



CITY OF HOMEWOOD, AL

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

(With Independent Accountant's Auditors Report Thereon)

CITY OF HOMEWOOD, ALABAMA

MAYOR

Alex Wyatt

CITY COUNCIL PRESIDENT

Jody Bryant

CITY COUNCIL

Andy Gwaltney, Ward 1
Melanie Geer, Ward 1
Carlos Aleman, Ward 2
Andrew Wolverton, Ward 2
Nick Sims, Ward 3
Walter Jones, Ward 3
Barry Smith, Ward 4
Jalete Nelms, Ward 4
Jennifer Address, Ward 5
John Hardin, Ward 5

CITY MANAGER

Glen Adams

CITY ATTORNEYS

Waldrep, Stewart & Kendrick, LLC

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Homewood, Alabama, as of September 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Homewood, Alabama and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Adoption of a New Accounting Standard

As discussed in Note 1 to the financial statements, the City of Homewood, Alabama adopted Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, effective October 1, 2024. The adoption of this standard resulted in a restatement of beginning net position as of October 1, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Homewood, Alabama's ability to continue as a going concern for twelve months beyond the financial statement issuance 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 GAAS 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 GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, statement of revenues, expenditures and changes in fund balances budget and actual – general fund, statement of revenues, expenditures and changes in fund balances budget and actual – 1947 school tax special revenue fund, schedule of changes in the net pension liability and related ratios, schedule of employer contributions – pension, schedule of changes in total OPEB liability and related ratios, and the notes to required supplementary information as listed in the table of contents 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 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.

Doeren Mayhew Assurance, PC

Birmingham, Alabama
September 23, 2026

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

The City of Homewood (the City) Management's Discussion and Analysis report provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read the report in conjunction with the City's financial statements and notes to the financial statements that immediately follow this analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City were more than the liabilities and deferred inflows of resources at the close of the 2025 fiscal year by approximately \$10.97 million (net position).
- The City's net position decreased by approximately \$935,000 in fiscal year 2025. Growth in tax revenue was offset by lower program revenues and investment income, accompanied by higher program expenses.
- The total cost of the City's programs for the 2025 fiscal year totaled approximately \$103 million. The net cost was approximately \$87 million after subtracting grants and charges for services. Of this net cost, approximately \$24.1 million were payments to the Homewood Board of Education (BOE).
- The General Fund excess in revenues over expenditures was approximately \$18 million. Total other financing uses were approximately \$13.4 million, which includes appropriations to the Homewood Board of Education of approximately \$11.8 million and transfers in from other funds of approximately \$4 million. The General Fund net increase in fund balance was approximately \$4.6 million.
- At the end of the 2025 fiscal year, the General Fund unassigned fund balance was approximately \$36.5 million, or approximately 66% of the total General Fund operating expenditures.
- Net capital assets decreased by approximately \$1.2 million in fiscal year 2025. Depreciation and disposals exceeded capital additions, including additions to infrastructure, land, construction in progress, buildings, and equipment.
- The City's long-term debt decreased by approximately \$6.9 million primarily due to principal payments made during the 2025 fiscal year.

Using the Annual Financial Report - An Overview for the User

The annual financial report consists of four parts – *Management's Discussion and Analysis* (this section), the *Independent Auditor's Report*, the *Basic Financial Statements* and the *Required Supplementary Information*.

The City's basic financial statements are comprised of three components: 1) *Government-Wide Financial Statements*, 2) *Fund Financial Statements*, and 3) *Notes to the Basic Financial Statements*.

The financial statements for all governmental activities are based on the fiscal year ending September 30, 2025.

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

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

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

The following *government-wide financial statements* report on all of the governmental activities of the City as a whole.

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

The *Statement of Activities* most closely resembles an income statement. It presents information showing how the City's net assets changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the City. By showing the change in net assets for the year, the reader may be able to determine whether the City's financial position has improved or deteriorated over the course of the current fiscal year.

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

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and internal requirements. The City's funds include governmental funds.

Governmental Funds - Governmental fund financial statements. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. *Fund financial statements* presented herein display information on each of the City's most important governmental funds or *major funds*. This is required in order to better assess the City's accountability for significant governmental programs or certain dedicated revenue. The City's *major funds* are the General Fund, 1947 School Tax Fund, Capital Projects Fund, and Debt Service Fund. All special revenue funds, except for the 1947 School Tax Fund, the Capital Projects Fund are presented as *nonmajor governmental funds*.

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

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

Notes to the Basic Financial Statements - The notes to the *basic financial statements* provide additional information that is essential for the statements to fairly represent the City's financial position and its operations.

After the presentation of the basic financial statements, the *required supplementary information* is presented following the notes to the basic financial statements. The *required supplementary* provides a comparison of the adopted budget of the City's General Fund and 1947 School Tax Special Revenue Fund to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

Analysis of the City of Homewood's Overall Financial Position

Government-Wide Funds

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

Table 1: Summary of Net Position

	For the Year Ended September 30,	
	(Dollars in Thousands)	
	2025	2024
Assets and deferred outflow of resources		
Current and other assets	\$ 85,492	\$ 92,113
Capital assets	136,251	137,422
Deferred outflows of resources	17,765	21,547
Total assets and deferred outflows of resources	\$ 239,508	\$ 251,082
Liabilities and deferred inflows of resources		
Current liabilities	\$ 17,418	\$ 19,752
Long-term liabilities	204,451	218,827
Deferred inflows of resources	6,669	598
Total liabilities and deferred inflows of resources	228,538	239,177
Net Position		
Net investment in capital assets	39,971	37,515
Restricted	8,994	11,167
Unrestricted	(37,995)	(36,777)
Total net position	\$ 10,970	\$ 11,905

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (net position) by approximately \$11 million on September 30, 2025. Net Position consisted of approximately \$40 million invested in capital assets, net of related debt; approximately \$9 million restricted for specific purposes; and an unrestricted deficit of approximately \$38 million. The unrestricted deficit primarily reflects warrant proceeds contributed to the Homewood Board of Education for capital improvements, resources restricted for capital projects, and combined net pension and other post-employment benefit liabilities of approximately \$52 million.

Net investment in capital assets of approximately \$40 million reflects the City's investment in land, buildings and improvements, equipment, and other capital assets, less accumulated depreciation and outstanding debt attributable to those assets. Because these assets are used to provide governmental services, this portion of net position is not available for future spending or operating needs.

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

Analysis of the City of Homewood's Operating Results

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

Table 2: Summary of Changes in Net Position

	Fiscal Year Ended September 30,	
	(Dollars in Thousands)	
	2025	2024
Revenues:		
Program revenues:		
Fees, fines, and charges for services	\$ 12,994	\$ 13,671
Operating grants and contributions	1,744	2,087
Capital grants and contributions	966	946
General revenues:		
Taxes	82,822	78,879
Investment income (loss)	2,765	3,752
Gain on disposal of capital assets	57	407
Miscellaneous	286	101
Total revenues	<u>101,634</u>	<u>99,843</u>
Program Expenses:		
General government administration	18,258	16,093
Public safety	27,716	28,310
Public works	9,178	10,023
Culture and recreation	12,722	12,848
Intergovernmental expenditure	5,847	-
Payments to Homewood BOE	24,142	23,564
Interest on Long-Term Debt	4,706	5,000
Total expenses	<u>102,569</u>	<u>95,838</u>
Change in net position	(935)	4,005
Net Position - Beginning	14,054	10,154
Prior period adjustment	(2,149)	-
Restatement	-	(105)
Net Position - Ending	<u>\$ 10,970</u>	<u>\$ 14,054</u>

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

The City's revenues increased by approximately \$1.8 million, or 1.8%, from fiscal year 2024. Taxes increased by approximately \$3.9 million, while fees, fines, and charges for services decreased by approximately \$677 thousand. Operating and capital grants and contributions decreased by approximately \$320 thousand and investment income decreased by approximately \$1 Million.

Program expenses increased by approximately \$6.7 million. The increase was driven primarily by approximately \$5.8 million of intergovernmental expenditures, an approximate \$2.2 million increase in general government administration, and approximately \$578 thousand increase in payments to the Homewood Board of Education, partially offset by decreases in public safety, public works, culture and recreation, and interest expense.

Table 3: Net Cost of Government-Wide Activities

	For the Year Ended September 30, 2025 (Dollars in Thousands)	
	Total Cost of Services	Net Cost of Services
General governmental administration	\$ 18,258	\$ 8,307
Public safety	27,716	26,052
Public works	9,178	6,618
Culture and recreation	12,722	11,193
Intergovernmental expenditure	5,847	5,847
Payments to Homewood BOE	24,142	24,142
Interest on long-term debt	4,706	4,706
Total	\$ 102,569	\$ 86,865

Performance of City Funds

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financial requirements. At the end of the fiscal year, the City's governmental funds reported a combined fund balance of approximately \$76.6 million available for future operations including \$9.8 million in the Capital Projects Fund for capital projects and infrastructure improvements.

