

CITY OF IRONDALE, ALABAMA

Financial Statements

September 30, 2025

CITY OF IRONDALE, ALABAMA

MAYOR

James D. Stewart, Jr.

CITY COUNCIL

Erin Arnold
Robert Box
John London
Aaron Sims
David Spivey

CITY CLERK

Leigh Allison

CITY ATTORNEYS

Wallace, Jordan, Ratliff & Brandt, LLC

| | Page |
|--|------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | 4 |
| Management's Discussion and Analysis | 7 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position..... | 21 |
| Statement of Activities | 23 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 25 |
| Reconciliation of the Governmental Funds Balance Sheet to the | |
| Statement of Net Position | 26 |
| Statement of Revenues, Expenditures and Changes in Fund | |
| Balances - Governmental Funds | 27 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures | |
| and Changes in Fund Balances to the Statement of Activities | 29 |
| Statement of Net Position - Proprietary Funds..... | 30 |
| Statement of Revenues, Expenses and Changes in Net Position - | |
| Proprietary Funds..... | 32 |
| Statement of Cash Flows - Proprietary Funds..... | 33 |
| Statement of Fiduciary Net Position - Fiduciary Funds | 35 |
| Statement of Changes in Fiduciary Net Position - Fiduciary Funds | 36 |
| Notes to the Financial Statements | 37 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances | |
| Budget and Actual - General Fund..... | 79 |
| Schedule of Changes in the Net Pension Liability and Related Ratios | 80 |
| Schedule of Employer Contributions - Pension..... | 82 |
| Schedule of Changes in the Total OPEB Liability and Related Ratios | 84 |
| Schedule of Employer Contributions - OPEB | 86 |
| Notes to the Required Supplementary Information | 88 |
| SUPPLEMENTARY INFORMATION | |
| Combining Balance Sheets - Nonmajor Governmental Funds | 91 |
| Combining Statements of Revenues, Expenditures and Changes in Fund | |
| Balances - Nonmajor Governmental Funds..... | 92 |
| Combining Balance Sheets - Discretely-Presented Component Units | 93 |
| Combining Statements of Revenues, Expenditures and Changes in Fund | |
| Balances - Discretely-Presented Component Units..... | 94 |
| FEDERAL AWARDS PROGRAMS | |
| 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 <i>Government Auditing Standards</i> | 96 |
| Independent Auditor's Report on Compliance for Each Major Program | |
| and on Internal Control over Compliance Required by the Uniform Guidance | 98 |
| Schedule of Expenditures of Federal Awards..... | 101 |
| Notes to Schedule of Expenditures of Federal Awards | 102 |
| Schedule of Findings and Questioned Costs | 103 |
| Summary Schedule of Prior Audit Findings..... | 105 |
| Corrective Action Plan | 106 |

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Irondale, Alabama

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the net pension liability, the schedule of employer contributions - pension, the schedule of changes in the total OPEB liability, and the schedule of employer contributions - OPEB be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BMSS, LLC

Birmingham, Alabama
March 30, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Irondale's Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. The information presented here should be read in conjunction with the City's basic financial statements and accompanying notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$16.3 million at the close of fiscal year 2025
- The City maintains a strong bond rating of AA from Standard & Poor's.
- Total governmental revenues increased by 5.5% from fiscal year 2024, from \$36.0 million to \$37.9 million, driven by growth in sales and use taxes, interest earnings, and intergovernmental revenues.
- Sales and use tax revenue, the City's single largest revenue source, increased by approximately \$501 thousand (3.6%) from fiscal year 2024, representing 46.5% of total governmental revenues.
- Public protection expenses (fire and police) comprised 43.0% of total governmental program expenses. Public protection expenditures decreased by \$202 thousand (1.2%) from the prior year.
- The City's total long-term debt decreased by \$4.2 million during fiscal year 2025 through scheduled principal payments, reducing combined debt obligations to \$109.7 million.
- Total capital assets (governmental and business-type, net of accumulated depreciation) totaled \$89.7 million as of September 30, 2025, an increase of \$11.7 million from fiscal year 2024, reflecting significant ongoing infrastructure and facility investment, including the completion of the new Irondale Public Library.
- The City Council reduced the occupational license tax rate from 0.75% to 0.50% to reduce the burden on businesses operating in Irondale. Despite this deliberate rate reduction, the underlying commercial tax base grew sufficiently to produce revenues above the rate-adjusted expected baseline.
- The Water Enterprise Fund incurred two nonrecurring expenditures totaling \$1.75 million in fiscal year 2025: (1) a \$1.0 million Granular Activated Carbon (GAC) system investment that achieved zero PFAS detection, fully resolving the City's federal regulatory exposure; and (2) a \$750 thousand emergency water main repair. Excluding these nonrecurring items, the Water Fund's normalized operating gap is approximately \$419 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: (1) this Management's Discussion and Analysis, (2) the basic financial statements, and (3) supplementary information. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the 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 government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net position* presents information on all of 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 fiscal 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 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 a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public protection, parks and recreation, public works, library, and senior citizens' center.

The business-type activities of the City include the water operations.

The discretely presented component units include two other entities in this report. These entities include the Irondale Industrial Development Board and the Irondale Commercial Development Authority.

The government-wide financial statements can be found on pages 21 through 24 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash and what resources are left at year end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City maintains ten individual governmental funds:

- The General Fund, Capital Projects Fund, and Public Building Authority (a blended component unit) are considered *major* funds, and information is presented separately in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balances* for these funds
- The seven other governmental funds are considered *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 found on pages 91 and 92 of this report.

The basic governmental fund financial statements can be found on pages 25 through 29 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water activities.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows:

- The Water Fund is considered a major proprietary fund of the City, and information is presented separately in the *proprietary funds statement of net position*, the *proprietary funds statement of revenues, expenses and changes in net position*, and the *proprietary fund statement of cash flows* for this fund.

The basic proprietary fund financial statements can be found on pages 30 through 34 of this report.

Fiduciary Funds

The City maintains two fiduciary funds. Fiduciary funds are used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The City uses a fiduciary fund to account for the resources held for its other post-employment benefit liability and deferred compensation trusts.

The basic fiduciary fund financial statements can be found on pages 35 through 36 of this report.

Notes to the Financial Statements

The notes 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 the financial statements are on pages 37 through 77 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 79 through 89 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and discretely-presented component units are presented immediately following the required supplementary information. Combining fund statements can be found on pages 91 through 94 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a valuable indicator of a government's financial position. At the close of the fiscal year 2025, the City's assets exceeded liabilities by \$16.3 million. Of this figure, \$13.7 million represents the City's total investment in capital assets (i.e. land, buildings, improvements, infrastructure and other), less any outstanding related debt. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

An additional \$2.9 million of the City's net position is restricted by legal requirements other than those of the City Council (state or federal law). The remaining \$0.3 million represents an unrestricted deficit, driven primarily by the recognition of long-term pension and OPEB obligations that do not appear in the governmental fund financial statements.

The following table reflects the condensed statement of net position:

| | Governmental | | Business-Type | | Totals | |
|-------------------------------------|---------------------|--------------------------|----------------------|--------------------------|------------------|--------------------------|
| | Activities | | Activities | | | |
| | <u>2025</u> | <u>Restated 2024</u> | <u>2025</u> | <u>Restated 2024</u> | <u>2025</u> | <u>Restated 2024</u> |
| Current assets | \$ 57,692 | \$ 75,064 | \$ 3,089 | \$ 5,202 | \$ 60,781 | \$ 80,266 |
| Long-term assets | 80,583 | 70,076 | 9,122 | 7,906 | 89,705 | 77,982 |
| Total assets | <u>138,275</u> | <u>145,140</u> | <u>12,211</u> | <u>13,108</u> | <u>150,486</u> | <u>158,248</u> |
| Deferred outflows of resources | <u>8,686</u> | <u>7,088</u> | <u>629</u> | <u>565</u> | <u>9,315</u> | <u>7,653</u> |
| Current liabilities | 11,993 | 12,691 | 1,339 | 1,238 | 13,332 | 13,929 |
| Long-term liabilities | <u>120,951</u> | <u>125,141</u> | <u>5,121</u> | <u>5,792</u> | <u>126,072</u> | <u>130,933</u> |
| Total liabilities | <u>132,944</u> | <u>137,832</u> | <u>6,460</u> | <u>7,030</u> | <u>139,404</u> | <u>144,862</u> |
| Deferred inflows | <u>3,842</u> | <u>1,497</u> | <u>248</u> | <u>108</u> | <u>4,090</u> | <u>1,605</u> |
| Net position | | | | | | |
| Net investment in capital assets | 9,151 | 7,875 | 4,541 | 2,790 | 13,692 | 10,665 |
| Restricted | 2,937 | 2,535 | - | - | 2,937 | 2,535 |
| Unrestricted | <u>(1,913)</u> | <u>2,489</u> | <u>1,591</u> | <u>3,745</u> | <u>(322)</u> | <u>6,234</u> |
| Total net position | <u>\$ 10,175</u> | <u>\$ 12,899</u> | <u>\$ 6,132</u> | <u>\$ 6,535</u> | <u>\$ 16,307</u> | <u>\$ 19,434</u> |

For more detailed information, see the statement of net position on pages 21 and 22.

Governmental Activities

Sales and use taxes provided 46.5% of total governmental revenues (\$17.7 million), an increase of 3.6% from fiscal year 2024. Property taxes provided 10.1%, occupational licenses provided 7.4%, and other taxes contributed 7.1%. Program revenues (fees, fines, charges, and operating grants) covered 21.9% of governmental operating expenses, with general revenues covering the remaining 78.1%.

Occupational license revenue totaled \$2.8 million in fiscal year 2025, a decrease of \$984 thousand (26.0%) from fiscal year 2024. This decrease reflects a deliberate policy decision by the City Council to reduce the occupational license tax rate from 0.75% to 0.50%, effective October 1, 2024, pursuant to Ordinance No. 2024-12 (adopted July 1, 2024), to reduce the tax burden on businesses operating within the City and support Irondale's ongoing economic development strategy. The underlying occupational license tax base, reflecting wages paid and business activity within the City, grew during fiscal year 2025, producing a favorable variance against a rate-adjusted expected baseline. The favorable variance above the rate-adjusted baseline reflects the expansion of commercial and business activity within the City, consistent with the City's Billion Dollar Vision economic development initiative.

Interest earnings totaled \$1.6 million in fiscal year 2025, compared to \$97 thousand in fiscal year 2024. This \$1.5 million increase is directly attributable to interest earned on Public Building Authority warrant proceeds held in restricted accounts pending deployment for authorized capital improvement projects. The PBA warrant issuance created substantial restricted cash balances, reflected in the \$39.1 million restricted cash and cash equivalents on the Statement of Net Position, which earned interest at prevailing market rates during fiscal year 2025.

Total governmental expenses were \$39.5 million in fiscal year 2025, a \$3.6 million increase from fiscal year 2024. Public protection (fire and police) remained the largest expense category at 43.0% of total governmental program expenses. General government expenses increased \$1.1 million (15.4%), reflecting administrative and operational investments aligned with the City's Impact 2026 initiative.

The most significant expense variance requiring explanation is the increase in interest and fiscal agent fees from \$2.6 million in fiscal year 2024 to \$4.0 million in fiscal year 2025, an increase of \$1.4 million (52.6%). This increase reflects the activation of PBA debt service obligations on approximately \$60 million in outstanding PBA warrants. In direct response to this anticipated obligation, the City Council proactively increased the property tax millage rate by six mills before the fiscal year in which the increased debt service would be incurred. Importantly, the same PBA warrant proceeds that generate this interest expense also produced \$1.6 million in interest earnings during fiscal year 2025, as undeployed bond proceeds held in restricted accounts earned interest at prevailing rates pending their deployment for authorized capital projects. Viewed together, the net interest cost of the PBA program in fiscal year 2025 was approximately \$2.4 million, the \$4.0 million expense offset by \$1.6 million in earnings, a figure fully covered by the property tax millage increase enacted for this purpose.

The following table reflects the revenue and expenses of the total primary government:

| City of Irondale Statement of Activities (in thousands) | | | | | | |
|--|---------------------|--------------------------|----------------------|--------------------------|------------------|--------------------------|
| | Governmental | | Business-Type | | Totals | |
| | Activities | | Activities | | | |
| | <u>2025</u> | <u>Restated 2024</u> | <u>2025</u> | <u>Restated 2024</u> | <u>2025</u> | <u>Restated 2024</u> |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Fees, fines and charges | \$ 5,423 | \$ 7,187 | \$ 3,251 | \$ 3,574 | \$ 8,674 | \$ 10,761 |
| Operating grants/contributions | 3,232 | 1,061 | - | - | 3,232 | 1,061 |
| General revenues | | | | | | |
| Sales and use taxes | 17,656 | 17,035 | - | - | 17,656 | 17,035 |
| Property taxes | 3,824 | 3,667 | - | - | 3,824 | 3,667 |
| Occupational licenses | 2,799 | 3,783 | - | - | 2,799 | 3,783 |
| Other taxes | 2,706 | 3,039 | - | - | 2,706 | 3,039 |
| Interest | 1,586 | 97 | - | - | 1,586 | 97 |
| Gain on disposal | - | 28 | - | - | - | 28 |
| Other revenue | 704 | 59 | - | - | 704 | 59 |
| Total revenues | <u>37,930</u> | <u>35,956</u> | <u>3,251</u> | <u>3,574</u> | <u>41,181</u> | <u>39,530</u> |
| Expenses | | | | | | |
| General government | 8,353 | 7,237 | - | - | 8,353 | 7,237 |
| Police and dispatch | 7,375 | 7,348 | - | - | 7,375 | 7,348 |
| Fire | 9,592 | 9,821 | - | - | 9,592 | 9,821 |
| Parks and recreation | 801 | 291 | - | - | 801 | 291 |
| Public works | 7,142 | 6,860 | - | - | 7,142 | 6,860 |
| Library | 1,269 | 775 | - | - | 1,269 | 775 |
| Senior citizens' center | 439 | 335 | - | - | 439 | 335 |
| Civic center | 466 | 570 | - | - | 466 | 570 |
| Payments to other governments | 52 | 47 | - | - | 52 | 47 |
| Interest and fiscal agent fees | 3,995 | 2,618 | - | - | 3,995 | 2,618 |
| Water Fund | - | - | 4,824 | 3,374 | 4,824 | 3,374 |
| Total expenses | <u>39,484</u> | <u>35,902</u> | <u>4,824</u> | <u>3,374</u> | <u>44,308</u> | <u>39,276</u> |
| Increase (decrease) in net position before transfers | (1,554) | 54 | (1,573) | 200 | (3,127) | 254 |
| Transfers | <u>(1,170)</u> | <u>801</u> | <u>1,170</u> | <u>(801)</u> | <u>-</u> | <u>-</u> |
| Change in net position | (2,724) | 855 | (403) | (601) | (3,127) | 254 |
| Net position - beginning of year | <u>12,899</u> | <u>12,044</u> | <u>6,535</u> | <u>7,136</u> | <u>19,434</u> | <u>19,180</u> |
| Net position - end of year | <u>\$ 10,175</u> | <u>\$ 12,899</u> | <u>\$ 6,132</u> | <u>\$ 6,535</u> | <u>\$ 16,307</u> | <u>\$ 19,434</u> |

For more detailed information, see the statement of activities on pages 23 and 24.

Business-Type Activities

The City's business-type activities consist solely of the Water Enterprise Fund. The cost of activities was \$4.8 million, which is an increase of 42.3% from 2024. This increase requires specific explanation as outlined below:

- Granular Activated Carbon (GAC) System - \$1,000,000: The City completed a \$1.0 million capital investment in a GAC water treatment system to remediate per- and polyfluoroalkyl substances (PFAS) detected in the City's water supply. The City also secured a \$5.3 million ADEM PFAS water grant in connection with this remediation initiative.
- Emergency Water Main Repair - \$750,000: The Water Department incurred \$750 thousand in unplanned emergency expenditures to repair a major water main break during fiscal year 2025. This was a nonrecurring event not anticipated in the original budget.

Excluding these two nonrecurring items totaling \$1.75 million, the Water Fund's normalized operational gap is approximately \$419 thousand.

The amount paid by users of the water services was \$3.3 million, which is a \$323 thousand decrease from 2024. The Water Fund net position decreased by \$403 thousand, ending the year at \$6.1 million. The City is conducting a water rate review to ensure long-term operational sustainability of the fund.

FINANCIAL ANALYSIS OF 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, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Funds

The combined fund balance of the City's governmental funds as of September 30, 2025, was \$53.0 million, a decrease of \$16.4 million from fiscal year 2024. Of the total fund balance: \$15.9 million is unassigned and available for general use; \$383 thousand is non-spendable; \$729 thousand is committed by City Council authorization for specific purposes; and \$35.9 million is restricted for debt service, legal obligations, or specific programmatic purposes. The \$16.4 million decrease in fund balance reflects the planned and deliberate deployment of previously accumulated capital reserves, primarily through the PBA, in furtherance of the City's infrastructure improvement program. Capital expenditures reduce fund balance while simultaneously creating long-lived assets that improve net position at the government-wide level.

Total revenues were \$37.8 million, an increase of 4.2% from 2024, consistent with revenue growth report earlier in this analysis.

Major Funds

The General Fund is the City's chief operating fund. The total fund balance at September 30, 2025, was \$17.3 million, of which \$15.9 million was unassigned. This level of unassigned reserves represents approximately 11.7 months of general operating capacity, well above the GFOA recommended minimum of two months. The fund balance decreased by \$3.9 million from the prior year. The primary driver of this

decrease was \$8.7 million in transfers out to the Public Building Authority in support of active capital construction projects, partially offset by \$4.5 million in transfers in. Secondary contributors to the decrease included increased expenditures for public safety staffing, library operations associated with the new Irondale Public Library, and debt service obligations that activated in fiscal year 2025.

