

CITY OF MOUNDVILLE, ALABAMA

Financial Statements

For the Year Ended
September 30, 2025

KELLUM, WILSON & ASSOCIATES, P.C.
Certified Public Accountants
3825 LORNA ROAD, SUITE 212
HOOVER, ALABAMA 35244

CITY OF MOUNDVILLE, ALABAMA
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Moundville, Alabama

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 required supplementary information on pages 30 and 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 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.

Kellum, Wilson & Associates, P.C.

Kellum, Wilson & Associates, P.C.
August 11, 2026

CITY OF MOUNDVILLE, ALABAMA
Statement of Net Position

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,018,723	\$ 1,382,460	\$ 2,401,183
SRF Advance Available	-	460,924	460,924
Cash – Restricted	-	24,754	24,754
Taxes Receivable	146,908	-	146,908
Accounts Receivable	31,836	131,782	163,618
Accrued Interest Receivable	4,988	9,268	14,256
Due from General Fund	-	34,230	34,230
Unbilled Receivable	-	23,047	23,047
Prepaid Expenses	41,982	11,447	53,429
Inventory	5,306	13,654	18,960
TOTAL CURRENT ASSETS	1,249,743	2,091,566	3,341,309
NONCURRENT ASSETS			
Fixed Assets			
Nondepreciated			
Land	1,868,537	12,000	1,880,537
Construction in Progress	-	433,120	433,120
Depreciated			
Buildings	1,547,730	-	1,547,730
Infrastructure	2,529,242	-	2,529,242
Improvements	1,279,839	-	1,279,839
Utility Plant	-	8,124,132	8,124,132
Lagoon	-	959,416	959,416
Machinery and Equipment	3,125,145	1,229,420	4,354,565
Office Improvements	-	80,273	80,273
Accumulated Depreciation	(4,727,375)	(4,148,950)	(8,876,325)
TOTAL NONCURRENT ASSETS	5,623,118	6,689,411	12,312,529
TOTAL ASSETS	6,872,861	8,780,977	15,653,838
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to Pension Plan	217,644	72,119	289,763
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	46,498	5,692	52,190
Other Liabilities	54,736	33,145	87,881
Current Maturities of Long-Term Liabilities			
Notes Payable	-	110,000	110,000
TOTAL CURRENT LIABILITIES	101,234	148,837	250,071
NONCURRENT LIABILITIES			
Notes Payable	-	1,960,000	1,960,000
Net Pension Liability	345,933	107,815	453,748
Accrued Compensated Absences	222,059	36,365	258,424
Customer Deposits	-	389,726	389,726
TOTAL NONCURRENT LIABILITIES	567,992	2,493,906	3,061,898
TOTAL LIABILITIES	669,226	2,642,743	3,311,969
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	214,779	65,334	280,113
NET POSITION			
Invested in Capital Assets	5,623,118	4,619,411	10,242,529
Restricted for:			
Roads	109,438	-	109,438
Capital Improvements	40,860	-	40,860
Meter Deposits	-	24,754	24,754
Unrestricted	433,084	1,500,854	1,933,938
TOTAL NET POSITION	\$ 6,206,500	\$ 6,145,019	\$ 12,351,519

The accompanying notes are an integral part of this statement.

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

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS							
PRIMARY GOVERNMENT							
Governmental Activities							
Administrative	\$ 1,322,374	\$ 980,459	\$ -	\$ -	\$ (341,915)	\$ -	\$ (341,915)
Police	1,369,929	-	-	-	(1,369,929)	-	(1,369,929)
Municipal Court	-	27,770	-	-	27,770	-	27,770
Streets and Highways	565,276	-	-	-	(565,276)	-	(565,276)
Garbage	335,725	395,090	-	-	59,365	-	59,365
Fire	68,095	-	-	-	(68,095)	-	(68,095)
Interest Expense	-	-	-	-	-	-	-
Total Governmental Activities	3,661,399	1,403,319	-	-	(2,258,080)	-	(2,258,080)
Business-Type Activities							
Waterworks	1,830,018	1,231,237	-	-	-	(598,781)	(598,781)
Total Business-Type Activities	1,830,018	1,231,237	-	-	-	(598,781)	(598,781)
TOTAL PRIMARY GOVERNMENT	\$ 5,491,417	\$ 2,634,556	\$ -	\$ -	(2,258,080)	(598,781)	(2,856,861)
GENERAL REVENUES							
Sales and Use Taxes					1,393,038	-	1,393,038
Property Taxes					234,192	-	234,192
Other Taxes					358,004	-	358,004
Other Income					270,948	521,829	792,777
Interest Income					649	46,234	46,883
Transfers					243	-	243
Total General Revenues					2,257,074	568,063	2,825,137
Changes in Net Position					(1,006)	(30,718)	(31,724)
NET POSITION – BEGINNING OF YEAR					6,207,506	6,175,737	12,383,243
NET POSITION – END OF YEAR					\$ 6,206,500	\$ 6,145,019	\$ 12,351,519

