

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 27, 2024

RATINGS:

S&P: AA (BAM Insured)/
A+ (Underlying)
(See "RATINGS" herein.)

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel, assuming compliance by the City with certain conditions imposed by the Internal Revenue Code of 1986, as amended, interest on the Warrants is excludable from the gross income of the recipients thereof for federal income tax purposes, but receipt of said interest has other federal tax consequences to certain recipients as summarized herein under "TAX MATTERS." Bond Counsel is of the further opinion that, under existing statutes, the interest on the Warrants is exempt from Alabama income taxation.

CITY OF SYLACAUGA, ALABAMA

\$8,255,000*
General Obligation Warrants
Series 2024-A

\$28,595,000*
General Obligation Warrants
Series 2024-B

Dated: Date of delivery

**Due: April 1, as shown on
the inside cover hereof**

SEE INSIDE COVER FOR AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIPS

Interest on the Warrants is payable April 1 and October 1, commencing April 1, 2025. The Warrants will be issued as fully registered warrants, and when issued, will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Warrants will be made in book-entry form only and purchasers of a beneficial interest in the Warrants ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Warrants. The principal of and interest on the Warrants will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Warrants. The final disbursements of such payments to the Beneficial Owners of the Warrants will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE WARRANTS – Book-Entry Only System."

The Warrants are general obligations of the City for the prompt payment of the principal of and interest on which its full faith and credit will be irrevocably pledged. Certain of the Warrants are subject to redemption prior to maturity, as described herein.

The scheduled payment of principal of and interest on the Warrants when due will be guaranteed under municipal bond insurance policies to be issued concurrently with the delivery of the Warrants by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Warrants are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the validity thereof by Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Livingston & Harkins, LLC, counsel to the City, and certain legal matters will be passed upon solely for the benefit of the Underwriter by its counsel, Butler Snow LLP, Birmingham, Alabama. It is expected that the Warrants in definitive form will be available for delivery through DTC on or about _____, 2024.

PIPER | SANDLER

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIPS

\$8,255,000*
General Obligation Warrants
Series 2024-A

Maturity Date (April 1)	Amount Maturing*	Interest Rate	Yield	CUSIP ⁽¹⁾
2025	\$250,000			
2026	325,000			
2027	345,000			
2028	360,000			
2029	380,000			
2030	400,000			
2031	420,000			
2032	440,000			
2033	460,000			
2034	485,000			
2035	510,000			
2036	535,000			
2037	430,000			
2038	450,000			
2039	475,000			
2040	165,000			
2041	170,000			
2042	175,000			
2043	185,000			
2044	195,000			
2045	200,000			
2046	210,000			
2047	220,000			
2048	230,000			
2049	240,000			

* Preliminary; subject to change.

(1) The CUSIP numbers shown above have been assigned by CUSIP Global Services ("CGS") and are included solely for the convenience of beneficial owners of the Warrants. FactSet Research Systems, Inc., manages CGS on behalf of the American Bankers Association. Neither the Underwriter nor the City is responsible for the selection or use of the CUSIP numbers, nor is any representation made as to the correctness of such numbers on the Warrants or as indicated herein.

\$28,595,000*
General Obligation Warrants
Series 2024-B

Maturity Date (April 1)	Amount Maturing*	Interest Rate	Yield	CUSIP ⁽¹⁾
2025	\$180,000			
2026	360,000			
2027	380,000			
2028	400,000			
2029	240,000			
2030	255,000			
2031	265,000			
2032	280,000			
2033	295,000			
2034	305,000			
2035	320,000			
2036	340,000			
2037	355,000			
2038	555,000			
2039	580,000			
2040	610,000			
2041	640,000			
2042	670,000			
2043	1,395,000			
2044	1,465,000			
2045	1,540,000			
2046	1,605,000			
2047	1,675,000			
2048	1,745,000			
2049	1,820,000			
2050	1,895,000			
2051	1,975,000			
2052	2,060,000			
2053	2,150,000			
2054	2,240,000			

* Preliminary; subject to change.

(1) The CUSIP numbers shown above have been assigned by CUSIP Global Services ("CGS") and are included solely for the convenience of beneficial owners of the Warrants. FactSet Research Systems, Inc., manages CGS on behalf of the American Bankers Association. Neither the Underwriter nor the City is responsible for the selection or use of the CUSIP numbers, nor is any representation made as to the correctness of such numbers on the Warrants or as indicated herein.

CITY OF SYLACAUGA, ALABAMA

James W. Heigl
Mayor

Tiffany Nix
Council President

Nate Brewer
Ashton Fowler
Laura Barlow Heath
Lee Perryman
Councilmembers

Alexandra Lambert
City Clerk - City Treasurer

Livingston & Harkins, LLC
Sylacauga, Alabama
City Attorney

Piper Sandler & Co.
Birmingham, Alabama
Underwriter

Butler Snow LLP
Birmingham, Alabama
Underwriter's Counsel

Bradley Arant Boult Cummings LLP
Birmingham, Alabama
Bond Counsel

This Official Statement is not to be construed as a contract or agreement between the City of Sylacauga and the purchasers or holders of the Warrants described herein.

No dealer, broker, salesman or any other person has been authorized by the City of Sylacauga or the Underwriter to give any information or to make any representations other than as contained in this Official Statement in connection with the offering of the Warrants described herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Warrants by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been furnished by the City of Sylacauga and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and not to be construed as a representation by, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create an implication that there has been no change in the affairs of the City of Sylacauga since the date hereof.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

The Underwriter has provided the following sentence for inclusion in this Official Statement: the Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is being provided to prospective purchasers either in bound printed format or in electronic format. This Official Statement may be relied upon only if it is in its bound printed format or as printed in its entirety in such electronic format.

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Warrants or the advisability of investing in the Warrants. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM supplied by BAM and presented under the heading "BOND INSURANCE" and "Appendix D – Specimen Municipal Bond Insurance Policy."

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OFFICIAL STATEMENT

relating to

CITY OF SYLACAUGA, ALABAMA

\$8,255,000*
General Obligation Warrants
Series 2024-A

\$28,595,000*
General Obligation Warrants
Series 2024-B

INTRODUCTION

The City of Sylacauga, Alabama (the "City"), is furnishing this Official Statement, including its Appendices, to prospective purchasers in connection with the sale of \$8,255,000* aggregate principal amount of its General Obligation Warrants, Series 2024-A (the "Series 2024-A Warrants") and \$28,595,000* aggregate principal amount of its General Obligation Warrants, Series 2024-B (the "Series 2024-B Warrants" and, together with the Series 2024-A Warrants, the "Warrants"). The Warrants will be issued pursuant to an ordinance (the "Authorizing Ordinance") to be adopted by the governing body of the City.

The Warrants will be general obligations of the City for the prompt payment of the principal of and interest on which its full faith and credit will be irrevocably pledged. See "THE WARRANTS – Security."

The scheduled payment of principal of and interest on the Warrants when due will be guaranteed under municipal bond insurance policies to be issued concurrently with delivery of the Warrants by Build America Mutual Assurance Company. See "BOND INSURANCE" herein.

Certain of the Warrants are subject to redemption prior to maturity. See "THE WARRANTS – Redemption Provisions." The Warrants are issuable in denominations of \$5,000 or any integral multiple thereof and will be initially issued in book-entry only form and payable through the facilities of The Depository Trust Company. See "THE WARRANTS – General Provisions and Maturities" and "THE WARRANTS – Place and Manner of Payment."

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. Neither the delivery of this Official Statement nor any sale made hereunder implies that there has been no change in the affairs of the City at any time subsequent to the date hereof.

The principal office of the City is located at the City Hall, 301 Broadway, Sylacauga, Alabama, and the mailing address of the City is Post Office Box 390, Sylacauga, Alabama 35150. The telephone number is (256) 249-4353. Inquiries with respect to information contained in this Official Statement should be directed to the Underwriter, Piper Sandler & Co., 2100 Southbridge Parkway, Suite 650, Birmingham, Alabama 35209, attention: Walter Lewis, telephone number (205) 414-7511.

*Preliminary; subject to change.

THE WARRANTS

General Description

Amount, Maturities, Interest Rates and Form. The Warrants will be dated the date of delivery, will be registered as to both principal and interest and will be issuable in the denomination of \$5,000 or any integral multiple thereof. The Warrants will be issued as fully registered warrants, registerable as to both principal and interest, in the denominations of \$5,000 or any integral multiple thereof.

The Warrants will be issued in book-entry only form, as described herein under "THE WARRANTS – Book-Entry Only System," and the method and place of payment of debt service on the Warrants will be as provided in the book-entry only system for so long as such system is in effect with respect to the Warrants. Interest on the Warrants (computed on the basis of a 360-day year of twelve consecutive 30-day months) will be payable semiannually on each April 1 and October 1 (each, an "Interest Payment Date"), commencing April 1, 2025, at the address shown on the registry books of Regions Bank, Birmingham, Alabama (the "Bank"), pertaining to the Warrants as of the close of business on the March 15 or September 15 (each such date being herein called a "Record Date"), as the case may be, next preceding any interest payment date. Payment of such interest will be deemed to have been timely made if such check or draft is mailed on or before the due date thereof. The Authorizing Ordinance makes special provision for the payment of overdue interest which may be paid to a holder other than the registered holder of a Warrant at the time such overdue interest becomes due and payable.

Security

General Obligation. The Warrants will constitute direct general obligations of the City, for the prompt payment of the principal of and interest on which its full faith and credit will be irrevocably pledged.

Purpose

The Series 2024-A Warrants are being issued for the purpose of (i) financing the costs of various public capital improvements in the City, including, without limitation, paving, draining, bridge reconstruction and repair, and repairs and renovation of public buildings in the City (the "2024-A Improvements"); (ii) providing a municipal bond insurance policy for the Series 2024-A Warrants; and (iii) paying the costs of issuing the Series 2024-A Warrants.

The Series 2024-B Warrants are being issued for the purpose of (i) financing the costs of various public capital improvements in the City, including, without limitation, construction of a recreation center in the City (the "2024-B Improvements"); (ii) providing a municipal bond insurance policy for the Series 2024-B Warrants; and (iii) paying the costs of issuing the Series 2024-B Warrants.

Redemption of Warrants Prior to Maturity

Optional Redemption – Series 2024-A Warrants. Those of the Series 2024-A Warrants maturing in _____ and thereafter will be subject to redemption prior to their respective maturities, at the option of the City, as a whole or in part on _____ 1, _____, or on any date thereafter (but if in part, in integral multiples of \$5,000 and in such maturities as shall be selected by the City in its discretion, and if less than all Series 2024-A Warrants of a single maturity are to be redeemed, such redemption to be selected by lot), at and for a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption.

Optional Redemption – Series 2024-B Warrants. Those of the Series 2024-B Warrants maturing in _____ and thereafter will be subject to redemption prior to their respective maturities, at the option of the City, as a whole or in part on _____ 1, _____, or on any date thereafter (but if in part, in integral multiples of \$5,000 and in such maturities as shall be selected by the City in its discretion, and if less than all Series 2024-B Warrants of a single maturity are to be redeemed, such redemption to be selected by lot), at and for a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption.

Mandatory Redemption. (a) Except as provided below with respect to credits against mandatory redemption requirements, those of the Series 2024-__ Warrants having a stated maturity in ____ will be subject to mandatory redemption on April 1 in the following years and in the following aggregate principal amounts at a redemption price for each Series 2024-__ Warrant redeemed equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption:

Year (April 1)	Amount to be Redeemed
_____	\$ _____
_____	_____
_____	_____
_____	_____ (maturity)

(b) Except as provided below with respect to credits against mandatory redemption requirements, those of the Series 2024-__ Warrants having a stated maturity in ____ will be subject to mandatory redemption on April 1 in the following years and in the following aggregate principal amounts at a redemption price for each Series 2024-__ Warrant redeemed equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption:

Year (April 1)	Amount to be Redeemed
_____	\$ _____
_____	_____
_____	_____ (maturity)

Credits – Mandatory Redemption. In the event that the City shall have partially redeemed Warrants or shall have provided for a partial redemption of Warrants in such a manner that, under the provisions of the Authorizing Ordinance, the Warrants for the redemption of which provision is made are considered as fully paid, the City may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such Warrants so redeemed or to be redeemed to the reduction of the principal amount of Warrants required to be redeemed pursuant to the schedule set forth above on any April 1 coterminous with or subsequent to the date such optional redemption actually occurs. Such notice shall be deemed effective only if it is given prior to the Bank's having given notice of redemption contrary to the provisions of such notice pursuant to the provisions of the Authorizing Ordinance.

Manner, Notice and Effect of Redemption. In the event that less than all the principal of the Warrants of a single maturity is redeemed and prepaid, the Bank shall select by lot that portion of the principal of the Warrants of such maturity to be redeemed and prepaid. Notice of each such redemption must be given one time, not more than 60 nor less than 30 days before the date fixed for redemption, to the holders of each of the Warrants affected by such redemption by United States First Class Mail, at the address shown on the registry books of the Bank pertaining to the Warrants. No further interest will accrue, after the date fixed for redemption, on the principal of any Warrants called for redemption if notice has been duly given and payment therefor has been duly provided.

Partial Redemption of Warrants. If less than all Warrants outstanding are to be redeemed, the principal amount of Warrants to be redeemed may be specified by the Board by notice delivered to the Bank prior to the date when the Bank must give notice of the redemption to holders of the Warrants, or, in the absence of receipt by the Bank of such notice, shall be determined in accordance with the book-entry system or, if the book-entry system is no longer in effect, by lot or by such other method as the Bank shall deem fair and appropriate; provided, however, that the Warrants are subject to redemption only in principal amounts of \$5,000 or any integral multiple thereof.

Book-Entry Only System

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry system have been obtained from DTC. The City, the Bank and the Underwriter make no representation as to the accuracy of such information.

General. Initially, DTC will act as securities depository for the Warrants. The Warrants initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, one fully-registered warrant certificate for each maturity will be issued for the Warrants, in the aggregate principal amount of the Warrants of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. So long as the Warrants are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Warrants.

Purchases of the Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Warrants on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Warrants are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Warrants, except in the event that use of the book-entry system for the Warrants is discontinued.

To facilitate subsequent transfers, all the Warrants deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Warrants with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Warrants; DTC's records reflect only the identity of the Direct Participants to whose accounts such Warrants are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

As long as the book-entry system is used for the Warrants, redemption notices will be sent to DTC. If less than all of the Warrants within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

As long as the book-entry system is used for the Warrants, principal, premium, if any, and interest payments on the Warrants will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bank, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bank or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bank, and disbursement of such payments to the Participants or the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Warrants unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Warrants are credited on the record date (identified in a listing attached to the Omnibus Proxy).

DTC may discontinue providing its services as securities depository with respect to the Warrants at any time by giving reasonable notice to the City or the Bank. In addition, the City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under either of such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City and the Bank will have no responsibility or obligation to any securities depository, any Participants in the book-entry system, or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the securities depository or any Participant; (ii) the payment by the securities depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount or redemption or purchase price of, or interest on, any of the Warrants; (iii) the delivery of any notice by the securities depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Warrants; or (v) any other action taken by the securities depository or any Participant.

In the event of the discontinuance of the book-entry system for the Warrants, warrant certificates will be printed and delivered and the following provisions of the Authorizing Ordinance will apply: (i) principal of the Warrants will be payable upon surrender of the Warrants at the designated office of the Bank; (ii) Warrants may be transferred or exchanged for other Warrants of authorized denominations as set forth in the next succeeding paragraph; and (iii) Warrants will be issued in denominations as described above under "THE WARRANTS."

Discontinuation of Book-Entry Only System. The following provisions shall apply only upon discontinuance of the book-entry only system described above: (i) a physical certificate or certificates shall be executed, authenticated and delivered to each holder under the book-entry system in accordance with such holder's ownership of Warrants; and (ii) such certificates shall be registered in the warrant register maintained by the Bank. The Warrants shall be registered and may be transferred only on the warrant register maintained by the Bank. No transfer of the Warrants shall be permitted except upon presentation and surrender of such Warrants at the office of the Bank. The holder of one or more of the Warrants may, upon request, and upon the surrender to the Bank of such Warrants, exchange such Warrant for Warrants of other authorized denominations of the same tenor and of a like aggregate principal amount. No service charge shall be made for any transfer or exchange of Warrants, but the City may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Warrants. The City shall not be required (i) to transfer or exchange any Warrant during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Warrants and ending at the close of business on the day of such mailing, or (ii) to transfer or

exchange any Warrant so selected for redemption in whole or in part. In the event any Warrant is mutilated, lost, stolen or destroyed, the City may execute, and the Bank shall thereupon authenticate and deliver, a replacement Warrant of like tenor as that mutilated, lost, stolen or destroyed; provided that (i) in the case of any such mutilated Warrant, such Warrant is first surrendered to the Bank, and (ii) in the case of any lost, stolen or destroyed Warrant, there is first furnished to the City and the Bank evidence of such loss, theft or destruction satisfactory to the City and the Bank, together with indemnity satisfactory to each of them. The City may charge the holder with the expense of issuing any such replacement Warrant.

Reference is made to the provisions of the Authorizing Ordinance in full for its provisions pertaining to the registration, transfer and exchange of Warrants and the method of payment of the principal thereof and interest thereon.

BOND INSURANCE

The information contained in this section entitled "BOND INSURANCE" relates to BAM and the Policy hereinafter described and has been obtained from BAM for use in this Official Statement. No representation is made by the City or the Underwriter as to the accuracy or completeness of this information.

Bond Insurance Policy

Concurrently with the issuance of the Warrants, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for each series of the Warrants (each, a "Policy" and, together, the "Policies"). The Policies guarantee the scheduled payment of principal of and interest on the Warrants when due as set forth in the form of each Policy included as Appendix D to this Official Statement.

The Policies are not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Warrants, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Warrants. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Warrants on the date(s) when such amounts were initially scheduled to become due and payable

(subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Warrants, nor does it guarantee that the rating on the Warrants will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$232.7 million and \$253.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Warrants or the advisability of investing in the Warrants. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Warrants, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Warrants. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Warrants, whether at the initial offering or otherwise.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Warrants are expected to be used substantially as follows at the time of delivery of the Warrants.

SERIES 2024-A WARRANTS

SOURCES

Par amount of the Series 2024-A Warrants	\$	_____
Plus net original issue premium		_____
Total Sources	\$	=====

USES

2024-A Improvements	\$	_____
Costs of issuance ⁽¹⁾		_____
Total Uses	\$	=====

⁽¹⁾ Includes underwriting discount, legal, rating agency and paying agent fees, municipal bond insurance premium and other miscellaneous costs.

SERIES 2024-B WARRANTS

SOURCES

Par amount of the Series 2024-B Warrants	\$	_____
Plus net original issue premium		_____
Total Sources	\$	=====

USES

2024-B Improvements	\$	_____
Costs of issuance ⁽¹⁾		_____
Total Uses	\$	=====

⁽¹⁾ Includes underwriting discount, legal, rating agency and paying agent fees, municipal bond insurance premium and other miscellaneous costs.

