17,252,720</u>	<u>922,578</u>	<u>18,175,298</u>
EXPENDITURES			
General Government	2,933,381	-	2,933,381
Police	2,462,838	-	2,462,838
Animal Control	379,293	-	379,293
Fire	2,388,218	92,681	2,480,899
Library	421,467	-	421,467
Parks and Recreation	911,569	-	911,569
Streets and Sanitation	1,882,239	-	1,882,239
Court	-	44,969	44,969
Capital Outlay	1,838,122	1,162,563	3,000,685
Funding Agreements - Utilities Board	376,464	-	376,464
Debt Service	-	1,348,958	1,348,958
	<u>13,593,591</u>	<u>2,649,171</u>	<u>16,242,762</u>
Excess of Revenues Over (Under) Expenditures	<u>3,659,129</u>	<u>(1,726,593)</u>	<u>1,932,536</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Sale of Capital Assets	98,792	-	98,792
Insurance Recoveries	40,120	-	40,120
Proceeds From Issuance of Long-Term Debt	-	15,450,376	15,450,376
Transfers To Other Funds	(250,000)	(14,214,806)	(14,464,806)
Transfers From Other Funds	14,214,806	250,000	14,464,806
	<u>14,103,718</u>	<u>1,485,570</u>	<u>15,589,288</u>
Net Change in Fund Balances	17,762,847	(241,023)	17,521,824
FUND BALANCES - Beginning of Year	<u>12,547,200</u>	<u>1,284,748</u>	<u>13,831,948</u>
FUND BALANCES - End of Year	<u>\$ 30,310,047</u>	<u>\$ 1,043,725</u>	<u>\$ 31,353,772</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

CITY OF RAINBOW CITY, 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, 2023

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 17,521,824

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

Capital Outlay	\$	3,000,685	
Depreciation and Amortization Expense		(1,043,757)	
Gain on Disposal of Capital Assets		<u>(48,845)</u>	1,908,083

The proceeds received from notes payable and other debt provide current financial sources to governmental funds, while the repayment of the principal of notes payable and other debt consumes the current financial resources of governmental funds.

Proceeds from Issuance of Long-Term Debt	\$	(15,450,376)	
Amortization of Bond Premiums		5,130	
Change in Accrued Interest		(206,706)	
Principal Repayments of Debt		<u>716,933</u>	(14,935,019)

In the statement of activities, some expenses are accrued, whereas in the governmental funds, the expenses are not reported until they are paid. Also, some expenses that relate to a future period are recorded as prepaid expense and are expensed in the statement of activities in the period to which these expenses relate, whereas in governmental funds, the expenditure is reported when paid. This is the amount by which accrued expenses and prepaid expenses changed during the year.

Prepaid Expenses	\$	(109,426)	
Pension Expense		(289,312)	
OPEB Expense		6,190	
Compensated Absences		<u>(54,809)</u>	(447,357)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 131,509

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 4,179,040

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Rainbow City, Alabama (the City) operates under an elected Mayor/Council form of government. The City's major operations include public safety, sanitation, parks and recreation, library, maintenance and improvement of streets and roads, and general administrative services.

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

Reporting Entity

The reporting entity is comprised of the primary government, component units (the Utilities Board of Rainbow City and the Commercial Development Authority of Rainbow City), and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

The Commercial Development Authority of Rainbow City, Alabama (Authority), although a separate legal entity, is considered to be a blended component unit of the City because of its close relation to and financial integration with the City. These financial statements include the financial data of the Authority that is necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

The Utilities Board of Rainbow City (Board), although a separate legal entity, is considered to be a discretely presented component unit of the City because of the financial benefit/burden relationship that exists resulting from funding agreements entered into with the Board during the City's fiscal year ended September 30, 2014 (see Note 13 to these financial statements for additional details). These financial statements do not include the financial data of the Board that is necessary for reporting in conformity with accounting principles generally accepted in the United States of America. Separate financial statements issued by the Board can be obtained at their offices located at 1540 Sutton Bridge Road, Rainbow City, Alabama.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government of the City. All of the City's activities are considered to be governmental-type activities which are normally supported primarily by taxes and intergovernmental revenues. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operation and/or capital requirements of a particular program. Taxes and other items not properly included in program revenues are reported instead as general revenues.

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are normally presented for governmental and proprietary activities. Since all of the City's primary government activities are considered to be governmental in nature, however, only statements from governmental activities are presented herein. These statements present each major fund as a separate column on the fund financial statements with all non-major funds aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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 (i.e., when they are "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. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the fiscal period. Expenditures generally are recorded when the related fund liability is incurred, as in accrual accounting. However, debt service expenditures are recognized only when payment is due. Certain compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Proceeds of general long-term debt and acquisitions under finance leases are reported as other financing sources.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes, sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other taxes and receipts become measurable when cash is received by the City and are recognized as revenue at that time. Shared revenues and entitlements are recorded at the time of receipt or earlier if the accrual criteria are met.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental fund:

General Fund - The general fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

The City also reports nonmajor governmental funds consisting of the Street Improvement Fund, Cash Bond Fund, Debt Service Fund, Court Training Fund, Judicial Administration Fund, Fire Protection Fund, and the Corrections Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Auditing Standards Board (GASB).

During the course of normal operations, the City has numerous transactions between funds to provide services, to pay debt, etc. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the reimbursing fund and as reductions of the expenditure in the fund reimbursed. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed, except in the case of grant monies which are used for their required purpose. When an expenditure could be used, it is the practice of the City that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts. However, no formal policy regarding the order in which resources are used has been approved by the City.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET POSITION

Cash and Cash Equivalents

Cash and cash equivalents of all funds include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are made only in fully secured certificates of deposit and in times deposits without risk of loss due to market conditions. Investments are stated at cost which approximates fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These transactions are recorded by all funds affected in the period in which the transactions are executed and are classified as “due to and from other funds”. Interfund receivables and payables between funds and the resulting effects on revenues and expenses within the governmental activities are eliminated in the statement of net position and the statement of activities.

Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed, or estimated historical cost if inadequate records were available to determine the actual cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Leasehold Improvements	25 years
Vehicles	10 years
Machinery and Equipment	10-15 years
Furniture and Equipment	10 years
Land improvements	40 years
Library	25 years
Infrastructure	20-40 years
Right-of-use Assets	5-10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet – governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. These items are the differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on plan investments, and employer contributions subsequent to the measurement date, and all are reported only in the governmental activities statement of net position.

