

This Preliminary Official Statement and the information herein is subject to change, completion, and amendment without notice. A definitive Official Statement will be made available prior to the delivery of these securities. See "INTRODUCTION—Changes to the Preliminary Official Statement". Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 1, 2025

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
Insured Rating (S&P): AA
Underlying Rating (Moody's): A2
(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing law, interest on the Series 2025A Warrants (i) will be excludable from gross income for federal income tax purposes if the City complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2025A Warrants in order that interest thereon be and remain excludable from gross income, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2025A Warrants will be exempt from State of Alabama income taxation. See "TAX MATTERS" herein for further information and certain other tax consequences arising with respect to the Series 2025A Warrants.

\$127,600,000*
CITY OF GADSDEN
General Obligation Warrants, Series 2025A

Dated: Date of initial delivery **Due: October 1, as shown on the inside cover page**

The Series 2025A Warrants are issuable as fully registered warrants and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, as described more particularly herein. Interest will be payable on the Series 2025A Warrants each April 1 and October 1, beginning April 1, 2026.

The Series 2025A Warrants will constitute general obligations of the City for the payment of which its full faith and credit are irrevocably pledged. In addition, the City will pledge and assign to the payment of debt service on the Series 2025A Warrants the proceeds of certain license fees collected by the City. The City will reserve the right to issue obligations on a parity of lien with the pledge thereof for the benefit of the Series 2025A Warrants upon the satisfaction of certain conditions precedent thereto.

The Series 2025A Warrants will be subject to redemption prior to their respective maturities as described herein.

For a description of certain risk factors and other considerations involved in an investment in the Series 2025A Warrants, see "RISK FACTORS" and "DISCLAIMERS AND OTHER MISCELLANEOUS MATTERS".

Concurrently with the issuance of the Series 2025A Warrants, Build America Mutual Assurance Company will issue its municipal bond insurance policy for the Series 2025A Warrants, which guarantees the scheduled payment of principal of and interest on the Series 2025A Warrants when due as set forth in the form of such policy included as an appendix to this Official Statement.



FOR MATURITIES, AMOUNTS, RATES, PRICES, YIELDS, AND CUSIP NUMBERS, SEE INSIDE COVER.

The Series 2025A Warrants are offered when, as and if issued, subject to approval of validity by Bond Counsel, Maynard Nexsen PC, Birmingham, Alabama. For a description of certain other legal matters that will be passed on by counsel in connection with the issuance of the Series 2025A Warrants, see "LEGAL MATTERS". It is expected that the Series 2025A Warrants in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about _____.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

STIFEL

The date of this Official Statement is _____.

* Preliminary; subject to change.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Series 2025A Warrants or the advisability of investing in the Series 2025A Warrants. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix E - Specimen Municipal Bond Insurance Policy”.

\$127,600,000*
CITY OF GADSDEN
General Obligation Warrants, Series 2025A

MATURITIES, AMOUNTS, RATES, PRICES, YIELDS, AND CUSIP NUMBERS

Maturity	Principal Amount	Interest Rate	Price	Yield**	CUSIP***	Maturity	Principal Amount	Interest Rate	Price	Yield**	CUSIP***
2030	\$ 450,000					2043	\$4,905,000				
2031	475,000					2044	5,155,000				
2032	500,000					2045	5,420,000				
2033	2,975,000					2046	5,705,000				
2034	3,125,000					2047	6,010,000				
2035	3,285,000					2048	6,335,000				
2036	3,455,000					2049	6,680,000				
2037	3,630,000					2050	7,040,000				
2038	3,820,000					2051	7,415,000				
2039	4,015,000					2052	7,815,000				
2040	4,220,000					2053	8,240,000				
2041	4,435,000					2054	8,680,000				
2042	4,665,000					2055	9,150,000				

* Preliminary; subject to change.

** The yield on these Series 2025A Warrants was computed to the _____, 20__ optional redemption date.

*** CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS), is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. The City and the Underwriter are not responsible for the selection, uses, or correctness (as listed above) of, or subsequent changes to, CUSIP numbers assigned to the Series 2025A Warrants.

CITY OF GADSDEN

MAYOR

Craig Ford

CITY COUNCIL

Tonya Latham, District 1
Steve Smith, District 2
Larry Avery, District 3
Kent Back, District 4
Jason Wilson, District 5
Dixie Minatra, District 6
Chris Robinson, District 7

ADMINISTRATION

Nick Hall, Director of Human Resources
Tena King, Director of City Services
Ruth Moffatt, Director of Social Responsibility
and Community Engagement
John Moore, Director of Commercial Development
and Community Affairs
Iva Nelson, City Clerk
Brandon Phillips, Finance Director
J. Lee Roberts, Jr., City Attorney
Heath Williamson, Director of Engineering

BOND COUNSEL

Maynard Nexsen PC
Birmingham, Alabama

UNDERWRITER

Stifel, Nicolaus & Company, Incorporated
Montgomery, Alabama

UNDERWRITER'S COUNSEL

Bradley Arant Boult Cummings, LLC
Birmingham, Alabama

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OFFICIAL STATEMENT
REGARDING
\$127,600,000*
GENERAL OBLIGATION WARRANTS, SERIES 2025A
OF THE
CITY OF GADSDEN

INTRODUCTION

General

This Official Statement is furnished in connection with the issuance of the Series 2025A Warrants referred to above (the “Series 2025A Warrants”) by the City of Gadsden (the “City”).

The City is a municipal corporation organized under the laws of the State of Alabama. The Series 2025A Warrants will be issued pursuant to an ordinance (the “Warrant Ordinance”) adopted by the governing body of the City on September 2, 2025.

