# City of Pell City, Alabama

## Financial Statements

September 30, 2025

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Pell City's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the City's financial statements, which begin on page 4.

### Financial Highlights

- The net position of our governmental activities increased by approximately $3.3 million, or 4.2% as a result of this year's operations.
- The net position of our business-type activities increased $4.3 million, or 36.5%, as a result of this year's operations.
- Total cost of all the City's governmental programs increased by approximately $7.6 million, or 8.4%.
- The 2025 General Fund revenues (net of transfers to the Board of Education and other financing sources and uses) exceeded expenditures by $9.9 million.

### Using the Annual Financial Report - An Overview for the User

The annual financial report consists of five parts - management's discussion and analysis (this section), the independent auditor's report, the basic financial statements, required supplementary information, and other supplementary information.

The City's basic financial statements are comprised of three components:

1) *Government-Wide Financial Statements*
*2) Fund Financial Statements*
*3) Notes to the Financial Statements*

Government-Wide Financial Statements

The focus of these statements is to provide readers with a broad overview of the City's finances as a whole, similar to a private-sector business, instead of an individual fund basis.

The *Government-Wide Financial Statements* report both long-term and short-term information about the City's overall financial status including the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the City's current year's revenues and expenses regardless of when cash is received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector.

The *Government-Wide Financial Statements* report covers all the governmental activities and business-type activities of the City as a whole.

The *Statement of Net Position* (on page 4) is most closely related to a balance sheet. It presents information on all of the City's position (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increase or decrease in net position reported in this statement may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* (on page 5) is most closely related to an income statement. It presents information showing how the City's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. This statement reduces gross expenses by related program, which must be directly associated with the function. By showing the change in net position for the year, the reader may be able to determine whether the City's financial position has improved or deteriorated over the course of the current fiscal year.

However, the reader will also need to consider non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure position, in order to assess the overall health of the City.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and internal requirements. All of the funds of the City can be classified as governmental or proprietary funds.

> Governmental Funds - *Governmental Fund Financial Statements* begin on page 6. These statements account for basically the same governmental activities reported in the *Government- Wide Financial Statements*. *Fund Financial Statements* presented herein display information on each of the City's most important governmental funds or *major funds*. This is required in order to better assess the City's accountability for significant governmental programs or certain dedicated revenue. The City's *major funds* are the General Fund and the Capital Improvement Fund.

The *Fund Financial Statements* are measured on the modified-accrual basis of accounting. As a result, the *Fund Financial Statements* focus more on the near-term use and availability of spendable resources. The information provided in these statements is useful in determining the City's immediate financial needs. This is in contrast to the accrual-based *Government-Wide Financial Statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *Government-Wide Financial Statements* and the governmental funds reported in the *Fund Financial Statements* are reconciled on pages 7 and 9 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the City's short-term financing decisions.

Proprietary Funds - When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Activities*. In fact, the City's proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential for the statements to fairly represent the City's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *Notes to the Financial Statements* begin on page 13 in this section.

Required Supplementary Information

After the presentation of the basic financial statements, the *Required Supplementary Information* is presented following the notes to the basic financial statements. The *Required Supplementary Information (RSI)* beginning on page 38 provides a comparison of the adopted budget of the City's General Fund to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year. RSI also includes a comparison of the adopted budget of the City's Proprietary Fund to the actual operating results for the fiscal year, and two pension-related reports for the most recent plan year.

Supplementary Information

Following the *Required Supplementary Information* are other supplementary schedules beginning on page 44, which are for additional analysis purposes and are not a required part of the basic financial statements. These include detail information relating to General Fund selected departments, non-major governmental funds, general fixed asset detail, detail about general long-term debt, and a schedule of bond maturities.

Other Reporting

Following the supplementary information is the Compliance Audit Section, beginning on page 56.

## Analysis of the City of Pell City's Overall Financial Position

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* below when reading the following analysis of net position.

**Table 1: Summary of Net Position**
As of September 30, 2025 and 2024
(dollars in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Assets: | | | | | | |
| Current and other assets | $ 82,219 | $ 80,651 | $ 8,854 | $ 6,696 | $ 91,073 | $ 87,347 |
| Restricted assets | 11,723 | 16,972 | 548 | 1,199 | 12,271 | 18,171 |
| Capital assets | 48,480 | 40,736 | 40,758 | 38,872 | 89,238 | 79,608 |
| Total assets | 142,422 | 138,359 | 50,160 | 46,767 | 192,582 | 185,126 |
| Deferred outflows of resources | 2,470 | 3,214 | 368 | 394 | 2,838 | 3,608 |
| Total assets and deferred outflows | 144,892 | 141,573 | 50,528 | 47,161 | 195,420 | 188,734 |
| Liabilities: | | | | | | |
| Other liabilities | 9,618 | 6,781 | 8,968 | 7,062 | 18,586 | 13,843 |
| Long-term liabilities | 51,235 | 55,574 | 25,221 | 28,224 | 76,456 | 83,798 |
| Total liabilities | 60,853 | 62,355 | 34,189 | 35,286 | 95,042 | 97,641 |
| Deferred inflows of resources | 2,061 | 542 | 196 | 44 | 2,257 | 586 |
| Net Position: | | | | | | |
| Net investment in capital assets | 1,004 | (8,173) | 15,023 | 11,807 | 16,027 | 3,634 |
| Restricted | 9,039 | 17,444 | 1,070 | 1,433 | 10,109 | 18,877 |
| Unrestricted | 71,935 | 69,405 | 50 | (1,409) | 71,985 | 67,996 |
| Total net position | $ 81,978 | $ 78,676 | $ 16,143 | $ 11,831 | $ 98,121 | $ 90,507 |
| Total liabilities, deferred inflows, and net position | $ 144,892 | $ 141,573 | $ 50,528 | $ 47,161 | $ 195,420 | $ 188,734 |

The City's governmental activities net position is $81.9 million at September 30, 2025, increased by $3.3 million as a result of the current year's operations.

Total Primary Government net investment in capital assets of $16.0 million reflects the City's investment in capital assets (e.g., land, infrastructure, buildings, improvements, fixtures, furniture, equipment and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations. Restricted net position of the governmental activities in the amount of $10.1 million represents the net position of the Four, Five and Seven Cent State Shared Gasoline Tax Funds, distributions from the Alabama Trust Fund restricted for capital improvements, restricted cash balances, and amounts reserved for inventory. These net positions have been restricted by enabling legislation. Unrestricted net position of $71.9 million may be used at the City's discretion to meet ongoing obligations to citizens and creditors and for future operations.

Restricted net position of the City's business-type activities of $1.1 million represents net position restricted for debt repayment, impact fees, amounts reserved for inventory, and restricted cash. Unrestricted net position of business-type activities is approximately $50 thousand.

## Analysis of the City of Pell City's Operating Results

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on page 5. *Table 2* condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the City for the year. It also shows the impact that operations had on changes in net position as of September 30, 2025.

**Table 2**
**Changes in Net Position**
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Program revenues: | | | | | | |
| Charges for services | $ 5,048 | $ 4,723 | $ 10,505 | $10,184 | $ 15,553 | $ 14,907 |
| Grants/contributions | 909 | 1,115 | - | - | 909 | 1,115 |
| General revenues: | - | - | | | | |
| Taxes net of transfers to BOE | 25,697 | 24,320 | - | - | 25,697 | 24,320 |
| Investment earnings | 976 | 1,062 | 268 | 362 | 1,244 | 1,424 |
| Miscellaneous | 3,484 | 4,370 | 4,917 | 607 | 8,401 | 4,977 |
| Gain/Loss on sale of capital assets | 71 | 220 | - | 6 | 71 | 226 |
| Total revenues | 36,185 | 35,810 | 15,690 | 11,159 | 51,875 | 46,969 |
| Program expenses: | | | | | | |
| General government | 8,931 | 9,126 | - | - | 8,931 | 9,126 |
| Public safety | 10,978 | 10,412 | - | - | 10,978 | 10,412 |
| Public works | 3,223 | 2,874 | - | - | 3,223 | 2,874 |
| Cultural and recreational | 4,372 | 4,118 | - | - | 4,372 | 4,118 |
| Interest on long-term debt | 2,181 | 2,171 | - | - | 2,181 | 2,171 |
| Water and sewer | - | - | 11,378 | 8,564 | 11,378 | 8,564 |
| Total expenses | 29,685 | 28,701 | 11,378 | 8,564 | 41,063 | 37,265 |
| Excess (deficency) before transfers | 6,500 | 7,109 | 4,312 | 2,595 | 10,812 | 9,704 |
| Transfers | (2,892) | (444) | - | - | (2,892) | (444) |
| Increase(decrease) in net position | $ 3,608 | $ 6,665 | $ 4,312 | $ 2,595 | $ 7,920 | $ 9,260 |

The City's total revenues increased $4.9 million or (10.4 percent). The total cost of all programs and services increased 3.8 million or 10.2% from the prior year. Our analysis below separately considers the operations of governmental and business-type activities.

## Business-Type Activities

Revenues of the City's business-type activities increased $4.5 million, or 40.6 percent and expenses increased $2.8 million or 32.9 percent.

## Governmental Activities

Revenues for the City's governmental activities increased by 1.0 percent or $375 thousand, while total expenses increased by 3.4 percent, or $984 thousand.

The cost of all governmental activities this year was $29.7 million compared to $28.7 million last year.

*Table 3* is a condensed statement taken from the *Statement of Activities* on page 5 showing the total cost for providing services for five major City activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the City used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits provided.

**Table 3: Net Cost of Government-Wide Activities**

| | Fiscal Year Ended September 30, 2025 (dollars in thousands) | |
|---|---|---|
| | Total Cost of Services | Net Cost of Services |
| General government administration | $ 8,931 | $ (3,611) |
| Public safety | 10,978 | (10,883) |
| Public works | 3,223 | (3,223) |
| Cultural and recreational | 4,372 | (3,829) |
| Interest on long-term debt | 2,181 | (2,181) |
| Total | $ 29,685 | $ (23,727) |

## Performance of City Funds

As noted earlier, the City uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal and internal requirements. Using funds to account for resources for particular purposes helps the reader to determine the City's accountability for these resources whether provided by taxpayers and other entities, and to help to provide more insight into the City's overall financial health. The following analysis of the City's governmental funds should be read in reference to the *Fund Financial Statements* that begin on page 6.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financial requirements (Note: the reconciliation statements between the fund financial statements and the government-wide financial statements are presented on pages 7 and 9). At the end of the fiscal year, the City's governmental funds reported a combined fund balance of $51.5 million, which includes $9.7 million in restricted/nonspendable fund balance and $41.8 million of unassigned general fund balance which is available for future operations.

## Budgetary Highlights of the General Fund

On or before October 1 of each year, the City Manager and Chief Financial Officer prepare and submit an annual budget to be adopted by the City Council. The comparison of general fund budget to the actual results is detailed in the *Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual General Fund* on page 38. The City's actual results as compared to the City's budget can be briefly summarized as follows:

- Actual revenues for the General Fund were over budget by approximately $2.8 million or 8.0%.

- Actual expenditures for the General Fund were over budget by approximately $(1.9) million or (7.6%).

## Capital Asset and Debt Administration

Capital Assets

As of September 30, 2025, the City had $89.2 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines (see *Table 4* below). This amount represents a net increase (including additions and deductions) of $9.8 million, or 12.3 percent, over last year.

**Table 4**
**Capital Assets (net of accumulated depreciation)**
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | $ 6,664 | $ 5,317 | $ 1,485 | $ 1,485 | $ 8,149 | $ 6,802 |
| Construction in progress | 6,061 | 2,773 | 6,280 | 4,470 | 12,341 | 7,243 |
| Buildings | 6,342 | 6,864 | 2 | 1 | 6,344 | 6,865 |
| Other improvements | 9,322 | 8,412 | 67 | - | 9,389 | 8,412 |
| Equipment | 2,531 | 1,531 | 259 | 293 | 2,790 | 1,824 |
| Vehicles and motorized equipment | 3,189 | 3,029 | 139 | 191 | 3,328 | 3,220 |
| Infrastructure | 14,283 | 12,642 | 3,841 | 1,806 | 18,124 | 14,448 |
| Water and sewer distribution systems | - | - | 28,688 | 30,583 | 28,688 | 30,583 |
| Capital assets, net of depreciation | $48,392 | $40,568 | $40,761 | $38,829 | $89,153 | $79,397 |

Debt

At year-end, the City had $73.7 million in bonds, notes, and capital leases payable versus $76.6 million last year—a decrease of 3.8 percent—as shown in *Table 5* below:

**Table 5**
**Outstanding Debt at Year-End**
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| General obligation warrants | $ 47,255 | $ 48,665 | $ 25,735 | $ 27,065 | $ 72,990 | $ 75,730 |
| Notes payable | 123 | 244 | - | - | 123 | 244 |
| Leases payable | 99 | 159 | - | - | 99 | 159 |
| Compensated absences | 430 | 414 | 25 | 21 | 455 | 435 |
| Total Outstanding Debt | $ 47,907 | $ 49,482 | $ 25,760 | $ 27,086 | $ 73,667 | $ 76,568 |

While the $47.3 million of General Obligation Warrants are a legal obligation of the City, it is important to note that due to a funding agreement with the Pell City Board of Education, the City is only obligated for future debt service on $12.3 million of this debt (the Pell City Board of Education's principal portion due is $35.0 million).

A favorable bond rating facilitates the City's ability to meet financial obligations. On May 17, 2022, Standard and Poor's Rating Services assigned the City's long-term rating as "AA," with stable outlook.