In addition to liabilities, the statement of net position and/or balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of items which qualify for reporting in this category. One item, which arises only under a modified accrual basis of accounting, is the unavailable property tax revenue and is reported only in the governmental funds balance sheet. The other two items are the unexpended grants and differences between expected and actual experience, and they are reported only in the governmental activities statement of net position. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees can earn annual vested vacation leave based on years of service as follows:

	Police Officers & <u>Dispatchers (A)</u>	Fire <u>Department (B)</u>	All Others <u>(Full-Time) (C)</u>
After completion of 1 year	5 days	3 days	5 days
After completion of 2 years	10 days	6 days	10 days
After completion of 5 years	15 days	9 days	15 days
After completion of 10 years	20 days	12 days	20 days
After completion of 15 years	25 days	15 days	25 days

(A) 12 hour days - all except chief, detectives, and school resource officers (1 week = 5 days = 60 hours)

(B) 24 hour days - all except chief (1 week = 3 days = 72 hours)

A maximum of 2 weeks unused earned vacation leave may be carried over from year to year, however, no employee may accrue more than 7 weeks of vacation leave at any given time. All eligible employees can “sell” back annual vacation leave. A minimum of one shift can be sold up to a maximum of two weeks. A week for this purpose shall be defined as:

- Fifty-six (56) hours per week for the fire department (except fire chief and fire marshal)
- Forty-two (42) hours per week for the police department (except fire chief, detectives, and school resource officers)
- Forty (40) hours per week for all other eligible employees

Sick leave is earned at the rate of one shift for each month in which the employee actually works, to a maximum of 120 “days” (see above). At the option of the employee, unused sick leave may be “sold” in the months of March and October each year in increments of shifts or workdays at a maximum of 1 “week” as defined above regarding “sold” vacation pay. Upon separation from service, any full-time employee who is age 60 or older with at least 10 years service or who has completed 25 years of service regardless of age is eligible to (1) use all accrued sick leave days as membership service in determining the total years of creditable service in the Employees Retirement System of Alabama (RSA), or (2) receive payment for a maximum of 2 “weeks” (80 hours for 40 hour week employees, 120 hours for 42 hour week employees, and 240 hours for 56 hour week employees as defined above regarding “sold” vacation pay) with the option to use 100 percent of any remaining balance toward RSA creditable service as discussed above or receive payment for 50 percent of their remaining balance.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as gains/losses on refundings, are deferred and amortized ratably over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

Pensions

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

Equity Classifications

Government-wide statements - Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and outstanding balances of any bonds, mortgages, notes or other debt attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund equity is reported in the fund financial statements as fund balance. The following classifications of fund balance are reported in the fund financial statements:

- a) Nonspendable - This classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained intact.
- b) Restricted - This classification includes amounts that have constraints placed on the use of resources imposed either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) by law through constitutional provisions or enabling legislation.
- c) Committed - This classification includes amounts that can only be used for specific purposes. It is the practice of the City to present assets in this classification pursuant to constraints imposed by formal action of the Council before the end of the fiscal year, and require the same level of formal action to remove the constraint. However, no formal policy regarding this action has been approved by the City. No amounts were committed as of September 30, 2023.
- d) Assigned - This classification includes amounts that are intended to be used for specific purposes but are neither restricted nor committed. It is the practice of the City to allow the City Council to make a determination of the assigned amounts of fund balance, and also to allow the City Council to remove the constraints. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. No formal policy regarding the assignment of fund balances to this classification has been approved by the City. No amounts were reported as assigned as of September 30, 2023.
- e) Unassigned - This classification is the residual classification for the general fund, and represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Use of Estimates in Preparation of Financial Statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The City is exposed to normal business risk in the course of operations. Commercial insurance is purchased by the City to cover any normal, insurable loss up to policy limits. During the past three years, there have been no losses which exceeded insured amounts.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 25, 2024, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Formal integration of budgets is used as a management control device during the year for the General Fund and the Special revenue funds. The Mayor and Council approve, by ordinance, total budget appropriations only. The City is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Council. Unused appropriations for all the annually budgeted funds lapse at the end of the fiscal year.

Budgets are prepared by the City of Rainbow City, Alabama on the cash basis. Any differences between budgeted and actual amounts are deemed to be timing differences and immaterial in nature.

Encumbrance amounts are not utilized by the City.

Deficit Fund Equity

The Corrections Fund ended with a deficit fund balance in the amount of \$12,892 as of September 30, 2023.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

The City's deposits were covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program ("SAFE Program"). The SAFE Program was established by the Alabama legislature and is governed by provisions of Alabama law contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, which is mandatory, each qualified public depository (QPD) holding deposits of public funds must pledge securities as collateral against those deposits.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by FDIC insurance. If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. All deposits of the City are held in a certified QPD.

At September 30, 2023, the carrying amounts of the City's deposits with one financial institution were \$31,010,749.

Investments

The City had the following investments:

Certificates of deposit held in the General Fund with a balance of \$3,125,703 at September 30, 2023, which were covered by federal depository insurance or the SAFE Plan enacted by the State of Alabama.

At September 30, 2023, the City had the following investments held by a trustee:

Money Market Mutual Funds comprised of US Treasury Instruments in the Debt Service Fund with a balance of \$153,410 and a weighted average maturity of forty-one days.

Interest rate risk – The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit risk – State statutes limit the City's investment to U.S Treasury obligations, State of Alabama and Alabama County obligations, and obligations of Alabama municipalities. At September 30, 2023, the City's investments consisted solely of Fidelity Investments Money Market Treasury Only Portfolio Class III.

Custodial credit risk – This is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. At September 30, 2023, the City's investment consisted solely of U.S. Treasury Securities held by one financial institution.