The Series 2025A Warrants will constitute general obligations of the City for the payment of which its full faith and credit are irrevocably pledged. In addition, the City will pledge and assign to the payment of debt service on the Series 2025A Warrants the proceeds of certain license fees collected by the City. The City will reserve the right to issue obligations on a parity of lien with the pledge thereof for the benefit of the Series 2025A Warrants upon the satisfaction of certain conditions precedent thereto. See “SECURITY AND SOURCE OF PAYMENT”.

For information regarding the tax treatment of the Series 2025A Warrants, see “TAX MATTERS”.

The Series 2025A Warrants are being issued for the purpose of (i) financing various capital improvements of the City and (ii) paying the costs of issuing the Series 2025A Warrants. See “THE PLAN OF FINANCING”.

The Series 2025A Warrants are subject to redemption at the times and under the circumstances set forth herein. See “DESCRIPTION OF THE SERIES 2025A WARRANTS - Redemption Prior to Maturity”. The Series 2025A Warrants are being offered in the denomination of \$5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein. See “DESCRIPTION OF THE SERIES 2025A WARRANTS”.

Concurrently with the issuance of the Series 2025A Warrants, Build America Mutual Assurance Company will issue its municipal bond insurance policy for the Series 2025A Warrants, which guarantees the scheduled payment of principal of and interest on the Series 2025A Warrants when due as set forth in the form of such policy included as an appendix to this Official Statement. See “BOND INSURANCE”.

For a description of certain risk factors and other considerations involved in an investment in the Series 2025A Warrants, see “RISK FACTORS” and “DISCLAIMERS AND OTHER MISCELLANEOUS MATTERS”.

The City has covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING DISCLOSURE”.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This introduction contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

* Preliminary; subject to change.

Changes to the Preliminary Official Statement

This Preliminary Official Statement and the information herein are subject to change, completion, and amendment. A final, definitive Official Statement will be made available prior to the delivery of the Series 2025A Warrants.

For purposes of this Preliminary Official Statement, selling compensation, delivery dates, and certain other information dependent on pricing of the Series 2025A Warrants have been omitted. Further, for purposes of this Preliminary Official Statement, offering prices, interest rates, aggregate principal amount, principal amount per maturity, and certain other information dependent on pricing of the Series 2025A Warrants have been estimated. Actual information dependent on pricing will be established after pricing of the Series 2025A Warrants and will be reflected in the final Official Statement. Such actual information will vary from the estimates.

Investors should check under the heading “INTRODUCTION–Changes to the Preliminary Official Statement” in the final Official Statement for guidance regarding information dependent on pricing of the Series 2025A Warrants and for guidance regarding other information that is changed between the date of this Preliminary Official Statement and the date of the final Official Statement.

GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT

Certain capitalized terms used frequently in this Official Statement are defined in this section of the Official Statement.

“**Additional Parity Obligations**” means those obligations of the City described more particularly under “SECURITY AND SOURCE OF PAYMENT”.

“**City**” means the City of Gadsden, a municipal corporation organized under the laws of the State of Alabama.

“**Insurer**” or “**BAM**” means Build America Mutual Assurance Company.

“**Internal Revenue Code**” means the Internal Revenue Code of 1986, as amended.

“**Parity Obligations**” means those obligations of the City described more particularly under “SECURITY AND SOURCE OF PAYMENT”.

“**Paying Agent**” means Regions Bank, Birmingham, Alabama, which is the paying agent and registrar for the Series 2025A Warrants.

“**Pledged Fee Proceeds**” means those proceeds described more particularly under “SECURITY AND SOURCE OF PAYMENT”.

“**Policy**” means the municipal bond insurance policy issued by BAM, which guarantees the scheduled payment of principal of and interest on the Series 2025A Warrants when due.

“**Series 2025A Warrants**” means the City’s \$127,600,000* General Obligation Warrants, Series 2025A, which are being offered by this Official Statement.

“**Special Fees**” means those fees described more particularly under “SECURITY AND SOURCE OF PAYMENT”.

“**Warrant Ordinance**” means the ordinance adopted by the governing body of the City authorizing the issuance of the Series 2025A Warrants.

* Preliminary; subject to change.

DESCRIPTION OF THE SERIES 2025A WARRANTS

General Provisions

The Series 2025A Warrants will be fully registered warrants in the denomination of \$5,000 or any multiple thereof, will be dated the date of their initial delivery, and will be numbered separately from 1 upward.

The Series 2025A Warrants will mature on October 1 in the amounts and years set forth on the inside cover page hereof. The Series 2025A Warrants will bear interest at the applicable per annum rates set forth on the inside cover page hereof. All Series 2025A Warrants with the same maturity will bear interest at the same rate. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. Interest on the Series 2025A Warrants will be payable on each April 1 and October 1, beginning April 1, 2026.

Method and Place of Payment

The Series 2025A Warrants will be issued in book-entry only form, as described below under “Book-Entry Only System”, and the method and place of payment will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the book-entry only system for the Series 2025A Warrants is discontinued.

Payment of interest due on each interest payment date will be made by check or draft mailed on such interest payment date to the persons who were registered holders of the Series 2025A Warrants on the regular record date for such interest payment date, which will be the 15th day of the month preceding such interest payment date. Payment of the principal of (and premium, if any, on) the Series 2025A Warrants and payment of accrued interest due upon redemption on any date other than an interest payment date will be made only upon surrender of the Series 2025A Warrants at the principal office of the Paying Agent (Regions Bank) in Birmingham, Alabama.

The holder of Series 2025A Warrants in an aggregate principal amount of \$100,000 or more may, upon the terms and conditions of the Warrant Ordinance, request payment of debt service by wire transfer to an account of such holder maintained at a bank in the continental United States or by any other method providing for payment in same-day funds that is acceptable to the Paying Agent.