CITY GOVERNMENT AND ADMINISTRATION

The City has the Mayor-Council form of government, and the City Council ("the Council") constitutes the governing body of the City subject to certain powers vested in the Mayor. The Mayor and the members of the Council are elected for concurrent four-year terms, presently ending November 3, 2025, and are as follows:

Mayor	James W. Heigl
Council President	Tiffany Nix
Councilmembers	Nate Brewer
	Ashton Fowler
	Laura Barlow Heath
	Lee Perryman

Alexandra Lambert serves as City Clerk - City Treasurer. The Council appoints the managers of the various departments in the City and these managers are responsible for the routine operation of their respective departments. The City Clerk and all department managers are covered by Civil Service.

The City employs approximately 133 persons full-time in such capacities as firemen, policemen, administrative, department supervisors and equipment operators. The City employees are not unionized. The Utilities Board of the City of Sylacauga, a public corporation whose Board members are appointed by the Council, owns and operates the natural gas distribution system, the electric transmission system, the water distribution system and the sanitary sewer system in the City and provides fiber optic and internet services in the City.

DEBT INFORMATION

General Obligation Indebtedness

The general obligation indebtedness of the City to be outstanding upon the issuance of the Warrants, excluding any general obligation indebtedness of the City provision for the payment of the principal of and interest on which has heretofore been made or will be made simultaneously with the issuance of the Warrants, is as follows:

	Amount Outstanding
Series 2024-A Warrants	\$8,255,000*
Series 2024-B Warrants ⁽¹⁾	28,595,000*
General Obligation Warrants, Series 2020 ⁽²⁾	12,205,000
General Obligation Warrants, Series 2017-A (Federally Taxable)	630,000
General Obligation Warrants, Series 2017-B	9,750,000
General Obligation Warrants, Series 2015 ⁽²⁾	14,020,000
Miscellaneous warrants, notes, capital leases, compensated absences and other obligations, not exceeding	628,064
TOTAL	<u>\$74,083,064*</u>

* Preliminary; subject to change.

⁽¹⁾ Incurred for the promotion of economic development in the City pursuant to Section 94.01 of the Alabama Constitution, and are therefore exempt from the general constitutional limitation on indebtedness.

⁽²⁾ Incurred for the construction of school houses, and are therefore exempt from the general constitutional limitation on indebtedness.

Debt Limit

The Constitution of Alabama of 2022, as amended (the "Alabama Constitution"), provides that cities having a population of 6,000 or more may not become indebted in an amount in excess of twenty per cent (20%) of the assessed valuation of taxable property located in the City. The Constitution excepts from this debt limitation several categories of indebtedness, including (a) temporary loans to be paid within one year made in anticipation of the collection of taxes and not exceeding one-fourth of the general revenues; (b) bonds or other obligations already issued or which may be issued for the purpose of acquiring, providing or constructing schoolhouses, waterworks and sewers; and (c) obligations incurred and bonds issued for street or sidewalk improvements where the cost of the same, in whole or in part, is to be assessed against the property abutting said improvements.

Section 94.01 of the Alabama Constitution provides that municipalities may, subject to certain specific requirements, issue indebtedness for the promotion of economic and industrial development and that the principal amount of such indebtedness shall not exceed fifty percent (50%) of the annual valuation of taxable property in the City. Section 94.01 also provides that such indebtedness shall not be taken into account for the purpose of determining the borrowing capacity of the municipality under the Constitution. Pursuant to Section 94.01, the City has entered into several economic development incentive and tax-sharing agreements that, in the aggregate, do not exceed the limitation set forth in the Alabama Constitution. The City is issuing the Series 2024-B Warrants pursuant to Section 94.01.

Further, the City is a party to various tax abatement agreements under the Alabama Tax Incentive Reform Act of 1992 that provide for the abatement of state and local non-educational property tax and for all construction-related sales taxes (except for local sales taxes levied specifically for public school purposes). The agreements were made in 2017 and run for 10 years.

The approximate aggregate principal amount of outstanding debt of the City subject to the general debt limitation under the Alabama Constitution will be, upon issuance of the Warrants, \$19,263,064, excluding the interest accrued on the aforesaid amount. The assessed value of property for the tax year commencing October 1, 2023, was \$182,678,960.

The debt limitation is computed as follows:

20% of assessed value	\$ 36,535,792
Outstanding debt (approximate) subject to debt limitation ⁽¹⁾	<u>19,263,064*</u>
Debt margin	\$ 17,272,728*

* Preliminary; subject to change.

⁽¹⁾ Comprises the outstanding balance of the City's Series 2024-A Warrants (preliminary; subject to change), Series 2017-A Warrants, Series 2017-B Warrants and miscellaneous indebtedness. See "DEBT INFORMATION – General Obligation Indebtedness."

Because of the several exceptions to the aforesaid limitation on debt, the City will not be limited by the Constitution in borrowing for purposes fully within those several exceptions. Pursuant to further Constitutional provisions, statutes and court decisions, the limitation on debt is not applicable to revenue bonds and warrants which may be issued by the City for a variety of purposes, including hospitals, public buildings, recreation facilities, and water, sewer, electric and gas systems. The debt limit provisions of the Constitution do not restrict the borrowing by separate public corporations (conduit borrowers such as a public building authority) authorized by the City to be created for the purpose of financing and operating certain municipal functions.

Proposed Indebtedness. Other than the Warrants, the City does not presently expect to incur additional indebtedness during the next 24 months. In the past several years, the City has reviewed and considered various incentive, abatement and financial assistance arrangements for economic and commercial development in the City. At present, the City cannot predict what agreements it might make or what incentives and/or abatements it might

allow for such purpose. Alabama law does not presently allow any abatements to be granted with respect to taxes that are levied specifically for public school purposes.

Overlapping Indebtedness and Debt Ratios

The following schedule reflects the direct and overlapping tax-supported debt of the City following issuance of the Warrants:

**RATIO OF DIRECT TAX-SUPPORTED DEBT TO
ASSESSED VALUE PER CAPITA AND DIRECT TAX-
SUPPORTED DEBT (UPON ISSUANCE OF THE WARRANTS,
EXCEPT AS OTHERWISE NOTED)**

Direct general obligation debt of the City, including the Warrants ⁽¹⁾	\$74,083,064 *
Net assessed value of property in the City (tax year commencing October 1, 2023)	\$182,678,960
2020 population of City ⁽²⁾	12,578
Ratio of direct general obligation debt to City's 2023 net assessed value	40.55% *
Per capita general obligation direct debt	\$5,889.89 *
Talladega County general obligation debt (as of September 30, 2023) ⁽³⁾	\$15,140,000
Net assessed value of Talladega County real and personal property (tax year commencing October 1, 2023) ⁽³⁾	\$1,473,698,640
City's share of Talladega County overlapping debt (12.40%) ⁽⁴⁾	\$1,877,360
Tax-supported indebtedness of Sylacauga City Board of Education	\$0
Total overlapping debt	\$1,877,360
City's direct general obligation and overlapping debt	\$75,960,424 *
Ratio of City's direct and overlapping debt to City's 2023 net assessed value ⁽¹⁾	41.58% *
Per capita direct and overlapping debt	\$6,039.15 *

* Preliminary; subject to change.
⁽¹⁾ Does not include any indebtedness payable solely from the net revenues of any of the City's utilities systems (that is, water, sewer, gas and electric), which are owned and operated by the Sylacauga Utilities Board.
⁽²⁾ Source: United States Census Bureau
⁽³⁾ Source: Department of Examiners of Public Accounts, State of Alabama
⁽⁴⁾ Based on the ratio between the assessed value of property in the City to the assessed value of property in the County.

DEBT SERVICE REQUIREMENTS AND COVERAGE

Debt Service Requirements

The following chart indicates the debt service requirements on the City's outstanding indebtedness (excluding compensated absences and other miscellaneous obligations) on a fiscal year basis:

Fiscal Year Ending Sept. 30	Outstanding Debt Service Paid from General Fund ⁽¹⁾	Outstanding Debt Service Paid from Special Ad Valorem Tax ⁽²⁾	Series 2024-A Warrants *	Series 2024-B Warrants *	All General Obligation Debt Aggregate* Net Debt Service
2024	\$850,806	\$1,834,900	--	--	\$2,685,706
2025	761,806	1,838,850	\$459,178	\$864,131	3,923,965
2026	690,845	1,839,875	706,763	1,640,463	4,877,946
2027	689,625	1,838,147	710,513	1,642,463	4,880,748
2028	693,675	1,844,794	708,263	1,643,463	4,890,195
2029	877,275	1,839,631	710,263	1,463,463	4,890,632
2030	873,588	1,847,528	711,263	1,466,463	4,898,842
2031	874,413	1,848,063	711,263	1,463,713	4,897,452
2032	874,163	1,851,363	710,263	1,465,463	4,901,252
2033	867,288	1,852,863	708,263	1,466,463	4,894,877
2034	873,088	1,852,563	710,263	1,461,713	4,897,627
2035	873,138	1,855,363	711,013	1,461,463	4,900,977
2036	872,588	1,861,063	710,513	1,465,463	4,909,627
2037	869,388	1,859,663	578,763	1,463,463	4,771,277
2038	690,188	1,865,800	577,263	1,645,713	4,778,964
2039	689,888	1,869,263	579,763	1,642,963	4,781,877
2040	688,888	1,875,197	249,575	1,643,963	4,457,623
2041	691,775	1,877,831	247,563	1,643,463	4,460,632
2042	688,756	1,877,141	245,338	1,641,463	4,452,698
2043		1,878,666	247,900	2,332,963	4,459,529
2044		1,877,303	250,038	2,333,213	4,460,554
2045		1,877,950	246,750	2,334,963	4,459,663
2046			248,250	2,334,513	2,582,763
2047			249,325	2,336,300	2,585,625
2048			249,975	2,335,113	2,585,088
2049			250,200	2,335,950	2,586,150
2050				2,333,600	2,333,600
2051				2,333,063	2,333,063
2052				2,334,125	2,334,125
2053				2,336,575	2,336,575
2054				2,335,200	2,335,200

* Preliminary; subject to change.

(1) Comprises debt service on the General Obligation Warrants, Series 2017-A and Series 2017-B, and on loans and leases incurred in 2019 and 2020, respectively.

(2) Comprises debt service on the General Obligation Warrants, Series 2020, and the General Obligation Warrants, Series 2015. Debt service on these obligations, which were issued for construction of school houses, is payable from and secured by a pledge of the proceeds of the Special Ad Valorem Tax hereinafter described. See "MAJOR SOURCES OF REVENUE – Ad Valorem Taxes - Collections of 18.5 Mill Special Ad Valorem Tax" herein.

FINANCIAL INFORMATION

The City operates on a fiscal year that begins October 1 and ends on the then next succeeding September 30. The City begins its budget cycle in the summer with the Mayor requesting budgets from each department head. Those requests are reviewed and submitted to the Council. Hearings are held and the budget is generally adopted by the Council before the first meeting in the new fiscal year.

The General Fund Budget adopted by the City for fiscal year 2024 projected revenues of \$20,859,167 and expenditures of \$20,647,266, with a surplus of \$211,901.

The notes to the financial statements included herewith as Appendix B include a description of the accounting policies applicable to the City and the various funds and account groups.

The financial statements of the City for the fiscal years ending September 30, 2018, through and including 2022, show revenues and expenditures for all governmental fund types as follows:

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**CITY OF SYLACAUGA, ALABAMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES –
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED SEPTEMBER 30**

	2018	2019	2020	2021	2022
Revenues					
Sales taxes	\$7,448,770	\$7,882,781	\$8,571,436	\$9,690,655	\$10,230,238
Property taxes	2,986,696	3,122,307	3,323,052	3,468,354	3,435,557
Motor fuel taxes	260,806	277,481	328,606	367,192	384,436
Lodging taxes	259,882	258,424	235,315	291,711	325,619
Rental and leasing taxes	285,473	300,154	263,079	260,914	287,206
Tobacco taxes	78,485	77,582	82,037	83,974	76,938
Alcoholic beverages	106,519	98,770	125,801	129,139	133,335
Other taxes	74,883	105,695	133,973	141,048	150,565
Licenses and permits	1,975,032	1,939,055	2,096,566	1,997,146	2,289,306
Grants	350,165	679,746	2,394,919	2,365,929	1,881,182
Fines and forfeitures	162,668	176,895	195,330	223,030	183,605
Charges for services	1,147,768	1,065,525	995,549	1,139,391	1,091,611
Appropriations from Utilities Board	2,580,000	2,592,000	2,604,000	2,616,000	2,628,000
Appropriations from Component Units	302,000	-	-	-	-
Investment earnings	255,531	313,765	251,135	182,102	145,046
Miscellaneous	<u>555,637</u>	<u>537,622</u>	<u>612,053</u>	<u>258,875</u>	<u>439,991</u>
Total Revenues	18,830,315	19,427,802	22,212,851	23,215,460	23,682,635
Expenditures					
Current					
Executive and legislative	372,626	399,257	346,601	464,028	516,879
General government and admin.	2,452,078	2,968,638	2,884,382	3,246,963	3,864,528
Judicial	330,814	304,164	320,563	330,878	339,182
Civil Service Board	27,855	26,573	24,392	67,088	58,883
Police	3,173,690	3,332,368	3,334,690	3,311,531	3,494,204
Fire	1,345,628	1,622,540	1,777,487	1,812,675	1,978,865
Street	1,725,676	1,776,900	1,890,236	1,941,241	2,595,879
Shop	425,401	426,628	461,362	470,697	529,730
Planning and Code Enforcement	259,291	270,744	230,981	269,725	236,853
Building and Grounds/custodial	91,861	95,393	75,658	65,812	72,487
Animal Shelter	187,479	191,330	175,335	175,930	200,723
Senior citizens services	351,257	296,655	239,492	269,914	286,114
Payments to component units:					
School Board	1,063,680	930,874	2,023,510	643,500	643,500
Parks and Recreation Board	915,274	939,363	912,611	954,495	959,530
Library	630,984	84,000	642,870	658,739	648,392
Industrial development	84,000	84,000	84,000	84,000	92,000
Social and economic development	250,827	636,633	213,179	308,142	389,969
Debt Service:					
Principal	1,160,047	1,188,995	1,245,381	1,159,780	1,257,881
Interest and administrative charges	1,773,232	1,874,929	2,108,619	1,645,871	1,548,993
Capital Outlay	<u>4,263,885</u>	<u>2,939,730</u>	<u>2,982,322</u>	<u>2,459,175</u>	<u>1,381,036</u>
Total Expenditures	20,885,585	20,535,332	21,973,671	20,340,184	21,095,628

	2018	2019	2020	2021	2022
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,055,270)	(1,107,530)	239,180	2,875,276	2,587,007
Other Financing Sources (Uses)					
Sale of capital assets	53,933	-	-	-	14,305
Proceeds from issuance of long-term debt	-	410,000	59,457	-	-
Proceeds from issuance of refunding bonds	-	-	13,240,000	-	-
Payments to refunded escrow agent	-	-	(13,752,709)	-	-
Bond premium	-	-	2,161,592	-	-
Insurance Recovery	-	-	-	-	18,567
Operating Transfers In	5,906,701	1,688,105	2,440,119	3,116,546	3,587,225
Operating Transfers Out	<u>(5,906,701)</u>	<u>(1,688,105)</u>	<u>(2,440,119)</u>	<u>(3,116,546)</u>	<u>(3,587,225)</u>
Total Other Financing Sources (Uses)	<u>53,933</u>	<u>410,000</u>	<u>1,708,340</u>	<u>0</u>	<u>32,872</u>
Net Changes in Fund Balances	(2,001,337)	(697,530)	1,947,520	2,875,276	2,619,879
Fund Balances - Beginning of Year	26,396,429	24,396,664	23,823,244	25,770,764	28,646,039
Prior Period Adjustment	<u>1,572</u>	<u>124,110</u>	-	-	<u>(33,509)</u>
Fund Balances - Beginning (as restated)	26,398,001	24,520,774	-	-	28,612,530
Fund Balances - End of Year	<u>\$24,396,664</u>	<u>\$23,823,244</u>	<u>\$25,770,764</u>	<u>\$28,646,040</u>	<u>\$31,232,409</u>

The unaudited statement of revenues, expenditures and changes in fund balance for the City's General Fund for the fiscal year that ended September 30, 2023, is as follows:

	2023 (unaudited)
Revenues	
Taxes	\$13,492,669.88
Licenses	2,089,712.23
Permits	0.00
Transfers/Appropriation Income	2,703,614.07
Fines and Forfeitures	77.67
Charges for Services	1,613,861.90
Rental Income	15,995.12
Grant Proceeds	99,510.97
Investment & Interest Income	439.48
Contributions	14,140.39
Bond Proceeds	0.00
Miscellaneous Income	330,951.06
Total Revenues	<u>\$20,360,972.77</u>
Expenditures	
Salaries	\$5,744,304.33
Fringe Benefits	2,168,418.69
Professional Services	2,182,620.72
Labor	517.76
Supplies	265,795.04
Employee Exp Training	101,188.73

	2023
	(unaudited)
Dues & Subscriptions	29,191.09
Contractual Services	2,879,030.28
Appropriations	392,866.97
Rental & Leasing	6,600.00
Interfund Transfers	1,470,642.60
City Dept. Approp.	1,581,488.82
Bank Fees & Charges	13,369.55
Automotive	464,174.90
Utilities	291,653.65
Insurance	529,697.48
Repairs and Maintenance	987,974.07
Capital Outlay	633,291.12
Interest	0.00
Miscellaneous Expenses	896,244.68
Total Expenditures	<u>\$20,639,070.48</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	<u>\$(278,097.71)</u>

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MAJOR SOURCES OF REVENUE

Ad Valorem Taxes

The levy and collection of ad valorem taxes in Alabama are subject to limitations imposed by the Alabama Constitution. The Alabama Constitution limits the rates at which property may be assessed, specifies the maximum millage rates at which taxes may be levied on property, and limits total ad valorem taxes on any property in any year.

Ratios of Assessed Value to Fair Market Value. The following classifications of taxable property and corresponding ratios of assessed value to fair and reasonable market value are established for all ad valorem taxation (State and local), subject to certain exceptions stated below:

- Class I - Property of utilities used in their business - 30%;
- Class II - Property not otherwise classified (generally, business or commercial property) - 20%;
- Class III - Agricultural; forest; single-family, owner-occupied residential property; and historical buildings and sites - 10%; and
- Class IV - Private passenger automobiles and small trucks (pickups) for personal use - 15%.

Class III property (primarily agricultural, forest and single-family residential property) is permitted to be assessed, upon application of the owner, on the basis of its current use value with no consideration to be taken of prospective value if the property were put to some other possible use.