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 4 – RECEIVABLES

Receivables reported in the governmental funds balance sheet at September 30, 2023, consisted of the following:

	General Fund	Nonmajor Funds	Total
Taxes -			
Sales	\$ 873,699	\$ -	\$ 873,699
Ad Valorem	761,776	-	761,776
Occupational	613,830	-	613,830
Gasoline (Local)	9,918	-	9,918
Liquor and Wine	1,882	-	1,882
Intergovernmental -			
Motor Vehicle Licenses	3,644	-	3,644
Sales Tax	2,731	-	2,731
Beverage Tax	2,358	-	2,358
Etowah County Sales Tax	3,047	-	3,047
Financial Institutes Excise Tax	19,915	-	19,915
Fire Protection Tax	-	6,474	6,474
Gasoline Taxes	-	29,250	29,250
Charges for Services -			
Sanitation Fees	96,098	-	96,098
Miscellaneous -			
Overpayments to Vendors	-	112	112
	<u>\$ 2,388,898</u>	<u>\$ 35,836</u>	<u>\$ 2,424,734</u>

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in the City's capital asset activity for the year ended September 30, 2023:

	(As Restated)			
	Balance October 1, 2022	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2023
Land	\$ 8,250,286	\$ 432,091	\$ 34,720	\$ 8,647,657
Construction in Progress	7,104,345	1,517,430	368,158	8,253,617
Total Capital Assets, not Being Depreciated	<u>15,354,631</u>	<u>1,949,521</u>	<u>402,878</u>	<u>16,901,274</u>
Buildings	6,995,118	-	-	6,995,118
Leasehold Improvements	140,305	18,751	-	159,056
Vehicles	4,640,256	361,287	159,893	4,841,650
Machinery and Equipment	8,470,381	129,426	-	8,599,807
Furniture and Equipment	36,048	52,949	-	88,997
Land Improvements	784,930	-	-	784,930
Library	1,308,421	-	-	1,308,421
Infrastructure	17,636,122	666,737	-	18,302,859
Right-of-use Assets	<u>798,996</u>	<u>190,171</u>	<u>-</u>	<u>989,167</u>
Total Capital Assets Being Depreciated	<u>40,810,577</u>	<u>1,419,321</u>	<u>159,893</u>	<u>42,070,005</u>
Less Accumulated Depreciation and Amortization for:				
Buildings	2,069,370	89,047	-	2,158,417
Leasehold Improvements	50,549	4,827	-	55,376
Vehicles	4,340,430	67,225	145,769	4,261,886
Machinery and Equipment	6,662,067	148,041	-	6,810,108
Furniture and Equipment	2,041	7,063	-	9,104
Land Improvements	199,287	19,624	-	218,911
Library	1,177,579	52,337	-	1,229,916
Infrastructure	3,360,581	556,227	-	3,916,808
Right-of-use Assets	<u>267,484</u>	<u>99,366</u>	<u>-</u>	<u>366,850</u>
	<u>18,129,388</u>	<u>1,043,757</u>	<u>145,769</u>	<u>19,027,376</u>
Total Capital Assets Being Depreciated - Net	<u>22,681,189</u>	<u>375,564</u>	<u>14,124</u>	<u>23,042,629</u>
Governmental Activities, Capital Assets - Net	<u>\$ 38,035,820</u>	<u>\$ 2,325,085</u>	<u>\$ 417,002</u>	<u>\$ 39,943,903</u>

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the primary government for the year ended September 30, 2023 as follows:

General Government	\$ 73,817
Police	123,062
Library	64,202
Parks and Recreation	115,832
Fire	68,872
Street and Sanitation	<u>597,972</u>
 Total Depreciation and Amortization - Governmental Activities Expense	 <u><u>\$ 1,043,757</u></u>

Construction in progress at September 30, 2023, consisted of the following:

	(As Restated)			Balance 9/30/23
	Balance 9/30/22	Additions	Deletions	
Vivian Lee Maddox Sports Complex	\$ 8,797	\$ -	\$ 8,797	\$ -
Horton Creek Drainage Improvements	267,844	-	-	267,844
Electrical Wiring on Property for Proposed Fire Station	9,954	-	9,954	-
Etowah Co. Mega Sports Complex Property	5,046,632	230,430	-	5,277,062
Lumley Road Widening Project	346,658	6,000	-	352,658
Pickleball Courts at Rainbow Estates	122,831	11,451	134,282	-
Steel Station Road Widening Project	215,125	-	215,125	-
Kinzie Lane Sidewalk and Pedestrian Lighting Project	-	325,954	-	325,954
US 411/SR-77 Improvements Project	-	86,659	-	86,659
Pierce 107' Ascendent Ladder Truck	1,086,504	-	-	1,086,504
Microsurfacing Project - Various Roads	-	856,936	-	856,936
	<u>\$ 7,104,345</u>	<u>\$ 1,517,430</u>	<u>\$ 368,158</u>	<u>\$ 8,253,617</u>

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 6 – DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds are as follows:

Property Taxes Receivable (General Fund)	\$	501,486
Unexpended Grants (American Rescue and Fire Protection Funds)		<u>1,228,016</u>
	\$	<u><u>1,729,502</u></u>

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances for the year ended September 30, 2023, are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Fire Protection Tax Fund	\$ 96,497	\$ -
Judicial Admin Fund		
Corrections Fund	26,400	-
Fire Protection Fund		
General Fund	-	96,497
Corrections Fund		
Judicial Admin Fund	<u>-</u>	<u>26,400</u>
	<u>\$ 122,897</u>	<u>\$ 122,897</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers (all operating) for the year ended September 30, 2023, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Debt Service Fund	\$ 14,101,418	\$ -
Street Improvement Fund	-	250,000
Fire Protection Tax Fund	113,388	
Street Improvement Fund		
General Fund	250,000	-
Fire Protection Tax Fund		
General Fund	-	113,388
Debt Service Fund		
General Fund	-	<u>14,101,418</u>
	<u>\$ 14,464,806</u>	<u>\$ 14,464,806</u>

Transfers are used to move revenues from the fund that collects them to the fund that expends them (in this case, for payments of principal, interest, and related fees on long-term debt).

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 8 – LONG-TERM DEBT

The following is a summary of changes in the City's long-term liability activity for the year ended September 30, 2023:

Governmental Activities	Interest Rate	(As Restated)			9/30/23	Amounts Due Within 1 Year
		9/30/22	Additions	Reductions		
Warrants and Notes Payable						
Exchange Bank	3.85%	\$ 708,638	\$ -	\$ 555,582	\$ 153,056	\$ 153,056
Series 2023 GOW	5.00%	-	15,015,000	-	15,015,000	235,000
Etowah County Mega Sports	0.00%	147,875	-	-	147,875	147,875
		<u>856,513</u>	<u>15,015,000</u>	<u>555,582</u>	<u>15,315,931</u>	<u>535,931</u>
Leases						
PNC Bank - Fire Truck	3.72%	416,488	-	99,657	316,831	101,777
PNC Bank - Fire Truck	3.86%	1,086,504	-	-	1,086,504	203,354
Caterpillar Financial	2.99%	39,597	-	11,778	27,819	12,104
Caterpillar Financial	2.99%	21,319	-	6,174	15,145	6,320
Santander Bank, NA	6.25%	-	190,171	39,710	150,461	34,265
Ricoh USA, Inc.	2.50%	13,837	-	4,031	9,806	4,133
		<u>1,577,745</u>	<u>190,171</u>	<u>161,350</u>	<u>1,606,566</u>	<u>361,953</u>
Other						
Bond Premiums		-	245,205	5,130	240,075	5,130
Compensated Absence		520,666	54,809	-	575,475	-
		<u>520,666</u>	<u>54,809</u>	<u>-</u>	<u>575,475</u>	<u>-</u>
Total Long-Term Debt		<u>\$ 2,954,924</u>	<u>\$ 15,505,185</u>	<u>\$ 722,062</u>	<u>\$ 17,738,047</u>	<u>\$ 903,014</u>