Redemption Prior to Maturity

Optional Redemption. Series 2025A Warrants maturing on _____ 1, ____ or thereafter, or any smaller principal amount of such Series 2025A Warrants that is a multiple of the smallest authorized denomination, may be redeemed at the option of the City on _____ 1, ____ or any date thereafter at the applicable redemption price (expressed as a percentage of principal amount) set forth in the table below plus accrued interest thereon to the redemption date:

Redemption Date	Redemption Price
-----------------	------------------

Mandatory Redemption of Term Warrants. The Series 2025A Warrants maturing on _____ 1, ____ (the “Term Warrants”) are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the redemption date, on _____ 1 in years and principal amounts (after credits as provided below) as follows:

Year	Amount
------	--------

\$ _____ of the Term Warrants will be
retired at maturity

Not less than 45 or more than 60 days prior to each mandatory redemption date with respect to Term Warrants, the Paying Agent shall proceed to select for redemption, by lot, Term Warrants or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Term Warrants or portions thereof for redemption on such mandatory redemption date. The City may, not less than 60 days prior to any such mandatory redemption date, direct that any or all of the following amounts be credited against the Term Warrants scheduled for redemption on such date: (i) the principal amount of Term Warrants delivered by the City to the Paying Agent for cancellation and not previously claimed as a credit; (ii) the principal amount of Term Warrants previously redeemed (other than Term Warrants redeemed pursuant to this paragraph) and not previously claimed as a credit; and (iii) the principal amount of Term Warrants otherwise deemed paid in full and not previously claimed as a credit.

Other Matters Related to Redemption Prior to Maturity. Except in the case of mandatory redemption of Term Warrants, if less than all Series 2025A Warrants outstanding are to be redeemed, the particular Series 2025A Warrants to be redeemed may be specified by the City by written notice to the Paying Agent, or, in the absence of timely receipt by the Paying Agent of such notice, shall be selected by the Paying Agent by lot or by such other method as the Paying Agent shall deem fair and appropriate; provided, however, that (i) the principal amount of Series 2025A Warrants of each maturity to be redeemed must be a multiple of the smallest authorized denomination of Series 2025A Warrants, and (ii) if less than all Series 2025A Warrants with the same stated maturity are to be redeemed, the Series 2025A Warrants of such maturity to be redeemed shall be selected by lot by the Paying Agent.

Any redemption will be made upon at least 30 days' notice by first-class mail to the holders of Series 2025A Warrants to be redeemed. A notice of optional redemption may state that the redemption of Series 2025A Warrants is contingent upon specified conditions such as receipt of a specified source of funds or the occurrence of specified events. If the conditions for such redemption are not met, the City shall not be required to redeem Series 2025A Warrants (or portions thereof) identified in such notice.

If a trust is established for payment of less than all Series 2025A Warrants of a particular maturity, the Series 2025A Warrants of such maturity to be paid from the trust shall be selected by the Paying Agent within 7 days after such trust is established and shall be identified by a separate CUSIP number or other designation satisfactory to the Paying Agent. The Paying Agent shall notify holders whose Series 2025A Warrants (or portions thereof) have been selected for payment from such trust and shall direct such holders to surrender their Series 2025A Warrants to the Paying Agent in exchange for Series 2025A Warrants with the appropriate designation.

Upon any partial redemption of a Series 2025A Warrant, such Series 2025A Warrant shall be surrendered to the Paying Agent in exchange for one or more new Series 2025A Warrants in authorized form for the unredeemed portion of principal.

Any Series 2025A Warrant (or portion thereof) which is to be redeemed must be surrendered to the Paying Agent for payment of the redemption price. Series 2025A Warrants (or portions thereof) duly called for redemption will cease to bear interest after the redemption date, unless the City defaults in payment of the redemption price.

Registration and Exchange

The Series 2025A Warrants will be issued in book-entry only form, as described below under "Book-Entry Only System", and the method for registration and exchange of the Series 2025A Warrants will be as provided in the

book-entry only system. The provisions set forth in this section below will apply in the event that the use of the book-entry only system for the Series 2025A Warrants is discontinued.

The Series 2025A Warrants are transferable only on the warrant register maintained at the principal office of the Paying Agent. Upon surrender of a Series 2025A Warrant to be transferred, properly endorsed, a new Series 2025A Warrant will be issued to the designated transferee.

The Series 2025A Warrants will be issued in denominations of \$5,000 or any multiple thereof and, subject to the provisions of the Warrant Ordinance, may be exchanged for a like aggregate principal amount of Series 2025A Warrants, of any authorized denominations and of the same maturity, as requested by the holder surrendering the same.

No service charge shall be made for any transfer or exchange, but the City may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Provision for Payment

The Series 2025A Warrants shall, prior to the maturity or redemption date thereof, be deemed to have been paid if the Paying Agent is provided with, among other things, (1) a trust agreement between the City and any bank or other financial institution having corporate trust powers making provision for the retirement of such Series 2025A Warrants by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Series 2025A Warrants, which said trust fund shall consist of federal securities, cash, or both federal securities and cash and (2) evidence satisfactory to the Paying Agent that, if the principal of and the interest on the investments (if any) forming part of the trust fund provided for in the trust agreement are paid on the respective due dates of such principal and interest, said trust fund will produce funds sufficient to provide for the full payment and retirement of such Series 2025A Warrants. At such time as the Series 2025A Warrants shall be deemed paid as aforesaid, they shall no longer be secured by or entitled to the benefits of the Warrant Ordinance, except for the purpose of any payment from such cash and/or federal securities deposited with the Paying Agent and for the purpose of transfer and exchange as provided in the Warrant Ordinance.

Book-Entry Only System

The Series 2025A Warrants are issuable as fully registered warrants and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which debt service payments on the Series 2025A Warrants will be made so long as Cede & Co. is the registered owner of the Series 2025A Warrants. Individual purchases of the Series 2025A Warrants will be made in book-entry only form, and individual purchasers ("Beneficial Owners") of the Series 2025A Warrants will not receive physical delivery of bond certificates.