## Schedule of Net Assessed Values of Property in the City

The net assessed value of taxable properties located within the corporate limits of the City for the fiscal years indicated was as follows:

| Fiscal Year Ending September 30 | All Property Other than Motor Vehicles | Motor Vehicles | Total |
|---|---|---|---|
| 2014 | $ 161,311,480 | $ 21,331,680 | $ 182,643,160 |
| 2015 | 162,392,340 | 21,577,440 | 183,969,780 |
| 2016 | 167,193,040 | 21,907,420 | 189,100,460 |
| 2017 | 168,915,200 | 21,835,660 | 190,750,860 |
| 2018 | 215,701,320 | 21,976,380 | 237,677,700 |
| 2019 | 196,278,760 | 23,801,660 | 220,080,420 |
| 2020 | 201,650,000 | 23,850,060 | 225,500,060 |
| 2021 | 209,043,160 | 27,653,926 | 236,697,086 |
| 2022 | 233,154,180 | 31,932,960 | 265,087,140 |
| 2023 | 269,724,762 | 36,840,180 | 306,564,942 |
| 2024 | 285,126,080 | 43,835,780 | 328,961,860 |
| 2025 | 296,847,494 | 43,441,660 | 340,289,154 |

## Schedule of Largest Ad Valorem Taxpayers

Listed below are the ten largest ad valorem taxpayers in the City and the total amount of ad valorem taxes paid by each during the fiscal year ended September 30, 2025:

| Taxpayer | Assessed Value | City Taxes Paid | Total Taxes Paid [1] |
|---|---|---|---|
| Alabama Power Company | $ 8,307,500 | $ 41,538 | $ 340,608 |
| Hargray of Alabama Inc | 6,180,360 | 30,902 | 253,343 |
| Benjamin Moore Company | 5,455,940 | 27,280 | 223,642 |
| WKW Erbsloeh North America | 4,402,000 | 22,010 | 180,430 |
| Ford Meter Box Co., inc. | 1,968,120 | 9,841 | 80,641 |
| Valtir LLC | 1,881,980 | 9,410 | 77,109 |
| AHT Inc | 1,629,180 | 8,146 | 66,744 |
| Brightspeed of Alabama | 1,547,220 | 7,736 | 63,436 |
| Norfolk Southern Combined Rail | 1,473,740 | 7,369 | 60,423 |
| Eissmann Automotive Pell City LLC | 1,129,240 | 6,211 | 50,877 |

[1] Includes state, county, city and school taxes.

*Note: property and taxpayer information is provided by St. Clair County, which assesses and collects these taxes for the City.*

## Economic Factors and Next Year's Budgets and Rates

The City's elected officials considered many factors when setting the fiscal year budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy.

The unemployment rate for St. Clair County stands at 2.5 percent as of September 2025, which is an decrease from the 2.7 percent rate as of December 2023. The County unemployment rate compares favorably to Statewide rate of 2.8 percent, and the Nationwide rate of 4.4 percent. This is consistent with past trends, wherein the County unemployment rate is consistently lower than both the State and National averages. The County has also shown a steady increase in Labor Force Participation, which advanced to 46,000 as of December 2025.

The local economy continues to grow, with sustained growth in local collections of both sales and ad valorem taxes. The City continues to see a consistently elevated level of new residential construction in recent years. The continued addition of new residential dwellings will further support the City's sales tax collections, property tax receipts, and utility revenues, while also supporting the demands of the growing workforce. The City has enjoyed surplus revenues for several consecutive years, and has endeavored to invest these funds into a variety of necessary capital improvements, without issuing new long-term debt. The City has prioritized increasing workforce retention and capacity in order to meet the growing service demands of the community. These efforts have focused on increasing employee compensation and benefits, as well as the strategic expansion of the municipal workforce in certain departments.

The City continues to operate under the base utility rate schedule adopted in 2018, which provides for an automatic annual rate adjustment of 3 percent. The current utility rate schedule, in conjunction with a growing customer base, has exceeded the pre-adoption revenue forecast, and management does not anticipate the need for supplemental adjustments to meet its needs. The City has also secured capital funding via external grants, further improving the overall condition of the utility, and decreasing its reliance on general fund subsidies.

## Goals for 2026

The initial phase of the redevelopment of the former St. Clair County Hospital site is now complete with national retailers. City focus has now moved to supporting the development of the available outparcels on this site. The City continues to work with adjacent property owners on development prospects, with substantial interest being displayed by national-level tenants.

The Industrial Development Board continues to actively market the Cogswell Industrial Park site, which is designed to attract large-scale manufacturing investment. The site has been certified as an Advantage Site by the State of Alabama, and the State is assisting with the recruitment of prospective industries for the location. The City's Industrial Development Board is currently engaged with multiple local industries who are considering the expansion of their physical locations and local workforce.

The City Council and the Planning & Zoning Board have passed ordinances to facilitate consistent and sustainable growth. The City is continually engaged with multiple landowners and prospective developers of housing, to include sites outside of the current City limits. Several other sites remain in the engineering and planning phases. The City is also focused on incentivizing infill development, specifically in areas with existing utility infrastructure.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Pell City's City Manager's Office, 1905 1st Avenue North, Pell City, AL 35125.

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# INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Manager
and Members of the City Council
City of Pell City, Alabama

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pell City, Alabama (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pell City, AL as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

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

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

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

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

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i – xi,* budgetary comparison information on pages 38 – 39, required pension schedules on pages 40 – 41, and the related notes to the required supplementary information on pages 42 – 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pell City, Alabama's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bain + Company, P.C.

Pell City, Alabama

June 18, 2026

# Basic Financial Statements

| September 30, 2025 | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 33,869,926 | $ 6,971,887 | $ 40,841,813 |
| Accounts receivable, net | 3,097,435 | 1,360,239 | 4,457,674 |
| Notes receivable | 35,062,321 | - | 35,062,321 |
| Internal receivables | 9,784,079 | - | 9,784,079 |
| Inventory and other assets | 404,846 | 522,008 | 926,854 |
| Restricted assets: | | | |
| Restricted cash | 11,722,944 | 547,777 | 12,270,721 |
| Capital assets: | | | |
| Construction in progress | 6,061,024 | 6,279,667 | 12,340,691 |
| Land | 6,663,956 | 1,484,962 | 8,148,918 |
| Right-to-use | 189,809 | - | 189,809 |
| Capital assets, net of depreciation & amortization | 35,565,949 | 32,993,307 | 68,559,256 |
| Total capital assets | 48,480,738 | 40,757,936 | 89,238,674 |
| **Total Assets** | 142,422,289 | 50,159,847 | 192,582,136 |
| **Deferred Outflows of Resources** | | | |
| Pension-related amounts | 2,015,698 | 251,955 | 2,267,653 |
| Refunding bonds | 454,509 | 116,883 | 571,392 |
| **Total Deferred Outflows of Resources** | 2,470,207 | 368,838 | 2,839,045 |
| **Total Assets and Deferred Outflows of Resources** | $ 144,892,496 | $ 50,528,685 | $ 195,421,181 |

City of Pell City, Alabama
Government-Wide Statement of Net Position

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Liabilities** | | | |
| Accounts payable | $ 2,369,743 | $ 695,826 | $ 3,065,569 |
| Accrued payroll and related liabilities | 573,635 | 48,172 | 621,807 |
| Accrued interest payable | 306,603 | 72,810 | 379,413 |
| Internal payables | 3,556,255 | 6,234,313 | 9,790,568 |
| Deposits from others | - | 495,145 | 495,145 |
| Other liabilities | 886,865 | 27,478 | 914,343 |
| Long-term liabilities: | - | - | - |
| *Due or payable within one year:* | | | |
| Compensated absences | 322,343 | 19,285 | 341,628 |
| Bonds,notes, and lease payable | 1,602,927 | 1,375,000 | 2,977,927 |
| *Due or payable after one year:* | | | |
| Net pension liability | 5,083,979 | 765,681 | 5,849,660 |
| Compensated absences | 107,447 | 6,429 | 113,876 |
| Bonds,notes, and lease payable | 45,873,567 | 24,360,000 | 70,233,567 |
| Unamortized bond premiums | 169,682 | 89,255 | 258,937 |
| **Total Liabilities** | 60,853,046 | 34,189,394 | 95,042,440 |
| **Deferred Inflows of Resources** | | | |
| Pension-related amounts | 2,061,112 | 196,074 | 2,257,186 |
| **Total Deferred Inflows of Resources** | 2,061,112 | 196,074 | 2,257,186 |
| **Net Position** | | | |
| Net investment in capital assets | 1,004,244 | 15,022,936 | 16,027,180 |
| Restricted for: | | | |
| Road projects | 235,622 | 522,008 | 757,630 |
| Other purposes | 8,803,206 | 547,777 | 9,350,983 |
| Unrestricted (deficit) | 71,935,266 | 50,496 | 71,985,762 |
| **Total Net Position** | 81,978,338 | 16,143,217 | 98,121,555 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | $ 144,892,496 | $ 50,528,685 | $ 195,421,181 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Government-Wide Statement of Activities

Year ended September 30, 2025

| Program Activities | Direct Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Governmental Activities | Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities | Total |
|---|---|---|---|---|---|---|---|
| **Primary Government** | | | | | | | |
| *Governmental activities:* | | | | | | | |
| General government | $ 8,931,372 | $ 4,411,159 | $ - | $ 908,750 | $ (3,611,463) | $ - | $ (3,611,463) |
| Public safety | 10,977,611 | 94,623 | - | - | (10,882,988) | - | (10,882,988) |
| Public works | 3,222,911 | - | - | - | (3,222,911) | - | (3,222,911) |
| Cultural and recreational | 4,371,672 | 542,403 | - | - | (3,829,269) | - | (3,829,269) |
| Interest on long-term debt | 2,181,028 | - | - | - | (2,181,028) | - | (2,181,028) |
| Total governmental activities | 29,684,594 | 5,048,185 | - | 908,750 | (23,727,659) | - | (23,727,659) |
| *Business-type activities:* | | | | | | | |
| Utility fund | 11,377,547 | 10,505,030 | - | - | - | (872,517) | (872,517) |
| Total business-type activities | 11,377,547 | 10,505,030 | - | - | | (872,517) | (872,517) |
| **Total Primary Government** | $ 41,062,141 | $ 15,553,215 | $ - | $ 908,750 | $ (23,727,659) | $ (872,517) | $ (24,600,176) |
| **General Revenues:** | | | | | | | |
| Taxes: | | | | | | | |
| Ad valorem (real and personal property) | | | | | 1,552,814 | - | 1,552,814 |
| Sales and use | | | | | 28,806,877 | - | 28,806,877 |
| Other taxes | | | | | 994,128 | - | 994,128 |
| Investment earnings | | | | | 975,783 | 267,718 | 1,243,501 |
| Miscellaneous revenues | | | | | 3,484,155 | 4,917,030 | 8,401,185 |
| Gain on disposal | | | | | 71,289 | - | 71,289 |
| Trustee/escrow fees | | | | | (3,850) | 816 | (3,034) |
| Donations | | | | | (151,132) | - | (151,132) |
| Transfer to Pell City Board of Education | | | | | (5,656,972) | - | (5,656,972) |
| Transfers | | | | | (3,043,398) | - | (3,043,398) |
| **Total General Revenues** | | | | | 27,029,694 | 5,185,564 | 32,215,258 |
| **Change in Net Position** | | | | | 3,302,035 | 4,313,047 | 7,615,082 |
| Net position - Beginning | | | | | 78,676,303 | 11,830,170 | 90,506,473 |
| **Net Position - Ending** | | | | | $ 81,978,338 | $ 16,143,217 | $ 98,121,555 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Balance Sheet - Governmental Funds

September 30, 2025

| | General Fund | Capital Improvement Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 32,889,879 | $ - | $ 980,047 | $ 33,869,926 |
| Accounts receivable | 3,094,886 | - | 2,549 | 3,097,435 |
| Due from other funds | 8,024,790 | - | 1,759,289 | 9,784,079 |
| Inventory and other assets | 404,594 | - | 252 | 404,846 |
| Restricted cash | 484,733 | 10,496,041 | 742,170 | 11,722,944 |
| **Total Assets** | 44,898,882 | 10,496,041 | 3,484,307 | 58,879,230 |
| **Liabilities and Fund Balances** | | | | |
| **Liabilities** | | | | |
| Accounts payable | 449,910 | 1,786,834 | 132,999 | 2,369,743 |
| Accrued payroll liabilities | 563,275 | - | 10,360 | 573,635 |
| Due to other funds | 830,864 | 2,534,363 | 191,028 | 3,556,255 |
| Other current liabilities | 786,978 | - | 99,887 | 886,865 |
| **Total Liabilities** | 2,631,027 | 4,321,197 | 434,274 | 7,386,498 |
| **Fund Balances** | | | | |
| Nonspendable: | | | | |
| Inventory and other assets | 404,594 | - | 252 | 404,846 |
| Restricted for: | | | | |
| Road surface repairs | - | - | 235,622 | 235,622 |
| Capital projects | - | 6,174,844 | 1,987,894 | 8,162,738 |
| Other purposes | 484,733 | - | 362,385 | 847,118 |
| Unassigned: | 41,378,528 | - | 463,880 | 41,842,408 |
| **Total Fund Balances** | 42,267,855 | 6,174,844 | 3,050,033 | 51,492,732 |
| **Total Liabilities and Fund Balances** | $ 44,898,882 | $ 10,496,041 | $ 3,484,307 | $ 58,879,230 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position