Annual debt service requirements to maturity for warrants and notes payable are as follows:

Fiscal Year Ending September 30	Principal	Interest	Totals
2024	\$ 535,931	\$ 675,955	\$ 1,211,886
2025	245,000	660,169	905,169
2026	260,000	643,617	903,617
2027	270,000	626,294	896,294
2028	285,000	612,419	897,419
2029 - 2033	1,660,000	2,827,220	4,487,220
2034 - 2038	2,135,000	2,357,695	4,492,695
2039 - 2043	2,645,000	1,844,920	4,489,920
2044 - 2048	3,245,000	1,239,126	4,484,126
2049 - 2053	4,035,000	456,641	4,491,641
	<u>\$ 15,315,931</u>	<u>\$ 11,944,056</u>	<u>\$ 27,259,987</u>

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9 – LEASES

During July 2019, the City entered into a seven-year lease agreement as lessee for the acquisition of equipment. An initial lease liability was recorded in the amount of \$688,723. As of September 30, 2023, the value of the lease liability was \$316,831. The City is required to make monthly principal and interest payments of \$113,563. The lease has an interest rate of 3.72%. The equipment has a ten-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$401,755 and had accumulated amortization of \$286,968.

During December 2020, the City entered into a five-year lease agreement as lessee for the acquisition of equipment. An initial lease liability was recorded in the amount of \$59,121. As of September 30, 2023, the value of the lease liability was \$27,819. The City is required to make monthly principal and interest payments of \$1,069. The lease has an interest rate of 3.262%. The equipment has a ten-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$30,546 and had accumulated amortization of \$28,575.

During December 2020, the City entered into a five-year lease agreement as lessee for the acquisition of equipment. An initial lease liability was recorded in the amount of \$30,816. As of September 30, 2023, the value of the lease liability was \$15,145. The City is required to make monthly principal and interest payments of \$561. The lease has an interest rate of 3.511%. The equipment has a ten-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$15,922 and had accumulated amortization of \$14,895.

During January 2021, the City entered into a five-year lease agreement as lessee for the acquisition of equipment. An initial lease liability was recorded in the amount of \$20,336. As of September 30, 2023, the value of the lease liability was \$9,806. The City is required to make monthly principal and interest payments of \$361. The lease has an interest rate of 2.50%. The equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$1,356 and had accumulated amortization of \$18,980.

During May 2022, the City entered into a six-year lease agreement as lessee for the acquisition of equipment. An initial lease liability was recorded in the amount of \$1,086,504. As of September 30, 2023, the value of the lease liability was \$1,086,504. The City is required to make monthly principal and interest payments of \$242,497. The lease has an interest rate of 3.86%. The equipment has a ten-year estimated useful life. The equipment was still as construction-in-progress as of the end of the current fiscal year.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9 – LEASES (Continued)

During November 2022, the City entered into a five-year lease agreement as lessee for the acquisition of equipment. An initial lease liability was recorded in the amount of \$190,171. As of September 30, 2023, the value of the lease liability was \$150,461. The City is required to make monthly principal and interest payments of \$43,674. The lease has an interest rate of 6.25%. The equipment has a ten-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$172,739 and had accumulated amortization of \$17,432.

The future principal and interest lease payments are as follows:

<u>Fiscal Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 361,953	\$ 61,672	\$ 423,625
2025	373,665	49,960	423,625
2026	371,553	35,142	406,695
2027	265,911	20,260	286,171
2028	<u>233,484</u>	<u>9,013</u>	<u>242,497</u>
	<u>\$ 1,606,566</u>	<u>\$ 176,047</u>	<u>\$ 1,782,613</u>

NOTE 10 – PENSION PLAN

Plan Description

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

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – 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 the ERS who are elected by members from the same category of the 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 the ERS.
 - b. Two vested active state employees.
 - c. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided

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

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – PENSION PLAN (Continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022.

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

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	30,598
Terminated employees entitled to	
but not yet receiving benefits	2,286
Terminated employees not	
entitled to a benefit	18,689
Active Members	57,278
Post-DROP participants who	
are still in active service	39
	<u>108,890</u>

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – PENSION PLAN (Continued)

Contributions

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

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2023, the City's active employee contribution rate was 5% of covered employee payroll for Tier 1 Employees (6% for Tier 2 Employees), and the City's average contribution rate to fund the normal and accrued liability costs was 4.23% and 3.40%, respectively, of pensionable payroll for Tier 1 Employees [2.22% and 3.40%, respectively, for Tier 2 Employees].

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – PENSION PLAN (Continued)

Contributions (Continued)

The City’s contractually required contribution rate for the year ended September 30, 2023 was 8.00% of pensionable pay for Tier 1 employees, and 5.99% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2020, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$230,595 for the year ended September 30, 2023.

Net Pension Liability

The City’s net pension liability was measured as of **September 30, 2022**, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of **September 30, 2021**, rolled forward to **September 30, 2022**, using standard roll-forward techniques as shown the following table:

	<u>Expected</u>	<u>Actual Before Plan Changes</u>	<u>Actual After Plan Changes</u>
(a) Total Pension Liability			
as of September 30, 2021	\$ 18,643,301	\$ 18,995,015	\$ 19,007,007
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period			
October 1, 2021 - September 30, 2022	469,744	469,744	470,086
(d) Transfers Among Employers	-	(82,927)	(82,927)
(e) Actual Benefit Payments and Refunds			
October 1, 2021 - September 30, 2022	(946,625)	(946,625)	(946,625)
(f) TPL as of September 30, 2022			
= [(a)x(1+(b))]+(c)+(d)+[(e)x(1+0.5*(b))]	<u>\$ 19,520,084</u>	<u>\$ 19,815,074</u>	<u>\$ 19,828,301</u>
(g) Difference between Expected and Actual:		\$ 294,990	
(h) Less Liability Transferred for Immediate Recognition:		\$ (82,927)	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 377,917	
(j) Difference between Actual TPL Before - and After Plan Changes - Benefit Change (Gain)/Loss			\$ 13,227