The Capital Projects Fund balance at September 30, 2025, was \$616 thousand, a decrease of \$6.3 million from the prior year. This decrease reflects the active deployment of capital reserves to fund ongoing infrastructure projects, including road improvements and public facility investments.

The PBA fund balance at September 30, 2025, was \$32.4 million, a decrease of \$6.5 million from the prior year. The PBA was established specifically to hold and deploy capital resources for infrastructure improvement and redevelopment within the City. The fund balance decrease directly reflects the PBA fulfilling its statutory mission, deploying bond proceeds for active capital projects, including the \$20 million Civic Center renovation (groundbreaking October 2025, projected completion Spring 2027).

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

The City of Irondale adopts an annual budget for the General Fund. A budgetary comparison schedule showing original budget, final amended budget, actual revenues and expenditures, and variances can be found on page 79 of this report.

Original vs. Final Amended Budget

During fiscal year 2025, the General Fund budget was amended minimally from the original adopted appropriation. Net revenue amendments totaled \$5,000, increasing total budgeted revenues from \$36,394,660 to \$36,399,660. Net expenditure amendments totaled \$20,000, increasing total appropriations from \$34,191,145 to \$34,211,145. The primary expenditure amendment was a \$20,000 increase to general government appropriations. All amendments were approved by City Council resolution in accordance with the City's budget authorization policy.

Final Amended Budget vs. Actual Results

Actual General Fund revenues of \$35.2 million exceeded the final amended budget of \$34.6 million by \$634 thousand (1.8%), representing a favorable variance. The primary driver of this favorable performance was the "Other Revenues" category, which outperformed budget by \$1.4 million (87.6%), reflecting higher-than-projected miscellaneous receipts, interlocal agreements, and one-time items. Charges for services exceeded budget by \$288 thousand (15.8%), driven by strong demand for City services. Property tax collections were \$223 thousand above budget (6.2%), reflecting the positive impact of the City Council's proactive 6-mill property tax increase. Fines and forfeitures exceeded budget by \$35 thousand (17.7%). Partially offsetting these favorable variances, sales and use tax revenues fell \$621 thousand below budget (3.4%), and other tax revenues (including occupational licenses and other categories) were \$604 thousand below budget (9.9%), primarily due to the timing of certain remittances and business activity patterns.

Actual General Fund expenditures of \$35.5 million exceeded the final amended budget of \$34.2 million by \$1.3 million (3.7%), representing an unfavorable variance. The largest single driver of this variance was debt service interest and fiscal agent fees, which exceeded the budget by \$1.4 million (74.5%). Public safety expenditures exceeded budget by \$577 thousand (4.3%), reflecting personnel costs and operational demands associated with maintaining the City's commitment to public safety at the highest standard. Library expenditures exceeded budget by \$50 thousand (6.9%), reflecting operational costs associated with the new Irondale Public Library during its opening year. Capital outlay of \$493 thousand and payments to other governments of \$51 thousand were incurred without corresponding budget appropriations. Partially

offsetting the unfavorable variances, public works expenditures came in \$559 thousand under budget (11.7%), general government was \$341 thousand under budget (4.95%), and civic center operations were \$266 thousand under budget (39.2%).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of September 30, 2025, totaled \$89.7 million (net of accumulated depreciation), an increase of \$11.7 million from the prior year. This investment in capital assets includes land, buildings, land improvements, machinery and equipment, infrastructure, right-to-use assets, water plant and equipment, subscription-based IT agreement, and construction in progress. Major purchases for 2025 consisted of \$14.1 million in ongoing projects. For further information on capital assets see Note 5 in the notes to the financial statements.

| | City of Irondale Capital Assets (in thousands) | | | | | |
|----------------------------|--|------------------|-----------------|-----------------|------------------|------------------|
| | Governmental | | Business-Type | | Totals | |
| | Activities | | Activities | | | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Buildings and improvements | \$ 37,967 | \$ 18,754 | \$ 38 | \$ 38 | \$ 38,005 | \$ 18,792 |
| Equipment | 15,877 | 15,070 | 2,166 | 2,154 | 18,043 | 17,224 |
| Infrastructure | 42,431 | 41,422 | 14,021 | 13,531 | 56,452 | 54,953 |
| Right-to-use assets | 189 | 252 | 125 | 125 | 314 | 377 |
| Subscription-based IT | 976 | 646 | - | - | 976 | 646 |
| Land and improvements | 14,119 | 14,119 | 609 | 609 | 14,728 | 14,728 |
| Construction in progress | 5,199 | 12,795 | 1,931 | 573 | 7,130 | 13,368 |
| | <u>116,758</u> | <u>103,058</u> | <u>18,890</u> | <u>17,030</u> | <u>135,648</u> | <u>120,088</u> |
| Accumulated depreciation | <u>(36,176)</u> | <u>(32,981)</u> | <u>(9,768)</u> | <u>(9,124)</u> | <u>(45,944)</u> | <u>(42,105)</u> |
| Total | <u>\$ 80,582</u> | <u>\$ 70,077</u> | <u>\$ 9,122</u> | <u>\$ 7,906</u> | <u>\$ 89,704</u> | <u>\$ 77,983</u> |

The increase in governmental buildings and improvements (\$19.2 million) primarily reflects the completion and capitalization of the new \$11 million Irondale Public Library, which opened on October 11, 2025. The decrease in construction in progress reflects completed projects transferred to their respective asset categories during the year.

Long-Term Debt

General obligation warrants are secured by the full faith and credit of the City and payable from the proceeds of various taxes. Refer to Note 7 in the notes to the financial statements for additional information on long-term debt. The City's total debt decreased by \$4.2 million during the current fiscal year. This decrease was due to making scheduled payments.

The following table reflects the City's outstanding long-term debt obligations:

| City of Irondale Long-Term Debt (in thousands) | | | | | | |
|---|------------------------------------|-------------------|-------------------------------------|-----------------|-------------------|-------------------|
| | Governmental Activities | | Business-Type Activities | | Totals | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| General Obligation Warrants | \$ 99,968 | \$ 103,058 | \$ 4,036 | \$ 4,403 | \$ 104,004 | \$ 107,461 |
| Notes payable | 4,345 | 5,118 | 507 | 648 | 4,852 | 5,766 |
| Lease obligations | 131 | 85 | 38 | 64 | 169 | 149 |
| Subscription-based IT | 644 | 514 | - | - | 644 | 514 |
| Total | \$ 105,088 | \$ 108,775 | \$ 4,581 | \$ 5,115 | \$ 109,669 | \$ 113,890 |

As of September 30, 2025, the governmental activities had outstanding warrants totaling \$100.0 million, and the Water Fund had outstanding warrants totaling \$4.0 million. Governmental notes payable totaled \$4.3 million, and Water Fund notes payable totaled \$507 thousand.

Understanding the City's Debt - Purpose and Public Benefit

To fully appreciate the context of the City's debt position, it is important to understand what that debt was built on. Approximately \$60 million of the Public Building Authority's outstanding warrant debt was issued to finance a portfolio of capital improvement projects that directly serve the citizens of Irondale.

The three signature projects financed through PBA warrant debt are:

- Irondale Public Library - investment of \$11.0 million - public library facility opened on October 11, 2025. Provides educational resources, digital access, and lifelong learning programs for all Irondale residents.
- Ruffner Park Sports Complex - investment of \$11.0 million - Multi-field synthetic turf sports complex serving youth athletics, recreational leagues, and community events. Generates facility rental revenue and reduces travel burdens on Irondale families.
- Tails by the Rails Dog Park - investment of \$1.1 million - community dog park.

The remaining PBA warrant debt finances additional infrastructure improvements, road projects, public facility enhancements, and the currently active \$20 million Civic Center renovation, all projects with demonstrated public benefit and long-term asset value. Readers should understand that the City's debt represents investment in permanent public infrastructure that serves current and future generations of Irondale residents and supports the commercial growth that drives the City's revenue base.

This is the City's debt management strategy: incur debt only for capital investments with measurable, lasting public benefit, and then retire that debt through disciplined, on-schedule principal payments. The City reduced its total long-term debt by \$4.2 million in fiscal year 2025 and will continue to reduce debt through scheduled payments in each future fiscal year.

Equally important to understanding the City's debt position is understanding how debt service costs are funded. When PBA debt service obligations activated in fiscal year 2025, producing the \$1.4 million increase in interest and fiscal agent fees, the City Council had already acted. Six mills increased the property tax millage rate specifically to generate the revenue necessary to service this anticipated obligation. The

City did not borrow to pay debt service, did not draw on reserves to cover the increase, and did not defer the cost to future periods. The millage increase was matched to the debt service requirement, the revenue was collected, and the obligation was met on schedule. For complete details on debt maturities, interest rates, and pledge of revenues, see Note 7 in the notes to the financial statements.

PRIOR PERIOD ADJUSTMENT

During fiscal year 2025, the City identified and corrected accounting errors, that affected beginning net position and fund balances as previously reported. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, these corrections are reflected as prior period adjustments to beginning net position, and the prior year amounts presented in these financial statements have been restated accordingly.

Governmental Activities - Restatement

The beginning fund balance of the General Fund was restated downward by \$119 thousand. This correction reflects the omission in fiscal year 2024 of a developer incentive rebate obligation that had been earned by a qualifying commercial developer under a City Council-approved economic development incentive agreement during fiscal year 2024 but was not recorded as a liability in that period. The obligation was identified during the fiscal year 2025 audit process and, in accordance with GASB Statement No. 100, has been recorded as a prior period adjustment to correct the FY2024 omission rather than as a current-year expense. This restatement did not affect revenues or expenditures reported in fiscal year 2025.

The restated beginning governmental net position of \$631 thousand reflects the correction above in addition to \$512 thousand restated downward for the implementation of GASB Statement No. 101. The City has reviewed its developer incentive rebate accrual procedures and implemented controls to ensure that all rebate obligations are identified, measured, and recorded in the period in which they are earned, consistent with the City's accrual basis accounting policies.

Business-Type Activities - Water Fund - Restatement

The beginning net position of the Water Enterprise Fund was restated downward by \$17,715. This correction reflects the implementation of GASB Statement No. 101. This restatement did not affect revenues or expenses reported in fiscal year 2025. All Water Fund statements reflect the corrected figures.

The combined impact of both restatements on beginning total net position was a reduction of \$649 thousand. The City has reviewed its internal controls over financial reporting in connection with identifying these items. It has implemented procedural improvements, specifically with respect to the accrual of developer incentive rebate obligations, to prevent similar corrections in future periods.

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

Costco Wholesale Development - \$105 Million

The City of Irondale has secured a Costco Wholesale development with an estimated total project cost of \$105 million, the single largest commercial development in the City's history. The project is currently in the permitting and site preparation phase, with active coordination underway with the Alabama Department of Transportation (ALDOT). When operational, the Costco development is projected to generate significant and sustained increases in the City's sales and use tax revenue, its largest single revenue source. This development directly advances the City's Billion Dollar Vision economic development initiative.

Civic Center Renovation - \$20 Million

Ground was broken on the \$20 million renovation and expansion of the Irondale Civic Center in October 2025. The project is financed through the Public Building Authority and is projected to be completed in Spring 2027. The PBA fund balance decreases reflected in these financial statements are the direct result of active construction expenditures on this and related capital projects.

Fire Station No. 3 Construction

The City is constructing Fire Station No. 3 to expand public safety infrastructure and improve emergency response coverage across the City's growing commercial and residential areas. This project is reflected in the current construction-in-progress balance and will be capitalized upon completion in a future fiscal year.

Water Fund Rate Review

The City is conducting a rate review for the Water Enterprise Fund. As described above, the fiscal year 2025 Water Fund results included \$1.75 million in nonrecurring expenditures (GAC system and emergency water main repair) that will not recur in future periods. Following the rate review process, the City Council may consider adjustments to water rates to ensure the fund's long-term operational self-sufficiency. Any rate adjustment will be subject to public notice and City Council approval in accordance with applicable law.

Occupational License Tax Rate - Stabilized at 0.50%

The City Council reduced the occupational license tax rate from 0.75% to 0.50% effective October 1, 2024, pursuant to Ordinance No. 2024-12 (adopted July 1, 2024), as part of the City's strategy to reduce the tax burden on businesses and support economic growth within Irondale. This rate is expected to remain in effect for fiscal year 2026 and beyond. The City projects that continued growth in the commercial tax base, driven by the Costco Wholesale development, the new Subaru dealership opening in June 2026, the Current apartment complex, and other active development projects, will produce modest growth in occupational license revenues in future fiscal years despite the lower rate structure. The underlying tax base grew sufficiently in fiscal year 2025 to generate revenues above the rate-adjusted baseline, confirming that the rate reduction did not reduce the total revenue-generating capacity of the City's commercial sector.

PFAS Remediation Completion

The GAC water treatment system installed during fiscal year 2025 has achieved zero PFAS detection in the City's water supply, fully resolving the City's regulatory exposure under EPA PFAS standards. The completion of active remediation represents a reduction in Water Fund expenditures going forward. The City also secured a \$5.3 million ADEM PFAS water grant to support remediation efforts; the related grant revenues and expenditures are reflected in the fiscal year 2025 financial statements.

Billion Dollar Vision Economic Development Initiative

The City is executing a long-term economic development strategy, the Billion Dollar Vision, targeting \$1 billion in cumulative capital investment within the City of Irondale by 2033. As of fiscal year 2025, active and committed development projects total in excess of \$430 million, representing approximately 43% of the overall investment target.

Simplified Sellers Use Tax (SSUT) Reform Advocacy

The City is actively participating in statewide advocacy for reform of Alabama's Simplified Sellers Use Tax distribution formula through the Jefferson County Mayor's Association and other municipal advocacy channels. If enacted, SSUT reform could result in a materially increased municipal share of e-commerce sales tax revenue currently flowing predominantly to the state. The outcome and timing of any legislative change cannot be predicted; however, if successful, this reform could represent a meaningful new revenue stream for the City.

New Subaru Dealership - Opening June 2026

A new Subaru dealership is under development within the City of Irondale and is projected to open in June 2026. The dealership is expected to generate between \$1.0 million and \$1.5 million in annual revenue for the City through sales tax, occupational license, and related commercial activity. Because the dealership will open mid-fiscal year, only a prorated portion of this revenue, estimated at approximately four months of activity, will be recognized in fiscal year 2026. The full revenue impact of \$1.0 million to \$1.5 million is projected to be realized beginning in fiscal year 2027, the first complete fiscal year of operation. This development further strengthens the City's automotive sector, which has become a significant driver of commercial tax revenue.

The Current - 300-Unit Apartment Complex - \$90 Million

A new multifamily residential development known as The Current is currently under construction within the City of Irondale. The project consists of 300 apartment units with an estimated total construction value of \$90 million. Upon completion and occupancy, The Current is expected to generate new property tax revenue, occupational license activity from on-site management and commercial uses, and increased demand for City services. This development represents a significant addition to the City's residential tax base and housing inventory, and is consistent with the residential growth pillar of the City's Billion Dollar Vision initiative. The revenue impact of this project will be recognized in future fiscal years as construction is completed and units are placed in service.

Solid Waste (Garbage) Rate Increase - Effective April 2026

The City Council approved a \$3.00 per-unit increase in residential garbage collection rates, effective April 2026. Because the City's fiscal year begins October 1, only six months of the increased rate will be captured within fiscal year 2026 (April through September 2026), producing a prorated revenue increase in FY2026. The full annual revenue impact of the rate increase is projected at \$162,000 in fiscal year 2027, the first complete fiscal year under the new rate structure. This adjustment reflects the City's commitment to ensuring solid waste services are funded at a level commensurate with the cost of delivery.

Water Rate Restructuring - Fire Protection Charge and Minimum Usage Elimination - Effective April 2026

The City has approved two structural changes to its water rate schedule, effective April 2026. First, the existing minimum usage charge has been eliminated, replacing the previous minimum billing floor with a consumption-based rate structure that more equitably reflects actual water usage. Second, a new fire protection service charge has been added to the rate schedule to recover a portion of the cost of maintaining the City's fire protection infrastructure. Together, these rate changes are projected to generate approximately \$1.0 million in additional annual Water Fund revenue in fiscal year 2027, the first complete fiscal year under the restructured rate schedule. A prorated portion of this increase will be recognized in fiscal year 2026 (April through September 2026), reflecting the six-month partial year of applicability. These rate adjustments are expected to materially improve the Water Fund's operational self-sufficiency and reduce dependence on General Fund transfers in future fiscal years.

ECONOMIC CONDITIONS AFFECTING THE CITY

The City of Irondale achieved broad-based economic growth in the fiscal year ending September 30, 2025. The City's strategic focus on developing its retail, industrial, and residential sectors has produced a significant and sustained boost to the local economy, with positive effects across multiple revenue streams. The automotive sector has seen a surge in investment and facility expansion, with multiple dealerships making significant capital investments along the Grants Mill Road commercial corridor. This investment has increased consumer foot traffic in the City, contributing to sales tax and occupational license revenue growth.

Sales and use tax revenue increased 3.6% in fiscal year 2025, driven by growth in existing commercial establishments and the addition of new retail anchors. The establishment of a Publix grocery store has ended a 16-year food desert for Irondale residents.

Overall, the City of Irondale's strategic focus on commercial, industrial, and residential sector growth has produced a positive and sustained economic trend. The establishment of new businesses across diverse industries has further strengthened the City's economic stability and diversified its tax base. The City's economic outlook is positive, with major commercial developments expected to reach operational status in the coming fiscal years.