Year ended September 30, 2025

| | | |
|---|---|---|
| **Total Governmental Fund Balances (page 6)** | | $ 51,492,732 |
| Amounts reported for governmental activities in the statement of net position are different due to the following transactions: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of: | | |
| Lease assets, net | 189,809 | |
| Governmental capital assets | 81,657,943 | |
| Less: Accumulated depreciation and amortization | (33,367,014) | 48,480,738 |
| Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting. | | |
| Due from Pell City Board of Education | | 35,062,321 |
| Some liabilities are not due and payable in the current period and are, therefore, not reported in the funds as follows: | | |
| Accrued interest on bonds | (306,603) | |
| Net pension liability | (5,083,979) | |
| Compensated absences | (429,790) | |
| Bonds, notes, and capital leases payable | (47,476,494) | |
| Unamortized bond premiums | (169,682) | (53,466,548) |
| Some deferred items used in governmental activities are not current financial resources and are, therefore, not reported in the governmental funds balance sheet as follows: | | |
| Deferred outflows of resources due bonds and disposals | 454,509 | |
| Deferred outflows of resources related to pensions | 2,015,698 | |
| Deferred inflows of resources related to pensions | (2,061,112) | 409,095 |
| **Net Position of Governmental Activities (page 5)** | | $ 81,978,338 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances
- Governmental Funds

| Year ended September 30, 2025 | General Fund | Capital Improvement Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 30,697,485 | $ - | $ - | $ 30,697,485 |
| Licenses and permits | 357,102 | - | - | 357,102 |
| Intergovernmental revenue | 3,603,784 | - | 450,273 | 4,054,057 |
| Charges for services | 522,746 | - | 19,657 | 542,403 |
| Fines and forfeitures | 94,623 | - | - | 94,623 |
| Grants | - | - | 908,750 | 908,750 |
| Other revenues | 2,336,690 | 1,238,165 | 1,218,453 | 4,793,308 |
| **Total Revenues** | 37,612,430 | 1,238,165 | 2,597,133 | 41,447,728 |
| **Expenditures** | | | | |
| Administrative and general | 6,407,495 | - | 431,054 | 6,838,549 |
| Court | - | - | 762,051 | 762,051 |
| Street and shop | 2,161,791 | - | - | 2,161,791 |
| Police | 4,905,865 | - | 48,616 | 4,954,481 |
| Fire | 4,909,412 | - | - | 4,909,412 |
| Parks and recreation | 2,703,202 | - | - | 2,703,202 |
| Library | 532,581 | - | - | 532,581 |
| Planning | 405,660 | - | - | 405,660 |
| Revenue | 371,981 | - | - | 371,981 |
| Senior citizens | 128,582 | - | - | 128,582 |
| Debt service: | | | | |
| Principal | 1,504,982 | - | 25,000 | 1,529,982 |
| Interest | 1,881,625 | - | 1,000 | 1,882,625 |
| Capital outlay | 1,752,259 | 10,459,264 | 1,385,729 | 13,597,252 |
| **Total Expenditures** | 27,665,435 | 10,459,264 | 2,653,450 | 40,778,149 |
| **Excess (Deficiency) of Revenues** | 9,946,995 | (9,221,099) | (56,317) | 669,579 |
| **Other Financing Sources (Uses)** | | | | - |
| Operating transfers in | 286,765 | 4,764,213 | 266,153 | 5,317,131 |
| Operating transfers out | (4,198,653) | - | (4,161,876) | (8,360,529) |
| Transfer to Board of Education | (5,656,972) | - | - | (5,656,972) |
| Received by City for debt repayment | 2,783,800 | - | - | 2,783,800 |
| Gain (Loss) on disposal | 176,397 | - | - | 176,397 |
| Trustee/escrow fees | (3,850) | - | - | (3,850) |
| Donations received | 54,218 | - | - | 54,218 |
| Donations made | (205,350) | - | - | (205,350) |
| **Total Other Financing Sources (Uses)** | (6,763,645) | 4,764,213 | (3,895,723) | (5,895,155) |
| **Net Change in Fund Balance** | 3,183,350 | (4,456,886) | (3,952,040) | (5,225,576) |
| **Fund Balance, Beginning** | 39,084,505 | 10,631,730 | 7,002,073 | 56,718,308 |
| **Fund Balance, Ending** | $ 42,267,855 | $ 6,174,844 | $ 3,050,033 | $ 51,492,732 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, 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, 2025

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds (page 8)** | | $ (5,225,576) |
| Amounts reported for governmental activities in the statement of activities (page 5) are different because: | | |
| Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of capital assets is capitalized and then depreciated over the estimated useful lives as depreciation expense. In the current period, the amounts are: | | |
| Capital outlay | 13,597,252 | |
| Depreciation expense | (3,343,276) | 10,253,976 |
| Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position. Repayment of bond principal, notes, and capital lease payments were: | | 1,529,982 |
| The net amortization of deferred losses / premiums on the early retirement of debt is reported as an expense in the Statement of Activities. | | 25,241 |
| In the Statement of Activities, a gain or loss is reported for each disposal of capital assets. | | (71,289) |
| Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of: | | |
| Revenues received from Board of Education for debt repayment | (2,783,800) | |
| Accrued interest | 287,132 | |
| Pension | (729,431) | |
| Compensated absences | 15,800 | (3,210,299) |
| **Total Change in Net Position - Governmental Activities (page 5)** | | $ 3,302,035 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Statement of Fund Net Position - Proprietary Fund

| Year ended September 30, 2025 | Utility Fund |
|---|---|
| **Assets** | |
| **Current Assets** | |
| Cash and cash equivalents | $ 6,971,887 |
| Receivables, net | 1,360,239 |
| Inventory and other assets | 522,008 |
| **Total Current Assets** | 8,854,134 |
| **Noncurrent Assets** | |
| Restricted cash and investments | 547,777 |
| Capital assets: | |
| Construction in progress | 6,279,667 |
| Land | 1,484,962 |
| Capital assets, net of accumulated depreciation | 32,993,307 |
| **Total Noncurrent Assets** | 41,305,713 |
| **Total Assets** | 50,159,847 |
| **Deferred Outflows of Resources** | |
| Pension-related amounts | 251,955 |
| Refunding bonds | 116,883 |
| **Total Deferred Outflows of Resources** | 368,838 |
| **Total Assets and Deferred Outflows of Resources** | 50,528,685 |
| **Liabilities** | |
| **Current Liabilities** | |
| Accounts payable | 695,826 |
| Accrued payroll and related liabilities | 48,172 |
| Utility tax payable | 27,478 |
| Customer deposits | 495,145 |
| Accrued interest payable | 72,810 |
| Bonds, notes payable and capital leases | 1,375,000 |
| Compensated absences | 19,285 |
| Due to other funds | 6,234,313 |
| **Total Current Liabilities** | 8,968,029 |
| **Noncurrent Liabilities** | |
| Net pension liability | 765,681 |
| Compensated absences | 6,429 |
| Bonds, notes payable and capital leases, net | 24,360,000 |
| Unamortized bond premiums | 89,255 |
| **Total Noncurrent Liabilities** | 25,221,365 |
| **Total Liabilities** | 34,189,394 |
| **Deferred Inflows of Resources** | |
| Pension-related amounts | 196,074 |
| **Total Deferred Inflows of Resources** | 196,074 |
| **Net Position** | |
| Net investment in capital assets: | 15,022,936 |
| Restricted for: | |
| Inventory and other assets | 522,008 |
| Other purposes | 547,777 |
| Unrestricted (deficit): | 50,496 |
| **Total Net Position** | 16,143,217 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | $ 50,528,685 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Statement of Revenues, Expenses and Changes in Fund Net Position
- Proprietary Fund

| Year ended September 30, 2025 | Utility Fund |
|---|---|
| **Operating Revenues** | |
| Charges for services | $ 10,204,798 |
| Impact fee | 140,400 |
| Connection fee | 114,205 |
| Penalties | 45,627 |
| Miscellaneous | 4,917,030 |
| **Total Operating Revenues** | 15,422,060 |
| **Operating Expenses** | |
| Personnel expenses | 1,775,461 |
| Materials and supplies | 3,019,781 |
| Other expenses | 3,855,187 |
| Depreciation expense | 2,157,366 |
| **Total Operating Expenses** | 10,807,795 |
| **Operating Income** | 4,614,265 |
| **Non-Operating Revenues (Expenses)** | |
| Interest income | 267,718 |
| Interest expense | (568,927) |
| Trustee/escrow fees | (825) |
| Gain/(loss) on sale of assets | 816 |
| **Net Non-Operating Revenues (Expenses)** | (301,218) |
| **Change in Net Position** | 4,313,047 |
| **Net Position, Beginning** | 11,830,170 |
| **Net Position, Ending** | $ 16,143,217 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Statement of Cash Flows - Proprietary Fund

| Year ended September 30, 2025 | Utility Fund |
|---|---|
| **Operating Activities** | |
| Receipts from customers | $ 15,465,841 |
| Payments to suppliers of goods and/or services | (6,885,032) |
| Payments to employees | (1,762,426) |
| Payments for other operating activities | (57,093) |
| **Net Cash Flows Provided by Operating Activities** | 6,761,290 |
| **Noncapital Financing Activities** | |
| Internal balances | 220,029 |
| **Net Cash Flows (Used by) by Noncapital Financing Activities** | 220,029 |
| **Capital and Related Financing Activities** | |
| Purchases and construction of capital assets | (4,043,498) |
| Principal payments and other long-term liabilities | (1,330,000) |
| Interest paid on capital debt | (617,263) |
| **Net Cash Flows (Used by) Capital and Related Financing Activities** | (5,990,761) |
| **Investing Activities** | |
| Interest and dividends | 267,718 |
| **Net Cash Flows Provided By Investing Activities** | 267,718 |
| **Net Decrease in Cash and Cash Equivalents** | 1,258,276 |
| **Cash - Beginning of Year** | 6,261,388 |
| **Cash - End of Year** | 7,519,664 |
| Displayed as: | |
| Cash and cash equivalents | 6,971,887 |
| Restricted cash and investments | 547,777 |
| **Total Cash and Cash Equivalents** | 7,519,664 |
| **Reconciliation of Operating Income (Loss) to Net Cash Flows Provided By Operating Activities** | |
| Operating income (loss) | 4,614,265 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 2,157,366 |
| Decrease (increase) in current assets: | |
| Receivables, net | 39,579 |
| Inventory and other assets | (287,666) |
| Increase (decrease) in current liabilities: | |
| Accounts payable | 271,972 |
| Accrued expenses | (57,093) |
| Accrued salaries and benefits | 13,035 |
| Customer meter deposits | 4,202 |
| Utility taxes payable | 5,630 |
| **Net Cash Flows Provided by Operating Activities** | $ 6,761,290 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pell City, Alabama (the "City") was incorporated in 1887. As of November 5th, 2012, the City operates under a Council-Manager form of government organized to comply with the provisions of Title 11, Chapter 43A, of the Code of Alabama 1975, as amended. The City Council is composed of five officials elected at-large for concurrent four-year terms. The Mayor is elected at the same time as Council members and has no voting rights as mandated by law due to the most recent census. The City Manager is hired by the Council.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are described below.

### A. Reporting Entity

The accompanying financial statements are those of the City's primary government. There are no component units that are required to be presented in the financial statements.

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

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements are comprised of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by the taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues/(expenses) section displays revenue collected and other expenses that help support all functions of government and contributes to the change in the net position for the fiscal year.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year received or when an enforceable legal claim exists, whichever comes first. Grants and related items are recognized as revenue as soon as all eligibility requirements imposed by provider have been met.

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The following are reported as major governmental funds:

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

**Capital Improvements Fund –** Accounts for the construction of infrastructure and other projects the City has elected to construct.

The City reports the following major proprietary fund:

**Utility Fund –** Accounts for the operations of the City-owned water and sewer business.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Cash and Cash Equivalents

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

### E. Receivables

All trade and property tax receivables are shown net of any applicable allowance for uncollectible accounts. City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the non-exchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable legal claim has arisen or when resources are received, whichever is first.

### F. Inventory and Other Assets

Inventories are stated at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. An equivalent fund balance is reserved for inventories indicating that it does not constitute “available expendable resources” even though it is a component of net current assets.

Other assets consist of prepaid expenses, which are payments for general goods and services that have a future economic benefit. These payments will be expensed over time as the goods or services are received.

### G. Equity Classifications

*Government-Wide Statements*

Equity is classified as net position and displayed in the following components:

a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets”.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted for and unassigned.

The unassigned fund balances for governmental funds represent amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund. The restricted fund balances for governmental funds represent amounts that are constrained either externally by creditors, grantors, contributors or laws and regulations of other governments or by law, through constitutional provisions or enabling legislation.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H. Long-Term Obligations

In both the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premiums. Bond issuance costs are expensed as incurred.

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 the 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.

### I. Lease Obligations

Lessees should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

### J. Capital Assets

*Government-Wide Statements*

In the government-wide financial statements, capital assets with initial individual costs of more than $5,000 and an estimated useful life in excess of one year are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical costs if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Historical cost was used to value the majority of the assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|---|---|
| Infrastructure | 30 |
| Buildings | 30 |
| Improvements | 15 |
| Vehicles | 5 |
| Furniture and equipment | 7 |
| Agricultural equipment | 7 |
| Computer equipment | 5 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Fund Financial Statements*
In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

*Proprietary Funds*
Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are 30 years for all system additions, extensions and buildings, 15 years for improvements, and 5-7 years for all other vehicles and equipment.

### K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until that time. The City has two items that qualify for reporting in this category: deferred outflows of revenues as related to pension and deferral due to refunding of debt.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category: deferred inflows of revenues as related to pension.

### L. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Any encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

### M. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Employees who are required to work on an observed holiday are granted paid leave. Sick leave accrues to full-time, permanent employees to specified maximums. Upon termination, employees are entitled to accrued vacation leave. Accrued sick leave is cancelled at separation but certain employees (Retirement Systems of Alabama “RSA” Tier 1 employees) may receive additional service credit from RSA for unused sick leave, up to a maximum service credit of 480 hours. This is not available to RSA Tier 2 employees. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N. Interfund and Internal Transactions

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are reported through pooled cash except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers. Receivables and payables between governmental funds and the proprietary fund are referred to as internal receivables or internal payables.

