

CITY OF GUNTERSVILLE, ALABAMA
Guntersville, Alabama

ANNUAL FINANCIAL REPORTS
AND INDEPENDENT AUDITOR'S REPORT
September 30, 2025

MDA PROFESSIONAL GROUP, P.C.
Certified Public Accountants and Business Consultants
Albertville, Alabama

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MISSION DRIVEN ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Guntersville, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Guntersville, Alabama, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Guntersville, Alabama's basic financial statements as listed in the Table of Contents.

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Guntersville, Alabama, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Guntersville City Board of Education, a discretely presented component unit of the City of Guntersville, Alabama, which represent 39 percent, 7 percent, and 45 percent, respectively, of the assets, net position, and revenues of the combined City and component unit as of September 30, 2025, and the respective changes in financial position for the year then ended. Those statements were audited by another auditor whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Guntersville City Board of Education, are based solely on the report of the other auditor.

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

Emphasis-of-Matter – Change in Accounting Principle

As discussed in Note 20 to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the fiscal year ended September 30, 2025. The implementation of this standard resulted in a restatement of beginning net position and fund balance for the cumulative effect of the change. Our opinion is not modified with respect to this matter.

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 of Guntersville, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 *Governmental 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 *Governmental Auditing Standards*, we:

- Exercise professional judgement 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.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Guntersville, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Guntersville, Alabama's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; Schedules of Net Pension Liability, Changes in the Net Pension Liability, and Employer Contributions; Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund, and Notes to Required Supplementary Information on pages 6 through 13 and pages 58 through 62, respectively, 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 and other auditors 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 Guntersville, 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, Costs 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.

Supplementary Information (Continued)

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 by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual nonmajor fund financial statements and 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 included in the general information section of the Table of Contents 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 September 8, 2026, on our consideration of the City of Guntersville, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Guntersville, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Guntersville, Alabama's internal control over financial reporting and compliance.

MDA Professional Group, P.C.

Albertville, Alabama
September 8, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the City of Guntersville, Alabama, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year 2025 by \$79.5 million. Of this amount, a balance of \$10.3 million from governmental activities is considered unrestricted.
- Total net position of the primary government increased by approximately \$3.8 million in 2025.

As of September 30, 2025, the governmental funds reported a combined ending fund balance of \$29.4 million, a decrease of \$4.7 million from the prior year. Approximately \$19.6 million of the fund balance is unassigned and available to finance the activities of the governmental funds. The remainder is reserved to meet existing obligations.

- The City's total long-term debt decreased by \$2.7 million during 2025 due to the scheduled debt payments.
- The City's total capital assets, net of accumulated depreciation, increased by \$6.5 million over the prior year. This increase is due mainly to construction in progress for recreation improvements and purchase of vehicles and equipment combined with other small capital expenditures and the disposal of old equipment and vehicles.

Overview of the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private sector business.

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business type activities). The governmental activities of the City include general government, public safety related departments, recreational activities, and intergovernmental functions. The intergovernmental functions of the City are those where the City provides financial resources to other governmental entities, primarily the Guntersville Board of Education for support of the City school system and the Guntersville Library Board for the support of the public library. The City of Guntersville has no functions that are classified as business type activities.

As described in the notes to the financial statements, other entities' activities are included in this report because of the relationship of these legally separate entities to the City. Financial information of the Guntersville Board of Education is referred to in the financial statements as a discretely-presented component unit. This discussion and analysis focuses on the primary government. The complete financial statements (including MD&A) of the Guntersville Board of Education may be obtained from the City Clerk Department of the City.

The government-wide financial statements can be found on pages 15-16 of this report.

FUND FINANCIAL STATEMENTS - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City are considered governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine active individual governmental funds:

- The general fund, the 9-mill ad valorem tax fund, gross receipts tax fund and debt service fund are considered to be major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.

The five other governmental funds are considered to be nonmajor governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in the report.

The basic governmental fund financial statements can be found on pages 17 through 20 of this report.

NOTES TO THE FINANCIAL STATEMENTS- The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 21 through 56 of this report.

OTHER INFORMATION - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including the schedule of funding progress with the Employees' Retirement Systems of Alabama. Because the City adopts an annual operating budget for its general fund, a comparison of budget to actual results is provided for this fund to demonstrate compliance with the budget. This information and the combining nonmajor funds statements referred to earlier can be found beginning on page 58 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. Overall, the City's assets exceeded liabilities by \$79.5 million at the close of the most recent fiscal year.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, construction in progress); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (11.6 percent) represents resources that are subject to restrictions as to how they may be used. Such restrictions are imposed by legal requirements or sources other than those imposed by the City Council (e.g. state or federal law).

The City's unrestricted net position is positive. The balance in the unrestricted net position is used to finance the operations of the City. Total current revenues exceeded expense.

The long-term debt incurred to construct assets not owned by the City consists of \$66,267,076 of general obligation warrants and unamortized bond premiums, which will fund the construction of a new high school. While assets are not currently on hand to pay these liabilities, the City expects to pay the debt from annually recurring revenues. The City issued general obligation warrants for the construction of a new high school and to refund an existing debt for the School Board. The City and School Board entered into a funding agreement whereby the sales tax collected by the City which is designated for use by the School Board will be retained by the City in a special debt service fund to provide for payment of the general obligation warrants until paid in full.

Net position from governmental activities increased \$3.8 million in fiscal year 2025. The changes in restricted and unrestricted net position can be explained as mainly due to increases in unrestricted investment earnings and management of budgeted expenditures.

Financial Analysis

The following comparative condensed financial statements serve as the key financial data and indicators for management's monitoring and planning. The financial statements are studied to detect trends, project growth and prepare budgets for the upcoming year.

CITY OF GUNTERSVILLE, ALABAMA

Condensed Statement of Net Position	Governmental Activities			
	2025	2024	Variance	
			Dollars	Percent
Cash and Certificates of Deposit	\$ 19,798,625	\$ 15,003,940	\$ 4,794,685	31.96%
Receivables	8,713,244	7,287,334	1,425,910	19.57%
Capital Assets	87,012,596	80,551,652	6,460,944	8.02%
Restricted and Other	75,434,484	87,697,784	(12,263,300)	-13.98%
Deferred Outflows of Resources	4,043,139	3,482,425	560,714	16.10%
Total Assets and Deferred Outflows	195,002,088	194,023,135	978,953	0.50%
Current Liabilities	10,507,770	10,462,868	44,902	0.43%
Long Term Liabilities	96,989,217	101,688,484	(4,699,267)	-4.62%
Deferred Inflows of Resources	8,044,549	6,268,683	1,775,866	28.33%
Total Liabilities and Deferred Inflows	115,541,536	118,420,035	(2,878,499)	-2.43%
Net Position:				
Invested in Capital Assets,				
Net of Related Debt	59,905,260	56,045,316	3,859,944	6.89%
Restricted	9,226,776	16,268,271	(7,041,495)	-43.28%
Unrestricted	10,328,516	3,289,513	7,039,003	213.98%
Total Net Position, (As Restated, See Note 1)	\$ 79,460,552	\$ 75,603,100	\$ 3,857,452	5.10%

CITY OF GUNTERSVILLE, ALABAMA

Condensed Statement of Activities	Governmental Activities			
	2025	2024	Variance	
			Dollars	Percent
Revenues:				
Program Revenues				
Charges for Services	\$ 2,833,877	\$ 2,746,112	\$ 87,765	3.20%
Operating Grants and Contributions	599,193	721,682	(122,489)	-16.97%
Capital Grants and Contributions	2,283,521	1,009,949	1,273,572	126.10%
Total Program Revenues	5,716,591	4,477,743	1,238,848	27.67%
General Revenues and Payments:				
Taxes	33,611,787	32,213,938	1,397,849	4.34%
Licenses, Permits, and Other Revenues	2,037,130	1,834,769	202,361	11.03%
Gain (Loss) on Disposition of Assets	(740,190)	150,429	(890,619)	-592.05%
Miscellaneous	17,857	13,655	4,202	30.77%
Unrestricted Investment Earnings	1,325,130	1,184,248	140,882	11.90%
Transfers From Component Unit	2,275,491	1,970,025	305,466	15.51%
Total General Revenues and Payments	38,527,205	37,367,064	1,160,141	3.10%
Total Revenues	44,243,796	41,844,807	2,398,989	5.73%
Program Expenses				
General Government	14,467,904	12,337,054	2,130,850	17.27%
Police Protection	5,809,599	5,400,242	409,357	7.58%
City Court	499,923	531,947	(32,024)	-6.02%
Fire Protection	4,926,257	4,670,786	255,471	5.47%
Maintenance	4,310,272	4,029,572	280,700	6.97%
Health and Sanitation	1,771,329	1,504,896	266,433	17.70%
Recreation	2,378,184	2,008,989	369,195	18.38%
City Garage	248,988	255,183	(6,195)	-2.43%
Transportation	297,833	300,976	(3,143)	-1.04%
Recycling	711,005	623,335	87,670	14.06%
Senior Citizens	223,646	197,306	26,340	13.35%
Airport	1,035,628	1,037,798	(2,170)	-0.21%
Library	440,602	453,406	(12,804)	-2.82%
Museum	240,399	233,644	6,755	2.89%
Industrial Development and Recruiting	61,340	210,883	(149,543)	-70.91%
Interest Expense	2,963,435	2,899,018	64,417	2.22%
Total Program Expenses	40,386,344	36,695,035	3,691,309	10.06%
Change in Net Position	3,857,452	5,149,772	(1,292,320)	-25.09%
Beginning Net Position, (As Restated, See Note 18)	75,603,100	70,453,328	5,149,772	7.31%
Ending Net Position	\$ 79,460,552	\$ 75,603,100	\$ 3,857,452	5.10%

Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The combined fund balances of the City's governmental funds decreased to \$29.4 million at September 30, 2025, a decrease of \$4.7 million from the prior fiscal year. Of this amount, \$19.6 million constitutes unassigned fund balance, which is generally available for spending at the City's discretion, although it is subject to certain limitations inherent in the funds where the balances are retained. The remainder of the total fund balance, or \$9.8 million, is restricted and nonspendable or assigned to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, pay debt service, or has generally been committed for other purposes.

The decrease of \$4.7 million in the combined fund balances of the City's governmental funds was mostly attributable to the changes in the individual funds as follows:

- The fund balance of the general fund increased by \$4.6 million, mainly due to transfers from the debt service fund and capital outlay expenditures. The general fund is a major governmental fund.
- The fund balance of the special revenue funds increased by \$2 thousand due mainly to tax revenues.
- The fund balance of the debt service funds decreased by \$9.3 million due to transfers to the general fund to fund capital improvements and payment of principal and interest for debt service.

Governmental Funds Budgetary Highlights

GENERAL FUND - The only governmental fund budgeted by the City is the general fund. There was no difference between the original and final General Fund budgets. The major variances between final budget and actual balances are as follows:

- Total revenues were under budget by \$415 thousand, mainly due to intergovernmental revenues under budget by \$1.7 million and investment earnings over budget by \$781 thousand.
- Total expenditures were \$5.6 million under budget.
- Expenditures for capital outlay were under the budgeted amounts by \$5.2 million. This variance is due primarily to projects not getting completed that were budgeted.