Any local taxing authority may increase or decrease any assessment ratio subject to approval by the Legislature and by the majority of the electorate of such authority at a special election. In no case may an assessment ratio be less than 5% or more than 35%. Alabama law further restricts any increase of an assessment ratio (i) to a class of property constituting less than 20% of all taxable property in the taxing authority or (ii) in the case of a taxing authority having more than 75% of its property in a single class, to the other classes of property. Furthermore, any local taxing authority may increase the rate at which any ad valorem tax is levied above the limit specified in the Constitution subject (i) to the approval by the Legislature and by the majority of the electorate of such authority at a special election and (ii) to the limitations on the total rate of taxation hereinafter stated.

Constitutional Limit on Ad Valorem Taxes and Certain Exemptions. All ad valorem taxes payable to the State and to all counties, municipalities and other taxing authorities with respect to any item of taxable property shall not exceed the following percentage of the fair and reasonable market value of such property: 2% in the case of Class I property; 1-1/2% in the case of Class II property; 1% in the case of Class III property; and 1-1/4% in the case of Class IV property. The limitations are not now exceeded as to any class of property in the City.

Household and kitchen furniture, all farm tractors, all farming implements, and all stocks of goods, wares and merchandise (inventories) are exempt from ad valorem taxation; under prior law, those classes of property were subject to taxation. Certain exemptions from ad valorem taxation apply to residences of persons over 65 years of age.

Act No. 82-789 adopted at the 1982 Second Special Session of the Legislature of Alabama authorizes any municipality in the State to increase the present \$2,000 homestead exemption from municipal ad valorem taxes to an amount not greater than \$4,000. The City does not intend to increase or extend the homestead exemption pursuant to the provisions of Act No. 82-789.

Assessed Valuation. According to information obtained from the Talladega County Revenue Commissioner and License Commissioner, the assessed value of taxable properties located within the corporate limits of the City of Sylacauga and Talladega County for the tax years indicated was as follows:

Tax Year Beginning October 1	City of Sylacauga Real and Personal Property	City of Sylacauga Motor Vehicles	City Total	Talladega County Real and Personal Property	Talladega County Motor Vehicles	County Total
2019	\$132,047,960	\$14,793,811	\$146,841,771	\$1,104,130,000	\$114,060,364	\$1,218,190,364
2020	131,297,620	14,615,958	145,913,578	1,128,270,400	142,453,734	1,270,724,134
2021	130,475,500	15,114,960	145,590,460	1,147,669,060	129,875,360	1,277,544,420
2022	137,745,840	16,679,680	154,425,520	1,189,078,120	146,239,280	1,335,317,400
2023	163,280,920	19,398,040	182,678,960	1,306,183,900	167,514,740	1,473,698,640

Source: Talladega County Offices of Revenue Commissioner and License Commissioner

Major Ad Valorem Taxpayers. The following table indicates the ten (10) largest ad valorem taxpayers in the City and the amounts of taxes paid and assessed valuation for the fiscal year ended September 30, 2023:

Taxpayer	Total Assessed Value of Property within City Limits	City Ad Valorem Taxes Paid
Harrell's Coatings Solutions, LLC	\$9,580,380	\$234,718
Hutton MCS Sylacauga, LLC	3,800,000	93,100
Blue Bell Creameries, LP	3,740,220	82,839
Eastern Alabama Railway, Inc.	2,606,200	63,851
Fleetwood Metal Industries, LLC	2,495,240	58,757
Plastical LLC	2,492,080	46,104
Agree Stores LLC	2,128,360	52,144
Alabama Municipal Electric Authority	2,119,480	51,927
Blue Bell Operating LP	1,925,460	47,173
Sylacauga Health & Rehab Services LLC	1,716,880	39,419

Source: Talladega County Office of Revenue Commissioner

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Assessed Value by Property Classification. The following chart reflects, for the tax year commencing October 1, 2023 (that is, the year for which City-levied taxes became due and payable on October 1, 2023, and delinquent on January 1, 2024), the appropriate division of net assessed valuation of property in the City by classification:

	Property Classification	Assessed Valuation City of Sylacauga
Class I	Utilities	\$ 2,282,160
Class II	All Property Not Otherwise Classified	140,488,500
Class III	All Agricultural, Forest and Single Family Owner Occupied Residential Property and Historic Building and Sites	53,934,180
Class IV	Private Passenger Automobiles and Trucks for Personal Use	<u>19,398,040</u>
	Less Exemptions	33,431,780
	Plus Penalties	7,860
	Total Net Assessed Valuation	<u>\$182,678,960</u>

Millage Rates on Taxable Property in the City. Pursuant to the applicable provisions of the Constitution of Alabama and general laws of the State, the City levies ad valorem taxes of 24.5 mills on property situated in the City. This includes a six mill tax for general purposes and the Special Ad Valorem Tax for school purposes.

The following taxes are levied on property situated in the City but are levied by other taxing authorities:

State of Alabama	-	6.5 mills
Talladega County	-	19.5 mills

There are, therefore, 50.5 mills currently being levied on taxable property situated in the City.

Ad valorem taxes levied by the City are collected on behalf of the City by the Talladega County Revenue Commissioner. The Revenue Commissioner estimates that not less than 97.5% of all ad valorem taxes levied in the City in recent years have in fact been collected. A charge for collection equal to approximately 1% of the amount levied (2-1/2% in the case of automobiles) is withheld by the County Revenue Commissioner prior to the remittance to the City.

Collections of Six (6) Mill General Tax. The net amounts collected from the six mill general purposes ad valorem tax levied by the City for the fiscal years indicated are as follows:

Fiscal Year Ending September 30	Net Amount Collected
2018	\$727,130
2019	743,356
2020	817,965
2021	895,382
2022	816,492
2023	824,813 (<u>unaudited</u>)

Collections of 18.5 Mill Special Ad Valorem Tax. Pursuant to Section 216.04 of the Alabama Constitution and elections held in the City on November 9, 1959, and on February 24, 2015, the City levies a special annual ad valorem tax (the "Special Ad Valorem Tax") for certain public school purposes at the rate of 18.5 mills on each dollar (\$1.85 on each \$100) of the assessed value of taxable property in the City for a period continuing until the levy for which taxes become due and payable on October 1, 2049. For collections after 2049, the rate will be at 9 mills unless subsequent proceedings authorize an increase. The proceeds of the Special Ad Valorem Tax have been pledged as security for the payment of the City's General Obligation Warrants, Series 2015, and the City's General Obligation Warrants, Series 2020, which were issued for public school purposes. The following table shows the net amounts of the Special Ad Valorem Tax collected during the fiscal years indicated:

Fiscal Year Ending September 30	Net Amount Collected
2018	\$2,259,566
2019	2,421,616
2020	2,449,606
2021	2,563,643
2022	2,619,065
2023	2,759,956 (<u>unaudited</u>)

The City's policy is to maintain, at all times, a balance in its Special Ad Valorem Tax Fund at least equal to the debt service requirement coming due in the next 12 months on the indebtedness of the City incurred for public school purposes, whether or not the Special Ad Valorem Tax has been pledged for the payment of the indebtedness.

Proceeds of the Special Ad Valorem Tax are not available for payment of debt service on the Warrants.

Privilege License Taxes

The City levies, under general authority granted by the Legislature, privilege license taxes on the privilege of engaging in certain businesses and professions within the corporate limits of the City (these are sometimes referred to as "business license fees"). Businesses and professions are usually taxed the amount stated for their respective type of business or profession plus a percentage of their estimated annual gross receipts. There are certain limitations with respect to the rate at which privilege license taxes may be levied with respect to certain businesses located within the corporate limits of the City, including banks and insurance companies; however, there is no statutory minimum or maximum rate applicable to the privilege license tax. The privilege license taxes are collected by the City Clerk.

Under the applicable judicial precedents, neither the gross receipts tax nor the privilege license taxes may be levied at rates that are confiscatory or unreasonable.

The amounts collected from privilege license taxes by the City for the fiscal years indicated are as follows:

Fiscal Year Ending September 30	Amount Collected
2018	\$1,545,429
2019	1,716,598
2020	1,802,038
2021	1,714,922
2022	1,948,218
2023	2,051,882 (unaudited)

Gross Receipts Taxes

General. The City levies by ordinance the Gross Receipts Tax (often called "the Sales Tax") within its corporate limits at the rate of 4.5% on the gross receipts of all persons selling or using tangible personal property at retail and conducting places of amusement in the City; however, certain transactions are taxed at lower rates. Prior to August 1, 2023, the rate of the Gross Receipts Tax was 3%, and, as a budgetary matter, the Council allocates the first \$4,000,000 of proceeds from the additional 1.5% as follows: (i) 20% to debt service; (ii) 15% to paving; (iii) 7.5% to reserves; (iv) 12.5% to the police department; (v) 12.5% to the fire department; (vi) 10% to recreation; (vii) 7.5% to capital; (viii) 7.5% to infrastructure; and (ix) 7.5% to street. Proceeds from the additional 1.5% in excess of \$4,000,000 are divided equally between a general operations reserve and a special projects reserve.

There is no statutory maximum rate applicable to the said tax. The Gross Receipts Tax is collected by the vendor from the consumer and paid to the State of Alabama Department of Revenue and, in turn, after the deduction of certain collection charges, to the City.

Historical Collections. The following table sets forth the amounts of Gross Receipts Tax received by the City, net of collection costs, during the fiscal years indicated below:

Fiscal Year Ending September 30	Amount Collected
2018	\$7,418,634
2019	7,854,185
2020	8,543,782
2021	9,549,536
2022	10,188,597
2023	11,515,650 ⁽¹⁾

⁽¹⁾ Unaudited. Includes two months (August and September of 2023) of collections at the increased general rate of 4.5%; collections for the other ten months are at the prior general rate of 3%.

Principal Remitters. For the fiscal year ended September 30, 2023, the top 25 remitters of the Gross Receipts Tax paid approximately \$7,169,782 of the total collections for that year (\$11,515,650), or approximately 62% of the total.

SYLACAUGA CITY BOARD OF EDUCATION

General

The Sylacauga City Board of Education ("the Board") is responsible for providing public education within the corporate limits of the City. Members are appointed by the City Council for five-year staggered terms. Educational policy is established by the Board and carried out by the Superintendent, Dr. Michele Eller.

The members of the Board and their respective terms are as follows:

Board Member	Term Ending
Gregory Bailey, President	June 2027
Steven Marlowe, Vice President	June 2025
Rekha Chadawalada	June 2026
Blaine Green	June 2029
Olwyn Twymon	June 2028

At present, the Board employs 310 staff personnel, 188 of whom are certified and 122 that are staff. Of the Board's teachers, 47% have a bachelor's degree, 41% have a master's degree and 12% have degrees beyond the master's degree. The student/teacher ratios for each grade are as follows:

Grade	Student/Teacher Ratio
K	12:1
1	19:1
2	20:1
3	19:1
4	20:1
5	20:1
6	19:1
7	20:1
8	20:1
9-12	17:1

Enrollment for the last five school years was as follows:

Academic Year	Approximate Enrollment
2019 – 2020	1,996
2020 – 2021	1,993
2021 – 2022	2,027
2022 – 2023	2,007
2023 – 2024	1,922

The following schools presently make up the system:

School	Grades	Approximate Enrollment
Indian Valley Elementary School	K – 2	336
Pinecrest Elementary School	3 – 5	431
Nichols Lawson Middle School	6 – 8	435
Sylacauga High School	9 – 12	629

EMPLOYEES' RETIREMENT

Pension Plan

The City participates in the Employees' Retirement System of Alabama ("the State System") which is

operated by the State of Alabama. Contributions are made by employees and the City to the State System. Membership is compulsory for all employees of the City and the State System acts only in an administrative capacity with respect to the City plan. The information given below respecting the participation of the City in the State System relates only to the administration of the local plan by the State System and should not be interpreted as indicating that the State System is in any way responsible for the funding of any benefits payable to employees of the City.

In general, employees of the City participating in the State System are entitled to the same benefits provided for State employees as though those local employees were State employees having comparable years of covered service. Upon such election, the State System administers the local plan and the rates of contributions to be made by the City are determined by the actuary for the State System. The cost of providing benefits is borne by the City and no part of such cost is paid by the State System.

For the fiscal year ended September 30, 2022, City contributions to the State System were \$511,861. As of September 30, 2021, the most recent measurement date, the City's net pension liability referable to the State System was \$4,411,979.

Additional information about the City's participation in the State System is available in note 10 of and the related required supplementary information to the City's audited financial statements as of and for the fiscal year ended September 30, 2022, attached as Appendix B.

Other Post-Employment Benefits

The City has established a single-employer, defined benefit other post-employment benefit plan ("the OPEB Plan") for the purpose of providing qualifying retirees with continued medical, drug and dental benefits. The City presently pays for benefits provided under the OPEB Plan on a "pay-as-you-go" basis. As of September 30, 2022 (the most recent actuarial valuation date for the OPEB Plan), the total liability for the OPEB Plan was \$2,158,598.

For more information about the OPEB Plan, see note 11 to the financial statements of the City attached as Appendix B hereto.

THE FEDERAL BANKRUPTCY ACT

Under certain conditions, Title 11 of the United States Code, 11 U.S.C. 101, et seq. ("the Bankruptcy Code") permits a municipality to file a petition for relief in federal bankruptcy court to adjust debts under Chapter 9 of the Bankruptcy Code. Debt adjustment may include restructuring, reduction or other impairment of debt, subject to various conditions and limitations set forth in the Bankruptcy Code. Section 101 of the Bankruptcy Code defines "municipality" to mean a political subdivision, public agency or instrumentality of a State. To be eligible to file a Chapter 9 bankruptcy petition under section 109 of the Bankruptcy Code, a municipality must be "specifically authorized, in its capacity as a municipality or by name, to be a debtor under [Chapter 9], or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under [Chapter 9]." Section 109 of the Bankruptcy Code imposes additional requirements for a municipality to be eligible to file bankruptcy. Without limitation, the municipality must (a) be insolvent (either unable to pay debts as they come due or generally not paying debts as they come due); (b) desire to effect a debt adjustment plan; and (c) meet certain requirements regarding negotiations with creditors (or certain exceptions to such requirements). Alabama law authorizes municipalities, counties and certain public authorities to file petitions under the Bankruptcy Code. The other conditions to eligibility are fact-specific to the time of filing the petition.

Section 922(d) of Chapter 9 of the Bankruptcy Code provides that a bankruptcy petition does not operate as a stay of "application of pledged special revenues" to the payment of indebtedness secured by such revenues in a manner consistent with other provisions of the Bankruptcy Code. Without limitation, section 928 of the Bankruptcy Code provides that special revenues acquired by the debtor after commencement of a chapter 9 case remain subject to any lien resulting from any security agreement entered into by the debtor before commencement of the case, but further provides that any such lien on special revenues (other than municipal betterment assessments) derived from a

project or system shall be subject to "the necessary operating expenses of such project or system." It is not clear whether the special pledge of the Special Ad Valorem Tax made by the City for the benefit of the Warrants would constitute "special revenues" as that term is defined in section 902(2) of the Bankruptcy Code. Moreover, the phrase "application of pledged special revenues" has given rise to arguments that the provisions of section 922(d) apply only to funds in possession and control of the debtholders, or their trustee. Therefore, it is uncertain whether or not the filing of a Chapter 9 petition would affect application of the proceeds of the Special Ad Valorem Tax for the payment of principal and interest on the Warrants. Similarly, it is uncertain whether section 928 of the Bankruptcy Code would control the claims of holders of the Warrants with respect to proceeds of the Special Ad Valorem Tax.

The approving legal opinion of Bond Counsel will contain the customary reservation that the rights of the holders of the Warrants and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases. See the proposed form of approving legal opinion set forth in Appendix A.

GENERAL INFORMATION RESPECTING THE CITY

Geographical

The City is located in the southern part of Talladega County in central Alabama approximately 50 miles southeast of Birmingham and 63 miles north of Montgomery. It is served by U.S. Highway 231 running north and south and U.S. Highway 280 running east and west. Rail service is provided by Norfolk Southern Railway and Genesee & Wyoming Inc. (a short-line railroad holding company). Sylacauga is surrounded by major natural resources including timberland, marble quarries and navigable waterways.

Industry and Agriculture

Sylacauga lies in the fertile Coosa Valley area which is developing into a leading industrial and agricultural center in Alabama. The Coosa River is eleven miles west of Sylacauga.

A solid bed of white marble is quarried by four companies within five miles of the western limits of the City. This marble has been quarried since 1840 and is used for construction, medicines and food supplements. The United States Supreme Court Building and the Lincoln Memorial, both in Washington, D.C., are constructed with Sylacauga marble.

Bowater Newsprint, a Resolute Forest Products company, operates a large pulp and newsprint paper mill at Coosa Pines, Alabama, 10 miles west of Sylacauga. The mill and forest products operations are located on 500,000 acres of forest land, which supply approximately 20% of the wood used in its operations. The other 80% is purchased within a fifty-mile radius of the mill. The mill produces newsprint, pulp and lumber. The mill employs approximately 288 persons.

Employment

The largest employers in the City of Sylacauga are as follows:

Employer	Product or Service	Approximate Number of Employees
Nemak Aluminum Components	motor vehicle parts	700
Coosa Valley Medical Center	hospital	548
Blue Bell Creameries	ice cream and frozen desserts	367
Sylacauga City School System	education	293
Wal-Mart SuperCenter	discount retail store	285

Imerys USA Inc.	calcium carbonate	269
Heritage Freight & Warehousing	freight carrier & warehousing	200
Sylacauga Healthcare and Rehab	healthcare	167
AmeriBolt	bolts and fasteners	167
IKO	asphalt shingles	140
Cleveland Cliffs	metal stamping	137
City of Sylacauga	city government	119

The largest employers in Talladega County are as follows:

Employer	Product or Service	Approximate Number of Employees
Honda of Alabama	automobiles and v-6 engines	5,000
New South Express	Honda parts supplier	1,575
Alabama Institute for Deaf & Blind	education institution	1,245
Talladega County Board of Education	county public schools	955
Nemak Aluminum Components	motor vehicle parts	700
Legacy Cabinets	cabinets	688
Kasai North America Inc.	plastic extrusion	676
Coosa Valley Medical Center	hospital	548
Filter Buy	air filters	440
Blue Bell Creameries	ice cream and frozen desserts	367
Baptist Citizen Medical Center	hospital	346
Talladega City Board of Education	city public schools	321
Sylacauga City Board of Education	city public schools	293
Wal-Mart SuperCenter (Sylacauga)	discount retail store	285

Source: Talladega County Economic Development Authority, July 2024

Residential and Commercial Permits

Building permits were issued, since calendar year 2005, for construction projects having the following aggregate costs:

Year	Amount
2005	\$14,572,380
2006	9,836,749
2007	10,265,400
2008	11,019,562
2009	7,195,447
2010	4,583,501
2011	11,925,972
2012	4,166,761
2013	9,836,749
2014	4,797,415
2015	14,779,316
2016	6,973,790
2017	11,875,399

2018	10,990,507
2019	7,202,389
2020	(unavailable)
2021	13,644,357
2022	29,259,489
2023	16,984,413

Utilities

The Utilities Board of the City of Sylacauga, a public corporation organized and existing under Act No. 175 adopted at the 1951 Regular Session of the Legislature of Alabama, operates the gas, electric, water and sanitary sewer systems in the City. The Board consists of three members appointed by the City Council. Customers served by the Board were as follows:

	2015	2016	2017	2018	2019
Electric	7,350	7,266	7,260	7,531	7,482
Water	8,432	8,432	8,433	8,734	7,516
Gas	6,456	6,442	6,434	6,116	6,055
Sewer	6,265	6,230	6,224	5,964	6,224
	2020	2021	2022	2023	
Electric	7,464	7,496	7,280	6,249	
Water	8,015	8,006	8,168	7,697	
Gas	6,006	6,006	5,733	5,202	
Sewer	5,866	5,863	5,756	4,639	

Air Service

Lee-Merkle Field has a 5,400-foot long runway and accommodates private jets and other medium-sized aircraft. Commercial service is provided by the Birmingham airport, which is approximately 50 miles northwest of the City.