### O. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, highly liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents.

### P. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### Q. Pensions

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

Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

### R. Other Post-Employment Benefits

Under the requirements of GASB 43 and 45, the City has no other post-employment benefits liabilities.

### S. Tax Abatement Disclosures

GASB Statement No. 77 in August 2015, Tax Abatement Disclosures, requires disclosure of tax abatement information about 1) a reporting government's own tax abatement agreements and 2) agreements that are entered into by other governments that reduce the reporting government's tax revenues. The Statement is effective for periods beginning after December 15, 2015 and is reflected in these financial statements. See *Note 12.*

### T. Subsequent Events

Subsequent events were evaluated through the date the financial statements were issued.

## NOTE 2 – CASH AND INVESTMENTS

At September 30, 2025, all of the bank balance of the City's deposits and certificates of deposit were either covered by federal depository insurance or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the City's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance.

For the year ended September 30, 2025, cash and cash equivalents consisted of the following:

| | Governmental Activities | Business-Type Activities (Utility Fund) | Total |
|---|---|---|---|
| **Cash and Cash Equivalents** | | | |
| Checking and savings | $ 33,869,926 | $ 6,971,887 | $ 40,841,813 |
| **Total Cash and Cash Equivalents** | 33,869,926 | 6,971,887 | 40,841,813 |
| Restricted cash accounts | 11,722,944 | 547,777 | 12,270,721 |
| **Total Restricted Cash** | 11,722,944 | 547,777 | 12,270,721 |
| **Total Cash (Restricted and Unrestricted)** | $ 45,592,870 | $ 7,519,664 | $ 53,112,534 |

## NOTE 3 – RECEIVABLES

Receivables related to the City's major and nonmajor funds are deemed fully collectible by management and have no allowance for doubtful accounts provision. The City's management determined the need for an allowance for doubtful accounts provision of $(200,000) for the proprietary fund accounts receivable balance resulting in a net customer accounts receivable balance of $1,345,880 for the year ended September 30, 2025. Receivables as of year-end for the government's individual major funds, nonmajor funds, and proprietary fund are recorded at net realizable value as follows:

| | General Fund | Utility Fund | Capital Improvement Fund | Nonmajor Governmental Funds |
|---|---|---|---|---|
| Taxes receivable | $ - | $ 14,359 | - | $ - |
| Customer accounts receivable | 2,634,065 | 1,545,880 | - | - |
| Premiere Cinema receivable | 449,255 | - | - | - |
| Other receivable | 11,566 | - | - | 2,549 |
| Allowance for doubtful accounts | - | (200,000) | - | - |
| **Total Receivables, Fund Level** | 3,094,886 | 1,360,239 | - | 2,549 |
| **Total Receivables, Government-Wide** | | | | $ 4,457,674 |

Management's estimate of the allowance for doubtful accounts is based on historical water and sewer revenues, historical loss levels, and an analysis of the collectability of individual accounts.

During 2017, the City recorded a receivable of $1,266,925 from Premiere Cinema Corporation (The "Developer"). This receivable arises from a signed tax incentive agreement for the Developer to provide a family entertainment business venue in exchange for the City's investment of property and site development. The Agreement states the receivable will be repaid through sales tax incentives (see *Note 12* for more information on tax abatement agreements). For the year ended September 30, 2025, this receivable was reduced by $123,526, which was the current year's adjustment for sales tax collected, with a remaining balance due of $449,255.

## NOTE 4 – INVENTORY AND OTHER ASSETS

For the year ended September 30, 2025, inventory and other assets for are summarized as follows:

| | Governmental Activities | Business-Type Activities (Utility Fund) | Total |
|---|---|---|---|
| **Inventory:** | | | |
| Fuels and lubricants | $ 28,757 | $ - | $ 28,757 |
| Materials and supplies | 101,775 | 458,003 | 559,778 |
| **Total Inventory** | 130,532 | - 458,003 | 588,535 |
| **Other Assets:** | | - | |
| Prepaid expenses | 274,314 | 64,005 | 338,319 |
| **Total Inventory and Other Assets** | $ 404,846 | $ 522,008 | $ 926,854 |

## NOTE 5 – NOTES RECEIVABLE

The Series 2006 General Obligation Warrants (Warrants) as well as the Series 2010 and portions of the Series' 2012 and 2014 Warrants were issued by the City for the benefit of the Board of Education of the City of Pell City (the "Board"). The proceeds of these Warrants were used by the Board to refund prior bond issues of the Board as well as various construction projects. During 2015, the City issued General Obligation Warrants Series 2015-A and Series 2015-B in order to refund the Series 2006 Warrants and generate additional funding for the Board. During 2022, the City issued Series 2022 General Obligations Warrants to be used by the Board. While this debt is a legal obligation of the City, a funding agreement exists between the City and the Board whereby the Board is obligated to pay the debt service of these Warrants. Due to the funding agreement, $35,062,321 is recorded as a note receivable for the year ended September 30, 2025 (which includes accrued interest in the amount of $257,321) due from the Board in the government-wide financial statements.

## NOTE 6 – CAPITAL ASSETS

### Primary Government

Capital asset activity for the primary government for the year ended September 30, 2025, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 5,317,402 | $ 1,346,554 | $ - | $ 6,663,956 |
| Construction in progress | 2,773,107 | 4,768,141 | (1,480,224) | 6,061,024 |
| **Total Capital Assets Not Being Depreciated** | 8,090,509 | 6,114,695 | (1,480,224) | 12,724,980 |
| Capital assets being depreciated: | | | | |
| Buildings | 17,790,402 | - | - | 17,790,402 |
| Other improvements | 14,893,910 | 1,834,615 | - | 16,728,525 |
| Equipment | 4,651,197 | 1,505,232 | (147,630) | 6,008,799 |
| Vehicles | 8,552,501 | 1,090,923 | (337,111) | 9,306,313 |
| Infrastructure | 16,812,466 | 2,286,457 | - | 19,098,923 |
| **Total Capital Assets Being Depreciated** | 62,700,476 | 6,717,227 | (484,741) | 68,932,962 |
| Less accumulated deprecation for: | | | | |
| Buildings | (10,920,200) | (528,263) | - | (11,448,463) |
| Other improvements | (6,481,896) | (924,555) | - | (7,406,451) |
| Equipment | (3,126,966) | (472,565) | 121,769 | (3,477,761) |
| Vehicles | (5,523,333) | (872,796) | 278,500 | (6,117,629) |
| Infrastructure | (4,170,475) | (645,099) | - | (4,815,574) |
| **Total Accumulated Depreciation** | (30,222,870) | (3,443,278) | 400,269 | (33,265,879) |
| **Total Capital Assets Being Depreciated, Net** | 32,477,606 | 3,273,949 | (84,472) | 35,667,083 |
| **Total Governmental Activities Capital Assets, Net** | $ 40,568,115 | $ 9,388,644 | $ (1,564,696) | $ 48,392,063 |

For the year ended September 30, 2025, depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|---|
| General government | $ 480,439 |
| Police | 502,683 |
| Fire | 445,216 |
| Street | 1,023,415 |
| Library | 100,360 |
| Park and recreation | 873,808 |
| Senior center | 5,320 |
| Animal control/shelter | 12,036 |
| **Total Depreciation Expense** | $ 3,443,278 |

## NOTE 6 – CAPITAL ASSETS (CONTINUED)

### Business-Type Activities

Capital asset activity for the utility fund for the year ended September 30, 2025, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,484,962 | $ - | $ - | $ 1,484,962 |
| Construction in progess | 4,469,863 | 1,809,804 | - | 6,279,667 |
| **Total Capital Assets Not Being Depreciated** | 5,954,825 | 1,809,804 | - | 7,764,629 |
| Capital assets being depreciated: | | | | |
| Buildings | 47,966 | - | - | 47,966 |
| Vehicles and equipment | 2,258,777 | 29,436 | (24,737) | 2,263,476 |
| Water and sewer distribution systems | 71,106,652 | 2,175,341 | - | 73,281,992 |
| **Total Capital Assets Being Depreciated** | 73,413,395 | 2,204,777 | (24,737) | 75,593,434 |
| Less accumulated deprecation for: | | | | |
| Buildings | (47,566) | (200) | - | (47,766) |
| Vehicles and equipment | (1,774,339) | (116,126) | 24,737 | (1,865,728) |
| Water and sewer distribution systems | (38,645,594) | (2,041,040) | - | (40,686,634) |
| Total accumulated depreciation | (40,467,499) | (2,157,366) | 24,737 | (42,600,128) |
| **Total Capital Assets Being Depreciated, Net** | 32,945,896 | | | 32,993,307 |
| **Total Business-Type Activities Capital Assets, Net** | $ 38,900,721 | $ 1,857,215 | $ (49,474) | $ 40,757,936 |

## NOTE 7 – INTERFUND TRANSFERS

The composition of interfund transfers and payables/receivables for the year ended September 30, 2025, are as follows:

| Transfers From | Transfers To | |
|---|---|---|
| Nonmajor governmental funds | General | $ 4,783,308 |
| Nonmajor governmental funds | Utility | 3,581,876 |
| Capital improvement funds | General | (4,764,213) |
| General | Nonmajor govermental funds | (301,205) |
| Utilty | Nonmajor govermental funds | (3,581,875) |
| Utilty | General | 282,109 |

| Due From | Due To | |
|---|---|---|
| General | Other funds | 168,419 |
| Capital Improvements | General | (2,534,363) |
| Utility | General | (5,448,341) |
| General | Utility | 6,480 |
| Other funds | General | 7,807,805 |

Transfers and interfund payable/receivable accounts are used to: (1) move revenues from the fund that collects them, as required by statute or budget, to the fund that expends them, as required by statute or budget. (2) Use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, including capital projects, in accordance with budgetary operations, and (3) reimburse the general fund for expenditures relating to the individual funds.

## NOTE 8 – LONG-TERM DEBT

Long-term debt payable at September 30, 2025 is comprised of the following:

**Governmental Funds - General Obligation Warrants**
The City issues general obligation warrants providing for the acquisition and construction of major capital facilities. General obligation warrants are direct obligations and pledge the full faith and credit of the City. The original amount of general obligation warrants issued was $47,255,000 with current outstanding balances as follows:

### General Obligation Warrants

| | | |
|---|---|---|
| $11,510,000 General Obligation Warrants, Series 2015-A (School), issued May 28, 2015 with principal due in installments beginning in 2019 ranging from $80,000 to $2,100,000 through 2044; interest rates from 3% to 5% | | 9,655,000 |
| $13,570,000 General Obligation Warrants, Series 2020 Bond (City), issued on August 27, 2021 with principal due in installments beginning in 2020 through 2043; interest ranging from 0.3% to 2.2% | | 12,450,000 |
| $25,230,000 General Obligation Warrants, Series 2022 Bond (School), issued on June 2022 with principal due in installments beginning in 2023 through 2052; interest ranging from 3.27% to 4.7% | | 25,150,000 |
| **Total General Obligation Warrants at September 30, 2025** | $ | 47,255,000 |

### Notes Payable - Governmental Funds

| | | |
|---|---|---|
| $600,000 Note payable secured by fire truck; interest rate 1.22% payable in annual installments of $124,428 through December 7, 2025 | | 122,927 |
| **Total Notes Payable at September 30, 2025** | $ | 122,927 |

### Proprietary Fund - General Obligation Warrants

| | | |
|---|---|---|
| $8,045,000 General Obligation Warrants, Series 2017 issued September 14, 2017 to partially refund Series 2009 State Revolving Fund. Principal due in installments beginning in 2020 ranging from $560,000 to $800,000 through 2031; interest rates from 3% to 4% | | 4,395,000 |
| $22,735,000 General Obligation Warrants, Series 2020 Bond, issued on August 27, 2021 with principal due in installments beginning in 2020 through 2043; interest ranging from 0.3% to 2.2% | | 21,340,000 |
| **Total General Obligation Warrants at September 30, 2025** | $ | 25,735,000 |

## NOTE 8 – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all fund warrants outstanding as of September 30, 2025 are as follows:

**Governmental Fund Warrants, Notes Payable, and Capital Leases**

| Year ending September 30 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | 1,480,000 | 1,805,521 | 3,285,521 |
| 2027 | 1,535,000 | 1,752,013 | 3,287,013 |
| 2028 | 1,575,000 | 1,709,061 | 3,284,061 |
| 2029 | 1,630,000 | 1,764,006 | 3,394,006 |
| 2030 | 1,685,000 | 1,642,351 | 3,327,351 |
| 2031-2035 | 5,130,000 | 6,923,138 | 12,053,138 |
| 2036-2040 | 8,190,000 | 5,810,334 | 14,000,334 |
| 2041-2045 | 14,690,000 | 3,691,396 | 18,381,396 |
| 2046-2050 | 7,715,000 | 1,759,531 | 9,474,531 |
| 2051-2052 | 3,625,000 | 169,622 | 3,794,622 |
| | $ 47,255,000 | $ 27,026,973 | $ 74,281,973 |

**Utility Fund Warrants**

| Year ending September 30 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | 1,375,000 | 579,328 | 1,954,328 |
| 2027 | 1,400,000 | 551,990 | 1,951,990 |
| 2028 | 1,430,000 | 522,405 | 1,952,405 |
| 2029 | 1,460,000 | 489,479 | 1,949,479 |
| 2030 | 1,490,000 | 454,772 | 1,944,772 |
| 2031-2035 | 8,145,000 | 1,696,780 | 9,841,780 |
| 2036-2040 | 8,710,000 | 711,539 | 9,421,539 |
| 2041-20244 | 1,725,000 | 93,139 | 1,818,139 |
| | $ 25,735,000 | $ 5,099,432 | $ 30,834,432 |

## NOTE 8 – LONG-TERM DEBT (CONTINUED)

The following is a summary of debt transactions of the City for the fiscal year ended September 30, 2025:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| General obligation warrants | $48,665,000 | $ - | $ (1,410,000) | $47,255,000 | $ 1,480,000 |
| Unamortized bond premiums | 179,023 | - | (9,340) | 169,683 | - |
| **Total General Obligation Warrants Payable** | 48,844,023 | - | (1,419,340) | 47,424,683 | 1,480,000 |
| Notes payable | 244,373 | - | (121,446) | 122,927 | 121,446 |
| Net pension liability | 7,912,807 | | (2,828,828) | 5,083,979 | - |
| Compensated absences | 413,990 | 15,800 | - | 429,790 | 322,343 |
| **Governmental Activity Long-Term Liabilities** | 57,415,194 | 15,800 | (4,369,614) | 53,061,379 | 1,923,789 |
| **Business-Type Activities:** | | | | | |
| General obligation warrants | 27,065,000 | - | (1,330,000) | 25,735,000 | 1,375,000 |
| Unamortized bond premiums | 139,041 | - | (49,786) | 89,255 | - |
| Net pension liability | 999,682 | - | (234,000) | 765,682 | - |
| Compensated absences | 21,304 | 4,409 | - | 25,713 | 19,285 |
| **Business-Type Activity Long-Term Liabilities** | $28,225,027 | $ 4,409 | $ (1,613,786) | $26,615,650 | $ 1,394,285 |

## NOTE 9 – LEASES

During 2024, the City entered into two three-year lease agreements as lessee for the acquisition of equipment. As of September 30, 2025, the value of the lease liability was $98,567.