CONTACTING THE CITY

This financial report is designed to provide 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 financial information should be addressed to City of Irondale Finance Department, 101 20th Street South, Irondale, Alabama 35210 or by calling (205) 956-9200.

CITY OF IRONDALE, ALABAMA
Statement of Net Position
September 30, 2025

| | Primary Government | | Total | Discretely- Presented Component Units |
|---|----------------------------|-----------------------------|--------------------|--|
| | Governmental Activities | Business-Type Activities | | Total |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 14,556,580 | \$ 2,102,965 | \$ 16,659,545 | \$ 223,944 |
| Receivables, net | 3,636,082 | 131,914 | 3,767,996 | 43,303 |
| Investments | - | - | - | 597,541 |
| Prepaid expenses and supplies | 382,801 | 553,000 | 935,801 | - |
| Cash and cash equivalents - restricted | 39,116,723 | 301,157 | 39,417,880 | - |
| Total current assets | <u>57,692,186</u> | <u>3,089,036</u> | <u>60,781,222</u> | <u>864,788</u> |
| Noncurrent assets | | | | |
| Nondepreciable capital assets | 19,317,520 | 2,539,442 | 21,856,962 | 817,100 |
| Depreciable capital assets, net | 61,265,226 | 6,582,291 | 67,847,517 | 1,382,747 |
| Total noncurrent assets | <u>80,582,746</u> | <u>9,121,733</u> | <u>89,704,479</u> | <u>2,199,847</u> |
| Total assets | <u>138,274,932</u> | <u>12,210,769</u> | <u>150,485,701</u> | <u>3,064,635</u> |
| Deferred outflows of resources | | | | |
| Deferred outflows related to pensions | 7,143,559 | 378,468 | 7,522,027 | - |
| Deferred outflows related to OPEB | 867,792 | 60,928 | 928,720 | - |
| Deferred charge on refunding | 674,484 | 190,052 | 864,536 | - |
| Total deferred outflows of resources | <u>8,685,835</u> | <u>629,448</u> | <u>9,315,283</u> | <u>-</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 4,032,942 | 244,993 | 4,277,935 | 1,200 |
| Accrued payroll and benefits | 650,505 | 32,952 | 683,457 | - |
| Accrued interest payable | 2,049,883 | 54,265 | 2,104,148 | - |
| Meter deposits | - | 287,056 | 287,056 | - |
| Due to (from) other funds | 36,391 | - | 36,391 | (36,391) |
| Current maturities of long-term liabilities | | | | |
| Warrants and notes payable, net | 4,093,514 | 651,761 | 4,745,275 | 43,303 |
| Lease liability | 59,507 | 26,850 | 86,357 | - |
| Subscription-based IT arrangement | 196,982 | - | 196,982 | - |
| Compensated absences | 872,999 | 41,304 | 914,303 | - |
| Total current liabilities | <u>11,992,723</u> | <u>1,339,181</u> | <u>13,331,904</u> | <u>8,112</u> |

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

CITY OF IRONDALE, ALABAMA
Statement of Net Position
September 30, 2025
(Continued)

| | Primary Government | | Total | Discretely- Presented Component Units |
|--|----------------------------|-----------------------------|--------------------------|--|
| | Governmental Activities | Business-Type Activities | | Total |
| Noncurrent liabilities | | | | |
| Line of credit | \$ - | \$ - | \$ - | \$ 704,368 |
| Warrants and notes payable, net | 100,219,385 | 3,891,128 | 104,110,513 | - |
| Lease liability | 71,135 | 11,479 | 82,614 | - |
| Subscription-based IT arrangement | 447,273 | - | 447,273 | - |
| Compensated absences | 2,086,321 | 98,710 | 2,185,031 | - |
| Net pension liability | 15,627,834 | 930,510 | 16,558,344 | - |
| Net OPEB liability | 2,499,403 | 188,763 | 2,688,166 | - |
| Total noncurrent liabilities | <u>120,951,351</u> | <u>5,120,590</u> | <u>126,071,941</u> | <u>704,368</u> |
| Total liabilities | <u>132,944,074</u> | <u>6,459,771</u> | <u>139,403,845</u> | <u>712,480</u> |
| Deferred inflows of resources | | | | |
| Deferred inflows related to pensions | 2,576,129 | 160,027 | 2,736,156 | - |
| Deferred inflows related to OPEB | 1,265,557 | 88,447 | 1,354,004 | - |
| Total deferred inflows of resources | <u>3,841,686</u> | <u>248,474</u> | <u>4,090,160</u> | <u>-</u> |
| Net position | | | | |
| Net investment in capital assets | 9,151,227 | 4,540,515 | 13,691,742 | 2,156,544 |
| Restricted for | | | | |
| Library | 20,717 | - | 20,717 | - |
| Public protection | 1,478,824 | - | 1,478,824 | - |
| Infrastructure maintenance | 1,437,791 | - | 1,437,791 | - |
| Unrestricted | <u>(1,913,552)</u> | <u>1,591,457</u> | <u>(322,095)</u> | <u>195,611</u> |
| Total net position | <u>\$ 10,175,007</u> | <u>\$ 6,131,972</u> | <u>\$ 16,306,979</u> | <u>\$ 2,352,155</u> |

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

CITY OF IRONDALE, ALABAMA
Statement of Activities
For the Year Ended September 30, 2025

| Function/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Discretely-Presented Component Units |
|---------------------------------------|---------------------|---------------------------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|--------------------------------------|
| | | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-Type Activities | | |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 8,353,151 | \$ 2,968,594 | \$ 2,417,538 | \$ - | \$ (2,967,019) | \$ - | \$ (2,967,019) | \$ - |
| Police and dispatch | 7,374,964 | 250,445 | 424,956 | - | (6,699,563) | - | (6,699,563) | - |
| Fire | 9,591,882 | 92,367 | - | - | (9,499,515) | - | (9,499,515) | - |
| Parks and recreation | 801,089 | 105,914 | - | - | (695,175) | - | (695,175) | - |
| Public works | 7,141,751 | 1,905,288 | 375,633 | - | (4,860,830) | - | (4,860,830) | - |
| Library | 1,269,256 | 11,337 | 13,883 | - | (1,244,036) | - | (1,244,036) | - |
| Senior citizens' center | 439,015 | 75,326 | - | - | (363,689) | - | (363,689) | - |
| Civic center | 466,496 | 13,375 | - | - | (453,121) | - | (453,121) | - |
| Payments to other governments | 51,661 | - | - | - | (51,661) | - | (51,661) | - |
| Interest and fiscal charges | 3,995,140 | - | - | - | (3,995,140) | - | (3,995,140) | - |
| Total governmental activities | 39,484,405 | 5,422,646 | 3,232,010 | - | (30,829,749) | - | (30,829,749) | - |
| Business-type activities | | | | | | | | |
| Water | 4,823,629 | 3,250,622 | - | - | - | (1,573,007) | (1,573,007) | - |
| Total business-type activities | 4,823,629 | 3,250,622 | - | - | - | (1,573,007) | (1,573,007) | - |
| Total primary government | \$44,308,034 | \$ 8,673,268 | \$ 3,232,010 | \$ - | (30,829,749) | (1,573,007) | (32,402,756) | - |
| Component units | | | | | | | | |
| Commercial Development Authority | \$ 259,097 | \$ 204,117 | \$ - | \$ - | - | - | - | (54,980) |

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

CITY OF IRONDALE, ALABAMA
Statement of Activities
For the Year Ended September 30, 2025
(Continued)

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Discretely- Presented Component Units | |
|---|------------------|---|--|---|----------------------------|-----------------------------|---|-------|
| | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Total |
| | | | | | Governmental Activities | Business-Type Activities | | |
| General revenues and other items | | | | | | | | |
| Taxes | | | | | | | | |
| Sales and use | | | | \$ 17,656,486 | \$ - | \$ 17,656,486 | \$ - | |
| Property | | | | 3,824,204 | - | 3,824,204 | - | |
| Occupational license | | | | 2,799,368 | - | 2,799,368 | - | |
| Other | | | | 2,706,125 | - | 2,706,125 | - | |
| Interest earnings | | | | 1,586,368 | - | 1,586,368 | - | |
| Other revenue | | | | 702,283 | - | 702,283 | - | |
| Payments from other governments | | | | - | - | - | 51,661 | |
| Transfers (out) in | | | | (1,170,076) | 1,170,076 | - | - | |
| Total general revenues and other items | | | | <u>28,104,758</u> | <u>1,170,076</u> | <u>29,274,834</u> | <u>51,661</u> | |
| Change in net position | | | | (2,724,991) | (402,931) | (3,127,922) | (3,319) | |
| Net position - beginning of year, as originally reported | | | | 13,531,634 | 6,552,618 | 20,084,252 | 2,355,474 | |
| Prior period adjustment | | | | (631,636) | (17,715) | (649,351) | - | |
| Net position - beginning of year, as restated | | | | <u>12,899,998</u> | <u>6,534,903</u> | <u>19,434,901</u> | <u>2,355,474</u> | |
| Net position - end of year | | | | <u>\$ 10,175,007</u> | <u>\$ 6,131,972</u> | <u>\$ 16,306,979</u> | <u>\$ 2,352,155</u> | |

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

CITY OF IRONDALE, ALABAMA

Balance Sheet

Governmental Funds

September 30, 2025

| | <u>General</u> | <u>Capital Projects</u> | <u>Public Building Authority</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------------|-----------------------------|--|--|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 14,556,580 | \$ - | \$ - | \$ - | \$ 14,556,580 |
| Taxes receivable, net | 3,582,156 | - | - | 53,926 | 3,636,082 |
| Prepaid items | 376,585 | - | - | 6,216 | 382,801 |
| Cash and cash equivalents - restricted | 1,029,890 | 3,306,161 | 32,508,139 | 2,272,533 | 39,116,723 |
| Due from other funds | 75,430 | - | - | 412,422 | 487,852 |
| Total assets | <u>\$ 19,620,641</u> | <u>\$ 3,306,161</u> | <u>\$ 32,508,139</u> | <u>\$ 2,745,097</u> | <u>\$ 58,180,038</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 1,214,670 | \$ 2,690,139 | \$ 69,038 | \$ 59,095 | \$ 4,032,942 |
| Accrued payroll and benefits | 608,976 | - | - | 41,529 | 650,505 |
| Due to other funds | 448,813 | - | 73,330 | 2,100 | 524,243 |
| Total liabilities | <u>2,272,459</u> | <u>2,690,139</u> | <u>142,368</u> | <u>102,724</u> | <u>5,207,690</u> |
| Fund balance | | | | | |
| Nonspendable | 376,585 | - | - | 6,216 | 382,801 |
| Restricted for | | | | | |
| Capital improvements | - | 616,022 | 32,365,771 | - | 32,981,793 |
| Library | 20,717 | - | - | - | 20,717 |
| Public protection | 280,458 | - | - | 1,198,366 | 1,478,824 |
| Infrastructure maintenance | - | - | - | 1,437,791 | 1,437,791 |
| Committed | 728,715 | - | - | - | 728,715 |
| Unassigned | 15,941,707 | - | - | - | 15,941,707 |
| Total fund balance | <u>17,348,182</u> | <u>616,022</u> | <u>32,365,771</u> | <u>2,642,373</u> | <u>52,972,348</u> |
| Total liabilities, deferred inflows of resources and fund balance | <u>\$ 19,620,641</u> | <u>\$ 3,306,161</u> | <u>\$ 32,508,139</u> | <u>\$ 2,745,097</u> | <u>\$ 58,180,038</u> |

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

CITY OF IRONDALE, ALABAMA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2025

Total fund balances - governmental funds \$ 52,972,348

Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

| | | |
|-------------------------------|---------------------|------------|
| Governmental capital assets | 116,758,309 | |
| Less accumulated depreciation | <u>(36,175,563)</u> | 80,582,746 |

| | | |
|---|--|-------------|
| Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid. | | (2,049,883) |
|---|--|-------------|

Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the governmental funds.

| | | |
|--|--------------------|-----------|
| Deferred outflow of resources for deferred charges | 674,484 | |
| Deferred outflows of resources for pensions | 7,143,559 | |
| Deferred outflows of resources for OPEB | 867,792 | |
| Deferred inflows related to pensions | (2,576,129) | |
| Deferred inflows related to OPEB | <u>(1,265,557)</u> | 4,844,149 |

Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

| | | |
|---|--------------------|----------------------|
| Warrants payable | (96,911,810) | |
| Warrant discounts and premiums | (3,056,169) | |
| Notes payable | (4,344,920) | |
| Lease obligations | (130,642) | |
| Subscription-based information technology agreement liabilities | (644,255) | |
| Compensated absences | (2,959,320) | |
| Net pension liability | (15,627,834) | |
| Net OPEB liability | <u>(2,499,403)</u> | <u>(126,174,353)</u> |

Total net position - governmental activities \$ 10,175,007

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

CITY OF IRONDALE, ALABAMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025

| | <u>General</u> | <u>Capital Projects</u> | <u>Public Building Authority</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------|-------------------|-----------------------------|--|--|---|
| Revenues | | | | | |
| Taxes | | | | | |
| Sales and use | \$ 17,656,486 | \$ - | \$ - | \$ - | \$ 17,656,486 |
| Property tax | 3,824,204 | - | - | - | 3,824,204 |
| Other | 5,505,493 | - | - | - | 5,505,493 |
| Licenses and permits | 2,834,702 | - | - | - | 2,834,702 |
| Intergovernmental | - | 126,622 | - | 800,589 | 927,211 |
| Charges for services | 2,114,066 | - | - | - | 2,114,066 |
| Fines and forfeitures | 233,223 | - | - | 222,040 | 455,263 |
| Interest | 32,333 | 466 | 1,553,569 | - | 1,586,368 |
| Other | 3,023,597 | - | - | 2,100 | 3,025,697 |
| Total revenue | <u>35,224,104</u> | <u>127,088</u> | <u>1,553,569</u> | <u>1,024,729</u> | <u>37,929,490</u> |
| Expenditures | | | | | |
| General government | 6,567,834 | 2,268,976 | 513,327 | 550,028 | 9,900,165 |
| Public protection | 14,897,840 | - | - | 1,291,105 | 16,188,945 |
| Parks and recreation | 469,667 | - | - | - | 469,667 |
| Public works | 4,238,724 | - | - | 36,505 | 4,275,229 |
| Library | 778,514 | - | - | - | 778,514 |
| Senior citizens | 389,909 | - | - | - | 389,909 |
| Civic center | 413,049 | - | - | - | 413,049 |
| Payments to other governments | 51,661 | - | - | - | 51,661 |
| Capital outlay | 493,116 | 7,279,554 | 6,243,671 | - | 14,016,341 |
| Debt service | | | | | |
| Principal retirement | 3,905,140 | - | - | - | 3,905,140 |
| Interest and fees | 3,260,035 | - | - | - | 3,260,035 |
| Total expenditures | <u>35,465,489</u> | <u>9,548,530</u> | <u>6,756,998</u> | <u>1,877,638</u> | <u>53,648,655</u> |

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

CITY OF IRONDALE, ALABAMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025
(Continued)

| | <u>General</u> | <u>Capital Projects</u> | <u>Public Building Authority</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|--|--|---|
| Excess (deficiency) of revenues over (under) expenditures | \$ (241,385) | \$ (9,421,442) | \$ (5,203,429) | \$ (852,909) | \$ (15,719,165) |
| Other financing sources (uses) | | | | | |
| Issuance of leases | 103,688 | - | - | - | 103,688 |
| Issuance of notes | 59,872 | - | - | - | 59,872 |
| Issuance of subscription technology | 329,556 | - | - | - | 329,556 |
| Transfers in | 4,516,602 | 7,325,175 | - | 1,193,555 | 13,035,332 |
| Transfers out | (8,712,946) | (4,204,980) | (1,283,504) | (3,978) | (14,205,408) |
| Total other financing sources (uses) | <u>(3,703,228)</u> | <u>3,120,195</u> | <u>(1,283,504)</u> | <u>1,189,577</u> | <u>(676,960)</u> |
| Net change in fund balance | (3,944,613) | (6,301,247) | (6,486,933) | 336,668 | (16,396,125) |
| Fund balance - beginning of year, as originally reported | 21,412,399 | 6,917,269 | 38,852,704 | 2,305,705 | 69,488,077 |
| Prior period adjustment | (119,604) | - | - | - | (119,604) |
| Fund balance - beginning of year, as restated | <u>21,292,795</u> | <u>6,917,269</u> | <u>38,852,704</u> | <u>2,305,705</u> | <u>69,368,473</u> |
| Fund balance - end of year | <u>\$ 17,348,182</u> | <u>\$ 616,022</u> | <u>\$ 32,365,771</u> | <u>\$ 2,642,373</u> | <u>\$ 52,972,348</u> |

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

CITY OF IRONDALE, ALABAMA
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended September 30, 2025

Net changes in fund balances - governmental funds \$ (16,396,125)

Amounts reported for governmental activities in the statement of activities
 are different due to the following:

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 | 14,016,341 | |
| Less depreciation expense | <u>(3,500,933)</u> | 10,515,408 |

The proceeds from the sale of capital assets (\$0) are reported as other financing
 sources in the governmental funds. However, the net book value of the capital
 assets (\$9,119) is removed from the capital assets account in the statement of
 net position and offsets against the sales proceeds resulting in a loss in the
 statement of activities of \$9,119.