CITY OF GUNTERSVILLE, ALABAMA

General Fund							
Variance of 2025 Actual Data to:							
Condensed Budget to Actual - General Fund	2025		2024	2025 Budget		2024 Actual	
	Actual	Budget	Actual	Dollars	Percent	Dollars	Percent
Revenues:							
Taxes	\$ 24,658,389	\$ 24,571,674	\$ 23,634,197	\$ 86,715	0.35%	\$ 1,024,192	4.33%
Licenses	1,472,902	1,511,560	1,455,709	(38,658)	-2.56%	17,193	1.18%
Intergovernmental	2,175,763	3,834,533	1,735,016	(1,658,770)	-43.26%	440,747	25.40%
Charges for Services	2,371,296	2,359,057	2,317,487	12,239	0.52%	53,809	2.32%
Fines	425,555	368,000	378,773	57,555	15.64%	46,782	12.35%
Donations and Fund Raising	5,074	5,000	5,107	74	1.48%	(33)	-0.65%
Investment Earnings	1,281,456	500,000	729,539	781,456	156.29%	551,917	75.65%
Other Revenues	556,848	212,000	389,294	344,848	162.66%	167,554	43.04%
Total Revenues	32,947,283	33,361,824	30,645,122	(414,541)	-1.24%	2,302,161	7.51%
Expenditures:							
General Government	4,177,610	3,996,919	3,538,688	(180,691)	-4.52%	638,922	18.06%
Policy Protection	5,287,831	5,280,987	4,647,078	(6,844)	-0.13%	640,753	13.79%
City Court	494,182	531,485	507,873	37,303	7.02%	(13,691)	-2.70%
Fire Protection	4,542,655	4,344,566	4,009,310	(198,089)	-4.56%	533,345	13.30%
Maintenance	3,823,498	4,302,567	3,493,867	479,069	11.13%	329,631	9.43%
Health and Sanitation	1,600,792	1,385,620	1,284,755	(215,172)	-15.53%	316,037	24.60%
Recreation	1,666,865	1,745,438	1,639,290	78,573	4.50%	27,575	1.68%
City Garage	240,695	262,789	231,165	22,094	8.41%	9,530	4.12%
Transportation	246,445	257,602	253,545	11,157	4.33%	(7,100)	-2.80%
Recycling	614,185	641,111	571,503	26,926	4.20%	42,682	7.47%
Senior Citizens	197,976	186,705	163,744	(11,271)	-6.04%	34,232	20.91%
Airport	525,863	623,402	520,641	97,539	15.65%	5,222	1.00%
Library	426,441	442,679	406,432	16,238	3.67%	20,009	4.92%
Museum	167,834	147,903	138,787	(19,931)	-13.48%	29,047	20.93%
Industrial Development and Recruiting	61,458	183,700	211,095	122,242	66.54%	(149,637)	-70.89%
Other	25,000	36,000	29,573	11,000	30.56%	(4,573)	-15.46%
Debt Service	671,707	685,000	932,259	13,293	1.94%	(260,552)	-27.95%
Capital Outlay	10,688,268	15,974,416	19,127,926	5,286,148	33.09%	(8,439,658)	-44.12%
Total Expenditures	35,459,305	41,028,889	41,707,531	5,569,584	13.57%	(6,248,226)	-14.98%
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,512,022)	(7,667,065)	(11,062,409)	(5,984,125)	78.05%	8,550,387	-77.29%
OTHER FINANCING SOURCES (USES)	7,103,264	7,855,000	7,355,639	(751,736)	-9.57%	(252,375)	-3.43%
Net Change in Fund Balances	4,591,242	\$ 187,935	(3,706,770)	\$ 4,403,307	2342.99%	\$ 8,298,012	-223.86%
Fund Balance - Beginning (As Restated, See Note 18)	19,523,517		23,230,287				
Fund Balance - Ending	\$ 24,114,759		\$ 19,523,517				

Capital Asset and Debt Administration

CAPITAL ASSETS - The City's investment in capital assets for governmental activities as of September 30, 2025, totals \$87,012,596 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, vehicles, and construction in progress. The City's total capital assets, net of accumulated depreciation, increased by \$6.5 million over the prior year. This increase is due mainly to construction in progress for recreation improvements.

LONG-TERM DEBT-As of September 30, 2025, the City has \$89,977,666 of long-term debt outstanding. Of this amount, \$88,637,099 is general obligation warrants and \$601,788 of notes backed by the full faith and credit of the City and \$738,779 is comprised of lease liabilities collateralized by certain vehicles. The City's general obligation bond rating by Standard & Poor's Rating is AA- (effective February 2024).

Other than debt paid for proprietary fund revenue sources (e.g. sewer debt and revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. As of September 30, 2025, the City's allowable debt limit is \$50,940,964. The City is in compliance with its debt limit as of September 30, 2025.

Additional Information

The Mayor and City Council considered many factors when developing the 2026 budget including the state of the surrounding local economies and potential capital expenditures. In this manner, the City has approved a general fund budget anticipating \$42 million in revenues and \$42 million in expenditures for fiscal year 2026. The City considered the following in developing the 2026 budget: (1) the City is projecting revenues to increase as well as grants and loan proceeds (2) the City does anticipate an increase in payroll expenditure due to raises, but no significant additional personnel other than replacement personnel, and (3) the City anticipates spending money on paving, building improvements, new vehicles and equipment, and recreation improvements.

Request for Information

This financial report is designed as a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk, 341 Gunter Avenue, Guntersville, Alabama 35976, or by calling (256) 571-7560.

Complete financial statements of the Board of Education, a discretely presented component unit, may be obtained at the administrative office of the entity. Request for additional information should be addressed to the Chief Financial Officer, at 4200 AL Highway 79 South, Guntersville, AL 35976, or by calling (256) 582-3159.

BASIC FINANCIAL STATEMENTS

CITY OF GUNTERSVILLE, ALABAMA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government Governmental Activities	Component Unit City Board of Education
ASSETS		
Cash and Cash Equivalents	\$ 1,513,580	\$ 18,078,789
Certificates of Deposit	16,793,271	-
Investments	-	6,623,427
Inventory, at Cost	-	62,985
Receivables:		
Tax and Tax Equivalents	6,101,310	3,760,000
Refuse Collection	95,732	-
Grants	804,042	-
Related Organizations	78,156	-
Other	292,501	847,717
Lease Receivable	1,376,151	-
Prepaid Expenses and Other	536,929	-
Funding Agreement - Component Unit	66,267,076	-
Restricted Assets - Temporarily Restricted		
Cash and Investments	10,087,605	-
Capital Assets Not Being Depreciated	17,578,576	72,816,202
Capital Assets, Net of Accumulated Depreciation/Amortization	69,434,020	20,419,586
TOTAL ASSETS	190,958,949	122,608,706
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	3,998,054	4,421,470
OPEB Deferrals	-	13,450,026
Deferred Charges on Refunding	45,085	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,043,139	17,871,496
LIABILITIES		
Accounts Payable and Other Accrued Liabilities	2,586,050	2,300,324
Accrued Interest Payable	522,836	396,717
Retainages Payable	199,097	-
Due to Component Unit	2,878,237	-
Unearned Revenue	-	35,263
Noncurrent Liabilities:		
Due Within One Year:		
Bonds, Notes, Leases, Compensated Absences	3,700,055	1,101,137
Due in More Than One Year:		
Net Pension Liability	9,844,887	3,519,000
Net OPEB Liability	-	6,929,607
Bonds, Notes, Leases, Compensated Absences	87,765,825	116,856,632
TOTAL LIABILITIES	107,496,987	131,138,680
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	1,407,000	3,760,000
Lease Related	1,291,119	-
Unamortized Bond Premium	3,226,603	-
Pension Deferrals	2,119,827	-
OPEB Deferrals	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,044,549	3,760,000
NET POSITION		
Net Investment in Capital Assets	59,905,260	10,407,203
Restricted:		
Highway and Street	1,491,774	-
Public Safety	83,683	-
Debt Service	1,511,275	-
Capital Projects	4,919,467	13,567,395
Other Purposes	1,220,577	2,953
Unrestricted	10,328,516	(18,396,029)
TOTAL NET POSITION	\$ 79,460,552	\$ 5,581,522

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

CITY OF GUNTERSVILLE, ALABAMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit City Board of Education
Primary Government						
Governmental Activities						
General Government	\$ 14,467,904	\$ 409,199	\$ -	\$ -	\$ (14,058,705)	\$ -
Police Protection	5,809,599	462,160	160,210	-	(5,187,229)	-
City Court	499,923	-	-	-	(499,923)	-
Fire Protection	4,926,257	-	12,202	-	(4,914,055)	-
Maintenance	4,310,272	-	147,531	-	(4,162,741)	-
Health and Sanitation	1,771,329	1,172,213	-	-	(599,116)	-
Recreation	2,378,184	116,707	-	435,193	(1,826,284)	-
City Garage	248,988	-	-	-	(248,988)	-
Transportation	297,833	38,999	279,250	127,883	148,299	-
Recycling	711,005	88,510	-	-	(622,495)	-
Senior Citizens	223,646	-	-	277,765	54,119	-
Airport	1,035,628	546,089	-	795,188	305,649	-
Library	440,602	-	-	-	(440,602)	-
Museum	240,399	-	-	-	(240,399)	-
Industrial Development and Recruiting	61,340	-	-	647,492	586,152	-
Interest Expense	2,963,435	-	-	-	(2,963,435)	-
Total Primary Governmental	<u>\$ 40,386,344</u>	<u>\$ 2,833,877</u>	<u>\$ 599,193</u>	<u>\$ 2,283,521</u>	<u>(34,669,753)</u>	<u>-</u>
Component Unit						
City Board of Education	<u>\$ 33,576,963</u>	<u>\$ 2,132,279</u>	<u>\$ 17,555,999</u>	<u>\$ 593,738</u>		<u>(13,294,947)</u>
General Revenues:						
Taxes:						
Property Taxes					4,903,083	3,968,534
Sales Tax					27,033,877	8,101,095
Alcohol Beverage Tax					855,126	184,676
Franchise					40,254	-
Motor Fuel					162,582	-
Shared Revenue and In Lieu of Revenues					616,865	-
Other					-	9,630
Licenses, Permits, and Other Revenues					2,037,130	-
Grants and Contributions not Restricted to Specific Programs					-	10,000
Gain on Disposition of Assets					(740,190)	-
Miscellaneous					17,857	539,912
Unrestricted Investment Earnings					1,325,130	659,792
Transfers From Component Unit					2,275,491	-
					<u>38,527,205</u>	<u>13,473,639</u>
Change in Net Position					3,857,452	178,692
Net Position - Beginning of Year (As Restated, See Note 18)					<u>75,603,100</u>	<u>5,402,830</u>
Net Position - End of Year					<u>\$ 79,460,552</u>	<u>\$ 5,581,522</u>

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

CITY OF GUNTERSVILLE, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General Fund	Ad valorem Tax 9 Mill	Gross Receipts Tax Fund	Debt Service Bond Issue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 1,513,580	\$ -	\$ -	\$ -	\$ -	\$ 1,513,580
Certificates of Deposit	15,862,953	-	-	-	930,318	16,793,271
Receivables:						
Tax and Tax Equivalents	3,237,350	2,360,928	503,032	-	-	6,101,310
Refuse Collection	95,732	-	-	-	-	95,732
Grants	580,857	-	-	-	223,185	804,042
Related Organizations	78,156	-	-	-	-	78,156
Other	292,501	-	-	-	-	292,501
Lease Receivable	1,376,151	-	-	-	-	1,376,151
Prepaid Expenses	536,929	-	-	-	-	536,929
Restricted Assets:						
Cash and Investments	5,552,858	-	-	3,042,973	1,491,774	10,087,605
TOTAL ASSETS	<u>\$ 29,127,067</u>	<u>\$ 2,360,928</u>	<u>\$ 503,032</u>	<u>\$ 3,042,973</u>	<u>2,645,277</u>	<u>\$ 37,679,277</u>
LIABILITIES						
Accounts Payable	\$ 1,455,046	\$ -	\$ -	\$ -	410,355	\$ 1,865,401
Due to Component Unit	14,277	2,360,928	503,032	-	-	2,878,237
Accrued Wage Liabilities	618,536	-	-	-	-	618,536
Other Liabilities	226,330	-	-	-	-	226,330
TOTAL LIABILITIES	<u>2,314,189</u>	<u>2,360,928</u>	<u>503,032</u>	<u>-</u>	<u>410,355</u>	<u>5,588,504</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Tax Revenue	1,407,000	-	-	-	-	1,407,000
Lease Related	1,291,119	-	-	-	-	1,291,119
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,698,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,698,119</u>
FUND BALANCES						
Nonspendable:						
Prepaid Expenses	536,929	-	-	-	-	536,929
Restricted:						
Capital Improvement	2,255,938	-	-	2,663,529	-	4,919,467
Public Safety	83,683	-	-	-	-	83,683
Fire Department	102,768	-	-	-	-	102,768
Highway and Street	-	-	-	-	1,491,774	1,491,774
Debt Service Funds	1,131,831	-	-	379,444	-	1,511,275
Other	374,661	-	-	-	743,148	1,117,809
Unassigned	19,628,949	-	-	-	-	19,628,949
TOTAL FUND BALANCES	<u>24,114,759</u>	<u>-</u>	<u>-</u>	<u>3,042,973</u>	<u>2,234,922</u>	<u>29,392,654</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF AND FUND BALANCES	<u>\$ 29,127,067</u>	<u>\$ 2,360,928</u>	<u>\$ 503,032</u>	<u>\$ 3,042,973</u>	<u>2,645,277</u>	<u>\$ 37,679,277</u>

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

CITY OF GUNTERSVILLE, ALABAMA

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

SEPTEMBER 30, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances for Governmental Funds	\$ 29,392,654
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Capital assets and other long term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	87,012,596
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Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.

Deferred Outflows - Pension Related	3,998,054
Deferred Inflows - Pension Related	<u>(2,119,827)</u>

Total Deferred Outflows and Inflows Related to Postemployment Benefits	1,878,227
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Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.	66,267,076
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Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.

General Obligation Bonds Payable	(88,329,675)
Notes Payable	(909,212)
Leases Payable	(738,779)
Compensated Absences	(1,363,997)
Retainages Payable	(199,097)
Accrued Interest Payable on Long-Term Debt	(522,836)
Net Pension Liability	<u>(9,844,887)</u>

Total Long-Term Liabilities	(101,908,483)
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Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Deferred Loss on Advance Refunding of Debt	45,085
Unamortized Debt Issuance Premium	<u>(3,226,603)</u>

Total Premiums and Deferred Items	<u>(3,181,518)</u>
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Net Position of Governmental Activities	<u>\$ 79,460,552</u>
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The accompanying Notes to the Financial Statements are an integral part of this financial statement.