The following is a summary of leases of the City for the fiscal year ended September 30, 2025:

| | Right of Use Assets Beginning Balance | Accumulated Amortization | Change in Right of Use Assets | Right of Use Assets Ending Balance | Liability Balance | Due Within One Year |
|---|---|---|---|---|---|---|
| **Governmental Activities** | $ 248,710 | $ 101,134 | $ 58,901 | $ 189,809 | $ 98,567 | $ 69,857 |
| **Business-Type Activities** | $ 42,461 | $ - | $ 42,461 | $ - | $ - | $ - |

## NOTE 10 – PENSION PLAN

### General Information about the Pension Plan

### A. Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

## NOTE 10 – PENSION PLAN (CONTINUED)

### B. Benefits Provided

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

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

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

The ERS serves approximately 890 local participating employers. The ERS membership includes approximately 117,309 participants.

As of September 30, 2025, membership consisted of:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 32,477 |
| Terminated employees entitled to but not yet receiving benefits | 2,425 |
| Terminated employees not entitled to a benefit | 22,097 |
| Active members | 60,279 |
| Post-DROP participants who are still in active service | 31 |
| Total | 117,309 |

## NOTE 10 – PENSION PLAN (CONTINUED)

The City's membership as of September 30, 2025 is as follows:

| | |
|---|---|
| Retired members or their beneficiaries currently receiving benefits | 70 |
| Vested inactive members | 7 |
| Non-vested inactive members | 105 |
| Active members | 217 |
| Post-DROP retired members still in active service | - |
| Total | 399 |

### C. Contributions

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

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2025, the City's active employee contribution rate was 5% percent of covered employee payroll for Tier 1 employees (6% for Tier 2 employees), and the City's average contribution rate to fund the normal and accrued liability costs was 5.06% percent of pensionable payroll.

## NOTE 10 – PENSION PLAN (CONTINUED)

The City's contractually required contribution rate for the year ended September 30, 2025, was 11.27% of pensionable pay for Tier 1 employees, and 9.72% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2025, 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 $1,043,285 for the year ended September 30, 2025.

### D. Net Pension Liability

The City's net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2025, rolled forward to September 30, 2025 using standard roll-forward techniques as shown in the following table:

| | Expected | Actual | Actual |
|---|---|---|---|
| (a) Total pension liability as of Sept 30, 2023 | $ 36,600,482 | $ 37,220,391 | $ 37,220,391 |
| (b) Discount rate | 7.45% | 7.45% | 7.45% |
| (c) Entry age normal cost for Oct 1, 2023 - Sept 30, 2024 | 1,017,649 | 1,017,649 | 1,017,649 |
| (d) Transfers among employers | - | (248,816) | (248,816) |
| (e) Actual benefit payments and refunds for Oct 1, 2023 - Sept 30, 2024 | (1,955,417) | (1,955,417) | (1,955,417) |
| (f) Total pension liability as of Sept 30, 2024 [(a) x (1 +(b))] + (c) + (d) + [(e) x (1+0.5*(b))] | $ 38,316,611 | $ 38,733,887 | 38,733,887 |
| (g) Difference between expected and actual experience (gain)/loss | | 417,276 | |
| (h) Less liability transferred for immediate recognition: | | (248,816) | |
| (i) Experience (gain)/loss = (g) - (h) | | $ 666,092 | |
| (j) Difference between actual at 7.70% and actual at 7.75% [assumption change (gain)/loss]= | | | $ - |

## NOTE 10 – PENSION PLAN (CONTINUED)

### E. Actuarial Assumptions

The total pension liability as of September 30, 2024 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2023. The key actuarial assumptions are summarized below:

| | |
|---|---|
| Inflation | 2.50% |
| Projected Salary Increases | 3.25% - 6.00% |
| Investment rate of return (net of pension plan investment expense) | 7.45% |

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-20 scale, which is adjusted by 66-2/3% beginning with year 2019.

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, were based on the results an actuarial experience study for the period October 1, 2015-September 30,2020.

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

| | Target Allocation | Long-Term Expected Rate of Return* |
|---|---|---|
| Fixed income | 15.00% | 2.80% |
| U.S. large stocks | 32.00% | 8.00% |
| U.S. mid stocks | 9.00% | 10.00% |
| U.S. small stocks | 4.00% | 11.00% |
| International developed market stocks | 12.00% | 9.50% |
| International emerging market stocks | 3.00% | 11.00% |
| Alternatives | 10.00% | 9.00% |
| Real estate | 10.00% | 6.50% |
| Cash equivalents | 5.00% | 1.50% |
| Total | 100.00% | |

*Includes assumed rate of inflation of 2.00%.

## NOTE 10 – PENSION PLAN (CONTINUED)

### F. 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 pan 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.

### G. Changes in Net Pension Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at September 30, 2023 | $ 36,600,482 | $ 27,687,993 | $ 8,912,489 |
| Changes for the year: | | | |
| Service cost | 1,017,649 | - | 1,017,649 |
| Interest | 2,653,897 | - | 2,653,897 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | 666,092 | - | 666,092 |
| Contributions - employer | | 871,835 | (871,835) |
| Contributions - employee | - | 743,722 | (743,722) |
| Net Investment income | - | 5,784,909 | (5,784,909) |
| Benefit payments, including refunds employee contributions | (1,955,417) | (1,955,417) | - |
| Administrative expense | - | - | - |
| Transfers among employers | (248,816) | (248,816) | - |
| Net changes | 2,133,405 | 5,196,233 | (3,062,828) |
| Balance at September 30, 2024 | $ 38,733,887 | $ 32,884,226 | $ 5,849,661 |

### H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | 1% Decrease (6.45%) | Current Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| City's net pension liability | $ 10,917,722 | $ 5,849,661 | $ 1,629,819 |

## NOTE 10 – PENSION PLAN (CONTINUED)

### I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Financial Report for the fiscal year ended September 30, 2027. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2024. 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/.

### J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $1,043,285. At September 30, 2025, 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 | $ 712,960 | $ 89,244 |
| Changes of assumptions | 511,408 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,167,942 |
| Employer contributions subsequent to the measurement date | 1,043,285 | - |
| Total | $ 2,267,653 | $ 2,257,186 |

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: | |
|---|---|
| 2026 | $ (163,594) |
| 2027 | 517,666 |
| 2028 | (856,716) |
| 2029 | (622,051) |
| 2030 | 91,877 |
| Thereafter | - |

## NOTE 11 – SALES TAX

Ordinance 81-570 was adopted by the City Council on October 22, 1981. This ordinance imposed an additional 1% sales tax earmarked for the City school system. Disbursement of these funds is included in expenditures to other boards and agencies in the General Fund. The City approved Ordinance 2010-3033 increasing the sales tax 1% effective May 1, 2010. The City School System will receive 50% of the revenues through September 30, 2014. Starting October 1, 2014, the City split the revenues 70/30% with the School System until September 30, 2020 and reverts back to 50/50% split on October 1, 2020. The City approved Ordinance No. 2021-5497, amending previous Ordinances referenced above to earmark 30% of the additional 1% sales tax such that the total sales tax proceeds would be capped at a total of $5,028,222.46 in any fiscal year. Revenues derived from the originally obligated 1% sales tax are exempt from the annual cap provision.

## NOTE 12 – TAX ABATEMENTS

The City sometimes enters into economic development incentive agreements with entities that propose to locate, expand, or provide economic growths within the City's economy. These incentive agreements have limited terms of duration and/or maximum abatement thresholds. As a result of these agreements, the City expects to receive economic benefits including (but not limited to) increased revenue, job creation and job retention. These incentive agreements require approval by the Mayor and City Council and are authorized by Amendment No. 772 to the Constitution of Alabama (1901) (Article 94.01 of the Recompiled Constitution of Alabama). The City has chosen to disclose information about its tax abatement agreements individually.

For the year ended September 30, 2025, the City had the following amounts abated related to sales tax agreements with property developers and automobile dealerships totaling $440,638:

- 3.5% of sales tax due to the City for a retail store to renovate a vacant building and open in the City limits. The total maximum abatement of $305,000, or $52,500 per any 12-month period for 10 years from the commencement date. The abatement amount for the Fiscal Year totaled $10,968.

- A tax incentive agreement with a local automobile dealership to reimburse 3.0% of general sales tax due to the City and 1.25% of automobile sales tax if (and when) annual taxable sales are in excess of $5 million. Agreement has a 10-year maximum term, and amounts are paid quarterly. Total incentive paid during the fiscal year totaled $211,215.

- A tax incentive agreement with a local automobile dealership to reimburse 3.7% of general sales tax due to the City and 1.45% of automobile sales tax, if (and when) annual taxable sales are in excess of $5 million. Agreement has a 10-year maximum term, and amounts are paid quarterly. Total incentive paid during the fiscal year totaled $218,455.

**NOTE 12 – TAX ABATEMENTS (CONTINUED)**

For the year ended September 30, 2025, the City provided the following incentives related to other agreements with property developers:

- A project investment totaling $1,266,925 through the provision with an estimated value of $975,259, together with the improvement contribution. The $1,266,925 was initially recorded as an "other receivable" on the City's governmental funds financial statements. This investment requires 15 annual repayments of $84,462 due within 45 days of each anniversary from commencement date. However, in the event the tax revenue collected and retained by the City for any given year exceeds the annual repayment amount, the City shall credit the excess against the repayment for the next Fiscal Year. This agreement also requires total repayment from the developer if the project fails on or before 14 months from the effective date, ceases operations, or defaults on the agreement. For the year ended September 30, 2025, the receivable was reduced by $123,526 due to sales tax revenue, therefore, total receivable balance due at fiscal year-end was reduced to $449,255.

- The City entered into an incentive agreement with Noon Pell City, LLC (Company) to facilitate a commercial development within the City. The agreement included a cash payment of $2,000,000 and provided that a portion of sales tax be remitted to the Company. In order to accomplish the maximum capital contribution ($9,500,000), the Pell City Square Cooperative District (District) was formed and issued bonds in order to contribute $6,250,000 to the project. An additional 1% user fee is being collected on sales and remitted to the District in order to satisfy the debt. In August of 2024, the City reached an agreement to settle its portion of the commitment to the Company for $971,238.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

The City is a defendant in various pending and threatened litigation at September 30, 2025. The City's insurance carrier has retained legal counsel to defend these actions on behalf of the City. At this time the likelihood of an unfavorable outcome is not known, nor is there any estimate of potential loss, but it is believed that insurance will cover any losses that may ultimately result from these actions. The City pays annual premiums for insurance coverage to provide protection against possible claims. No accruals have been included in these financial statements for these claims.

The City participates in several federal and state-assisted programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Such audits could result in a request for reimbursement of expenditures disallowed by the grantor agency under the grant provisions. City management does not believe disallowances, if any, will be material.

The City has a contract with Coosa Valley Water Supply District, Inc. (CVWSD) for the purchase and sale of water. The City participates with 3 other entities including St. Clair County, City of Odenville and the City of Springville in the contract to provide funding for the CVWSD. The City is required by the contract to pay 25% of "all operating expenses of the System, including without limitation, any management fees and expenses and all other expenses of operation, such as salaries for full or part-time employees and insurance premiums, as well as maintenance, repair, management and administration of the System." This also includes annual debt service of the System's debt. The annual cost for the fiscal year ended September 30, 2025 was approximately $1,036,765.

The City is the guarantor on bond issues that are used for the benefit of The Pell City Board of Education for which the Board reimburses the City for principal and interest payments.

## NOTE 14 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements, (the Statement) is to improve the comparability, relevance, and usefulness of financial reporting for governments. This Statement amends accounting and financial reporting requirements related to Management's Discussion and Analysis, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, budgetary comparison. This statement is effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets,* requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* Lease assets recognized in accordance with Statement No. 87, *Leases,* and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* should be disclosed separately by major class of underlying asset in the capital assets note disclosures. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. Moreover, the Statement requires additional disclosures for capital assets held for sale and that this asset type be evaluated each reporting period. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

The City is evaluating the requirements of the above statements and the impact on reporting.