(9,119)

The issuance of long-term debt (e.g., warrants, leases, etc.) provides current
 financial resources to governmental funds, while the repayment of the principal of
 long-term debt consumes the current financial resources of governmental funds.
 Neither transaction, however, has any effect on net position. Also, governmental
 funds report the effect of discounts, premiums, and similar items when debt is
 first issued, whereas these amounts are deferred and amortized in the statement
 of activities. This amount is the net effect of these differences in the treatment
 of long-term debt and related items.

| | | |
|---|----------------|-----------|
| Principal retirement | 3,905,140 | |
| Issuance of lease | (103,688) | |
| Issuance of notes | (59,872) | |
| Issuance of subscription-based IT agreements | (329,556) | |
| Warrant discount and premium amortization expense | <u>275,493</u> | 3,687,517 |

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.

| | | |
|---|------------------|------------------|
| Amortization of deferred charges on refunding bonds | (128,974) | |
| Change in accrued compensated absences | 853,799 | |
| Change in pension liability and related deferrals | (80,567) | |
| Change in other post-employment benefit liability and related deferrals | (286,129) | |
| Change in accrued interest | <u>(880,801)</u> | <u>(522,672)</u> |

Change in net position - governmental activities \$ (2,724,991)

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

CITY OF IRONDALE, ALABAMA
Statement of Net Position
Proprietary Funds
September 30, 2025

| | Business-Type Activities - Enterprise Funds |
|---|--|
| | Water |
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 2,102,965 |
| Receivables, net | 131,914 |
| Prepaid expenses and supplies | 553,000 |
| Cash and cash equivalents - restricted | 301,157 |
| Total current assets | 3,089,036 |
| Noncurrent assets | |
| Nondepreciable capital assets | 2,539,442 |
| Depreciable capital assets, net | 6,582,291 |
| Total noncurrent assets | 9,121,733 |
| Total assets | 12,210,769 |
| Deferred outflows of resources | |
| Deferred outflows related to pensions | 378,468 |
| Deferred outflows related to OPEB | 60,928 |
| Deferred outflows related to warrants | 190,052 |
| Total deferred outflows of resources | 629,448 |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 244,993 |
| Accrued payroll and benefits | 32,952 |
| Accrued interest | 54,265 |
| Meter deposits | 287,056 |
| Current maturities of long-term liabilities | |
| Warrants and notes payable | 651,761 |
| Compensated absences | 41,304 |
| Lease liability | 26,850 |
| Total current liabilities | 1,339,181 |

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

CITY OF IRONDALE, ALABAMA
Statement of Net Position
Proprietary Funds
September 30, 2025
(Continued)

| | Business-Type Activities - Enterprise Funds |
|--------------------------------------|--|
| | Water |
| Noncurrent liabilities | |
| Warrants and notes payable, net | \$ 3,891,128 |
| Compensated absences | 98,710 |
| Lease liability | 11,479 |
| Net pension liability | 930,510 |
| Net OPEB liability | 188,763 |
| Total noncurrent liabilities | 5,120,590 |
| Total liabilities | 6,459,771 |
| Deferred inflows of resources | |
| Deferred inflows related to pensions | 160,027 |
| Deferred inflows related to OPEB | 88,447 |
| Total deferred inflows of resources | 248,474 |
| Net position | |
| Net investment in capital assets | 4,540,515 |
| Unrestricted | 1,591,457 |
| Total net position | \$ 6,131,972 |

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

CITY OF IRONDALE, ALABAMA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2025

| | <u>Business-Type Activities - Enterprise Funds</u> |
|--|---|
| | <u>Water</u> |
| Operating revenues | |
| Charges for services | \$ 3,225,484 |
| Other | 25,138 |
| Total operating revenues | <u>3,250,622</u> |
| Operating expenses | |
| Administration, operations and maintenance | 4,025,690 |
| Depreciation | 644,102 |
| Total operating expenses | <u>4,669,792</u> |
| Operating loss | <u>(1,419,170)</u> |
| Non-operating expenses | |
| Interest expense | <u>(153,837)</u> |
| Total non-operating expenses | <u>(153,837)</u> |
| Loss before transfers and contributions | (1,573,007) |
| Transfers in | 2,253,330 |
| Transfers out | (1,083,254) |
| Net transfers | <u>1,170,076</u> |
| Change in net position | (402,931) |
| Net position, beginning of year as originally reported | 6,552,618 |
| Prior period adjustment | <u>(17,715)</u> |
| Net position, beginning of year as restated | <u>6,534,903</u> |
| Net position, end of year | <u><u>\$ 6,131,972</u></u> |

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

CITY OF IRONDALE, ALABAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025

| | Business-Type Activities - Enterprise Funds |
|---|--|
| | Water |
| Cash flows from operating activities | |
| Cash received from customers | \$ 3,308,842 |
| Cash paid to employees | (1,121,387) |
| Cash paid to suppliers for goods and services | (2,867,048) |
| Net cash used in operating activities | (679,593) |
| Cash flows from noncapital financing activities | |
| Net transfers from other funds | 1,170,076 |
| Net cash provided by noncapital financing activities | 1,170,076 |
| Cash flows from capital and related financing activities | |
| Purchase of capital assets | (1,859,915) |
| Principal payments on debt | (506,653) |
| Principal payments on leases | (25,669) |
| Interest payments on debt | (123,458) |
| Net cash used in capital and related financing activities | (2,515,695) |
| Net decrease in cash and cash equivalents | (2,025,212) |
| Cash and cash equivalents at beginning of year | 4,429,334 |
| Cash and cash equivalents at end of year | \$ 2,404,122 |

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

CITY OF IRONDALE, ALABAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025
(Continued)

| | <u>Business-Type Activities - Enterprise Funds</u> |
|--|---|
| | <u>Water</u> |
| Reconciliation of operating loss to net cash provided by operating activities | |
| Operating loss | \$ (1,419,170) |
| Adjustment to reconcile operating loss to net cash provided by operating activities | |
| Depreciation | 644,102 |
| (Increase) decrease in | |
| Accounts receivable | 65,568 |
| Prepaid expenses | 21,742 |
| (Decrease) increase in | |
| Accounts payable | (11,412) |
| Accrued payroll and related liabilities | 26,925 |
| Meter deposits | (7,348) |
| | <u>\$ (679,593)</u> |
| Net used in operating activities | |
| | <u>\$ (679,593)</u> |
| Reconciliation of cash and cash equivalents | |
| Cash and cash equivalents | \$ 2,102,965 |
| Cash and cash equivalents - restricted | 301,157 |
| | <u>301,157</u> |
| Total cash and cash equivalents at end of year | <u>\$ 2,404,122</u> |

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

CITY OF IRONDALE, ALABAMA
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2025

| | OPEB Trust Fund | Deferred Compensation Trust | Total |
|------------------------------|--------------------------------|--|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash | \$ 9,212 | \$ - | \$ 9,212 |
| Loans receivable | - | 59,273 | 59,273 |
| Investments | 1,285,317 | 5,785,227 | 7,070,544 |
| Cash value of life insurance | - | 6,972 | 6,972 |
| Total current assets | <u>1,294,529</u> | <u>5,851,472</u> | <u>7,146,001</u> |
| Net position | | | |
| Restricted | <u>1,294,529</u> | <u>5,851,472</u> | <u>7,146,001</u> |
| Total net position | <u>\$ 1,294,529</u> | <u>\$ 5,851,472</u> | <u>\$ 7,146,001</u> |

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

CITY OF IRONDALE, ALABAMA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2025

| | OPEB Trust Fund | Deferred Compensation Trust | Total |
|---------------------------------|--------------------------------|--|----------------------------|
| Additions | | | |
| Investment earnings | \$ 75,940 | \$ 410,958 | \$ 486,898 |
| Employee contributions | - | 252,888 | 252,888 |
| Total additions | <u>75,940</u> | <u>663,846</u> | <u>739,786</u> |
| Deductions | | | |
| Employee withdrawals | - | 449,656 | 449,656 |
| Administrative fees | 6,751 | 2,620 | 9,371 |
| Total deductions | <u>6,751</u> | <u>452,276</u> | <u>459,027</u> |
| Change in net position | <u>69,189</u> | <u>211,570</u> | <u>280,759</u> |
| Net position, beginning of year | <u>1,225,340</u> | <u>5,639,902</u> | <u>6,865,242</u> |
| Net position, end of year | <u><u>\$ 1,294,529</u></u> | <u><u>\$ 5,851,472</u></u> | <u><u>\$ 7,146,001</u></u> |

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Irondale, Alabama (the City), an Alabama Municipal Corporation, was incorporated in 1887, and is governed by an elected Mayor and a five-member City Council.

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. In preparing the financial statements, management evaluated subsequent events through March 30, 2026, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

As required by GAAP, these financial statements present the primary government and entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit

Public Building Authority (PBA) - The PBA was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of land and buildings within the City. The funds of the PBA have been included in the governmental activities in the financial statements. The Board of Directors of the PBA are appointed by the City Council. Although it is legally separate from the City, the PBA is reported as if it were part of the primary government because its primary purpose is to issue revenue bonds to finance major capital improvements on behalf of the City.

Discretely Presented Component Units

Industrial Development Board (IDB) - The IDB was created for the recruitment of retail, light industrial and heavy industrial businesses. The IDB is governed by a member board appointed by the City Council. The IDB is combined with the CDA and presented in a separate column on the government-wide financial statements to emphasize that they are legally separate from the City.

Commercial Development Authority (CDA) - The CDA was created to acquire, own and lease projects for the purpose of promoting trade and commerce by inducing commercial enterprises to locate new facilities in the City and expand existing facilities in the City. The CDA is governed by a member board appointed by the City Council. The CDA is combined with the IDB and presented in a separate column on the government-wide financial statements to emphasize that they are legally separate from the City.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements

The basic financial statements are presented at both the government-wide (based on the City as a whole) and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-Wide Financial Statements display information about the City as a whole and its component units. The effect of interfund activity has been removed from these statements. These aggregate statements consist of the statement of net position and the statement of activities.

The *Statement of Net Position* measurement focus is full accrual basis of accounting and economic resource measurement and the statement presents information on all of the City's assets and liabilities (including long-term assets and receivables as well as long-term debt and obligations), with the difference being reported as net position.

The *Statement of Activities* demonstrates the degree to which direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items (property, sales and use taxes, certain intergovernmental revenues, etc.) not attributable to a specific program are reported as general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

Fund Financial Statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental or proprietary. Major individual funds are reported in separate columns in the basic financial statements. Nonmajor funds (by category or fund type) are consolidated into a single column of the basic financial statements.

Fiduciary Fund Financial Statements are used to report assets held in a trustee or custodial capacity for others that cannot be used to support the government's own programs. Related collections and payments are also reported in fiduciary funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

All transactions and events that affect the total economic resources (net position) during the period are reported. Economic resources measurement focus is connected with the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Current resources measurement is connected with the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). Measurable means the amount of the transaction can be determined and revenues are considered available when they are collected within the current period or expected to be collected 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 60 days of the end of the current fiscal year. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes and intergovernmental revenues. Expenditures are recognized when the related liability is incurred, with the exception of principal and interest on general obligation long-term debt, compensated absences and other post-employment benefits payable, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net financial position and cash flows. All assets and liabilities are included on the statement of net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Presentation - Fund Level Financial Statements

Generally accepted accounting principles set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section located in the supplementary information section of the financial statements.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund Level Financial Statements - Continued

The City reports the following major governmental funds:

General Fund - To account for all revenues and expenditures applicable to the general operations of government that are not properly accounted for in another fund. All general operating revenues, which are not restricted or designated as to use by outside sources, are recorded in the General Fund.

Capital Projects Fund - To account for financial resources that are received and used for the acquisition, construction, or improvement of capital assets.

Public Building Authority Fund - To account for financial resources, including debt service, that are received and used for the acquisition, construction, or improvement of land and buildings.

The City reports the following major proprietary fund:

Water Fund - To account for the operation of the City's water services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

Additionally, the City reports the following non-major governmental funds:

Special Revenue Funds - To account for the proceeds of specific revenue resources that are legally restricted or designated for expenditures with specified purposes.

Use of Estimates

The preparation of the 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 amounts could differ from those estimates.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The City considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The City has never experienced any losses related to those balances.

The City also participates in the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) program. The bank holding the City's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Allowance for Uncollectible Accounts

The City reports accounts receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance or through bad debt expense.

Investments

The State Attorney General has issued a legal opinion that cities may not put public funds at risk by owning investments not insured by the federal government.

Investments are stated at market value.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. Prepaids are presented using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors or contributors. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, as they are needed.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transfers, Receivables and Payables

During the normal course of operations, the City has numerous transactions between funds to provide services, construct assets, and service debt. These receivables and payables are classified as “Due to/from other funds,” as they are all short-term in nature. These amounts have been eliminated on the government-wide financial statements, except for amounts outstanding between the General Fund and business-type activities.

Routine transfers of resources between City funds that are not intended to be repaid are classified separately from revenues and expenditures. Such interfund operating transfers are identified as “Transfers in/(out)” in the accompanying financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, which consist of streets, roads, sidewalks and similar items, are reported in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets purchased or acquired are carried at historical cost or estimated historical cost.

Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ useful lives are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: building and improvements, 3 to 40 years; equipment, 5 to 40 years; and infrastructure 5 to 75 years.

Depreciation is provided in the proprietary funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

Fair Value

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the City would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value - Continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has three items that qualify for reporting in this category: (1) unamortized amounts on refunded warrants, (2) deferred outflow items related to the City's pension plan, which are described further in Note 10 and (3) deferred outflow items related to the City's other post-employment benefits, which are described further in Note 11.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net position. Warrant premiums and discounts are deferred and amortized over the life of the warrants using the warrant outstanding method. Warrants payable are reported net of the applicable warrant premium or discount. Warrant issue costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize warrants premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations - Continued

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

All full-time employees of the City accumulate vacation (annual leave) and holiday time during the calendar year. Accumulated vacation leave is paid to an employee at the time of separation of service, subject to a cap.

Eligible employees earn sick leave based on length of employment. Sick leave can be converted as years of service upon retirement in the Retirement Systems of Alabama. Unless employed for five years, employees are not paid for unused sick leave upon termination of employment. If employed for five years or more, sick leave is paid to an employee at the time of separation of service at a rate of 50%, subject to a cap.

The accrued amounts of leave are recorded as noncurrent liabilities in proprietary funds, net of estimated current portion. The accrued amounts of leave by employees whose salaries are charged to the General Fund are recorded as noncurrent liabilities in the government-wide financial statements, net of estimated current portion. Related payroll taxes are included in the accrued compensated leave account.

Other Post-Employment Benefit Liability (OPEB)

The City is required to report the its actuarially determined total OPEB liability as a long-term liability in the government-wide financial statements (See Note 11).

Pensions

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has two items that qualify for reporting in this category: (1) deferred inflow items related to the City's pension plan, which are described further in Note 10 and (2) deferred inflow items related to the City's other post-employment benefits, which are described further in Note 11.

Net Position

The City reports information regarding its financial position and activities according to three classes of net position in the government-wide financial statements: investment in capital assets, restricted net position, and unrestricted net position.

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position is reported as restricted when constraints placed on net position are externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions.

Unrestricted Net Position is the residual component of net position. It consists of net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

Fund Balance

The City is required, as applicable, to present fund balances in five categories. The fund balance categories are:

Non-spendable - Includes items that cannot be spent because they are either (a) not in a spendable form, or; (b) legally or contractually required to be maintained intact.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded through resolutions approved by the City Council.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance - Continued

Assigned - Includes items that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has the authority to assign amounts to be used for specific purposes.

Unassigned - This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balances are also presented as unassigned.

It is the City's policy to use restricted balances first, followed by committed resources, assigned resources, and finally unassigned resources, as needed.

Property Taxes

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time, a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Jefferson County, Alabama tax collector and remitted to the City net of a collection fee.

New Accounting Standards Adopted

In 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 101 updates the accounting and financial reporting standards for compensated absences to provide a more consistent and unified model for accounting for all types of compensated absences. It requires that liabilities for compensated absences be recognized for 1) leave that has not been used and 2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The City recognized \$529,748 in additional wage expense for compensated absences accrued at September 30, 2024. The beginning net position has been restated in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*.

In 2025, the City implemented GASB Statement No. 102, *Certain Risk Disclosures*. GASB Statement No. 102 establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS

The City’s formal written investment policy, consistent with the Government Finance Officer Association (GFOA) Policy, authorizes the City to invest in obligations of the U.S. Treasury, certain U.S. agency obligations, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public investment accounts. The policy also addresses specific types of risks that the government is exposed to through its deposits or investments.

Interest Rate Risk - As a means of limiting its exposure to interest rate risk, the City’s policy is to diversify its investments by security type and institution, and limit holdings in any one type of investment with any one issuer. The City also coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term.

Custodial Credit Risk - For deposits, custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned to it. All of the City’s investments at September 30, 2025 were insured.

NOTE 3 - RECEIVABLES

Receivables consisted of the following at September 30, 2025:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| Taxes | \$ 3,636,082 | \$ - | \$ 3,636,082 |
| Customers | - | 333,508 | 333,508 |
| Gross receivables | 3,636,082 | 333,508 | 3,969,590 |
| Less: allowance for uncollectible accounts | - | (201,594) | (201,594) |
| Net receivables | <u>\$ 3,636,082</u> | <u>\$ 131,914</u> | <u>\$ 3,767,996</u> |

NOTE 4 - INVESTMENTS

As of September 30, 2025, the CDA had \$597,541 in investments in U.S. Treasuries with an average maturity of 17 weeks. The investments were reported at fair value in governmental activities and represent Level 1 investments in the fair value hierarchy.