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability as of September 30, 2022 was determined based on the annual actuarial valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	3.25 – 6.00% for State and Local Employees and 4.00 – 7.75% for State Police, including inflation
Investment rate of return*	7.45%, including inflation

*Net of pension plan investment expense

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

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

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

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

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

*Includes assumed rate of inflation of 2.00%

Discount Rate

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

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – PENSION PLAN (Continued)Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2021	\$ 18,643,301	\$ 19,136,378	\$ (493,077)
Changes for the year:			
Service cost	469,744	-	469,744
Interest	1,353,664	-	1,353,664
Changes of benefit terms	13,227	-	13,227
Changes of assumptions	-	-	-
Difference between expected and and actual experience	377,917	-	377,917
Contributions - employer	-	282,715	(282,715)
Contributions - employee	-	299,755	(299,755)
Net investment income	-	(2,418,750)	2,418,750
Benefit payments, including refunds of employee contributions	(946,625)	(946,625)	-
Administrative expense	-	-	-
Transfers among employers	(82,927)	(82,927)	-
Net changes	<u>1,185,000</u>	<u>(2,865,832)</u>	<u>4,050,832</u>
Balances at September 30, 2022	<u>\$ 19,828,301</u>	<u>\$ 16,270,546</u>	<u>\$ 3,557,755</u>

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
City's Net Pension Liability	\$ 5,958,437	\$ 3,557,755	\$ 1,539,083

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the City recognized pension expense of \$544,974. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 329,049	\$ 842,274
Changes of assumptions	514,272	-
Net difference between projected and actual earnings on plan investments	1,968,709	-
Employer contributions subsequent to Measurement Date	230,595	-
	<u>\$ 3,042,625</u>	<u>\$ 842,274</u>

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 10 – PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$230,595 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

Year ended September 30:	
2024	\$ 481,944
2025	318,100
2026	308,688
2027	814,612
2028	46,412
Thereafter	-

NOTE 11 - POST EMPLOYMENT BENEFITS

Plan Description

On February 10, 1997, the City adopted a resolution establishing a retiree health insurance reimbursement program under which the City will pay \$100 per month to be applied toward a health insurance plan of their choice, from the date of retirement. Retirees must meet the following eligibility requirements:

1. Must be an active full-time employee on the date of adoption of the aforementioned resolution, having been employed full-time by the City for at least 25 years prior to retirement.
2. Must enroll in the program at the time of retirement, if an active full-time employee at the time of retirement.
3. Must not be eligible for hospitalization insurance coverage from any other source; i.e., through another employer, or as a result of insurance coverage from a spouse, or someone providing support for the retiree.

Employee membership data related to the City as of the measurement date of September 30, 2023, was as follows:

Retired members currently receiving benefits	17
Active members	103
	<hr/>
	120

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 11 – POST EMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total other post-employment benefit liability was 7.45%. This rate was selected as it is consistent with the rate used to calculate the net pension liability.

Changes in Other Post-Employment Benefit Liability

Changes in the City's other post-employment benefit liability as of September 30, 2023 and 2022, was as follows:

	2023	2022
Balance at beginning of year	\$ 640,468	\$ 667,288
Change in assumptions *	(6,190)	(26,820)
	<u>\$ 634,278</u>	<u>\$ 640,468</u>

*Assumptions involve estimates of the value of reported amounts about the probability of events far into the future. The valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employee). Calculated amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's other post-employment benefit liability calculated using the discount rate of 7.45%, as well as what the City's the other post-employment benefit liability would be if it were calculated using a discount rate that is one percentage lower (6.45%) or one percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Other post-employment benefit liability	\$ 640,377	\$ 634,278	\$ 628,388

NOTE 12 – DEFERRED COMPENSATION PLANS

Beginning in September 1997, elected officials and employees of the City were given the opportunity to participate in “RSA-1”, a deferred compensation plan created in accordance with Internal Revenue Code (I.R.C.) Section 457 and authorized by 36-27-A, et. seq., *Code of Alabama 1975*, as amended. This plan is administered by the Employees’ Retirement System of Alabama and is open to any public official or employee of the State of Alabama or any political subdivision thereof, regardless of age. Under the plan, employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination or retirement from employment or the occurrence of certain unforeseeable emergencies.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 12 – DEFERRED COMPENSATION PLANS (Continued)

RSA-1 funds are invested in the same types of investments and are subject to the same guidelines and limitations as applicable to investments made by the Teachers' and Employees' Retirement Systems. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are solely the property and rights of the employees.

In March 2014, the City established a second I.R.C. Section 457 deferred compensation plan administered by Nationwide Retirement Solutions, in which elected officials and employees also have the opportunity to participate.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks or losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; inquiries to employees, and natural disasters. In 1983, the City was unable to obtain worker's compensation insurance at a cost it considered to be economically justifiable. In that year, the City entered into an agreement with what is now called the Municipal Workers Compensation Fund, Inc. (MWCF), a public entity risk pool currently operating as common risk management and workers' compensation insurance program for most Alabama municipalities and their legal entities. The City pays an annual premium to MWCF for its workers compensation coverage. The City's agreement with MWCF provides that MWCF will be self-sustaining through member premiums and will maintain with underwriters adequate reinsurance coverage protection of the members.

In 1990, the City entered into a similar agreement with Alabama Municipal Insurance Corporation (AMIC) for its general liability, commercial automobile and property, inland and public officials, and employee's liability insurance. AMIC is also a public entity risk pool and was established in 1989 to provide property and liability insurance for Alabama towns and cities which are members of the Alabama League of Municipalities. AMIC is qualified and licensed to operate as a mutual insurance company, and its objectives are to formulate, develop, and administer on behalf of the member political subdivisions a program of insurance, to obtain lower costs for coverage, and to develop a comprehensive loss control program. The City was required to make an initial contribution of \$54,549 to AMIC in order to obtain insurance coverage and also pays an annual premium. As with MWCF, the City's agreement with AMIC provides that the company will be self-sustaining through member premiums and will reinsure through commercial companies in adequate amounts for the protection of its members.

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14 – CONTINGENT LIABILITIES

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. No provision for any liability has been made in the financial statements of possible Federal claims for refunds of these grant monies.