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

Budgetary Highlights of the General Fund

On or before October 1 of each year, the City Manager prepares and submits an annual budget to be adopted by the City Council. The comparison of General Fund budget to the actual results is detailed in the Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund. The City's actual results as compared to the City's budget can be briefly summarized as follows:

- Revenues were more than the final approved budget by approximately \$4.4 million, primarily due to sales tax actual collections, lodging taxes, and interest income being more than budgeted projections.
- Actual expenditures were more than the final approved budget amounts by approximately \$535 thousand, primarily due to an increase in repairs and maintenance and small equipment purchases within general government expenditures.
- Intergovernmental expenditures of approximately \$5.9 million related to the city's portion of project costs for the I-65 at Lakeshore Parkway Diverging Diamond Interchange were not included in the general fund budget.
- Overall actual results exceeded final budget projections, including transfers in from other funds, by approximately \$4.1 Million. The adopted budget for fiscal year 2025 included the use of a carryover of fund balance that did not have to be utilized during the fiscal year, mainly through closely monitoring expenditures.

Capital Assets and Debt Administration

Capital Assets – The City's investment in capital assets for governmental activities, for the year ended September 30, 2025, totaled approximately \$136 million, net of accumulated depreciation. A recap of the City's capital assets at actual or estimated historical cost is shown in *Table 4*.

Table 4: Capital Assets (net of accumulated depreciation)

	As of September 30, (Dollars in Thousands)	
	2025	2024
Land and improvements	\$ 40,519	\$ 39,854
Construction in progress	5,077	4,509
Buildings and improvements	70,230	73,616
Land and infrastructure improvements	13,193	13,157
Equipment	7,221	6,286
Capital assets, net of depreciation	<u>\$ 136,240</u>	<u>\$ 137,422</u>

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

Additions to capital assets during the current year included the following (dollars in thousands):

Land and improvements	\$ 997
Construction in Progress	2,221
Buildings and improvements	163
Land and infrastructure improvements	1,124
Equipment	3,464
Total	<u>\$ 7,970</u>

Long-Term Debt - At year end, the City had approximately \$153 million in general obligation warrants and other long-term debt outstanding as shown in *Table 5* below.

Table 5: Outstanding Debt

As of September 30, 2025 (Dollars in Thousands)			
	Beginning Balance	Net Change	Ending Balance
Governmental activities			
2016 warrants with unamortized warrant premium	\$ 36,188	\$ (4,613)	\$ 31,575
2017 warrants with unamortized warrant premium	9,418	(66)	9,352
2020 warrants	46,850	(525)	46,325
2021-A warrant with unamortized warrant premium	6,284	(57)	6,227
2021-B warrant with unamortized warrant premium	59,565	(1,046)	58,519
Lease payable	18	(6)	12
Notes and financed equipment payable	1,533	(586)	947
Totals	<u>\$ 159,856</u>	<u>\$ (6,898)</u>	<u>\$ 152,958</u>

City of Homewood, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

Fiscal Year 2025-2026 Budget – For the fiscal year ended September 30, 2026, the City Council approved an original budget of approximately \$75.9 million for its General Fund. The City Council approved an original budget of revenues and expenditures for the 1947 School Tax fund of approximately \$12.5 million, which consists of property taxes dedicated to the schools, and for the Debt Service Fund of approximately \$11 million. The City Council approved a budget for non-major special revenue funds of \$7.3 million and expenditures of \$6.2 million, and revenues for major capital projects fund of \$12.4 million and expenditures of \$12.3 million. The GOW Construction Fund has an approximate budget of \$3.6 million for the I-65 Lakeshore Diamond Interchange project, Greenway II construction and continued street paving expenditures.

Economic Factors- The City's Greenway Trails Phase II project that began in fiscal year 2022-2023 will continue into fiscal year 2025-2026. The City is currently evaluating the \$2.8 million I-65 Lakeshore Diverging Diamond project.

Personnel Administration Cost -The City's personnel administration is provided by the Personnel Board of Jefferson County (PBJC). The fiscal year 2025-2026 budget included a budgeted line item of \$360,000 for this expenditure. During fiscal year 2024-2025, the City received an invoice from the PBJC in the amount of \$393,594 which was accrued as an expense and payable at September 30, 2025.

Medical Costs - Employee health insurance is provided through the State of Alabama Insurance Board (SEIB). This Board voted to increase health insurance rates approximately 5%, beginning January 1, 2026. The City achieved preferred rating in part through meeting the wellness screening participation goals in fiscal year 2024-2025. The City Manager recommended, and the City Council approved, that the City, and not the employees, fund this increase for the fiscal year 2025-2026 budget.

Retirement Costs - The City's retirement program for employees is provided through the Retirement System of Alabama (RSA). Effective October 1, 2013, the City opted to come under the provisions of *Act 2011-676* thereby changing the rates contributed by employees. In May 2021 the City Council elected to come under the provision of *Act 2019-132* converting Tier 2 employees to Tier 1 benefits which will cost the city a conversion payment of over \$700 thousand payable over 15 years and became effective October 1, 2021. The City's contribution percentage for Tier 1 employees and converted Tier 2 employees, contributing 7.5% and 8.5% to retirement, is 18.59% for Tier 1 employees and 18.77% for converted Tier 2 employees for fiscal year 2025-2026.

Cost-of-Living Raise - The City Manager recommended, and the City Council of Homewood approved, a 4.5% Cost-of-Living Raise in the Budget for fiscal year 2025-2026.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Finance office at 205-332-6118.

City of Homewood, Alabama
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 55,866,809
Investments	18,650,730
Accounts receivable, net	9,966,292
Lease receivable	188,092
Prepaid expenses	819,583
Total current assets	<u>85,491,506</u>
Noncurrent assets	
Non-depreciable capital assets	45,595,813
Depreciable capital assets, net	90,655,360
Total noncurrent assets	<u>136,251,173</u>
TOTAL ASSETS	<u>221,742,679</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	8,162,034
Deferred outflows related to OPEB	1,010,002
Deferred charge on refunding	8,592,893
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,764,929</u>

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

City of Homewood, Alabama
STATEMENT OF NET POSITION
September 30, 2025
(Continued)

	Governmental Activities
LIABILITIES	
Current liabilities	
Accounts payable	\$ 2,586,357
Accrued expenses	2,683,995
Due to other governmental units	2,405,441
Unearned revenue	51,227
Current maturities of long-term liabilities	
Warrants payable, net	6,460,063
Lease payable	6,431
Notes and financed equipment payable	440,056
Compensated absences	2,518,542
Accrued interest	265,514
Total current liabilities	<u>17,417,626</u>
Noncurrent liabilities	
Warrants payable, net	145,537,710
Lease payable	5,305
Notes and financed equipment payable	507,423
Compensated absences	2,518,542
Other post-employment benefits	3,301,087
Net pension liability	52,580,546
Total noncurrent liabilities	<u>204,450,613</u>
TOTAL LIABILITIES	<u>221,868,239</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	188,092
Intergovernmental	1,000,000
Deferred inflows related to pensions	5,217,561
Deferred inflows related to OPEB	263,691
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,669,344</u>
NET POSITION	
Net investment in capital assets	39,971,092
Restricted for:	
Public works	3,603,055
Public safety/municipal court	1,760,407
Capital projects	2,933,531
Other purposes	697,248
Unrestricted	<u>(37,995,308)</u>
TOTAL NET POSITION	<u><u>\$ 10,970,025</u></u>

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

City of Homewood, Alabama
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED September 30, 2025

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental activities:					
General government administration	\$ 18,257,640	\$ 9,860,583	\$ 89,780	\$ -	\$ (8,307,277)
Public safety	27,715,506	60,818	1,353,133	250,000	(26,051,555)
Public works	9,178,054	1,573,708	270,228	716,131	(6,617,987)
Culture and recreation	12,722,373	1,498,827	30,868	-	(11,192,678)
Intergovernmental expenditure	5,847,238	-	-	-	(5,847,238)
Payments to Homewood BOE	24,141,783	-	-	-	(24,141,783)
Interest on long-term debt	4,706,012	-	-	-	(4,706,012)
Total governmental activities	\$ 102,568,606	\$ 12,993,936	\$ 1,744,009	\$ 966,131	\$ (86,864,530)
General revenues and other items:					
Taxes:					
Sales				\$	46,892,190
Property					28,312,034
Motor vehicle / gas					501,922
Lodging					4,064,496
Other					3,050,881
Interest and Investment income					2,765,389
Gain on disposal of capital assets					56,983
Miscellaneous					285,995
Total general revenues and other items					85,929,890
Change in net position					(934,640)
Net Position - beginning of year					14,053,205
Prior period adjustment, see Note 17					(2,148,540)
Net Position - end of year				\$	10,970,025

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

City of Homewood, Alabama
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2025

	Major Funds				Nonmajor	Total
	General	1947 School Tax	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 39,645,499	\$ 569,713	\$ 5,140,645	\$ 2,942,741	\$ 7,568,211	\$ 55,866,809
Investments	18,650,730	-	-	-	-	18,650,730
Accounts receivable, net	8,002,404	89,290	626,370	53,268	1,194,960	9,966,292
Lease receivable	-	-	-	-	188,092	188,092
Prepaid expenditures	819,583	-	-	-	-	819,583
Due from other funds	4,437,432	325,737	4,932,107	2,281,361	1,404,614	13,381,251
TOTAL ASSETS	\$ 71,555,648	\$ 984,740	\$ 10,699,122	\$ 5,277,370	\$ 10,355,877	\$ 98,872,757
LIABILITIES						
Accounts payable	\$ 1,819,339	\$ -	\$ 353,301	\$ 3,450	\$ 410,267	\$ 2,586,357
Accrued expenses	2,655,886	-	-	-	28,109	2,683,995
Due to other governmental units	1,990,714	414,727	-	-	-	2,405,441
Due to other funds	8,109,676	415,989	593,534	50,611	4,211,441	13,381,251
Unearned revenue	42,280	-	-	-	8,947	51,227
TOTAL LIABILITIES	14,617,895	830,716	946,835	54,061	4,658,764	21,108,271
DEFERRED INFLOWS OF RESOURCES						
Leases	-	-	-	-	188,092	188,092
Intergovernmental	1,000,000	-	-	-	-	1,000,000
TOTAL DEFERRED INFLOWS OF RESOURCES	1,000,000	-	-	-	188,092	1,188,092
FUND BALANCE						
Nonspendable	819,583	-	-	-	-	819,583
Restricted	-	154,024	2,933,531	-	5,906,686	8,994,241
Committed	12,403,648	-	-	-	-	12,403,648
Assigned	6,253,147	-	6,818,756	5,223,309	678,577	18,973,789
Unassigned	36,461,375	-	-	-	(1,076,242)	35,385,133
TOTAL FUND BALANCES	55,937,753	154,024	9,752,287	5,223,309	5,509,021	76,576,394
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 71,555,648	\$ 984,740	\$ 10,699,122	\$ 5,277,370	\$ 10,355,877	\$ 98,872,757

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

City of Homewood, Alabama
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
September 30, 2025

Total fund balances - governmental funds	\$	76,576,394
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Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

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

Governmental capital assets	\$ 266,268,547	
Less: accumulated depreciation and amortization	<u>(130,017,374)</u>	136,251,173

Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.		(265,514)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Warrants payable	\$ (148,585,000)	
Warrant premiums	(3,412,773)	
Lease payable	(11,736)	
Notes and financed equipment payable	(947,479)	
Total OPEB liability	(3,301,087)	
Net pension liability	(52,580,546)	
Compensated absences	<u>(5,037,084)</u>	(213,875,705)

Deferred outflows and inflows are not recognized in the current period, and therefore, are not reported in the governmental funds balance sheet

Deferred outflows of resources for pensions	\$ 8,162,034	
Deferred outflows of resources for OPEB	1,010,002	
Deferred outflows of resources for deferred charges	8,592,893	
Deferred inflows of resources for pensions	(5,217,561)	
Deferred inflows of resources for OPEB	<u>(263,691)</u>	<u>12,283,677</u>

Total net position - governmental activities	\$	<u>10,970,025</u>
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The accompanying notes are an integral part of these financial statements.

City of Homewood, Alabama
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED September 30, 2025

	Major Funds				Nonmajor	Total
	General	1947 School Tax	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
REVENUES						
Taxes	\$ 57,905,313	\$ 12,676,960	\$ 3,085,051	\$ 7,601,141	\$ -	\$ 81,268,465
Licenses and permits	10,531,406	-	-	-	52,903	10,584,309
Intergovernmental	483,776	-	-	-	3,045,228	3,529,004
Charges for services	1,530,262	-	-	-	280,417	1,810,679
Fines and forfeitures	417,103	-	-	-	113,204	530,307
Interest and investment income	1,989,914	47,280	108,759	482,716	136,720	2,765,389
Other	593,854	-	290,693	-	204,283	1,088,830
TOTAL REVENUES	73,451,628	12,724,240	3,484,503	8,083,857	3,832,755	101,576,983
EXPENDITURES						
General government administration	12,852,275	305,446	962,426	383,175	989,383	15,492,705
Public safety	24,126,209	-	-	-	1,793,576	25,919,785
Public works	8,194,210	-	-	-	390,181	8,584,391
Culture and recreation	10,276,837	-	-	-	90,970	10,367,807
Capital outlay	-	-	6,006,564	-	399,629	6,406,193
Debt service						
Principal retirement	24,650	-	-	6,151,997	-	6,176,647
Interest	6,908	-	-	4,768,609	-	4,775,517
TOTAL EXPENDITURES	55,481,089	305,446	6,968,990	11,303,781	3,663,739	77,723,045
Excess (deficiency) of revenues over (under) expenditures	17,970,539	12,418,794	(3,484,487)	(3,219,924)	169,016	23,853,938
Other financing sources (uses)						
Proceeds from sale of capital assets	159,071	-	230,197	-	-	389,268
Intergovernmental expenditure	(5,847,238)	-	-	-	-	(5,847,238)
Appropriation to Homewood BOE	(11,768,638)	(12,373,145)	-	-	-	(24,141,783)
Operating transfers (out) in	4,068,481	-	4,723,180	(8,647,228)	(144,433)	-
Total other financing sources (uses)	(13,388,324)	(12,373,145)	4,953,377	(8,647,228)	(144,433)	(29,599,753)
Net change in fund balances	4,582,215	45,649	1,468,890	(11,867,152)	24,583	(5,745,815)
Fund Balance, beginning of year	51,355,538	108,375	-	16,845,078	13,767,835	82,076,826
Prior period adjustment, see Note 17	-	-	-	245,383	-	245,383
Restatements of beginning fund balance, see Note 16	-	-	8,283,397	-	(8,283,397)	-
Fund Balance - end of year	\$ 55,937,753	\$ 154,024	\$ 9,752,287	\$ 5,223,309	\$ 5,509,021	\$ 76,576,394

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

City of Homewood, Alabama
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
September 30, 2025

Net changes in fund balances - governmental funds \$ (5,745,815)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 6,316,494	
Less depreciation expense	<u>(7,155,072)</u>	(838,578)

The proceeds from the sale of capital assets (\$389,268) are reported as other financing sources in the governmental funds. However, the net book value of the capital assets (\$332,285) is removed from the capital assets account in the Statement of Net Position and offset against the sales proceeds resulting in a gain in the Statement of Activities of \$56,983. (332,285)

The effect of the net increase (decrease) in deferred outflows/inflows of resources related to pension:

Differences between expected and actual experience	\$ 429,390	
Changes of assumptions	(789,476)	
Net difference between projected and actual earnings on plan investments	(8,272,767)	
Employer contributions subsequent to the measurement date	<u>708,619</u>	(7,924,234)

The effect of the net increase (decrease) in deferred outflows/inflows of resources related to OPEB:

Differences between expected and actual experience	\$ (210,391)	
Changes of assumptions	<u>33,751</u>	(176,640)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 6,176,647

Governmental funds report the effect of premiums, discounts, and equivalent items when debt is first issued, whereas these amounts are deferred and amortized as part of the government-wide statement of activities.

Warrant premium amortization	\$ 721,483	
Deferred charge on refunding amortization	<u>(785,428)</u>	(63,945)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

OPEB plan expense	\$ 68,754	
Decrease in net pension liability	7,210,037	
Compensated absences	557,969	
Change in accrued interest	<u>133,450</u>	<u>7,970,210</u>

Change in net position of governmental activities \$ (934,640)

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City, an Alabama Municipal Corporation, was incorporated in 1926. The City operates under a Council-Manager form of government. The governing body consists of an elected Mayor and a four-member elected City Council, with one Council member representing each of the City's four wards. The Mayor serves as a voting member and President of the City Council. A City Manager oversees the City's day-to-day operations. The City's major operations include police and fire protection, culture and recreation, public works and general administrative services.

The financial statements of the City are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. The more significant of these accounting policies are described below.

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity include whether:

- The organization is legally separate (can sue and be sued in its own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the City; and
- There is fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City of Homewood has no component units.

Government-Wide and Fund Financial Statements

The basic financial statements are presented at both the government-wide (based on the City as a whole) and fund financial level. Governmental activities are normally supported by taxes and intergovernmental revenues. The government-wide financial statements are categorized by primary activities, such as the City's police and fire protection, culture and recreation, public works, and general administrative services, as governmental activities.

Government-Wide Financial Statements display information about the City as a whole. The effect of interfund activity has been removed from these statements. These aggregate statements consist of the *Statement of Net Position* and the *Statement of Activities*.

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

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Government-Wide and Fund Financial Statements - Continued

The *Statement of Activities* demonstrates the degree to which direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items (property, sales and use taxes, certain intergovernmental revenues, etc.) not attributable to a specific program are reported as general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

Fund Financial Statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Major individual funds are reported in separate columns in the basic financial statements. Non-major funds are consolidated into a single column of the basic financial statements.

Measurement Focus and Basis of Accounting

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

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

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

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

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Basis of Presentation - Fund Level Financial Statements

Generally accepted accounting principles set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The City reports the following major governmental funds:

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

1947 School Tax Fund - The 1947 School Tax Fund is the City's major special revenue fund. The fund is used to collect property taxes to be disbursed as payments to the Homewood Board of Education.

Capital Projects Fund - Capital projects fund is used to account for financial resources and to be used for the acquisition or construction of major capital facilities. The Capital Projects Fund accounts for revenues for the acquisitions, construction, and redevelopment of the City's capital assets. The Fund is also used to account for bond proceeds that are being used for construction projects.

Debt Service Fund - The debt service fund is used to account for payments of principal and interest on the general obligation warrants of the City.

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

Special Revenue Funds - To account for the proceeds of specific revenue resources that are legally restricted or designated for expenditures with specified purposes. All of the City's special revenue funds are non-major with the exception of the 1947 School Tax Fund.

The City reports all nonmajor funds in the Nonmajor Governmental funds column.

Use of Estimates

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

Cash and Cash Equivalents

The City considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents consist of money market securities stated at fair value which approximates cost. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and, unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit.

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

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Investments

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

Receivables

Receivables are reported as "Accounts receivable" in the government-wide financial statements and in the fund financial statements and consist of receivables due from other governments and other receivables. Receivables due from other governments include amounts due to the City for property, sales and other taxes and due to the City from grantors for grants issued for specific programs and local taxes. Allowances have been established for certain receivables for which the City has determined there is uncertainty surrounding its collectability.

Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

Restricted Assets

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

Interfund Transfers, Receivables and Payables

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

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

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets, which consist of streets, roads, sidewalks and similar items, are reported in the government-wide financial statements. Capital assets are defined by the government as assets, not including infrastructure assets, with an initial individual cost of more than \$5,000 and more than one year of useful life. Infrastructure assets capitalized have an original cost of \$50,000 or more. Capital assets purchased or acquired are carried at historical cost or estimated historical cost.

Donated or contributed capital assets are recorded at their estimated fair value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: buildings, 20 to 50 years; improvements, 20 years; machinery and equipment, 5 to 10 years; and infrastructure, 30 to 35 years.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Property Taxes

Property taxes, collected and remitted to the City by Jefferson County, are levied annually on October 1 and are due October 1 of the following year. Municipal taxes due to the City are based and due on state and county assessment of the property within the limits of the City for the preceding tax year and are due and delinquent at the time when state and county taxes for the preceding year are due and delinquent.

Fair Value

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the City would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

Deferred Outflows of Resources

The City's *Statement of Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. The City reports deferred outflows of resources related to pensions as follows: 1) difference between expected and actual experience, 2) changes of assumptions, and 3) employer contributions subsequent to the measurement date. The City reports deferred outflows of resources related to OPEB as follows: 1) difference between expected and actual experience, and 2) changes of assumptions. The City reports deferred outflows of resources for deferred refunding amounts arising from the refunding of warrants payable. The deferred refunding amounts are being amortized over the remaining lives of the refunding warrants as part of interest expense.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Unearned Revenue

The City reports unearned revenue in connection with resources that have been received but are not yet recognizable.

Long-term Obligations

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

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

Compensated Absences

The City's full-time employees earn vacation leave in accordance with their years of service. Vacation leave earned, but not used, during the calendar year may be accumulated up to a maximum of forty days. Vacation leave earned in excess of forty days not used by December 31 is rolled over to employee sick leave balances. An employee who resigns or retires in good standing shall be paid for earned vacation leave up to a maximum of forty days.

The City's employees are permitted to accrue overtime leave/compensatory time in lieu of monetary overtime compensation for hours worked in excess of a normal week. Forty-hour-per-week employees may accrue up to 80 hours of overtime leave/compensatory time. Any time accrued over 80 hours, with the exception of public safety employees, is compensated at a rate in accordance with the FLSA policy. Police department employees are permitted to carry 80 hours of overtime leave. Any time accrued over 80 hours is compensated at straight time up to 171 hours in a 28-day pay period. Any time accrued over 171 hours in a 28-day pay period is compensated at time and one half. Fire department non-exempt employees are allowed to carry up to 150 hours of overtime leave. Any time accrued over 150 hours is compensated at straight time unless earned within a 26-day pay period. Any time accrued over 150 hours in a 26-day pay period is compensated at time and one half.

The City's employees accrue paid sick leave at a rate of one work day for each month of service. Sick leave earned during the year but not used may be accumulated and carried forward from year to year with no maximum amount. Employees are not paid for unused sick leave upon termination of employment. Accordingly, sick pay is charged to expense when taken. No provision has been made in the financial statements for unused sick leave.

The accrued amounts of vacation and compensatory time earned by employees whose salaries are charged to the General Fund are recorded as noncurrent liabilities in the government-wide financial statements, net of estimated current portion.

Other Post-employment Benefit Obligations (OPEB)

The City uses the economic resources measurement focus and full accrual basis of accounting for purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflow of resources related to other post-employment benefits, and OPEB expense. The City is required to report the City's actuarially determined net OPEB obligation as a long-term liability in the government-wide financial statements.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Pensions

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

Deferred Inflows of Resources

The City's Statement of Net Position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The City reports deferred inflows of resources in the statement of net position related to pensions for differences between projected and actual earnings on pension plan investments. The City reports deferred inflows of resources related to OPEB in the Statement of Net Position as follows: 1) difference between expected and actual experience, and 2) changes of assumptions. The City reports deferred inflows of resources for leases in the Statement of Net Position and Governmental Fund Balance Sheet.

Net Position

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

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

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

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

Fund Balance

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

Non-spendable - Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.

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

Committed - Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.

Assigned - Includes items assigned by specific uses, authorized by the City Council or by an official body to which the Council delegates the authority.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

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

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

The City has fiscal policies that define specific financial reserve policies for each fund. The General Fund must maintain undesignated cash reserves of at least 16% of annual General Fund budgeted expenditures (excluding Homewood Board of Education allocations). The Capital Projects Fund must maintain undesignated cash reserves of \$750,000. The Debt Service fund must maintain undesignated cash reserves equal to at least one year's worth of payments on its outstanding bond issues. The City assigns fund balance in the General Fund of \$1,000,000 for risk management to cover expenditures not covered by City insurance, and assigns fund balance equal to fiscal year end compensated absence liability.

In addition to reserve policies, the City has a policy to address reserves for financial and economic uncertainty. The City strives to maintain an accumulated balance of 30% of the annual fund budgeted expenditures for economic uncertainty, to be funded with General Fund surplus.

Leases and Subscription-based Information Technology Arrangements (SBITA)

The City is a lessor for noncancellable leases of City property for wireless communications facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

As lessee/subscriber: At the commencement of a lease/SBITA, the City initially measures the lease/subscription liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease liability is reduced by the principal portion of lease/subscription payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease/subscription receipts/payments to present value, (2) lease/subscription term, and (3) lease receipts. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its lease/subscription and will remeasure the lease/subscription if certain changes occur that are expected to significantly affect the amount of the lease/subscription.

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

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
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Recently Adopted Accounting Standards

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The most significant change in the new guidance is the recognition and measurement of liabilities for compensated absences. The guidance requires the consideration of historical usage patterns and employment policies to determine the likelihood of leave being used or paid. This Statement requires that liabilities be recognized for:

- Leave that has not been used but is attributable to services already rendered,
- Leave that accumulates, and
- Leave that is more likely than not to be used for time off or otherwise paid or settled.

The City adopted the requirements of the guidance effective October 1, 2024 and has applied the provisions of the standard as of the beginning of the period of adoption. The adoption resulted in restatement of the prior year's compensated absences. See Note 17 for the effect of restatement.

Subsequent Events

The City has evaluated subsequent events through the date of issuance of these financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The deficit fund equity of approximately \$1 million in the non-major governmental funds is the result of revenues being inadequate to cover expenditures along with increased borrowings from the major funds.

NOTE 3 - INVESTMENTS

As of September 30, 2025, the City had the following investments, which were reported at fair value in governmental activities:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>0-5</u>	<u>6-10</u>
U.S. Treasuries	\$ 5,066,165	\$ 5,066,165	\$ -
Municipal bonds	553,168	467,832	85,336
Government-sponsored entities	13,031,397	9,448,262	3,583,135
Total	\$ 18,650,730	\$ 14,982,259	\$ 3,668,471

State statutes authorize the City to invest in obligations of the U.S. Treasury, certain U.S. agency obligations, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public investment accounts.

In addition to limits imposed by state statute, the City has a formal investment policy that limits its allowable deposits or investments or that addresses the specific types of risks that the government is exposed to through its deposits or investments.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
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Interest Rate Risk - Through its investment policy, the City manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average maturity of the total portfolio to no more than five years.

Credit Risk - It is the City's policy to invest public funds in a manner which maximizes return and provides maximum security in preserving and protecting funds while meeting the City's cash flow demands and conforming to all applicable statutes governing the investment of public funds. The City adheres to the "prudent person standard" and its pertinent application within state statutes made with judgment and care, under circumstances prevailing, which persons of prudence, discretion, and intelligence exercise in management of their own affairs, not for speculation, but for investment, considering probable safety of their principal as well as probable income to be derived. The City's investment in municipal bonds had ratings ranging from Aa2 to AA.

Concentration of Credit Risk – The City places no limit on the amount it may invest in any one issuer. The following issuers represent 5% or more of the City's total investment portfolio at September 30, 2025: Federal Home Loan Bank – 42%, Federal Home Loan Mortgage Corporation – 10%, Federal Farm Credit Bank – 9%, and Federal National Mortgage Association – 6%.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments. All of the City's investments at September 30, 2025 were insured.

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2025:

	<u>General</u>	<u>1947 School Tax</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Sales Tax	\$ 6,255,162	\$ -	\$ 376,370	\$ -	\$ -	\$ 6,631,532
Intergovernmental	-	-	-	-	983,422	983,422
Other receivables	2,057,932	89,290	250,000	53,268	211,538	2,662,028
Less: Allowance for doubtful accounts	(310,690)	-	-	-	-	(310,690)
Total receivables	<u>\$ 8,002,404</u>	<u>\$ 89,290</u>	<u>\$ 626,370</u>	<u>\$ 53,268</u>	<u>\$ 1,194,960</u>	<u>\$ 9,966,292</u>

Payables consisted of the following at September 30, 2025.

	<u>General</u>	<u>1947 School Tax</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Trade	\$ 1,819,339	\$ -	\$ -	\$ 3,450	\$ 410,267	\$ 2,233,056
Capital Assets	-	-	353,301	-	-	353,301
Total Payables	<u>\$ 1,819,339</u>	<u>\$ -</u>	<u>\$ 353,301</u>	<u>\$ 3,450</u>	<u>\$ 410,267</u>	<u>\$ 2,586,357</u>

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - CAPITAL ASSETS

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

	<u>Governmental Activities</u>			
	<u>October 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>September 30, 2025</u>
Depreciable Assets				
Land and infrastructure improvements	\$ 66,631,417	\$ 1,123,986	\$ -	\$ 67,755,403
Buildings and improvements	111,113,204	163,481	7,476	111,269,209
Equipment	39,485,446	3,463,758	1,320,417	41,628,787
Right of use asset - leases	19,335	-	-	19,335
Total Capital Assets Being Depreciated	<u>217,249,402</u>	<u>4,751,225</u>	<u>1,327,893</u>	<u>220,672,734</u>
Less Accumulated Depreciation				
Land and infrastructure improvements	53,474,303	1,087,906	-	54,562,209
Buildings and improvements	37,497,306	3,549,403	7,476	41,039,233
Equipment	33,217,018	2,511,492	1,320,417	34,408,093
Right of use asset - leases	1,568	6,271	-	7,839
Total Accumulated Depreciation	<u>124,190,195</u>	<u>7,155,072</u>	<u>1,327,893</u>	<u>130,017,374</u>
Total Capital Assets Being Depreciated, Net	<u>93,059,207</u>	<u>(2,403,847)</u>	<u>-</u>	<u>90,655,360</u>
Non-depreciable Assets				
Land and improvements	39,854,324	997,197	332,285	40,519,236
Construction in progress	4,508,505	2,221,205	1,653,133	5,076,577
Total Non-depreciable Assets	<u>44,362,829</u>	<u>3,218,402</u>	<u>1,985,418</u>	<u>45,595,813</u>
Governmental Activities Capital Assets, Net	<u>\$ 137,422,036</u>	<u>\$ 814,555</u>	<u>\$ 1,985,418</u>	<u>\$ 136,251,173</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General government administration	\$ 2,417,393
Public safety	1,795,721
Public works	593,663
Culture and recreation	2,348,295
Total	<u>\$ 7,155,072</u>

NOTE 6 - LEASES

The City has entered into lease agreements as lessor for office space and cell towers. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease related inflows recognized during the fiscal year was \$188,092.

The City is a lessee in an active lease agreement that consisted of the following at September 30, 2025:

<u>Governmental Activities</u>					
<u>Description</u>	<u>Date</u>	<u>Terms</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Ending Lease Liability</u>
Quadient - Folding machine	7/22/2024	3 years	5.30%	\$ 19,335	\$ 11,736

City of Homewood, Alabama
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Annual requirements to amortize long-term obligations and related interest consist of the following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 6,431	\$ 492	\$ 6,923
2027	5,305	142	5,447
Total	\$ 11,736	\$ 634	\$ 12,370
Less: Present Value discount			(634)
Lease liability		\$	<u>11,736</u>

The City's right-of-use assets related to leases at September 30, 2025 totaled \$19,335, with accumulated depreciation of \$7,839 and are included in the right-of-use assets in Note 5.

NOTE 7 - LONG-TERM DEBT

The City issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities. The City is in compliance with all significant limitations and restrictions contained in the ordinances authorizing the issuance of general obligation warrants.

General obligation warrants are direct obligations and pledge the full faith and credit of the City. Debt service for the warrants is provided by tax revenues of the City's General Fund. These warrants generally are issued as 20-year serial warrants with increasing amounts of principal maturing and decreasing amounts of interest payable each year.

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

	<u>Governmental Activities</u>
Series 2016 General Obligation Warrants, dated December 8, 2016, due in semi-annual payments through September 1, 2046, bearing interest rates of 2.00% to 5.25%	\$ 29,465,000
Series 2017 General Obligation Warrants, dated December 28, 2017, due in semi-annual payments through September 1, 2042, bearing interest rates of 2.00% to 4.00%	9,190,000
Series 2020 Taxable General Obligation Warrants, dated October 22, 2020, due in semi-annual payments through September 1, 2046, bearing interest rates of .325% to 2.573%	46,325,000
Series 2021-A General Obligation Warrants, dated September 1, 2021, due in semi-annual payments through September 1, 2041, bearing an interest rate of 4.00%	5,330,000
Series 2021-B Taxable General Obligation Warrants, dated September 1, 2021, due in semi-annual payments through September 1, 2040, bearing interest rates of 1.891% to 2.60%	<u>58,275,000</u>
Total Warrants Payable	\$ <u>148,585,000</u>

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

	<u>Governmental Activities</u>
Total warrants payable	\$ 148,585,000
Deferred amounts for	
Unamortized premiums (GOW Series 2016)	2,109,824
Unamortized premiums (GOW Series 2017)	162,022
Unamortized premiums (GOW Series 2021-A)	896,845
Unamortized premiums (GOW Series 2021-B)	244,082
Total warrants payable, net	\$ <u>151,997,773</u>

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 5,815,000	\$ 4,499,603
2027	6,055,000	4,910,568
2028	6,300,000	4,013,545
2029	6,570,000	3,751,965
2030	6,840,000	3,477,447
2031-2035	37,740,000	13,842,722
2036-2040	38,675,000	9,277,695
2041-2045	34,335,000	3,658,811
2046	6,255,000	172,200
	\$ <u>148,585,000</u>	\$ <u>47,604,556</u>

Notes payable consisted of the following at September 30, 2025:

	<u>Governmental Activities</u>
3.04% line of credit - bank, due in monthly installments including interest, final unpaid balance due December 2028	\$ 547,369
2.09% note payable - bank, due in sixty monthly installments of \$11,270 including interest, final unpaid balance due January 2027, secured by motor vehicles	166,282
2.09% note payable - bank, due in sixty monthly installments of \$11,427 including interest, final unpaid balance due January 2027, secured by motor vehicles	168,587
7.52% financed equipment payable - bank, due in annual installments of \$25,036 including interest, unpaid balance due March 2028, secured by library equipment	<u>65,241</u>
Total notes and financed equipment payable	\$ <u>947,479</u>

Future principal and interest requirements of notes payable for governmental activities consist of the following for the years ended September 30:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 440,056	\$ 14,795
2027	268,398	9,472
2028	183,486	3,996
2029	55,539	120
	\$ <u>947,479</u>	\$ <u>28,383</u>

City of Homewood, Alabama
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September 30, 2025

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

<u>Governmental Activities</u>	<u>October 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2025</u>	<u>Due within one year</u>
Warrants, notes and lease payables					
Lease payable	\$ 17,838	\$ -	\$ 6,102	\$ 11,736	\$ 6,431
Notes and financed equipment payable	1,533,024	-	585,545	947,479	440,056
General obligation warrants	154,170,000	-	5,585,000	148,585,000	5,815,000
	155,720,862	-	6,176,647	149,544,215	6,261,487
Plus: warrant premiums	4,134,256	-	721,483	3,412,773	645,063
Total warrants, notes and lease payables	159,855,118	-	6,898,130	152,956,988	6,906,550
Other liabilities					
Net pension liability	59,790,583	12,931,715	20,141,752	52,580,546	-
Total OPEB liability	3,369,841	203,910	272,664	3,301,087	-
*Compensated absences (changes presented net)	5,595,053	-	557,969	5,037,084	2,518,542
	<u>\$ 228,610,595</u>	<u>\$ 13,135,625</u>	<u>\$ 27,870,515</u>	<u>\$ 213,875,705</u>	<u>\$ 9,425,092</u>

*Compensated absence beginning balances were restated due to the implementation of GASB Statement No. 101, *Compensated Absences*.

General obligation warrants and notes payable are liquidated by the Debt Service Fund while net pension liabilities, net other post-employment benefit liabilities, and compensated absences are liquidated by the General Fund and certain special revenue funds.

On October 22, 2020, the City issued Series 2020 Taxable General Obligation Warrants in the amount of \$49,090,000 for the purpose of (i) financing certain capital improvements in the City, (ii) advance refunding the City's outstanding General Obligation Capital Improvement Warrants, Series 2012 (the "Refunded Series 2012 Warrants") in the \$7,330,000, (iii) advance refunding a portion of the City's outstanding General Obligation Warrants, Series 2016 (the "Refunded Series 2016 Warrants") in the amount of \$27,625,000, and (iv) paying the costs of issuance of the Series 2020 Warrants. The proceeds of the Series 2020 warrants used to advance refund outstanding Series 2012 warrants and a portion of Series 2016 warrants were placed in an irrevocable trust account to provide for all future debt service payments on old warrants. Accordingly, the trust account assets and the liabilities for the defeased warrants are not included in the City's financial statements. At September 30, 2025, \$27,625,000 of the defeased warrants remained outstanding.

On September 1, 2021, the City issued Series 2021-B Taxable General Obligation Warrants in the amount of \$62,235,000 for the purpose of (i) refunding a portion of the City's outstanding General Obligation Warrants, Series 2016 (the "Refunded Warrants"), and (ii) paying the costs of issuance of the Series 2021-B Warrants. The proceeds of the Series 2021-B warrants used to advance refund a portion of Series 2016 warrants were placed in an irrevocable trust account to provide for all future debt service payments on old warrants. Accordingly, the trust account assets and the liabilities for the defeased warrants are not included in the City's financial statements. At September 30, 2025, \$51,490,000 of the defeased warrants remained outstanding.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - PENSION PLAN

General Information about the Pension Plan

Plan Description

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

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*.

City of Homewood, Alabama
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September 30, 2025

Benefits Provided

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

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

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

Members are eligible for disability retirement if they have 10 years of creditable 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 member.

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

City of Homewood, Alabama
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The ERS serves approximately 890 local participating employers and one state employer. The ERS membership includes approximately 117,309 participants. As of September 30, 2024, membership consisted of:

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

Contributions

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

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2025, the City's active employee contribution rate was 8.03 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 18.68 percent of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2025 was 18.22 percent of pensionable pay for Tier 1 employees, and 18.40 percent 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 \$4,557,080 for the year ended September 30, 2025.

City of Homewood, Alabama
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Net Pension Liability

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

Total Pension Liability as of September 30, 2023 (a)	\$ 131,003,272
Discount rate (b)	7.45%
Entry Age Normal Cost for October 1, 2023 - September 30, 2024 (c)	2,317,215
Transfers Among Employers (d)	246,364
Actual Benefit Payments and Refunds for October 1, 2023 - September 30, 2024 (e)	<u>(8,987,743)</u>
Total Pension Liability as of September 30, 2024 (f) $[(a) \times (1 + (b))] + (c) + (d) + [(e) \times (1 + .5 \times (b))]$	\$ <u>134,004,058</u>

Actuarial Assumptions

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

Inflation 2.50%
Salary increases 3.25% - 6.00%
Investment rate of return* 7.45%, including inflation

City of Homewood, Alabama
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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:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15.0%	2.8%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash Equivalents	5.0%	1.5%
Total	100.00%	

*Includes assumed rate of inflation at 2.00%.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2023	\$ 129,813,722	\$ 70,023,139	\$ 59,790,583
Changes for the year:			
Service cost	2,317,215	-	2,317,215
Interest	9,336,329	-	9,336,329
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	1,278,171	-	1,278,171
Contributions - employer	-	3,848,461	(3,848,461)
Contributions - employee	-	1,829,481	(1,829,481)
Net investment income	-	14,463,810	(14,463,810)
Benefit payments, including refunds of employee contributions	(8,987,743)	(8,987,743)	-
Administrative expense	-	-	-
Transfers among employers	246,364	246,364	-
Net changes	4,190,336	11,400,373	(7,210,037)
Balances at September 30, 2024	\$ 134,004,058	\$ 81,423,512	\$ 52,580,546

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Plan's Net Pension Liability	\$ 67,654,995	\$ 52,580,546	\$ 39,880,537

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

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/>.

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 \$714,197. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,043,281	\$ -
Changes of assumptions	1,561,673	-
Net difference between projected and actual earnings on pension plan investments	-	5,217,561
Employer contributions subsequent to the measurement date	4,557,080	-
Total	<u>\$ 8,162,034</u>	<u>\$ 5,217,561</u>

Deferred outflows of resources of \$4,557,080 related to contributions made subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending September 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Net Deferred Outflows (Inflows) of Resources
2026	\$ 107,950
2027	2,006,248
2028	(2,179,417)
2029	(1,596,549)
2030	49,161
Thereafter	-
Total	<u>\$ (1,612,607)</u>

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Payable From	Payable To					Total
	General Fund	1947 School Tax	Capital Projects	Debt Service	Nonmajor Governmental Fund	
General Fund	\$ -	\$ 253,086	\$ 4,392,343	\$ 2,114,179	\$ 1,350,068	\$ 8,109,676
1947 School Tax Fund	415,989	-	-	-	-	415,989
Capital Projects Fund	469,840	-	-	123,694	-	593,534
Debt Service Fund	50,611	-	-	-	-	50,611
Nonmajor Governmental Funds	3,500,992	72,651	539,764	43,488	54,546	4,211,441
Total payable from	<u>\$ 4,437,432</u>	<u>\$ 325,737</u>	<u>\$ 4,932,107</u>	<u>\$ 2,281,361</u>	<u>\$ 1,404,614</u>	<u>\$ 13,381,251</u>

Interfund payables and receivables resulted from reimbursements made by the General Fund to the Debt Service, Capital Projects Fund and Special Revenue Funds for various operating expenses.

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

Transfers out	Transfers In				Nonmajor Governmental Fund	Total
	General Fund	1947 School Tax	Capital Projects	Debt Service		
General Fund	\$ -	\$ -	\$ 5,235,197	\$ 2,000,010	\$ 265,956	\$ 7,501,163
1947 School Tax Fund	-	-	-	-	-	-
Capital Projects Fund	6,769,644	-	-	-	-	6,769,644
Debt Service Fund	4,800,000	-	5,847,238	-	-	10,647,238
Nonmajor Governmental Funds	-	-	410,389	-	26,099	436,488
Total transfers from	<u>\$ 11,569,644</u>	<u>\$ -</u>	<u>\$ 11,492,824</u>	<u>\$ 2,000,010</u>	<u>\$ 292,055</u>	<u>\$ 25,354,533</u>

Transfers from the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Funds are in accordance with the normal course of the City's operations.

NOTE 10 – CONTINGENCIES

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

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

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

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

The City provides certain continuing health care and life insurance benefits for its retired employees. The City's OPEB Plan is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, *Postemployment Benefits Other Than Pensions - Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria - Defined Benefit*.

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. Eligible participants must be eligible to retire through the Retirement Systems of Alabama and must meet the eligibility requirements of that system, which are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier 1" members). Employees hired on or after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

The retiree contributes a portion of the monthly contribution rate for medical benefits elected based on the contribution rate for active employees. The City contributes the balance of the contribution for retirees who are not Medicare eligible. Benefits are provided through the Local Government Health Insurance Programs ("LGHIP") administered by the Alabama State Employee Insurance Board. Dental benefits are included in the medical plan. Medical benefits continue for the life of the retiree, as long as contributions are made. The City does not contribute for coverage beyond the Medicare eligibility age. Life insurance benefits are provided by eligible retirees to age 65 with no contribution made by the City.

Employees Covered by Benefit Terms

At September 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	34
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	297
	<u>331</u>

Total OPEB Liability

The City's total OPEB liability is \$3,301,087 was measured as of September 30, 2025 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% including inflation
Discount rate	4.77% annually (Beginning of year)
	4.06% annually (As of end of year measurement date)
Healthcare cost trend rates	4.50% level

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2025, the end of the applicable measurement period.

Mortality rates were based on the RPH-2014 Table with projection to MP-2021.

The actuarial assumptions used in the September 30, 2025 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2025.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at October 1, 2024	\$ 3,369,841
Changes for the year:	
Service cost	69,796
Interest	134,114
Changes in assumptions	-
Differences between expected and actual experience	-
Benefit payments and net transfers	<u>(272,664)</u>
Net change in total OPEB liability	<u>(68,754)</u>
Balance at September 30, 2025	<u><u>\$ 3,301,087</u></u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1- percentage-point higher (5.06%) than the current discount rate.

	1.0% Decrease <u>(3.06%)</u>	Current Discount <u>(4.06%)</u>	1.0% Increase <u>(5.06%)</u>
Plan's Total OPEB liability	\$ 3,074,559	\$ 3,301,087	\$ 3,553,102

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (3.50%) or 1- percentage-point higher (5.50%) than the current healthcare cost trend rate.

	1.0% Decrease <u>(3.50%)</u>	Current Trend <u>(4.50%)</u>	1.0% Increase <u>(5.50%)</u>
Plan's Total OPEB liability	\$ 3,044,650	\$ 3,301,087	\$ 3,600,217

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$380,550. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 865,182	\$ 18,406
Changes of assumptions	144,820	245,285
Total	<u>\$ 1,010,002</u>	<u>\$ 263,691</u>

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

Years ending September 30:	Deferred Outflows/ (Inflows) of Resources
2026	\$ 176,640
2027	170,018
2028	168,802
2029	122,157
2030	108,694
Thereafter	-
Total	<u>\$ 746,311</u>

NOTE 12 – FAIR VALUE

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

- *U.S. Treasury bills:* Valued based on secondary trade data provided by an independent source.
- *Municipal bonds:* Valued based on recently executed transactions, market price quotations, matrix pricing, an income approach that factors in interest rates and bond or credit default swap spreads, or secondary trade data provided by an independent source.
- *U.S. Government-sponsored entities:* Valued based on issuance price and secondary trade data provided by recognized broker dealers.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

The following table sets forth, by level within the fair value hierarchy, the investments at fair value as of September 30, 2025:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasuries	\$ 5,066,165	\$ 5,066,165	\$ -	\$ -
Municipal Bonds	553,168	-	553,168	-
Government Sponsored Entities	13,031,397	-	13,031,397	-
Total	<u>\$ 18,650,730</u>	<u>\$ 5,066,165</u>	<u>\$ 13,584,565</u>	<u>\$ -</u>

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 13 – Fund Balance Classifications

The following table details fund balance categories as of September 30, 2025:

	<u>General</u>	<u>1947 School Tax</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances						
Nonspendable						
Prepaid expenses	\$ 819,583	\$ -	\$ -	\$ -	\$ -	\$ 819,583
Restricted for						
Road maintenance	-	-	-	-	2,562,547	2,562,547
Road paving	-	-	-	-	1,040,508	1,040,508
OE property tax	-	154,024	-	-	-	154,024
Grant expenditures	-	-	-	-	543,224	543,224
Court restricted by law	-	-	-	-	1,351,789	1,351,789
Drug enforcement task force	-	-	-	-	20,178	20,178
Opioid settlement	-	-	-	-	388,440	388,440
Construction projects in progress	-	-	2,933,531	-	-	2,933,531
Committed to						
Reserve for economic uncertainty	12,403,648	-	-	-	-	12,403,648
Assigned to						
Other capital projects	-	-	4,476,416	-	-	4,476,416
Debt service	-	-	-	5,223,309	-	5,223,309
Encumbrances	173,783	-	2,342,340	-	-	2,516,123
Environmental testing	-	-	-	-	88,006	88,006
Inspection technology	-	-	-	-	272,568	272,568
Park activity	-	-	-	-	318,003	318,003
Library donations	42,280	-	-	-	-	42,280
Risk management	1,000,000	-	-	-	-	1,000,000
Compensated absences	5,037,084	-	-	-	-	5,037,084
Unassigned (deficit)	36,461,375	-	-	-	(1,076,242)	35,385,133
Total fund balance	<u>\$ 55,937,753</u>	<u>\$ 154,024</u>	<u>\$ 9,752,287</u>	<u>\$ 5,223,309</u>	<u>\$ 5,509,021</u>	<u>\$ 76,576,394</u>

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 14 – Tax Abatements

The City enters into sales tax abatement agreements with local businesses under the Tax Incentive Reform Act of 1992. Under the Act, cities, counties and public industrial authorities have the ability to abate sales and use taxes and property taxes for various time periods depending on the type of business, all for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. For the fiscal year ended September 30, 2025, the City abated taxes totaling \$1,156,059 under this Act, as summarized below.

Purpose	Type of Taxes Abated	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year	Expiration of Incentive¹	Maximum Incentive Amount
Medical Center development and expansion	Ad Valorem tax ²	75.00%	107,569	March 2032	5,000,000
Restaurant development	Sales tax ⁴	50.00%	18,247	February 2028	500,000
Hotel development	Lodging Tax	75.00%	709,812		10,000,000
Restaurant development	Construction-related sales/use taxes ³	100.00%	190,224	January 2033	1,500,000
Restaurant development	Construction-related sales/use taxes ³	100.00%	130,207	January 2033	1,500,000
	Sales tax ⁴	50.00%	-	January 2033	
	Business license	100.00%	-	January 2033	
Retail development	Sales tax ⁴	50.00%	-	January 2030	375,000

1 Earlier of date below or maximum incentive amount, if applicable

2 Non-educational portion only

3 Transaction taxes imposed by Chapter 23 of Title 40 of the Code of Alabama 1975 on tangible personal property and taxable services to be incorporated into the Project except any taxes levied for educational purposes

4 2% sales tax

NOTE 15 – DEFERRED COMPENSATION PLAN

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergencies.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plans. Under the plans, participants select investments from alternatives offered by the plan administrators, who are under contract with the City to manage the plans. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the particular plan and its administration.

The City placed the deferred compensation plan's assets into a trust for the exclusive benefit of the plan's participants and beneficiaries in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The City has little administrative involvement and does not perform the investing function for the plans. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plans. Therefore, the City employees' deferred compensation plans created in accordance with IRC 457 are not reported in the financial statements of the City.

City of Homewood, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 16 – CHANGE IN FUND CLASSIFICATION

In the current year, the City has reclassified the Capital Projects Fund from a nonmajor governmental fund to a major governmental fund. This reclassification is due to changes in the financial reporting entity as defined by GASB Statement No. 100 *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*.

The reclassification was made to better reflect the financial activities and significance of the Capital Projects Fund in relation to the overall financial position and operations of the City.

The reclassification did not result in any changes to the total net position of the governmental activities. The impact of this reclassification on the financial statements is limited to presentation and classification of the Capital Projects Fund within the fund financial statements.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

Due to the implementation of GASB Statement No. 101, *Compensated Absences*, resulted in a change in accounting principle. The change increased liabilities and decreased beginning net position by \$2,393,923.

The City has historically recorded certain state tax revenues on a cash basis in the Debt Service Fund. During the current year, accounts receivable was recorded to match the revenue availability periods correctly under full and modified accrual accounting. Due to this, beginning net position and Debt Service Fund fund balance was increased \$245,383 at October 1, 2024.

Government-Wide Net Position at October 1, 2024, as a result of these changes, is \$11,904,665. Debt Service Fund's fund balance at October 1, 2024, as a result of these changes, is \$17,090,461.

REQUIRED SUPPLEMENTARY INFORMATION

City of Homewood, Alabama
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET
AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED September 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 55,604,074	\$ 55,604,074	\$ 57,905,313	\$ 2,301,239
Licenses and permits	10,372,844	10,372,844	10,531,406	158,562
Intergovernmental	226,491	226,491	483,776	257,285
Charges for services	1,372,660	1,372,660	1,530,262	157,602
Fines and forfeitures	406,000	406,000	417,103	11,103
Interest and investment income	467,100	467,100	1,989,914	1,522,814
Other	642,500	642,500	593,854	(48,646)
TOTAL REVENUES	69,091,669	69,091,669	73,451,628	4,359,959
EXPENDITURES				
General government administration	11,082,013	11,082,013	12,852,275	(1,770,262)
Public safety	24,277,150	24,277,150	24,126,209	150,941
Public works	8,583,231	8,583,231	8,194,210	389,021
Culture and recreation	11,003,024	11,003,024	10,276,837	726,187
Debt service				
Principal retirement	-	-	24,650	(24,650)
Interest	-	-	6,908	(6,908)
TOTAL EXPENDITURES	54,945,418	54,945,418	55,481,089	(535,671)
Excess (deficiency) of revenues over (under) expenditures	14,146,251	14,146,251	17,970,539	3,824,288
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	159,071	159,071
Intergovernmental expenditure	-	-	(5,847,238)	(5,847,238)
Appropriation to Homewood BOE	(11,300,000)	(11,300,000)	(11,768,638)	(468,638)
Operating transfers (out) in	(2,368,524)	(2,368,524)	4,068,481	6,437,005
Total other financing sources (uses)	(13,668,524)	(13,668,524)	(13,388,324)	280,200
Net change in fund balance	\$ 477,727	\$ 477,727	\$ 4,582,215	\$ 4,104,488

See accompanying independent auditor's report and notes to required supplementary information

City of Homewood, Alabama
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET
AND ACTUAL – 1947 SCHOOL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED September 30, 2025

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 12,819,969	\$ 12,819,969	\$ 12,676,960	\$ (143,009)
Interest and investment income	400	400	47,280	46,880
TOTAL REVENUES	12,820,369	12,820,369	12,724,240	(96,129)
EXPENDITURES				
General government administration	276,400	276,400	305,446	(29,046)
TOTAL EXPENDITURES	276,400	276,400	305,446	(29,046)
Excess of revenues over expenditures	12,543,969	12,543,969	12,418,794	(125,175)
Other financing sources (uses) :				
Appropriation to Homewood BOE	(12,543,969)	(12,543,969)	(12,373,145)	170,824
Total other financing sources (uses)	(12,543,969)	(12,543,969)	(12,373,145)	170,824
Net change in fund balances	\$ -	\$ -	\$ 45,649	\$ 45,649

City of Homewood, Alabama
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED September 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 69,796	\$ 66,450	\$ 66,450	\$ 101,539	\$ 101,539	\$ 66,448	\$ 66,448	\$ 63,855
Interest	134,114	119,433	120,003	51,045	50,791	84,652	78,129	77,367
Differences between expected and actual experience	-	674,900	-	902,854	-	(118,786)	-	-
Changes of assumptions	-	166,736	-	(573,417)	-	170,972	-	-
Benefit payments and net transfers	(272,664)	(190,112)	(206,703)	(192,963)	(89,075)	(42,991)	(57,708)	(59,478)
Net change in total OPEB liability	(68,754)	837,407	(20,250)	289,058	63,255	160,295	86,869	81,744
Total OPEB liability, beginning	<u>3,369,841</u>	<u>2,532,434</u>	<u>2,552,684</u>	<u>2,263,626</u>	<u>2,200,371</u>	<u>2,040,076</u>	<u>1,953,207</u>	<u>1,871,463</u>
Total OPEB liability, ending	<u>\$ 3,301,087</u>	<u>\$ 3,369,841</u>	<u>\$ 2,532,434</u>	<u>\$ 2,552,684</u>	<u>\$ 2,263,626</u>	<u>\$ 2,200,371</u>	<u>\$ 2,040,076</u>	<u>\$ 1,953,207</u>
 Covered payroll	 \$ 20,945,043	 \$ 20,945,043	 \$ 18,299,512	 \$ 18,299,512	 \$ 18,109,896	 \$ 18,109,896	 \$ 16,835,986	 \$ 16,835,986
 Total OPEB liability as a percentage of the covered payroll	 15.76%	 16.09%	 13.84%	 13.95%	 12.50%	 12.15%	 12.12%	 11.60%

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

City of Homewood, Alabama
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED September 30, 2025

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 2,317,215	\$ 2,204,349	\$ 2,110,387	\$ 1,791,163	\$ 1,737,226	\$ 1,682,515	\$ 1,617,464	\$ 1,596,114	\$ 1,570,223	\$ 1,606,256
Interest	9,336,329	9,204,146	8,970,763	8,494,620	8,291,605	7,988,096	7,900,805	7,631,698	7,452,923	7,064,565
Changes of benefit terms	-	-	65,884	1,722,155	-	-	-	-	-	-
Differences between expected and actual experience	1,278,171	403,478	756,357	1,110,839	87,760	1,268,729	(887,912)	632,642	(1,385,530)	2,393,143
Changes of assumptions	-	-	-	4,685,025	-	-	526,996	-	4,195,512	-
Benefit payments, including refunds of employee contributions	(8,987,743)	(8,657,392)	(8,422,469)	(7,894,689)	(7,382,605)	(7,210,155)	(7,237,379)	(6,885,805)	(6,393,275)	(6,025,687)
Transfers among employers	246,364	(1,215,138)	(230,808)	447,968	158,620	298,709	(137,955)	673,497	118,385	-
Net change in total pension liability	\$ 4,190,336	\$ 1,939,443	\$ 3,250,114	\$ 10,357,081	\$ 2,892,606	\$ 4,027,894	\$ 1,782,019	\$ 3,648,146	\$ 5,558,238	\$ 5,038,277
Total pension liability, beginning	129,813,722	127,874,279	124,624,165	114,267,084	111,374,478	107,346,584	105,564,565	101,916,419	96,358,181	91,319,904
Total pension liability, ending (a)	<u>\$ 134,004,058</u>	<u>\$ 129,813,722</u>	<u>\$ 127,874,279</u>	<u>\$ 124,624,165</u>	<u>\$ 114,267,084</u>	<u>\$ 111,374,478</u>	<u>\$ 107,346,584</u>	<u>\$ 105,564,565</u>	<u>\$ 101,916,419</u>	<u>\$ 96,358,181</u>
Plan fiduciary net position										
Contributions - employer	\$ 3,848,461	\$ 3,433,117	\$ 3,385,438	\$ 3,047,639	\$ 3,092,544	\$ 2,951,627	\$ 2,490,953	\$ 2,362,811	\$ 2,227,078	\$ 2,175,800
Contributions - employee	1,829,481	1,748,738	1,653,375	1,526,366	1,565,050	1,628,411	1,546,005	1,460,525	1,440,137	1,399,641
Net investment income	14,463,810	8,315,616	(10,001,881)	14,800,708	3,749,711	1,704,121	5,861,750	7,514,350	5,655,277	684,853
Benefit payments, including refunds of employee contributions	(8,987,743)	(8,657,392)	(8,422,469)	(7,894,689)	(7,382,605)	(7,210,155)	(7,237,379)	(6,885,805)	(6,393,275)	(6,025,687)
Transfers among employers	246,364	(1,215,138)	(230,808)	447,968	158,620	298,709	(137,955)	673,497	118,385	(703,937)
Net change in plan fiduciary net	\$ 11,400,373	\$ 3,624,941	\$ (13,616,345)	\$ 11,927,992	\$ 1,183,320	\$ (627,287)	\$ 2,523,374	\$ 5,125,378	\$ 3,047,602	\$ (2,469,330)
Total net position, beginning	70,023,139	66,398,198	80,014,543	68,086,551	66,903,231	67,530,518	65,007,144	59,881,766	56,834,164	59,303,494
Total net position, ending (b)	<u>\$ 81,423,512</u>	<u>\$ 70,023,139</u>	<u>\$ 66,398,198</u>	<u>\$ 80,014,543</u>	<u>\$ 68,086,551</u>	<u>\$ 66,903,231</u>	<u>\$ 67,530,518</u>	<u>\$ 65,007,144</u>	<u>\$ 59,881,766</u>	<u>\$ 56,834,164</u>
Net pension liability (asset), ending (a) - (b)	\$ 52,580,546	\$ 59,790,583	\$ 61,476,081	\$ 44,609,622	\$ 46,180,533	\$ 44,471,247	\$ 39,816,066	\$ 40,557,421	\$ 42,034,653	\$ 39,524,017
Plan fiduciary net position as a percentage of the total pension liability	60.76%	53.94%	51.92%	64.20%	59.59%	60.07%	62.91%	61.58%	58.76%	58.98%
Covered-employee payroll *	\$ 24,749,040	\$ 23,600,303	\$ 22,225,248	\$ 20,293,621	\$ 20,618,399	\$ 26,124,101	\$ 18,668,442	\$ 17,881,512	\$ 17,449,607	\$ 17,215,560
Net pension liability (asset) as a percentage of the covered-employee payroll	212.45%	253.35%	276.60%	219.82%	223.98%	170.23%	213.28%	226.81%	240.89%	229.58%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2025, the measurement period is October 1, 2023 – September 30, 2024. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll beginning with FY2017.

City of Homewood, Alabama
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED September 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 4,557,080	\$ 3,848,461	\$ 3,433,117	\$ 3,224,000	\$ 3,047,639	\$ 3,092,544	\$ 2,935,850	\$ 2,490,953	\$ 2,428,864	\$ 2,229,341
Contributions in relation to the actuarially determined contribution*	<u>4,557,080</u>	<u>3,848,461</u>	<u>3,433,117</u>	<u>3,224,000</u>	<u>3,047,639</u>	<u>3,092,544</u>	<u>2,935,850</u>	<u>2,490,953</u>	<u>2,428,864</u>	<u>2,229,341</u>
Contributions deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll**	\$ 24,393,484	\$ 24,749,040	\$ 23,600,303	\$ 22,225,248	\$ 20,293,621	\$ 20,618,399	\$ 26,124,101	\$ 18,668,442	\$ 17,881,512	\$ 17,449,607
Contributions as a percentage of covered-employee payroll	<u>18.68%</u>	<u>15.55%</u>	<u>14.55%</u>	<u>14.51%</u>	<u>15.02%</u>	<u>15.00%</u>	<u>11.24%</u>	<u>13.34%</u>	<u>13.58%</u>	<u>12.78%</u>

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

**Employer's covered payroll for FY2025 is the total covered payroll for the 12 month period of the underlying financial statement.

City of Homewood, Alabama
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

The City Council adopts budgets for the General Fund and the 1947 School Tax Special Revenue Fund at the beginning of each fiscal year in accordance with Alabama law. Once approved, the City Council may amend the legally adopted budgets when unexpected modifications are required in estimated revenues and expenditures.

NOTE 2 – SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

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

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

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	24.4 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

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

Changes in Assumptions – The inflation rate of 3.00% used to determine contributions for the year ended September 30, 2022 decreased to 2.5% for the year ended September 30, 2025.

NOTE 3 – SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES

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

Changes in Assumptions – There were no changes to the discount rate for the year ended September 30, 2025.

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, *Post-employment Benefits Other Than Pensions – Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit* to pay related benefits.