## NOTE 15 – SUBSEQUENT EVENTS

On June 2, 2026, City Councilwoman, Ivi Wilson resigned from the City of Pell City Board. The City Council approved an expedited appointment process and is currently accepting applications from residents in District 2. The City Council expects to fill the vacancy as soon as possible. Subsequent events were evaluated through the date the financial statements were issued, June 18, 2026.

# Required Supplementary Information

City of Pell City, Alabama
Schedule of Revenues, Expenditures and Changes in Fund Balances
- Budget to Actual General Fund

| Year ended September 30, 2025 | Budget | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 29,362,000 | $ 30,697,485 | $ 1,335,485 |
| Licenses and permits | 495,600 | 357,102 | (138,498) |
| Intergovernmental revenue | 3,123,000 | 3,603,784 | 480,784 |
| Charges for services | 614,700 | 522,746 | (91,954) |
| Fines and forfeitures | 52,000 | 94,623 | 42,623 |
| Other revenue | 1,166,556 | 2,336,690 | 1,170,134 |
| **Total Revenues** | 34,813,856 | 37,612,430 | 2,798,574 |
| **Expenditures** | | | |
| Administrative and general | 3,994,529 | 6,407,495 | (2,412,966) |
| Street and shop | 2,581,133 | 2,161,791 | 419,342 |
| Police | 5,650,924 | 4,905,865 | 745,059 |
| Fire | 5,178,400 | 4,909,412 | 268,988 |
| Parks and recreation | 3,374,647 | 2,703,202 | 671,445 |
| Library | 570,486 | 532,581 | 37,905 |
| Planning | 489,847 | 405,660 | 84,187 |
| Revenue | 164,878 | 371,981 | (207,103) |
| Senior citizens | 168,421 | 128,582 | 39,839 |
| Debt service principal | 1,567,000 | 1,504,982 | 62,018 |
| Debt service interest | 1,903,000 | 1,881,625 | 21,375 |
| Capital outlay | 56,000 | 1,752,259 | (1,696,259) |
| **Total Expenditures** | 25,699,265 | 27,665,435 | (1,966,170) |
| **Excess of Revenues Over Expenditures** | 9,114,591 | 9,946,995 | 832,404 |
| **Other Financing Sources (Uses)** | | | |
| Operating transfers in | - | 286,765 | 286,765 |
| Operating transfers (out) | (5,000,000) | (4,198,653) | 801,347 |
| Transfer to Board of Education | (5,300,000) | (5,656,972) | (356,972) |
| Received by City for debt repayment | 2,778,438 | 2,783,800 | 5,362 |
| Gain (Loss) on disposal | - | 176,397 | 176,397 |
| Trustee/escrow fees | (5,000) | (3,850) | 1,150 |
| Donations received | 9,950 | 54,218 | 44,268 |
| Donations made | (207,200) | (205,350) | 1,850 |
| **Total Other Financing Sources (Uses)** | (7,723,812) | (6,763,645) | 960,167 |
| **Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses** | 1,390,779 | 3,183,350 | 1,792,571 |
| **Fund Balance, Beginning** | 34,624,925 | 39,084,505 | 4,459,580 |
| **Fund Balance, Ending** | $ 36,015,704 | $ 42,267,855 | $ 6,252,151 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Schedule of Revenues, Expenses and Changes in Fund Net Position
- Budget to Actual Proprietary Fund

| Year ended September 30, 2025 | Budget | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|---|---|---|
| **Operating Revenues** | | | |
| Charges for services | $ 10,083,000 | $ 10,204,798 | $ 121,798 |
| Impact fee | 225,000 | 140,400 | (84,600) |
| Connection fee | 75,000 | 114,205 | 39,205 |
| Penalties | 40,000 | 45,627 | 5,627 |
| Miscellaneous | 10,000 | 4,917,030 | 4,907,030 |
| **Total Operating Revenue** | 10,433,000 | 15,422,060 | 4,989,060 |
| **Operating Expenses** | | | |
| Personnel expenses | 1,825,376 | 1,775,461 | 49,915 |
| Materials and supplies | 3,164,000 | 3,019,781 | 144,219 |
| Other expenses | 3,554,500 | 3,855,187 | (300,687) |
| Depreciation and amortization expense | - | 2,157,366 | (2,157,366) |
| **Total Operating Expenses** | 8,543,876 | 10,807,795 | (2,263,919) |
| **Operating Income** | 1,889,124 | 4,614,265 | 2,725,141 |
| **Non-Operating Revenues (Expenses)** | | | |
| Interest income | - | 267,718 | (267,718) |
| Interest expense | (605,000) | (568,927) | (36,073) |
| Trustee/escrow fees | (1,650) | (825) | (825) |
| Gain/(loss) on disposal of assets | - | 816 | (816) |
| **Net Non-Operating Revenues (Expenses)** | (606,650) | (301,218) | (305,432) |
| **Income / (Loss) Before Operating Transfers** | 1,282,474 | 4,313,047 | 3,030,573 |
| **Change in Net Position** | 1,282,474 | 4,313,047 | 3,030,573 |
| **Net Position, Beginning** | 6,906,174 | 11,830,170 | 4,923,996 |
| **Net Position, Ending** | $ 8,188,648 | $ 16,143,217 | $ 7,954,569 |

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

City of Pell City, Alabama
Schedule of Changes in the Net Pension Liability
Last 10 Fiscal Years Ending September 30

| **Total pension liability** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|---|
| Service cost | $ 1,017,649 | $ 923,363 | $ 855,456 | $ 761,112 | $ 672,736 | $ 682,440 | 658,042 | $ 693,482 | $ 631,870 | $ 574,380 |
| Interest | 2,653,897 | 2,558,397 | 2,424,603 | 2,308,986 | 2,154,829 | 1,999,329 | 1,961,557 | 1,848,707 | 1,630,052 | 1,532,853 |
| Changes of benefit terms | - | - | 22,942 | - | 488,790 | - | - | - | - | - |
| Differences between expected and actual experience | 666,092 | 96,915 | (44,790) | (101,832) | 102,201 | 394,452 | (1,079,910) | 330,285 | 785,280 | 60,380 |
| Changes of assumptions | - | - | - | 1,429,463 | - | - | 150,586 | | 1,312,694 | - |
| Benefit payments, including refunds of employee contributions | (1,955,417) | (1,803,888) | (1,801,077) | (1,539,928) | (1,361,195) | (1,335,223) | (1,152,049) | (1,105,930) | (897,294) | (1,007,961) |
| Transfers among employers | (248,816) | (417,145) | 340,155 | (169,040) | 34,033 | 291,470 | 208,268 | (287,364) | 120,356 | - |
| **Net change in total pension liability** | 2,133,405 | 1,357,642 | 1,797,289 | 2,688,761 | 2,091,394 | 2,032,468 | 746,494 | 1,479,180 | 3,582,958 | 1,159,652 |
| **Total pension liability - beginning** | 36,600,482 | 35,242,840 | 33,445,551 | 30,756,790 | 28,665,396 | 26,632,928 | 25,886,434 | 24,407,254 | 20,824,296 | 19,664,644 |
| **Total pension liability - ending (a)** | $ 38,733,887 | $ 36,600,482 | $ 35,242,840 | $ 33,445,551 | $ 30,756,790 | $ 28,665,396 | 26,632,928 | $ 25,886,434 | $ 24,407,254 | $ 20,824,296 |
| **Plan fiduciary net position** | | | | | | | | | | |
| Contributions - employer | 871,835 | 801,246 | 769,872 | 678,794 | 603,835 | 598,177 | 553,276 | 581,459 | 616,814 | 560,567 |
| Contributions - employee | 743,722 | 624,134 | 620,100 | 530,220 | 476,728 | 454,031 | 446,101 | 463,135 | 438,332 | 404,491 |
| Net investment income | 5,784,909 | 3,227,247 | (3,708,889) | 5,321,694 | 1,315,556 | 579,349 | 1,908,461 | 2,357,319 | 1,704,931 | 191,237 |
| Benefit payments, including refunds of employee contributions | (1,955,417) | (1,803,888) | (1,801,077) | (1,539,928) | (1,361,195) | (1,335,223) | (1,152,049) | (1,105,930) | (897,294) | (1,007,961) |
| Transfers among employers | (248,816) | (417,145) | 340,155 | (169,040) | 34,033 | 291,470 | 208,268 | (287,364) | 120,356 | 625,456 |
| **Net change in plan fiduciary net position** | 5,196,233 | 2,431,594 | (3,779,839) | 4,821,740 | 1,068,957 | 587,804 | 1,964,057 | 2,008,619 | 1,983,139 | 773,790 |
| **Plan net position - beginning** | 27,687,993 | 25,256,399 | 29,036,238 | 24,214,498 | 23,145,541 | 21,783,947 | 19,819,890 | 17,811,271 | 15,828,132 | 15,828,132 |
| **Plan net position - ending (b)** | $ 32,884,226 | $ 27,687,993 | $ 25,256,399 | $ 29,036,238 | $ 24,214,498 | $ 22,371,751 | 21,783,947 | $ 19,819,890 | $ 17,811,271 | $ 16,601,922 |
| **Net pension liability (asset) - ending (a) - (b)** | $ 5,849,661 | $ 8,912,489 | $ 9,986,441 | $ 4,409,313 | $ 6,542,292 | $ 6,293,645 | 4,848,981 | $ 6,066,544 | $ 6,595,983 | $ 4,222,374 |
| **Plan fiduciary net position as a percentage of total pension liability** | 84.90% | 75.65% | 71.66% | 86.82% | 78.73% | 78.04% | 81.79% | 76.56% | 72.98% | 79.72% |
| **Covered payroll *** | 11,055,242 | 9,266,177 | 8,651,499 | 8,056,684 | 7,846,594 | 7,708,921 | 7,721,043 | 7,307,536 | 7,775,092 | 7,213,261 |
| **Net pension liability (asset) as a percentage of covered-employee payroll** | 52.91% | 96.18% | 115.43% | 54.73% | 83.38% | 81.64% | 62.80% | 83.02% | 84.83% | 58.54% |

* Employer's covered payroll during the measurement period is the total covered payroll. For FY2024 the measurement period is October 1, 2022 - September 30, 2023. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

# City of Pell City, Alabama Schedule of Employer Contributions
## Last 10 Fiscal Years

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution * | $ 876,961 | $ 876,961 | $ 835,659 | $ 778,547 | $ 709,267 | $ 632,406 | 627,004 | $ 583,172 | $ 611,837 | $ 623,005 |
| Contributions in relation to the actuarially determined contribution * | 876,961 | 876,961 | 835,659 | 778,547 | 709,267 | 632,406 | 627,004 | 583,172 | 611,837 | 623,005 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | - | $ - | $ - | $ - |
| Covered-employee payroll ** | $ 13,129,758 | $ 11,055,242 | $ 9,266,177 | $ 9,442,203 | $ 8,891,216 | $ 8,122,936 | 7,791,165 | $ 7,721,043 | $ 7,307,536 | $ 7,213,261 |
| Contributions as a percentage of covered-employee payroll | 6.68% | 7.93% | 9.02% | 8.25% | 7.98% | 7.79% | 8.05% | 7.55% | 8.37% | 8.64% |

Actuuarilly 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 2025 were based on the September 30, 2022 actuarial valuation.

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12-month period of the underlying financial statement.

** Employer's covered payroll for FY2024 is the total covered payroll for the 12-month period of the underlying financial statement.

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

## A. Budgets and Budgetary Accounting

The City adopts annual budgets for the general, proprietary, and special revenue funds and such budgets are prepared on a basis consistent with generally accepted accounting principles. Any revisions that alter the total expenditures must be approved by the City Council. The budget of the general fund is presented in the *Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual General Fund*. Revenues collected for and remitted to the Board of Education are budgeted as both a revenue and expenditure.

The City does not adopt budgets for Debt Service Funds.

Capital outlay expenditures are budgeted according to governmental function and are reflected as a component of the appropriate governmental function above.

Budget information presented in the financial statements is based on the budget as adopted by the City Council in September 2024 and amended in September 2025.

## B. Schedule of Changes in the Net Pension Liability

The total pension liabilities presented in this schedule was provided by the System's actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less plan fiduciary net position. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

Employers covered payroll during the measurement period is the total covered payroll. For FY2025 the measurement period is October 1, 2024 - September 30, 2025. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

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

## C. Schedule of Employer Contributions

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience.