Population

The population of the City of Sylacauga and Talladega County are shown below:

Year	City of Sylacauga		Talladega County	
	Population	Increase	Population	Increase
1960	12,857		65,495	
1970	12,255	(4.7)%	65,280	(0.3)%
1980	12,708	3.7	73,826	13.1
1990	12,520	(1.5)	74,107	0.4
2000	12,616	0.8	80,321	8.4
2010	12,749	1.1	82,291	2.5
2020	12,578	(1.3)	82,149	(0.1)
2023*	12,216	(2.8)	81,132	(1.2)

* Population estimates. As of July 2023.
Source: U. S. Census Bureau, Population Division

Miscellaneous Demographic Information

Median Family Income. The following table sets forth the median family income for the United States, the State of Alabama and Talladega County for the years shown:

Year	United States	State of Alabama	Talladega County
2020	\$78,500	\$65,300	\$56,700
2021	79,900	66,700	55,000
2022	90,000	73,600	72,600
2023	96,200	79,600	69,700
2024	97,800	82,500	67,200

Source: HUD Office of Economic Affairs, Economic and Market Analysis Division

Per Capita Personal Income. The following table sets forth the per capita personal income for the United States, the State of Alabama and Talladega County for the years shown:

Year	United States	State of Alabama	Talladega County
2018	\$53,309	\$41,330	\$33,461
2019	55,547	43,004	35,117
2020	59,153	45,887	37,831
2021	64,430	50,059	41,256
2022	65,470	50,916	41,231

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Last updated: November 16, 2023.

Labor Force Estimates. The following table sets forth information respecting the civilian labor force for Talladega County:

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2019	36,213	34,904	1,309	3.6%
2020	36,349	33,565	2,784	7.7
2021	35,758	34,312	1,446	4.0
2022	36,207	35,115	1,092	3.0
2023	36,727	35,708	1,019	2.8
2024*	36,360	35,190	1,170	3.2

*Preliminary estimates. As of June 2024.

Source: Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on 2023 benchmark.

Unemployment Rates. The following table sets forth the rates of unemployment for the United States, the State of Alabama and Talladega County for the years shown:

Year	United States	State of Alabama	Talladega County
2019	3.7%	3.2%	3.6%
2020	8.1	6.4	7.7
2021	5.3	3.4	4.0
2022	3.6	2.5	3.0
2023	3.6	2.5	2.8

2024*

4.4

2.9

3.2

*Preliminary estimates. As of June 2024.

Source: Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on 2023 benchmark.

Poverty

The following table sets forth the number of poor and the poverty rate for the United States, the State of Alabama, the City of Sylacauga and Talladega County:

	United States	State of Alabama	City of Sylacauga	Talladega County
Number of Poor	40,951,625	800,395	2,747	13,948
Poverty Rate	12.6%	16.2%	22.5%	18.0%

Source: U.S. Census Bureau, American Community Survey, 2022 1-Year Estimates Subject Tables; 5-Year Estimates regarding the City.

Housing

Average Value. The following table sets forth the average value of owner-occupied housing units for the State of Alabama, City of Sylacauga and Talladega County:

	State of Alabama	City of Sylacauga	Talladega County
Median Value	\$200,900	\$159,000	\$138,500

Source: U.S. Census Bureau, American Community Survey, 2022 1-Year Estimates Subject Tables; 5-Year Estimates regarding the City.

Composition of Housing Units. The following tables set forth certain information concerning housing in the State of Alabama, the City of Sylacauga and Talladega County:

	State of Alabama	City of Sylacauga	Talladega County
Occupied Housing Units			
Renter	600,115	2,433	11,674
Owner	<u>1,416,333</u>	<u>2,858</u>	<u>23,005</u>
Total	2,016,448	5,291	34,679
Unoccupied Housing Units	<u>323,134</u>	<u>614</u>	<u>3,865</u>
Total Housing Units	2,339,582	5,905	38,544

Source: U.S. Census Bureau, American Community Survey, 2022 1-Year Estimates Subject Tables; 5-Year Estimates regarding the City.

	State of Alabama	City of Sylacauga	Talladega County
Family Households	1,308,988	3,506	26,024
Non-Family Households	<u>707,460</u>	<u>1,785</u>	<u>8,655</u>
Total Households	2,016,448	5,291	34,679
Mobile Home or Trailer	285,974	395	9,766

Source: U.S. Census Bureau, American Community Survey, 2022 1-Year Estimates Subject Tables; 5-Year Estimates regarding the City.

Health Services

The City is served by Coosa Valley Medical Center, with 168 certified beds. The hospital is staffed by 490 administrative and support personnel; approximately 40 physicians are members of the active staff, and approximately 100 courtesy and consulting physicians use the hospital facilities. AltaPointe Health, offering out-patient services, is located within the city limits and serves a four-county area.

LEGALITY

The Warrants will be issued subject to the approving opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel. It is anticipated that Bond Counsel's approving opinion will be in substantially the form attached as Appendix A.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Warrants is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("the Code"). Interest on the Warrants is not treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Warrants, and Bond Counsel has assumed compliance with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Warrants from gross income under Section 103 of the Code.

Bond Counsel is further of the opinion that the interest income on the Warrants is exempt from present Alabama income taxation.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Warrants. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Warrants.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Warrants in order that interest thereon be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Warrants, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Warrants to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance

occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Warrants from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Warrants. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Warrant. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Warrants.

Prospective owners of the Warrants should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Warrants may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

The initial public offering price to be paid for certain of the Warrants ("the Original Issue Discount Warrants") is less than the principal amount thereof. Under existing law, the difference between (i) the amount payable at the maturity of each Original Issue Discount Warrants, and (ii) the initial offering price to the public of such Original Issue Discount Warrants constitutes original issue discount with respect to such Original Issue Discount Warrants in the hands of any owner who has purchased such Original Issue Discount Warrants in the initial public offering of the Warrants. Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Warrants equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Warrants continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Warrants prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Warrants in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Warrants was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Warrants is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Warrants and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Warrants for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other taxable disposition thereof. The amount (if any) to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods (if any) multiplied by the yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Warrants.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Warrants which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Warrants should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Warrants and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Discount Warrants.

Original Issue Premium

The initial public offering price to be paid for certain of the Warrants ("the Original Issue Premium Warrants") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium Warrants in the initial public offering of the Warrants is required to reduce his basis in such Original Issue Premium Warrants by the amount of premium allocable to periods during which he holds such Original Issue Premium Warrants, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Warrants should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Warrants and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Warrants.

LITIGATION

The City will furnish its certificate dated the date of the delivery of the Warrants, stating in substance that there is no controversy or litigation of any nature pending or threatened which restrains or enjoins the issuance, sale, execution or delivery of the Warrants or in any way contests or affects the validity of the Warrants or any proceedings of the City taken with respect to the issuance and sale thereof.

AUDITED FINANCIAL STATEMENTS

The City's financial statements as of and for the fiscal year ended September 30, 2022, included as Appendix B to this Official Statement have been audited by Machen McChesney, LLP, Certified Public Accountants, Auburn, Alabama, as stated in their report dated April 1, 2024.

Machen McChesney, LLP, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in its report and included in this Official Statement. Machen McChesney, LLP, also has not performed any procedures relating to this Official Statement.

UNDERWRITING

The Series 2024-A Warrants are being purchased by Piper Sandler & Co., Birmingham, Alabama (the "Underwriter"), at a price equal to \$_____ (which represents an underwriting discount of \$_____, and net original issue premium of \$_____), and the Series 2024-B Warrants are being purchased by the Underwriter at a price equal to \$_____ (which represents an underwriting discount of \$_____, and net original issue premium of \$_____). The City has been advised that the Underwriter intends to offer the Warrants to the public at prices that may be changed from time to time by the Underwriter without any requirement of prior notice. The City has also been advised that the Underwriter may offer the Warrants to certain dealers and to others at prices lower than the public offering prices.

The Underwriter has entered into a distribution agreement ("the Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Warrants, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase the Warrants from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Warrants that CS&Co. sells.

CONTINUING DISCLOSURE REQUIREMENTS

2024 Undertaking

The City will, upon issuance of the Warrants, enter into a continuing disclosure undertaking for the benefit of the beneficial owners of the Warrants (the "2024 Undertaking") wherein the City will agree to provide annually certain financial information and operating data relating to the City ("the Annual Report") and to provide, from time to time, notices of the occurrence of certain events. The Annual Report and event notices will be filed by or on behalf of the City with the Electronic Municipal Market Access system ("EMMA") established by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and event notices and other provisions of the 2024 Undertaking are summarized in "Appendix C - Summary of Continuing Disclosure Agreement." The 2024 Undertaking will be entered into in order to assist the Underwriter of the Warrants in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Dissemination Agent – Digital Assurance Certification, L.L.C.

Contemporaneously with issuance of the Warrants, the City will enter into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agent Agreement") with Digital Assurance Certification, L.L.C. ("DAC"), as its Disclosure Dissemination Agent for the purpose of assisting with ongoing compliance with its containing disclosure filing requirements. DAC provides its clients with automated filings of rating events, templates consolidating all outstanding filing requirements that accompany reminder notices of annual mandatory filings, review of all template filings by professional accountants, as well as a time and date stamp record of each filing along with the unique ID from EMMA accompanying the copy of the actual document filed. DAC also offers its clients a series of training webinars each year qualified for 15-20 NASBA certified CPE credits, as well as model secondary market compliance policies and procedures.

The Disclosure Dissemination Agent has only the duties specifically set forth in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the City has provided such information to Disclosure Dissemination Agent as required by this Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information in the Annual Report, audited financial statements, notice of certain events summarized in the 2024 Undertaking ("Notice Event") or any voluntary report, or any other information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the holders of the Warrants or any other party. The Disclosure Dissemination Agent has no responsibility for the City's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the City has complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the City at all times.

Compliance with Prior Undertakings

In the previous five fiscal years, there have been instances in which the City failed to timely file certain annual financial information and operating data with EMMA within the time period required by Rule 15c2-12 and the terms of the prior continuing disclosure undertakings entered into by the City.

For the City's fiscal year 2020, the City's unaudited financial statements and report of operating data were both filed on March 30, 2021 rather than on March 29, 2021, and a failure to file notice with respect to each such report was filed on March 29, 2021.

RATINGS

S&P is expected to assign a rating of "AA" to the Warrants with the understanding that, upon delivery of the Warrants, BAM will issue the Policies. S&P has assigned the Warrants an underlying rating of "A+." Any explanation of the significance of such rating must be obtained from S&P. The ratings are not a recommendation to buy, sell or hold the Warrants and should be evaluated independently. There is no assurance that such ratings will maintain in effect for any given period of time or will not be lowered or withdrawn entirely, if, in the judgment of the rating agency, circumstances should warrant such action. Any such downward revision or withdrawal of any rating assigned to the Warrants could have an adverse effect on the market price. Neither the City nor the Underwriter is undertaking any responsibility after the issuance of the Warrants to assure maintenance of either rating or to oppose any such revision or withdrawal.

RISK FACTORS

General

An investment in the Warrants involves certain risks that prospective investors in the Warrants should consider carefully. Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether the Warrants are an appropriate investment for them. This discussion of risk factors is not intended to be exhaustive and should be read in conjunction with all other parts of this Official Statement.

Limitation on Rights of Holders of the Warrants

Holders of the Warrants should be aware that their rights and the enforceability of the Warrants may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

United States Bankruptcy Code

See "THE FEDERAL BANKRUPTCY ACT" herein for information describing the applicability of the United States Bankruptcy Code to the City and the Warrants.

Cybersecurity

Despite the implementation of network security measures by the City, its information technology systems may remain vulnerable to breaches, hacker and ransomware attacks, computer viruses, physical or electronic break-ins and other similar events or issues. The foregoing events or issues could lead to the inadvertent disclosure of confidential information, ransomware attacks holding critical information and operations hostage or could have an adverse effect on the City's ability to provide essential services or to collect revenues necessary to operate the City. Any breach or cyberattack that compromises data could result in negative press and substantial fines or penalties for violation of state privacy laws. Despite efforts of the City, no assurances can be given that the City's measures will prevent cybersecurity attacks, and no assurances can be given that any cybersecurity attacks, if successful, will not have a material adverse effect on the operations or financial condition of the City.

Tax-Exempt Status of the Warrants

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Warrants, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States Treasury, and a requirement that the City file an information report with the IRS. Future failure by the City to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Warrants as taxable, retroactively to the date of issuance. The City has covenanted in the Authorizing Ordinance that that it will not take any action or refrain from taking any action that would cause interest on the Warrants to be included in gross income for federal income tax purposes. Additionally, the Warrants or other tax-exempt obligations issued previously by the City may be, from time to time, subject to

examinations or audits by the IRS. There is no assurance that an IRS examination of the Warrants would not adversely affect the market value of the Warrants or of other outstanding tax-exempt indebtedness of the City.

MISCELLANEOUS

All references to the Constitution and laws of Alabama, to summaries of contracts, documents or official acts are qualified by the exact terms of such Constitution, laws, contracts, documents or acts, each being an item of public record. So far as any statements are made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, they are set forth as such and not as representations of fact, and no representation is made that any such estimates will be realized.

The distribution of this Official Statement has been approved by the City.

CITY OF SYLACAUGA, ALABAMA

By _____
Mayor

Dated _____, 2024

APPENDIX A

**PROPOSED FORM OF
APPROVING LEGAL OPINION**

APPENDIX A

(Proposed Form of Approving Legal Opinion)

BRADLEY ARANT BOULT CUMMINGS LLP
One Federal Place
1819 Fifth Avenue North
Birmingham, Alabama 35203-2119

_____, 2024

City of Sylacauga
Sylacauga, Alabama

Ladies and Gentlemen:

We have examined certified copies of proceedings of the governing body of the City of Sylacauga ("the City"), in the State of Alabama, and other documents submitted to us pertaining to the authorization, sale and issuance of

CITY OF SYLACAUGA, ALABAMA

\$ _____
General Obligation Warrants
Series 2024-A

\$ _____
General Obligation Warrants
Series 2024-B

Dated the date of issuance

(together, the "Warrants"). The opinion hereinafter expressed is based upon our examination of the said proceedings and documents.

We are of the following opinion: that the Warrants are in due and legal form, have been validly authorized and issued pursuant to the applicable provisions of the constitution and laws of Alabama, and constitute valid orders on the treasurer of the City for the payment thereof as therein provided; that the indebtedness ordered paid by the Warrants is a valid general obligation of the City for the payment of the principal of and interest on which the City has validly and irrevocably pledged its full faith and credit; and that, under existing statutes, the interest on the Warrants is exempt from Alabama income taxation.

We are further of the opinion that under the Internal Revenue Code of 1986, as amended (the "Code"), as presently construed and administered, and assuming compliance by the City with its covenants pertaining to certain requirements of federal tax law that are set forth in the proceedings authorizing the issuance of the Warrants, the interest on the Warrants will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, and the interest on the Warrants will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on "applicable corporations" (as defined in Section 59(k) of the Code), interest on the Warrants is not excluded from the determination of adjusted financial statement income. We express no opinion with respect to the federal tax consequences to the recipients of the interest on the Warrants under any provision of the Code not referred to above.

We express no opinion regarding the accuracy, adequacy or completeness of the Official Statement of the

City relating to the Warrants. Further, we express no opinion regarding tax consequences arising with respect to the Warrants other than as expressly set forth herein.

The rights of the holders of the Warrants and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Yours very truly,

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

CITY OF SYLACAUGA, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

CITY OF SYLACAUGA, ALABAMA

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INDEPENDENT AUDITOR'S REPORT

The Honorable James Heigl, Mayor
and Members of the City Council and City Clerk
City of Sylacauga, Alabama

Report on the Audit of the Financial Statements

Adverse, Qualified, and Unmodified Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sylacauga, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Sylacauga, Alabama's primary government as listed in the table of contents.

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying financial statements do not fairly present the financial position of the aggregate discretely presented component units of the City of Sylacauga, Alabama, as of September 30, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on the Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter described in the Basis for Adverse, Qualified, and Unmodified Opinions section of the report, the accompanying financial statements present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Sylacauga, Alabama, as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Governmental Activities and Each Major Fund

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

Basis for Adverse, Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Sylacauga, 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 adverse, qualified and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Aggregate Remaining Fund Information

The financial statements do not include financial data for the City of Sylacauga, Alabama's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City of Sylacauga, Alabama's primary government, unless the City of Sylacauga, Alabama also issues financial statements for the financial reporting entity that include the financial data for its component units. The City of Sylacauga, Alabama has not issued such reporting entity financial statements. The effects of this departure from accounting principles generally accepted in the United States of America cannot be determined.