Claims and Judgments – In addition to those suits in which claims for liability are adequately covered by insurance, the City is a defendant in various suits arising in the normal course of business. Management is unable to predict the outcome of the litigation but believes it has strong grounds upon which to defend these proceedings and will vigorously oppose the asserted claims.

NOTE 15 – COMMITMENTS

Tax Abatements/Economic Development Agreements

On June 13, 2016, the City entered into an additional tax abatement agreement with Choice Fabricators, Inc. (the Company), pursuant to the Alabama Tax Incentive Reform Act of 1992 (the Act), for all state and local non-educational property (ad valorem) taxes and certain construction related transaction taxes regarding a capital improvement project related to a new product line. The project has an estimate completion date of July 1, 2018. The Company was required to apply for these abatements through the Alabama Department of Revenue and the amount of the abatements has and will be deducted from the Company's tax bills for the periods in effect. The amount of state and local property taxes expected to be abated is estimated to be approximately \$20,700 per year for a period of ten years, and the amount of construction related transaction taxes expected to be abated is estimated to be approximately \$39,375, which shall not extend beyond the date the project is placed in service, which has not yet been determined. The cumulative amount of City taxes abated under this agreement through September 30, 2023 has not been determined.

On October 28, 2019, the City entered into a tax abatement agreement with C, G, & J, Inc. (the Company), pursuant to the Alabama Tax Incentive Reform Act of 1992 (the Act), for all state and local non-educational property (ad valorem) taxes and certain construction related transaction taxes regarding a capital improvement project related to private use industrial development property. The Company was required to apply for these abatements through the Alabama Department of Revenue and the amount of these abatements has and will be deducted from the Company's tax bills for the periods in effect. The amount of state and local property taxes expected to be abated is estimated to be approximately \$10,526 per year for a period of ten years beginning with the October 1 lien date next proceeding the acquisition date of the abated property; the amount of construction related transaction taxes to be abated was expected to be approximately \$51,297, which shall not extend beyond the date the project is placed in service, which has not yet been determined. The cumulative amount city taxes abated under this agreement through September 30, 2023 has not been determined.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 15 – COMMITMENTS (Continued)

Tax Abatements/Economic Development Agreements (Continued)

On August 19, 2020, the City entered into an economic development agreement with GECO, LLC, the developer of the Bobcat of Gadsden project. Under this agreement, the City will refund one-half of the City sales tax revenue generated from the new businesses on the development property for a period of two years from the stabilization date or until the total reimbursable payments reach \$100,000, whichever occurs first. The stabilization date is the date that the new and remodeled buildings are officially open and doing business. The criteria was met for establishing the aforementioned stabilization date on July 13, 2020. Final payments due and paid under this agreement for the fiscal year ended September 30, 2023 was \$5,748.

On April 25, 2022, the City entered an economic development agreement with The Willow Tree related to an expansion project located within the City limits. Under this agreement, the City will refund one-half of the City sales tax revenue generated from the property on which the proposed expansion is to be constructed, for a period of two years from the stabilization date. The criteria was met for establishing the aforementioned stabilization date on October 21, 2022. Total payments due under this agreement for the fiscal year ended September 30, 2023 were \$26,960, with \$6,630 of that amount payable at the fiscal year end.

Additionally, the City will refund the full amount of the City sales tax revenue for products and materials purchased inside the City limits from businesses with a valid business license. Total payments due and paid under this agreement for the fiscal year ended September 30, 2023 was \$7,067.

Other

Funding agreements with Utilities Board – On December 1, 2012 and February 1, 2013, the City entered into funding agreements with the Utilities Board of Rainbow City to make payments to the Board to be applied by the Board to the debt service payments on Series 2012 and Series 2013 bonds issued by the Board simultaneously with the execution of the funding agreements. The proceeds of both bond issues were used to construct a sewage treatment facility to serve the residents of the City. The obligations of the City to make the payments under these agreements are absolute and unconditional and constitute a general obligation to the City for which the full faith, credit, and taxing power of the City are irrevocably pledged. Neither of these funding agreements may be terminated by either party until the bonds are paid in full. Under both funding agreements, monthly payments began in February 2014 and were to continue through January 25, 2042. Under the provisions of the agreements, the City was to pay a total of \$6,113,039 during the term of the 2012 agreement, and a total of \$6,190,542 during the term of the 2013 agreement.

(Continued)

CITY OF RAINBOW CITY, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 15 – COMMITMENTS (Continued)

Other (Continued)

On November 3, 2020 and November 19, 2020, respectively, both the Series 2012 and 2013 bonds were fully defeased and Series 2020-A and Series 2020-B bonds were issued by the Utilities Board. According to the escrow trustee for the bonds, the terms of the original funding agreements between the City and the Utilities Board are still in effect, with only lowered debt service requirements. The City is to pay a total of \$4,240,162 during the term of the Series 2020-A bonds and a total of \$4,047,415 during the term of the Series 2020-B bonds. The total amount paid by the City under these agreements during the year ended September 30, 2023 was \$376,464.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2022, the City entered a lease agreement for the construction of a fire truck in the amount of \$1,086,504. The City determined that the lease payable and construction-in-progress should have been recorded and recognized when the City entered into the agreement. Beginning balances related to the construction and lease payable increased long-term debt and construction-in-progress by \$1,086,504 (see Note 5 and Note 8).

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RAINBOW CITY, ALABAMA

SCHEDULE OF NET PENSION LIABILITY

SEPTEMBER 30, 2023

Actuarial Valuation as of September 30	Total Pension Liability	Plan Net Position	Net Pension (Asset) Liability	Plan Net Position as a % of Total Pension Liability	Covered Employee Payroll	Net Pension Liability as a % of Covered Employee Payroll
2014	\$ 13,309,325	\$ 12,033,224	\$ 1,276,101	90.4%	\$ 3,314,758	38.5%
2015	\$ 13,821,717	\$ 11,970,399	\$ 1,851,318	86.6%	\$ 3,406,390	54.3%
2016	\$ 15,410,452	\$ 13,073,837	\$ 2,336,615	84.8%	\$ 3,629,560	64.4%
2017	\$ 16,085,122	\$ 14,728,335	\$ 1,356,787	91.6%	\$ 3,788,241	35.8%
2018	\$ 17,079,115	\$ 15,775,550	\$ 1,303,565	92.4%	\$ 3,902,675	33.4%
2019	\$ 17,295,927	\$ 15,426,028	\$ 1,869,899	89.2%	\$ 4,001,589	46.7%
2020	\$ 17,855,537	\$ 15,904,498	\$ 1,951,039	89.1%	\$ 3,936,694	49.6%
2021	\$ 18,643,301	\$ 19,136,378	\$ (493,077)	102.6%	\$ 4,335,004	-11.4%
2022	\$ 19,828,301	\$ 16,270,546	\$ 3,557,755	82.1%	\$ 4,435,495	80.2%