As of September 30, 2025, the OPEB Trust had cash deposits held in a brokerage account totaling \$9,212, domestic equity securities totaling \$744,510, U. S. municipal bonds totaling \$377,805 and U.S. tax exempt fixed income totaling \$163,002. The investments were reported at fair value in the fiduciary activities and represent Level 1 investments in the fair value hierarchy.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 4 - INVESTMENTS - Continued

As of September 30, 2025, the Deferred Compensation Trust had investments in a Nationwide plan. The investments were reported at fair value in the fiduciary activities and represent Level 2 investments in the fair value hierarchy.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for governmental activities consisted of the following for the year ended September 30, 2025:

| | Governmental Activities | | | | September 30, 2025 |
|------------------------------------|--------------------------------|----------------------|------------------|---------------------|-------------------------------|
| | October 1, 2024 | Additions | Disposals | Transfers | |
| Depreciable assets | | | | | |
| Buildings and improvements | \$ 18,753,790 | \$ 381,950 | \$ 145,905 | \$18,977,647 | \$ 37,967,482 |
| Equipment | 15,070,253 | 809,901 | 2,810 | - | 15,877,344 |
| Infrastructure | 41,421,512 | - | - | 1,009,633 | 42,431,145 |
| Right-to-use assets | 252,020 | 103,688 | 166,489 | - | 189,219 |
| Subscription-based IT arrangements | 646,043 | 329,556 | - | - | 975,599 |
| | <u>76,143,618</u> | <u>1,625,095</u> | <u>315,204</u> | <u>19,987,280</u> | <u>97,440,789</u> |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | 8,067,463 | 697,471 | 136,786 | - | 8,628,148 |
| Equipment | 8,079,195 | 1,599,376 | 2,810 | - | 9,675,761 |
| Infrastructure | 16,564,393 | 961,692 | - | - | 17,526,085 |
| Right-to-use assets | 172,548 | 56,495 | 166,489 | - | 62,554 |
| Subscription-based IT | 97,116 | 185,899 | - | - | 283,015 |
| | <u>32,980,715</u> | <u>3,500,933</u> | <u>306,085</u> | <u>-</u> | <u>36,175,563</u> |
| | <u>43,162,903</u> | <u>(1,875,838)</u> | <u>9,119</u> | <u>19,987,280</u> | <u>61,265,226</u> |
| Non-depreciable assets | | | | | |
| Land and improvements | 14,118,632 | - | - | - | 14,118,632 |
| Construction in progress | 12,794,922 | 12,391,246 | - | (19,987,280) | 5,198,888 |
| | <u>26,913,554</u> | <u>12,391,246</u> | <u>-</u> | <u>(19,987,280)</u> | <u>19,317,520</u> |
| | <u>\$ 70,076,457</u> | <u>\$ 10,515,408</u> | <u>\$ 9,119</u> | <u>\$ -</u> | <u>\$ 80,582,746</u> |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 5 - CAPITAL ASSETS - Continued

Capital asset activity for business-type activities consisted of the following for the year ended September 30, 2025:

| | Business-Type Activities | | | | September 30, |
|-------------------------------|---------------------------------|---------------------|------------------|------------------|----------------------|
| | October 1, | | | Transfers | |
| | 2024 | Additions | Disposals | | |
| Depreciable assets | | | | | |
| Buildings and improvements | \$ 38,332 | \$ - | \$ - | \$ - | \$ 38,332 |
| Equipment | 2,154,313 | 12,011 | - | - | 2,166,324 |
| Infrastructure | 13,530,738 | 100,734 | - | 389,309 | 14,020,781 |
| Right-to-use assets | 125,167 | - | - | - | 125,167 |
| | <u>15,848,550</u> | <u>112,745</u> | <u>-</u> | <u>389,309</u> | <u>16,350,604</u> |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | 38,332 | - | - | - | 38,332 |
| Equipment | 1,018,214 | 290,290 | - | - | 1,308,504 |
| Infrastructure | 8,002,996 | 328,779 | - | - | 8,331,775 |
| Right-to-use assets | 64,669 | 25,033 | - | - | 89,702 |
| | <u>9,124,211</u> | <u>644,102</u> | <u>-</u> | <u>-</u> | <u>9,768,313</u> |
| | <u>6,724,339</u> | <u>(531,357)</u> | <u>-</u> | <u>389,309</u> | <u>6,582,291</u> |
| Non-depreciable assets | | | | | |
| Land and improvements | 608,779 | - | - | - | 608,779 |
| Construction in progress | 572,802 | 1,747,170 | - | (389,309) | 1,930,663 |
| | <u>1,181,581</u> | <u>1,747,170</u> | <u>-</u> | <u>(389,309)</u> | <u>2,539,442</u> |
| | <u>\$ 7,905,920</u> | <u>\$ 1,215,813</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,121,733</u> |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 5 - CAPITAL ASSETS - Continued

Depreciation expense was charged as direct expense to programs of the primary government as follows:

| | |
|-------------------------------------|--------------|
| Governmental activities | |
| Civic | \$ 50,982 |
| Fire | 782,549 |
| General government | 1,145,123 |
| Library | 18,392 |
| Parks and recreation | 285,656 |
| Police | 452,466 |
| Public works | 722,002 |
| Senior citizens' center | 43,763 |
| | \$ 3,500,933 |
| Business-type activities | |
| Water | \$ 644,102 |

Capital asset activity for the discretely presented component unit, CDA, consisted of the following for the year ended September 30, 2025:

| | Component Unit Activities | | | | |
|-------------------------------|----------------------------------|------------------|------------------|------------------|-------------------------------|
| | October 1, 2024 | Additions | Disposals | Transfers | September 30, 2025 |
| Depreciable assets | | | | | |
| Buildings and improvements | \$ 2,304,579 | \$ - | \$ - | \$ - | \$ 2,304,579 |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | 875,740 | 46,092 | - | - | 921,832 |
| | 1,428,839 | 46,092 | - | - | 1,382,747 |
| Non-depreciable assets | | | | | |
| Land and improvements | 142,100 | 675,000 | - | - | 817,100 |
| | \$ 1,570,939 | \$ 628,908 | \$ - | \$ - | \$ 2,199,847 |

Depreciation expense for all depreciable assets is charged to functions/programs of the discretely presented component unit. Depreciation expense totaled \$46,092 for the year ended September 30, 2025.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund payables and receivables consisted of the following at September 30, 2025:

| Payable From | Payable To | | | | | Total Payable To |
|---------------------------|------------------|------------------|-----------------------|------------------|-------------|-------------------|
| | General Fund | Capital Projects | Nonmajor Governmental | IDB | PBA | |
| General Fund | \$ - | \$ - | \$ 412,422 | \$ 36,391 | \$ - | \$ 448,813 |
| Capital Projects | - | - | - | - | - | - |
| Nonmajor Governmental | 2,100 | - | - | - | - | 2,100 |
| PBA | 73,330 | - | - | - | - | 73,330 |
| Total payable from | \$ 75,430 | \$ - | \$ 412,422 | \$ 36,391 | \$ - | \$ 524,243 |

Interfund payables and receivables resulted from transfers made by the funds for various operating expenses.

Interfund transfers consisted of the following during the year ended September 30, 2025:

| Transfers Out | Transfers In | | | | | Total Transfer Out |
|--------------------------|---------------------|---------------------|-------------|-----------------------|---------------------|----------------------|
| | General | Capital Projects | PBA | Nonmajor Governmental | Water | |
| General Fund | \$ - | \$ 7,053,076 | \$ - | \$ 1,186,960 | \$ 472,910 | \$ 8,712,946 |
| Capital Projects | 2,424,560 | - | - | - | 1,780,420 | 4,204,980 |
| PBA | 1,283,504 | - | - | - | - | 1,283,504 |
| Nonmajor Governmental | - | - | - | 3,978 | - | 3,978 |
| Water | 808,538 | 272,099 | - | 2,617 | - | 1,083,254 |
| Total transfer in | \$ 4,516,602 | \$ 7,325,175 | \$ - | \$ 1,193,555 | \$ 2,253,330 | \$ 15,288,662 |

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT

The City issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities. General obligation warrants have been issued for both governmental and business-type activities. General obligation warrants are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from five to 30 years.

The general obligation warrants payable for governmental activities consisted of the following at September 30, 2025:

| | Governmental Activities |
|--|------------------------------------|
| Series 2014-C General Obligation Warrants, dated June 17, 2014, due in semi-annual payments through October 1, 2030, bearing interest rates of 2.00% to 4.00% | \$ 2,075,000 |
| Series 2015-A General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through October 1, 2027, bearing interest rates of 0.80% to 4.30% | 1,685,000 |
| Series 2015-C General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through January 1, 2028, bearing interest rates of 2.00% to 4.00% | 394,050 |
| Series 2016-A General Obligation Warrants, a direct placement bond, due in annual payments through June 5, 2026, bearing an interest rate of 2.03% | 60,000 |
| Series 2019 General Obligation Warrants, dated November 15, 2019, due in semi-annual payments through October 1, 2033, bearing interest rates of 2.00% to 5.00% | 8,405,000 |
| Series 2021-A General Obligation Warrants, dated December 28, 2021, due in annual payments through October 1, 2035, bearing interest rates of 1.14% to 2.56% | 10,012,844 |
| Series 2021-B General Obligation Warrants, dated December 28, 2021, due in annual payments through October 1, 2034, bearing interest rates of 1.14% to 2.46% | 3,539,916 |
| Series 2022-A General Obligation Warrants, dated September 29, 2022, due in semi-annual payments through October 1, 2042, bearing interest rates of 4.00% to 4.50% | 6,780,000 |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

| | |
|--|-----------------------------|
| Series 2022-B General Obligation Warrants, dated September 29, 2022, due in semi-annual payments through October 1, 2035, bearing interest rates of 4.15% to 5.10% | \$ 5,970,000 |
| Series 2024 Lease Revenue Bonds, dated August 15, 2024, due in semi-annual payments through October 1, 2053, bearing interest rates of 4.00% to 5.00% | 41,920,000 |
| Series 2024 General Obligation Warrants, dated August 15, 2024, due in semi-annual payments through October 1, 2053, bearing interest rates of 4.00% to 5.00% | <u>16,070,000</u> |
| Total warrants payable | 96,911,810 |
| Deferred amounts for | |
| Unamortized premiums | 3,124,809 |
| Unamortized discounts | (68,640) |
| Total warrants payable, net | <u><u>\$ 99,967,979</u></u> |

The general obligation warrants payable for business-type activities consisted of the following at September 30, 2025:

| | Business-Type Activities |
|--|-------------------------------------|
| Series 2015-B General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through October 1, 2025, bearing interest rates of 0.80% to 4.38% | \$ 265,000 |
| Series 2015-C General Obligation Warrants, dated November 5, 2015, due in semi-annual payments through January 1, 2028, bearing interest rates of 2.00% to 4.00% | 160,950 |
| Series 2021-A General Obligation Warrants, dated December 28, 2021, due in annual payments through October 1, 2035, bearing interest rates of 1.14% to 2.56% | 577,156 |
| Series 2021-B General Obligation Warrants, dated December 28, 2021, due in annual payments through October 1, 2034, bearing interest rates of 1.14% to 2.46% | <u>3,030,084</u> |
| Total warrants payable | 4,033,190 |
| Deferred amounts for | |
| Unamortized premiums | 2,910 |
| Unamortized discounts | - |
| Total warrants payable, net | <u><u>\$ 4,036,100</u></u> |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

Future principal and interest requirements of the general obligation warrants for governmental activities and business-type activities consist of the following for the years ending September 30:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|-----------|--------------------------------|----------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2026 | \$ 2,906,790 | \$ 3,880,457 | \$ 503,210 | \$ 79,564 |
| 2027 | 3,108,122 | 3,769,919 | 361,878 | 69,926 |
| 2028 | 3,219,870 | 3,654,407 | 375,130 | 63,174 |
| 2029 | 3,215,002 | 3,545,434 | 399,998 | 55,903 |
| 2030 | 3,316,449 | 3,443,397 | 408,551 | 48,281 |
| 2031-2035 | 18,189,747 | 15,617,297 | 1,970,253 | 113,537 |
| 2036-2040 | 14,545,830 | 12,340,333 | 14,170 | 181 |
| 2041-2045 | 16,030,000 | 8,551,913 | - | - |
| 2046-2050 | 16,500,000 | 4,994,576 | - | - |
| 2051-2054 | 15,880,000 | 1,313,088 | - | - |
| | <u>\$ 96,911,810</u> | <u>\$ 61,110,821</u> | <u>\$ 4,033,190</u> | <u>\$ 430,566</u> |

The City issues notes payable to provide funds for the acquisition of major capital equipment. Notes payable have been issued for both governmental and business-type activities. Notes payable are direct obligations and pledge the full faith and credit of the government.

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Republic First National, dated March 2021, due in annual payments of \$172,586 through February 15, 2026, bearing an interest rate of 2.62% | \$ 168,173 |
| Republic First National, dated October 2021, due in annual payments of \$171,876 through November 12, 2031, bearing an interest rate of 2.56% | 1,089,024 |
| Republic First National, dated December 2021, due in annual payments of \$159,864 through December 10, 2028, bearing an interest rate of 2.46% | 602,015 |
| Republic First National, dated December 2021, due in annual payments of \$20,217 through May 20, 2026, bearing an interest rate of 3.08% | 19,612 |
| Republic First National, dated May 2022, due in annual payments of \$66,333 through November 1, 2026, bearing an interest rate of 3.88% | 125,310 |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

| | | |
|--|----|-------------------------------------|
| Republic First National, dated August 2022, due in annual payments of \$148,440 through July 1, 2037, bearing an interest rate of 4.04% | \$ | 1,390,138 |
| Republic First National, dated October 2022, due in annual payments of \$119,540 through October 1, 2027, bearing an interest rate of 5.06% | | 324,085 |
| Republic First National, dated October 2022, due in annual payments of \$13,389 through March 1, 2027, bearing an interest rate of 5.22% | | 24,781 |
| Enterprise FM Trust, dated May 2022, due in various monthly payments through April 30, 2030, bearing various interest rates | | 265,118 |
| Lilly Company, dated February 2024, due in annual payments of \$9,185 through March 15, 2028, bearing an interest rate of 6.93% | | 24,041 |
| Republic First National, dated February 2024, due in annual payments of \$53,745 through February 9, 2029, bearing an interest rate of 5.64% | | 187,145 |
| Wells Fargo, dated March 2024, due in annual payments of \$25,246 through July 5, 2028, bearing an interest rate of 7.04% | | 65,931 |
| Republic First National, dated May 2024, due in annual payments of \$32,660 through September 15, 2027, bearing an interest rate of 6.21% | | 59,547 |
| Total notes payable | \$ | <u>4,344,920</u> |
| | | Business-Type Activities |
| Republic First National, dated December 2021, due in annual payments of \$88,000 through May 20, 2026, bearing an interest rate of 2.52% | \$ | 85,834 |
| Republic First National, dated January 2024, due in annual payments of \$84,499 through January 1, 2031, bearing an interest rate of 5.45% | | 420,955 |
| Total notes payable | \$ | <u>506,789</u> |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

Future principal and interest requirements of the notes payable for governmental activities and business-type activities consist of the following for the years ending September 30:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|-----------|--------------------------------|-------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2026 | \$ 930,501 | \$ 167,696 | \$ 146,814 | \$ 25,685 |
| 2027 | 768,441 | 136,951 | 64,387 | 20,112 |
| 2028 | 672,794 | 107,690 | 67,985 | 16,514 |
| 2029 | 484,940 | 71,595 | 71,783 | 12,716 |
| 2030 | 267,503 | 52,813 | 75,793 | 8,706 |
| 2031-2035 | 940,917 | 145,035 | 80,027 | 4,472 |
| 2036-2037 | 279,824 | 17,056 | - | - |
| | <u>\$ 4,344,920</u> | <u>\$ 698,836</u> | <u>\$ 506,789</u> | <u>\$ 88,205</u> |

The notes payable for the discretely presented component unit, CDA, consisted of the following at September 30, 2025:

| | <u>Component Unit Activities</u> |
|--|--------------------------------------|
| Jefferson County Commission, dated September 2011, due in monthly payments of \$4,305 through August 10, 2026, bearing an interest rate of 2.44% | \$ 43,303 |

Future principal and interest requirements of the note payable for the component unit consist of the following for the years ending September 30:

| | <u>Component Unit Activities</u> | |
|------|----------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2026 | \$ 43,303 | \$ 317 |
| | <u>\$ 43,303</u> | <u>\$ 317</u> |

The CDA has a line of credit agreement with a bank, which provides for borrowings up to \$1,296,000 at 6.25%. The line of credit is secured by property. The line is set to expire in February 2028.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2025:

| Governmental Activities | October 1, 2024 | Additions | Retirements | September 30, 2025 | Due Within One Year |
|------------------------------------|----------------------------|---------------------|---------------------|-------------------------------|--------------------------------|
| Warrants payable | | | | | |
| General obligation warrants | \$ 99,726,632 | \$ - | \$ 2,814,822 | \$ 96,911,810 | \$ 2,906,790 |
| Less: discounts and premiums, net | 3,331,662 | - | 275,493 | 3,056,169 | 256,223 |
| Total warrants payable | 103,058,294 | - | 3,090,315 | 99,967,979 | 3,163,013 |
| Notes payable | 5,118,493 | 59,872 | 833,445 | 4,344,920 | 930,501 |
| Lease liability | 84,608 | 103,688 | 57,654 | 130,642 | 59,507 |
| Subscription-based IT arrangements | 513,918 | 329,556 | 199,219 | 644,255 | 196,982 |
| Compensated absences | 3,813,119 | 796,745 | 1,650,544 | 2,959,320 | 872,999 |
| | <u>\$ 112,588,432</u> | <u>\$ 1,289,861</u> | <u>\$ 5,831,177</u> | <u>\$ 108,047,116</u> | <u>\$ 5,223,002</u> |

For governmental activities, general obligation warrants, notes payable, net pension liabilities, net other post-employment benefit liabilities, and compensated absences are liquidated by the General Fund.