Responsibilities of Management for the Financial Statements

The City of Sylacauga, Alabama's 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 Sylacauga, 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Sylacauga, 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 Sylacauga, 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, pension information, and OPEB information on pages 56 through 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 issued our report dated April 1, 2024, on our consideration of the City of Sylacauga, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Machen McChesney, LLP

Auburn, Alabama
April 1, 2024

BASIC FINANCIAL STATEMENTS

CITY OF SYLACAUGA, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	<u>Primary Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 22,339,903
Certificates of deposit	6,592,062
Receivables, net	2,827,997
Inventories	496,646
Other current assets	9,995
Prepaid bond issue insurance	56,794
Property for resale	3,213,925
Capital assets not being depreciated (Note 6)	6,551,678
Capital assets net of accumulated depreciation (Note 6)	<u>24,535,953</u>
Total assets	<u>66,624,953</u>
DEFERRED OUTFLOWS	
Deferred amount on refunding	338,568
Deferred outflows of resources related to pensions	2,452,663
Deferred outflows of resources related to OPEB	<u>221,527</u>
Total deferred outflows	<u>3,012,758</u>
LIABILITIES	
Accounts payable	1,143,586
Accrued payroll	66,248
Accrued interest	320,366
Other accrued liabilities	71,787
Unearned revenue	2,236,699
Noncurrent liabilities (Note 7)	
Due within one year	1,373,375
Due in more than one year	<u>47,860,520</u>
Total liabilities	<u>53,072,581</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA
STATEMENT OF NET POSITION - continued
SEPTEMBER 30, 2022

	Primary Government Governmental Activities
DEFERRED INFLOWS	
Deferred inflows of resources related to pensions	2,142,831
Deferred inflows of resources related to OPEB	<u>153,418</u>
Total deferred inflows	<u>2,296,249</u>
NET POSITION	
Net investment in capital assets	19,809,568
Restricted for:	
Capital projects	4,810,544
Debt service	2,935,931
Federal and state grants	604,482
Special revenues (gas tax and road projects)	910,671
Special revenues (ad valorem tax for schools)	5,246,630
Unrestricted	<u>(20,048,945)</u>
Total net position	<u><u>\$ 14,268,881</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs:	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary government:					Primary Governmental Activities
Governmental activities:					
Executive and legislative General government and administration	\$ 511,821	\$ -	\$ -	\$ -	\$ (511,821)
Judicial	5,129,652	2,210,446	213,276	116,994	(2,588,936)
Civil Service Board	346,334	10	-	-	(346,324)
Police	27,443	-	-	-	(27,443)
Fire	3,586,448	205,666	5,600	-	(3,375,182)
Street	2,116,250	8,124	-	-	(2,108,126)
Shop	3,194,570	1,037,176	-	660,524	(1,496,870)
Planning and code enforcement	531,763	39,296	-	-	(492,467)
Building and grounds/custodial	240,623	113,097	-	-	(127,526)
Senior citizens services	76,928	-	-	-	(76,928)
Payments to component units:	331,976	29,017	230,173	-	(72,786)
School Board	643,500	-	-	-	(643,500)
Parks and Recreation Board	957,147	-	-	-	(957,147)
Library	648,392	-	-	-	(648,392)
Industrial development	92,000	-	-	-	(92,000)
Social and economic development	603,114	34,403	777,629	32,000	240,918
Interest on long-term debt	1,418,800	-	-	-	(1,418,800)
Debt service administration	2,550	-	-	-	(2,550)
Total primary government	<u>\$ 20,459,311</u>	<u>\$ 3,677,235</u>	<u>\$ 1,226,678</u>	<u>\$ 809,518</u>	<u>(14,745,880)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA
STATEMENT OF ACTIVITIES - continued
YEAR ENDED SEPTEMBER 30, 2022

	Net (Expense) Revenue and Changes in Net Position <hr/> Primary Government Governmental Activities <hr/>
General revenues:	
Taxes:	
Sales taxes	10,230,238
Property taxes	3,435,558
Motor fuel taxes	384,435
Lodging taxes	325,619
Rental and leasing taxes	287,206
Tobacco taxes	76,938
Alcoholic beverage taxes	133,335
Other taxes	150,565
Grants and contributions not restricted to specific programs	2,628,000
Investment earnings	28,052
Miscellaneous	307,826
Gain on sale of assets	14,305
Total general revenues	<u>18,002,077</u>
Change in net position	<u>3,256,197</u>
Net position, beginning	11,046,193
Prior period adjustment	(33,509)
Net position, beginning, as restated	<u>11,012,684</u>
Net position, ending	<u><u>\$ 14,268,881</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Eighteen and One Half Mill Tax Fund	American Recovery Plan Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,704,518	\$ 3,380,865	\$ 2,248,763	\$ 6,005,757	\$ 22,339,903
Certificates of deposit	4,807,811	1,784,251	-	-	6,592,062
Receivables					
Revenues	1,015,679	89,589	-	-	1,105,268
Grants	519,265	-	-	326,307	845,572
Other governmental agencies	57,471	-	-	-	57,471
Municipal court	782,198	-	-	-	782,198
Other receivables	8,818	-	-	1,325	10,143
Parks and Recreation Board	5,131	-	-	-	5,131
School Board	22,214	-	-	-	22,214
Due from other funds	410,909	-	-	440,307	851,216
Inventories	496,646	-	-	-	496,646
Other current assets	9,995	-	-	-	9,995
Property for resale	3,213,925	-	-	-	3,213,925
Total assets	<u>\$ 22,054,580</u>	<u>\$ 5,254,705</u>	<u>\$ 2,248,763</u>	<u>\$ 6,773,696</u>	<u>\$ 36,331,744</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,022,757	\$ 900	\$ 12,014	\$ 107,915	\$ 1,143,586
Accrued payroll	66,248	-	-	-	66,248
Due to other funds	601,676	7,175	50	242,315	851,216
Other accrued liabilities	71,787	-	-	-	71,787
Unearned revenue	729,799	-	2,236,699	-	2,966,498
Total liabilities	<u>2,492,267</u>	<u>8,075</u>	<u>2,248,763</u>	<u>350,230</u>	<u>5,099,335</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS - continued
SEPTEMBER 30, 2022

	General Fund	Eighteen and One Half Mill Tax Fund	American Recovery Plan Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Non-spendable					
Inventories	496,645	-	-	-	496,645
Property for resale	3,213,925	-	-	-	3,213,925
Restricted					
Law enforcement	121,462	-	-	-	121,462
Social and economic projects	78,167	-	-	85,217	163,384
Education	-	5,246,630	-	-	5,246,630
Road repair and construction	-	-	-	910,671	910,671
Capital projects	149,770	-	-	2,491,647	2,641,417
Committed					
Industrial development	2,241,025	-	-	-	2,241,025
Debt service	-	-	-	2,935,931	2,935,931
Assigned					
Unemployment compensation	574,702	-	-	-	574,702
Worker's compensation benefits	519,481	-	-	-	519,481
Future construction	3,404,650	-	-	-	3,404,650
General	946,421	-	-	-	946,421
Unassigned	7,816,065	-	-	-	7,816,065
Total fund balances	<u>19,562,313</u>	<u>5,246,630</u>	<u>-</u>	<u>6,423,466</u>	<u>31,232,409</u>
Total liabilities and fund balances	<u>\$ 22,054,580</u>	<u>\$ 5,254,705</u>	<u>\$ 2,248,763</u>	<u>\$ 6,773,696</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS - continued
SEPTEMBER 30, 2022

	<u>Total Governmental Funds</u>
Amounts reported as governmental activities in the statement of net position are different because:	
Prepaid items accounted for using the purchases method are not reported in the funds.	56,794
Capital assets used in governmental activities are not financial resources reported in the funds.	31,087,631
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	716,509
Other long-term assets, such as unearned municipal court revenues, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	729,799
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(49,233,895)
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	<u>(320,366)</u>
Net position of governmental activities	<u><u>\$ 14,268,881</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Eighteen and One Half Mill Tax Fund	American Recovery Plan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Sales taxes	\$ 10,230,238	\$ -	\$ -	\$ -	\$ 10,230,238
Property taxes	816,492	2,619,065	-	-	3,435,557
Motor fuel taxes	197,730	-	-	186,706	384,436
Lodging taxes	325,619	-	-	-	325,619
Rental and leasing taxes	287,206	-	-	-	287,206
Tobacco taxes	76,938	-	-	-	76,938
Alcoholic beverage taxes	133,335	-	-	-	133,335
Other taxes	150,565	-	-	-	150,565
Licenses and permits	2,289,306	-	-	-	2,289,306
Grants	192,511	-	624,117	1,064,554	1,881,182
Fines and forfeitures	183,605	-	-	-	183,605
Charges for services	1,091,611	-	-	-	1,091,611
Appropriation from Utilities Board	2,628,000	-	-	-	2,628,000
Investment earnings	134,010	6,537	-	4,499	145,046
Miscellaneous	414,274	-	-	25,717	439,991
Total revenues	<u>19,151,440</u>	<u>2,625,602</u>	<u>624,117</u>	<u>1,281,476</u>	<u>23,682,635</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA

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

YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Eighteen and One Half Mill Tax Fund	American Recovery Plan Fund	Other Governmental Funds	Total Governmental Funds
EXPENDITURES					
Current:					
Executive and legislative	516,879	-	-	-	516,879
General government & administration	3,238,891	750	624,117	770	3,864,528
Judicial	339,182	-	-	-	339,182
Civil Service Board	58,883	-	-	-	58,883
Police	3,494,204	-	-	-	3,494,204
Fire	1,978,865	-	-	-	1,978,865
Street	2,595,879	-	-	-	2,595,879
Shop	529,730	-	-	-	529,730
Planning and code enforcement	236,853	-	-	-	236,853
Building and grounds/custodial	72,487	-	-	-	72,487
Animal shelter	200,723	-	-	-	200,723
Senior citizens services	-	-	-	286,114	286,114
Payments to component units:					
School Board	643,500	-	-	-	643,500
Parks and Recreation Board	907,178	-	-	52,352	959,530
Library	646,151	-	-	2,241	648,392
Industrial development	92,000	-	-	-	92,000
Social and economic development	199,886	-	-	190,083	389,969
Debt service:					
Principal	-	690,000	-	567,881	1,257,881
Interest	-	1,141,875	-	404,568	1,546,443
Administrative charges	-	1,800	-	750	2,550
Capital outlay	344,444	-	-	1,036,592	1,381,036
Total expenditures	<u>16,095,735</u>	<u>1,834,425</u>	<u>624,117</u>	<u>2,541,351</u>	<u>21,095,628</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA

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

YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Eighteen and One Half Mill Tax Fund	American Recovery Plan Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures	<u>3,055,705</u>	<u>791,177</u>	<u>-</u>	<u>(1,259,875)</u>	<u>2,587,007</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	14,305	-	-	-	14,305
Operating transfers in	710,247	-	-	2,876,978	3,587,225
Operating transfers out	(2,709,465)	-	-	(877,760)	(3,587,225)
Insurance recovery	-	-	-	18,567	18,567
Total other financing sources (uses)	<u>(1,984,913)</u>	<u>-</u>	<u>-</u>	<u>2,017,785</u>	<u>32,872</u>
Net change in fund balances	<u>1,070,792</u>	<u>791,177</u>	<u>-</u>	<u>757,910</u>	<u>2,619,879</u>
Fund balances - beginning	18,525,030	4,455,453	-	5,665,556	28,646,039
Prior period adjustment	(33,509)	-	-	-	(33,509)
Fund balances - beginning, as restated	<u>18,491,521</u>	<u>4,455,453</u>	<u>-</u>	<u>5,665,556</u>	<u>28,612,530</u>
Fund balances - ending	<u>\$ 19,562,313</u>	<u>\$ 5,246,630</u>	<u>\$ -</u>	<u>\$ 6,423,466</u>	<u>\$ 31,232,409</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SYLACAUGA, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balances-total governmental funds \$ 2,619,879

Amounts reported for governmental activities in the statement of activities are different because (Note 19):

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (443,745)

Repayment of principal on debt is an expenditure of the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,257,881

Bond issue costs, premiums and deferred amount on refunding are reported as expenditures in governmental funds in the year paid, however, these costs are deferred and amortized over the life of the bonds in the government-wide statements. 118,018

Some revenues reported in the statement of activities are not considered "available" revenues in the governmental funds. 13,558

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (309,394)

Change in net position of governmental activities \$ 3,256,197

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies

The City of Sylacauga, Alabama was incorporated February 26, 1887. The City operates under the Mayor-Council form of government and provides the following services: public safety (police and fire), sanitation, planning and zoning, public improvements, and general administrative services.

The accounting policies of the City of Sylacauga conform to generally accepted accounting principles in the United States of America (GAAP) applicable to municipal governments as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the more significant policies:

- A. Reporting Entity - Financial statements for the City of Sylacauga include only the data of the primary government; data of component units of the City that is necessary for reporting in conformity with generally accepted accounting principles is not included.
- B. Basis of Presentation - The City's government-wide financial statements provide both short-term and long-term information about the City's overall financial status. Fund financial statements focus on the individual activities of City government, reporting the City's operations in more detail than the government-wide financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted.

The statement of activities presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event gives rise to the change that occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

Fund Financial Statements - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use a current financial resources measurement focus and the modified accrual basis of accounting, focusing on the near-term inflows and outflows of spendable resources and balances of spendable resources available at fiscal year-end.

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

The financial transactions of the City are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into fund types and broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for or reported in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned for capital projects.

GASB Statement No. 34 establishes minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The City reports the following major funds:

The General Fund (See note above).

The Eighteen and One Half Mill Tax Fund, a special revenue fund, accounts for funds received from the special eighteen and one half mill ad valorem and automobile taxes that are used for the payment of principal and interest on bonds issued for school purposes and other education related expenditures.

The American Recovery Plan Fund, a special revenue fund, accounts for American Rescue Plan federal funding provided through the U.S. Department of Treasury to respond to the COVID-19 public health emergency and its economic impact.

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

The government-wide financial statements are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The government-wide statement of activities reflects both the gross and net cost per functional category (police, fire, etc.) which are otherwise being supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants. The program revenues must be directly associated with the function. Charges for services include revenues from fines and forfeitures, licenses and permit fees, and special assessment taxes.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

All the governmental funds of the primary government are accounted for using the modified accrual basis of accounting. Their revenues are recorded when they are susceptible to accrual; i.e., both measurable and available.

“Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defines the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be 60 days. The specific types of major revenue sources that are susceptible to accrual include sales and use taxes, occupational license fees, lodging taxes, rental and leasing taxes, gasoline taxes, and fines.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related liability is incurred, with the following exceptions that are in conformity with generally accepted accounting principles: general long-term obligations’ principal and interest are reported only when due; inventory costs are reported in the period consumed, rather than in the period purchased; and costs of accumulated unpaid vacation and sick leave are reported in the period due and payable rather than in the period earned by employees.

- D. Cash and Cash Equivalents - Cash and cash equivalents of the City of Sylacauga primary government includes demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased. The cash and cash equivalents consist solely of cash, not securities or other investments; therefore, the City has no “credit risk” or “concentration risk” associated with these deposits as described in GASB Statement No. 40 - *Deposit and Investment Risk Disclosures*. Also, since the City’s deposits are held by a certified qualified public depository under the SAFE program, its deposits are not subject to “custodial credit risk”.
- E. Investments - Investments of the City of Sylacauga are stated at fair value, except for nonnegotiable certificates of deposit with redemption terms that do not consider market rates, which are reported at cost. State statutes authorize the City to invest in any type of security which is backed by the federal or state government; however, the City usually invests only in certificates of deposit and interest-bearing demand deposits.

CITY OF SYLACAUGA, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

F. Receivables - Municipal court receivables in the General Fund are reflected net of an allowance for doubtful accounts. The amount of the allowance is equal to receivables in excess of three years past due, and totaled \$2,403,253 at September 30, 2022. The only receivables not expected to be collected within one year are \$38,807 of funds on deposit with the State Department of Labor and a \$5,000 miscellaneous receivable in the General Fund.

G. Inventories - Inventories of the City of Sylacauga primary government are valued at cost and consist of parts, tires, oil, and postage held for consumption. The amount of such inventories is recorded as an asset in the General Fund, and the cost of inventories is recorded as an expenditure at the time used. In the governmental fund financial statements, the General Fund classifies a portion of its fund balance as non-spendable to indicate that assets equal to the inventory are not available for future appropriation.

H. Capital Assets - Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are generally defined by the City as assets with an initial, individual cost of more than \$3,500 and an estimated useful life in excess of four years. Such assets are recorded at historical cost (or estimated historical cost if actual historical cost is not available) if purchased or constructed. 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	<u>Years</u>
Buildings and improvements	15-50
Furniture and equipment	5-10
Mobile equipment	5-15
Infrastructure	20-50

I. Leases - The City recognizes lease liabilities and intangible right-to-use lease assets on the statement of net position. The City recognizes lease liabilities with an initial, individual value of \$50,000 or more.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines 1) the discount rate it uses to discount the expected lease payments to present value, 2) lease term, and 3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise, if applicable.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

- J. Risk Financing - The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, natural disasters, and torts related to law enforcement. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage from the prior year. Also, no settlements have exceeded insurance coverage in the past three years.

As a municipal corporation, the City is a self-insurer under the Alabama Workmen's Compensation Law. Under the terms of a contract, workmen's compensation coverage is provided by Municipal Workmen's Compensation Management Company, Inc. Billing is based on annual payrolls adjusted for a claims experience rate.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

- K. 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 issuance costs related to prepaid insurance, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at issuance, except for those related to prepaid insurance, which are recorded as prepaids in the statement of net position.

In the fund financial statements, 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.

- L. Compensated Absences - City employees accrue annual leave each month based upon continuous years of completed service as follows: employees with at least one year and up to two years of service can accumulate up to five days of annual leave; employees with three to four years of service can accumulate ten annual leave days; employees with five to fourteen years of service can accumulate fifteen annual leave days; employees with fifteen to twenty-four years of service can accumulate twenty annual leave days; and employees with over twenty-five years of service can accumulate twenty-five annual leave days. All earned vacation leave must be taken within a leave year. However, employees with at least five years of service have the option of selling up to forty hours (forty-eight for police and fifty-six for fire extended shift employees) of vacation leave back to the City. Upon separation from service, an individual will be paid for all earned and unused vacation leave. The liability for compensated absences attributable to the City's governmental funds is recorded in the government-wide statements.

City employees with at least one year of service earn sick leave at the rate of one day per month. Upon separation from service, an individual will be paid for up to two hundred forty hours (three hundred sixty for fire extended shift employees) of accumulated and unused sick leave. The City estimates its accrued sick leave liability using the vesting method, whereby the estimated liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

M. 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 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. Specific information related to the City's pension plan is included in Note 10.

N. Postretirement Benefits - Upon retirement, retired employees of the City of Sylacauga may elect to continue their group health and dental care benefits. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 11.

O. Fund Balance - The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint. The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

- P. Net Position - The government-wide fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the outstanding capital debt and any associated unamortized cost.

Restricted Net Position - represents liquid assets which have third party (statutory, bond covenant, or granting agency) limitations on their use. The City would typically use restricted net position first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Position - represents unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

- Q. Interfund Transactions - Interfund transactions are either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within governmental activities are eliminated upon consolidation in the government-wide statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental activities column of the statement of net position.

Three types of interfund transactions may be accounted for in an affected fund's statements.

1. Interfund receivables and payables - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 15.
 2. Interfund advances - consist of longer-term loans between funds, which are not expected to be repaid within one year. These longer-term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. As of September 30, 2022, there were no interfund advances.
 3. Interfund transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements, or payments between the City and its component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 16.
- R. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies - continued

- S. Recently implemented accounting pronouncements - GASB Statement No. 87, *Leases*, better meets the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City adopted the new standard effective October 1, 2021.

GASB Statement No. 92, *Omnibus 2020*, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The City adopted this new standard effective October 1, 2021; however, implementation did not materially affect the City's financial statements.

GASB Statement No. 99, *Omnibus 2022*, establishes accounting and financial reporting requirements for specific issues related to derivatives, leases, public-private and public-public partnerships and availability payment arrangements, subscription-based information technology arrangements, extension of use of the LIBOR interest rate, accounting for the distribution of benefits under the SNAP program, nonmonetary transactions, pledges of future revenues, clarification of provisions in GASB Statement No. 34, and terminology updates related to GASB Statements No. 53 and 63. The City adopted this new standard effective October 1, 2021; however, implementation did not materially affect the City's financial statements.