Note to Schedule:

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

CITY OF RAINBOW CITY, ALABAMA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Actuarial Valuation as of September 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	\$ 469,744	\$ 380,746	\$ 358,981	\$ 354,056	\$ 350,568	\$ 344,997	\$ 315,016	\$ 310,222	\$ 314,204	\$ -
Interest	1,353,664	1,338,819	1,299,595	1,284,736	1,216,397	1,167,819	1,080,414	1,039,221	986,547	-
Change of benefit terms	13,227	-	141,004	-	-	-	-	-	-	-
Difference between expected and actual experience	377,917	(884,594)	(383,725)	(181,397)	96,678	(353,640)	92,212	(198,931)	-	-
Changes of Assumptions	-	759,603	-	-	92,056	-	650,661	-	-	-
Benefit payments, including refunds										
of employee contributions	(946,625)	(936,552)	(836,137)	(788,462)	(779,349)	(683,637)	(633,091)	(638,120)	(646,539)	-
Transfers among employers	(82,927)	129,742	(20,108)	(452,121)	17,643	199,131	83,523	-	-	-
Net change in total pension liability	1,185,000	787,764	559,610	216,812	993,993	674,670	1,588,735	512,392	654,212	-
Total pension liability - beginning	18,643,301	17,855,537	17,295,927	17,079,115	16,085,122	15,410,452	13,821,717	13,309,325	12,655,113	-
Total pension liability - ending (a)	19,828,301	18,643,301	17,855,537	17,295,927	17,079,115	16,085,122	15,410,452	13,821,717	13,309,325	-
Plan fiduciary net position										
Contributions - employer	282,715	258,634	234,930	258,475	238,904	253,826	243,014	255,848	234,559	-
Contributions - member	299,755	278,192	229,495	237,066	220,820	212,367	196,514	192,187	185,532	-
Net investment income	(2,418,750)	3,501,864	870,290	395,520	1,349,097	1,672,811	1,213,478	141,547	1,296,617	-
Benefit payments, including refunds										
of employee contributions	(946,625)	(936,552)	(836,137)	(788,462)	(779,349)	(683,637)	(633,091)	(638,120)	(646,539)	-
Transfer among employers	(82,927)	129,742	(20,108)	(452,121)	17,643	199,131	83,523	(14,287)	86,834	-
Net change in plan fiduciary net position	(2,865,832)	3,231,880	478,470	(349,522)	1,047,215	1,654,498	1,103,438	(62,825)	1,157,003	-
Plan net position - beginning	19,136,378	15,904,498	15,426,028	15,775,550	14,728,335	13,073,837	11,970,399	12,033,224	10,876,221	-
Plan net position - ending (b)	16,270,546	19,136,378	15,904,498	15,426,028	15,775,550	14,728,335	13,073,837	11,970,399	12,033,224	-
Net pension liability - ending (a) - (b)	<u>\$ 3,557,755</u>	<u>\$ (493,077)</u>	<u>\$ 1,951,039</u>	<u>\$ 1,869,899</u>	<u>\$ 1,303,565</u>	<u>\$ 1,356,787</u>	<u>\$ 2,336,615</u>	<u>\$ 1,851,318</u>	<u>\$ 1,276,101</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total pension liability	82.06%	102.64%	89.07%	89.19%	92.37%	91.56%	84.84%	86.61%	90.41%	-
Covered-employee payroll*	\$ 4,435,495	\$ 4,335,004	\$ 3,936,694	\$ 4,001,589	\$ 3,902,675	\$ 3,788,241	\$ 3,629,560	\$ 3,406,390	\$ 3,314,758	\$ -
Net pension liability as a percentage of covered-employee payroll	80.21%	-11.37%	49.56%	46.73%	33.40%	35.82%	64.38%	54.35%	38.50%	-

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

* Employer's covered-payroll during the measurement period is the total covered payroll. For FY2023 the measurement period is October 1, 2021 - September 30, 2022.

GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll beginning with FY2017.

CITY OF RAINBOW CITY, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Actuarial Valuation as of September 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 282,715	\$ 258,634	\$ 234,930	\$ 258,475	\$ 238,904	\$ 253,826	\$ 243,014	\$ 255,848	\$ 234,559	\$ -
Contributions in relation to the actuarially determined contribution	<u>282,715</u>	<u>258,634</u>	<u>234,930</u>	<u>258,475</u>	<u>238,904</u>	<u>253,826</u>	<u>243,014</u>	<u>255,848</u>	<u>234,559</u>	<u>-</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	<u>\$ 4,435,495</u>	<u>\$ 4,335,004</u>	<u>\$ 3,936,694</u>	<u>\$ 4,001,589</u>	<u>\$ 3,902,675</u>	<u>\$ 3,788,241</u>	<u>\$ 3,629,560</u>	<u>\$ 3,406,390</u>	<u>\$ 3,314,758</u>	<u>\$ -</u>
Contributions as a percentage of covered-employee payroll	<u>6.37%</u>	<u>5.97%</u>	<u>5.97%</u>	<u>6.46%</u>	<u>6.12%</u>	<u>6.70%</u>	<u>6.70%</u>	<u>7.51%</u>	<u>7.08%</u>	<u>-</u>

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	12.2 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

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF RAINBOW CITY, ALABAMA

SCHEDULE OF PENSION INVESTMENT RETURNS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Actuarial Valuation as of September 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Investment rate of return, net of pension plan investment expense, including inflation	7.70%	7.70%	7.70%	7.875%	8.00%	8.00%	8.00%	8.00%	8.00%	-

Note to Schedule:

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF RAINBOW CITY, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 10,873,200	\$ 10,873,200	\$ 13,383,673	\$ 2,510,473
Licenses and Permits	1,760,700	1,760,700	1,840,246	79,546
Intergovernmental	957,980	957,980	550,127	(407,853)
Fines and Forfeitures	250,000	250,000	179,915	(70,085)
Miscellaneous	142,500	142,500	598,921	456,421
Charges for Service	526,540	526,540	699,838	173,298
	<u>14,510,920</u>	<u>14,510,920</u>	<u>17,252,720</u>	<u>2,741,800</u>
EXPENDITURES				
General and Admin	3,180,000	3,182,968	2,933,381	249,587
Police	2,608,215	2,656,430	2,462,838	193,592
Animal Control	337,050	337,050	379,293	(42,243)
Fire	2,391,700	2,391,700	2,388,218	3,482
Library	478,730	489,230	421,467	67,763
Parks and Recreation	978,500	978,500	911,569	66,931
Street and Sanitation	1,814,000	1,814,000	1,882,239	(68,239)
Capital Outlay	416,500	433,000	1,838,122	(1,405,122)
Funding Agreements Utilities Board	-	-	376,464	(376,464)
	<u>12,204,695</u>	<u>12,282,878</u>	<u>13,593,591</u>	<u>(1,310,713)</u>
Excess of Revenues Over Expenditures	<u>2,306,225</u>	<u>2,228,042</u>	<u>3,659,129</u>	<u>1,431,087</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	98,792	98,792
Insurance Recoveries	-	-	40,120	40,120
Transfers To Other Funds	-	-	(250,000)	(250,000)
Transfers from Other Funds	-	-	14,214,806	14,214,806
	<u>-</u>	<u>-</u>	<u>14,103,718</u>	<u>14,103,718</u>
Net Change in Fund Balance	2,306,225	2,228,042	17,762,847	15,534,805
FUND BALANCES - Beginning of Year	<u>12,547,200</u>	<u>12,547,200</u>	<u>12,547,200</u>	<u>-</u>
FUND BALANCES - End of Year	<u>\$ 14,853,425</u>	<u>\$ 14,775,242</u>	<u>\$ 30,310,047</u>	<u>\$ 15,534,805</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

CITY OF RAINBOW CITY, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

An annual budget is prepared for the City's general fund and adopted on the modified cash basis. All annual appropriations lapse at fiscal year end. Accounting principles generally accepted in the United States of America require that budget comparisons be presented for special revenue funds if a budget is legally adopted. Such a presentation has not been made because the City does not adopt budgets for these funds. The Mayor and City Council approve, by ordinance, total general fund budget appropriations only. The City is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any funds must be approved by the Council.

GENERAL INFORMATION



**MDA PROFESSIONAL
GROUP, P.C.**
MISSION DRIVEN ADVISORS

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

Honorable Mayor and City Council
City of Rainbow City, Alabama
Rainbow City, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United State 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 Rainbow City, Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Rainbow City, Alabama's basic financial statements, and have issued our reports thereon dated March 25, 2024.

Report on Internal Control over Financial Reporting

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

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

Honorable Mayor and City Council
City of Rainbow City, Alabama

Report on Internal Control over Financial Reporting (Continued)

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

MDA Professional Group, P.C.

Gadsden, Alabama
March 25, 2024

CITY OF RAINBOW CITY, ALABAMA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of audit opinion issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant Deficiency identified not considered to be material weakness?	None Noted
Noncompliance material to financial statements noted?	No

COMBINING FUND STATEMENTS

CITY OF RAINBOW CITY, ALABAMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	Street Improvement Fund	Cash Bond Fund	Debt Service Fund	Court Training Fund	Judicial Administration Fund	Fire Protection Fund	Corrections Fund	Total
ASSETS								
Cash and Cash Equivalents	\$ 127,018	\$ 5,836	\$ 153,410	\$ 475	\$ 45,396	\$ 764,579	\$ 13,508	\$ 1,110,222
Accounts Receivable, Net	29,321	-	-	-	-	6,515	-	35,836
Due From Other Funds	-	-	-	-	26,400	-	-	26,400
Total Assets	\$ 156,339	\$ 5,836	\$ 153,410	\$ 475	\$ 71,796	\$ 771,094	\$ 13,508	\$ 1,172,458
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,497	\$ 26,400	\$ 122,897
Other Liabilities	-	5,836	-	-	-	-	-	5,836
Total Liabilities	-	5,836	-	-	-	96,497	26,400	128,733
Fund Balances:								
Restricted for:								
Street Maintenance and Improvements	156,339	-	-	-	-	-	-	156,339
Debt Service	-	-	153,410	-	-	-	-	153,410
Fire Protection Expenses	-	-	-	-	-	674,597	-	674,597
Court-Related Expenses	-	-	-	475	71,796	-	(12,892)	59,379
Total Fund Balances	156,339	-	153,410	475	71,796	674,597	(12,892)	1,043,725
Total Liabilities and Fund Balances	\$ 156,339	\$ 5,836	\$ 153,410	\$ 475	\$ 71,796	\$ 771,094	\$ 13,508	\$ 1,172,458

CITY OF RAINBOW CITY, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Street Improvement Fund	Cash Bond Fund	Debt Service Fund	Court Training Fund	Judicial Administration Fund	Fire Protection Fund	Corrections Fund	Total
REVENUES								
Gasoline Tax	\$ 271,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,850
Fire Tax	-	-	-	-	-	442,754	-	442,754
Fines and Forfeitures	-	-	-	1,411	12,302	-	25,205	38,918
Interest Income	7,252	-	153,410	-	53	8,332	9	169,056
Total Revenues	279,102	-	153,410	1,411	12,355	451,086	25,214	922,578
EXPENDITURES								
Fire	-	-	-	-	-	92,681	-	92,681
Court	-	-	-	1,291	4,173	-	39,505	44,969
Debt Service - Principal	-	-	716,933	-	-	-	-	716,933
Debt Service - Interest and Fiscal Charges	-	-	632,025	-	-	-	-	632,025
Capital Outlay	1,125,498	-	-	-	-	37,065	-	1,162,563
Total Expenditures	1,125,498	-	1,348,958	1,291	4,173	129,746	39,505	2,649,171
Excess (Deficiency) of Revenues Over (Under) Expenditures	(846,396)	-	(1,195,548)	120	8,182	321,340	(14,291)	(1,726,593)
OTHER FINANCING SOURCES (USES)								
Proceeds From Issuance of Long-Term Debt	-	-	15,450,376	-	-	-	-	15,450,376
Transfers To/From Other Funds	250,000	-	(14,101,418)	-	-	(113,388)	-	(13,964,806)
Net Change in Fund Balance	(596,396)	-	153,410	120	8,182	207,952	(14,291)	(241,023)
FUND BALANCES - Beginning of Year	752,735	-	-	355	63,614	466,645	1,399	1,284,748
FUND BALANCES - End of Year	\$ 156,339	\$ -	\$ 153,410	\$ 475	\$ 71,796	\$ 674,597	\$ (12,892)	\$ 1,043,725