The Series 2024 Lease Bonds are special, limited obligations of the Public Building Authority of the City of Irondale, a blended component unit, and are payable solely from, and secured by a pledge of, the revenues and receipts derived by the PBA from the leasing of facilities by the City of Irondale defined in the lease revenue bond documents. Lease revenue bond payments made from the General Fund to the PBA are included in operating transfers.

Changes in long-term liabilities for business-type activities consisted of the following at September 30, 2025:

| Business-Type Activities | October 1, 2024 | Additions | Retirements | September 30, 2025 | Due Within One Year |
|-----------------------------------|----------------------------|------------------|--------------------|-------------------------------|--------------------------------|
| Warrants payable | | | | | |
| General obligation warrants | \$ 4,398,368 | \$ - | \$ 365,178 | \$ 4,033,190 | \$ 503,210 |
| Less: discounts and premiums, net | 5,006 | - | 2,096 | 2,910 | 1,737 |
| Total warrants payable | 4,403,374 | - | 367,274 | 4,036,100 | 504,947 |
| Notes payable | 648,264 | - | 141,475 | 506,789 | 146,814 |
| Lease liability | 63,998 | - | 25,669 | 38,329 | 26,850 |
| Compensated absences | 136,757 | 62,778 | 59,521 | 140,014 | 41,304 |
| | <u>\$ 5,252,393</u> | <u>\$ 62,778</u> | <u>\$ 593,939</u> | <u>\$ 4,721,232</u> | <u>\$ 719,915</u> |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for component units consisted of the following at September 30, 2025:

| Component Unit Activities | October 1, 2024 | Additions | Retirements | September 30, 2025 | Due Within One Year |
|----------------------------------|----------------------------|-------------------|--------------------|-------------------------------|--------------------------------|
| Notes payable | \$ 93,363 | \$ - | \$ 50,060 | \$ 43,303 | \$ 43,303 |
| Line of credit | - | 706,294 | 1,926 | 704,368 | - |
| | <u>\$ 93,363</u> | <u>\$ 706,294</u> | <u>\$ 51,986</u> | <u>\$ 747,671</u> | <u>\$ 43,303</u> |

NOTE 8 - LEASES

Active lease agreements consisted of the following at September 30, 2025:

| Governmental Activities | | | | | | |
|--------------------------------|-------------|--------------|----------------|---------------------------|----------------------------------|-----------------------------------|
| Description | Date | Terms | Payment | Interest Rates | Total Lease Liability | Ending Lease Liability |
| 1801 Building | 3/1/2022 | 60 months | Varies | 2.46% | \$ 125,168 | \$ 38,328 |
| Postage machine | 1/8/2025 | 36 months | 216 | 4.50% | 7,297 | 5,564 |
| Grants Mill substation | 6/1/2025 | 36 months | Varies | 4.50% | 96,391 | 86,750 |
| | | | | | <u>\$ 228,856</u> | <u>\$ 130,642</u> |

| Business-Type Activities | | | | | | |
|---------------------------------|-------------|--------------|----------------|---------------------------|----------------------------------|-----------------------------------|
| Description | Date | Terms | Payment | Interest Rates | Total Lease Liability | Ending Lease Liability |
| 1801 Building | 3/1/2022 | 60 months | Varies | 2.46% | \$ 125,168 | \$ 38,329 |
| | | | | | <u>\$ 125,168</u> | <u>\$ 38,329</u> |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 8 - LEASES - Continued

Annual requirements to amortize long-term obligations and related interest consisted of the following:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|------|--------------------------------|-----------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2026 | \$ 59,507 | \$ 3,911 | \$ 26,850 | \$ 587 |
| 2027 | 47,014 | 1,870 | 11,479 | 46 |
| 2028 | 24,121 | 311 | - | - |
| | <u>\$ 130,642</u> | <u>\$ 6,092</u> | <u>\$ 38,329</u> | <u>\$ 633</u> |

Right-to-use assets consisted of the following at September 30, 2025:

| <u>Governmental Activities</u> | | | | |
|--------------------------------|--------------------|------------------------|---------------------------------|----------------------|
| <u>Description</u> | <u>Useful Life</u> | <u>Beginning Value</u> | <u>Accumulated Amortization</u> | <u>Current Value</u> |
| 1801 Building | 60 months | \$ 125,168 | \$ 89,703 | \$ 35,465 |
| Postage machine | 36 months | 7,297 | 1,775 | 5,522 |
| Grants Mill substation | 36 months | 96,391 | 10,713 | 85,678 |
| | | <u>\$ 228,856</u> | <u>\$ 102,191</u> | <u>\$ 126,665</u> |

| <u>Business-Type Activities</u> | | | | |
|---------------------------------|--------------------|------------------------|---------------------------------|----------------------|
| <u>Description</u> | <u>Useful Life</u> | <u>Beginning Value</u> | <u>Accumulated Amortization</u> | <u>Current Value</u> |
| 1801 Building | 60 months | \$ 125,168 | \$ 89,703 | \$ 35,465 |
| | | <u>\$ 125,168</u> | <u>\$ 89,703</u> | <u>\$ 35,465</u> |

NOTE 9 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City has entered into subscription-based information technology arrangements (SBITAs) involving budget and police software.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 9 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS - Continued

The future subscription payments under SBITA agreements are as follows:

| | Governmental Activities | | Business-Type Activities | |
|------|--------------------------------|------------------|---------------------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 196,982 | \$ 43,318 | \$ - | \$ - |
| 2027 | 193,102 | 30,232 | - | - |
| 2028 | 186,365 | 15,741 | - | - |
| 2029 | 67,806 | 2,850 | - | - |
| | <u>\$ 644,255</u> | <u>\$ 92,141</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 10 - PENSION PLAN

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 created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - PENSION PLAN - Continued

Plan Description - Continued

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. One 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 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 creditable 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.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - PENSION PLAN - Continued

Benefits Provided - Continued

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

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 628 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.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - PENSION PLAN - Continued

Benefits Provided - Continued

The ERS serves approximately 809 local participating employers and one state employer. 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 |

The City’s membership as of the measurement date of September 30, 2024 consisted of:

| | |
|---|-----|
| Retired members or their beneficiaries currently receiving benefits | 88 |
| Vested inactive members | 4 |
| Non-vested inactive members | 20 |
| Active members | 182 |
| | 294 |

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.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - PENSION PLAN - Continued

Contributions - Continued

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2025, the City's active employee contribution rate was 6.94% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 13.11% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2025 was 14.08% of pensionable pay for Tier 1 employees, and 12.25% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of 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 totaled \$2,042,041 for the year ended September 30, 2025.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - 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 | \$ 48,401,941 | \$ 52,270,766 | \$ 52,270,766 |
| (b) Discount rate | 7.45% | 7.45% | 7.45% |
| (c) Entry age normal cost for the period October 1, 2023 - September 30, 2024 | 1,257,489 | 1,257,489 | 1,257,489 |
| (d) Transfers among employers | - | (132,451) | (132,451) |
| (e) Actual benefit payments and refunds for the period October 1, 2023 - September 30, 2024 | (2,750,276) | (2,750,276) | (2,750,276) |
| (f) Total pension liability as of September 30, 2024 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))] | <u>\$ 50,412,651</u> | <u>\$ 54,437,252</u> | <u>\$ 54,437,252</u> |
| (g) Difference between expected and actual | | \$ 4,024,601 | |
| (h) Less liability transferred for immediate recognition | | (132,451) | |
| (i) Difference between expected and actual - experience (gain)/loss | | <u>\$ 4,157,052</u> | |
| (j) Difference between actual TPL before and after Plan changes - benefit change (gain)/loss | | | <u>\$ -</u> |

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:

1. Inflation of 2.50%.
2. Projected salary increases, ranging from 3.25% to 6.00% for state and local employees and 4.00% to 7.75% for State Police, including inflation.
3. An investment rate of return of 7.45%, including inflation.

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.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - PENSION PLAN - Continued

Actuarial Assumptions - Continued

| Group | Membership Table | Set Forward (+) Setback (-) | Adjustment to Rates |
|------------------------------------|---------------------------------------|--|--|
| 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 actuarial valuation as of September 30, 2022, 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.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - 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:

| | Target Allocation | Long-Term Expected Rate of Return* |
|---------------------------------------|------------------------------|---|
| Fixed income | 15.0% | 2.8% |
| U.S. large stocks | 32.0% | 8.0% |
| U.S. mid stocks | 9.0% | 10.0% |
| U.S. small stocks | 4.0% | 11.0% |
| International developed market stocks | 12.0% | 9.5% |
| International emerging market stocks | 3.0% | 11.0% |
| Alternatives | 10.0% | 9.0% |
| Real estate | 10.0% | 6.5% |
| Cash | 5.0% | 1.5% |
| | 100.0% | |

*Includes assumed rate of inflation of 2.00%.

Discount Rate

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

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - PENSION PLAN - Continued

Changes in Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|--|--|--|
| Balances at September 30, 2023 | \$ 48,401,941 | \$ 31,564,536 | \$ 16,837,405 |
| Changes for the year | | | |
| Service cost | 1,257,489 | - | 1,257,489 |
| Interest | 3,503,497 | - | 3,503,497 |
| Difference between expected and actual experience | 4,157,052 | - | 4,157,052 |
| Contributions - employer | - | 1,635,711 | (1,635,711) |
| Contributions - employee | - | 929,238 | (929,238) |
| Net investment income | - | 6,632,150 | (6,632,150) |
| Benefits of payments, including refunds of employee contributions | (2,750,276) | (2,750,276) | - |
| Transfers among employers | (132,451) | (132,451) | - |
| Net changes | 6,035,311 | 6,314,372 | (279,061) |
| Balances at September 30, 2024 | <u>\$ 54,437,252</u> | <u>\$ 37,878,908</u> | <u>\$ 16,558,344</u> |

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

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|------------------------------|--------------------------------|--|--------------------------------|
| Plan's net pension liability | \$ 23,268,764 | \$ 16,558,344 | \$ 10,931,591 |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - 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 Comprehensive Annual 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 detail by employer and in the aggregate additional information needed to comply with GASB 68. 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 \$2,166,896. 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 |
|---|---|--|
| Difference between expected and actual experience | \$ 5,003,617 | \$ 184,328 |
| Changes of assumptions | 476,369 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,551,828 |
| Employer contributions subsequent to the measurement date | 2,042,041 | - |
| | \$ 7,522,027 | \$ 2,736,156 |

The \$2,042,041 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 10 - PENSION PLAN - Continued

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows for the years ending September 30:

| | | <u>Deferred Outflows/ (Inflows) of Resources</u> |
|------------|----|--|
| 2026 | \$ | 614,454 |
| 2027 | | 1,326,013 |
| 2028 | | (76,848) |
| 2029 | | 130,579 |
| 2030 | | 681,484 |
| Thereafter | | 68,148 |

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

The City provides certain continuing medical benefits that are provided to employees upon actual retirement through a comprehensive medical benefit plan.

Management of the OPEB Plan is vested in the OPEB Plan’s Board of Trustees, which consists of the five members of the Irondale City Council, who may vary from time to time and who may designate certain City officials as signatories on the Trust’s investment account.

OPEB Plan Membership

Employees covered by benefit terms

| | | |
|--|--|-----|
| Inactive employees or beneficiaries currently receiving benefit payments | | 6 |
| Inactive employees entitled to but not yet receiving benefit payments | | - |
| Active employees | | 182 |
| | | 188 |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Benefits Provided

The City’s medical benefits are provided through a comprehensive medical benefit plan. Eligibility for Tier 1 retirement under the Retirement Systems are age 60 and 10 years of service and age plus service at retirement equals 75; or 25 years of service at any age; age plus service at retirement equals 75.

Contributions

The City of Irondale has the authority to establish and amend the contribution requirements of the City of Irondale and the plan members. Retirees and spouses pay 20% of the Local Government Health Insurance Program retiree rates. Coverage ends at retiree age 65.

Investments

The OPEB plan’s policy regarding the allocation of invested assets is established and may be amended by the Board of Trustees. The following was the asset allocation policy as of September 30, 2025:

| Asset Class | Allocation |
|------------------------|------------|
| Equity | 57.52% |
| Fixed income | 29.18% |
| Alternative investment | 12.59% |
| Cash | 0.71% |

Concentrations

The Trust has over 5% invested in the following funds; Diamond Hill Large Cap Fund, 5.21%, Brown Advisory Sustainable Growth Fund, 5.30%, Vanguard 500 Index Fund, 32.22%, Baird Core Intermediate Municipal Fund, 10.46%, NYLI MacKay Strategic Muni Allocation Fund, 6.25%, Vanguard Mid-Cap ETF, 6.54%, and Baird Municipal Bond Fund, 8.34%.

Rate of Return

For the year ended September 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 5.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Net OPEB Liability of the City

| | |
|---|----------------------------|
| Total OPEB liability | \$ 3,982,695 |
| Plan fiduciary net position | <u>1,294,529</u> |
| City of Irondale's net OPEB liability | <u><u>\$ 2,688,166</u></u> |
| | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 32.50% |

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of October 1, 2024, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.60% |
| Salary increases | 4.00% including inflation |
| Discount rate | 3.81% annually (beginning of year to determine ADC) |
| | 4.90% annually (as of end of year measurement date) |
| Healthcare cost trend rates | 2025 Getzen Model, with an initial trend of 5.5% |
| Active mortality | Pub-2010 Public Retirement Plans Below-Median Mortality Table for General Employees, Headcount Weighted, with full generational projection using 66-2/3 of the MP-2021 scale |
| Retiree mortality | Pub-2010 Public Retirement Plans Below-Median Mortality Table for General Healthy Retirees, Headcount Weighted, with full generational projection using 66-2/3 of the MP-2021 scale |

The actuarial assumptions used in the October 1, 2024 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2006 to September 30, 2025.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 4.90%. The discount rate was based on the Bond Buyers' 20-Year General Obligation municipal bond index as of September 30, 2025, the end of the applicable measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current discount rate:

| | 1% Decrease (3.90%) | Current Discount Rate (4.90%) | 1% Increase (5.90%) |
|-----------------------------|--------------------------------|--|--------------------------------|
| Plan's total OPEB liability | \$ 3,020,540 | \$ 2,688,166 | \$ 2,376,463 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current healthcare trend rates:

| | 1% Decrease (4.50%) | Current Trend (5.50%) | 1% Increase (6.50%) |
|-----------------------------|--------------------------------|--------------------------------------|--------------------------------|
| Plan's total OPEB liability | \$ 2,166,372 | \$ 2,688,166 | \$ 3,320,112 |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS - Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense totaling \$408,976. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ 11,203 | \$ 591,035 |
| Changes of assumptions | 917,517 | 660,406 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 102,563 |
| | \$ 928,720 | \$ 1,354,004 |

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

| | Deferred Outflows/ (Inflows) of Resources |
|------------|--|
| 2026 | \$ (64,486) |
| 2027 | (108,089) |
| 2028 | (95,201) |
| 2029 | (60,214) |
| 2030 | (54,333) |
| Thereafter | (42,961) |

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 12 - COMMITMENTS

The City has approved items related to constructions projects for governmental fund types. As of September 30, 2025, the remaining commitment on these contacts was approximately \$7,743,922.

NOTE 13 - 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; injuries to employees; and natural disasters. The City’s risk management program mainly encompasses obtaining property and liability insurance through commercial insurance carriers. There were no significant changes in coverage retention, or limits during the fiscal year. The General Fund handles property claims for the City and absorbs the loss for any amounts below the deductible amounts.

The City maintains a limited risk management program for an employee dental plan. Premiums are paid into the General Fund by all employees, and are available to pay claims, claim reserves and administrative costs of the program. These premiums are used to reduce the amount of claim expenditures reported in the General Fund. Dental plan liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims is reported in the General Fund because it is expected to be liquidated with expendable available financial resources. Changes in the balances of claim liabilities during the year ended September 30, 2025, consisted of the following:

| | | |
|--|----|-----------|
| Funds available for claims, October 1, 2024 | \$ | 241,188 |
| Premiums | | 210,775 |
| Claims | | (121,861) |
| Funds available for claims, September 30, 2025 | \$ | 330,102 |

NOTE 14 - CONTINGENCIES

The City is involved in various claims and lawsuits, both for and against the City, arising in the normal course of business. Litigation is subject to inherent uncertainties and, were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the operations of the City for the period in which the ruling occurs.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers’ compensation; and natural disasters for which the City carries commercial insurance.

The City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed or not incurred in a timely manner under the terms of the grant. City management believes such disallowances, if any, would be immaterial.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 15 - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 46.5% of total governmental fund-type revenues for the year ended September 30, 2025.