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

## C. Schedule of Employer Contributions (CONTINUED)

The actuarially determined contribution rates in the schedule of employer contributions 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 2025 were based on the September 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2024 to September 30, 2025:

| | |
|---|---|
| Actuarial cost method: | Entry age |
| Amortization method: | Level percent closed |
| Remaining amortization period: | 17.3 years |
| Asset valuation method: | Five-year smoothed market |
| Inflation: | 2.50% |
| Salary increases: | 3.25 – 6.00%, including inflation |
| Investment rate of return: | 7.45%, net of pension plan investment expense, including inflation |

Supplementary Information

City of Pell City, Alabama
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
- General Fund - Selected Departments

Year ended September 30, 2025

| | | |
|---|---|---|
| **Revenues** | | |
| **Taxes** | | |
| Sales | $ | 24,803,766 |
| Use | | 3,139,036 |
| Property | | 1,553,714 |
| Gasoline | | 234,946 |
| Beverage | | 233,232 |
| Lodging tax | | 448,249 |
| Rental tax | | 284,542 |
| **Total Taxes** | | 30,697,485 |
| **Licenses and Permits** | | |
| Business licenses | | 15,583 |
| Building permits | | 272,065 |
| Franchise fees | | 69,454 |
| **Total Licenses and Permits** | | 357,102 |
| **Intergovernmental revenues** | | |
| Business privilege licenses | | 3,130,630 |
| Motor vehicle licenses | | 7,852 |
| Financial institution excise tax | | 465,302 |
| **Total Intergovernmental Revenue** | | 3,603,784 |
| **Charges for Services** | | |
| Parks and recreation | | 507,254 |
| Library | | 15,492 |
| **Total Charges for Services** | | 522,746 |
| **Fines and Forfeitures** | | |
| Fines and forfeitures | | 94,623 |
| **Total Fines and Forfeitures** | | 94,623 |
| **Other Revenue** | | |
| Rent | | 262,259 |
| Grants | | 2,716 |
| Miscellaneous income | | 1,095,932 |
| Interest | | 975,783 |
| **Total Other Revenues** | | 2,336,690 |
| **Total Revenues** | $ | 37,612,430 |

City of Pell City, Alabama
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
- General Fund - Selected Departments (Continued)

Year ended September 30, 2025

| | | |
|---|---|---|
| **Expenditures** | | |
| **Administrative and General Government** | | |
| Mayor and council salaries | $ | 15,000 |
| Salaries | | 743,645 |
| Payroll taxes | | 84,262 |
| Retirement expenses | | 95,170 |
| Insurance-employee health and life | | 128,448 |
| Worker's compensation insurance | | 2,684 |
| Professional services | | 397,395 |
| Computer support | | 137,016 |
| Supplies | | 43,958 |
| Equipment rental | | 3,922 |
| Building maintenance | | 99,687 |
| Telephone and utilities | | 152,745 |
| Office expense | | 11,754 |
| Advertising and postage | | 21,456 |
| Travel and conference expense | | 34,344 |
| Dues and subscriptions | | 19,466 |
| Insurance | | 416,956 |
| Redevelopment and sales tax reimbursements | | 3,911,876 |
| Miscellaneous | | 87,711 |
| **Total Administrative and General Government** | | 6,407,495 |
| **Street and Shop Department** | | |
| Salaries | | 1,037,570 |
| Payroll taxes | | 76,106 |
| Retirement expense | | 93,674 |
| Insurance-employee health and life | | 232,812 |
| Worker's compensation insurance | | 13,827 |
| Materials and supplies | | 174,806 |
| Equipment rental | | 84,695 |
| Repairs and maintenance | | 187,101 |
| Telephone and utilities | | 224,227 |
| Miscellaneous | | 36,973 |
| **Total Shop and Street Department** | $ | 2,161,791 |

City of Pell City, Alabama
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
- General Fund - Selected Departments (Continued)

Year ended September 30, 2025

**Expenditures (continued)**

| | | |
|---|---|---|
| **Police Department** | | |
| Salaries | $ | 2,740,016 |
| Payroll taxes | | 260,923 |
| Retirement expense | | 302,538 |
| Insurance-employee health and life | | 538,599 |
| Worker's compensation insurance | | 24,764 |
| Material and supplies | | 426,808 |
| Equipment rental | | 2,860 |
| Computer support | | 54,743 |
| Repair and maintenance | | 128,886 |
| Professional fees | | 227,442 |
| Telephone and utilities | | 31,657 |
| Office expenses | | 10,333 |
| Travel and conferences | | 69,857 |
| Uniforms and cleaning allowances | | 56,492 |
| Dues and subscriptions | | 2,188 |
| Miscellaneous | | 27,759 |
| **Total Police Department** | | 4,905,865 |
| | | |
| **Fire Department** | | |
| Salaries | | 3,143,088 |
| Payroll taxes | | 238,541 |
| Retirement expense | | 295,049 |
| Insurance-employee health and life | | 498,931 |
| Worker's compensation insurance | | 25,921 |
| Material and supplies | | 200,201 |
| Equipment rental | | 2,554 |
| Computer support | | 41,284 |
| Repairs and maintenance | | 247,582 |
| Telephone and utilities | | 86,804 |
| Travel and conferences | | 92,709 |
| Uniforms and cleaning allowance | | 23,094 |
| Miscellaneous | | 13,654 |
| **Total Fire Department** | $ | 4,909,412 |

Year ended September 30, 2025

**Expenditures (continued)**

| | | |
|---|---|---|
| **Park and Recreation** | | |
| Salaries | $ | 1,273,244 |
| Payroll taxes | | 90,924 |
| Retirement expenses | | 93,086 |
| Insurance-employee health and life | | 218,369 |
| Worker's compensation insurance | | 6,602 |
| Office expense | | 11,310 |
| Material and supplies | | 113,524 |
| Computer support | | 18,436 |
| Equipment rental | | 2,554 |
| Repairs and maintenance | | 144,201 |
| Dues and subscriptions | | 4,814 |
| Telephone and utilities | | 257,072 |
| Uniforms and cleaning allowances | | 101,714 |
| Program activities | | 311,154 |
| Miscellaneous | | 56,198 |
| **Total Park and Recreation** | | 2,703,202 |
| **Library** | | |
| Salaries | | 304,715 |
| Payroll taxes | | 22,944 |
| Retirement expense | | 26,526 |
| Insurance-employee health and life | | 39,348 |
| Worker's compensation insurance | | 1,012 |
| Telephone and utilities | | 71,358 |
| Office expenses/supplies | | 7,702 |
| Computer support | | 5,146 |
| Equipment rental | | 4,592 |
| Books, materials and programs | | 39,231 |
| Repairs and maintenance | | 9,390 |
| Miscellaneous | | 617 |
| **Total Library** | | 532,581 |
| **Planning** | | |
| Salaries | | 187,237 |
| Payroll taxes | | 7,182 |
| Retirement expense | | 9,191 |
| Insurance-employee health and life | | 20,771 |
| Worker's compensation insurance | | 423 |
| Professional fees | | 145,993 |
| Materials & supplies | | 4,771 |
| Equipment rental | | 2,554 |
| Office expense | | 13,501 |
| Computer support | | 4,379 |
| Repairs and maintenance | | 187 |
| Telephone and utilities | | 5,157 |
| Miscellaneous | | 4,314 |
| **Total Planning** | $ | 405,660 |

City of Pell City, Alabama
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
- General Fund - Selected Departments (Continued)

Year ended September 30, 2025

**Expenditures (continued)**

| | | |
|---|---|---|
| **Revenue Department** | | |
| Salaries | $ | 17,220 |
| Payroll taxes | | 16,397 |
| Retirement expense | | 18,802 |
| Insurance-employee health and life | | 44,777 |
| Equipment rental | | 4,803 |
| Professional fees | | 58,919 |
| Office expense | | 8,611 |
| Computer support | | 2,092 |
| Repairs and maintenance | | 49,552 |
| Telephone and utilities | | 148,944 |
| Travel expense | | 1,399 |
| Miscellaneous | | 465 |
| **Total Revenue Department** | | 371,981 |
| **Senior Citizens** | | |
| Salaries | | 71,989 |
| Payroll taxes | | 5,164 |
| Retirement expense | | 7,332 |
| Insurance-employee health and life | | 13,315 |
| Worker's compensation insurance | | 459 |
| Equipment rental | | 2,554 |
| Materials and supplies | | 5,137 |
| Repairs and maintenance | | 3,255 |
| Telephone and utilities | | 17,995 |
| Miscellaneous | | 1,382 |
| **Total Senior Citizens** | | 128,582 |
| **Debt Service** | | |
| Principal payments | | 1,504,982 |
| Interest | | 1,881,625 |
| **Total Debt Service** | | 3,386,607 |
| **Total Current Expenditures Before Capital Outlay** | $ | 25,913,176 |

City of Pell City, Alabama
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)
- General Fund - Selected Departments (Continued)

Year ended September 30, 2025

| | | |
|---|---|---|
| **Expenditures (continued)** | | |
| **Capital Outlay** | | |
| Administrative and general government | $ | 1,348,032 |
| Park and rec | | 10,773 |
| Police | | 200,819 |
| Fire | | 192,635 |
| **Total Capital Outlay** | | 1,752,259 |
| **Total Expenditures** | | 27,665,435 |
| **Excess Revenues Over Expenditures** | | 9,946,995 |
| **Other Financing Sources (Uses) of Funds** | | |
| Operating transfers in | | 286,765 |
| Operating transfers (out) | | (4,198,653) |
| Transfer to Board of Education | | (5,656,972) |
| Gain (Loss) on disposal | | 176,397 |
| Received by the City for debt repayment | | 2,783,800 |
| Trustee/escrow fees | | (3,850) |
| Donations received | | 54,218 |
| Donations made | | (205,350) |
| **Total Other Financing Sources of Funds** | | (6,763,645) |
| **Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses** | | 3,183,350 |
| **Fund Balance, Beginning** | | 39,084,505 |
| **Fund Balance, Ending** | $ | 42,267,855 |

September 30, 2025

| | Municipal Court Corrections | Tobacco Tax | 2 Mil Fire Tax | Seizure Funds State | Animal Control Shelter |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 362,656 | $ 103,426 | $ - | $ 427,068 | $ 86,897 |
| Accounts receivable | 1,857 | - | - | - | 692 |
| Due from other funds | - | 652 | - | 5,030 | - |
| Inventory and other assets | 26 | - | - | - | 216 |
| Restricted cash | 74,184 | - | 98,190 | - | - |
| **Total Assets** | 438,723 | 104,078 | 98,190 | 432,098 | 87,805 |
| **Liabilities and Fund Balances** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable | 67,113 | - | - | - | 65,886 |
| Accrued payroll liabilities | 10,360 | - | - | - | - |
| Due to other funds | 55,605 | - | 41,424 | - | 82,789 |
| Other current liabilities | - | - | - | - | - |
| **Total Liabilities** | 133,078 | - | 41,424 | - | 148,675 |
| **Fund Balances** | | | | | |
| Nonspendable: | | | | | |
| Inventory and other assets | 26 | - | - | - | 216 |
| Restricted for: | | | | | |
| Road surface repairs | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Other purposes | 305,619 | - | 56,766 | - | - |
| Unnasigned: | - | 104,078 | - | 432,098 | (61,086) |
| **Total Fund Balances** | 305,645 | 104,078 | 56,766 | 432,098 | (60,870) |
| **Total Liabilities and Fund Balances** | $ 438,723 | $ 104,078 | $ 98,190 | $ 432,098 | $ 87,805 |

City of Pell City, Alabama
Balance Sheet - Nonmajor Governmental Funds

| 7 Cent Gasoline Tax | 4 & 5 Cent Gasoline Tax | 10 Cent Gasoline Tax | 2014 & 2015-B Bond Fund | 2012 & 2015-A Bonds | Grant Proceeds Fund | Total |
|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ 980,047 |
| - | - | - | - | - | - | 2,549 |
| - | - | - | 827,808 | - | 925,799 | 1,759,289 |
| - | 10 | | - | - | - | 252 |
| 126,485 | 100,582 | 8,555 | - | - | 334,174 | 742,170 |
| 126,485 | 100,592 | 8,555 | 827,808 | - | 1,259,973 | 3,484,307 |
| | | | | | | |
| - | - | - | - | - | | 132,999 |
| - | - | - | - | - | - | 10,360 |
| - | - | - | - | 11,210 | - | 191,028 |
| - | - | - | - | - | 99,887 | 99,887 |
| - | - | - | - | 11,210 | 99,887 | 434,274 |
| | | | | | | |
| - | 10 | - | - | - | - | 252 |
| 126,485 | 100,582 | 8,555 | - | - | - | 235,622 |
| - | - | - | 827,808 | - | 1,160,086 | 1,987,894 |
| - | - | - | - | - | - | 362,385 |
| - | - | - | - | (11,210) | - | 463,880 |
| 126,485 | 100,592 | 8,555 | 827,808 | (11,210) | 1,160,086 | 3,050,033 |
| | | | | | | |
| $ 126,485 | $ 100,592 | $ 8,555 | $ 827,808 | $ - | $ 1,259,973 | $ 3,484,307 |

For year ended September 30, 2025

| | Municipal Court Corrections | Tobacco Tax | 2 Mil Fire Tax | Seizure Funds State | Animal Control Shelter |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Intergovernmental | $ - | $ 134,017 | $ 106,996 | $ - | $ - |
| Charges for services | - | - | - | - | 19,657 |
| Grants | - | | - | - | 274,366 |
| Other | 801,313 | 299 | 1,032 | 211,675 | 6,086 |
| **Total Revenues** | 801,313 | 134,316 | 108,028 | 211,675 | 300,109 |
| **Expenditures** | | | | | |
| Administrative and general | - | 10,222 | - | - | 420,832 |
| Court | 762,051 | - | - | - | - |
| Fire | - | - | | - | - |
| Police | | | | 48,616 | |
| Parks and recreation | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | 25,000 | - | - |
| Interest | - | - | 1,000 | - | - |
| Capital outlay | - | - | 98,555 | - | - |
| **Total Expenditures** | 762,051 | 10,222 | 124,555 | 48,616 | 420,832 |
| **Excess Revenues Over (Under) Expenditures** | 39,262 | 124,094 | (16,527) | 163,059 | (120,723) |
| **Other Financing Sources (Uses)** | | | | | |
| Operating transfers in | - | - | - | - | - |
| Operating transfers (out) | - | (260,000) | - | - | - |
| **Total Other Financing Sources (Uses)** | - | (260,000) | - | - | - |
| **Net Changes in Fund Balance** | 39,262 | (135,906) | (16,527) | 163,059 | (120,723) |
| **Fund Balance, Beginning** | 266,383 | 239,984 | 73,293 | 269,039 | 59,853 |
| **Fund Balance, Ending** | $ 305,645 | $ 104,078 | $ 56,766 | $ 432,098 | $ (60,870) |