So long as DTC or its nominee is the registered owner of the Series 2025A Warrants, disbursement of debt service payments to DTC is the responsibility of the Paying Agent, disbursement of debt service payments to DTC Participants is the responsibility of DTC, and disbursement of debt service payments to the Beneficial Owners is the responsibility of DTC Participants or Indirect Participants as more fully described herein.

For more details on DTC and the book-entry only system, see Appendix C to this Official Statement.

Authority for Issuance

The Series 2025A Warrants are being issued by the City under the authority of the constitution and laws of the State of Alabama, including particularly Section 11-47-2 of the Code of Alabama (1975) and Section 28-4.01 of Article 1 of Chapter 4 of Title 28 of the Local Provisions of the Constitution of Alabama of 2022 (also cited as Amendment No. 761 to the Alabama Constitution of 1901).

Rights of Underwriters to Consent to Warrant Ordinance Amendments

The Warrant Ordinance provides that underwriters of Parity Obligations issued after the issuance of the Series 2025A Warrants may, on behalf of any Parity Obligations issued after the issuance of the Series 2025A Warrants (and without notice to or consent of holders of any Parity Obligations issued after the issuance of the

Series 2025A Warrants), consent to any amendment of the Warrant Ordinance other than an amendment to the Warrant Ordinance that requires the consent of the Insurer and/or all holders of Warrants issued under the Warrant Ordinance.

SECURITY AND SOURCE OF PAYMENT

General

The Series 2025A Warrants will be general obligations of the City, for the payment of which the full faith and credit of the City will be irrevocably pledged. The Series 2025A Warrants will be additionally secured by an irrevocable pledge of the proceeds from license fees, after deducting costs of collection (the “Pledged Fee Proceeds”), levied by the City pursuant to Article IV of Chapter 74 of the Code of Ordinances of the City of Gadsden, Alabama (the “Special Fees”). Information describing the Special Fees and information on the amount of Special Fees collected by the City during each of the last 5 fiscal years are set forth in Appendix A of this Official Statement under the caption “FINANCIAL SYSTEM OF THE CITY”.

In addition to the Pledged Fee Proceeds, the City has other taxes and other revenues available for payment of debt service on the Series 2025A Warrants. Information describing such taxes and other revenues of the City is set forth in Appendix A of this Official Statement under the caption “FINANCIAL SYSTEM OF THE CITY”. None of such other legally available revenues are, however, specially pledged for payment of debt service on the Series 2025A Warrants.

Issuance of Parity Obligations

In the Warrant Ordinance the City reserves the right to issue warrants or other obligations (“Additional Parity Obligations,” together with the Series 2025A Warrants, the “Parity Obligations”) for any lawful purpose, without limit as to aggregate principal amount, payable from and secured by a pledge of the Pledged Fee Proceeds equally and ratably with the Series 2025A Warrants, but only if the Pledged Fee Proceeds received by the City during the immediately preceding fiscal year shall be not less than one times the maximum principal and interest maturing during the then current or any subsequent fiscal year with respect to all then outstanding securities that are secured by a pledge of the Pledged Fee Proceeds, as well as the additional securities proposed to be issued.

Remedies

The Finance Director of the City is, under existing law, subject to mandamus in the event that he has money available for payment of debt service on the Series 2025A Warrants and does not apply such money as and to the extent provided in the Warrant Ordinance. Rights of the holders of the Series 2025A Warrants and the enforceability thereof may also be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and the exercise of judicial discretion in appropriate cases, including the law-imposed requirement that the City may first use its taxes and other revenues to pay the expenses of providing necessary governmental services before paying debt service on the Series 2025A Warrants.

The United States Bankruptcy Code

Chapter 9 of the United States Bankruptcy Code permits political subdivisions and public agencies or instrumentalities of a state, including the City, that are insolvent or unable to meet their debts as they come due to file petitions for relief in the federal bankruptcy courts if it is specifically authorized to do so by state law and can satisfy certain statutory requirements related to pre-filing negotiations with its creditors. While the matter is not entirely free from doubt, prospective purchasers of the Series 2025A Warrants should assume that existing Alabama statutes presently authorize the City to file such petitions for relief.

Bankruptcy proceedings by the City could have adverse effects on holders of the Series 2025A Warrants, including (1) a loss of the pledge to them of the Pledged Fee Proceeds upon the initiation of bankruptcy proceedings, (2) delay in the receipt of scheduled payments during such proceedings, (3) delay in the enforcement of their remedies, (4) subordination of their claims to the claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (5)

imposition without their consent of a plan for the adjustment of the City's debts reducing or delaying payment on the Series 2025A Warrants. Such a plan of adjustment, when confirmed by the bankruptcy court, binds all creditors who had timely notice or actual knowledge of the petition or plan, even if they vote against the plan, and discharges all claims against the political subdivision debtor unless excepted from discharge by the plan or the order confirming the plan. Among other conditions for confirmation, the plan must either be accepted by each class of claims or interests that is impaired under the plan, or be accepted by at least one impaired class if the plan is otherwise confirmable, does not discriminate unfairly, and is fair and equitable. An impaired class accepts a plan only if it has been accepted by at least 2/3 in amount and more than 50% in number of the allowed claims of such class that vote to accept or reject the plan.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2025A Warrants, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2025A Warrants (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2025A Warrants when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2025A Warrants, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2025A Warrants. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2025A Warrants on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2025A Warrants, nor does it guarantee that the rating on the Series 2025A Warrants will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2025A Warrants or the advisability of investing in the Series 2025A Warrants. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2025A Warrants, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2025A Warrants. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2025A Warrants, whether at the initial offering or otherwise.

CONSENT RIGHTS OF THE INSURER

As long as the Insurer is not then in default on the Policy, the Insurer shall be deemed to be the sole holder of such Series 2025A Warrants insured by it for all purposes of the Warrant Ordinance and under Alabama law, including exercising rights and remedies of Series 2025A Warrantholders.