2. Deposits in Financial Institutions

In its 2000 Regular Session, the Alabama State Legislature enacted the Security for Alabama Funds Enhancement (SAFE) Program that changes the way all Alabama public deposits are collateralized. Public deposits include the funds of any covered public entity or covered public official placed on deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit but excluding bonds, notes, money market mutual funds, repurchase agreements, and similar investment instruments. Covered public entities include the state and its political subdivisions, including municipalities and related boards.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

2. Deposits in Financial Institutions - continued

In the past, the bank pledged collateral directly to each public entity. Under SAFE, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default; a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. As of September 30, 2022, all deposits of the City of Sylacauga primary government are held in a QPD, and as such, are deemed fully insured.

3. Property Taxes

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1 and are due and payable between October 1 and December 31. The County bills and collects the taxes and remits them to the City of Sylacauga. The City currently levies taxes of \$2.45 per \$100 assessed valuation (or per \$1,000 of appraised value) for governmental purposes - \$1.85 for school purposes and \$.60 for general governmental services. The assessed value equals 10% of the appraised value for homestead property and 20% for nonresidential property and vacant land less than five acres, as determined by the Revenue Commissioner.

4. Deposits and Investments

Investments of the City consist of certificates of deposit. All certificates of deposit are held in a certified QPD, and as such are covered by the SAFE program described in Note 2. The City's investments are not subject to "custodial credit risk".

A summary of the City's certificates of deposit as of September 30, 2022, is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>
<u>Governmental Activities</u>			
General Fund	\$ 4,807,811	\$ 4,807,811	2022-2023
Eighteen and One Half Mill Tax Fund	<u>1,784,251</u>	<u>1,784,251</u>	2022-2023
Total	<u>\$ 6,592,062</u>	<u>\$ 6,592,062</u>	

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

5. Property for Resale

The City holds various parcels of land on or near Highway 280, including 81.73 acres donated by the Avondale Mill and 140.01 acres previously purchased by the City. Additionally, the City holds two buildings on 16.79 acres of land which was donated by the Sylacauga Board of Education. The donated land and buildings were recorded at fair market value at the time of donation. During fiscal year 2021 one of the buildings valued at \$194,000 was reclassified to a capital asset to be used for Fire Department training. The remaining land purchased by the City was recorded at cost. The reported value of property classified as held for sale was \$3,213,925 as of September 30, 2022.

6. Capital Assets

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

	Balance 10/01/21	Additions	Retirements and Transfers	Balance 09/30/22
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,372,749	\$ -	\$ -	\$ 4,372,749
Construction in progress	1,124,807	1,054,122	-	2,178,929
Total capital assets, not being depreciated	<u>5,497,556</u>	<u>1,054,122</u>	<u>-</u>	<u>6,551,678</u>
Capital assets, being depreciated:				
Buildings and improvements	27,802,314	122,805	-	27,925,119
Furniture and equipment	2,285,213	177,609	(22,584)	2,440,238
Mobile equipment	6,087,974	26,500	(88,441)	6,026,033
Infrastructure	19,355,601	1	-	19,355,602
Right-to-use leased assets	59,457	-	-	59,457
Total capital assets, being depreciated/amortized	<u>55,590,559</u>	<u>326,915</u>	<u>(111,025)</u>	<u>55,806,449</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	(16,088,576)	(816,107)	-	(16,904,683)
Furniture and equipment	(2,069,127)	(102,422)	22,584	(2,148,965)
Mobile equipment	(4,906,212)	(368,522)	88,441	(5,186,293)
Infrastructure	(6,471,024)	(525,839)	-	(6,996,863)
Right-to-use leased assets	(21,801)	(11,891)	-	(33,692)
Total accumulated depreciation/amortization	<u>(29,556,740)</u>	<u>(1,824,781)</u>	<u>111,025</u>	<u>(31,270,496)</u>
Total capital assets, being depreciated/amortized, net	<u>26,033,819</u>	<u>(1,497,866)</u>	<u>-</u>	<u>24,535,953</u>
Governmental activities capital assets, net	<u>\$ 31,531,375</u>	<u>\$ (443,744)</u>	<u>\$ -</u>	<u>\$ 31,087,631</u>

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

6. Capital Assets - continued

Depreciation expense was charged to governmental functions of the primary government as follows:

Executive and legislative	\$ 569
General government and administration	956,205
Judicial	7,038
Police	110,385
Fire	102,846
Street, which includes the depreciation of general infrastructure assets	588,866
Shop	8,452
Planning and code enforcement	3,034
Building and grounds/custodial	3,907
Senior citizens services	43,479
Total depreciation expense	<u>\$ 1,824,781</u>

7. Long-Term Liabilities

In prior years, the City defeased various general obligation warrants by placing the proceeds of the new warrants in an irrevocable trust account to provide for all future debt service payments on the old warrants. Accordingly, the trust account assets and the liabilities for the defeased warrants are not included in the City's financial statements. On September 30, 2022, \$19,420,000 of defeased warrants remain outstanding.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

7. Long-Term Liabilities - continued

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

	Balance 10/01/21	Additions	Reductions	Balance 9/30/2022.	Due Within One Year
Governmental activities:					
Warrants payable:					
Warrants payable	\$ 40,927,765	\$ -	\$ (1,162,414)	\$ 39,765,351	\$ 1,212,413
Unamortized premium	2,342,151	-	(159,004)	2,183,147	-
Net warrants payable	<u>43,269,916</u>	<u>-</u>	<u>(1,321,418)</u>	<u>41,948,498</u>	<u>1,212,413</u>
Other liabilities:					
Note payable - vehicles	193,880	-	(84,194)	109,686	87,363
Leases	39,224	-	(11,273)	27,951	11,443
Accumulated annual leave	539,453	96,886	(62,156)	574,183	62,156
Claims payable	4,000	-	(1,000)	3,000	-
Net pension liability	5,933,126	-	(1,521,147)	4,411,979	-
Other postemployment benefits liability	1,976,731	275,429	(93,562)	2,158,598	-
Total other liabilities	<u>8,686,414</u>	<u>372,315</u>	<u>(1,773,332)</u>	<u>7,285,397</u>	<u>160,962</u>
Governmental activities long-term liabilities	<u>\$ 51,956,330</u>	<u>\$ 372,315</u>	<u>\$ (3,094,750)</u>	<u>\$ 49,233,895</u>	<u>\$ 1,373,375</u>

For the governmental activities, other liabilities are generally liquidated by the general fund.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

7. Long-Term Liabilities - continued

Warrants payable of the City of Sylacauga at September 30, 2022, are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Interest Dates</u>	<u>Date Series Matures</u>	<u>Source of Payment</u>	<u>Principal Issued</u>	<u>Principal Outstanding 9/30/22</u>	<u>Due Within One Year</u>
General obligations:							
2013A G.O. Warrants dated May 23, 2013	2.55%	5/1 & 11/1	2028	General Fund	\$ 2,269,915	\$ 1,010,938	\$ 158,000
2013B G.O. Warrants dated May 23, 2013	1.95%	5/1 & 11/1	2023	General Fund	\$ 500,000	54,413	54,413
2015 G.O. School Warrants dated August 5, 2015	3.00% to 5.00%	2/1 & 8/1	2045	18.5-Mill Tax Fund Ad valorem taxes	\$ 17,550,000	14,945,000	450,000
2017A G.O. Warrants dated September 26, 2017	2.00% to 3.20%	6/1 & 12/1	2026	General Fund	\$ 2,445,000	1,240,000	275,000
2017B G.O. Warrants dated September 26, 2017	2.50% to 4.00%	6/1 & 12/1	2042	General Fund	\$ 9,750,000	9,750,000	-
2020 G.O. School Warrants dated June 25, 2020	4.00%	2/1 & 8/1	2040	18.5-Mill Tax Fund Ad valorem taxes	\$ 13,240,000	<u>12,765,000</u>	<u>275,000</u>
Total warrants payable						<u>\$ 39,765,351</u>	<u>\$ 1,212,413</u>

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

7. Long-Term Liabilities - continued

The following schedule shows debt service to maturity for general obligation warrants payable at September 30, 2022:

Fiscal Year Ended September 30,	Total Annual Requirements		
	Principal	Interest	Total
2023	\$ 1,212,413	\$ 1,495,903	\$ 2,708,316
2024	1,257,054	1,449,163	2,706,217
2025	1,311,213	1,398,905	2,710,118
2026	1,360,478	1,349,969	2,710,447
2027	1,404,853	1,302,646	2,707,499
2028-2032	7,864,340	5,727,678	13,592,018
2033-2037	9,465,000	4,175,200	13,640,200
2038-2042	10,590,000	2,224,725	12,814,725
2043-2045	5,300,000	333,919	5,633,919
Total	<u>\$ 39,765,351</u>	<u>\$ 19,458,108</u>	<u>\$ 59,223,459</u>

On December 10, 2018, the City entered into a \$410,000 loan agreement with SouthFirst Bank to provide funding for the purchase of ten police vehicles. Payments are due in 60 monthly installments of \$7,496, including interest at 3.70%, with the remainder of the outstanding balance due upon maturity at December 14, 2023.

The following schedule shows debt service to maturity for the note payable at September 30, 2022:

Fiscal Year Ended September 30,	Total Annual Requirements		
	Principal	Interest	Total
2023	\$ 87,363	\$ 2,587	\$ 89,950
2024	22,323	137	22,460
Total	<u>\$ 109,686</u>	<u>\$ 2,724</u>	<u>\$ 112,410</u>

The City's note payable is a direct borrowing. Direct borrowings are loan agreements directly with a lender. The City's outstanding note from direct borrowings is secured and collateralized by the ten vehicles financed with the note and it contains a provision that in an event of default, such as nonpayment, the outstanding balance of the note becomes due immediately.

8. Leases

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about the City's leasing activities.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

8. Leases - continued

This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City is currently entered into one noncancelable lease with a third party. Current lease activities include the right-to-use copiers. The lease term includes monthly payments of \$982 for sixty-three months, which is the noncancelable period of the lease and extensions the City is reasonably certain to exercise. The lease has an imputed interest rate of 1.50%, which was the monthly mid-term applicable federal rate in October 2019 when the lease was incurred.

The City amortized the right to use lease assets as follows during the fiscal year:

	Balance 10/01/21	Additions	Deletions	Balance 09/30/22
Governmental activities:				
Lease assets				
Equipment - copiers	\$ 59,457	\$ -	\$ -	\$ 59,457
Less accumulated amortization				
Equipment - copiers	(21,801)	(11,891)	-	(33,692)
Total lease assets, being amortized, net	\$ 37,656	\$ (11,891)	\$ -	\$ 25,765

At September 30, 2022, the lease liability principal and interest requirements to maturity are as follows:

Fiscal Year Ended September 30,	Total Annual Requirements		
	Principal	Interest	Total
2023	\$ 11,443	\$ 341	\$ 11,784
2024	11,616	168	11,784
2025	4,892	18	4,910
Total	\$ 27,951	\$ 527	\$ 28,478

9. Unearned Revenue

The City recorded unearned revenue of \$729,799 on municipal court receivables received beyond sixty days of year end. This unearned revenue was excluded from revenues and fund balance in the governmental fund financial statements, instead recorded as a liability, as it was not available to pay for current period expenditures. The City also recorded unearned revenue of \$2,236,699 representing the balance of unspent American Rescue Plan federal funding received in advance during 2021 and 2022.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. Defined Benefit Pension Plan - continued

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. 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 are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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 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.

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

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

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

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. Defined Benefit Pension Plan - continued

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active members	56,184
Post-DROP participants who are still in active service	54
Total	104,510

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.

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. 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.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. Defined Benefit Pension Plan - continued

For the year ended September 30, 2022, the City's active employee contribution rate was 5.73% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 9.03% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2022, was 10.31% of pensionable pay for Tier 1 employees and 6.93% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with 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 \$511,861 for the year ended September 30, 2022.

Net Pension Liability

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

	Expected	Actual
(a) Total pension liability as of September 30, 2020	\$ 23,825,561	\$ 24,615,222
(b) Discount rate	7.70%	7.45%
(c) Entry age normal cost for the period October 1, 2020 - September 30, 2021	429,189	511,488
(d) Transfers among employers	-	23,003
(e) Actual benefit payments and refunds for October 1, 2020 - September 30, 2021	(1,657,932)	(1,657,932)
(f) Total pension liability as of September 30, 2021 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 24,367,556	\$ 25,263,857

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

Inflation	2.50%
Projected salary increases	3.25-6.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense, including inflation.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. Defined Benefit Pension Plan - continued

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

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

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

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. Defined Benefit Pension Plan - continued

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.00%.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. Defined Benefit Pension Plan - continued

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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at September 30, 2020	\$ 23,825,561	\$ 17,892,435	\$ 5,933,126
Changes for the year:			
Service cost	429,189	-	429,189
Interest	1,770,738	-	1,770,738
Changes of benefit terms	184,354	-	184,354
Changes of assumptions	998,088	-	998,088
Difference between expected and actual experience	(309,144)	-	(309,144)
Contributions - employer	-	441,996	(441,996)
Contributions - employee	-	280,405	(280,405)
Net investment income	-	3,871,971	(3,871,971)
Benefit payments, including refunds of employee contributions	(1,657,932)	(1,657,932)	-
Administrative expense	-	-	-
Transfers among employers	23,003	23,003	-
Net changes	<u>1,438,296</u>	<u>2,959,443</u>	<u>(1,521,147)</u>
Balances at September 30, 2021	<u>\$ 25,263,857</u>	<u>\$ 20,851,878</u>	<u>\$ 4,411,979</u>

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

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. Defined Benefit Pension Plan - continued

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
City's net pension liability	\$ 7,378,806	\$ 4,411,979	\$ 1,907,599

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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2022, the City recognized pension expense of \$529,549. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 970,331	\$ 631,760
Changes of assumptions	952,783	-
Net difference between projected and actual earnings on pension plan investments	-	1,511,071
Employer contributions subsequent to the measurement date	529,549	-
Total	\$ 2,452,663	\$ 2,142,831

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

Year ended September 30:	
2023	\$ (79,994)
2024	18,944
2025	(65,478)
2026	(243,708)
2027	150,519
Thereafter	-

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

11. Other Postemployment Benefits

General Information about the OPEB Plan

Plan description. The City of Sylacauga's OPEB Plan is a single-employer, defined benefit other postemployment benefit (OPEB) plan administered by City personnel. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by City ordinance and can only be amended by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided. The City provides continuation of medical, drug, and dental benefits to employees who retire under the State Retirement System at the same time they end their service to the City.

The City provides benefits to employees upon retirement according to the retirement eligibility provisions as follows: for Tier 1 employees (hired before January 1, 2013); twenty-five years of service at any age, ten years of service and age 60, or is determined disabled by the Social Security Administration or the Retirement Systems of Alabama's Medical Board; for Tier 2 employees (hired on or after January 1, 2013); ten years of service and age 62 (56 years old for a full-time certified firefighter, police officer, or correction officer) or is determined disabled by the Social Security Administration or the Retirement Systems of Alabama's Medical Board. The City has elected Act 2019-132. Tier 2 employees must retire under the same eligibility requirements as Tier 1 employees to receive OPEB benefits.

Employees will have the full cost of health and dental coverage paid by the City for the following duration:

- Employees retiring upon the completion of ten years of continuous service with the City will be eligible to receive individual health and dental insurance benefits for up to twelve months.
- Employees retiring upon the completion of ten to twenty-five years of continuous service with the City will be eligible to receive individual health and dental insurance benefits for twelve months, plus one additional month of coverage for each year (over ten) of completed continuous service with the City.
- Employees retiring upon the completion of twenty-five or more years of continuous service with the City will be eligible to receive individual health and dental insurance benefits for up to thirty-six months, plus one additional month of coverage for each year of completed continuous service with the City thereafter.

City service is assumed to be equal to service with the Retirement Systems of Alabama.

Dependents of eligible retirees may participate, but at the retiree's cost. The City does not contribute to the cost of dependent coverage.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

11. Other Postemployment Benefits - continued

Employees covered by benefit terms. At September 30, 2021 (the valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Active employees	124
Total membership	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 129

Total OPEB Liability

The City's total OPEB liability of \$2,158,598 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Real wage growth:	0.25%
Wage inflation:	2.75%
Salary increases, including wage inflation:	3.25% - 6.00%
Municipal bond index rate:	
Prior measurement date	2.21%
Measurement date	2.26%
Health care cost rates:	
Pre-Medicare medical and prescription drug	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Medicare medical and prescription drug	5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024
Dental	4.00%

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of September by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the total OPEB liability.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

11. Other Postemployment Benefits - continued

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for Alabama ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2020, valuation were based on the actuarial experience study for the period October 1, 2015, to September 30, 2020, and were submitted to and adopted by the Board of the Employee's Retirement System of Alabama on September 14, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2020, valuation were based on a review of recent plan experience performed concurrently with the September 30, 2020, valuation.

Changes in the Total OPEB Liability

Total OPEB liability as of 9/30/2021	<u>\$ 1,976,731</u>
Changes for the year:	
Service cost at the end of the year*	110,417
Interest on total OPEB liability and cash flows	43,123
Change in benefit terms	136,287
Difference between expected and actual experience	(7,842)
Changes of assumptions or other inputs	(48,874)
Net benefit payments	<u>(51,244)</u>
Net changes	<u>181,867</u>
Total OPEB liability as of 9/30/2022	<u>\$ 2,158,598</u>
Covered payroll	\$ 4,798,764
Total OPEB liability as a percentage of covered payroll	44.98%

* The service cost includes interest for the year.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

11. Other Postemployment Benefits - continued

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.26 percent) or 1-percentage-point higher (3.26 percent) than the current discount rate:

	1% Decrease (1.26%)	Current Discount Rate (2.26%)	1% Increase (3.26%)
Total OPEB liability	\$ 2,306,222	\$ 2,158,598	\$ 2,018,798

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 1,937,125	\$ 2,158,598	\$ 2,415,460

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2022, the Plan recognized OPEB expense of \$341,274. At September 30, 2022, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,188	\$ 82,977
Changes of assumptions and other inputs	183,339	70,441
Total	\$ 221,527	\$ 153,418

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

Year ended September 30:		
2022	\$	9,129
2023		9,129
2024		9,129
2025		24,933
2026		25,252
Thereafter		(9,463)

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

12. Self-Insurance

As a municipal corporation, the City is a self-insurer under the Alabama Workmen's Compensation Law. Under the terms of a contract, workmen's compensation coverage is provided by Municipal Workmen's Compensation Management Company, Inc. (MWCMC). Billing is based on annual payrolls adjusted for a claims experience rate. Claims are paid by MWCMC as incurred by employees. Other than the cost of the billings, the City incurred normal claims of \$17,519 during the fiscal year and had no liability for unpaid claims at September 30, 2022.