The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA

Balance Sheet

Governmental Funds

September 30, 2025

	General Fund	Fire Department	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash	\$ 724,515	\$ 72,222	\$ 221,986	\$ 1,018,723
Taxes Receivable	135,684	-	11,224	146,908
Accounts Receivable	31,786	50	-	31,836
Inventory	5,306	-	-	5,306
Prepaid Expenses	41,982	-	-	41,982
Accrued Interest Receivable	4,988	-	-	4,988
TOTAL ASSETS	\$ 944,261	\$ 72,272	\$ 233,210	\$ 1,249,743
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 46,498	\$ -	\$ -	\$ 46,498
Other Liabilities	54,736	-	-	54,736
TOTAL LIABILITIES	101,234	-	-	101,234
FUND BALANCES				
Nonspendable	47,288	-	-	47,288
Restricted	-	-	198,230	198,230
Assigned	-	72,272	34,980	107,252
Unassigned	795,739	-	-	795,739
TOTAL FUND BALANCES	843,027	72,272	233,210	1,148,509
TOTAL LIABILITIES AND FUND BALANCES	\$ 944,261	\$ 72,272	\$ 233,210	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				5,623,118
Contributions to Pension Plan				217,644
Pension Deferrals				(214,779)
Long-Term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(567,992)
Net Position of Governmental Activities				\$ 6,206,500

The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA**Statement of Revenues, Expenditures, and Changes in Fund Balances****Governmental Funds**

For the Year Ended September 30, 2025

	<u>General Fund</u>	<u>Fire Department</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Sales and Use Taxes	\$ 1,393,038	\$ -	\$ -	\$ 1,393,038
Property Taxes	192,836	41,356	-	234,192
Other Taxes	130,337	-	227,667	358,004
Licenses and Permits	980,459	-	-	980,459
Charges for Services	395,090	-	-	395,090
Fines and Forfeitures	27,770	-	-	27,770
Other	183,596	87,352	-	270,948
Interest	536	69	44	649
TOTAL REVENUES	<u>3,303,662</u>	<u>128,777</u>	<u>227,711</u>	<u>3,660,150</u>
EXPENDITURES				
General Government	924,507	-	165,223	1,089,730
Police	1,202,866	-	-	1,202,866
Streets and Highways	531,104	-	-	531,104
Garbage	335,725	-	-	335,725
Fire	21,641	26,207	-	47,848
Total	<u>3,015,843</u>	<u>26,207</u>	<u>165,223</u>	<u>3,207,273</u>
Capital Outlays	794,964	89,672	-	884,636
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	<u>3,810,807</u>	<u>115,879</u>	<u>165,223</u>	<u>4,091,909</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(507,145)</u>	<u>12,898</u>	<u>62,488</u>	<u>(431,759)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	246	-	-	246
TOTAL OTHER FINANCING SOURCES (USES)	<u>246</u>	<u>-</u>	<u>-</u>	<u>246</u>
NET CHANGE IN FUND BALANCES	<u>(506,899)</u>	<u>12,898</u>	<u>62,488</u>	<u>(431,513)</u>
FUND BALANCES – BEGINNING OF YEAR	<u>1,349,926</u>	<u>59,374</u>	<u>170,722</u>	<u>1,580,022</u>
FUND BALANCES – END OF YEAR	<u>\$ 843,027</u>	<u>\$ 72,272</u>	<u>\$ 233,210</u>	<u>\$ 1,148,509</u>

The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA

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

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ (431,513)
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The issuance of long-term debt (bonds) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Principal Payments	-
Loan Proceeds	-

Contributions to the Pension Plan not included on the Statement of Activities	-
Pension Expense on the Statement of Activities not Requiring use of Current Resources	4,294

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Capital Outlays Capitalized	884,636
Depreciation	(445,635)

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

Change in Compensated Absences	<u>(12,788)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(1,006)</u></u>
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The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA**Statement of Revenues, Expenditures, and Changes in Fund Balances****Budget to Actual – General Fund****For the Year Ended September 30, 2025**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales and Use Taxes	\$ 1,507,940	\$ 1,507,940	\$ 1,393,038	\$ (114,902)
Property Taxes	240,000	240,000	192,836	(47,164)
Other Taxes	114,200	114,200	130,337	16,137
Licenses and Permits	955,000	955,000	980,459	25,459
Charges for Services	379,870	379,870	395,090	15,220
Fines and Forfeitures	17,000	17,000	27,770	10,770
Other	58,285	58,285	183,596	125,311
Interest	1,200	1,200	536	(664)
TOTAL REVENUES	<u>3,273,495</u>	<u>3,273,495</u>	<u>3,303,662</u>	<u>30,167</u>
EXPENDITURES				
General Government	720,545	720,545	924,507	(203,962)
Police	1,216,000	1,216,000	1,202,866	13,134
Streets and Highways	785,500	785,500	531,104	254,396
Garbage	314,000	314,000	335,725	(21,725)
Fire	18,700	18,700	21,641	(2,941)
Total	3,054,745	3,054,745	3,015,843	38,902
Capital Outlays	-	-	794,964	(794,964)
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	<u>3,054,745</u>	<u>3,054,745</u>	<u>3,810,807</u>	<u>(756,062)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	218,750	218,750	(507,145)	(725,895)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	246	246
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>246</u>	<u>246</u>
NET CHANGE IN FUND BALANCES	<u>\$ 218,750</u>	<u>\$ 218,750</u>	<u>(506,899)</u>	<u>\$ (725,649)</u>
FUND BALANCES – BEGINNING OF YEAR			<u>1,349,926</u>	
FUND BALANCES – END OF YEAR			<u>\$ 843,027</u>	

The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA

Statement of Net Position

Proprietary Fund

As of September 30, 2025

ASSETS**CURRENT ASSETS**

Cash	\$ 1,382,460
SRF Advance Available	460,924
Accounts Receivable (Net of Allowance, \$18,477)	131,782
Unbilled Receivable	23,047
Prepaid Expenses	11,447
Accrued Interest Receivable	9,268
Due from General Fund	34,230
Inventory	13,654
Restricted Asset	
Cash	24,754

TOTAL CURRENT ASSETS 2,091,566

NONCURRENT ASSETS

Land	12,000
Construction in Progress	433,120
Utility Plant	8,124,132
Lagoon	959,416
Furniture and Equipment	1,229,420
Office Improvements	80,273
Less Accumulated Depreciation	(4,148,950)

TOTAL NONCURRENT ASSETS 6,689,411

TOTAL ASSETS 8,780,977

DEFERRED OUTFLOWS OF RESOURCES

Contributions to Pension Plan	72,119
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LIABILITIES**CURRENT LIABILITIES**

Note Payable	110,000
Accounts Payable	5,692
Other Liabilities	33,145

TOTAL CURRENT LIABILITIES 148,837

LONG-TERM LIABILITIES

Note Payable	1,960,000
Net Pension Liability	107,815
Customer Deposits	389,726
Accrued Compensated Absences	36,365

TOTAL LIABILITIES LONG-TERM LIABILITIES 2,493,906

TOTAL LIABILITIES 2,642,743

DEFERRED INFLOWS OF RESOURCES

Pension Deferrals	65,334
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NET POSITION

Invested in Capital Assets	4,619,411
Restricted	24,754
Unrestricted	1,500,854

TOTAL NET POSITION \$ 6,145,019

The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA**Statement of Revenues, Expenses, and Changes in Fund Net Position****Proprietary Fund**

For the Year Ended September 30, 2025

OPERATING REVENUES

Water Sales	\$ 1,231,237
Other	<u>521,829</u>

TOTAL OPERATING REVENUES

1,753,066

OPERATING EXPENSES

Bad Debt – Recovery	1,851
Salaries and Wages	302,494
Utility Taxes	27,904
Depreciation and Amortization	290,418
Testing	10,611
Insurance	77,856
Repairs and Maintenance	286,488
Utilities	129,358
Office Expense	23,895
Payroll Taxes	22,909
Miscellaneous	576,885
Retirement	21,085
Uniforms	<u>4,724</u>

TOTAL OPERATING EXPENSES1,776,478**OPERATING INCOME (LOSS)**

(23,412)

NONOPERATING REVENUES (EXPENSES)

Interest Income	46,234
Interest Expense	<u>(53,540)</u>

TOTAL NONOPERATING REVENUES (EXPENSES)(7,306)**CHANGE IN NET POSITION**

(30,718)

NET POSITION – BEGINNING OF YEAR6,175,737**NET POSITION – END OF YEAR**\$ 6,145,019

The accompanying notes are an integral part of this statement.

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

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 1,748,721
Cash Payments to Suppliers	(1,253,463)
Cash Payments to Employees	<u>(302,494)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 192,764

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Debt Principal Repayments	(105,000)
Interest Paid	<u>(53,540)</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (158,540)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Fixed Assets	(182,058)
Interest Income	<u>46,234</u>

NET CASH USED BY INVESTING ACTIVITIES (135,824)

NET DECREASE IN CASH (101,600)

CASH – BEGINNING OF YEAR 1,508,814

CASH – END OF YEAR \$ 1,407,214

Cash – Unrestricted	\$ 1,382,460
Cash – Restricted	<u>24,754</u>

TOTAL CASH – END OF YEAR \$ 1,407,214

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (23,412)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation and Amortization	290,418
Bad Debt Adjustment	1,851
Pension Expense	(22,570)
Changes in Assets and Liabilities	
Deferred Outflows/Inflows of Resources for Pensions	(13,679)
Increase in Accounts Receivable	(7,200)
Decrease in SRF Advance Available	(1,806)
Increase in Interest Receivable	(16,879)
Increase in Due from General Fund	
Increase in Prepaid Expenses	(1,275)
Decrease in Accounts Payable	(36,043)
Decrease in Other Liabilities	5,476
Decrease in Customer Deposits	<u>17,883</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 192,764

The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Moundville, Alabama (hereinafter referred to as the "City"), operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), sanitation, water, recreation, library, public improvements, planning and zoning, and general administrative services.

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

A. The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental column, has been removed from these statements. Governmental activities, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result in nonexchange transactions or ancillary activities. Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources.

Major Governmental Funds

General Fund

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

Nonmajor Governmental Fund Types

Special Revenue Funds

The special revenue funds are used to account for the proceeds of the specific revenue sources that are legally restricted to expenditures for specific purposes.

Major Enterprise Fund

This fund accounts for the operation and maintenance of providing water and sewer services to the City.

C. Deposits and Investments

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

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenditures) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus/Basis of Accounting (Continued)

The government-wide statement of activities reflects both the gross and net cost per functional category (general government, education, public safety, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government, education, public safety, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants and contributions.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using 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 both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. All other governmental fund type revenues are recognized when received.

All governmental, business-type activities, and enterprise funds of the City follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund. An annual operating budget is adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund, and the same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis. The City does not adopt an annual operating budget for the Special Revenue Funds.

F. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. These transactions are generally reflected as internal balances receivable and payable.

G. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. GASB No. 34 requires the City to report and depreciate new infrastructure assets effective October 1, 2003. Infrastructure assets include roads, bridges, and underground pipes (other than those related to utilities, traffic signals, etc.).

The City is considered a Phase 3 government due to the amount of revenue taken in. Being a Phase 3 government, the City has the option of retroactively reporting infrastructure or not. The City has elected not to retroactively report infrastructure.

Capitalized assets have an original cost of \$1,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

Buildings and Improvements Other Than Buildings	15 – 50 Years
Utility Plant	50 Years
Machinery and Equipment	5 – 7 Years

H. Property Taxes

Property is assessed, and property taxes are collected by Hale County. Property is assessed, and property taxes attach as an enforceable lien on property as of October 1 of each fiscal year. The taxes are due and payable October 1 of the subsequent fiscal year and delinquent after January 1. Property tax revenues are accounted for using the modified accrual basis of accounting. Tax collections received by the county tax collectors are remitted to the City on a monthly basis. All amounts remitted to the City within the bill paying period are included in revenue. Taxes collected by the county tax collectors within the fiscal year but remitted to the City after the fiscal year-end are accrued.

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventory

Inventory of proprietary funds is valued at the lower of cost or market using the first-in, first-out (FIFO) method of inventory valuation.

J. Equity

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets – consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “invested in capital assets.”

In accordance with Governmental Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- a. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- b. Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- d. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Mayor and City Council.
- e. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

Amount of nonspendable funds for September 30, 2025, is \$47,288.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pensions

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes 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 future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City reports certain elements of net pension liability that are recognized as expense/expenditure over time instead of being recognized in the year of occurrence as deferred outflows in the statement of net position.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources or benefit until that time. The City reports certain elements of the net pension liability that are recognized as a benefit over time instead of being recognized in the year of occurrence as deferred inflows in the statement of net position.

NOTE 2: CASH AND INVESTMENTS

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbook savings accounts, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States of America unless law expressly prohibits such an investment. Effective January 1, 2002, the Alabama Legislature enacted the Security for Alabama Funds Enhancement Act, SAFE Program (Act No. 2000-748). In accordance with this program, any financial institution in the State of Alabama accepting public deposits must meet the requirements to be designated as a qualified public depository (QPD). The QPD pledges collateral to the Treasurer of the State of Alabama for all public fund deposits. Bank balances are considered insured or collateralized with SAFE Program securities held by the City or by its agent in the City's name.

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 3: CAPITAL ASSETS

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

	<u>Balance 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2025</u>
<i>Governmental Activities</i>				
Capital Assets Not Being Depreciated				
Land	\$ <u>1,797,637</u>	\$ <u>70,900</u>	\$ <u>-</u>	\$ <u>1,868,537</u>
Total Capital Assets Not Being Depreciated	<u>1,797,637</u>	<u>70,900</u>	<u>-</u>	<u>1,868,537</u>
Other Capital Assets				
Buildings	1,391,493	156,237	-	1,547,730
Infrastructure	2,234,033	295,209	-	2,529,242
Improvements Other than Buildings	1,279,839	-	-	1,279,839
Machinery and Equipment	<u>2,762,857</u>	<u>362,288</u>	<u>-</u>	<u>3,125,145</u>
Total Capital Assets at Historical Cost	<u>9,465,859</u>	<u>884,634</u>	<u>-</u>	<u>10,350,493</u>
Less Accumulated Depreciation				
Buildings	531,282	58,930	-	590,212
Infrastructure	653,137	132,124	-	785,261
Improvements Other than Buildings	1,064,137	29,600	-	1,093,737
Machinery and Equipment	<u>2,034,664</u>	<u>224,981</u>	<u>-</u>	<u>2,259,645</u>
Total Accumulated Depreciation	<u>4,283,220</u>	<u>445,635</u>	<u>-</u>	<u>4,728,855</u>
Governmental Activities Capital Assets, Net	\$ <u>5,182,639</u>	\$ <u>438,999</u>	\$ <u>-</u>	\$ <u>5,621,638</u>

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

Governmental Activities:	
General Government	\$ 231,577
Police	148,284
Streets and Highways	45,527
Fire	<u>20,247</u>
Total Depreciation Expense – Governmental Activities	\$ <u>445,635</u>

NOTE 3: CAPITAL ASSETS (CONTINUED)

	<u>Balance 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2025</u>
<i>Business-Type Activities</i>				
Capital Assets Not Being Depreciated				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Construction in Progress	<u>395,893</u>	<u>37,227</u>	<u>-</u>	<u>433,120</u>
Total Capital Assets Not Being Depreciated	<u>407,893</u>	<u>37,227</u>	<u>-</u>	<u>445,120</u>
Other Capital Assets				
Utility Plant	8,124,132	-	-	8,124,132
Lagoon	959,416	-	-	959,416
Office Improvements	80,273	-	-	80,273
Furniture and Equipment	<u>1,084,589</u>	<u>144,831</u>	<u>-</u>	<u>1,229,420</u>
Total Capital Assets at Historical Cost	<u>10,656,303</u>	<u>182,058</u>	<u>-</u>	<u>10,838,361</u>
Less Accumulated Depreciation				
Utility Plant	2,196,756	196,933	-	2,393,689
Lagoon	704,655	7,696	-	712,351
Office Improvements	16,253	3,947	-	20,201
Furniture and Equipment	<u>940,868</u>	<u>81,842</u>	<u>-</u>	<u>1,022,710</u>
Total Accumulated Depreciation	<u>3,858,532</u>	<u>290,418</u>	<u>-</u>	<u>4,148,950</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 6,797,771</u>	<u>\$(108,360)</u>	<u>\$ -</u>	<u>\$ 6,689,411</u>

NOTE 4: CONTINGENCIES

Claims and assertions – A number of claims have been filed against the City. In the opinion of management and counsel, these matters are without merit or are of such kind or involve such amounts that would not have a significant effect on the financial position of the City if disposed of unfavorably.

NOTE 5: UNUSED FINANCING COMMITMENTS

The bank operating line of credit is limited to a total of \$500,000 with interest at 2.75 percent. The amount available for use under the line of credit at September 30, 2025, was \$500,000.

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 6: CHANGES IN LONG-TERM DEBT ACCOUNT*Governmental Activities*

A summary of changes in debt is as follows:

Description	<u>2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>2025</u>	<u>Due in One Year</u>
Compensated Absences	\$ <u>209,275</u>	\$ <u>33,059</u>	\$ <u>20,275</u>	\$ <u>222,059</u>	\$ <u>33,875</u>
	\$ <u>209,275</u>	\$ <u>33,059</u>	\$ <u>20,275</u>	\$ <u>222,059</u>	\$ <u>33,875</u>

Business-Type Activities

Description	<u>2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>2025</u>	<u>Due in One Year</u>
2021 SRF Loan. Principal payments range from \$100,000 to \$150,000 payable annually with an interest rate of 2.20%, payable twice a year. Matures in 2041. Secured by receivables.	\$ <u>2,175,000</u>	\$ <u>-</u>	\$ <u>105,000</u>	\$ <u>2,070,000</u>	\$ <u>110,000</u>
Total	\$ <u>2,175,000</u>	\$ <u>-</u>	\$ <u>105,000</u>	\$ <u>2,070,000</u>	\$ <u>110,000</u>

Maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 110,000	\$ 45,540	\$ 155,540
2027	110,000	43,120	153,120
2028	115,000	40,700	155,700
2029	115,000	38,170	153,170
2030	120,000	35,640	155,640
2031 and after	<u>1,500,000</u>	<u>205,040</u>	<u>1,705,040</u>
Total	\$ <u>2,070,000</u>	\$ <u>408,210</u>	\$ <u>2,478,210</u>

NOTE 7: EMPLOYEE RETIREMENT 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.

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

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

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

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 7: EMPLOYEE RETIREMENT (CONTINUED)

General Information about the 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 618 employers adopted Act 2019-132 as of September 30, 2024.

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

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

The ERS serves approximately 890 local participating employers 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	<u>31</u>
Total	<u>117,309</u>

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 7: EMPLOYEE RETIREMENT (CONTINUED)*General Information about the Pension Plan (Continued)*

As of September 30, 2024, the City's membership consisted of:

Retirees and beneficiaries currently receiving benefits	9
Vested inactive members	1
Non-vested inactive members	6
Active members	25
Post DROP retired members who are still in active service	-
Total	<u>41</u>

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

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2025, the City's active employee contribution rate was 6.54 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 6.17 percent of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2025, was 8.18% of pensionable pay for Tier 1 employees, and 4.72% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2021, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$80,636 for the year ended September 30, 2025.

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 7: EMPLOYEE RETIREMENT (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 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	\$ 2,792,571	\$ 2,708,670	\$ 2,708,670
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for October 1, 2023 – September 30, 2024	133,656	133,656	133,656
(d) Transfers Among Employers	-	89,182	89,182
(e) Actual Benefit Payments and Refunds for October 1, 2023 – September 30, 2024	<u>(102,664)</u>	<u>(102,364)</u>	<u>(102,364)</u>
(f) Total Pension Liability As of September 30, 2024 [(a) x (1 + (b))] + (c) + [(d) + (1.05*(b))]	<u>\$ 3,028,096</u>	<u>\$ 3,027,127</u>	<u>\$ 3,027,127</u>
(g) Difference Between Expected and Actual:		\$ (969)	
(h) Less Liability Transferred for Immediate Recognition		89,182	
(i) Difference Between Expected and Actual Experience (Gain)/Loss		\$ (90,151)	
(j) Difference between Actual TPL Before and After Plan Changes – Benefit Change (Gain)/Loss			\$ -

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

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

*Net of pension plan investment expense

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 7: EMPLOYEE RETIREMENT (CONTINUED)*Net Pension Liability (Continued)*

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

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 Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	<u>5.00%</u>	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.00%.

NOTE 7: EMPLOYEE RETIREMENT (CONTINUED)

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2023	\$ 2,792,571	\$ 1,970,614	\$ 821,957
Changes for the year:			
Service Cost	133,656	-	133,656
Interest	204,233	-	204,233
Change of Benefit Terms	-	-	-
Change of Assumptions	-	-	-
Differences Between Expected and Actual Experience	(90,151)	-	(90,151)
Contributions – Employer	-	95,888	(95,888)
Contributions – Employee	-	86,088	(86,088)
Net Investment Income	-	433,971	(433,971)
Benefit Payments, Including Refunds of Employee Contributions	(102,364)	(102,364)	-
Administrative Expenses	-	-	-
Transfers Among Employers	89,182	89,182	-
Net Changes	234,556	602,765	(368,209)
Balances at 9/30/2024	\$ 3,027,127	\$ 2,573,379	\$ 453,748

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 Rate (7.45%)	1% Increase (8.45%)
City's Net Pension Liability (Asset)	\$ 846,428	\$ 453,748	\$ 126,949

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2024. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

NOTE 7: EMPLOYEE RETIREMENT (CONTINUED)

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 \$218,214. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 134,473	\$ 112,137
Changes of Assumptions	67,021	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	167,976
Employer Contributions Subsequent to the Measurement Date	<u>88,269</u>	<u>-</u>
Total	<u>\$ 289,763</u>	<u>\$ 280,113</u>

Employer contributions subsequent to the measurement date of \$88,269 are reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2026	\$(20,220)
2027	37,162
2028	(32,290)
2029	(39,398)
2030	(10,996)
Thereafter	<u>(12,877)</u>
Total	<u>\$(78,619)</u>

NOTE 8: ACCRUED COMPENSATED ABSENCES

It is the City's policy for employees to earn vacation based upon one year of service, more than one year of service, and more than ten years of service. Sick time is earned based upon less than one year, more than one year, and more than five years of service. Employees are entitled to all unused vacation upon retirement and a maximum of 60 days of sick leave. If employees are fired, no vacation pay will be given. Sick leave will not be paid at the time of resignation or employment termination. The accrued compensation liability account as of September 30, 2025, is \$33,875 due from current financial resources in the General Fund and \$5,845 from the Water and Sewer Fund. The long-term portion is recorded in the statement of net position and the statement of activities in the amount of \$222,059 for the General Fund and \$30,519 for the Water and Sewer Fund.

NOTE 9: SUBSEQUENT EVENTS

The City has evaluated subsequent events through August 11, 2026, the date which financial statements were available to be issued.

CITY OF MOUNDVILLE, ALABAMA

Notes to Financial Statements

September 30, 2025

NOTE 10: TAX ABATEMENTS AND INCENTIVE AGREEMENTS

The City is subject to GASB Statement 77, for the year ended September 30, 2025. This statement requires the City to disclose tax abatements granted by the City and other governmental entities that reduce the tax revenue of the City. The City is involved with such abatements. GASB Statement 77 requires the City to disclose the amount of the taxes abated during the fiscal year. For purposes of this disclosure, the City chooses to disclose the aggregate information by type of taxes abated. The information below has been compiled after reasonable attempts to obtain the required information. The City makes no representation that the information is correct, complete, or the individual circumstances have not changed subsequent to this reporting.