THE PLAN OF FINANCING

The Series 2025A Warrants are being issued for the purpose of (1) paying the costs of issuing the Series 2025A Warrants and (2) financing various capital improvements of the City, including (a) Gadsden Athletic Center,

(b) Night Golf & Clubhouse Renovations, (c) Tennis Courts at GSCC, (d) Gadsden Sports Park - Phase 5, (e) Cross Country at GSCC, (f) Broad Street Bridge Lighting, (g) Highway 411 Relocation, (h) Top Tracer, (i) Boardwalk Renovation & Extension, (j) Noccoalula Campground Phase 2, (k) Renovation of Parks (Carver, Adams, Hughley, North Gadsden), (l) Pickleball & Tennis Courts across from Mitchell Elementary, (m) Ritz Theatre Renovations, (n) ORLP Trail Grant (Rails to Trails) - ADECA/National Park Service, (o) Landfill, (p) BMX/Skateboard Park at the closed landfill, (q) Police Holding Facility, (r) Coosa Harbor, (s) Hotel Development/Police Demo, (t) Amp – Lighting, (u) Broad Street Stop Signs/Overhead posts (signal removal) & Speed Tables, (v) Dispatch Move to 911, (w) Fire Station 1 - Albert Rains Blvd/River, (x) Fire Station 8 - Rainbow Drive/Clubview, (y) Broad Street Bridge Renovation, (z) South Gadsden Drainage - City Match, (aa) Hickory Street Bridge Replacement - City Match, (bb) ALDOT Asks (Tabor, Tusc Ave, East Broad St, Paden) - City Match, and (cc) 2nd Floor of Merrill Lynch Renovation. The City, however, has reserved the right under the Warrant Ordinance to use the proceeds of the Series 2025A Warrants for other legally permissible purposes approved by the governing body of the City.

SOURCES AND USES OF FUNDS

The expected sources and uses of funds for the plan of financing are as follows (rounded to the nearest whole dollar):

Sources of Funds

Principal amount of Series 2025A Warrants	
(Less: original issue discount)	
 Total	

Uses of Funds

Capital projects.....	
Expenses of issuance (including underwriter's	
discount, bond insurance premium, legal,	
accounting and other issuance expenses)	
 Total	

DEBT SERVICE REQUIREMENTS

The following table contains debt service requirements on the Series 2025A Warrants. For a description of the debt service requirements on all general obligation indebtedness of the City, see “DEBT MANAGEMENT—Debt Service Requirements on General Obligation Debt” in Appendix A.

Fiscal Year Ended September 30	Series 2025A Warrants		
	Principal ⁽¹⁾	Interest ⁽²⁾	Total Debt Service
2026	-	\$2,989,663	\$2,989,663
2027	-	6,562,675	6,562,675
2028	-	6,562,675	6,562,675
2029	-	6,562,675	6,562,675
2030	-	6,562,675	6,562,675
2031	\$450,000	6,551,425	7,001,425
2032	475,000	6,528,300	7,003,300
2033	500,000	6,503,925	7,003,925
2034	2,975,000	6,417,050	9,392,050
2035	3,125,000	6,264,550	9,389,550
2036	3,285,000	6,104,300	9,389,300
2037	3,455,000	5,935,800	9,390,800
2038	3,630,000	5,758,675	9,388,675
2039	3,820,000	5,572,425	9,392,425
2040	4,015,000	5,376,550	9,391,550
2041	4,220,000	5,170,675	9,390,675
2042	4,435,000	4,954,300	9,389,300
2043	4,665,000	4,726,800	9,391,800
2044	4,905,000	4,487,550	9,392,550
2045	5,155,000	4,236,050	9,391,050
2046	5,420,000	3,971,675	9,391,675
2047	5,705,000	3,686,419	9,391,419
2048	6,010,000	3,378,900	9,388,900
2049	6,335,000	3,054,844	9,389,844
2050	6,680,000	2,713,200	9,393,200
2051	7,040,000	2,353,050	9,393,050
2052	7,415,000	1,973,606	9,388,606
2053	7,815,000	1,573,819	9,388,819
2054	8,240,000	1,152,375	9,392,375
2055	8,680,000	708,225	9,388,225
2056	<u>9,150,000</u>	<u>240,188</u>	<u>9,390,188</u>
Total	<u>\$127,600,000</u>	<u>\$138,635,038</u>	<u>\$266,235,038</u>

(1) For purposes of this table the principal amount of Series 2025A Warrants to be retired in a fiscal year pursuant to mandatory redemption provisions is shown as maturing in that fiscal year.

(2) For purposes of this Preliminary Official Statement, principal and interest requirements have been estimated based on an assumed principal amount and principal maturities as shown and certain assumed interest rates. Actual principal amounts and maturities and actual interest rates will be established after pricing of the Series 2025A Warrants and will be reflected in the final Official Statement. Actual debt service payments will vary from this estimate.

THE CITY

City of Gadsden is a municipal corporation organized under the laws of the State of Alabama. For information on the City of Gadsden, see “Appendix A—Information on the City of Gadsden”.

LITIGATION RELATING TO THE SERIES 2025A WARRANTS

There is no litigation pending or, to the knowledge of the City, threatened questioning the validity of the Series 2025A Warrants, the proceedings under which they are to be issued, the security for the Series 2025A Warrants provided by the Warrant Ordinance, the consummation of the transactions contemplated by the Warrant Ordinance, the organization of the City, or the election or qualification of the City's officers. For certain additional information concerning litigation relating to the City, see Appendix A.

RISK FACTORS

General

An investment in the Series 2025A Warrants involves certain risks which should be carefully considered by investors. The sufficiency of revenues to pay debt service on the Series 2025A Warrants may be affected by events and conditions relating to, among other things, population and employment trends and economic conditions in the City, the nature and extent of which are not presently determinable.

Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Series 2025A Warrants are an appropriate investment for them.

The risk factors discussed herein should be considered in evaluating the City's ability to make payments of the principal of and interest due on the Series 2025A Warrants. This discussion of risk factors is not intended to be exhaustive and should be read in conjunction with all other parts of this Official Statement, including Appendix A hereto.

Limitations on Rights of Holders of the Series 2025A Warrants/Limitations on City Revenue Increases

Holders of the Series 2025A Warrants should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases, including the law-imposed requirement that the City may first use its taxes and other revenues to pay the expenses of providing necessary governmental services before paying debt service on the Series 2025A Warrants.

Holders of the Series 2025A Warrants also should be aware that, under present law, the rates at which Alabama property taxes are levied may be increased only after approval by the legislature and a majority vote of the qualified electors of the affected jurisdiction, and that, under applicable judicial precedents, neither Alabama general sales and use taxes nor Alabama business license taxes may be levied at rates that are confiscatory or unreasonable. Additional information on these limitations on the City's power to increase its revenues is set forth under the caption "SECURITY AND SOURCE OF PAYMENT" and in Appendix A of this Official Statement under the captions "FINANCIAL SYSTEM OF THE CITY" and "AD VALOREM TAXATION".

The United States Bankruptcy Code

Information describing the applicability of the United States Bankruptcy Code to the City and the Series 2025A Warrants is set forth in this Official Statement under the caption "SECURITY AND SOURCE OF PAYMENT".

Cybersecurity

Despite the implementation of network security measures by the City, its information technology systems may be vulnerable to breaches, hacker and ransomware attacks, computer viruses, physical or electronic break-ins, and other similar events or issues. State and local governments have recently been subject to such attacks.

The foregoing events or issues could lead to the inadvertent disclosure of confidential information, ransomware attacks holding critical information and operations hostage or could have an adverse effect on the City's

ability to provide a continuity of services. Any breach or cyberattack that compromises data could result in negative press and substantial fines or penalties for violation of privacy laws. Despite efforts of the City, no assurances can be given that the City's measures will prevent cybersecurity attacks, and no assurances can be given that any cybersecurity attacks, if successful, will not have a material adverse effect on the operations or financial condition of the City.

Public Health Epidemics or Outbreaks

Public health epidemics or outbreaks, such as COVID-19, in the United States could have a material adverse effect on the City's operations and financial condition, including a negative impact on the revenues available to the City to pay debt service on the Series 2025A Warrants.

State Grocery Sales Tax Elimination Legislation

Recent State of Alabama legislation has reduced the applicable rate of State of Alabama sales tax on certain grocery sales. The change does not affect the City's sales tax rate, but the State legislation does provide the City the redundant power to lower its sales tax on groceries if it so chooses. To date, no municipality in Alabama has elected to reduce its grocery sales tax, but, if a trend of such municipal reductions started, the City could be pressured into reducing its sales tax rate and thereby reducing its sales tax revenue from current levels.

Tax-Exempt Status of Series 2025A Warrants

It is expected that the Series 2025A Warrants will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX MATTERS". It is anticipated that Bond Counsel will render an opinion substantially in the form attached hereto as Appendix D, which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The tax status of the Series 2025A Warrants could be affected by post-issuance events. There are various requirements of the Internal Revenue Code of 1986, as amended, that must be observed or satisfied after the issuance of the Series 2025A Warrants in order for the Series 2025A Warrants to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2025A Warrants, use of the facilities financed by the Series 2025A Warrants, investment of warrant proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the City.

The Internal Revenue Service conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2025A Warrants, the City would be treated as the taxpayer, and the owners of the Series 2025A Warrants may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2025A Warrants could adversely affect the market value and liquidity of the Series 2025A Warrants, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2025A Warrants do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2025A Warrants.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2025A Warrants could affect the tax-exempt status of the Series 2025A Warrants or the effect of investing in the Series 2025A Warrants. For example, the United States Congress could eliminate or limit the exemption for interest on the Series 2025A Warrants, or it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax. It cannot be predicted whether or in what form any such change in law may be enacted or whether, if enacted, any such change in law would apply to the Series 2025A Warrants.

The Warrant Ordinance does not require the City to redeem the Series 2025A Warrants and does not provide for the payment of any additional interest or penalty if a determination is made that the Series 2025A

Warrants do not comply with the existing requirements of the Internal Revenue Code of 1986, as amended, or if a subsequent change in law adversely affects the tax-exempt status of the Series 2025A Warrants or the effect of investing in the Series 2025A Warrants.

LEGAL MATTERS

The legality and validity of the Series 2025A Warrants will be approved by Bond Counsel, Maynard Nexsen PC, Birmingham, Alabama. Bond Counsel has been employed primarily for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2025A Warrants have been authorized to be issued, and rendering an opinion in conventional form as to the validity and legality of the Series 2025A Warrants and the exemption of interest thereon from federal and State of Alabama income taxes. Bond Counsel also served as Disclosure Counsel and assisted in the preparation of this Official Statement.

It is anticipated that Bond Counsel will render an opinion substantially in the form attached hereto as Appendix D. In connection with the rendering of such opinion, Bond Counsel is serving as counsel to the City. Certain legal matters will be passed upon for the City by its counsel, J. Lee Roberts, Jr., Esq., Gadsden, Alabama. Certain legal matters will be passed upon for the Underwriter by its counsel, Bradley Arant Boult Cummings LLP, Birmingham, Alabama.

The various legal opinions to be delivered concurrently with the delivery of the Series 2025A Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

General

In the opinion of Bond Counsel, under existing law, interest on the Series 2025A Warrants will be excludable from gross income for federal income tax purposes if the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), that must be satisfied subsequent to the issuance of the Series 2025A Warrants in order that interest thereon be and remain excludable from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2025A Warrants to be included in gross income, retroactive to the date of issuance of the Series 2025A Warrants. The City has covenanted to comply with all such requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2025A Warrants will not be an item of tax preference for purposes of the federal alternative minimum tax. However, interest on the Series 2025A Warrants may be taken into account for purposes of the alternative minimum tax imposed on applicable corporations pursuant to Section 55(b)(2) of the Internal Revenue Code, as amended by the Inflation Reduction Act of 2022.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2025A Warrants other than the opinions expressed in the two preceding paragraphs. The form of Bond Counsel’s opinion is expected to be substantially as set forth in Appendix D to this Official Statement.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2025A Warrants will be exempt from State of Alabama income taxation.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of a Series 2025A Warrant, to the extent properly allocable to each owner of such Series 2025A Warrant, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2025A Warrant over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2025A Warrants of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2025A Warrant during any accrual period generally equals (i) the issue price of such Series 2025A Warrant plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Series 2025A Warrant (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Series 2025A Warrant during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Series 2025A Warrant. Any gain realized by an owner from a sale, exchange, payment or redemption of a Series 2025A Warrant will be treated as gain from the sale or exchange of such Series 2025A Warrant.

Premium

An amount equal to the excess of the purchase price of a Series 2025A Warrant over its stated redemption price at maturity constitutes premium on such Series 2025A Warrant. A purchaser of a Series 2025A Warrant must amortize any premium over such Series 2025A Warrant's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2025A Warrant is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2025A Warrant prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2025A Warrants at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2025A Warrants.

Collateral Tax Consequences

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state tax consequences of acquiring, carrying, owning, or disposing of the Series 2025A Warrants. Prospective purchasers of the Series 2025A Warrants should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2025A Warrants, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

NO BANK QUALIFICATION

The City will not designate the Series 2025A Warrants as "qualified tax-exempt obligations" under Section 265(b) of the Internal Revenue Code. As a result, the Series 2025A Warrants may not be treated by financial institutions as though they were acquired on August 7, 1986, and there may not be allowed to such financial institutions that purchase the Series 2025A Warrants a deduction of up to 80% of the interest paid to depositors that is allocable to the Series 2025A Warrants by such financial institutions.

UNDERWRITING

The Series 2025A Warrants are being purchased from the City by Stifel, Nicolaus & Company, Incorporated (the "Underwriter" or "Stifel"). The Underwriter has agreed to purchase the Series 2025A Warrants

for an aggregate purchase price of \$_____ (which represents the face amount of the Series 2025A Warrants less underwriter's discount of \$_____ and original issue discount of \$_____) plus accrued interest. The initial public offering price set forth on the inside cover page may be changed by the Underwriter, and the Underwriter may offer and sell the Series 2025A Warrants to certain dealers (including dealers depositing the Series 2025A Warrants into investment trusts) and others at prices lower than the offering price set forth on the inside cover page. The Underwriter will purchase all the Series 2025A Warrants if any are purchased.

Stifel and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

CONTINUING DISCLOSURE

General

The City has covenanted for the benefit of the holders of the Series 2025A Warrants to provide the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") with (i) certain financial information and operating data relating to the City on an annual basis (the "Annual Financial Information") within 270 days after the end of its fiscal year and (ii) notices ("Material Event Notices") of the occurrence of the following events in a timely manner not in excess of 10 business days after the occurrence of the event:

1. A delinquency in payment of principal of or interest on the Series 2025A Warrants.
2. Non-payment related defaults under the proceedings of the City authorizing the Series 2025A Warrants, whether or not such defaults constitute an event of default thereunder, if material.
3. Unscheduled draws on any debt service reserve fund reflecting financial difficulties of the City.
4. Unscheduled draws on any credit enhancement or liquidity facility with respect to the Series 2025A Warrants reflecting financial difficulties of the City.
5. Substitution of a credit enhancer for the one originally described in the Official Statement (if any), or the failure of any credit enhancer respecting the Series 2025A Warrants to perform its obligations under the agreement between the City and such credit enhancer.
6. The existence of any adverse tax opinion with respect to the Series 2025A Warrants, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2025A Warrants, or other material events affecting the tax status of the Series 2025A Warrants.

7. Any modification of the rights of the registered owners of the Series 2025A Warrants, if material.
8. Redemption of any of the Series 2025A Warrants prior to the stated maturity or mandatory redemption date thereof, if material, and tender offers with respect to the Series 2025A Warrants.
9. Defeasance of the lien of any of the Series 2025A Warrants or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Series 2025A Warrants, or any of them, to be no longer regarded as outstanding thereunder.
10. The release, substitution or sale of the property securing repayment of the Series 2025A Warrants, if material.
11. Any changes in published ratings affecting the Series 2025A Warrants.
12. Bankruptcy, insolvency, receivership or similar event of the City.
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

In addition, the City has covenanted to provide in a timely manner to EMMA notice of the City's failure to provide the Annual Financial Information on or before the date specified herein. As used above in paragraphs (15) and (16), the term "financial obligation" means a: (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of a debt obligation or such a derivative instrument; the term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12 of the Securities and Exchange Commission.

The Annual Financial Information will include financial information and operating data relating to the City of the type found in the section of this Official Statement called "RESULTS OF OPERATIONS" in Appendix A. In addition, the City will provide to EMMA, when and if available and within 30 days of receipt, audited financial statements prepared in accordance with accounting principles described in the audited financial statements included in this Official Statement as an appendix.

The City shall never be subject to money damages for its failure to comply with its obligations to provide the required information. The only remedy available to the holders of the Series 2025A Warrants for breach by the City of its obligations to provide the required information shall be the remedy of specific performance or mandamus against appropriate officials of the City. The failure by the City to provide the required information shall not be an event of default with respect to the Series 2025A Warrants under the Warrant Ordinance. A failure by the City to comply with its obligations to provide the required information must be reported as described above and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Series 2025A Warrants in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2025A Warrants and their market price.

No person other than the City shall have any liability or responsibility for compliance by the City with its obligations to provide information. The Paying Agent has not undertaken any responsibility with respect to any required reports, notices or disclosures.