13. Unemployment Taxes

The City of Sylacauga is on the reimbursement method of unemployment compensation and the amount paid by the State to individuals is reflected as an expense of the General Fund and Senior Citizens' Service Fund. Payments totaling \$4,076 were made during the year ended September 30, 2022.

14. Tax Collection Expenses

The City is charged a collection fee by the County Tax Assessor and Collector for the collection of the 6 and 18.5-mill ad valorem taxes and auto taxes. The State of Alabama also charges the City a fee for handling the collection of the City's 3% sales tax. The following is a summary of taxes collected and related expenses for the year ended September 30, 2022:

<u>County Funds</u>	<u>Taxes Collected</u>	<u>Collection Fee</u>	<u>Net Received by City</u>
General Fund	\$ 850,513	\$ 34,021	\$ 816,492
Eighteen and One Half Mill Tax Fund	2,728,193	109,128	2,619,065
	<u>\$ 3,578,706</u>	<u>\$ 143,149</u>	<u>\$ 3,435,557</u>
<u>State Funds</u>	<u>Taxes Collected</u>	<u>Collection Fee</u>	<u>Net Received by City</u>
General Fund	<u>\$ 10,188,597</u>	<u>\$ 112,056</u>	<u>\$ 10,076,541</u>

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

15. Interfund Receivables and Payables

The following is a schedule, by individual fund, of interfund receivables and payables for the primary government for the year ended September 30, 2022:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 410,909	\$ 601,676
Eighteen and One Half Mill Tax Fund	-	7,175
American Recovery Plan Fund	-	50
Other Governmental Funds		
Ten Cent Gas Tax Fund	-	500
Senior Citizens Service Fund	-	24,017
Construction Fund	405,200	191,203
Airport Expansion Fund	<u>35,107</u>	<u>26,595</u>
Totals	<u>\$ 851,216</u>	<u>\$ 851,216</u>

16. Interfund Transfers

The following is a schedule, by individual fund, of interfund transfers for the primary government for the year ended September 30, 2022:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 710,247	\$ 2,709,465
Other Governmental Funds		
Senior Citizens Service Fund	115,850	-
Construction Fund	957,279	877,760
Grant Fund	31,400	-
Debt Service Fund	<u>1,772,449</u>	<u>-</u>
Total governmental activities	<u>\$ 3,587,225</u>	<u>\$ 3,587,225</u>

Generally, transfers are used to (1) move revenues from funds accounting for revenues with a restricted purpose to funds expending resources for the restricted purpose, (2) move receipts restricted to debt service from the funds collecting the receipts to the funds making the payments as debt service payments become due, and (3) use unrestricted revenues collected in various funds to finance programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

17. Commitments and Contingencies

Commitments - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was not able to be determined as of September 30, 2022. The commitments would typically be classified as committed fund balance in the appropriate funds.

Claims and Litigation - The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. Management believes that the amount of tort and other claims liability at September 30, 2022, will not exceed \$3,000.

Audit of Federal and State Grants - In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

18. Subsequent Events

Management has evaluated subsequent events through April 1, 2024, the date these financial statements were available to be issued.

Subsequent to September 30, 2022, the City approved significant design and construction contracts including approximately \$960,000 for the Hickory Street drainage project, \$594,000 for various drainage improvement projects, and \$390,000 for the Walnut Road bridge replacement project. The City also authorized a construction agreement for the 2023 Transportation Alternatives Project (TAP) for streetscape improvements and parking renovations at \$1,000,000 with \$800,000 of federal funding and \$200,000 of local match. The City also approved equipment purchases of four police vehicles totaling approximately \$246,000, and telemetry equipment and training for Coosa Valley Medical Center totaling approximately \$310,000.

On March 21, 2023, the City declared the property at 201 West 4th Street as surplus and sold it to Blue Bell Creameries for \$215,000. The proceeds were used to offset the cost of the four police vehicles noted in the previous paragraph.

On May 16, 2023, the City approved an increase in its tax rates to become effective August 1, 2023. General sales and use tax, vending and amusement all increased from 3% to 4.5%, manufacturing and farm machinery increased from .75% to 1.125%, and auto increased from 1.25% to 1.875%.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

19. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and change in net position of governmental activities (page 15). One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period." The details of this (\$443,745) difference are as follows:

Capital outlay	\$ 1,381,036
Depreciation expense	(1,824,781)
	<u>\$ (443,745)</u>

Another element of that reconciliation states that "Bond issue costs, premiums and deferred amount on refunding are reported as expenditures in governmental funds in the year paid, however, these costs are deferred and amortized over the life of the bonds in the government-wide statements." The details of this \$118,018 difference are as follows:

Current year amortization of bond premium	\$ 159,004
Current year amortization of deferred amount on refunding	(35,915)
Current year amortization of bond issue costs	(5,071)
	<u>\$ 118,018</u>

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

19. Reconciliation of Government-Wide and Fund Financial Statements - continued

Another element of that reconciliation states that “Some revenues reported in the statement of activities are not considered available revenues in the governmental funds.” The details of this \$13,558 difference are as follows:

Deferred revenue current year	\$	729,799
Deferred revenue prior year		(716,241)
Change in revenue		\$ 13,558

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.” The details of this (\$309,394) difference are as follows:

Change in accrued interest payable	\$	9,625
Change in accumulated annual leave		(34,730)
Change in claims payable		1,000
Change in net pension liability		(37,577)
Change in other postemployment benefits		(247,712)
		\$ (309,394)

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

20. Reporting of General Fund Activities

For managerial accounting purposes, certain activities reported in the City of Sylacauga's General Fund are recorded in sub-funds. Selected financial information for these various activities for the current fiscal year (as reflected in the governmental fund financial statements) is shown below, net of related eliminating entries:

	General Fund	Special Investment Funds	Total (Net of Eliminations)
ASSETS			
Cash and cash equivalents	\$ 7,091,475	\$ 3,613,043	\$ 10,704,518
Certificates of deposit	2,933,716	1,874,095	4,807,811
Receivables			
Revenues	1,015,679	-	1,015,679
Grants	519,265	-	519,265
Other governmental agencies	57,471	-	57,471
Municipal court	782,198	-	782,198
Other receivables	8,818	-	8,818
Parks and Recreation Board	5,131	-	5,131
School Board	22,214	-	22,214
Due from other funds	228,742	182,167	410,909
Inventories	496,646	-	496,646
Other current assets	9,995	-	9,995
Property for resale	3,213,925	-	3,213,925
Total assets	\$ 16,385,275	\$ 5,669,305	\$ 22,054,580
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,016,714	\$ 6,043	\$ 1,022,757
Accrued payroll	66,248	-	66,248
Due to other funds	571,920	29,756	601,676
Other accrued liabilities	71,787	-	71,787
Unearned revenue	729,799	-	729,799
Total liabilities	2,456,468	35,799	2,492,267

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

20. Reporting of General Fund Activities - continued

	General Fund	Special Investment Funds	Total (Net of Eliminations)
Fund balances:			
Non-spendable			
Inventories	496,645	-	496,645
Property held for resale	3,213,925	-	3,213,925
Restricted			
Law enforcement	-	121,462	121,462
Social and economic projects	-	78,167	78,167
Capital projects	-	149,770	149,770
Committed			
Industrial development	2,241,025	-	2,241,025
Assigned			
Unemployment compensation	-	574,702	574,702
Worker's compensation benefits	-	519,481	519,481
Future construction	79,660	3,324,990	3,404,650
General	240,924	705,497	946,421
Unassigned	7,656,628	159,437	7,816,065
Total fund balances	13,928,807	5,633,506	19,562,313
Total liabilities and fund balances	\$ 16,385,275	\$ 5,669,305	\$ 22,054,580

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

20. Reporting of General Fund Activities - continued

	General Fund	Special Investment Funds	Total (Net of Eliminations)
REVENUES			
Sales taxes	\$ 10,230,238	\$ -	\$ 10,230,238
Property taxes	816,492	-	816,492
Motor fuel taxes	197,730	-	197,730
Lodging taxes	325,619	-	325,619
Rental and leasing taxes	287,206	-	287,206
Tobacco taxes	76,938	-	76,938
Alcoholic beverage taxes	133,335	-	133,335
Other taxes	150,565	-	150,565
Licenses and permits	2,289,306	-	2,289,306
Grants	192,511	-	192,511
Fines and forfeitures	163,693	19,912	183,605
Charges for services	1,072,636	18,975	1,091,611
Appropriation from Utilities Board	2,628,000	-	2,628,000
Investment earnings	7,517	126,493	134,010
Miscellaneous	403,604	10,670	414,274
Total revenues	18,975,390	176,050	19,151,440
EXPENDITURES			
Current:			
Executive and legislative	516,879	-	516,879
General government and administration	3,216,540	22,351	3,238,891
Judicial	339,182	-	339,182
Civil Service Board	58,883	-	58,883
Police	3,494,204	-	3,494,204
Fire	1,978,865	-	1,978,865
Street	2,595,879	-	2,595,879
Shop	529,730	-	529,730
Planning and code enforcement	236,853	-	236,853
Building and grounds/custodial	72,487	-	72,487
Animal shelter	200,723	-	200,723
Payments to component units			
School Board	643,500	-	643,500
Parks and Recreation Board	907,178	-	907,178
Library	646,151	-	646,151
Industrial development	92,000	-	92,000
Social and economic development	199,886	-	199,886
Capital outlay	344,444	-	344,444
Total expenditures	16,073,384	22,351	16,095,735

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

20. Reporting of General Fund Activities - continued

	<u>General Fund</u>	<u>Special Investment Funds</u>	<u>Total (Net of Eliminations)</u>
Excess of revenues over expenditures	<u>2,902,006</u>	<u>153,699</u>	<u>3,055,705</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	14,305	-	14,305
Operating transfers in	383,383	326,864	710,247
Operating transfers out	<u>(2,389,811)</u>	<u>(319,654)</u>	<u>(2,709,465)</u>
Total other financing sources (uses)	<u>(1,992,123)</u>	<u>7,210</u>	<u>(1,984,913)</u>
Net change in fund balances	<u>909,883</u>	<u>160,909</u>	<u>1,070,792</u>
Fund balances - beginning	13,052,433	5,472,597	18,525,030
Prior period adjustment	<u>(33,509)</u>	<u>-</u>	<u>(33,509)</u>
Fund balances - beginning, as restated	<u>13,018,924</u>	<u>5,472,597</u>	<u>18,491,521</u>
Fund balances - ending	<u>\$ 13,928,807</u>	<u>\$ 5,633,506</u>	<u>\$ 19,562,313</u>

21. Tax Abatements

Property tax abatements - The City of Sylacauga provides property tax abatements pursuant to the provisions of the constitution and laws of the State of Alabama, including particularly Section 94.01, also known as Amendment No. 722, of the Constitution of Alabama of 1901 (the "Economic Development Amendment") and the Tax Incentive Reform Act of 1992, Section 40-9B-1, Code of Alabama 1975. Property tax abatements may be granted to an entity committing to a new project or major addition to an existing facility. Only certain NAICS codes qualify. Property taxes are abated by applying a reduced millage rate to the assessed value to determine the adjusted property tax due. The City abates non-educational ad valorem taxes. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. The City's property tax revenues were reduced by \$11,280 during the reporting period as a result of these agreements. The City has not made any commitments as part of the agreements other than to reduce property taxes. No other entity grants abatements for City of Sylacauga property taxes.

CITY OF SYLACAUGA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

21. Tax Abatements - continued

Sales and use tax and business license fee abatements - The City of Sylacauga provides sales and use tax and business license fee abatements pursuant to the provisions of the constitution and laws of the State of Alabama, including particularly Section 94.01, also known as Amendment No. 722, of the Constitution of Alabama of 1901 (the "Economic Development Amendment"). Sales and use tax and business license abatements may be granted to an entity committing to a new project or major addition to an existing facility. Only certain NAICS codes qualify. Sales and use taxes and business license fees are abated by refunding to the entity a certain portion of the sales and use taxes and business license fees collected by the City. The City abates non-educational general sales and use taxes. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. The City's tax revenues were reduced by the following amounts during the reporting period as a result of these agreements: \$580,500 for sales tax. The City did not pay any abatements for construction related use tax or business license fees during the year ending September 30, 2022. The City has not made any commitments as part of the agreements other than to reduce sales and use taxes and business license fees. No other entity grants abatements for City of Sylacauga sales and use taxes and business license fees.

22. Prior Period Adjustment

During fiscal year 2022, an adjustment was made to adjust prior year cash balances by \$33,509 for unreconciled differences. This adjustment was related to a fiscal year 2019 audit adjustment to cash posted twice by the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SYLACAUGA, ALABAMA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Sales taxes	\$ 9,324,786	\$ 9,324,786	\$ 10,230,238	\$ 905,452
Property taxes	814,221	814,221	816,492	2,271
Motor fuel taxes	187,311	187,311	197,730	10,419
Lodging taxes	263,885	263,885	325,619	61,734
Rental and leasing taxes	257,000	257,000	287,206	30,206
Tobacco taxes	80,037	80,037	76,938	(3,099)
Alcoholic beverage taxes	121,711	121,711	133,335	11,624
Other taxes	120,384	120,384	150,565	30,181
Licenses and permits	1,978,944	1,978,944	2,289,306	310,362
Grants	65,000	65,000	192,511	127,511
Police fines	201,662	201,662	183,605	(18,057)
Charges for services	1,073,450	1,073,450	1,091,611	18,161
Appropriation from Utilities Board	2,628,000	2,628,000	2,628,000	-
Investment earnings	140,620	140,620	134,010	(6,610)
Miscellaneous	167,400	167,400	414,274	246,874
Total revenues	<u>17,424,411</u>	<u>17,424,411</u>	<u>19,151,440</u>	<u>1,727,029</u>

See independent auditor's report and notes to required supplementary information.

CITY OF SYLACAUGA, ALABAMA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - continued

YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
Current:				
Executive and legislative	463,139	463,139	516,879	(53,740)
General government and administration	3,498,685	3,498,685	3,238,891	259,794
Judicial	353,759	353,759	339,182	14,577
Civil Service Board	27,961	27,961	58,883	(30,922)
Police	3,596,646	3,596,646	3,494,204	102,442
Fire	1,949,758	1,949,758	1,978,865	(29,107)
Street	2,234,921	2,234,921	2,595,879	(360,958)
Shop	523,609	523,609	529,730	(6,121)
Planning and code enforcement	370,444	370,444	236,853	133,591
Building and grounds/custodial	74,448	74,448	72,487	1,961
Animal shelter	272,623	272,623	200,723	71,900
Payments to component units:				
School Board	643,500	643,500	643,500	-
Parks and Recreation Board	923,601	923,601	907,178	16,423
Library	643,292	643,292	646,151	(2,859)
Industrial development	92,000	92,000	92,000	-
Social and economic development	249,351	249,351	199,886	49,465
Capital outlay	90,549	90,549	344,444	(253,895)
Total expenditures	<u>16,008,286</u>	<u>16,008,286</u>	<u>16,095,735</u>	<u>(87,449)</u>
Excess of revenues over expenditures	<u>1,416,125</u>	<u>1,416,125</u>	<u>3,055,705</u>	<u>1,639,580</u>

See independent auditor's report and notes to required supplementary information.

CITY OF SYLACAUGA, ALABAMA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - continued

YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	5,000	14,305	9,305
Operating transfers in	326,790	326,790	710,247	383,457
Operating transfers out	<u>(2,082,348)</u>	<u>(2,082,348)</u>	<u>(2,709,465)</u>	<u>(627,117)</u>
Total other financing sources (uses)	<u>(1,750,558)</u>	<u>(1,750,558)</u>	<u>(1,984,913)</u>	<u>(234,355)</u>
Net change in fund balances	<u>(334,433)</u>	<u>(334,433)</u>	<u>1,070,792</u>	<u>1,405,225</u>
Fund balances - beginning	18,525,030	18,525,030	18,525,030	-
Prior period adjustment	<u>(33,509)</u>	<u>(33,509)</u>	<u>(33,509)</u>	-
Fund balances - beginning, restated	<u>18,491,521</u>	<u>18,491,521</u>	<u>18,491,521</u>	-
Fund balances - ending	<u>\$ 18,157,088</u>	<u>\$ 18,157,088</u>	<u>\$ 19,562,313</u>	<u>\$ 1,405,225</u>

See independent auditor's report and notes to required supplementary information.

CITY OF SYLACAUGA, ALABAMA
 BUDGETARY COMPARISON SCHEDULE -
 EIGHTEEN AND ONE HALF MILL TAX FUND

YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 2,555,050	\$ 2,555,050	\$ 2,619,065	\$ 64,015
Investment earnings	8,000	8,000	6,537	(1,463)
Total revenues	2,563,050	2,563,050	2,625,602	62,552
EXPENDITURES				
Current				
General government and administration	90	90	750	(660)
Debt service:				
Principal	690,000	690,000	690,000	-
Interest and other charges	1,152,375	1,152,375	1,141,875	10,500
Administrative charges	1,500	1,500	1,800	(300)
Total expenditures	1,843,965	1,843,965	1,834,425	9,540
Net change in fund balances	719,085	719,085	791,177	72,092
Fund balances - beginning	4,455,453	4,455,453	4,455,453	-
Fund balances - ending	\$ 5,174,538	\$ 5,174,538	\$ 5,246,630	\$ 72,092

See independent auditors report and notes to required supplementary information.

CITY OF SYLACAUGA, ALABAMA
 BUDGETARY COMPARISON SCHEDULE -
 AMERICAN RECOVERY PLAN FUND
 YEAR ENDED SEPTEMBER 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 2,312,409	\$ 2,312,409	\$ 624,117	\$ (1,688,292)
EXPENDITURES				
Current				
General government and administration	<u>2,312,409</u>	<u>2,312,409</u>	<u>624,117</u>	<u>1,688,292</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors report and notes to required supplementary information.

CITY OF SYLACAUGA, ALABAMA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA

FISCAL YEAR ENDED SEPTEMBER 30, 2022

	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 429,189	\$ 455,563	\$ 416,731	\$ 392,717
Interest	1,770,738	1,687,354	1,556,159	1,511,517
Changes of benefit terms	184,354	-	-	-
Differences between expected and actual experience	(309,144)	590,555	872,699	254,448
Changes of assumptions	998,088	-	-	107,825
Benefit payments, including refunds of employee contributions	(1,657,932)	(1,219,401)	(1,180,119)	(1,454,736)
Transfers among employers	23,003	(211,897)	58,004	(242,666)
Net change in total pension liability	1,438,296	1,302,174	1,723,474	569,105
Total pension liability, beginning	23,825,561	22,523,387	20,799,913	20,230,808
Total pension liability, ending (a)	<u>\$ 25,263,857</u>	<u>\$ 23,825,561</u>	<u>\$ 22,523,387</u>	<u>\$ 20,799,913</u>
Plan fiduciary net position				
Contributions - employer	\$ 441,996	\$ 435,738	\$ 423,439	\$ 429,382
Contributions - member	280,405	288,876	289,830	256,591
Net investment income	3,871,971	986,257	446,060	1,531,631
Benefit payments, including refunds of employee contributions	(1,657,932)	(1,219,401)	(1,180,119)	(1,454,736)
Transfers among employers	23,003	(211,897)	58,004	(242,666)
Net change in plan fiduciary net position	2,959,443	279,573	37,214	520,202
Plan net position, beginning	17,892,435	17,612,862	17,575,648	17,055,446
Plan net position, ending (b)	<u>\$ 20,851,878</u>	<u>\$ 17,892,435</u>	<u>\$ 17,612,862</u>	<u>\$ 17,575,648</u>
Net pension liability, ending (a) - (b)	\$ 4,411,979	\$ 5,933,126	\$ 4,910,525	\$ 3,224,265
Plan fiduciary net position as a percentage of total pension liability	82.54%	75.10%	78.20%	84.50%
Covered payroll*	\$ 4,745,349	\$ 4,802,205	\$ 5,141,464	\$ 4,617,997
Net pension liability as a percentage of covered-employee payroll	92.97%	123.55%	95.51%	69.82%

See independent auditor's report and notes to required supplementary information.