NOTE 16 - TAX ABATEMENTS

The City enters into sales tax abatement agreements with local businesses under the Tax Incentive Reform Act of 1992. Under the Act, cities, counties and public industrial authorities have the ability to abate sales and use taxes and property taxes for various time periods depending on the type of business, all for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. For the fiscal year ended September 30, 2025, the City abated taxes totaling \$1,986,526 under this Act, as summarized below.

| Purpose | Type of Taxes Abated | Percentage of Taxes Abated during the Fiscal Year | Amount of Taxes Abated during the Fiscal Year |
|------------------------|-----------------------------|--|--|
| Commercial development | Sales | 13% | \$ 1,281,312 |
| Commercial development | Sales | 28% | 167,582 |
| Commercial development | Sales | 23% | 60,156 |
| Commercial development | Sales | 6% | 477,476 |
| | | | <u>\$ 1,986,526</u> |

NOTE 17 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

The GASB has issued the following statements and implementation guides:

The GASB issued Statement No. 103, *Financial Reporting Model Improvements* 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. The requirements of GASB 103 will take effect for financial statements starting with the fiscal year that ends September 2026. The City is currently evaluating the impact GASB 103 may have on its financial statements.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of GASB 104 will take effect for financial statements starting with the fiscal year that ends September 2026. The City is currently evaluating the impact GASB 104 may have on its financial statements.

CITY OF IRONDALE, ALABAMA
Notes to the Financial Statements
September 30, 2025
(Continued)

NOTE 17 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

The GASB issued Statement No. 105, *Subsequent Events* to improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events. Those improvements will assist preparers and auditors in applying the requirements more consistently, thereby reducing diversity in practice and providing information that better meets the needs of financial statement users. The City is currently evaluating the impact GASB 105 may have on its financial statements.

For the original pronouncements and the implementation guides, please visit the GASB's website, www.gasb.org.

NOTE 18 - FUND BALANCE COMMITTED FOR STABILIZATION ARRANGEMENTS

In 2011, City Council approved Ordinance 2011-55, "Emergency Reserve Fund Balance and Emergency Reserve Assets Policy" (Policy). Under the Policy, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as emergency situations or when revenue shortages or budgetary imbalances occur. The Policy states that the target goal is to maintain approximately 25.00% of the prior year's actual General Fund expenditures plus operating transfers out. The Policy states the funds are committed for use in covering unforeseen non-routine events that generally represent an economic impact to the City greater than 5.00% of the previous five-year average of sales tax collections and cannot be absorbed by changes to the budget. At September 30, 2025, \$728,715 of the fund balance for the General Fund was reported as committed for economic stabilization.

NOTE 19 - PRIOR PERIOD ADJUSTMENT

In addition to the adjustment disclosed in Note 1 related to GASB 101 implementation, the City discovered that a sales tax rebate was inadvertently left off the accrual schedule. As such, the net position of the General Fund and the Governmental Activities were overstated by \$119,604.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IRONDALE, ALABAMA
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | | | | |
| Sales and use | \$ 18,277,000 | \$ 18,277,000 | \$ 17,656,486 | \$ (620,514) |
| Property tax | 3,601,200 | 3,601,200 | 3,824,204 | 223,004 |
| Other | 6,109,760 | 6,109,760 | 5,505,493 | (604,267) |
| Licenses and permits | 2,965,000 | 2,965,000 | 2,834,702 | (130,298) |
| Intergovernmental | - | - | - | - |
| Charges for services | 1,826,000 | 1,826,000 | 2,114,066 | 288,066 |
| Fines and forfeitures | 198,200 | 198,200 | 233,223 | 35,023 |
| Interest | 1,000 | 1,000 | 32,333 | 31,333 |
| Other | 1,606,500 | 1,611,500 | 3,023,597 | 1,412,097 |
| Total revenue | <u>34,584,660</u> | <u>34,589,660</u> | <u>35,224,104</u> | <u>634,444</u> |
| Expenditures, current | | | | |
| General government | 6,889,551 | 6,909,551 | 6,567,834 | 341,717 |
| Public safety | 14,320,647 | 14,320,647 | 14,897,840 | (577,193) |
| Parks and recreation | 520,150 | 520,150 | 469,667 | 50,483 |
| Public works | 4,798,168 | 4,798,168 | 4,238,724 | 559,444 |
| Library | 728,130 | 728,130 | 778,514 | (50,384) |
| Senior citizens' center | 402,900 | 402,900 | 389,909 | 12,991 |
| Civic center | 678,850 | 678,850 | 413,049 | 265,801 |
| Payments to other governments | - | - | 51,661 | (51,661) |
| Capital outlay | - | - | 493,116 | (493,116) |
| Debt service | | | | |
| Principal retirement | 3,984,560 | 3,984,560 | 3,905,140 | 79,420 |
| Interest and fees | 1,868,189 | 1,868,189 | 3,260,035 | (1,391,846) |
| Total expenditures | <u>34,191,145</u> | <u>34,211,145</u> | <u>35,465,489</u> | <u>(1,254,344)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>393,515</u> | <u>378,515</u> | <u>(241,385)</u> | <u>(619,900)</u> |
| Other financing sources (uses) | | | | |
| Issuance of leases | - | - | 103,688 | 103,688 |
| Issuance of notes | - | - | 59,872 | 59,872 |
| Issuance of subscription technology | - | - | 329,556 | 329,556 |
| Transfers in | - | - | 4,516,602 | 4,516,602 |
| Transfers out | - | - | (8,712,946) | (8,712,946) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(3,703,228)</u> | <u>(3,703,228)</u> |
| Net change in fund balance | <u>\$ 393,515</u> | <u>\$ 378,515</u> | <u>\$ (3,944,613)</u> | <u>\$ (4,323,128)</u> |

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years Ended September 30,

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | |
| Service cost | \$ 1,257,489 | \$ 1,022,602 | \$ 898,598 | \$ 709,006 | \$ 652,501 |
| Interest | 3,503,497 | 3,193,712 | 3,010,249 | 2,926,249 | 2,834,267 |
| Changes in benefit terms | - | - | 26,327 | - | 276,764 |
| Differences between expected and actual experience | 4,157,052 | 1,779,329 | 672,634 | (551,333) | (361,863) |
| Changes of assumptions | - | - | - | 1,667,293 | - |
| Benefit payments, including refunds of employee contributions | (2,750,276) | (2,416,952) | (2,505,842) | (2,228,924) | (2,134,695) |
| Transfers among employees | (132,451) | 746,156 | 316,178 | 18,958 | (25,284) |
| Net change in total pension liability | 6,035,311 | 4,324,847 | 2,418,144 | 2,541,249 | 1,241,690 |
| Total pension liability - beginning | 48,401,941 | 44,077,094 | 41,658,950 | 39,117,701 | 37,876,011 |
| Total pension liability - ending (a) | \$ 54,437,252 | \$ 48,401,941 | \$ 44,077,094 | \$ 41,658,950 | \$ 39,117,701 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 1,635,711 | \$ 1,434,531 | \$ 1,222,153 | \$ 1,075,910 | \$ 887,583 |
| Contributions - member | 929,238 | 738,239 | 598,352 | 509,699 | 439,771 |
| Net investment income | 6,632,150 | 3,598,135 | (4,054,547) | 5,851,224 | 1,463,651 |
| Benefit payments, including refunds of employee contributions | (2,750,276) | (2,416,952) | (2,505,842) | (2,228,924) | (2,134,695) |
| Transfers among employers | (132,451) | 756,156 | 316,178 | 18,958 | (25,284) |
| Net change in Plan fiduciary net position | 6,314,372 | 4,110,109 | (4,423,706) | 5,226,867 | 631,026 |
| Plan net position - beginning | 31,574,536 | 27,464,427 | 31,888,133 | 26,661,266 | 26,030,240 |
| Plan net position - ending (b) | \$ 37,888,908 | \$ 31,574,536 | \$ 27,464,427 | \$ 31,888,133 | \$ 26,661,266 |
| Net pension liability (a) - (b) | \$ 16,548,344 | \$ 16,827,405 | \$ 16,612,667 | \$ 9,770,817 | \$ 12,456,435 |
| Plan fiduciary net position as a percentage of the total pension liability | 69.60% | 65.23% | 62.31% | 76.55% | 68.16% |
| Covered-employee payroll | \$ 13,426,375 | \$ 10,860,118 | \$ 8,935,744 | \$ 8,109,632 | \$ 7,606,816 |
| Net pension liability as a percentage of covered-employee payroll | 123.25% | 154.95% | 185.91% | 120.48% | 163.75% |

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years Ended September 30,
(Continued)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total pension liability | | | | | |
| Service cost | \$ 656,764 | \$ 726,564 | \$ 749,157 | \$ 664,894 | \$ 653,499 |
| Interest | 2,766,131 | 2,679,655 | 2,435,923 | 2,254,708 | 2,179,436 |
| Changes in benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | (296,633) | (74,720) | 1,825,665 | 710,775 | (169,238) |
| Changes of assumptions | - | 188,612 | - | 1,322,317 | - |
| Benefit payments, including refunds of employee contributions | (2,158,182) | (2,047,458) | (1,821,642) | (1,721,873) | (1,723,725) |
| Transfers among employees | (94,934) | (69,707) | 68,733 | 66,472 | - |
| Net change in total pension liability | 873,146 | 1,402,946 | 3,257,836 | 3,297,293 | 939,972 |
| Total pension liability - beginning | 37,002,865 | 35,599,919 | 32,342,083 | 29,044,790 | 28,104,818 |
| Total pension liability - ending (a) | \$ 37,876,011 | \$ 37,002,865 | \$ 35,599,919 | \$ 32,342,083 | \$ 29,044,790 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 824,294 | \$ 760,911 | \$ 800,419 | \$ 885,341 | \$ 764,327 |
| Contributions - member | 419,444 | 427,522 | 458,129 | 458,375 | 451,105 |
| Net investment income | 664,308 | 2,273,528 | 2,869,198 | 2,108,430 | 246,666 |
| Benefit payments, including refunds of employee contributions | (2,158,182) | (2,047,458) | (1,821,642) | (1,721,873) | (1,723,725) |
| Transfers among employers | (94,934) | (69,707) | 68,733 | 66,472 | 149,732 |
| Net change in Plan fiduciary net position | (345,070) | 1,344,796 | 2,374,837 | 1,796,745 | (111,895) |
| Plan net position - beginning | 26,375,310 | 25,030,514 | 22,655,677 | 20,858,932 | 20,970,827 |
| Plan net position - ending (b) | \$ 26,030,240 | \$ 26,375,310 | \$ 25,030,514 | \$ 22,655,677 | \$ 20,858,932 |
| Net pension liability (a) - (b) | \$ 11,845,771 | \$ 10,627,555 | \$ 10,569,405 | \$ 9,686,406 | \$ 8,185,858 |
| Plan fiduciary net position as a percentage of the total pension liability | 68.72% | 71.28% | 70.31% | 70.05% | 71.82% |
| Covered-employee payroll | \$ 7,135,808 | \$ 7,451,164 | \$ 7,954,796 | \$ 8,268,573 | \$ 7,270,205 |
| Net pension liability as a percentage of covered-employee payroll | 166.00% | 142.63% | 132.87% | 117.15% | 112.59% |

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Employer Contributions - Pension
Last Ten Years Ended September 30,

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 2,042,041 | \$ 1,635,711 | \$ 1,434,531 | \$ 1,217,637 | \$ 1,070,909 |
| Contributions in relation to the actuarially determined contributions | 2,042,041 | 1,635,711 | 1,434,531 | 1,217,637 | 1,070,909 |
| Contributions deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-employee payroll | \$ 15,580,864 | \$ 13,426,375 | \$ 10,860,118 | \$ 8,935,744 | \$ 8,109,632 |
| Contributions as a percentage of covered-employee payroll | 13.11% | 12.18% | 13.21% | 13.63% | 13.21% |

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
 Schedule of Employer Contributions - Pension
 Last Ten Years Ended September 30,
 (Continued)

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 887,583 | \$ 825,550 | \$ 784,554 | \$ 971,187 | \$ 898,985 |
| Contributions in relation to the actuarially determined contributions | 887,583 | 825,550 | 784,554 | 971,187 | 898,985 |
| Contributions deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-employee payroll | \$ 7,606,816 | \$ 7,135,808 | \$ 7,451,164 | \$ 7,954,796 | \$ 8,268,573 |
| Contributions as a percentage of covered-employee payroll | 11.67% | 11.57% | 10.53% | 12.21% | 10.87% |

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Eight Years Ended September 30,

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 387,679 | \$ 282,121 | \$ 298,073 | \$ 37,260 | \$ 23,974 |
| Interest | 161,421 | 151,594 | 137,413 | 81,307 | 80,810 |
| Changes in benefit terms | - | - | - | 2,138,123 | - |
| Differences between expected and actual experience | - | (424,585) | - | (410,632) | (48,426) |
| Changes of assumptions | (363,208) | 527,104 | (18,861) | 204,898 | - |
| Benefit payments and net transfers | (103,638) | (119,085) | (105,945) | (78,439) | (21,402) |
| Net change in total OPEB liability | 82,254 | 417,149 | 310,680 | 1,972,517 | 34,956 |
| Total OPEB liability - beginning | 3,900,437 | 3,483,288 | 3,172,608 | 1,200,091 | 1,165,135 |
| Total OPEB liability - ending | \$ 3,982,691 | \$ 3,900,437 | \$ 3,483,288 | \$ 3,172,608 | \$ 1,200,091 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ - | \$ 1,629 | \$ - | \$ - | \$ - |
| Net investment income | 75,941 | 216,323 | 101,191 | (181,663) | 143,332 |
| Benefit payments | - | (1,629) | - | - | - |
| Administrative expense | (6,752) | (6,276) | - | - | - |
| Net change in OPEB plan fiduciary net position | 69,189 | 210,047 | 101,191 | (181,663) | 143,332 |
| OPEB plan net position - beginning | 1,225,340 | 1,015,293 | 914,102 | 1,095,765 | 952,433 |
| OPEB plan net position - ending | \$ 1,294,529 | \$ 1,225,340 | \$ 1,015,293 | \$ 914,102 | \$ 1,095,765 |
| Net OPEB liability - ending | \$ 2,688,162 | \$ 2,675,097 | \$ 2,467,995 | \$ 2,258,506 | \$ 104,326 |
| OPEB plan fiduciary net position as a percentage of the total OPEB liability | 32.50% | 31.42% | 29.15% | 28.81% | 91.31% |
| Covered-employee payroll | \$ 13,454,053 | \$ 12,936,589 | \$ 9,310,340 | \$ 8,952,250 | \$ 6,163,630 |
| Net OPEB liability as a percentage of covered-employee payroll | 19.98% | 20.68% | 26.51% | 25.23% | 1.69% |

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

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Eight Years Ended September 30,
(Continued)

| | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|
| Total OPEB liability | | | |
| Service cost | \$ 24,530 | \$ 51,110 | \$ 51,879 |
| Interest | 83,365 | 126,847 | 62,445 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (120,225) | (53,303) | 24,011 |
| Changes of assumptions | (2,761) | (704,129) | 843,673 |
| Benefit payments and net transfers | (21,402) | (61,983) | (61,983) |
| Net change in total OPEB liability | (36,493) | (641,458) | 920,025 |
| Total OPEB liability - beginning | 1,201,628 | 1,843,086 | 923,061 |
| Total OPEB liability - ending | \$ 1,165,135 | \$ 1,201,628 | \$ 1,843,086 |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 79,000 | \$ - | \$ 118,000 |
| Net investment income | 63,862 | 46,893 | 56,825 |
| Benefit payments | - | - | - |
| Administrative expense | - | (4,464) | - |
| Net change in OPEB plan fiduciary net position | 142,862 | 42,429 | 174,825 |
| OPEB plan net position - beginning | 809,571 | 767,142 | 592,317 |
| OPEB plan net position - ending | \$ 952,433 | \$ 809,571 | \$ 767,142 |
| Net OPEB liability - ending | \$ 212,702 | \$ 392,057 | \$ 1,075,944 |
| OPEB plan fiduciary net position as a percentage of the total OPEB liability | 81.74% | 67.37% | 41.62% |
| Covered-employee payroll | \$ 5,926,567 | \$ 6,183,891 | \$ 5,946,049 |
| Net OPEB liability as a percentage of covered-employee payroll | 3.59% | 6.34% | 18.10% |

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

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Employer Contributions - OPEB
Last Eight Years Ended September 30,

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|--|----------------------|----------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 566,377 | \$ 446,326 | \$ 445,908 | \$ 45,757 | \$ 41,115 |
| Contributions in relation to the actuarially determined contributions | | | | | |
| Employer contributions to trust | - | - | - | - | - |
| Employer-paid retiree premiums | (103,634) | (119,085) | (105,945) | (78,439) | (21,402) |
| Contributions deficiency (excess) | <u>\$ 462,743</u> | <u>\$ 327,241</u> | <u>\$ 339,963</u> | <u>\$ (32,682)</u> | <u>\$ 19,713</u> |
| Covered-employee payroll | <u>\$ 13,454,053</u> | <u>\$ 12,936,589</u> | <u>\$ 9,310,340</u> | <u>\$ 8,952,250</u> | <u>\$ 6,163,630</u> |
| Contributions as a percentage of covered-employee payroll | <u>0.77%</u> | <u>0.92%</u> | <u>1.14%</u> | <u>0.88%</u> | <u>0.35%</u> |

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

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Schedule of Employer Contributions - OPEB
Last Eight Years Ended September 30,
(Continued)

| | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 49,758 | \$ 137,816 | \$ 78,532 |
| Contributions in relation to the actuarially determined contributions | | | |
| Employer contributions to trust | (79,000) | - | (118,000) |
| Employer-paid retiree premiums | (21,402) | (61,983) | (61,983) |
| Contributions deficiency (excess) | \$ (50,644) | \$ 75,833 | \$ (101,451) |
| Covered-employee payroll | \$ 5,926,567 | \$ 6,183,891 | \$ 5,946,049 |
| Contributions as a percentage of covered-employee payroll | 0.36% | 1.00% | 1.04% |

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

See notes to required supplementary information.