CITY OF GUNTERSVILLE, ALABAMA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Ad valorem Tax 9 Mill	Gross Receipts Tax Fund	Debt Service Bond Issue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property Taxes and Payments in						
Lieu of Taxes	\$ 2,928,991	\$ 2,340,596	\$ -	\$ -	\$ -	\$ 5,269,587
Sales and Use	20,671,436	-	6,362,441	-	-	27,033,877
Franchise	40,254	-	-	-	-	40,254
Motor Fuel	162,582	-	-	-	-	162,582
Alcoholic Beverage	855,126	-	-	-	-	855,126
Licenses and Permits	1,472,902	-	-	-	-	1,472,902
Intergovernmental	2,175,763	-	-	-	942,719	3,118,482
Charges for Services	2,371,296	-	-	-	-	2,371,296
Fines	425,555	-	-	-	53,925	479,480
Donations and Fund Raising	5,074	-	-	-	-	5,074
Investment Earnings	1,281,456	-	-	14,057	29,617	1,325,130
Other Revenues	556,848	-	-	-	-	556,848
Total Revenues	32,947,283	2,340,596	6,362,441	14,057	1,026,261	42,690,638
EXPENDITURES						
General Government	4,177,610	2,340,596	6,292,441	-	-	12,810,647
Police Protection	5,287,831	-	-	-	-	5,287,831
City Court	494,182	-	-	-	-	494,182
Fire Protection	4,542,655	-	-	-	-	4,542,655
Maintenance	3,823,498	-	-	-	-	3,823,498
Health and Sanitation	1,600,792	-	-	-	-	1,600,792
Recreation	1,666,865	-	-	-	-	1,666,865
City Garage	240,695	-	-	-	-	240,695
Transportation	246,445	-	-	-	-	246,445
Recycling	614,185	-	-	-	-	614,185
Senior Citizens	197,976	-	-	-	-	197,976
Airport	525,863	-	-	-	-	525,863
Library	426,441	-	-	-	-	426,441
Museum	167,834	-	-	-	-	167,834
Industrial Development and Recruiting	61,458	-	-	-	-	61,458
Other	25,000	-	-	-	-	25,000
Debt Service:						
Principal	585,881	-	-	2,476,961	-	3,062,842
Interest	85,826	-	-	2,996,194	-	3,082,020
Issuance Costs and Fees	-	-	-	6,215	-	6,215
Capital Outlay	10,688,268	-	-	-	1,143,773	11,832,041
Total Expenditures	35,459,305	2,340,596	6,292,441	5,479,370	1,143,773	50,715,485
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,512,022)	-	70,000	(5,465,313)	(117,512)	(8,024,847)
OTHER FINANCING SOURCES (USES)						
Transfers In	9,664,602	-	-	478,766	-	10,143,368
Transfers Out	(2,699,793)	-	(70,000)	(7,493,494)	119,919	(10,143,368)
Proceeds-Disposal of Capital Assets	120,598	-	-	-	-	120,598
Insurance Recoveries	17,857	-	-	-	-	17,857
Transfers From Component Unit	-	-	-	3,222,911	-	3,222,911
Total Other Financing Sources (Uses)	7,103,264	-	(70,000)	(3,791,817)	119,919	3,361,366
Net Change in Fund Balances	4,591,242	-	-	(9,257,130)	2,407	(4,663,481)
Fund Balance - Beginning (As Restated, See Note 18)	19,523,517	-	-	12,300,103	2,232,515	34,056,135
Fund Balance - Ending	\$ 24,114,759	\$ -	\$ -	\$ 3,042,973	\$ 2,234,922	\$ 29,392,654

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

CITY OF GUNTERSVILLE, ALABAMA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Amounts reported for Governmental Activities in the Statement of Activities is different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (4,663,481)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	11,832,041	
Depreciation and Amortization Expense	<u>(3,533,032)</u>	8,299,009

The net effect of various miscellaneous transactions involving capital assets (i.e., sales or trade-ins) is to increase net position.

Gain on Sale of Assets	(860,788)
Economic Development Expense on Disposal	(1,168,264)

Bonds or other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Repayment of Principal of Debt	3,062,842	
Amount Receivable from Component Unit for Repayment of Bonds	<u>(947,420)</u>	2,115,422

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	389,647	
Changes in Pension Liabilities and Related Deferred Outflows and Inflows	(390,783)	
Accrued Interest on Long-Term Debt	10,116	
Retainage Payable	18,105	
Amortization of Deferred Loss on Advance Refunding of Debt	(14,053)	
Amortization of Unamortized Debt Issuance Premium	<u>122,522</u>	<u>135,554</u>

Change in Net Position of Governmental Activities	<u>\$ 3,857,452</u>
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The accompanying Notes to the Financial Statements are an integral part of this financial statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Guntersville, Alabama have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

Reporting Entity

The City of Guntersville, Alabama (the City) was incorporated under the laws of the State of Alabama in 1847. The City operates under an elected Mayor and Council form of government. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements.

As required by generally accepted accounting principles in the United States of America, these financial statements present the City (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statements, are separate organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. These factors were considered in evaluation of the following organizations:

Discretely Presented Component Unit:

The Guntersville City Board of Education

The Guntersville City Board of Education (the Board) is a discretely presented component unit of the City in a separate column in the basic financial statements to emphasize the fact that it is legally separate from the City. The Board has a September 30th year end.

The Board is responsible for elementary and secondary education within the government's jurisdiction. The members of the Board are appointed by the City Council. The City is obligated for debt of the Board. The Board is presented as a governmental fund type. Complete financial statements of the Board may be obtained at the administrative office of the Board.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: Fund financial statements are designed to present financial information of the City at a more detailed level. Financial transactions are recorded in individual funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The City of Guntersville currently has no proprietary or fiduciary funds to report.

The City reports the following 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.

9 Mill Ad Valorem Tax Fund. This fund accounts for receipts of the 9 mill property tax that is legally restricted for the Guntersville City Board of Education.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation(Continued)

Gross Receipts Tax Fund. The Gross Receipts Tax Fund accounts for receipts of the 1% sales tax and the 1/2% designated sales tax that is legally restricted for the Guntersville City Board of Education.

Debt Service Fund – Bond Issue Fund. The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, including general obligation debt, notes payable, lease obligations, principal, interest, and related costs.

The City reports the following governmental funds types in the “Nonmajor Funds” column:

Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. These primarily include gasoline tax funds and court-related funds for the City.

Capital Projects Fund – Airport. The capital projects fund accounts for capital related activities at the City’s Airport, generally funded through grants.

Measurement Focus, Basis of Accounting

Government-wide Financial Statements. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resources measurement focus. An economic resource focus concentrates on an entity or fund’s net position. All transactions and events that affect the total economic resources (net position) during the period are reported. Revenues are recorded when earned and expenses are recorded at the time a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus concentrates on the fund’s resources available for spending currently or in the near future. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the fiscal period. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures are recognized only when payment is due. Certain compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting (Continued)

Property taxes, sales and use taxes, alcoholic beverage taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other taxes and receipts become measurable when cash is received by the City and are recognized as revenue at that time. Shared revenues and entitlements are recorded at the time of receipt or earlier if the accrual criterion is met. Payments in lieu of taxes are revenues from other governmental entities paid in lieu of property taxes. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

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

In the government-wide financial statements, amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE

Deposits and Investments

The City's 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. State statutes authorized the City to invest in obligations of the U.S. Treasury, State of Alabama, Alabama counties, or the general obligations of Alabama municipalities. Investments for the City, as well as for its component units, are stated at fair market value.

Receivables and Payables

In the government-wide financial statements, receivables consist of all revenues earned but not received at year-end. Allowances for uncollectible accounts receivable are based upon historical trends. In the governmental fund financial statements, receivables are recorded when they are both measurable and available. All outstanding balances between funds are reported as "due to/from other funds". All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)

Receivables and Payables (Continued)

Millage rates for property taxes are levied at the first regular meeting of the Marshall County Commission in February of each year. Property taxes are levied on October 1 for the prior fiscal year beginning October 1, at which time a lien is attached. These taxes are due and payable October 1 and delinquent after December 31 each year after which a penalty and interest are required to be charged. The taxes are collected by the Marshall County revenue commissioner and remitted to the City. Amounts receivable are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Prepaid Items

Certain payments to vendors reflect costs that benefit future accounting periods and are recorded on the consumption basis. They are similarly reported in the government-wide and fund financial statements.

Restricted Assets

Certain proceeds of general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet and statement of net position because their specific use is limited by applicable warrant indentures. In addition, cash accounts and other assets restricted for specific purposes are classified as restricted assets on the balance sheet and statement of net position.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)****Capital Assets**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

It is the City's policy not to depreciate historical objects and museum exhibits that are held for public exhibition. These objects are maintained by the City at a reasonable level and, if sold, proceeds are used to purchase more historical objects for public display.

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

<u>Asset Class</u>	<u>Estimated Useful Lives Years</u>	<u>Capitalization Thresholds</u>
Infrastructure	10 - 60	\$ 100,000
Buildings	20 - 60	\$ 50,000
Building Improvements	5 - 40	\$ 50,000
Vehicles	5 - 20	\$ 15,000
Right-To-Use Leased Equipment	5 - 20	\$ 5,000
Machinery and Equipment	5 - 50	\$ 5,000

Prior to fiscal year 2003, the City did not maintain an adequate fixed asset listing with original cost information reflecting all capital assets owned by the City. With the implementation of GASB Statement No. 34, the City conducted a city-wide inventory of all capital assets owned. The City gathered all available original cost information and estimated the historical costs of the assets for which the original costs were unavailable. As a result, the asset balances as of October 1, 2002, were restated to reflect the results of this inventory valuation. The retroactive recording of general infrastructure assets was completed as of September 30, 2007.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)

Capital Assets (Continued)

Guntersville City Board of Education

Purchased or constructed capital assets of the Guntersville City Board of Education are reported at cost or estimated historical costs in the statement of net position. Donated assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

Depreciation of capital assets of the Board is recorded in the statement of activities on a straight-line basis over the estimated useful life of the asset. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and the estimated useful lives of capital assets reported in the government-wide statements are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives Years</u>	<u>Capitalization Thresholds</u>
Land Improvements - Exhaustible	20	\$ 50,000
Buildings	20 - 50	\$ 50,000
Building Improvements	7 - 30	\$ 50,000
Equipment	5 - 20	\$ 5,000
Right-To-Use Assets	5 - 20	\$ 5,000
Vehicles	8 - 10	\$ 5,000

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused annual and sick leave benefits. Employees may carry forward a maximum of 160 hours of unused annual leave into the next year. Any accumulated annual leave in excess of this amount at the end of the leave year is forfeited. Upon separation from City service, employees are paid for accrued annual leave in accordance with the City's personnel policies. Accumulated sick leave is not paid upon separation from City service.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)

Compensated Absences (Continued)

In the government-wide financial statements, which are prepared using the economic resources measurement focus, the City recognizes a liability for compensated absences for leave that is attributable to services already rendered, accumulates or is carried forward to future reporting periods, and is more likely than not to be used for time off or otherwise paid or settled. The liability is measured for accumulated annual leave expected to be used or paid, including annual leave payable upon separation, and includes applicable salary-related payments.

For accumulated sick leave, the City recognizes a liability only for the portion of earned and accumulated sick leave that is more likely than not to be used as paid time off or otherwise paid or settled. No liability is recognized for amounts that are not more likely than not to be used, paid, or settled under the City's policies and historical experience.

In the governmental fund financial statements, which are prepared using the current financial resources measurement focus, compensated absences are reported as expenditures and fund liabilities only for amounts that normally would be liquidated with expendable available financial resources. Matured compensated absences, including amounts payable as a result of employee resignations or retirements, are reported as liabilities of the governmental fund that will pay them.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable within one year are reported separately from bonds that are due subsequent to the next year.

Leases

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the government-wide financial statements. At the commencement of the lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)

Leases (Continued)

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

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

Lessor: The City is a lessor for real property. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements.

At the commencement of the lease, the City initially measures the lease receivable at the present value of receipts expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental earnings rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, and deferred amounts related to pension. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension relate differences between estimated and actual investment earnings, changes of actuarial assumptions, and other pension related changes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that qualify for reporting in this category. Unavailable property tax revenue and leases are reported in both the government-wide statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the City reports deferred amounts related to unamortized bond premiums and pension.

Equity Classifications

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Net Position – In the government-wide statements, equity is classified as net position, and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct, or improve those assets excluding unexpended bond proceeds, restricted or unrestricted. This category represents net investment in property, plant, equipment, and infrastructure.
2. Restricted net position – Represents assets restricted by requirements of revenue bonds, other externally imposed constraints, or by legislation, in excess of the related liabilities payable from restricted assets.
3. Unrestricted net position – All other net position that does not meet the definition of the above two components.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)

Equity Classifications (Continued)

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance – Generally, fund balance represents the difference between the assets and deferred outflows and the liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

In the governmental fund financial statements, the following classifications describe the relative strength of the spending constraints:

- **Nonspendable** — the portion of fund balance that cannot be spent either because it is in a nonspendable form or because it is legally or contractually required to be maintained intact.
- **Restricted** — the portion of fund balance constrained to be used for a specific purpose by external parties (such as grantors or bondholders), constitutional provision or enabling legislation.
- **Committed** — the portion of fund balance constrained for specific purposes by the formal action of the City Council through ordinance or resolution. The constraint may be removed or changed only through additional formal action of the City Council. The City had no amounts reported as committed at September 30, 2025.
- **Assigned** — the portion of fund balance set aside for planned or intended purposes. An intended use of any amount may be designated by the Mayor for a particular purpose but is not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council. The City had no amounts reported as Assigned at September 30, 2025.
- **Unassigned** — the portion of fund balance that does not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund.

Flow assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed, except in the case of grant monies which are used for their required purpose. For unrestricted amount of fund balance, it is the City's policy to use fund balances in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)

Pensions

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

Use of Estimates in the Preparation of Financial Statements

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

Budgets and Budgetary Accounting

Formal integration of budgets is used as a management control device during the year for the General Fund. The budget is adopted on the modified-cash basis of accounting. Since the financial statements are prepared on a basis consistent with generally accepted accounting principles (modified accrual), there may be some timing differences between the budgetary data and financial statement data; however, these would be immaterial. The Mayor and Council approve the budget. Unused appropriations for all of the annually budgeted funds lapse at the end of the year. For the year ended September 30, 2025, total budgeted inflows for the general fund were \$33,361,824, total budgeted outflows were \$41,028,889, and a net of \$7,855,000 of other financing sources and uses were budgeted. The City's Budget and Actual Schedule of Revenues, Expenditures, and Changes in Fund Balance of the General Fund is presented as Required Supplementary Information.

Deficit Fund Equity

At September 30, 2025, the Capital Projects Fund - Airport, a non-major fund, has a deficit fund balance of \$187,170. The reason for the deficit relates to accrual of liabilities related to grant contracts, including the City's matching portion. When amounts are paid transfers will be processed from the General Fund.

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS

As of September 30, 2025, the City's bank deposits were insured through the Federal Depository Insurance Corporation (FDIC) and by the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

At September 30, 2025, the carrying amounts of the City's deposits with six financial institutions were \$28,770,045.

At September 30, 2025, the City has \$29,345 of investments held by a trustee. The trust invests in a U.S. Treasury Money Market Mutual Fund, Federated U.S. Treasury Cash Reserves, which has a rating of AAAM and a weighted average maturity of 49 days or less. The market value of the investments held by the trustee is \$29,345 at September 30, 2025.

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

Credit Risk – State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Alabama counties, or the general obligations of Alabama municipalities.

Custodial Credit Risk – All of the City's entities direct investments in the U.S. Treasury obligations were held by bank trust departments as agents of the City entities and in the respective entities' names.

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 3 – CAPITAL ASSETS**City of Guntersville**

Information related to property, plant and equipment of the City for the year ended September 30, 2025 was as follows:

	Balance October 1, 2024	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2025
Governmental Activities:				
Land and Land Rights	\$ 6,784,352	\$ 48,950	\$ 1,168,264	\$ 5,665,038
Construction in Progress	25,613,785	9,479,459	23,179,706	11,913,538
Total Capital Assets, not Being Depreciated	32,398,137	9,528,409	24,347,970	17,578,576
Buildings	10,252,675	6,245,262	1,097,491	15,400,446
Improvements	8,521,139	16,344,354	321,296	24,544,197
Machinery and Equipment	8,312,312	772,401	814,063	8,270,650
Right-To-Use Leased Equipment	2,664,547	148,818	282,475	2,530,890
Vehicles	8,002,054	1,238,948	167,470	9,073,532
Infrastructure	38,664,546	924,542	317,999	39,271,089
Total Capital Assets Being Depreciated	76,417,273	25,674,325	3,000,794	99,090,804
Less Accumulated Depreciation for:				
Buildings	4,562,519	237,579	573,496	4,226,602
Improvements	1,825,367	630,625	252,672	2,203,320
Machinery and Equipment	4,248,673	813,536	701,410	4,360,799
Right-To-Use Leased Equipment	906,006	279,292	282,475	902,823
Vehicles	4,912,298	762,996	155,053	5,520,241
Infrastructure	11,808,895	809,004	174,900	12,442,999
	28,263,758	3,533,032	2,140,006	29,656,784
Total Capital Assets Being Depreciated - Net	48,153,515	22,141,293	860,788	69,434,020
Governmental Activities, Capital Assets - Net	\$ 80,551,652	\$ 31,669,702	\$ 25,208,758	\$ 87,012,596

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 3 – CAPITAL ASSETS (Continued)

City of Guntersville (Continued)

Depreciation/amortization expense was charged to the functions/programs of the primary government as follows:

Airport	\$	507,056
General Government		475,592
Recreation		726,027
Police Protection		487,050
Maintenance		491,128
Fire Protection		381,473
Health and Sanitation		162,076
Recycle		97,353
Transportation		54,607
Museum		96,018
Senior Citizens		25,662
Library		18,245
City Garage		10,386
Court		359
Total Depreciation Expense -		
Governmental Activities	\$	<u>3,533,032</u>

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 3 – CAPITAL ASSETS (Continued)**Guntersville City Board of Education**

Information related to property, plant and equipment of the Board for the year ended September 30, 2025 was as follows:

	Balance October 1, 2024	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2025
Governmental Activities:				
Land and Land Rights	\$ 479,465	\$ -	\$ -	\$ 479,465
Construction in Progress	61,197,956	11,257,665	118,884	72,336,737
Total Capital Assets, not Being Depreciated	61,677,421	11,257,665	118,884	72,816,202
Land Improvements - Exhaustible	3,602,158	582,574	211,877	3,972,855
Buildings	18,422,900	-	443,641	17,979,259
Building Improvements	16,697,501	106,815	1,138,465	15,665,851
Equipment and Furniture	2,608,902	112,182	-	2,721,084
Vehicles	2,214,290	90,401	123,662	2,181,029
Right-To-Use Assets	189,215	-	-	189,215
Total Capital Assets Being Depreciated	43,734,966	891,972	1,917,645	42,709,293
Less Accumulated Depreciation for:				
Land Improvements - Exhaustible	2,150,343	119,650	21,188	2,248,805
Buildings	9,486,279	302,539	529,280	9,259,538
Building Improvements	8,056,312	559,688	876,991	7,739,009
Equipment and Furniture	1,538,507	108,770	-	1,647,277
Vehicles	1,201,818	175,010	123,662	1,253,166
Right-To-Use Assets	122,990	18,922	-	141,912
	22,556,249	1,284,579	1,551,121	22,289,707
Total Capital Assets Being Depreciated - Net	21,178,717	(392,607)	366,524	20,419,586
Governmental Activities Capital Assets - Net	\$ 82,856,138	\$ 10,865,058	\$ 485,408	\$ 93,235,788

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 3 – CAPITAL ASSETS (Continued)

Guntersville City Board of Education (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional Services	\$	855,225
Instructional Support Services		32,401
Operation and Maintenance Services		165,802
Student Transportation Services		157,964
Food Services		36,508
General Administrative Services		33,004
Other Services		<u>3,675</u>
Total Depreciation Expense -		
Governmental Activities	\$	<u><u>1,284,579</u></u>

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

Balance Due To/From Component Unit

Balances due to Component Unit at September 30, 2025 consist of the following:

Liquor Tax	\$	14,277
Ad valorem Tax - 9		2,360,928
Mill Sales Tax		<u>503,032</u>
	\$	<u><u>2,878,237</u></u>

Transfers To/From Other Funds

Interfund transfers in (out) for the year ended September 30, 2025, are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	
Correctional Fund	General Fund	\$ 53,925
General Fund	Bond Issue Fund	2,595,949
Bond Issue Fund	General Fund	9,610,677
Gross Receipts Tax Fund	General Fund	70,000
General Fund	Capital Projects - Airport Fund	173,844

Transfers 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) move receipts restricted to debt services from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) 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.

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 5 – FUNDING AGREEMENTS

In September 2021, the City of Guntersville (the City) issued 2021-B General Obligation Warrants in the amount of \$47,240,000 to provide construction funds to the Guntersville City Board of Education (the Board) for school improvements, and issued 2021-C General Obligation Warrants in the amount of \$4,220,000 to provide funds for the Board to provide for the costs of retiring a financing agreement for certain energy savings measures, and to pay for the costs of issuing the debt. In February 2023, the City issued 2023 General Obligation Warrants in the amount of \$15,630,000 to provide construction funds to the Board for school improvements.

On the same dates and in conjunction with the debt issuances noted above, the City and the Board entered into funding agreements whereby the sales tax collected by the City which is designated for use by the Board will be retained by the City in a special debt service fund to provide for payment of the 2021-B, 2021-C, and 2023 debt issues. The payment requirements of the funding agreement mirror those of the payment requirements of the 2021-B, 2021-C, and 2023 debt issues. If the sales tax collections are not sufficient to fund the payment requirements of the 2021-B 2021-C, and 2023 debt issues, the Board must provide funds from its other sources to meet the debt obligations.

The funding agreement receivable at September 30, 2025, is \$66,267,076.

NOTE 6 – LEASES

Lease Receivable

In March 2017, the City real property to Ace Aeronautics, LLC. The lease is for thirty years, with two options to renew for ten years each. The City receives annual payments of \$29,646. The City recognized \$23,434 in lease revenue during the current fiscal year related to this lease.

In June 2022, the City purchased land from Ace Aeronautics, LLC and began leasing the land back to Ace Aeronautics, LLC. The lease is for thirty years, with two options to renew for ten years each. The City is due monthly payments of \$2,699. The City recognized \$62,204 in lease revenue during the current fiscal year related to this lease. As of September 30, 2025, the City's receivables for lease payments are \$1,376,151. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was \$1,291,119.

The City has two ground leases in which parcels of land for mixed-use, commercial development are leased for 30 and 40 years with options to renew for up to 40 and 80 years, respectively, for a nominal annual fee.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 6 – LEASES (Continued)

Lease Payable

Effective October 1, 2020, the City entered into a sixty-month agreement with four other stakeholders for the acquisition and use of infrastructure equipment used in emergency communications. An initial lease liability was recognized in the amount of \$344,901. The City is required to make three annual principal and interest payments of \$124,440, for the infrastructure portion of the agreement. The lease was paid in full during the fiscal year ended September 30, 2025. The lease had an interest rate of 2.65%. The City has ownership in the equipment. The equipment has a fifteen-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$159,473 and had accumulated amortization of \$79,740.

During December 2022, the City entered into a four-year lease agreement as lessee for the acquisition and use of equipment. An initial lease liability was recorded in the amount of \$402,525. As of September 30, 2025, the value of the lease liability was \$236,194. The City is required to make monthly principal and interest payments of \$6,599. The lease has an interest rate of 5.22%. In addition, the City has a purchase option for the equipment on the annual payment dates for the remaining balance of the lease liability or \$145,000 at the end of the lease term. The equipment has an estimated useful life of four years. The value of the right-to-use asset as of the end of the current year was \$125,788 and had accumulated amortization of \$276,737.

During October 2023, the City entered into a four-year lease agreement as lessee for the acquisition and use of a fire truck. An initial lease liability was recorded in the amount of \$753,574. As of September 30, 2025, the value of the lease liability was \$387,177. The City is required to make annual principal and interest payments of \$208,020. The lease has an interest rate of 4.93%. In addition, the City has the option to purchase the fire truck on the second and third annual payment dates for a termination value or \$1 at the end of the lease term. The fire truck has an estimated useful life of fifteen years. The value of the right-to-use asset as of the end of the current year was \$653,097 and had accumulated amortization of \$100,477.

During October 2024, the City entered into a four-year lease agreement as lessee for the acquisition and use of equipment. An initial lease liability was recorded in the amount of \$148,818, during year ended September 30, 2025. As of September 30, 2025, the value of the lease liability was \$115,408. The City is required to make annual principal and interest payments of \$44,152. The lease had an interest rate of 6.99%. The equipment has an estimated life of four years. The value of the right-to-use asset at the end of the current year was \$111,618 and had accumulated amortization of \$37,205.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 6 – LEASES (Continued)

Lease Payable (Continued)

The future minimum lease payments and the net present value of these minimum payments as of September 30, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 293,219	\$ 38,068	\$ 331,287
2027	404,381	18,880	423,261
2028	41,179	2,973	44,152
	<u>\$ 738,779</u>	<u>\$ 59,921</u>	<u>\$ 798,700</u>

NOTE 7 – LONG-TERM LIABILITIES

City of Guntersville

The City issues warrants and notes to provide funds for the acquisition and construction of major capital facilities and to purchase needed equipment. The general long-term debt of the City is comprised of the following at September 30, 2025.

On May 22, 2020, the City issued its General Obligation Warrants, Series 2020, for \$4,200,000 to construct improvements to its recreation facilities. As of September 30, 2021, the City had drawn down the remaining loan proceeds. The loan requires monthly installments of \$39,880 including interest at 2.65%. The final installment is due on May 1, 2031.

On January 12, 2021, the City issued 2021 General Obligation Warrants in the amount of \$5,240,000 with interest rates ranging from 0.37% to 1.28% per annum to advance refund a portion of the 2012 warrants. The 2021 issue matures on December 1, 2028. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2012 series bonds. The outstanding principal of the defeased bonds was \$3,195,000 as of September 30, 2025.

On September 29, 2021, the City issued 2021-B General Obligation Warrants in the amount of \$47,240,000 with interest rates ranging from 2% to 4% per annum to provide construction funds for school improvements and to pay for the costs of issuing the debt. The 2021-B issue matures on August 1, 2051. The City transferred the net proceeds of \$49,160,197 to the Guntersville City Board of Education in accordance with the Funding Agreement (see Note 5).

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 7 – LONG-TERM LIABILITIES (Continued)**City of Guntersville (Continued)**

On September 29, 2021, the City issued 2021-C General Obligation Warrants in the amount of \$4,220,000 with interest rates ranging from 0.37% to 2.21% per annum to provide funds for the Guntersville City Board of Education to provide for the costs of retiring a financing agreement for certain energy savings measures and to pay for the costs of issuing the debt. The 2021-C issue matures on August 1, 2034. The City transferred the net proceeds of \$4,133,872 to the Guntersville City Board of Education in accordance with the Funding Agreement (see Note 5).

On February 15, 2023, the City issued 2023 General Obligation Warrants in the amount of \$15,630,000 with interest rates ranging from 4.1% to 5% per annum to provide construction funds for school improvements and to pay for the costs of issuing the debt. The 2023 issue matures on August 1, 2052. The City transferred the net proceeds of \$15,997,450 to the Guntersville City Board of Education in accordance with the Funding Agreement (see Note 5).

On March 12, 2024, the City issued 2024 General Obligation Warrants in the amount of \$19,665,000 with interest rates ranging from 4% to 5% per annum to provide funds for costs of the design, acquisition, provision, equipping, installation, and construction of certain public capital improvements within the City and to pay for the costs of issuing the debt. The 2024 issue matures on February 1, 2054.

Changes in long-term debt obligations for the year ended September 30, 2025 are as follows:

	October 1, 2024	Additions	Reductions	September 30, 2025	Amounts Due Within One Year
General Obligation Warrants - 2021-A \$	4,115,000	\$ -	\$ 920,000	\$ 3,195,000	\$ 910,000
General Obligation Warrants - 2021-B	45,315,000	-	580,000	44,735,000	585,000
General Obligation Warrants - 2021-C	3,500,000	-	265,000	3,235,000	280,000
General Obligation Warrants - 2023	15,630,000	-	-	15,630,000	-
General Obligation Warrants - 2020	2,889,060	-	406,961	2,482,099	417,878
General Obligation Warrants - 2024	19,665,000	-	305,000	19,360,000	320,000
Notes Payable - Vehicles Financing	909,212	-	307,424	601,788	320,458
Total Bonds and Notes Payable	92,023,272	-	2,784,385	89,238,887	2,833,336
Leases	868,418	148,818	278,457	738,779	293,219
Compensated Absences	497,678	649,311	319,226	1,488,214	573,500
Net Pension Liability	10,794,531		949,644	9,844,887	-
Total Long-Term Liabilities	<u>\$ 104,183,899</u>	<u>\$ 798,129</u>	<u>\$ 4,331,712</u>	<u>\$ 101,310,767</u>	<u>\$ 3,700,055</u>

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 7 – LONG-TERM LIABILITIES (Continued)

City of Guntersville (Continued)

Debt service requirements on long-term debt at September 30, 2025 are as follows:

Year	Warrants and Notes Payable	
	Principal	Interest
2026	\$ 2,833,336	\$ 2,964,642
2027	2,787,770	2,892,340
2028	2,673,244	2,820,779
2029	2,242,416	2,765,334
2030	2,644,551	2,701,231
2031 - 2035	12,492,570	12,128,862
2036 - 2040	14,640,000	9,707,295
2041 - 2045	17,370,000	6,974,879
2046 - 2050	20,260,000	4,082,439
2051 - 2055	11,295,000	766,020
	<u>\$ 89,238,887</u>	<u>\$ 47,803,821</u>

Guntersville City Board of Education

The Board issues warrants and notes to provide funds for the acquisition and construction of major capital facilities and to purchase needed equipment.

On May 28, 2014, the Alabama Public School and College Authority, on behalf of the various Board of Education in the pool, issued \$80,065,000 in Capital Improvement Pool Refunding Bonds, Series 2014-A (“Series 2014-A”). The proceeds are to be used to refund the 2005-A bonds.

Proceeds of the Public-School Fund allocation in the amount \$510,174 were received by the Board during the fiscal year ended. Pledged funds in the amount of \$149,832 were used to pay interest on the bonds during the fiscal year ended September 30, 2025. The Capital Improvement Pool Refunding Bonds, Series 2014-A (“Series 2014-A”), will mature in the fiscal year 2025.

During the year ended September 30, 2013, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Outlay Pool Warrant Series 2013, in anticipation of their Public-School Fund allocations, which are received from the Alabama Department of Education. The proceeds were used to finance the renovation of existing school facilities and/or construction of new school facilities of the Board. The Capital Outlay Pool Warrant Series 2013 will mature in the fiscal year 2025.

(Continued)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Guntersville City Board of Education (Continued)

On October 23, 2020, the Public School and College Authority issued Taxable Capital Improvement Pool Refunding Bonds, Series 2020-C (Social Bonds) to provide for the advances refunding and retiring the Refunded Pool Bonds and for the costs of issuing the 2020-C bonds. The Board pledged to repay the warrants from proceeds of local revenues and PSF capital purchase funds. The Series 2020-C Taxable Capital Improvement Pool Refunding Bonds will mature in fiscal year 2034 and pay interest from 0.34% to 2.24% per annum.

During the year ended September 30, 2021, the Board entered into an agreement with the City of Guntersville to borrow funds in the amount of \$47,240,000 under the General Obligation Warrants Series 2021-B for acquiring and constructing certain school improvements. The Series 2021-B Warrants will mature in fiscal year 2051 and pay interest from 2.00% to 3.00% per annum.

During the year ended September 30, 2021, the Board entered into an agreement with the City of Guntersville to borrow funds in the amount of \$4,230,000 under the General Obligation Warrants Series 2021-C for refunding the note payable to First Security Finance, Inc. dated July 31, 2018 regarding a Bundled Energy Solutions Project Agreement between the Board and AMB Building Solutions, LLC with respect to the acquisition, installation and construction of certain energy savings measures and equipment and facilities at buildings and property of the Board and to pay for the costs of issuing the Series 2021-C Warrants. The Series 2021-C Warrants will mature in fiscal year 2034 and pay interest from 0.42% to 2.21% per annum.

During the year ended September 30, 2025, the Board entered into an agreement with the City of Guntersville to borrow funds in the amount of \$15,630,000 under the General Obligation Warrants Series 2023 to provide for the costs of public school improvements and to pay for the costs of issuing the Series 2023 Warrants. The Series 2023 Warrants will mature in fiscal year 2052 and pay interest from 4.00% to 5.00% per annum.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 7 – LONG-TERM LIABILITIES (Continued)**Guntersville City Board of Education (Continued)**

Changes in long-term debt obligations for the year ended September 30, 2025 are as follows:

	October 1, 2024	Additions	Reductions	September 30, 2025	Amounts Due Within One Year
Governmental Activities:					
Capital Improvement Pool					
Bonds: Series 2014-A	\$ 146,100	\$ -	\$ 146,100	\$ -	\$ -
Capital Outlay Pool					
Bonds: Series 2013	23,769	-	23,769	-	-
Capital Improvement Pool					
Bonds: Series 2020-C	230,660	-	4,066	226,594	27,094
Amortization of Bond Premiums	2,775,739	473,924	117,672	3,131,991	124,044
General Obligation Warrants -					
Primary Government - 2021-B	45,315,000	-	580,000	44,735,000	585,000
General Obligation Warrants -					
Primary Government - 2021-C	3,500,000	-	265,000	3,235,000	280,000
General Obligation Warrants -					
Primary Government - 2023	15,630,000	-	-	15,630,000	-
General Obligation Warrants -					
Primary Government - 2025	-	15,870,000	-	15,870,000	85,000
Total Bonds and Notes Payable	67,621,268	16,343,924	1,136,607	82,828,585	1,101,138
Leases-Buses	130,831	-	130,831	-	-
Net Pension Liability	24,694,000	-	4,595,000	20,099,000	-
Net OPEB Liability	3,185,937	11,844,247	-	15,030,184	-
	<u>\$ 95,632,036</u>	<u>\$ 28,188,171</u>	<u>\$ 5,862,438</u>	<u>\$ 117,957,769</u>	<u>\$ 1,101,138</u>

Debt service requirements on long-term debt obligations of the Board at September 30, 2025 are as follows:

Fiscal Years Ending September 30	Governmental Activities		
	Bond/ Warrants Payables		Totals
	Principal	Interest	
2026	\$ 977,094	\$ 2,733,025	\$ 3,710,119
2027	1,007,417	2,703,421	3,710,838
2028	1,037,778	2,672,412	3,710,190
2029	1,058,234	2,651,996	3,710,230
2030	1,913,101	2,619,020	4,532,121
2031 - 2035	10,532,970	12,050,709	22,583,679
2036 - 2040	16,920,000	9,606,675	26,526,675
2041 - 2045	20,365,000	6,155,213	26,520,213
2046 - 2050	18,880,000	2,836,079	21,716,079
2051 - 2052	7,005,000	396,210	7,401,210
	<u>\$ 79,696,594</u>	<u>\$ 44,424,760</u>	<u>\$ 124,121,354</u>

NOTE 8 – TAX ABATEMENTS

The City has provided property tax abatements to certain entities for economic development purposes pursuant to the provisions of Amendment No. 772 of the Constitution of Alabama (1901) (Section 94.01(a)(3)) of the Recompiled Constitution of Alabama. Property taxes are abated by applying a reduced millage rate to the assessed value of the abated property to determine the adjusted property tax due. The City abates non-education ad valorem taxes. The recipients of the tax abatements agree to take various actions, including establishing or expanding and operating an industrial enterprise, installing and operating various machinery and equipment, and creating jobs. The City's property tax revenues were reduced by \$28,989 during the reporting period as a result of these agreements.

NOTE 9 – PENSION PLAN

The City contributes to the Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, which acts as a common investment and administrative agent for the various state agencies and departments.

General Information About the Pension Plan

Plan Description

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

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.

(Continued)

NOTE 9 - PENSION PLAN (Continued)

Plan Description (Continued)

- 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*.

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 formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 9 - PENSION PLAN (Continued)

Benefits Provided (Continued)

Act 351 of the Legislature of 2022 provides that any Tier 2 member who withdraw from service after the completion of at least 30 years of service is entitled to an annual retirement benefit.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 618 employers adopted Act 2019-132 as of September 30, 2024.

Act 2019-132 was amended by Act 348 of the Legislature of 2022. Act 2022-348 amended Act 2019-132 by removing the date limitation for any local participating employer to submit its resolution electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members. Act 2022-348 also amended Act 2019-132 by removing the date limitation for a local participating employer to petition the ERS Board of Control for a reconsideration if the ERS Board of Control denied its election to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members.

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

The ERS serves approximately 890 local participating employers. The ERS membership includes approximately 117,309 participants. As of September 30, 2024, 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
	117,309

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 9 - PENSION PLAN (Continued)

Contributions

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

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2025, the City's active employee contribution rates of covered employee payroll was 5%/6% of covered employee payroll for Tier 1 employees (7.5%/8.5% for regular Tier 2 employees), and the City's average contribution rate to fund the normal and accrued liability costs was 3.87% and 6.70% of pensionable payroll for Tier 1 employees (1.86% and 6.70%, respectively, for Tier 2 employees).

The City's contractually required contribution rate for the year ended September 30, 2025, was 10.94% of pensionable pay for Tier 1 employees, and 8.93% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2022, 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 \$1,014,084 for the year ended September 30, 2025.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 9 - PENSION PLAN (Continued)**Net Pension Liability**

The City's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023, rolled forward to September 30, 2024, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual Before Plan Changes</u>	<u>Actual After Plan Changes</u>
(a) Total Pension Liability as of September 30, 2023	\$ 36,054,330	\$ 38,177,230	\$ 38,177,230
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for October 1, 2023 - September 30, 2024	989,742	989,742	989,742
(d) Transfers Among Employers	-	(51,217)	(51,217)
(e) Actual Benefit Payments and Refund for October 1, 2023 - September 30, 2024	<u>(1,802,186)</u>	<u>(1,802,186)</u>	<u>(1,802,186)</u>
(f) Total Pension Liability as of September 30, 2024 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$ 37,860,802</u>	<u>\$ 40,090,641</u>	<u>40,090,641</u>
(g) Difference between Expected and Actual:		\$ 2,229,839	
(h) Less Liability Transferred for Immediate Recognition:		\$ (51,217)	
(i) Difference between Actual - Experience (Gain)/Loss		\$ 2,281,056	
(j) Difference between Actual TPL Before and and After Plan Changes - Benefit Change (Gain)/Loss			\$ -

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% For State and Local Employees and 4.00% - 7.75% for State Police, including inflation
Investment Rate of Return*	7.45%, including inflation

*Net of pension plan investment expense.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 9 - PENSION PLAN (Continued)**Actuarial Assumptions (Continued)**

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

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

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

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

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 9 - PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15%	2.80%
US Large Stocks	32%	8.00%
US Mid Stocks	9%	10.00%
US Small Stocks	4%	11.00%
Int'l Developed Mkt Stocks	12%	9.50%
Int'l Emerging Mkt Stocks	3%	11.00%
Alternatives	10%	9.00%
Real Estate	10%	6.50%
Cash	5%	1.50%
Total	100%	

*Includes assumed rate of inflation of 2.00%

Discount Rate

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

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 9 - PENSION PLAN (Continued)**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2023	\$ 36,054,330	\$ 25,259,799	\$ 10,794,531
Changes for the year:			
Service Cost	989,742	-	989,742
Interest	2,618,916	-	2,618,916
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Difference between expected and actual experience	2,281,056	-	2,281,056
Contributions - employer	-	856,792	(856,792)
Contributions - employee	-	681,546	(681,546)
Net Investment Income	-	5,301,020	(5,301,020)
Benefit payments, including refunds of employee contributions	(1,802,186)	(1,802,186)	-
Administrative Expense	-	-	-
Transfer Among Employers	(51,217)	(51,217)	-
Net Changes	4,036,311	4,985,955	(949,644)
Balances at September 30, 2024	\$ 40,090,641	\$ 30,245,754	\$ 9,844,887

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
City's Net Pension Liability	\$ 14,920,034	\$ 9,844,887	\$ 5,613,926

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 9 - PENSION PLAN (Continued)**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2024. 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/>.

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 \$1,368,515. 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	\$ 2,542,872	\$ 115,544
Changes of assumptions	441,098	-
Net difference between projected and actual earnings on plan investments	-	2,004,283
Employer contributions subsequent to Measurement Date	1,014,084	-
Total	<u>\$ 3,998,054</u>	<u>\$ 2,119,827</u>

The \$1,014,084 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other 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:

2025	\$ 183,853
2026	864,426
2027	(325,165)
2028	(206,926)
2029	347,956
Thereafter	-

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 9 - PENSION PLAN (Continued)

Guntersville City Board of Education

The Board of Education provides pension benefits through the Teachers' Retirement System of Alabama (TRS). At September 30, 2025, the Board of Education reported a liability of \$20,099,000 for its proportionate share of the collective net pension liability; \$4,421,470 for Deferred Outflows of Resources; and \$1,001,000 of Deferred Inflows of Resources.

In addition to pension benefits, the Board of Education provides post-retirement health care benefits through the Public Education Employees' Health Insurance Plan (PEEHIP). At September 30, 2025, the Board of Education reported a liability of \$15,030,184 for its proportionate share of the net OPEB liability; \$13,450,026 for Deferred Outflows of Resources; and \$6,929,607 of Deferred Inflows of Resources.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from the past three fiscal years have not exceeded commercial insurance coverage.

NOTE 11 – GRANTS AND AWARDS

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 13 – RELATED ORGANIZATIONS

The City's officials are responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council appoints the board members of the Guntersville Water and Sewer Board, Guntersville Electric Board, Guntersville Housing Authority, Guntersville Industrial Development Board, and the Public Building Authority of the City of Guntersville.

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 14 – RELATED PARTY TRANSACTIONS

The Mayor of the City of Guntersville serves as a board member of the Marshall County Gas District. During the year ended September 30, 2025, the City received \$453,120 in distributions from the Marshall County Gas District.

NOTE 15 – JOINT VENTURES

In 1997, the City entered into a joint venture with the City of Albertville, Alabama to form the Albertville and Guntersville Metropolitan Solid Waste Authority (the Authority) to provide for and allow the orderly collection and disposal of solid waste and have the right to enter into contracts for the disposal of Albertville's and Guntersville's solid waste. The Authority is comprised of a five-member Board of Directors. Two of the members are appointed by the Mayor of Guntersville and two are appointed by the Mayor of Albertville. The Mayor of Guntersville serves as Chairperson. The City does not maintain an ongoing equity interest in the Authority. However, the City pays the Authority for operating expenses for its pro-rata share of solid waste disposed. During 2025, the City paid the Authority \$344,929 related to these operating costs. Separate financial statements for the Authority are available at 341 Gunter Avenue, Guntersville, Alabama 35976.

NOTE 16 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. It includes a redesign of Management's Discussion and Analysis (MD&A), defines unusual and infrequent items, provides for changes to presentation in proprietary fund types and changes in budgetary comparisons. The Statement is effective for periods beginning after June 15, 2025. The City is evaluating the impact of this statement related to presentation in the financial statements for subsequent periods.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain capital assets, including lease assets, intangible right-to-use assets, subscription assets, other intangible assets, and capital assets held for sale, to be separately disclosed in the capital assets note disclosures. The Statement is effective for periods beginning after June 15, 2025. The City is evaluating the impact of this statement related to presentation in the financial statements for subsequent periods.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to establish accounting and financial reporting requirements for subsequent events, including the subsequent events time frame and related note disclosure requirements. The Statement is effective for periods beginning after June 15, 2026. The City is evaluating the impact of this statement related to presentation in the financial statements for subsequent periods.

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 17 – SUBSEQUENT EVENTS

The City evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. The City evaluated subsequent events through September 8, 2026, which is the date the financial statements were available to be issued. There have been no material subsequent events through this date.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE / PRIOR PERIOD ADJUSTMENT

During the fiscal year ended September 30, 2025, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB 101 establishes recognition and measurement guidance for compensated absences, including vacation, sick leave, and similar benefits, and clarifies when liabilities for such benefits should be recognized.

The adoption of GASB 101 resulted in the recognition of additional liabilities for compensated absences that were previously unrecorded, based on the updated measurement criteria prescribed by the new standard. As a result, beginning net position as of October 1, 2024, has been restated to reflect the cumulative effect of this change in accounting principle.

The effect of this prior period adjustment is summarized as follows:

	<u>Governmental Funds</u>	<u>General Fund</u>
Net Position or Fund Balance - September 30, 2024, As Originally Stated	\$ 76,982,283	\$ 19,577,017
Adjustment to Record Additional Compensated Absences Liability	<u>(1,379,183)</u>	<u>(53,500)</u>
Net Position or Fund Balance - September 30, 2024, As Restated	<u>\$ 75,603,100</u>	<u>\$ 19,523,517</u>

Management has evaluated the impact of the implementation and determined that the adjustment is limited to the recognition of compensated absences in accordance with GASB 101.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF NET POSITION LIABILITY

SEPTEMBER 30, 2025

Actuarial Valuation as of September 30	Total Pension Liability	Plan Net Position	Net Pension (Asset) Liability	Plan Net Position as a % of Total Pension Liability	Covered Employee Payroll	Net Pension Liability as a % of Covered Employee Payroll
2015	\$ 21,732,485	\$ 15,912,596	\$ 5,819,889	73.22%	\$ 7,005,375	83.08%
2016	\$ 23,729,182	\$ 17,473,469	\$ 6,255,713	73.64%	\$ 6,735,818	92.87%
2017	\$ 25,564,897	\$ 19,392,875	\$ 6,172,022	75.86%	\$ 7,038,590	87.69%
2018	\$ 26,905,232	\$ 20,757,728	\$ 6,147,504	77.15%	\$ 6,989,496	87.95%
2019	\$ 28,008,266	\$ 20,890,696	\$ 7,117,570	74.59%	\$ 7,309,276	97.38%
2020	\$ 26,564,016	\$ 21,721,309	\$ 4,842,707	81.77%	\$ 7,727,107	62.67%
2021	\$ 29,179,891	\$ 26,276,231	\$ 2,903,660	90.05%	\$ 8,142,259	35.66%
2022	\$ 31,211,985	\$ 22,581,904	\$ 8,630,081	72.35%	\$ 9,267,367	93.12%
2023	\$ 33,422,708	\$ 25,259,799	\$ 8,162,909	75.58%	\$ 9,737,302	83.83%
2024	\$ 37,459,019	\$ 30,245,754	\$ 7,213,265	80.74%	\$ 9,737,302	74.08%

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

SEPTEMBER 30, 2025

Last Ten (10) Fiscal Years Ending September 30										
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 989,742	\$ 857,427	818,962	\$ 684,237	\$ 14,794	\$ 619,583	\$ 593,475	\$ 620,423	\$ 575,960	\$ 570,832
Interest	2,618,916	2,459,563	2,307,982	2,193,680	73,104	2,019,739	1,923,459	1,791,961	1,695,800	1,653,287
Changes of Benefit Terms	-	-	22,568	-	309,536	-	-	-	-	-
Differences Between										
Expected and Actual Experience	2,281,056	546,546	565,056	(75,156)	(367,498)	(124,847)	42,469	640,167	(229,103)	(627,525)
Changes of Assumptions	-	-	-	1,243,099	-	-	146,790	-	1,030,813	-
Benefit Payments, Including										
Refunds of Employee Contributions	(1,802,186)	(1,658,688)	(1,663,791)	(1,412,576)	(1,360,308)	(1,349,702)	(1,492,155)	(1,214,199)	(1,069,969)	(1,060,382)
Transfers Among Employers	(51,217)	5,875	(18,683)	(17,409)	(113,878)	(61,739)	126,297	(2,637)	(6,804)	-
Net Change in Total Pension Liability	4,036,311	2,210,723	2,032,094	2,615,875	(1,444,250)	1,103,034	1,340,335	1,835,715	1,996,697	536,212
Total Pension Liability - Beginning	33,422,708	31,211,985	29,179,891	26,564,016	28,008,266	26,905,232	25,564,897	23,729,182	21,732,485	21,196,273
Total Pension Liability - Ending	<u>\$ 37,459,019</u>	<u>33,422,708</u>	<u>\$ 31,211,985</u>	<u>\$ 29,179,891</u>	<u>\$ 26,564,016</u>	<u>\$ 28,008,266</u>	<u>\$ 26,905,232</u>	<u>\$ 25,564,897</u>	<u>\$ 23,729,182</u>	<u>\$ 21,732,485</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 856,792	\$ 807,526	789,782	\$ 693,620	\$ 670,165	\$ 594,781	\$ 552,725	\$ 532,349	\$ 598,098	\$ 547,787
Contributions - Employee	681,546	606,972	536,008	494,579	450,968	421,681	402,243	385,707	421,880	361,027
Net Investment Income	5,301,020	2,916,210	(3,337,643)	4,796,708	1,183,666	527,947	1,775,743	2,218,186	1,617,668	187,798
Benefit Payments, Including										
Refunds of Employee Contributions	(1,802,186)	(1,658,688)	(1,663,791)	(1,412,576)	(1,360,308)	(1,349,702)	(1,492,155)	(1,214,199)	(1,069,969)	(1,060,382)
Administrative Expense	-	-	-	-	-	-	-	-	-	-
Transfers Among Employers	(51,217)	5,875	(18,683)	(17,409)	(113,878)	(61,739)	126,297	(2,637)	(6,804)	(57,929)
Net Change in Plan Fiduciary Net Position	4,985,955	2,677,895	(3,694,327)	4,554,922	830,613	132,968	1,364,853	1,919,406	1,560,873	(21,699)
Plan Fiduciary Net Position - Beginning	25,259,799	22,581,904	26,276,231	21,721,309	20,890,696	20,757,728	19,392,875	17,473,469	15,912,596	15,934,295
Plan Fiduciary Net Position - Ending	<u>\$ 30,245,754</u>	<u>\$ 25,259,799</u>	<u>\$ 22,581,904</u>	<u>\$ 26,276,231</u>	<u>\$ 21,721,309</u>	<u>\$ 20,890,696</u>	<u>\$ 20,757,728</u>	<u>\$ 19,392,875</u>	<u>\$ 17,473,469</u>	<u>\$ 15,912,596</u>
City's Net Pension Liability - Ending	<u>\$ 7,213,265</u>	<u>\$ 8,162,909</u>	<u>\$ 8,630,081</u>	<u>\$ 2,903,660</u>	<u>\$ 4,842,707</u>	<u>\$ 7,117,570</u>	<u>\$ 6,147,504</u>	<u>\$ 6,172,022</u>	<u>\$ 6,255,713</u>	<u>\$ 5,819,889</u>
Plan Fiduciary Net Position as a										
Percentage of the Total Pension Liability	80.74%	75.58%	72.35%	90.05%	81.77%	74.59%	77.15%	75.86%	73.64%	73.22%
Covered-Employee Payroll *	\$ 9,737,302	\$ 9,267,367	8,142,259	\$ 7,727,107	7,309,276	\$ 6,989,496	\$ 7,038,590	\$ 6,735,818	\$ 7,005,375	\$ 6,485,135
City's Net Pension Liability as a										
Percentage of Covered-Employee Payroll	74.08%	88.08%	105.99%	37.58%	66.25%	101.83%	87.34%	91.63%	89.30%	89.74%

*Employer's covered payroll during the measurement period is the total covered payroll. The measurement period is October 1, 2023 - September 30, 2024.

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2025

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Last Ten (10) Fiscal Years Ending September 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution *	\$ 1,014,084	856,792	807,526	789,782	\$ 693,620	\$ 670,165	\$ 594,781	\$ 552,725	\$ 532,349	\$ 598,098
Contributions in Relation to the Actuarially Determined Contribution *	1,014,084	856,792	807,526	789,782	693,620	670,165	594,781	552,725	532,349	598,098
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll **	\$ 10,195,785	9,737,302	\$ 9,267,367	\$ 8,142,259	\$ 7,727,107	\$ 7,309,276	\$ 6,989,496	\$ 7,038,590	\$ 6,735,818	\$ 7,005,375
Contributions as a Percentage of Covered Employee Payroll	9.95%	8.80%	8.71%	9.70%	8.98%	9.17%	8.51%	7.85%	7.90%	8.54%

Notes to Schedule:

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

Contributions for fiscal year 2025 were based on the September 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	25.2 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

CITY OF GUNTERSVILLE, ALABAMA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Actual	Original and Final Budget	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 24,658,389	\$ 24,571,674	\$ 86,715
Licenses	1,472,902	1,511,560	(38,658)
Intergovernmental	2,175,763	3,834,533	(1,658,770)
Charges for Services	2,371,296	2,359,057	12,239
Fines	425,555	368,000	57,555
Donations and Fund Raising	5,074	5,000	74
Investment Earnings	1,281,456	500,000	781,456
Other Revenues	556,848	212,000	344,848
	<u>32,947,283</u>	<u>33,361,824</u>	<u>(414,541)</u>
EXPENDITURES			
General Government	4,177,610	3,996,919	(180,691)
Police Protection	5,287,831	5,280,987	(6,844)
City Court	494,182	531,485	37,303
Fire Protection	4,542,655	4,344,566	(198,089)
Maintenance	3,823,498	4,302,567	479,069
Health and Sanitation	1,600,792	1,385,620	(215,172)
Recreation	1,666,865	1,745,438	78,573
City Garage	240,695	262,789	22,094
Transportation	246,445	257,602	11,157
Recycling	614,185	641,111	26,926
Senior Citizens	197,976	186,705	(11,271)
Airport	525,863	623,402	97,539
Library	426,441	442,679	16,238
Museum	167,834	147,903	(19,931)
Industrial Development and Recruiting	61,458	183,700	122,242
Other	25,000	36,000	11,000
Debt Service	671,707	685,000	13,293
Capital Outlay	10,688,268	15,974,416	5,286,148
	<u>35,459,305</u>	<u>41,028,889</u>	<u>5,569,584</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,512,022)</u>	<u>(7,667,065)</u>	<u>5,155,043</u>
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	9,664,602	2,195,000	7,469,602
Transfers To Other Funds	(2,699,793)	(5,020,000)	2,320,207
Proceeds From Issuance of Debt	-	10,555,000	(10,555,000)
Proceeds-Sale of Capital Assets	120,598	100,000	20,598
Insurance Recoveries	17,857	25,000	(7,143)
Component Unit	-	-	-
	<u>7,103,264</u>	<u>7,855,000</u>	<u>(751,736)</u>
Change in Fund Balance	4,591,242	<u>\$ 187,935</u>	<u>\$ 4,403,307</u>
FUND BALANCE - Beginning (As Restated, See Note 18)	<u>19,523,517</u>		
FUND BALANCE - Ending	<u>\$ 24,114,759</u>		

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

An annual budget is prepared for the City's governmental funds, and adopted on the modified-cash basis. All annual appropriations lapse at the fiscal year end. The City is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Council. There were no budgetary amendments during the year.

The entity's budget is adopted for the general operating fund only. Assigned funds which are maintained separately for internal purposes but do not meet the criteria for separate reporting in the financial statements have been included as part of the general fund on the statement of revenues, expenditures, and changes in fund balances, but not included in the schedule of revenues, expenditures, and changes in fund balances - budget and actual.

COMBINING FUND STATEMENTS

CITY OF GUNTERSVILLE, ALABAMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	4 & 5 Cent Gasoline Tax Fund	7 Cent Gasoline Tax Fund	Rebuild Alabama Gas Tax Fund	Correctional Fund	Total	Airport	
<u>ASSETS</u>							
Restricted Cash	\$ 273,520	\$ 835,720	\$ 382,534	\$ -	\$ 1,491,774	\$ -	\$ 1,491,774
Certificates of Deposit	-	-	-	930,318	930,318	-	930,318
Grants	-	-	-	-	-	223,185	223,185
TOTAL ASSETS	<u>\$ 273,520</u>	<u>\$ 835,720</u>	<u>\$ 382,534</u>	<u>\$ 930,318</u>	<u>\$ 2,422,092</u>	<u>\$ 223,185</u>	<u>\$ 2,645,277</u>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,355	\$ 410,355
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,355</u>	<u>410,355</u>
<u>FUND BALANCES</u>							
Restricted - Highway and Street	273,520	835,720	382,534	-	1,491,774	-	1,491,774
Restricted - Corrections	-	-	-	930,318	930,318	-	930,318
Restricted - Airport	-	-	-	-	-	(187,170)	(187,170)
TOTAL FUND BALANCES	<u>273,520</u>	<u>835,720</u>	<u>382,534</u>	<u>930,318</u>	<u>2,422,092</u>	<u>(187,170)</u>	<u>2,234,922</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 273,520</u>	<u>\$ 835,720</u>	<u>\$ 382,534</u>	<u>\$ 930,318</u>	<u>\$ 2,422,092</u>	<u>\$ 223,185</u>	<u>\$ 2,645,277</u>

CITY OF GUNTERSVILLE, ALABAMA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	4 & 5 Cent Gasoline Tax Fund	7 Cent Gasoline Tax Fund	Rebuild Alabama Gas Tax Fund	Correctional Fund	Total	Airport	
REVENUES							
Intergovernmental							
Gasoline Taxes	\$ 26,783	\$ 29,210	\$ -	\$ -	\$ 55,993	\$ -	\$ 55,993
Petroleum Inspection Fees	-	4,678	-	-	4,678	-	4,678
Federal & State Grants	-	-	-	-	-	795,188	795,188
State Appropriation - Rebuild Alabama	-	-	86,860	-	86,860	-	86,860
Fines	-	-	-	53,925	53,925	-	53,925
Investment Earnings	780	2,454	2,011	24,372	29,617	-	29,617
Total Revenues	27,563	36,342	88,871	78,297	231,073	795,188	1,026,261
EXPENDITURES							
Capital Outlay - Airport	-	-	-	-	-	1,143,773	1,143,773
Total Expenditures	-	-	-	-	-	1,143,773	1,143,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,563	36,342	88,871	78,297	231,073	(348,585)	(117,512)
OTHER FINANCING SOURCES (USES)							
Transfers (To) From Other Funds	-	-	-	(53,925)	(53,925)	173,844	119,919
Total Other Financing Sources (Uses)	-	-	-	(53,925)	(53,925)	173,844	119,919
Net Change in Fund Balances	27,563	36,342	88,871	24,372	177,148	(174,741)	2,407
FUND BALANCES - Beginning	245,957	799,378	293,663	905,946	2,244,944	(12,429)	2,232,515
FUND BALANCES - Ending	\$ 273,520	\$ 835,720	\$ 382,534	\$ 930,318	\$ 2,422,092	\$ (187,170)	\$ 2,234,922

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Passed Through the Alabama Department of Transportation:			
Airport Improvement Program	20.106	03-01-0038-024-2020 03-01-0038-031-2024	\$ 446,452
Highway Planning and Construction	20.205	TAPAA-TA19(907)	434,319
Formula Grants for Rural Areas and Tribal Transit Program	20.509	20215008 20212008, 20194016 20214008, 20196016	222,553
COVID-19 - Rural Areas and Tribal Transit Program	20.509	20206007, 20204007	7,115
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	20173010	50,314
Transit Services Programs Cluster: Enhanced Mobility of Seniors And Individuals with Disabilities	20.513	20233002	7,145
Total U.S. Department of Transportation			<u>1,167,898</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Alabama Department of Economic and Community Affairs:			
Community Development Block Grants/State's Program and Non-Entitlement Grants	14.228	LR-CE-PF-23-017	312,013
			<u>1,479,911</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,479,911</u>

CITY OF GUNTERSVILLE, ALABAMA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of the City of Guntersville, Alabama. The City receives federal awards both directly from federal agencies and indirectly through pass-through entities. Federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The information in this 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). Because the Schedule presents only a selected 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.

MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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. The City has not elected to use the 15% de minimis indirect cost rate as allowed in the Uniform Guidance.

GENERAL INFORMATION

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF AD VALOREM RATES

SEPTEMBER 30, 2025

	<u>Mills</u>	
City of Guntersville Tax	15.00	*
Guntersville School Tax	3.50	
Marshall County Tax	18.00	
State of Alabama Tax	<u>6.50</u>	
Total	<u>43.00</u>	

* Includes the nine (9.00) mill ad valorem tax to education.

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF DEBT LIMIT

SEPTEMBER 30, 2025

Assessed Value	
Real and Personal Property at 2025 Assessment	<u><u>\$ 254,704,820</u></u>
Debt Limit - 20% of Assessed Value	\$ 50,940,964
General Obligation Debt Chargeable to the Debt Limit	<u>26,377,666</u>
Legal Debt Margin	<u><u>\$ 24,563,298</u></u>

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION DEBT

SEPTEMBER 30, 2025

Maturity Date	2020 General Obligation Warrants Dated May 22, 2020			2021-A General Obligation Warrants Dated January 12, 2021			2021-B General Obligation Warrants Dated September 16, 2021			2021-C General Obligation Warrants Dated September 16, 2021		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2026	2.65	417,878	60,688	0.71	910,000	26,880	4.00	585,000	1,273,180	1.19	280,000	58,488
2027	2.65	429,087	49,479	0.92	905,000	19,487	4.00	600,000	1,249,780	1.36	295,000	55,156
2028	2.65	440,597	37,969	1.02	900,000	10,734	2.00	605,000	1,225,780	1.57	315,000	51,144
2029	2.65	452,416	26,150	1.28	480,000	3,072	4.00	605,000	1,213,680	1.70	335,000	46,198
2030	2.65	464,551	14,014		-	-	4.00	1,110,000	1,189,480	1.80	355,000	40,503
2031	2.65	277,570	3,712		-	-	4.00	1,145,000	1,145,080	1.88	375,000	34,113
2032		-	-		-	-	3.00	1,170,000	1,099,280	2.01	400,000	27,063
2033		-	-		-	-	3.00	1,190,000	1,064,180	2.11	425,000	19,023
2034		-	-		-	-	3.00	1,205,000	1,028,480	2.21	455,000	10,056
2035		-	-		-	-	3.00	1,705,000	992,330		-	-
2036		-	-		-	-	3.00	1,755,000	941,180		-	-
2037		-	-		-	-	3.00	1,810,000	888,530		-	-
2038		-	-		-	-	3.00	1,865,000	834,230		-	-
2039		-	-		-	-	3.00	1,920,000	778,280		-	-
2040		-	-		-	-	3.00	1,975,000	720,680		-	-
2041		-	-		-	-	3.00	2,035,000	661,430		-	-
2042		-	-		-	-	2.40	2,095,000	600,380		-	-
2043		-	-		-	-	2.40	2,145,000	550,100		-	-
2044		-	-		-	-	2.40	2,200,000	498,620		-	-
2045		-	-		-	-	2.40	2,250,000	445,820		-	-
2046		-	-		-	-	2.40	2,305,000	391,820		-	-
2047		-	-		-	-	3.00	2,360,000	336,500		-	-
2048		-	-		-	-	3.00	2,425,000	272,750		-	-
2049		-	-		-	-	3.00	2,490,000	207,250		-	-
2050		-	-		-	-	3.00	2,560,000	140,000		-	-
2051		-	-		-	-	3.00	2,625,000	70,875		-	-
2052		-	-		-	-		-	-		-	-
2053		-	-		-	-		-	-		-	-
2054		-	-		-	-		-	-		-	-
	<u>\$</u>	<u>2,482,099</u>	<u>\$</u> 192,012		<u>\$</u> 3,195,000	<u>\$</u> 60,173		<u>\$</u> 44,735,000	<u>\$</u> 19,819,695		<u>\$</u> 3,235,000	<u>\$</u> 341,743

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION DEBT (Continued)

SEPTEMBER 30, 2025

Maturity Date	2023 General Obligation Warrants Dated February 15, 2023			2024 General Obligation Warrants Dated March 12, 2024			\$815,355 Equipment Financing 2023			\$402,525 Equipment Financing 2023		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2026	5.00	-	682,330	5.00	320,000	845,654		211,832	8,869		68,465	10,721
2027	5.00	-	682,330	5.00	335,000	829,279		109,940	1,260		167,729	3,398
2028	5.00	-	682,330	5.00	355,000	812,029		-	-		-	-
2029	5.00	-	682,330	5.00	370,000	793,904		-	-		-	-
2030	5.00	325,000	682,330	5.00	390,000	774,904		-	-		-	-
2031	5.00	335,000	666,080	5.00	410,000	754,904		-	-		-	-
2032	5.00	355,000	649,330	5.00	435,000	733,779		-	-		-	-
2033	5.00	370,000	631,580	5.00	455,000	711,529		-	-		-	-
2034	5.00	390,000	613,080	5.00	480,000	688,154		-	-		-	-
2035	5.00	410,000	593,580	5.00	505,000	663,529		-	-		-	-
2036	5.00	435,000	573,080	5.00	530,000	637,654		-	-		-	-
2037	5.00	450,000	551,330	5.00	555,000	610,529		-	-		-	-
2038	5.00	475,000	528,830	5.00	585,000	582,029		-	-		-	-
2039	5.00	500,000	505,080	5.00	615,000	552,029		-	-		-	-
2040	5.00	525,000	480,080	4.00	645,000	523,754		-	-		-	-
2041	5.00	550,000	453,830	4.00	670,000	497,454		-	-		-	-
2042	4.00	580,000	426,330	4.00	695,000	470,154		-	-		-	-
2043	4.00	605,000	403,130	4.00	725,000	441,754		-	-		-	-
2044	4.00	625,000	378,930	4.00	755,000	412,154		-	-		-	-
2045	4.00	655,000	353,930	4.125	785,000	380,863		-	-		-	-
2046	4.00	680,000	327,730	4.125	820,000	347,760		-	-		-	-
2047	4.00	705,000	300,530	4.125	855,000	313,213		-	-		-	-
2048	4.00	730,000	272,330	4.125	890,000	277,223		-	-		-	-
2049	4.10	760,000	243,130	4.125	925,000	239,788		-	-		-	-
2050	4.10	790,000	211,970	4.20	965,000	200,445		-	-		-	-
2051	4.10	825,000	179,580	4.20	1,005,000	159,075		-	-		-	-
2052	4.10	3,555,000	145,755	4.20	1,050,000	115,920		-	-		-	-
2053		-	-	4.20	1,095,000	70,875		-	-		-	-
2054		-	-	4.20	1,140,000	23,940		-	-		-	-
		<u>\$ 15,630,000</u>	<u>\$ 12,900,875</u>		<u>\$ 19,360,000</u>	<u>\$ 14,464,278</u>		<u>\$ 321,772</u>	<u>\$ 10,129</u>		<u>\$ 236,194</u>	<u>\$ 14,119</u>

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION DEBT (Continued)

SEPTEMBER 30, 2025

Maturity Date	\$753,574 Equipment Financing 2024			\$435,000 Vehicle Financing 2024			\$148,818 Equipment Financing 2025			Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2026		188,932	19,016		108,626	8,553		35,822	8,331	6,129,265
2027		198,245	9,736		113,743	5,570		38,407	5,745	6,103,371
2028		-	-		57,647	794		41,179	2,973	5,538,176
2029		-	-		-	-		-	-	5,007,750
2030		-	-		-	-		-	-	5,345,782
2031		-	-		-	-		-	-	5,146,459
2032		-	-		-	-		-	-	4,869,452
2033		-	-		-	-		-	-	4,866,312
2034		-	-		-	-		-	-	4,869,770
2035		-	-		-	-		-	-	4,869,439
2036		-	-		-	-		-	-	4,871,914
2037		-	-		-	-		-	-	4,865,389
2038		-	-		-	-		-	-	4,870,089
2039		-	-		-	-		-	-	4,870,389
2040		-	-		-	-		-	-	4,869,514
2041		-	-		-	-		-	-	4,867,714
2042		-	-		-	-		-	-	4,866,864
2043		-	-		-	-		-	-	4,869,984
2044		-	-		-	-		-	-	4,869,704
2045		-	-		-	-		-	-	4,870,613
2046		-	-		-	-		-	-	4,872,310
2047		-	-		-	-		-	-	4,870,243
2048		-	-		-	-		-	-	4,867,303
2049		-	-		-	-		-	-	4,865,168
2050		-	-		-	-		-	-	4,867,415
2051		-	-		-	-		-	-	4,864,530
2052		-	-		-	-		-	-	4,866,675
2053		-	-		-	-		-	-	1,165,875
2054		-	-		-	-		-	-	1,163,940
		<u>\$ 387,177</u>	<u>\$ 28,752</u>		<u>\$ 280,016</u>	<u>\$ 14,917</u>		<u>\$ 115,408</u>	<u>\$ 17,049</u>	<u>137,841,408</u>
Less: Gunterville City Board of Education Debt Service under Funding Agreement										<u>96,662,313</u>
Total City of Gunterville, Alabama Debt Service Requirements										<u>\$ 41,179,095</u>

CITY OF GUNTERSVILLE, ALABAMA

DIRECTORY OF CITY OFFICIALS

SEPTEMBER 30, 2025

At September 30, 2025, the following administration was in office:

Mayor:	Leigh Dollar
Council:	Sanchez Watkins Larry Wilson John Myers Carson Ray Donald Myers Rich Russell Randy Whitaker
Clerk:	Betty Jones

OTHER REQUIRED REPORTING



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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 and City Council
City of Guntersville, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Guntersville, Alabama, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Guntersville, Alabama's basic financial statements, and have issued our report thereon dated September 8, 2026. Our report includes a reference to other auditors who audited the financial statements of the Guntersville City Board of Education as described in our report on the City of Guntersville, Alabama's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Report on Internal Control Over Financial Reporting

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

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

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Honorable Mayor and City Council
City of Guntersville, Alabama

Report on Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Guntersville, Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

City of Guntersville, Alabama's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Guntersville, Alabama's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Guntersville, Alabama's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

MDA Professional Group, P.C.

Albertville, Alabama
September 8, 2026



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

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 and City Council
City of Guntersville, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Guntersville, Alabama's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Guntersville, Alabama's major federal programs for the year ended September 30, 2025. City of Guntersville, Alabama'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, City of Guntersville, Alabama 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 City of Guntersville, Alabama 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 City of Guntersville, Alabama's compliance with the compliance requirements referred to above.

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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 City of Guntersville, Alabama'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 City of Guntersville, Alabama'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 City of Guntersville, Alabama'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 City of Guntersville, Alabama'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 City of Guntersville, Alabama'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 City of Guntersville, Alabama'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.

MDA Professional Group, P.C.

Albertville, Alabama
September 8, 2026

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of audit opinion issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes

Significant Deficiency identified not considered
to be material weakness? No

Noncompliance material to financial statements noted? No

FEDERAL AWARDS

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified? None Reported

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

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

Identification of major programs

<u>Federal Assistance Listing Number</u>	<u>Grant Title</u>
20.205	Highway Planning and Construction
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs \$ 1,000,000

Auditee qualified as low-risk auditee No

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

2024-001: Parks and Recreation Cash Collections

Condition: During fiscal years 2024 and 2025, the Parks and Recreation Department lacked adequate documented controls over cash collections. Cash from gate collections was used to pay recreation department expenses before being deposited — a practice that bypasses standard cash-handling controls. Count sheets, when used, were not consistently signed by two people or reconciled to tickets sold. Additionally, gate admissions, concessions, rentals, and sports registrations are all posted to just four general ledger accounts, making it impossible to track revenue by activity or sport.

Criteria: Government Auditing Standards require entities to design and implement internal controls to safeguard assets, ensure reliable financial reporting, and reduce the risk of fraud, waste, or abuse. Effective cash controls include proper documentation, segregation of duties, and timely reconciliations.

Cause: The Department did not perform reconciliations between gate entries and cash collected at Parks and Recreation events. Tickets were not consistently used for gate admissions other than all-star tournament events. The general ledger did not include accounts for tracking revenue by sport or function, preventing segregation of cash collections.

Effect: Without adequate controls, cash is at increased risk of loss, misappropriation, or improper recording in the City's financial records. These weaknesses compromise accountability and the reliability of reported revenues.

Recommendation: We recommend the City include the importance of dual custody of cash in a written policy covering all City cash collections. Dual custody can be performed with a count sheet that both people collecting the cash sign off on, accompanying the cash placed in a sealed bag and delivered to City Clerk's office for deposit. The City's policy should also require issuing tickets for all gate admissions to allow reconciliation between tickets sold and gate cash deposited. In addition, the City Clerk should add accounts to the accounting software to track revenue by sport and function. We further recommend the City expand its written cash collection policy to cover all departments and locations, providing a consistent basis for employee training and accountability. Implementing these measures will improve accountability, reduce risk of cash loss or misstatement, and align cash handling with sound internal control practices.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

2024-001: Parks and Recreation Cash Collections (Continued)

Recommendation Progress: Subsequent to year ended September 30, 2025, we noted the City has taken meaningful steps: a written procedure for pool and basketball gate collections has been developed, and new general ledger accounts have been added to track recreation revenue and expense by category. Monitoring of newly established accounts for accuracy and consistency is important to ensure comparability across future periods. Testing found dual signatures present on two basketball count sheets during the fiscal year ending September 30, 2026, with tickets tracked and reconciled to deposits. However, dual signatures were not yet observed on pool receipt count sheets during testing.

Views of responsible officials of the auditee: We are in agreement with the finding and the City is taking steps to address.

2024-002: Recreation Agreements

Condition: The City lacks current, detailed written agreements with recreation vendors and third-party partners sufficient to track revenues owed to the City. Concession and contract revenues were not consistently recorded in separate general ledger accounts, limiting management's ability to monitor activity. Collections from concession operations declined significantly between fiscal year 2021 and fiscal year 2024 without a documented explanation. Gate revenue from third-party hosted activities could not be traced to deposits in the general ledger.

Criteria: Government Auditing Standards require governments to establish and monitor contracts, safeguard revenues, and maintain adequate documentation to ensure accountability. Formal written agreements should clearly define responsibilities for collections, reimbursements, staffing, and event operations. Concession vendor arrangements should include minimum payments owed to the City for events or a detailed accounting of collections and costs.

Cause: The City has not required consistent use of formal agreements with recreation vendors, nor had it established procedures to segregate and monitor recreation-related revenues.

(Continued)

CITY OF GUNTERSVILLE, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

2024-002: Recreation Agreements (Continued)

Effect: Without detailed agreements and consistent revenue tracking, the City faces risk of: revenues being lost or misdirected; inadequate accountability over concession activity; and increased liability exposure related to staffing of events not sponsored by the City.

Recommendation: The City should implement the following practices with respect to all recreation agreements: (1) Require concession and contract revenues to be deposited in separate, dedicated accounts to enable accurate tracking. (2) Develop and enforce formal written agreements with all third-party vendors, renewed or re-executed annually, to protect the City's financial and legal interests. Agreements should address, at a minimum: submission of payments and deposits; responsibility for tournament operations; staffing requirements and cost-sharing; insurance coverage and emergency procedures; allocation of concession and gate revenues; and cost-sharing for officials and facility maintenance. (3) Monitor compliance with all agreements throughout the year to ensure revenues and expenses are appropriately tracked and the City's financial and legal interests are protected.

Recommendation Progress: Subsequent to year ended September 30, 2025, written agreements have been adopted by the City Council.

Views of responsible officials of the auditee: We are in agreement with the finding and the City is taking steps to address.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.