CITY OF SYLACAUGA, ALABAMA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA - continued

FISCAL YEAR ENDED SEPTEMBER 30, 2022

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 386,448	\$ 373,655	\$ 407,670	\$ 397,977
Interest	1,552,398	1,529,984	1,452,641	1,401,776
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,165,266)	(872,817)	280,520	-
Changes of assumptions	-	906,309	-	-
Benefit payments, including refunds of employee contributions	(1,021,451)	(1,120,543)	(1,227,548)	(1,100,312)
Transfers among employers	(62,983)	40,000	-	-
Net change in total pension liability	(310,854)	856,588	913,283	699,441
Total pension liability, beginning	20,541,662	19,685,074	18,771,791	18,072,350
Total pension liability, ending (a)	<u>\$ 20,230,808</u>	<u>\$ 20,541,662</u>	<u>\$ 19,685,074</u>	<u>\$ 18,771,791</u>
Plan fiduciary net position				
Contributions - employer	\$ 389,853	\$ 376,609	\$ 398,796	\$ 441,114
Contributions - member	248,291	236,775	251,815	258,138
Net investment income	1,961,242	1,457,970	175,552	1,642,361
Benefit payments, including refunds of employee contributions	(1,021,451)	(1,120,543)	(1,227,548)	(1,100,312)
Transfers among employers	(62,983)	40,000	(269,330)	154,135
Net change in plan fiduciary net position	1,514,952	990,811	(670,715)	1,395,436
Plan net position, beginning	15,540,494	14,549,683	15,220,398	13,824,962
Plan net position, ending (b)	<u>\$ 17,055,446</u>	<u>\$ 15,540,494</u>	<u>\$ 14,549,683</u>	<u>\$ 15,220,398</u>
Net pension liability, ending (a) - (b)	\$ 3,175,362	\$ 5,001,168	\$ 5,135,391	\$ 3,551,393
Plan fiduciary net position as a percentage of total pension liability	84.30%	75.65%	73.91%	81.08%
Covered payroll*	\$ 4,276,058	\$ 4,230,978	\$ 4,107,731	\$ 4,527,454
Net pension liability as a percentage of covered-employee payroll	74.26%	118.20%	125.02%	78.44%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2022, the measurement period is October 1, 2020 to September 30, 2021. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY 2017.

See independent auditor's report and notes to required supplementary information.

CITY OF SYLACAUGA, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA

FISCAL YEAR ENDED SEPTEMBER 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution *	\$ 493,106	\$ 441,996	\$ 435,738	\$ 423,439	\$ 398,748	\$ 381,344	\$ 376,609	\$ 398,796
Actual employer contributions	<u>529,549</u>	<u>459,043</u>	<u>455,292</u>	<u>425,497</u>	<u>415,391</u>	<u>397,381</u>	<u>392,096</u>	<u>414,289</u>
Contribution deficiency (excess)	<u>\$ (36,443)</u>	<u>\$ (17,047)</u>	<u>\$ (19,554)</u>	<u>\$ (2,058)</u>	<u>\$ (16,643)</u>	<u>\$ (16,037)</u>	<u>\$ (15,487)</u>	<u>\$ (15,493)</u>
Covered payroll **	\$ 5,461,060	\$ 4,745,349	\$ 4,802,205	\$ 5,141,464	\$ 4,617,997	\$ 4,276,058	\$ 4,230,978	\$ 4,107,731
Contributions as a percentage of covered payroll	9.70%	9.67%	9.48%	8.28%	9.00%	9.29%	9.27%	10.09%

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

** Employer's covered payroll for FY 2022 is the total covered payroll for the twelve month period of the underlying financial statement.

See independent auditor's report and notes to required supplementary information.

CITY OF SYLACAUGA, ALABAMA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

FISCAL YEAR ENDED SEPTEMBER 30, 2022

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost at end of year	\$ 110,417	\$ 95,843	\$ 72,011	\$ 78,755	\$ 84,708
Interest on the total OPEB liability	43,123	46,259	62,072	54,560	45,281
Changes of benefit terms	136,287	3,043	-	-	-
Difference between expected and actual experience	(7,842)	49,811	2,708	(144,928)	(18,872)
Changes of assumptions and other inputs	(48,874)	74,721	183,263	36,633	(71,345)
Benefit payments	(51,244)	(63,614)	(68,045)	(68,717)	(45,392)
Net change in total OPEB liability	181,867	206,063	252,009	(43,697)	(5,620)
Total OPEB liability, beginning	1,976,731	1,770,668	1,518,659	1,562,356	1,567,976
Total OPEB liability, ending	<u>\$ 2,158,598</u>	<u>\$ 1,976,731</u>	<u>\$ 1,770,668</u>	<u>\$ 1,518,659</u>	<u>\$ 1,562,356</u>
Covered payroll	\$ 4,798,764	\$ 4,798,764	\$ 4,617,997	\$ 4,617,997	\$ 4,512,552
Total OPEB liability as a percentage of covered payroll	44.98%	41.19%	38.34%	32.89%	34.62%

See independent auditor's report and notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SYLACAUGA, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

1. Budgets and Budgetary Accounting - The City follows these procedures in establishing the budgetary data reflected in the financial statements:
 - A. The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1.
 - B. Prior to September 30, the budget is legally enacted through passage of a resolution. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
 - C. An annual budget was legally adopted for the 2022 fiscal year for the General Fund, the Eighteen and One Half Mill Tax Fund and the American Recovery Plan Fund (major special revenue funds).
 - D. The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
 - E. Individual department heads have ultimate responsibility for the bottom line of their department's budget. Budgeted amounts may be transferred among line items within the department; however, total departmental expenditures may not exceed total approved appropriations.
 - F. Budgeted amounts are as originally adopted, or as amended by the City Council. All budget amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
 - G. All budgetary appropriations expire at year end.
 - H. Excess of expenditures over appropriations: in the General Fund, the following departments' expenditures exceeded appropriations by the amounts listed: Executive and legislative, \$53,740; Civil Service Board, \$30,922; Fire, \$29,107; Street, \$360,958; Shop, \$6,121; and Payments to component units - Library, \$2,859.

CITY OF SYLACAUGA, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

2. Schedule of Employer Contributions - Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019, actuarial valuation.

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

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	27.2 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

3. Schedule of Changes in Total OPEB Liability - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are discount rates used in each period:

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
2.26%	2.21%	2.66%	4.18%	3.57%

NON-MAJOR COMBINING STATEMENTS

CITY OF SYLACAUGA, ALABAMA

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total
ASSETS				
Cash and cash equivalents	\$ 966,939	\$ 2,102,887	\$ 2,935,931	\$ 6,005,757
Receivables				
Grants	52,461	273,846	-	326,307
Other receivables	1,325	-	-	1,325
Due from other funds	-	440,307	-	440,307
Total assets	<u>\$ 1,020,725</u>	<u>\$ 2,817,040</u>	<u>\$ 2,935,931</u>	<u>\$ 6,773,696</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 320	\$ 107,595	\$ -	\$ 107,915
Due to other funds	24,517	217,798	-	242,315
Total liabilities	<u>24,837</u>	<u>325,393</u>	<u>-</u>	<u>350,230</u>
Fund balances:				
Restricted				
Social and economic projects	85,217	-	-	85,217
Road repair and construction	910,671	-	-	910,671
Capital projects	-	2,491,647	-	2,491,647
Committed				
Debt service	-	-	2,935,931	2,935,931
Total fund balances	<u>995,888</u>	<u>2,491,647</u>	<u>2,935,931</u>	<u>6,423,466</u>
Total liabilities and fund balances	<u>\$ 1,020,725</u>	<u>\$ 2,817,040</u>	<u>\$ 2,935,931</u>	<u>\$ 6,773,696</u>

CITY OF SYLACAUGA, ALABAMA

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2022

	Seven Cent Gas Tax Fund	Four Cent Gas Tax Fund	Ten Cent Gas Tax Fund	Senior Citizens Service Fund	Total
ASSETS					
Cash and cash equivalents	\$ 372,034	\$ 307,598	\$ 231,539	\$ 55,768	\$ 966,939
Receivables					
Grants	-	-	-	52,461	52,461
Other receivables	-	-	-	1,325	1,325
Total assets	<u>\$ 372,034</u>	<u>\$ 307,598</u>	<u>\$ 231,539</u>	<u>\$ 109,554</u>	<u>\$ 1,020,725</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 320	\$ 320
Due to other funds	-	-	500	24,017	24,517
Total liabilities	<u>-</u>	<u>-</u>	<u>500</u>	<u>24,337</u>	<u>24,837</u>
Fund balances:					
Restricted					
Social and economic projects	-	-	-	85,217	85,217
Road repair and construction	372,034	307,598	231,039	-	910,671
Total fund balances	<u>372,034</u>	<u>307,598</u>	<u>231,039</u>	<u>85,217</u>	<u>995,888</u>
Total liabilities and fund balances	<u>\$ 372,034</u>	<u>\$ 307,598</u>	<u>\$ 231,539</u>	<u>\$ 109,554</u>	<u>\$ 1,020,725</u>

CITY OF SYLACAUGA, ALABAMA

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2022

	Construction Fund	Airport Expansion Fund	Grant Fund	Total
ASSETS				
Cash and cash equivalents	\$ 2,049,470	\$ 34,996	\$ 18,421	\$ 2,102,887
Receivables				
Grants	273,846	-	-	273,846
Due from other funds	405,200	35,107	-	440,307
Total assets	<u>\$ 2,728,516</u>	<u>\$ 70,103</u>	<u>\$ 18,421</u>	<u>\$ 2,817,040</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 104,845	\$ -	\$ 2,750	\$ 107,595
Due to other funds	191,203	26,595	-	217,798
Total liabilities	<u>296,048</u>	<u>26,595</u>	<u>2,750</u>	<u>325,393</u>
Fund balances:				
Restricted				
Capital projects	2,432,468	43,508	15,671	2,491,647
Total liabilities and fund balances	<u>\$ 2,728,516</u>	<u>\$ 70,103</u>	<u>\$ 18,421</u>	<u>\$ 2,817,040</u>

CITY OF SYLACAUGA, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total
REVENUES				
Motor fuel taxes	\$ 186,706	\$ -	\$ -	\$ 186,706
Grants	230,173	834,381	-	1,064,554
Investment earnings	82	4,196	221	4,499
Miscellaneous	25,717	-	-	25,717
Total revenues	442,678	838,577	221	1,281,476
EXPENDITURES				
Current:				
General government and administration	-	-	770	770
Senior citizens services	286,114	-	-	286,114
Payments to component units				
Parks and Recreation Board	52,352	-	-	52,352
Library	-	2,241	-	2,241
Social and economic development	-	190,083	-	190,083
Debt service:				
Principal	-	-	567,881	567,881
Interest	-	-	404,568	404,568
Administrative charges	-	-	750	750
Capital outlay	-	1,036,592	-	1,036,592
Total expenditures	338,466	1,228,916	973,969	2,541,351
Excess (deficiency) of revenues over expenditures	104,212	(390,339)	(973,748)	(1,259,875)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	115,850	988,679	1,772,449	2,876,978
Operating transfers out	-	(877,760)	-	(877,760)
Insurance recovery	18,567	-	-	18,567
Total other financing sources (uses)	134,417	110,919	1,772,449	2,017,785
Net change in fund balances	238,629	(279,420)	798,701	757,910
Fund balances - beginning	757,259	2,771,067	2,137,230	5,665,556
Fund balances - ending	\$ 995,888	\$ 2,491,647	\$ 2,935,931	\$ 6,423,466

CITY OF SYLACAUGA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

YEAR ENDED SEPTEMBER 30, 2022

	Seven Cent Gas Tax Fund	Four Cent Gas Tax Fund	Ten Cent Gas Tax Fund	Senior Citizens Service Fund	Total
REVENUES					
Motor fuel taxes	\$ 48,141	\$ 38,079	\$ 100,486	\$ -	\$ 186,706
Grants	-	-	-	230,173	230,173
Investment earnings	35	29	18	-	82
Miscellaneous	-	-	-	25,717	25,717
Total revenues	<u>48,176</u>	<u>38,108</u>	<u>100,504</u>	<u>255,890</u>	<u>442,678</u>
EXPENDITURES					
Current:					
Senior citizens services	-	-	-	286,114	286,114
Payments to component units					
Parks and Recreation Board	-	-	-	52,352	52,352
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,466</u>	<u>338,466</u>
Excess (deficiency) of revenues over expenditures	<u>48,176</u>	<u>38,108</u>	<u>100,504</u>	<u>(82,576)</u>	<u>104,212</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	115,850	115,850
Insurance recovery	-	-	-	18,567	18,567
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,417</u>	<u>134,417</u>
Net change in fund balances	48,176	38,108	100,504	51,841	238,629
Fund balances - beginning	<u>323,858</u>	<u>269,490</u>	<u>130,535</u>	<u>33,376</u>	<u>757,259</u>
Fund balances - ending	<u>\$ 372,034</u>	<u>\$ 307,598</u>	<u>\$ 231,039</u>	<u>\$ 85,217</u>	<u>\$ 995,888</u>

CITY OF SYLACAUGA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

YEAR ENDED SEPTEMBER 30, 2022

	Construction Fund	Airport Expansion Fund	Grant Fund	Total
REVENUES				
Grants	\$ 660,524	\$ 32,000	\$ 141,857	\$ 834,381
Investment earnings	4,196	-	-	4,196
Total revenues	<u>664,720</u>	<u>32,000</u>	<u>141,857</u>	<u>838,577</u>
EXPENDITURES				
Current:				
Payments to component units:				
Library	2,241	-	-	2,241
Social and economic development	-	32,033	158,050	190,083
Capital outlay	<u>1,036,592</u>	-	-	<u>1,036,592</u>
Total expenditures	<u>1,038,833</u>	<u>32,033</u>	<u>158,050</u>	<u>1,228,916</u>
Excess (deficiency) of revenues over expenditures	<u>(374,113)</u>	<u>(33)</u>	<u>(16,193)</u>	<u>(390,339)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	957,279	-	31,400	988,679
Operating transfers out	<u>(877,760)</u>	-	-	<u>(877,760)</u>
Total other financing sources (uses)	<u>79,519</u>	-	<u>31,400</u>	<u>110,919</u>
Net change in fund balances	(294,594)	(33)	15,207	(279,420)
Fund balances - beginning	<u>2,727,062</u>	<u>43,541</u>	<u>464</u>	<u>2,771,067</u>
Fund balances - ending	<u>\$ 2,432,468</u>	<u>\$ 43,508</u>	<u>\$ 15,671</u>	<u>\$ 2,491,647</u>

APPENDIX C

**SUMMARY OF
CONTINUING DISCLOSURE AGREEMENT**

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

The following is a summary of the Continuing Disclosure Agreement ("the Agreement") entered into by the City, for the benefit of the holders of the Warrants, in order to assist the Underwriter in complying with the provisions of Rule 15c2-12 ("the Rule"), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. Except where otherwise defined in the Appendix, all capitalized terms have the meaning assigned in the front portion of this Official Statement.

Annual Report. The City agrees, in accordance with the provisions of the Rule, to provide or cause to be provided through the Electronic Municipal Market Access system ("EMMA") established by the Municipal Securities Rulemaking Board (the "MSRB") (or such other system subsequently authorized by the MSRB), as designated by the Commission in accordance with the Rule, (i) in the case of audited financial statements referred to below, when available, and (ii) in all other cases, within 270 days after the close of each fiscal year of the City (October 1 – September 30), commencing with the fiscal year ending September 30, 2024 (or, in the case of the audited financial statements referred to below, September 30, 2023), the following annual financial information and operating data ("the City's Annual Report"):

- (A) the audited financial statements of the City and notes thereto, prepared in accordance with generally accepted accounting principles; and
- (B) to the extent not included in such financial statements, the financial information in the schedules set forth in the Official Statement under the heading "FINANCIAL INFORMATION."

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of the City's Annual Report, to the extent necessary or appropriate in the judgment of the City; provided that, the City agrees that any such modification will be done in a manner consistent with the Rule.

Notice of Certain Events. The City agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, through EMMA (or such other system subsequently authorized by the MSRB), notice of the occurrence of any of the following events with respect to the Warrants:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Warrants, or other material events affecting the tax status of the Warrants;
- (g) modifications of the rights of holders of the Warrants;
- (h) calls for redemption, other than scheduled mandatory redemption, of any of the Warrants if material, and notice of tender offers;

- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Warrants;
- (k) any change in any rating on the Warrants;
- (l) bankruptcy, insolvency, receivership or similar event of the City or of any obligated person respecting the Warrants;
- (m) the consummation of a merger, consolidation, or acquisition involving the City or any obligated person respecting the Warrants (each, an "Obligated Person") or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement related to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a Financial Obligation of the Board or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Board or obligated person, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the Board or obligated person, any of which reflect financial difficulties.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the City such other event is material with respect to the Warrants, but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Notice of Non-Compliance. The City agrees to provide or cause to be provided, in a timely manner, through EMMA (or such other system subsequently authorized by the MSRB), notice of any failure by it to provide the annual financial information described in Sections 1 and 2 hereof on or prior to the dates respectively set forth in said sections.

Beneficiaries and Enforcement. The City agrees that its undertaking pursuant to the Rule set forth in the Agreement is intended to be for the benefit of the holders of the Warrants and the Trustee and shall be enforceable by such holders; provided, that the right of the holders of the Warrants to enforce the provisions of the Agreement shall be limited to a right to obtain specific enforcement of the respective obligations of the City hereunder. No failure by the City to comply with its obligations under the Agreement shall constitute an event of default under the Ordinances.

Amendment. The Agreement may be amended without the consent of any holders of the Warrants if

- (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City;
- (b) the agreement, as so amended, would have complied with the requirements of the Rule at the time of the execution hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the City receives an opinion of nationally recognized bond counsel that such amendment does not materially impair the interests of any of the holders of the Warrants.

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN