



City of Brundidge, Alabama

FINANCIAL STATEMENTS

September 30, 2025





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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Brundidge, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brundidge, 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 accompanying 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, and the budgetary comparison for the general fund 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 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 misstatements 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 disclosure 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

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

Accounting principles generally accepted in the United States of America also require that the schedule of changes in net pension liability (asset) and related ratios on page 51 and schedule of employer contributions on page 52 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 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 is 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 January 21, 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, 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
January 21, 2026

City of Brundidge, Alabama
Statement of Net Position

<i>September 30, 2025</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,711,596	\$ 1,239,581	\$ 2,951,177
Certificates of deposit	441,282	3,524,058	3,965,340
Receivables, net	379,150	925,325	1,304,475
Lease receivable	9,097	-	9,097
Settlement receivable	22,115	-	22,115
Prepaid items	75,295	50,550	125,845
Internal balances	17,806	(17,806)	-
Inventories	3,338	603,140	606,478
Restricted assets			
Cash and cash equivalents	118,484	-	118,484
Investments	-	405,350	405,350
Other assets	22,545	19,992	42,537
Net pension asset	221,299	182,097	403,396
Capital assets			
Non-depreciable	2,557,099	212,288	2,769,387
Depreciable, net	3,158,395	10,082,719	13,241,114
Total assets	8,737,501	17,227,294	25,964,795
Deferred Outflows of Resources			
Deferred outflows on refunding	-	111,903	111,903
Deferred outflows related to pensions	373,944	307,703	681,647
Total deferred outflows of resources	373,944	419,606	793,550

(Continued)

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama
Statement of Net Position (Continued)

<i>September 30, 2025</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Liabilities			
Accounts payable	131,125	401,946	533,071
Accrued liabilities	60,452	28,317	88,769
Customer deposits	-	162,903	162,903
Liabilities related to restricted assets			
Accrued interest	-	29,057	29,057
Non-current liabilities			
Due within one year			
Compensated absences	75,193	69,318	144,511
Bonds and revenue warrants	17,794	555,000	572,794
Due in more than one year			
Bonds and revenue warrants	284,235	4,301,892	4,586,127
Total liabilities	568,799	5,548,433	6,117,232
Deferred Inflows of Resources			
Deferred inflows related to leases	8,431	-	8,431
Deferred inflows related to pensions	688,419	566,471	1,254,890
Total deferred inflows of resources	696,850	566,471	1,263,321
Net Position			
Net investment in capital assets	5,413,465	5,550,018	10,963,483
Restricted for			
Debt service	-	376,293	376,293
Capital improvements	117,324	-	117,324
Court	1,160	-	1,160
Fire department	94,026	-	94,026
Highways and streets	918,747	-	918,747
Library	18,043	-	18,043
Unrestricted	1,283,031	5,605,685	6,888,716
Total net position	\$ 7,845,796	\$ 11,531,996	\$ 19,377,792

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama
Statement of Activities

For the year ended September 30, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 915,152	\$ 129,206	\$ -	\$ -
Public safety	1,056,670	32,834	1,949	-
Sanitation and recycling	178,849	178,363	-	-
Health and welfare	96,369	-	24,700	-
Culture and recreation	388,906	2,538	61,637	-
Highways and streets	638,551	-	21,562	-
Interest	11,359	-	-	-
Total governmental activities	3,285,856	342,941	109,848	-
Business-type activities				
Electric	5,271,897	6,881,318	-	-
Sewer	1,146,088	1,749,938	-	493,536
Water	584,416	738,075	-	210,000
Amortization	4,938	-	-	-
Interest	151,764	160,920	-	-
Total business-type activities	7,159,103	9,530,251	-	703,536
Total primary government	\$ 10,444,959	\$ 9,873,192	\$ 109,848	\$ 703,536
General revenues and transfers				
Taxes				
Property taxes				
Sales taxes				
Gas taxes				
Other taxes				
Rental income				
Interest income				
Other revenues				
Gain on disposal of assets				
Transfers, net				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (785,946)	\$ -	\$ (785,946)
(1,021,887)	-	(1,021,887)
(486)	-	(486)
(71,669)	-	(71,669)
(324,731)	-	(324,731)
(616,989)	-	(616,989)
(11,359)	-	(11,359)
(2,833,067)	-	(2,833,067)
-	1,609,421	1,609,421
-	1,097,386	1,097,386
-	363,659	363,659
-	(4,938)	(4,938)
-	9,156	9,156
-	3,074,684	3,074,684
(2,833,067)	3,074,684	241,617
278,843	-	278,843
821,210	-	821,210
142,350	-	142,350
523,488	-	523,488
38,353	-	38,353
26,596	-	26,596
28,306	21,854	50,160
1,575	-	1,575
1,126,363	(1,126,363)	-
2,987,084	(1,104,509)	1,882,575
154,017	1,970,175	2,124,192
7,691,779	9,561,821	17,253,600
\$ 7,845,796	\$ 11,531,996	\$ 19,377,792

City of Brundidge, Alabama
Balance Sheet – Governmental Funds

<i>September 30, 2025</i>	General	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,029,635	\$ 681,961	\$ 1,711,596
Certificates of deposit	112,415	328,867	441,282
Restricted cash and cash equivalents	118,484	-	118,484
Receivables, net	359,162	19,988	379,150
Lease receivable	9,097	-	9,097
Settlement receivable	22,115	-	22,115
Due from other funds	17,806	-	17,806
Inventory	3,338	-	3,338
Other assets	22,545	-	22,545
Total assets	\$ 1,694,597	\$ 1,030,816	\$ 2,725,413
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 131,125	\$ -	\$ 131,125
Accrued liabilities	60,452	-	60,452
Total liabilities	191,577	-	191,577
Deferred inflows of resources			
Leases	8,431	-	8,431
Opioid settlement	22,019	-	22,019
Total deferred inflows of resources	30,450	-	30,450
Fund balances			
Nonspendable	3,338	18,043	21,381
Restricted	118,484	1,012,773	1,131,257
Committed	4,730	-	4,730
Unassigned	1,346,018	-	1,346,018
Total fund balances	1,472,570	1,030,816	2,503,386
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,694,597	\$ 1,030,816	\$ 2,725,413

The accompanying notes are an integral part of these financial statements.

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

September 30, 2025

Total fund balances - governmental funds \$ 2,503,386

Amounts reported for governmental activities in the statement of net position are different because:

Prepaid expenses are recorded as expenditures in governmental funds when paid rather than assets until consumed, as reported on the statement of net position. 75,295

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

Governmental capital assets	\$ 11,144,759	
Less accumulated depreciation	(5,429,265)	5,715,494

The Opioid Settlement will not be collected within 90 days after the close of the City's fiscal year end and is not recognized as "available" revenue in governmental funds and, therefore, is reported as a deferred inflow of resources. In the statement of net position, which is on the accrual basis, the revenue is fully recognized in the statement of activities. 22,019

Deferred outflow of resources related to pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting. 373,944

Deferred inflow of resources related to pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting. (688,419)

Long-term liabilities, including net pension liability and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Net pension asset (liability)	\$ 221,299	
Compensated absences	(75,193)	
Revenue warrants	(302,029)	(155,923)

Net position of governmental activities \$ 7,845,796

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

<i>For the year ended September 30, 2025</i>	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,420,306	\$ 157,475	\$ 1,577,781
Fees and fines	32,834	-	32,834
Licenses and permits	317,316	-	317,316
Intergovernmental	109,848	-	109,848
Charges for services	180,901	-	180,901
Investment earnings	12,750	13,846	26,596
Rental income	38,353	-	38,353
Miscellaneous	25,461	999	26,460
Total revenues	2,137,769	172,320	2,310,089
Expenditures			
Current			
General government	914,055	-	914,055
Public safety	1,010,276	-	1,010,276
Highways and streets	585,566	-	585,566
Sanitation and recycling	173,611	-	173,611
Health and welfare	68,191	-	68,191
Culture and recreation	326,302	-	326,302
Debt service			
Principal	17,169	-	17,169
Interest	11,359	-	11,359
Capital outlay	99,414	-	99,414
Total expenditures	3,205,943	-	3,205,943
Excess (deficiency) of revenues over (under) expenditures	(1,068,174)	172,320	(895,854)
Other Financing Sources (Uses)			
Sale of capital assets	1,575	-	1,575
Transfers in (out)	1,172,687	(46,324)	1,126,363
Total other financing sources (uses)	1,174,262	(46,324)	1,127,938
Net change in fund balances	106,088	125,996	232,084
Fund balances, beginning of year	1,366,482	904,820	2,271,302
Fund balances, end of year	\$ 1,472,570	\$ 1,030,816	\$ 2,503,386

The accompanying notes are an integral part of these financial statements.

City of Brundidge, 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	\$ 232,084
Amounts reported for governmental activities in the statement of activities are different because:	
Prepaid expenses reported as expenditures in governmental funds are allocable to future accounting periods and therefore are not reported as expenses in the statement of activities.	2,359
Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	(167,817)
Settlement revenue will not be collected within 90 days after the close of the City's fiscal year-end and is not considered as "available" revenues in the governmental funds. In the statement of net position, which is on the full accrual basis, the revenue is fully recognized in the statement of activities.	1,846
Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.	17,169
Changes to the pension liability and the related deferred outflows of resources and deferred inflows of resources are reported as expenses in the statement of activities, but does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	61,355
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that matured in the current year.	7,021
Change in net position of governmental activities	\$ 154,017

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual - General Fund**

<i>For the year ended September 30, 2025</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,275,200	\$ 1,410,200	\$ 1,420,306	\$ 10,106
Fees and fines	15,000	20,195	32,834	12,639
Licenses and permits	234,740	255,683	317,316	61,633
Intergovernmental	53,200	105,149	109,848	4,699
Charges for services	182,150	182,150	180,901	(1,249)
Interest	12,000	12,000	12,750	750
Rental income	39,800	39,800	38,353	(1,447)
Miscellaneous	18,310	27,759	25,461	(2,298)
Total revenues	1,830,400	2,052,936	2,137,769	84,833
Expenditures				
Current				
General government	879,759	898,095	914,055	(15,960)
Public safety	1,067,498	1,041,412	1,010,276	31,136
Highways and streets	657,290	656,390	585,566	70,824
Sanitation and recycling	162,450	175,550	173,611	1,939
Health and welfare	75,264	78,159	68,191	9,968
Culture and recreation	357,144	360,405	326,302	34,103
Debt service				
Principal	17,157	17,157	17,169	(12)
Interest	11,371	11,371	11,359	12
Capital outlay	59,635	101,414	99,414	2,000
Total expenditures	3,287,568	3,339,953	3,205,943	134,010
Excess (deficiency) of revenues over (under) expenditures	(1,457,168)	(1,287,017)	(1,068,174)	218,843
Other Financing Sources				
Sale of capital assets	-	1,575	1,575	-
Transfers in	1,513,300	1,544,300	1,172,687	(371,613)
Net other financing sources (uses)	1,513,300	1,545,875	1,174,262	(371,613)
Net change in fund balances	56,132	258,858	106,088	(152,770)
Fund balances, beginning of year	1,366,482	1,366,482	1,366,482	-
Fund balances, end of year	\$ 1,422,614	\$ 1,625,340	\$ 1,472,570	\$ (152,770)

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama
Statement of Net Position – Proprietary Fund

<i>September 30, 2025</i>	Utilities Department
Assets	
Current assets	
Cash and cash equivalents	\$ 1,239,581
Certificates of deposit	3,524,058
Receivables, net	925,325
Inventory	603,140
Prepaid items	50,550
Total current assets	6,342,654
Noncurrent assets	
Restricted assets	
Investments	405,350
Other assets	19,992
Net pension asset	182,097
Capital assets	
Non-depreciable	212,288
Depreciable, net	10,082,719
Total noncurrent assets	10,902,446
Total assets	\$ 17,245,100
Deferred Outflows of Resources	
Deferred outflows on refunding	111,903
Deferred outflows related to pensions	307,703
Total deferred outflows of resources	\$ 419,606

(Continued)

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama
Statement of Net Position – Proprietary Fund (Continued)

<i>September 30, 2025</i>	Utilities Department
Liabilities	
Current liabilities	
Accounts payable	\$ 401,946
Due to other funds	17,806
Accrued liabilities	28,317
Customer deposits	162,903
Compensated absences	69,318
Current portion of utility revenue warrants	555,000
Total current liabilities	1,235,290
Liabilities payable from restricted assets	
Accrued interest	29,057
Noncurrent liabilities	
Utility revenue warrants due after one year	4,301,892
Total liabilities	\$ 5,566,239
Deferred Inflows of Resources	
Deferred inflows related to pensions	\$ 566,471
Net Position	
Net investment in capital assets	\$ 5,550,018
Restricted for debt service	376,293
Unrestricted	5,605,685
Total net position	\$ 11,531,996

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama
Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Fund

<i>For the year ended September 30, 2025</i>	Utilities Department
Operating Revenues	
Electric	\$ 6,881,318
Sewer	1,749,938
Water	738,075
Total operating revenues	9,369,331
Operating Expenses	
Cost of sales and service	4,213,785
Administration	1,782,263
Repairs and maintenance	473,561
Depreciation	532,792
Total operating expenses	7,002,401
Operating Income	2,366,930
Nonoperating Revenues (Expenses)	
Interest income	160,920
Miscellaneous	21,854
Grants	703,536
Interest expense	(151,764)
Amortization	(4,938)
Total nonoperating revenue (expenses)	729,608
Income Before Transfers	3,096,538
Transfers out	(1,126,363)
Change in net position	1,970,175
Net position, beginning of year	9,561,821
Net position, end of year	\$ 11,531,996

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama
Statement of Cash Flows – Proprietary Fund

<i>For the year ended September 30, 2025</i>	Utilities Department
Operating Activities	
Cash received from customers and users	\$ 9,335,222
Cash payments to suppliers	(5,642,369)
Cash payments to employees	(910,875)
Net cash provided by operating activities	2,781,978
Noncapital Financing Activities	
Other receipts	21,451
Cash transfers to other funds	(1,126,363)
Net cash used in noncapital financing activities	(1,104,912)
Capital and Related Financing Activities	
Grants	268,560
Principal paid on revenue warrants	(595,000)
Interest paid on debt	(137,328)
Acquisition of capital assets	(1,087,499)
Net cash used in capital and related financing activities	(1,551,267)
Investing Activities	
Proceeds from sales/maturity of investments	527,284
Purchases of investments	(653,371)
Interest income	160,920
Net cash provided by investing activities	34,833
Net increase in cash and cash equivalents	160,632
Cash and cash equivalents, beginning of year	1,078,949
Cash and cash equivalents, end of year	\$ 1,239,581

(Continued)

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama
Statement of Cash Flows – Proprietary Fund (Continued)

<i>For the year ended September 30, 2025</i>	Utilities Department
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating income	\$ 2,366,930
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	532,792
Changes in assets, deferred outflows, liabilities and deferred inflows	
(Increase) decrease in assets and deferred outflows	
Receivables	(39,258)
Inventory	(39,885)
Prepaid items	1,356
Other assets	(150)
Deferred outflows related to pensions	235,006
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	14,287
Accrued liabilities	3,255
Deferred inflows related to pensions	71,865
Customer deposits	5,149
Compensated absences	(6,509)
Net pension asset (liability)	(362,860)
Total adjustments	415,048
Net cash provided by operating activities	\$ 2,781,978

The accompanying notes are an integral part of these financial statements.

City of Brundidge, Alabama Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Brundidge, Alabama (the “City”), was incorporated in 1890 under the provisions of the State of Alabama. The City has the following services: public safety, public utilities, highways and streets, sanitation, senior activities, library services and general administrative services.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member governing council (the “Council”). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification. The City reported no blended or discretely presented component units.

Related Organizations

The Brundidge Industrial Development Board (the “Board”) strives to bring economic development to the City. The citizens who serve on the Governing Board are appointed by the City Council. The City has no significant influence over the management, budget, or policies of the Board. The Board is excluded from the financial reporting entity because the City’s accountability does not extend beyond making appointments.

The Brundidge Solid Waste Authority (the “Authority”) was established to provide for the collection and disposal of solid waste and to encourage the planning of solid waste collection, disposal and resource recovery activities. The citizens who serve on the Board of the Authority are appointed by the City Council. During the fiscal year ended September 30, 2017, the Authority became inactive and all assets and liabilities were transferred to the City.

The Brundidge Housing Authority administers federal funding and/or other financing for improvement of housing conditions in the City. The citizens who serve on the Governing Board are appointed by the Mayor. The City has no significant influence over the management, budget, or policies of Brundidge Housing Authority. The Brundidge Housing Authority reports independently. Audited financial statements are available from the Brundidge Housing Authority. The Housing Authority is excluded from the financial reporting entity because the City’s accountability does not extend beyond making appointments.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only

City of Brundidge, Alabama Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

when cash is received by the City.

Proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's utilities and sanitation services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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

The City reports the following major enterprise fund:

The *Utilities Department* accounts for the operations of the Utilities Department (electric, sewer, and water).

Additionally, the City reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The City reports the following special revenue funds.

Four and Five Cent State Gasoline Tax Fund, Seven Cent State Gasoline Tax Fund and Rebuild Alabama Act Fund accounts for state gasoline taxes. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges, and streets.

Two Cent Gas Tax Fund accounts for proceeds from a local gasoline tax. The use of this funding is for highway and street expenditures.

City of Brundidge, Alabama Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (continued)

Tobacco Tax Fund accounts for proceeds from the Pike County Firefighter Association. The use of this funding is restricted to expenditures for the fire department.

The *Permanent Fund* is used to account for resources from other parties, including individuals, private organizations and other governments, whereby use of the resources are restricted to the extent only earnings and not principal, may be used for a specified program(s), for the benefit of the government and its citizenry. The City reported only one permanent fund, the Joseph Carroll Library Fund, which accounts for money that was donated to the City from the Joseph Carroll Memorial Fund. Interest on these funds is restricted for the purchase of new library books.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, special revenue funds, permanent fund and Utilities Department.

The appropriated budget is prepared by fund, function, and department. The City's management may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory

City of Brundidge, Alabama Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Excess of Expenditures over Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations within the General Fund general government function by \$15,960 and debt service principal function by \$12. The excess expenditures were funded by greater than anticipated revenues.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and Cash Equivalents

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.

Investments

Investments for the City are reported at fair value, except for the certificates of deposit, which are carried at amortized cost. Investments are limited to funds that invest in U.S. Government backed securities and certificates of deposits at federally insured banks.

Receivables and Payables

Unbilled receivables – An amount for unbilled revenue is recorded in the Utilities Department and General Fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 90 days are subject to being considered as uncollectible in Utilities Department. Accounts receivables for court costs and fines are shown net of an allowance for uncollectible accounts outstanding in excess of one year.

Lease receivable – Lease receivable represents the present value of the remaining lease payments expected to be received during the lease term.

Settlement receivable – Settlement receivable represents the amount of opioid settlement expected from the McKesson, Cencora, Teva, Allergan, CVS, Walgreens and Kroger settlements. The revenue is included in miscellaneous revenue in the government-wide statements and deferred inflow in the fund level statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when on fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

Inventories and Prepaid Items

Inventories are valued at cost using the average cost method and consists of expendable supplies and repair parts. Purchases of inventories for governmental funds are reported as expenditures in the period purchased. Inventories of proprietary fund types are reported as an expense when consumed in the operations of the fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. At the fund level, expenditures are recognized when the available finance resource is expended.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Bond debt service accounts – Includes certain resources set aside for the repayment of bonds.

Capital improvement accounts – Includes certain resources set aside for capital improvements.

Court accounts – Includes certain resources set aside for court operations.

Fire department accounts – Includes certain resources set aside for fire department.

Highways and street accounts – Includes certain resources set aside for highways and streets.

Library accounts – Includes certain resources set aside for library operations.

City of Brundidge, Alabama

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The City did not report infrastructure acquired prior to October 1, 2003. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Electrical system	10 – 50 years
Water system	10 – 50 years
Buildings	25 – 50 years
Sewer system	10 – 50 years
Machinery and equipment	5 – 10 years
Infrastructure	10 – 50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has two (2) items that qualify for reporting in this category, the *deferred outflows on refunding* and the *deferred outflows related to pensions* reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities-Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting periods.

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 and so will not be

City of Brundidge, Alabama Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting in this category, the *deferred inflows related to pensions, leases and Opioid settlement*. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities-Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting periods. The deferred inflows related to leases is calculated in accordance with GASB 87, *Leases* and is based on payment provisions of the contract. The deferred inflows related to Opioid settlement are based on McKesson, Cencora, Teva, Allergan, CVS, Walgreens and Kroger payment schedules related to the Opioid litigation settlement.

Compensated Absences

The City permits employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon retirement or termination of employment, an employee is compensated for accumulated vacation hours at current wage rates. The City uses last-in, first-out (LIFO) flow assumption for compensated absences related to sick leave. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual leave balances.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are expensed during the current period. The face amount of debt issued, and repayments are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net positions, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Brundidge, Alabama Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASBC Section 1800, *Classification and Terminology*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an

City of Brundidge, Alabama Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Categories and Classification of Net Position and Fund Balance (continued)

additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The City has not assigned fund balances.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes with a legally enforceable claim that are due within the current year.

2025 property tax calendar:

Lien date	-October 1, 2024
Levy date	-February 1, 2025
Tax bills mailed	-October 1, 2025
Due date	-October 1, 2025
Delinquent date	-January 1, 2026

Proprietary funds operating and nonoperating revenues and expenses – 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. The principal operating revenues of the Utilities Department are charges to customers for sales and services and the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates. Actual results could vary from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to depreciation expense, leases, unbilled revenues, allowance for doubtful accounts, amounts due to others on court, compensated absences, and pension related accounts.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 21, 2026, and determined there were no events that occurred that required disclosure.

Recently Issued and Implemented Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. There were no significant impacts of implementing this Statement.

In January 2024, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. There were no significant impacts of implementing this Statement.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In April 2024, the GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. In addition to other items, the Statement:

- Addresses changes to information presented in the MD&A;
- Requires governments to display the inflows and outflows related to unusual or infrequent items separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows;
- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses;
- Requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements;
- Requires governments to present budgetary comparison information using a single method of communication (RSI).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

City of Brundidge, Alabama Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In September 2024, the GASB issued GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale and that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are covered by the SAFE Program. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City's investment policy limits interest rate risk by requiring that investments have maturities of no longer than three years.

City of Brundidge, Alabama Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City's investment policy, limit investments to U.S. Government Backed securities and certificates of deposits at federally insured banks.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City's investment policy does not address concentration risk.

Fair value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 under the codification are described as follows:

- Level 1 (L1): 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 (L2): 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 that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Treasury Portfolio securities noted below are held by the City's counterparties in the trust department of Regions Bank, not in the City's name. At September 30, 2025, the City held the following investments:

Investment Type	Fair Value	Maturities	Level
Debt securities – US government obligations			
Morgan Stanley Institutional Liquidity Fund–Treasury Portfolio (rated AAAm)	\$ 405,350	Current	L1

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2025.

Debt securities – Debt securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounts Receivable

For the Utilities Department, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2025 (unbilled receivable), is estimated and accrued at year end. Accounts receivable in excess of 90 days are subject to being considered as uncollectible in Utilities Department. Accounts receivables for court costs and fines are shown net of an allowance for uncollectible accounts outstanding in excess of one year and amounts due to others. For all other receivables, provisions for credit losses are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. Accounts receivable are written off on an individual basis in the year the City deems them uncollectible.

The accounts receivable, allowance for uncollectible accounts and due to others on court at September 30, 2025 were as follows:

	Accounts Receivable	Interest Receivable	Unbilled Receivable	Allowance for Uncollectible	Amount due to others on court	Net
General Fund	\$ 465,773	\$ 2,596	\$ 3,339	\$ (58,961)	\$ (53,585)	\$ 359,162
Other Governmental Funds	13,720	6,268	-	-	-	19,988
Enterprise Funds Utilities Department	794,077	70,275	62,963	(1,990)	-	925,325
Total	\$ 1,273,570	\$ 79,139	\$ 66,302	\$ (60,951)	\$ (53,585)	\$ 1,304,475

In previous years, the estimated taxes were recorded as a receivable and unearned revenue on the accompanying balance sheet at time of assessment, which is an acceptable practice. In the current year, management elected not to record these estimated amounts since the levy against the property is issued subsequent to September 30, 2025, which is also an acceptable method of accounting that better aligns with similar municipalities in the State of Alabama. This change in accounting principle had no impact on income or net position.

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Other Assets

Other assets at September 30, 2025 consist of the following:

	General Fund	Proprietary Fund
Deposits	\$ 22,545	\$ 2,650
Unamortized bond insurance	-	17,342
Total other assets	\$ 22,545	\$ 19,992

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2025:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,557,099	\$ -	\$ -	\$ -	\$ 2,557,099
Construction in progress	3,179	-	(3,179)	-	-
Capital assets, not being depreciated	2,560,278	-	(3,179)	-	2,557,099
Capital assets, being depreciated:					
Equipment	2,966,579	99,414	(42,443)	109,880	3,133,430
Buildings	2,805,673	3,179	-	146,569	2,955,421
Public improvements	2,755,258	-	-	(256,449)	2,498,809
Total capital assets, being depreciated	8,527,510	102,593	(42,443)	-	8,587,660
Less accumulated depreciation for:					
Equipment	(2,479,339)	(155,144)	42,443	-	(2,592,040)
Buildings	(1,971,827)	(65,090)	-	-	(2,036,917)
Public improvements	(753,311)	(46,997)	-	-	(800,308)
Total accumulated depreciation	(5,204,477)	(267,231)	42,443	-	(5,429,265)
Total capital assets, being depreciated, net	3,323,033	(164,638)	-	-	3,158,395
Governmental activities capital assets, net	\$ 5,883,311	\$ (164,638)	\$ (3,179)	\$ -	\$ 5,715,494

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 83,159	\$ -	\$ -	\$ -	\$ 83,159
Construction in progress	172,877	40,859	(84,607)	-	129,129
Capital assets, not being depreciated	256,036	40,859	(84,607)	-	212,288
Capital assets being depreciated:					
Equipment	1,442,868	184,488	(16,213)	108,238	1,719,381
Buildings	145,370	-	-	(25,114)	120,256
Public improvements	19,727,214	946,759	-	(83,124)	20,590,849
Total capital assets, being depreciated	21,315,452	1,131,247	(16,213)	-	22,430,486
Less accumulated depreciation for:					
Equipment	(1,297,401)	(86,190)	16,213	154,003	(1,213,375)
Buildings	(123,880)	(889)	-	25,118	(99,651)
Public improvements	(10,409,907)	(445,713)	-	(179,121)	(11,034,741)
Total accumulated depreciation	(11,831,188)	(532,792)	16,213	-	(12,347,767)
Total capital assets, being depreciated, net	9,484,264	598,455	-	-	10,082,719
Business-type activities capital assets, net	\$ 9,740,300	\$ 639,314	\$ (84,607)	\$ -	\$ 10,295,007

Depreciation expense was charged to functions as follows:

<i>For the year ended September 30,</i>	<i>2025</i>
Governmental Activities	
General government	\$ 27,519
Public safety	77,139
Highways and streets	63,079
Sanitation and recycling	5,238
Culture and recreation	64,675
Health and welfare	29,581
Total depreciation expense – governmental activities	\$ 267,231
Business-type activities	
Electric	\$ 171,996
Sewer	253,858
Water	106,938
Total depreciation expense – business-type activities	\$ 532,792

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Leases of Capital Assets

The City entered in a lease with Troy Hospital Healthcare Authority (Lessee) on July 2, 2020 wherein the City agreed to lease certain real property for 3 years. The lease calls for monthly payments of \$1,150 and will end on May 31, 2026. The expected schedule of future minimum lease payments is as follows:

<i>Year ending</i>				
<i>September 30</i>	Principal	Interest	Total	
2026	\$ 9,097	\$ 103	\$ 9,200	

The City entered into a lease with Wal-Mart Stores East, L.P. (Lessee) on April 17, 2002 wherein the City agreed to lease certain capital assets acquired with capital grants. The lease calls for annual lease payments of \$1 and will expire on April 16, 2101. The lessee has the unrestricted option to terminate the lease at any time upon written notice to the City and purchase the property for a price of \$939,856. The lessee shall also have the right of first refusal to purchase the property in the event the City obtains an offer, at a price equal to the offer, not to exceed \$939,856.

Long-Term Debt and Liabilities

General Obligation Bonds

During June of 2017, the City authorized the issuance and sale of up to \$400,000 General Obligation Warrants Series 2017. Proceeds of the warrants were used to purchase property and renovate and equip the property for use by the City as City Hall. The construction/draw period was for 18 months at 2.48% interest. At the end of the construction/draw period, the debt converted to a 20 year term at 3.65% interest. On March 1, 2019, this warrant became a term warrant in a principal amount equal to the aggregate outstanding principal balance of all advances during draw period plus unpaid interest. Payments of principal and interest will be made in equal monthly installments beginning March 31, 2019 and continuing through February 28, 2039. This warrant is a general obligation of the City on which the full faith and credit of the City has been irrevocably pledged. As of September 30, 2025, the remaining principal outstanding was \$302,029.

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

General Obligation Bonds (continued)

The following is a summary of governmental activities general obligations for the year ended September 30, 2025:

<i>Year ending</i> <i>September 30,</i>	Principal	Interest
2026	\$ 17,794	\$ 10,735
2027	18,454	10,072
2028	19,113	9,413
2029	19,848	8,681
2030	20,585	7,942
2031-2035	114,949	27,693
2036-2039	91,286	5,969
Total	302,029	80,505
Current portion	(17,794)	(10,735)
Payable after one year	\$ 284,235	\$ 69,770

Utility Revenue Warrants

On December 1, 2012, the City issued Utility Revenue Warrants Series 2012-DWSRF-DL in the amount of \$940,000 through the State Revolving Fund administered by Alabama Drinking Water Finance Authority and ADEM. Proceeds of the warrants were used to make improvements to the City's utility system. Principal is payable annually and interest is payable semi-annually at 2.75%. As of September 30, 2025, the remaining principal outstanding was \$440,000.

On February 1, 2016, the City issued Utility Revenue Warrants Series 2016-CWSRF-DL in the amount of \$2,285,000 through the State Revolving Fund administered by Alabama Water Pollution Control Authority and ADEM. Proceeds of the warrants were used to make capital improvements to the BR City's sewer system. Principal is payable annually and interest is payable semi-annually at 2.2%. As of September 30, 2025, the remaining principal outstanding was \$1,380,000.

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Utility Revenue Warrants (continued)

On November 1, 2015, the City issued warrants totaling \$6,670,000 to refund Series 2005 warrants outstanding in the principal amount of \$6,605,000 and related costs in connection with issuance of warrants. The refunding decreased the total debt service payments of the City over sixteen years by approximately \$1,521,573 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) for the City of approximately \$1,010,860. The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred refunding cost and will be amortized over the remaining life of the old bond on the straight line basis. The amount deferred on the reacquisition was \$290,341, which includes \$143,383 of previous unamortized refunding costs; the total amount amortized for the year ended September 30, 2025 was \$18,147 and was reported as a part of interest expense. The balance of deferred refunding cost for this warrant at September 30, 2025, was \$111,903. As of September 30, 2025, the remaining principal outstanding was \$3,050,000.

The following is a summary of business-type activities revenue warrants for the year ended September 30, 2025:

<i>Year ending September 30,</i>	Business-Type Activities					
	Revenue Warrant 2012		Revenue Warrant 2016		Revenue Warrant 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ -	\$ 6,050	\$ 110,000	\$ 29,150	\$ 445,000	\$ 81,610
2027	50,000	11,412	115,000	26,675	455,000	70,019
2028	50,000	10,037	115,000	24,145	470,000	57,410
2029	55,000	8,594	120,000	21,560	475,000	43,942
2030	55,000	7,082	125,000	18,865	500,000	29,554
2031-2035	230,000	12,925	655,000	51,975	705,000	17,428
2036-2039	-	-	140,000	1,540	-	-
Total	440,000	56,100	1,380,000	173,910	3,050,000	299,963
Current portion	-	(6,050)	(110,000)	(29,150)	(445,000)	(81,610)
Payable after one year	\$ 440,000	\$ 50,050	\$ 1,270,000	\$ 144,760	\$ 2,605,000	\$ 218,353

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2025 was as follows for governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation warrants	\$ 319,198	\$ -	\$ 17,169	\$ 302,029	\$ 17,794
Compensated absences	82,214	49,079	56,100	75,193	75,193
Total governmental activity long-term liabilities	401,412	49,079	73,269	377,222	92,987
Business-type activities					
Utility revenue warrants	5,465,000	-	595,000	4,870,000	555,000
Bond discounts	(15,233)	-	(2,125)	(13,108)	-
Compensated absences	75,827	50,299	56,808	69,318	69,318
Total business-type activity long-term liabilities	5,525,594	50,299	649,683	4,926,210	624,318
Total	\$ 5,927,006	\$ 99,378	\$ 722,952	\$ 5,303,432	\$ 717,305

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Pledged Revenues

The City has revenue warrants outstanding at September 30, 2025 for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Amount Issued	Future Principal and Interest	Current Pledged Revenue	Current Year Principal and Interest	Current Percentage of Revenue
Business-Type Activities					
Revenue Warrants					
Utilities Department					
Revenue Warrant, Series 2012					
Maturity: 2034					
Interest rate: 2.75%	\$ 940,000	\$ 496,100	\$ 2,899,722	\$ 63,475	2.19%
Purpose: Improvements to water system					
Pledged revenue: Water revenues net of specified operating expenses					
Revenue Warrant, Series 2016					
Maturity: 2036					
Interest rate: 2.2%	\$ 2,285,000	\$ 1,553,910	\$ 2,899,722	\$ 141,570	4.88%
Purpose: Improvements to sewer system					
Pledged revenue: Sewer revenues net of specified operating expenses					
Revenue Warrant, Series 2015					
Maturity: 2032					
Interest rate: 1.65 to 3.2%	\$ 6,670,000	\$ 3,349,963	\$ 2,899,722	\$ 527,283	18.18%
Purpose: Refunding of 2005 warrants					
Pledged revenue: Utilities revenues net of specified operating expenses					

Interest Costs

The amount of interest cost, including deferred refunding cost of \$18,147, incurred for the Utilities Department was \$151,764 for the year ended September 30, 2025, all of which was expensed. The Utilities Department's cash paid for interest for the year ended September 30, 2025 was \$137,328.

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Segment Information

The City provides electric, water and sewer services to the citizens of Brundidge, Alabama. Segment information for operating income by department for the year ending September 30, 2025 is as follows:

	Electric	Sewer	Water	Total
Operating Revenues				
Charges for services	\$ 6,881,318	\$ 1,749,938	\$ 738,075	\$ 9,369,331
Operating Expenses				
Cost of sales and service	4,213,785	-	-	4,213,785
Administration	651,475	725,850	404,938	1,782,263
Repairs and maintenance	234,641	166,380	72,540	473,561
Depreciation	171,996	253,858	106,938	532,792
Total operating expenses	5,271,897	1,146,088	584,416	7,002,401
Operating income	\$ 1,609,421	\$ 603,850	\$ 153,659	\$ 2,366,930

The City does not maintain a statement of net position for each department. Accordingly, a condensed statement of net position by departments is not presented.

Interfund Receivables, Payables, and Transfers

Interfund receivables and payables are monthly transfers of garbage revenues and are generally repaid during the next fiscal year.

Interfund Receivables and Payables	Due		Net
	To	From	
General fund	\$ -	\$ 17,806	\$ 17,806
Utilities Department	(17,806)	-	(17,806)
Total	\$ (17,806)	\$ 17,806	\$ -

City of Brundidge, Alabama
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers (continued)

Transfers are generally used to meet cash demands necessary to pay operating expenses.

Transfers	Transfers		Net
	In	Out	
General fund	\$ 1,172,687	\$ -	\$ 1,172,687
Other governmental funds	-	(46,324)	(46,324)
Utilities Department	-	(1,126,363)	(1,126,363)
Total	\$ 1,172,687	\$ (1,172,687)	\$ -

Net Investment In Capital Assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 5,715,494	\$ 10,295,007	\$ 16,010,501
Bond discount related to outstanding debt	-	13,108	13,108
Deferred refunding related to outstanding debt	-	111,903	111,903
Outstanding debt related to capital assets	(302,029)	(4,870,000)	(5,172,029)
Net investment in capital assets	\$ 5,413,465	\$ 5,550,018	\$ 10,963,483

Note 3: RETIREMENT PLAN

Description of Plan

The Employees' Retirement System of Alabama ("ERS"), an agent multiple-employer plan, was established 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 operating 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, 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.

Note 3: RETIREMENT PLAN (Continued)

Description of Plan (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 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*.

Summary of Significant Accounting Policies

The ERS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the 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.

Funding Requirements

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.

Note 3: RETIREMENT PLAN (Continued)

Funding Requirements (continued)

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 I regular members contribution rates increase from 5% to 7.5% of earnable compensation and Tier I certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2025, the City's active employee contribution rate was 5.52% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 2.31% of pensionable payroll for Tier 1 employees and 0% for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2025 was 2.68% of pensionable pay for Tier 1 employees, and .37% 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 were \$34,434 for the year ended September 30, 2025.

Plan Membership and Benefits

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.

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,

Note 3: RETIREMENT PLAN (Continued)

Plan Membership and Benefits (continued)

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.

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

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

City of Brundidge, Alabama
Notes to Financial Statements

Note 3: RETIREMENT PLAN (Continued)

Net Pension Liability, Significant Assumptions, and Discount Rate

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:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) TPL as of September 30, 2023	\$ 7,464,092	\$ 7,594,047	\$ 7,594,047
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2023 - September 30, 2024	175,181	175,181	175,181
(d) Transfers Among Employers	-	(22,903)	(22,903)
(e) Actual Benefit Payments and Refunds for the period October 1, 2023 - September 30, 2024	(389,430)	(389,430)	(389,430)
(f) TPL as of September 30, 2024 = [(a) x (1 + (b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 7,791,412	\$ 7,908,146	\$ 7,908,146
(g) Difference between Expected and Actual		\$ 116,734	
(h) Less Liability Transferred for Immediate Recognition		(22,903)	
(i) Difference between Expected and Actual -Experience (Gain)/Loss		139,637	

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:

City of Brundidge, Alabama
Notes to Financial Statements

Note 3: RETIREMENT PLAN (Continued)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

Inflation	2.50%
Projected salary increases	3.25% - 6.00% for state and local employees and 4.00% - 7.75% for state police, including inflation
Investment rate of return*	7.45%, including inflation

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

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

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

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

City of Brundidge, Alabama
Notes to Financial Statements

Note 3: RETIREMENT PLAN (Continued)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

	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	5.00%	1.50%
Total	100.00%	

**includes assumed rate of inflation of 2.00%*

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 Brundidge, Alabama
Notes to Financial Statements

Note 3: RETIREMENT PLAN (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2023	\$ 7,464,092	\$ 7,072,764	\$ 391,328
Changes for the year			
Service cost	175,181	-	175,181
Interest	541,569	-	541,569
Change in benefit terms	-	-	-
Differences between expected and actual experience	139,637	-	139,637
Contributions - employer	-	71,345	(71,345)
Contributions - employee	-	110,498	(110,498)
Net investment income	-	1,469,268	(1,469,268)
Benefit payments, including refunds of employee contributions	(389,430)	(389,430)	-
Transfers among employers	(22,903)	(22,903)	-
Net changes	444,054	1,238,778	(794,724)
Balances at September 30, 2024	\$ 7,908,146	\$ 8,311,542	\$ (403,396)

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

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
City's net pension liability (asset)	\$ 454,297	\$ (403,396)	\$ (1,134,174)

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/>.

City of Brundidge, Alabama
Notes to Financial Statements

Note 3: RETIREMENT PLAN (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 \$(74,392). At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 568,115	\$ 729,993
Changes of assumptions	79,098	-
Net difference between projected and actual earnings on pension plan investments	-	524,897
Employer contributions subsequent to the measurement date	34,434	-
Total	\$ 681,647	\$ 1,254,890

\$34,434 of employer contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from 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. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:

2026	\$ (189,603)
2027	48,196
2028	(301,734)
2029	(164,536)
2030	-
Thereafter	-
Total	\$ (607,677)

Deferred Compensation Plan

In addition to the State retirement plan discussed above, the City offers its employees a Section 457 retirement plan. The plan administered by ERS is RSA-1, which is available to all City employees. In addition to RSA-1, the City has two employees that participate with Nationwide; however, this pool is closed and no other employees are allowed to join. Both plans permit employees to defer a portion of their salary until future years. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the individuals who participate in the deferred compensation plan and are not subject to the claims of the City's general creditors.

City of Brundidge, Alabama

Notes to Financial Statements

Note 4: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The City has one retiree receiving life insurance benefits. Presently the group is closed and no future employees are eligible for the coverage. The retiree pays 100% of the premium at the same rate as the active premium rate. The estimated unfunded actuarial accrued liability would be \$28,868 using a 3.54% discount rate and RP-2014 mortality table. Management deems this immaterial, and no amount has been reported in the financial statements for this unfunded liability.

Note 5: RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from insurance companies, effectively transferring any risk of loss.

Note 6: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the City is party to various claims, legal actions and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the City or results of activities.

Solid Waste Landfill

The City landfill, operated by the Pike County Commission on land leased by the City, was closed in 1994. Under EPA regulations, the landfill will be monitored for up to 30 years. The City may have to share the monitoring cost, but the permit from ADEM was issued to the Pike County Commission. No liability is reported for potential monitoring cost.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Contracts

The City signed a three-year contract with Mark Dunning Industries, Inc. on April 8, 2022 for solid waste collection services. The agreement will automatically renew for successive additional terms of three years without limitation, unless cancelled by either party at the end of any term upon 180 days prior written notice by certified mail from one party to the other. The City paid \$120,834 for these services during the year ended September 30, 2025.

The City signed contracts related to Alabama Department of Environmental Management (ADEM) American Recovery Plan Act (ARPA) Wastewater Project Agreement and Southeast Crescent Regional Commission Economic and Infrastructure Development Grants (SEID) and has remaining balances of \$1,735,277 for the project. The total ARPA and SEID wastewater projects are estimated to be \$1,760,000 with ARPA grant of \$510,000, SEID grant of \$500,000 and city match of \$750,000, which includes \$626,000 ADEM loan. The City signed contracts related to the Community Development Block Grant Program (CDBG) Project SM-CM-PF-24-011 and has remaining balances of

Note 6: COMMITMENTS AND CONTINGENCIES (Continued)

Contracts (continued)

\$1,470,526. This CDBG project is estimated to be \$1,562,087 with CDBG grant of \$400,000 and city match of \$1,162,087. The City applied for ADEM loans of \$1,800,000 to cover most of the city match. These projects are included in the Engineering Report noted in the Settlement Agreement section below.

Business Income Insurance

Annually, the City obtains business income insurance on dependent property (Walmart Distribution Center) in the amount of \$2,000,000. This policy will pay for the actual loss of business income (utilities revenue) due to suspension of operations at the dependent property during the period of restoration, which must begin within 72 hours after the time of direct physical loss or damage.

Wholesale Power Contract

On March 1, 1975, the City signed a wholesale power contract for the purchase and sale of electric power and energy. This supply and purchase shall continue until termination of the agreement. The City agrees to pay rates according to terms of the agreement, which includes a billing demand which shall be the maximum kilovolt ampere (kva) load used the consumer for any period of 15 consecutive minutes during the month for which the bill is rendered as indicated or recorded by demand meter, but not less than either 75% of the highest demand established during the preceding 11 months nor less than the contract demand at any delivery point. The minimum monthly charge for service shall not be less than the charge for billing demand. As of September 30, 2015, the 11 month high was August 2015 with 10,302 kva. On December 31, 2015, the City and PowerSouth Energy Cooperative agreed to amend the contract and to provide for the automatic extensions of the agreement as follows:

1. Extend and continue in effect until December 31, 2055; and
2. Thereafter automatically extend and renew for additional five (5) year periods (each such five-year renewal is a "renewal period") on the five (5) year anniversary date following the Effective Date of this Amendment and on such anniversary date each fifth (5th) year thereafter, unless PowerSouth Energy Cooperative or the City gives written notice of intent to the other party hereto not to extend and renew prior to any such fifth (5th) year anniversary date. In the event such a notice is given, which such notice may not be changed without the written consent of the other party, the Contract for Wholesale Power Service shall terminate on January 1st following the expiration of the last renewal period then in effect.

Settlement Agreement

On March 9, 2023, the City entered into a settlement agreement with the State of Alabama, the Attorney General and the Alabama Department of Environmental Management ("ADEM") for violation of its National Pollutant Discharge Elimination System Permit Number AL 0044105 and Alabama Water Pollution Control Act set forth in Alabama Code Section 22-22-1. The City paid civil penalties totaling \$15,000 during the year ending September 30, 2023. The City submitted an Engineering Report in July 2023 as required by the settlement agreement. The Engineering Report

City of Brundidge, Alabama Notes to Financial Statements

Note 6: COMMITMENTS AND CONTINGENCIES (Continued)

Settlement Agreement (continued)

recommendations must be implemented no later than January 1, 2025. The cost of recommended improvements, excluding engineering and administration, in the Preliminary Engineering Report is \$2,622,640. The aeration and mixing improvements at the wastewater treatment plant was budgeted at \$502,700 and was completed during fiscal year 2024. The other recommended projects are still in progress and the City expects to fund with grants, loan and city funds. The engineering firm updated the projects costs to \$3,322,087 in September of 2025.

Project Agreement

On April 18, 2023, the City Council adopted Resolution 2023-11 which approved the application and authorization to incorporate a solid waste disposal authority to be called Coffee County-City of Brundidge Solid Waste Disposal Authority. The City Council appointed the Mayor for a four year term and the City Manager for a six year term to serve as two of the five initial members of the Board of Directors of the Authority. On May 16, 2023, the council approved a project agreement between Coffee County-City of Brundidge Solid Waste Disposal Authority, the City, Coffee County and the Solid Waste Disposal Authority of Coffee County. This agreement was signed in fiscal year ending September 30, 2025, and will authorize the City to approve any and all materials going into the landfill which will only be Municipal Solid Waste (household garbage). Coffee County owns the landfill.

Note 7: CONCENTRATIONS

During the year ended September 30, 2025, approximately 32% of total accounts receivable in the proprietary fund and 38% of total electric revenues were from Walmart Distribution Center. The Utilities Department purchases all of the electricity sold to its customers from PowerSouth Energy Cooperative. See Note 6 regarding insurance obtained and agreement amended with PowerSouth Energy Cooperative.

The City has accumulated patronage capital credits on the books of the PowerSouth Energy Cooperative of Andalusia, Alabama.

Total credits as of September 30, 2025 are as follows:	\$ 2,993,521
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This amount has not been included in the financial statements of the City of Brundidge, as the City does not anticipate receiving these credits. The City has accumulated these patronage capital credits by purchasing electricity.

Note 8: TAX ABATEMENTS

The City enters into property tax abatement agreements with new or expanding businesses under the state Tax Incentive Reform Act of 1992 Section 40-9B-1 et seq., Code of Alabama 1975. Under the Act, cities may grant tax abatements to qualifying businesses for construction related transaction taxes, state and local non-educational portion of property taxes on real and personal property for up to a maximum of 20 years (data processing centers can be abated to up to 30 years), and mortgage and recording taxes. For the fiscal year ending September 30, 2025, the City abated property taxes to two businesses totaling \$20,847.

City of Brundidge, Alabama
Required Pension Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Last Ten Fiscal Years

<i>As of and for the year ended September 30,</i>	2024	2023	2022	2021	2020
Total Pension Liability					
Service cost	\$ 175,181	\$ 167,460	\$ 175,327	\$ 139,232	\$ 132,318
Interest	541,569	599,691	515,975	530,489	504,456
Change of benefit terms	-	-	11,372	-	-
Change of assumptions	-	-	-	222,753	-
Differences between expected and actual experience	139,637	(965,855)	1,068,609	(378,036)	35,332
Benefit payments, including refunds of employee contributions	(389,430)	(352,212)	(859,229)	(493,920)	(170,708)
Transfers among employers	(22,903)	(210,638)	(41,864)	198,513	(1,707)
Net change in total pension liability	444,054	(761,554)	870,190	219,031	499,691
Total pension liability - beginning	7,464,092	8,225,646	7,355,456	7,136,425	6,636,734
Total pension liability - ending (a)	\$ 7,908,146	\$ 7,464,092	\$ 8,225,646	\$ 7,355,456	\$ 7,136,425
Plan Fiduciary Net Position					
Contributions - employer	\$ 71,345	\$ 49,050	\$ 80,330	\$ 80,922	\$ 98,316
Contributions - member	110,498	102,926	110,453	106,572	98,767
Net investment income	1,469,268	836,314	(1,026,868)	1,533,380	375,498
Benefit payments, including refunds of employee contributions	(389,430)	(352,212)	(859,229)	(493,920)	(170,708)
Transfers among employers	(22,903)	(210,638)	(41,864)	198,513	(1,707)
Net change in plan fiduciary net position	1,238,778	425,440	(1,737,178)	1,425,467	400,166
Plan net position - beginning	7,072,764	6,647,324	8,384,502	6,959,035	6,558,869
Plan net position - ending (b)	\$ 8,311,542	\$ 7,072,764	\$ 6,647,324	\$ 8,384,502	\$ 6,959,035
Net pension liability (asset) - ending (a) - (b)	\$ (403,396)	\$ 391,328	\$ 1,578,322	\$ (1,029,046)	\$ 177,390
Plan fiduciary net position as a percentage of the total pension liability	105.10%	94.76%	80.81%	113.99%	97.51%
Covered payroll*	\$ 2,029,998	\$ 1,905,921	\$ 1,849,012	\$ 1,983,006	\$ 1,842,767
Net pension liability (asset) as a percentage of covered payroll	-19.87%	20.53%	85.36%	-51.89%	9.63%

*Employer's covered-payroll during the measurement period is the total covered payroll . For FY 2025, the measurement period is October 1, 2023 - September 2024. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

2019	2018	2017	2016	2015
\$ 132,619	\$ 133,878	\$ 132,940	\$ 130,453	\$ 128,917
496,344	475,146	448,361	415,352	389,942
-	-	-	-	-
-	30,560	-	137,198	-
(333,210)	(97,837)	(55,003)	(6,765)	(87,882)
(146,148)	(189,520)	(175,135)	(107,977)	(118,746)
(31,971)	(58,798)	1,640	58,722	-
117,634	293,429	352,803	626,983	312,231
6,519,100	6,225,671	5,872,868	5,245,885	4,933,654
<u>\$ 6,636,734</u>	<u>\$ 6,519,100</u>	<u>\$ 6,225,671</u>	<u>\$ 5,872,868</u>	<u>\$ 5,245,885</u>
\$ 111,945	\$ 114,423	\$ 123,119	\$ 129,885	\$ 130,306
98,027	93,284	93,667	90,715	85,784
163,804	540,734	663,046	468,712	52,386
(146,148)	(189,520)	(175,135)	(107,977)	(118,746)
(31,971)	(58,798)	1,640	58,722	-
195,657	500,123	706,337	640,057	149,730
6,363,212	5,863,089	5,156,752	4,516,695	4,366,965
<u>\$ 6,558,869</u>	<u>\$ 6,363,212</u>	<u>\$ 5,863,089</u>	<u>\$ 5,156,752</u>	<u>\$ 4,516,695</u>
\$ 77,865	\$ 155,888	\$ 362,582	\$ 716,116	\$ 729,190
98.83%	97.61%	94.18%	87.81%	86.10%
\$ 1,823,215	\$ 1,751,449	\$ 1,766,434	\$ 1,718,728	\$ 1,628,777
4.27%	8.90%	20.53%	41.67%	44.77%

City of Brundidge, Alabama
Required Pension Supplementary Information

Schedule of Employer Contributions

Last Ten Fiscal Years

<i>For the years ended September 30,</i>	2025	2024	2023	2022	2021
Actuarially determined contribution* \$	34,434	\$ 71,346	\$ 49,051	\$ 72,414	\$ 80,922
Contributions in relation to the actuarially determined contribution*	34,434	71,346	49,051	72,414	80,922
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	\$ 2,139,505	\$ 2,029,998	\$ 1,905,921	\$ 1,849,012	\$ 1,983,006
Contributions as a percentage of covered payroll	1.61%	3.51%	2.57%	3.92%	4.08%

*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 Contribution is based on the 12 month period of the underlying financial statement.

**Employer's covered-payroll for FY 2025 is the total covered payroll for the twelve month period of the underlying financial statement.

Note to Schedule

Note 1: 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.

	2020		2019		2018		2017		2016
\$	98,315	\$	111,942	\$	114,425	\$	119,089	\$	129,705
	98,315		111,942		114,425		119,089		129,705
\$	-	\$	-	\$	-	\$	-	\$	-
\$	1,842,767	\$	1,823,215	\$	1,751,449	\$	1,766,434	\$	1,718,728
	5.34%		6.14%		6.53%		6.74%		7.55%

City of Brundidge, Alabama
Notes to Required Pension Supplementary Information

Note 1: PLAN CHANGES IN BENEFIT TERMS

There had been no changes in benefits terms since the prior valuation.

Note 2: CHANGES OF ASSUMPTIONS

There had been no changes of assumptions since the prior valuation.

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	29.5 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 Brundidge, Alabama
Combining Balance Sheet –
Nonmajor Governmental Funds

<i>September 30, 2025</i>	Special Revenue Funds	
	Four and Five Cent Gas Tax	Seven Cent Gas Tax
Assets		
Cash and cash equivalents	\$ 89,989	\$ 61,928
Receivables, net	876	1,171
Certificates of deposit	-	3,400
Total assets	\$ 90,865	\$ 66,499
Fund Balances		
Nonspendable	\$ -	\$ -
Restricted	90,865	66,499
Total fund balances	\$ 90,865	\$ 66,499

			Permanent Fund	Total Nonmajor Governmental Funds
Two Cent Gas Tax	Tobacco Tax	Rebuild Alabama Act	Joseph Carroll Library Fund	
\$ 276,148	\$ 92,819	\$ 161,077	\$ -	\$ 681,961
13,561	1,207	3,173	-	19,988
307,424	-	-	18,043	328,867
<hr/>				
\$ 597,133	\$ 94,026	\$ 164,250	\$ 18,043	\$ 1,030,816
<hr/>				
\$ -	\$ -	\$ -	\$ 18,043	\$ 18,043
597,133	94,026	164,250	-	1,012,773
<hr/>				
\$ 597,133	\$ 94,026	\$ 164,250	\$ 18,043	\$ 1,030,816
<hr/>				

City of Brundidge, Alabama

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds**

	<u>Special Revenue Funds</u>	
<i>For the year ended September 30, 2025</i>	Four and Five Cent Gas Tax	Seven Cent Gas Tax
Revenues		
Taxes	\$ 9,667	\$ 12,227
Investment earnings	-	135
Miscellaneous	-	-
Total revenues	9,667	12,362
Other Financing Uses		
Transfers out	-	-
Net change in fund balances	9,667	12,362
Fund balances, beginning of year	81,198	54,137
Fund balances, end of year	\$ 90,865	\$ 66,499

			Permanent Fund	Total Nonmajor Governmental Funds
Two Cent Gas Tax	Tobacco Tax	Rebuild Alabama Act	Joseph Carroll Library Fund	
\$ 86,849	\$ 15,125	\$ 33,607	\$ -	\$ 157,475
12,171	826	-	714	13,846
-	999	-	-	999
99,020	16,950	33,607	714	172,320
(41,000)	(4,610)	-	(714)	(46,324)
58,020	12,340	33,607	-	125,996
539,113	81,686	130,643	18,043	904,820
\$ 597,133	\$ 94,026	\$ 164,250	\$ 18,043	\$ 1,030,816



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

Honorable Mayor and Members of
the City Council
Brundidge, 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, each major fund and the aggregate remaining fund information of the City of Brundidge, 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 January 21, 2026.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider Item 2003-001 described as follows to be a material weakness.

Item 2003-001 Separation of Duties (Repeat)

Condition – The City’s general operations lack adequate segregation of duties for the receiving of funds. There are instances when one individual may bill, collect, receipt, and deposit revenues. This usually occurs when employees tasked with those responsibilities are out of the office during lunch, vacation or sick leave. In addition, in the municipal court, the same individual may bill, collect, receipt, deposit and record revenues.

Criteria – Management is responsible for the safeguarding and proper stewardship of assets, as well as establishing and maintaining effective internal control.

Cause – Lack of sufficient personnel required to appropriately separate all accounting functions.

Effect – The finding could result in material misstatements to the financial statements and the misappropriation of assets.

Recommendation – We recommend the City continue to improve their policies to obtain greater segregation of duties.

Management Response – Due to our lack of resources, we are unable to properly separate duties. However, the City maintains records that agree receipts and deposit slips. The City Council will continue to monitor transactions to provide financial oversight.

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. We consider Item 2018-001 described below to be a significant deficiency.

Item 2018-001 Municipal Court Administration (Repeat)

Condition – The current computer system allows employees to change fees, fines and alter case charges.

Criteria – System capabilities should provide effective controls over access and authorization, as well as adequate audit evidence to support transactions.

Cause – The City is susceptible to increased risks of data loss, fraud, and improper accounting as a result of a deficient Municipal Court control environment.

Effect – Opportunities exist for mistakes or fraudulent activities to occur and go undetected.

Recommendation – The City should formally document the policies and procedures of the Municipal Court. The basis of such policies and procedures should be Rule 43 of the Alabama Rules of Judicial Administration. One of the cornerstones of a solid accounting and reporting control environment is documented policies and procedures. Though not all inclusive, specific procedures noted that should be addressed when developing policies included:

- a. Lack of Information Technology controls as noted in the auditor's Management Letter.
- b. Documentation procedures authorizing any changes to payments, fines and altered case charges, as well as a system to monitor and track due dates. Currently, the computer system allows employees to change fees, fines and alter case charges.
- c. Documentation procedures applying the allocation of payments to court costs and fines.
- d. Documentation procedures approving the write-off of fines.
- e. Documentation procedures approving voided transactions.

We recommend that a risk assessment be performed of all activities relating to the Municipal Court Administration. Once the assessment is completed, policies and procedures should be drafted and documented to mitigate identified risks with emphasis placed on both preventive and detection controls.

Management Response – The City will consider all recommendations.

Report on Compliance and Other Matters

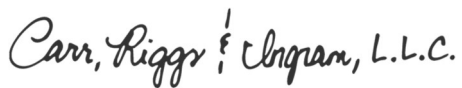
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

City of Brundidge, 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 above as "Management Response". The City's responses were not subjected to other audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

This 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.



CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
January 21, 2026