The City offers abatements of sales taxes with respect to the Project pursuant to the provisions of Act 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975), as amended (herein called the "Tax Abatement Act").

From time-to-time, the City enters into economic and/or industrial development incentive agreements with entities that propose to locate businesses within the City or expand current businesses. All of this is in an attempt to develop a solid and diverse local economy, to increase employment opportunities in the City, to broaden the City's tax base, to increase revenues, and to provide necessary and improved services to the citizens of the City, thereby improving the quality of life of its citizens. In exchange for incremental jobs and/or incremental revenues created, the City will rebate all or a portion of sales taxes, with these entities over a period of time and/or up to a capped dollar amount.

The City's tax revenues were reduced or rebated under the Tax Abatement Act and various economic and/or industrial development incentive agreements during the year ended September 30, 2025, as follows:

Sales and use taxes	\$ <u>46,637</u>
Total	\$ <u>46,637</u>

CITY OF MOUNDVILLE, ALABAMA
Schedule of Changes in Net Pension Liability
Fiscal Year Ending September 30, 2025

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service Cost	\$ 133,656	\$ 123,328	\$ 126,188	\$ 109,754	\$ 107,029	\$ 89,408	\$ 92,675	\$ 85,329	\$ 60,190	\$ 57,867
Interest	204,233	190,618	170,741	149,679	125,926	125,616	114,746	104,702	79,757	74,170
Changes in Benefit Terms	-	-	9,346	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(90,151)	24,467	109,664	34,965	105,442	(108,208)	(30,016)	(48,538)	135,907	563
Changes of Assumptions	(102,364)	-	-	137,822	-	(86,999)	9,813	-	233,620	-
Benefit Payments, Including Refunds of Employee Contributions	89,182	(114,261)	(77,369)	(91,192)	(18,773)	(86,999)	(60,196)	(61,500)	(53,931)	(71,596)
Transfers Among Employers	-	(47,338)	(53,324)	-	25,068	(49,907)	37,170	48,950	(97,723)	-
NET CHANGE IN TOTAL PENSION LIABILITY	234,556	176,814	285,246	341,028	344,692	(30,090)	164,192	128,943	357,820	61,004
TOTAL PENSION LIABILITY - BEGINNING	2,792,571	2,615,757	2,330,511	1,989,483	1,644,791	1,674,881	1,510,689	1,381,746	1,023,926	962,922
TOTAL PENSION LIABILITY - ENDING (a)	\$ 3,027,127	\$ 2,792,571	\$ 2,615,757	\$ 2,330,511	\$ 1,989,483	\$ 1,644,791	\$ 1,674,881	\$ 1,510,689	\$ 1,381,746	\$ 1,023,926
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 95,888	\$ 80,639	\$ 72,440	\$ 53,526	\$ 46,177	\$ 34,831	\$ 23,523	\$ 22,356	\$ 30,555	\$ 27,478
Contributions - Member	86,088	78,573	71,544	67,780	63,009	56,735	47,605	46,956	43,910	40,178
Net Investment Income	433,971	226,574	(255,128)	358,557	83,344	35,636	117,441	138,087	100,824	12,060
Benefit Payments, Including Refunds of Employee Contributions	(102,364)	(114,261)	(77,369)	(91,192)	(18,773)	(86,999)	(60,196)	(61,500)	(53,931)	(71,596)
Transfers Among Employers	89,182	(47,338)	(53,324)	-	25,068	(49,907)	37,170	48,950	(97,723)	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	602,765	224,187	(241,837)	388,671	198,825	(9,704)	165,543	194,849	23,435	8,120
PLAN NET POSITION - BEGINNING	1,970,614	1,746,427	1,988,264	1,599,593	1,400,768	1,410,472	1,244,929	1,050,080	1,026,645	1,018,525
PLAN NET POSITION - ENDING (b)	\$ 2,573,379	\$ 1,970,614	\$ 1,746,427	\$ 1,988,264	\$ 1,599,593	\$ 1,400,768	\$ 1,410,472	\$ 1,244,929	\$ 1,050,080	\$ 1,026,645
NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)	\$ 453,748	\$ 821,957	\$ 869,330	\$ 342,247	\$ 389,890	\$ 244,023	\$ 264,409	\$ 265,760	\$ 331,666	\$ (2,719)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.01%	70.57%	66.77%	85.31%	80.40%	85.16%	84.21%	82.41%	76.00%	100.27%
Covered-Employee Payroll*	\$ 1,392,941	\$ 1,307,233	\$ 1,232,293	\$ 1,131,100	\$ 1,073,269	\$ 997,836	\$ 844,482	\$ 956,095	\$ 937,667	\$ 843,566
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	32.57%	62.88%	70.55%	30.26%	36.33%	24.46%	31.31%	27.80%	35.37%	-0.32%

*Employer's covered-payroll during the measurement period is the total covered payroll. For FY2025 the measurement period is October 1, 2023- September 30, 2024

GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll beginning with FY 2017.

The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA
Schedule of Employer Contributions
September 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contributions*										
	\$ 88,269	\$ 80,636	\$ 80,639	\$ 72,440	\$ 50,198	\$ 50,198	\$ 38,484	\$ 26,557	\$ 23,081	\$ 33,423
Contributions In Relation to the Actuarially Determined Contributions*										
	88,269	80,636	80,639	72,440	50,198	50,198	38,484	26,557	23,081	33,423
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll**	\$ 1,551,306	\$ 1,392,941	\$ 1,307,293	\$ 1,232,293	\$ 1,131,100	\$ 1,073,269	\$ 997,836	\$ 844,482	\$ 956,095	\$ 937,667
Contributions as a Percentage of Covered-Employee Payroll	5.69%	5.79%	6.17%	5.88%	4.44%	4.68%	3.86%	3.14%	2.41%	3.56%

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

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

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2025 were based on the September 30, 2022, actuarial valuation.

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

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	21.4 years
Asset Valuation Method	Five Year Smooth Market
Inflation	2.75%
Salary Increases	3.25 – 5.00%, Including Inflation
Investment Rate of Return	7.45%, Net of Pension Plan Investment Expense

The accompanying notes are an integral part of this statement.

CITY OF MOUNDVILLE, ALABAMA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2025

	Special Revenues					Total Nonmajor Governmental Funds
	Four-Cent Gasoline Tax Fund	Seven-Cent Gasoline Tax Fund	Ten-Cent Gasoline Tax Fund	Capital Improvement Fund	Park and Recreation	
ASSETS						
Cash in Bank	\$ 23,413	\$ 116,762	\$ 5,971	\$ 40,860	\$ 34,980	\$ 221,986
Taxes Receivable	3,051	3,838	4,335	-	-	11,224
TOTAL ASSETS	<u>\$ 26,464</u>	<u>\$ 120,600</u>	<u>\$ 10,306</u>	<u>\$ 40,860</u>	<u>\$ 34,980</u>	<u>\$ 233,210</u>
LIABILITIES AND FUND BALANCES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:						
Assigned	-	-	-	-	34,980	34,980
Restricted	26,464	120,600	10,306	40,860	-	198,230
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,464</u>	<u>\$ 120,600</u>	<u>\$ 10,306</u>	<u>\$ 40,860</u>	<u>\$ 34,980</u>	<u>\$ 233,210</u>

CITY OF MOUNDVILLE, ALABAMA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2025

	Special Revenues					Total
	Four-Cent Gasoline Tax Fund	Seven-Cent Gasoline Tax Fund	Ten-Cent Gasoline Tax Fund	Capital Improvement Fund	Park and Recreation	Nonmajor Governmental Funds
REVENUES						
Taxes	\$ 33,720 \$	42,574 \$	56,981 \$	30,304 \$	64,088 \$	227,667
Charges for Services	-	-	-	-	-	-
Other	44	-	-	-	-	44
TOTAL REVENUES	<u>33,764</u>	<u>42,574</u>	<u>56,981</u>	<u>30,304</u>	<u>64,088</u>	<u>227,711</u>
EXPENDITURES						
General Government	38,712	-	89,000	-	37,511	165,223
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital Outlays	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>38,712</u>	<u>-</u>	<u>89,000</u>	<u>-</u>	<u>37,511</u>	<u>165,223</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,948)</u>	<u>42,574</u>	<u>(32,019)</u>	<u>30,304</u>	<u>26,577</u>	<u>62,488</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers	-	-	-	-	-	-
Out - General	-	-	-	-	-	-
In - General	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(4,948)</u>	<u>42,574</u>	<u>(32,019)</u>	<u>30,304</u>	<u>26,577</u>	<u>62,488</u>
FUND BALANCE BEGINNING OF YEAR	<u>31,412</u>	<u>78,026</u>	<u>42,325</u>	<u>10,556</u>	<u>8,403</u>	<u>170,722</u>
FUND BALANCE END OF YEAR	<u>\$ 26,464 \$</u>	<u>120,600 \$</u>	<u>10,306 \$</u>	<u>40,860 \$</u>	<u>34,980 \$</u>	<u>233,210</u>

See independent auditors' report.

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

Honorable Mayor and Members of the City Council
Moundville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moundville, 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 August 11, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate to determine 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 Board'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 25-1.

Report on Compliance and Other Matters

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

City of Moundville, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kellum, Wilson & Associates, P.C.

Hoover, Alabama

August 11, 2026

25-1 – Lack of Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among City personnel.

Effect: Transactions could be mishandled.

Cause: There a limited number of personnel for certain functions.

Recommendations: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of segregation. The City Council should provide some of these controls.

Views of responsible officials and corrective actions: The City agrees with this finding and will try to use the City Council as much as possible.