City of Pell City, Alabama
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds

| 7 Cent Gasoline Tax | 4 & 5 Cent Gasoline Tax | 10 Cent Gasoline Tax | 2014 & 2015-B Bond Fund | 2012 & 2015-A Bonds | Grant Proceeds Fund | Total |
|---|---|---|---|---|---|---|
| $ 44,270 | $ 34,988 | $ 130,002 | $ - | $ - | $ - | $ 450,273 |
| - | - | - | - | - | - | 19,657 |
| - | - | - | - | - | 634,384 | 908,750 |
| 5,620 | 4,376 | - | - | - | 188,052 | 1,218,453 |
| 49,890 | 39,364 | 130,002 | - | - | 822,436 | 2,597,133 |
| - | - | - | - | - | - | 431,054 |
| - | - | - | - | - | - | 762,051 |
| - | - | - | - | - | - | - |
| | | | | | | 48,616 |
| - | - | - | - | - | - | - |
| | | | | | | - |
| - | - | - | - | - | - | 25,000 |
| - | - | - | - | - | - | 1,000 |
| - | - | - | - | - | 1,287,174 | 1,385,729 |
| - | - | - | - | - | 1,287,174 | 2,653,450 |
| 49,890 | 39,364 | 130,002 | - | - | (464,738) | (56,317) |
| - | - | - | - | - | 266,153 | 266,153 |
| (40,000) | (30,000) | (250,000) | - | - | (3,581,876) | (4,161,876) |
| (40,000) | (30,000) | (250,000) | - | - | (3,315,723) | (3,895,723) |
| 9,890 | 9,364 | (119,998) | - | - | (3,780,461) | (3,952,040) |
| 116,595 | 91,228 | 128,553 | 827,808 | (11,210) | 4,940,547 | 7,002,073 |
| | - | | | | | |
| $ 126,485 | $ 100,592 | $ 8,555 | $ 827,808 | $ (11,210) | $ 1,160,086 | $ 3,050,033 |

City of Pell City, Alabama
Schedule of Changes in General Fixed Assets by Function and Activity

| Year ended September 30, 2025 | Balance September 30, 2024 | Current Additions/Transfers | Current Deletions/Transfers | Balance September 30, 2025 |
|---|---|---|---|---|
| **General Government** | | | | |
| Land | 4,138,614 | $ 1,346,554 | $ - | $ 5,485,168 |
| Buildings | 11,289,672 | - | - | 11,289,672 |
| Equipment | 905,826 | | - | 905,826 |
| Vehicles | 137,854 | - | - | 137,854 |
| Improvements | 690,278 | 35,013 | - | 725,291 |
| Infrastructure | 468,075 | - | - | 468,075 |
| **Total General Government** | 17,630,319 | 1,381,567 | - | 19,011,886 |
| **Police Department** | | | | |
| Equipment | 580,874 | 769,628 | - | 1,350,502 |
| Vehicles | 3,242,633 | 622,062 | (337,111) | 3,527,584 |
| **Total Police Department** | 3,823,507 | 1,391,690 | (337,111) | 4,878,086 |
| **Fire Department** | | | | |
| Land | 36,000 | - | - | 36,000 |
| Buildings | 1,333,298 | - | - | 1,333,298 |
| Equipment | 745,130 | 488,740 | - | 1,233,870 |
| Vehicles | 3,468,716 | 308,170 | - | 3,776,886 |
| Improvements | 218,779 | - | - | 218,779 |
| Construction in progress | 337,214 | 2,968,991 | | 3,306,205 |
| **Total Fire Department** | 6,139,137 | 3,765,901 | - | 9,905,038 |
| **Street Department** | | | | |
| Land | 60,000 | - | - | 60,000 |
| Buildings | 102,700 | - | - | 102,700 |
| Equipment | 1,715,982 | 108,734 | (62,367) | 1,762,349 |
| Vehicles | 1,467,486 | 160,691 | - | 1,628,177 |
| Infrastructure | 16,021,912 | 2,286,457 | - | 18,308,369 |
| Improvements | 334,743 | 1,395,163 | | 1,729,906 |
| Construction in progress | 2,350,833 | 1,799,150 | (1,395,164) | 2,754,819 |
| **Total Street Department** | 22,053,656 | 5,750,195 | (1,457,531) | 26,346,320 |
| **Parks and Recreation** | | | | |
| Land | 1,069,121 | - | - | 1,069,121 |
| Buildings | 1,790,983 | - | - | 1,790,983 |
| Equipment | 644,852 | 138,130 | (85,263) | 697,719 |
| Vehicles | 160,756 | - | - | 160,756 |
| Infrastructure | 322,479 | - | - | 322,479 |
| Improvements | 13,247,879 | 396,439 | - | 13,644,318 |
| Construction in progress | 85,060 | - | (85,060) | - |
| **Total Parks and Recreation** | 17,321,130 | 534,569 | (170,323) | 17,685,376 |
| **Senior Citizens** | | | | |
| Land | 1,000 | - | - | 1,000 |
| Buildings | 218,432 | - | - | 218,432 |
| Equipment | 5,120 | - | - | 5,120 |
| Vehicles | 75,056 | - | - | 75,056 |
| Improvements | 65,628 | - | - | 65,628 |
| **Total Senior Citizens** | 365,236 | - | - | 365,236 |
| **Animal Control/Shelter** | | | | |
| Land | 1,000 | - | - | 1,000 |
| Buildings | 245,000 | - | - | 245,000 |
| Improvements | 55,044 | 8,000 | - | 63,044 |
| **Total Animal Control/Shelter** | 301,044 | 8,000 | - | 309,044 |
| **Library** | | | | |
| Land | 11,667 | - | - | 11,667 |
| Buildings | 2,810,317 | - | - | 2,810,317 |
| Equipment | 53,413 | - | - | 53,413 |
| Improvements | 281,560 | - | - | 281,560 |
| **Total Library** | 3,156,957 | - | - | 3,156,957 |
| **Total General Fixed Assets** | $ 70,790,986 | $ 12,831,922 | $ (1,964,965) | $ 81,657,943 |

City of Pell City, Alabama
Schedule of General Long-Term Debt

September 30, 2025

| | | |
|---|---|---|
| **Amount to be provided for payment of long-term debt** | | |
| Amount to be provided for retirement of series 2015-A bond | $ | 9,655,000 |
| Amount to be provided for retirement of series 2020 bond | | 12,450,000 |
| Amount to be provided for retirement of series 2022 bond | | 25,150,000 |
| Amount to be provided for retirement of note payable - BB&T | | 122,927 |
| Amount to be provided for retirement of compensated absences | | 429,790 |
| **Total amount to be provided** | $ | 47,807,717 |
| | | |
| **Long-term debt outstanding** | | |
| Series 2015-A School | $ | 9,655,000 |
| Series 2020 bond | | 12,450,000 |
| Series 2022 bond | | 25,150,000 |
| Note payable - BB&T | | 122,927 |
| Compensated absences | | 429,790 |
| **Total long-term debt** | $ | 47,807,717 |

City of Pell City, Alabama
Schedule of Changes in General Long-Term Debt

| September 30, 2025 | Balance September 30, 2024 | Additions | Retirements | Balance September 30, 2025 |
|---|---|---|---|---|
| Series 2015-A School | 10,825,000 | - | (1,170,000) | 9,655,000 |
| Series 2020 | 12,650,000 | - | (200,000) | 12,450,000 |
| Series 2022 | 25,190,000 | - | (40,000) | 25,150,000 |
| Note payable - BB&T - fire truck | 244,373 | - | (121,446) | 122,927 |
| Compensated absences | 413,990 | 15,800 | - | 429,790 |
| **Total** | $ 49,323,363 | $ 15,800 | $ (1,531,446) | $ 47,807,717 |

City of Pell City, Alabama
Schedule of Bond Maturities

| Year ended September 30 | **Series 2015 - A Warrants** | **Series 2017 Warrant** | **Series 2020 Warrant** | **Series 2022 Warrant** | **Total** |
|---|---|---|---|---|---|
| 2026 | 1,235,000 | 675,000 | 905,000 | 40,000 | 2,855,000 |
| 2027 | 1,280,000 | 700,000 | 910,000 | 45,000 | 2,935,000 |
| 2028 | 1,320,000 | 715,000 | 925,000 | 45,000 | 3,005,000 |
| 2029 | 1,365,000 | 740,000 | 940,000 | 45,000 | 3,090,000 |
| 2030 | 1,420,000 | 765,000 | 945,000 | 45,000 | 3,175,000 |
| 2031 | 1,485,000 | 800,000 | 965,000 | 50,000 | 3,300,000 |
| 2032 | 1,550,000 | - | 1,830,000 | 50,000 | 3,430,000 |
| 2033 | - | - | 1,860,000 | 765,000 | 2,625,000 |
| 2034 | - | - | 1,895,000 | 805,000 | 2,700,000 |
| 2035 | - | - | 1,830,000 | 845,000 | 2,675,000 |
| 2036 | - | - | 2,080,000 | 890,000 | 2,970,000 |
| 2037 | - | - | 2,030,000 | 935,000 | 2,965,000 |
| 2038 | - | - | 2,085,000 | 985,000 | 3,070,000 |
| 2039 | - | - | 2,140,000 | 1,030,000 | 3,170,000 |
| 2040 | - | - | 2,195,000 | 1,075,000 | 3,270,000 |
| 2041 | - | - | 2,885,000 | 1,125,000 | 4,010,000 |
| 2042 | - | - | 3,010,000 | 1,175,000 | 4,185,000 |
| 2043 | - | - | 3,085,000 | 1,230,000 | 4,315,000 |
| 2044 | - | - | 1,275,000 | 1,285,000 | 2,560,000 |
| 2045 | - | - | - | 1,345,000 | 1,345,000 |
| 2046 | - | - | - | 1,405,000 | 1,405,000 |
| 2047 | - | - | - | 1,470,000 | 1,470,000 |
| 2048 | - | - | - | 1,540,000 | 1,540,000 |
| 2049 | - | - | - | 1,610,000 | 1,610,000 |
| 2050 | - | - | - | 1,690,000 | 1,690,000 |
| 2051 | - | - | - | 1,770,000 | 1,770,000 |
| 2052 | - | - | - | 1,855,000 | 1,855,000 |
| **Total** | $ 9,655,000 | $ 4,395,000 | $ 33,790,000 | $ 25,150,000 | $ 72,990,000 |

Compliance Section

**BAIN & COMPANY, P.C.**
**CERTIFIED PUBLIC ACCOUNTANTS**
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**PELL CITY, AL 35125**
**(205) 884-2332**
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**GREGORY D. BAIN, CPA**

**ASHLEY C. ST. JOHN, CPA**

**MEMBERS:**
**ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

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

To the Honorable Mayor, City Council, and City Manager
City of Pell City, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pell City, Alabama (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2026.

### Report on Internal Control over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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

**Purpose of This Report**

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

Bain & Company, P.C.

Pell City, Alabama

June 18, 2026

**BAIN & COMPANY, P.C.**
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**MEMBERS:**
**ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor, City Manager
and Members of the City Council
City of Pell City, Alabama

## Report on Compliance for Each Major Federal Program

### Opinion on Each Major Federal Program

We have audited City of Pell City's, ("City"), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended September 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

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

**Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Report on Internal Control over Compliance**

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

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

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

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

Bain + Company, P.C.

Pell City, Alabama

June 18, 2026

City of Pell City, Alabama
Schedule of Expenditures of Federal Awards For the
Year Ended September 30, 2025

| Name of Agency or Department | Name of Program | Name of Grant | CFDA I.D. No. | Total Awards Expended |
|---|---|---|---|---|
| U.S DEPT OF HEALTH AND HUMAN SERVICES | M4A | AL DEPT OF SENIOR SERVICES | 93.045 | $ 2,658 |
| ADECA - ARPA | ALABAMA DRINKING WATER FINANCE AUTHORITY | CW-ARPA EDEN LIFT STATION AND FORCE MAIN | 21.027 | $ 1,466,995 |
| ADECA - ARPA | ALABAMA DRINKING WATER FINANCE AUTHOIRTY | WELL A TO WOODHILL TANK WATER LINE | 21.027 | $ 1,200,000 |
| ADECA | 2025 STEP CRIME PREVENTION | 2025 CRIME PREVENTION | 20.600 | $ 12,384 |
| ALDOT-BUREAU OF JUSTICE ASSITANCE | PATRICK LEAHY BULLETPROOF VEST PARTNERSHIP | PATRICK LEAHY BULLETPROOF VEST PARTNERSHIP | 16.607 | $ 10,740 |
| Total Financial Awards, All Programs | | | | $ 2,692,777 |

## NOTE 1 – BASIS OF PRESENTATION

The information in the Schedule of Expenditures of Federal Awards (the schedule) is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, Uniform *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the Schedule presents only a select portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Pell City.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule includes the federal grant activity of the City of Pell City under programs of the federal government for the year ended September 30, 2025. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. The City of Pell City did not elect to utilize the 10 percent de minimis indirect costs rate allowed under the Uniform Guidance. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Section I. Summary of Auditors Results**

*Financial Statements*

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes √ no
- Significant deficiency identified that are not considered to be material weaknesses? __ yes √ none reported

Noncompliance material to financial statements noted? ___ yes √ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ___ yes √ no
- Significant deficiency identified that are not considered to be material weaknesses? ___ yes √ none reported

Type of auditors report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance UC 2 CFR 200.516(a) ___ yes √ no

*Identification of major programs:*

Name of Federal Program: Alabama Drinking Water Finance Authoirty

CFDA I.D. No. 93.045

Dollar threshold used to distinguish Between type A and type B programs: $1,000,000

Auditee qualified as low-risk auditee? √ yes __ no

## Section II. Financial Statement Findings

There are no findings which were required to be reported in accordance with governmental auditing standards generally accepted in the United States of America.

## Section III. Federal Award Findings and Questioned Costs

There are no audit findings required to be reported in accordance with the Uniform Guidance.