CITY OF IRONDALE, ALABAMA
Notes to the Required Supplementary Information
September 30, 2025

NOTE 1 - BUDGETARY INFORMATION

The annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following describes the budgeted and non-budgeted funds:

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. Instructions and budget work papers are distributed to departments.
2. Departments return copies of completed budget request forms to the budget staff.
3. The Mayor and budget staff begin individual departmental reviews and prepare recommended changes to the departmental budgets.
4. The Mayor submits recommended departmental changes to individual departments affected.
5. Departments incorporate recommended budget changes and update budget schedules.
6. The Mayor's recommended budget is finalized for submission to the City Council.
7. The Mayor presents the proposed budget to the City Council.
8. The City Council takes final action for approval of the operating budget.

The annual budget is prepared by fund, department and object. Transfers of appropriations between departments or between funds require approval of the City Council. The legal level of budgetary control is by department.

The original and final/amended budget amounts are reflected in the required supplementary information.

NOTE 2 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

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 for the period October 1, 2024 to September 30, 2025:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percent closed |
| Remaining amortization period | 24.6 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 IRONDALE, ALABAMA
Notes to the Required Supplementary Information
September 30, 2025
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES - Continued

Benefit Changes - There were no changes of benefit terms for the year ended September 30, 2025.

Changes in Assumptions - There were no changes in assumptions for the year ended September 30, 2025.

NOTE 3 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES

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

| | |
|------------------------|---|
| Actuarial cost method | Individual entry age normal |
| Amortization method | Level dollar, open |
| Amortization period | 30 years |
| Asset valuation method | Market value (if applicable) |
| Inflation | 2.60% annually |
| Healthcare trend | Getzen Model |
| Salary increases | 4.00% annually |
| Discount rate | 3.81% annually (beginning of year) 4.90% annually (as of end of year measurement date) |
| Retirement age | 25 years of service at any age; or attainment of age 60 and 10 years of service; or age plus service at retirement equals 75 |
| Mortality | Pub-2010 Public Retirement Plans Below-Median Mortality Table for General Employees, Headcount Weighted, with full generational projection using 66-2/3 of the MP-2021 scale. |

Benefit Changes - There were no changes of benefit terms for the year ended September 30, 2025.

Changes in Assumptions - The inflation rate of 2.00% used to determined contributions for the year ended September 30, 2024 changed to 2.60% for the year ended September 30, 2025.

SUPPLEMENTARY INFORMATION

CITY OF IRONDALE, ALABAMA
Combining Balance Sheets - Nonmajor Governmental Funds
September 30, 2025

| | <u>Special Revenue</u> | | | | | | | <u>Total Nonmajor Governmental Funds</u> |
|---|------------------------|-----------------------------------|---------------------------|----------------------------|------------------------------|--------------------|------------------------------|--|
| | <u>E-911</u> | <u>4 & 5 Cent Gas Tax</u> | <u>7 Cent Gas Tax</u> | <u>Rebuild Alabama</u> | <u>Opioid Settlement</u> | <u>Corrections</u> | <u>Police Forfeiture</u> | |
| Assets | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and cash equivalents | | | | | | | | |
| - restricted | \$ 497,991 | \$ 108 | \$ 624,321 | \$ 572,095 | \$ - | \$ 408,581 | \$ 169,437 | \$ 2,272,533 |
| Receivables, net | 30,109 | 11,068 | 12,749 | - | - | - | - | 53,926 |
| Prepaid expenses | 6,216 | - | - | - | - | - | - | 6,216 |
| Due from other funds | - | 88,004 | 129,446 | - | 194,972 | - | - | 412,422 |
| Total assets | <u>\$ 534,316</u> | <u>\$ 99,180</u> | <u>\$ 766,516</u> | <u>\$ 572,095</u> | <u>\$ 194,972</u> | <u>\$ 408,581</u> | <u>\$ 169,437</u> | <u>\$ 2,745,097</u> |
| Liabilities and fund balance | | | | | | | | |
| Current liabilities | | | | | | | | |
| Accounts payable | \$ 51,640 | \$ - | \$ - | \$ - | \$ - | \$ 7,455 | \$ - | \$ 59,095 |
| Accrued payroll and benefits | 26,676 | - | - | - | - | 14,853 | - | 41,529 |
| Due to other funds | - | - | - | - | - | - | 2,100 | 2,100 |
| Total liabilities | <u>78,316</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,308</u> | <u>2,100</u> | <u>102,724</u> |
| Fund balance | | | | | | | | |
| Nonspendable | 6,216 | - | - | - | - | - | - | 6,216 |
| Restricted for | | | | | | | | |
| Public protection | 449,784 | - | - | - | 194,972 | 386,273 | 167,337 | 1,198,366 |
| Infrastructure maintenance | - | 99,180 | 766,516 | 572,095 | - | - | - | 1,437,791 |
| Total fund balance | <u>456,000</u> | <u>99,180</u> | <u>766,516</u> | <u>572,095</u> | <u>194,972</u> | <u>386,273</u> | <u>167,337</u> | <u>2,642,373</u> |
| Total liabilities and fund balance | <u>\$ 534,316</u> | <u>\$ 99,180</u> | <u>\$ 766,516</u> | <u>\$ 572,095</u> | <u>\$ 194,972</u> | <u>\$ 408,581</u> | <u>\$ 169,437</u> | <u>\$ 2,745,097</u> |

CITY OF IRONDALE, ALABAMA
Combining Statements of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended September 30, 2025

Special Revenue

| | E-911 | 4 & 5 Cent Gas Tax | 7 Cent Gas Tax | Rebuild Alabama | Opioid Settlement | Corrections | Police Forfeiture | Total Nonmajor Governmental Funds |
|---|-------------------|-----------------------------------|---------------------------|----------------------------|------------------------------|--------------------|------------------------------|--|
| Revenues | | | | | | | | |
| Intergovernmental | \$ 424,956 | \$ 119,814 | \$ 131,712 | \$ 124,107 | \$ - | \$ - | \$ - | \$ 800,589 |
| Fines and forfeitures | - | - | - | - | 73,752 | 125,790 | 22,498 | 222,040 |
| Other revenues | - | - | - | - | - | - | 2,100 | 2,100 |
| Total revenues | <u>424,956</u> | <u>119,814</u> | <u>131,712</u> | <u>124,107</u> | <u>73,752</u> | <u>125,790</u> | <u>24,598</u> | <u>1,024,729</u> |
| Expenditures, current | | | | | | | | |
| General government | - | - | - | - | - | 550,028 | - | 550,028 |
| Public protection | 1,170,722 | - | - | - | - | 27,496 | 92,887 | 1,291,105 |
| Public ways and facilities | - | 36,505 | - | - | - | - | - | 36,505 |
| | <u>1,170,722</u> | <u>36,505</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>577,524</u> | <u>92,887</u> | <u>1,877,638</u> |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | 819,212 | 3,958 | - | 3,978 | - | 366,407 | - | 1,193,555 |
| Transfers out | - | - | (3,978) | - | - | - | - | (3,978) |
| | <u>819,212</u> | <u>3,958</u> | <u>(3,978)</u> | <u>3,978</u> | <u>-</u> | <u>366,407</u> | <u>-</u> | <u>1,189,577</u> |
| Net change in fund balance | <u>73,446</u> | <u>87,267</u> | <u>127,734</u> | <u>128,085</u> | <u>73,752</u> | <u>(85,327)</u> | <u>(68,289)</u> | <u>336,668</u> |
| Fund balance - beginning of year | <u>382,554</u> | <u>11,913</u> | <u>638,782</u> | <u>444,010</u> | <u>121,220</u> | <u>471,600</u> | <u>235,626</u> | <u>2,305,705</u> |
| Fund balance - end of year | <u>\$ 456,000</u> | <u>\$ 99,180</u> | <u>\$ 766,516</u> | <u>\$ 572,095</u> | <u>\$ 194,972</u> | <u>\$ 386,273</u> | <u>\$ 167,337</u> | <u>\$ 2,642,373</u> |

CITY OF IRONDALE, ALABAMA
Combining Balance Sheets - Discretely-Presented Component Units
September 30, 2025

| | Industrial Development Board | Commercial Development Authority | Total Component Units |
|---|---|---|--------------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ - | \$ 223,944 | \$ 223,944 |
| Receivables, net | - | 43,303 | 43,303 |
| Investments | - | 597,541 | 597,541 |
| Due from other funds | 36,391 | - | 36,391 |
| Total current assets | <u>36,391</u> | <u>864,788</u> | <u>901,179</u> |
| Noncurrent assets | | | |
| Nondepreciable capital assets | - | 817,100 | 817,100 |
| Depreciable capital assets, net | - | 1,382,747 | 1,382,747 |
| Total noncurrent assets | <u>-</u> | <u>2,199,847</u> | <u>2,199,847</u> |
| Total assets | <u>36,391</u> | <u>3,064,635</u> | <u>3,101,026</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | - | 1,200 | 1,200 |
| Current maturities of long-term liabilities | | | |
| Notes payable | - | 43,303 | 43,303 |
| Noncurrent liabilities | | | |
| Line of credit | <u>-</u> | <u>704,368</u> | <u>704,368</u> |
| Total liabilities | <u>-</u> | <u>748,871</u> | <u>748,871</u> |
| Net position | | | |
| Net investment in capital assets | - | 1,452,176 | 1,452,176 |
| Unrestricted | <u>36,391</u> | <u>863,588</u> | <u>899,979</u> |
| Total net position | <u>\$ 36,391</u> | <u>\$ 2,315,764</u> | <u>\$ 2,352,155</u> |

CITY OF IRONDALE, ALABAMA

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Discretely-Presented
Component Units
For the Year Ended September 30, 2025

| | Industrial Development Board | Commercial Development Authority | Total Component Units |
|--|---|---|--------------------------------------|
| Operating revenues | | | |
| Charges for services | \$ - | \$ 165,330 | \$ 165,330 |
| Payments from other governments | - | 51,661 | 51,661 |
| Total operating revenues | <u>-</u> | <u>216,991</u> | <u>216,991</u> |
| Operating expenses | | | |
| Administration, operations and maintenance | - | 189,831 | 189,831 |
| Depreciation and amortization | - | 46,092 | 46,092 |
| Total operating expenses | <u>-</u> | <u>235,923</u> | <u>235,923</u> |
| Operating loss | <u>-</u> | <u>(18,932)</u> | <u>(18,932)</u> |
| Non-operating revenues (expenses) | | | |
| Interest income | - | 38,565 | 38,565 |
| Miscellaneous | - | 222 | 222 |
| Interest expense | - | (23,174) | (23,174) |
| Total non-operating revenues (expenses) | <u>-</u> | <u>15,613</u> | <u>15,613</u> |
| Change in net position | - | (3,319) | (3,319) |
| Net position, beginning of year | <u>36,391</u> | <u>2,319,083</u> | <u>2,355,474</u> |
| Net position, end of year | <u>\$ 36,391</u> | <u>\$ 2,315,764</u> | <u>\$ 2,352,155</u> |

FEDERAL AWARDS PROGRAMS

**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
Members of the City Council
City of Irondale, 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, the business-type activities, the aggregate discretely presented component units, the fiduciary funds, each major fund and the aggregate remaining fund information of the City of Irondale, Alabama (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 30, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-002.

City of Irondale, Alabama's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BMSS, LLC

Birmingham, Alabama
March 30, 2026

**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
Members of the City Council
City of Irondale, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control 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 in internal control over compliance. Given those 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.

BMSS, LLC

Birmingham, Alabama
March 30, 2026

CITY OF IRONDALE, ALABAMA
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

| Federal Grantor/Pass-through Grantor/Program Title Program Title/Contract Number | Federal Assistance Listing Number | Federal Expenditures |
|---|--|---------------------------------|
| U.S. Department of Treasury | | |
| Passed through the Alabama Department of Treasury | | |
| Coronavirus State and Local Fiscal Recovery Fund | 21.027 | <u>\$ 2,351,002</u> |
| Total U.S. Department of Treasury | | |
| Total expenditures of federal awards | | <u><u>\$ 2,351,002</u></u> |

See notes to schedule of expenditures of federal awards.

CITY OF IRONDALE, ALABAMA
Notes to Schedule of Expenditures of Federal Awards
September 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Irondale, Alabama under programs of the federal government for the year ended September 30, 2025. 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 of Irondale, Alabama, it is not intended to, and does not, present the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Irondale, Alabama.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the 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.

NOTE 3 - INDIRECT COST RATE

The City of Irondale, Alabama has not elected to use the 15% de minimis indirect cost rate as allowed under Uniform Guidance.

CITY OF IRONDALE, ALABAMA
 Schedule of Findings and Questioned Costs
 September 30, 2025

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|--|
| Type of auditor's report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <u> X </u> Yes <u> </u> No |
| Significant deficiencies identified? | <u> </u> Yes <u> X </u> None Reported |
| Noncompliance material to financial statements noted? | <u> </u> Yes <u> X </u> No |

Federal Awards

| | |
|---|--|
| Type of auditor's report issued on compliance for major programs: | <u>Unmodified</u> |
| Internal control over major programs: | |
| Material weakness(es) identified? | <u> </u> Yes <u> X </u> No |
| Significant deficiencies identified? | <u> </u> Yes <u> X </u> None Reported |
| Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a) | <u> </u> Yes <u> X </u> No |

| | |
|-----------------------------------|---|
| Identification of major programs: | |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |

| | |
|---|---------------------|
| Dollar threshold used to distinguish between Type A and Type B programs | <u>\$ 1,000,000</u> |
|---|---------------------|

| | |
|--|---|
| Auditee qualified as low-risk auditee? | <u> </u> Yes <u> X </u> No |
|--|---|

CITY OF IRONDALE, ALABAMA
Schedule of Findings and Questioned Costs
September 30, 2025
(Continued)

FINANCIAL STATEMENT FINDINGS

Finding 2025-001 - Material Weakness - Internal Review (Repeat Finding)

Criteria: Inspection of internal financials is critical to ensure accurate transaction postings and timely identification of potential problems.

Condition: During the audit, BMSS noted that the City did not perform consistent inspections of fund accounts.

Cause and effect: Since there were no consistent inspections, BMSS had to post material entries. These entries impacted multiple areas of the government, but the most significant were payroll withholdings and interfund accounts.

Recommendation: BMSS recommends the City review its policies and consider additional controls and employee training in order to ensure compliance.

Finding 2025-002 - Other Matter - Budget (Repeat Finding)

Criteria: To ensure compliance with the City's budget, all expenditures and interfund transfers should be reflected in the City's amended budget.

Condition: During the audit, BMSS noted that expenditures and operating transfers from City's General Fund were in excess of final budget amounts.

Cause and effect: Lack of processes for timely approval of amendments of the budget can cause budget non-compliance, as the City can expend monies in excess of amounts approved by the City Council.

Recommendation: BMSS recommends that the City implements processes to ensure monitoring of expenditures and amend the budget accordingly.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings or questioned costs that are considered material instances of noncompliance in accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

CITY OF IRONDALE, ALABAMA
Summary Schedule of Prior Audit Findings
September 30, 2025

PRIOR FINANCIAL STATEMENT FINDINGS

Finding 2024-001

Condition: During the audit, BMSS noted that the City did not perform consistent inspections of fund balance sheet accounts.

Status: Finding was not resolved. See finding 2025-001.

Finding 2024-002

Condition: During the audit, BMSS noted that expenditures and operating transfers from City's General Fund were in excess of final budget amounts.

Status: Finding was not resolved. See finding 2025-002.

**PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There are no prior year findings or questioned costs that are considered material instances of noncompliance in accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The City of
Irondale

BUILD COMMUNITY. BUILD THE FUTURE.

Mayor James D. Stewart, Jr.

101 20th Street South, Irondale, Alabama 35210
 Phone (205) 956-9200 Fax (205) 956-0950

Corrective Action Plan

| | |
|--|--|
| Audit Finding Number | 2025-001 |
| Audit Finding Title | Material Weakness- Internal Review |
| Specific steps to be taken to correct the situation | <p>Identify high risk areas:</p> <p>Establish better internal control which will involve dept heads reviewing postings daily.</p> <p>Regular monitoring and reviewing of accounts of by myself weekly. Document and report to City Clerk, finding to ensure compliance. City Clerk has instructed team to report weekly on duties.</p> <p>Encourage A/P personnel to ask questions when unsure of line item posting.</p> <p>Received training through GFOA Accounting & Budget Academy, in which transfer process errors were discovered. Immediately corrected procedures in the middle of fiscal year. However, the beginning of fiscal year was not corrected, and material entries are needed.</p> <p>Additional personnel were contracted to correct payroll discrepancies. Payroll imports are being reviewed by the human resource personnel, contractor and myself. Payroll imports were previously corrected by establishing separate payroll imports for Gen Fund and Water but are being reviewed for further issues.</p> |
| Anticipated completion date | Continuous |
| Name and title of contact person responsible for corrective action | <p>Felicia Johnson</p> <p>Sr. Accountant</p> |

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101 20th Street South, Irondale, Alabama 35210
Phone (205) 956-9200 Fax (205) 956-0950

Corrective Action Plan

| | |
|---|--|
| Audit Finding Number | 2025-002 |
| Audit Finding Title | Other Matter - Budget |
| Specific steps to be taken to correct the situation | After the completion of the FY24 audit in May, we began adjusting line items after council approval for unbudgeted items. We have also implemented a process for over budget item errors in Tyler when each department is entering bills for payment. Requests for amendments to line items will come to the City Clerk before an invoice can be processed. Those adjustments will either be completed at that time or after council approval, should the adjustment require it. There will be a log containing a description for each individual adjustment. This process will be on going. |
| Anticipated completion date | Continuous |
| Name and title of contact person responsible for corrective action | Leigh Allison City Clerk |