The City retains the right to modify its obligations described above as long as such modification is done in a manner consistent with Rule 15c2-12 of the Securities and Exchange Commission.

Prior Undertakings

In fiscal years 2023-2024, although available publicly, the City failed to file its annual financial information and audited financial information with EMMA on or before the due date as required by the terms of continuing disclosure agreements executed by the City in connection with the issuance of certain of its existing indebtedness; the City now has filed such information. The City also did not file a notice in accordance with Rule 15c2-12 with respect to its failure to provide its annual financial information in a timely manner for the fiscal years noted above.

Certain outstanding indebtedness of the City has been secured by various forms of credit enhancement, including bond insurance. The ratings of the providers of this credit enhancement may have been downgraded at various times in the past 60 months. Information about the downgrades, if any, was publicly reported. The City did not file a notice in accordance with Rule 15c2-12 with respect to each downgrade.

Implementation of Continuing Disclosure Compliance Procedures

The City previously has adopted procedures (including implementation of the financial disclosure email reminder service provided by EMMA) to ensure the timely filing of information required by Rule 15c2-12 of the Securities and Exchange Commission and the continuing disclosure agreements described in this Official Statement.

RATINGS

The Series 2025A Warrants have been rated “A2” by Moody’s Investors Service, Inc. and “AA” by Standard & Poor’s Financial Services LLC, as indicated on the cover page.

The S&P rating on the Series 2025A Warrants reflects such rating agency’s current assessment of the creditworthiness of Build America Mutual Assurance Company and its ability to pay claims on its policies of insurance. Moody’s has assigned an underlying rating to the Series 2025A Warrants, which reflects such rating agency’s current assessment of the creditworthiness of the City with respect to obligations secured by the full faith and credit of the City.

Any definitive explanation of the significance of any such ratings may be obtained only from the appropriate rating agency. The City furnished to each rating agency the information contained in this Official Statement and certain other information respecting the City and the Series 2025A Warrants. Generally, rating agencies base their ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The above ratings are not recommendations to buy, sell or hold the Series 2025A Warrants, and any such ratings may be subject to revision or withdrawal at any time by any such rating agency. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Series 2025A Warrants. Except as may be required in connection with the obligations described under the heading “CONTINUING DISCLOSURE”, neither the City nor the Underwriter has undertaken any responsibility either to bring to the attention of the Series 2025A Warrantholders any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

INDEPENDENT AUDITORS

The financial statements of the City included in Appendix B to this Official Statement have been audited by Borland Benefield, P.C., Birmingham, Alabama, independent certified public accountants, as stated in their report appearing herein as Appendix B to this Official Statement. Such financial statements speak only as of September 30, 2024 and have been included as a matter of public record. Borland Benefield, P.C. (1) has not been engaged to perform, and has not performed, any procedures with respect to such financial statements since the date of its report on such financial statements and (2) has not performed any procedures relating to this Official Statement. The permission of Borland Benefield, P.C. for the use herein of its report on such financial statements has not been sought.

DISCLAIMERS AND OTHER MISCELLANEOUS MATTERS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2025A Warrants.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

The information in this Official Statement has been obtained from sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

The delivery of this Official Statement at any time does not imply that any information herein is correct as of any time subsequent to the date of this Official Statement.

All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

The Series 2025A Warrants will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement. Any representation to the contrary is a criminal offense. The Warrant Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended.

Any information or expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the City since the date hereof.

This Official Statement may contain forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on the City's current beliefs, expectations, and assumptions regarding the future of the City's operations, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Forward-looking statements can be identified by words such as: "anticipate", "intend", "plan", "goal", "seek", "believe", "project", "estimate", "expect", "strategy", "future", "likely", "may", "should", "will", and similar references to future periods. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside of the City's control. The City's actual

results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, prospective investors should not place undue reliance on these forward-looking statements. Important factors that could cause the City's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, population trends and political and economic developments that could adversely impact the collection of revenues and those factors described in this Official Statement under "RISK FACTORS". Any forward-looking statement made by the City in this Official Statement is based only on information currently available to the City and speaks only as of the date on which it is made. The City undertakes no obligation to publicly update any forward-looking statement whether as a result of new information, future developments, or otherwise.

In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2025A Warrants offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time. The prices and other terms of the offering and sale of the Series 2025A Warrants may be changed from time to time by the Underwriter after the Series 2025A Warrants are released for sale, and the Series 2025A Warrants may be offered and sold at prices other than the initial offering prices, including sales to dealers, without prior notice.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is being provided to prospective purchasers either in bound printed format or in electronic format. This Official Statement may be relied upon only if it is in its bound printed format or as printed in its entirety in such electronic format.

ADDITIONAL INFORMATION

For further information during the initial offering period with respect to the Series 2025A Warrants, contact Brandon Phillips, Finance Director, City of Gadsden, City Hall, 90 Broad Street, Gadsden, Alabama 35901, telephone number (256) 549-4715, or David Coyne, Director, Stifel Public Finance, 2660 Eastchase Lane, Suite 400, Montgomery, Alabama 36117, telephone number (334) 386-0630.

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APPENDIX A

Information on the City of Gadsden

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THE CITY

General

The City is a municipal corporation organized under the laws of the State of Alabama. The City is located in Etowah County, Alabama, which is northeast of the geographical center of Alabama. The population of the City was 33,945 according to the 2020 Federal Decennial Census and is presently estimated to be 33,086. The corporate limits of the City encompass approximately 37.4 square miles.

Governance and Administration

The City is governed under the mayor-council form of government. The Mayor is elected on an at-large basis for a 4-year term and seven City Council members are elected from single-member districts, each for a 4-year term. The Mayor serves as chief executive officer of the City and is responsible for the daily operations of all departments of the City. The Council acts as the legislative branch of the City. The Mayor has the power to veto resolutions or ordinances of the Council, but the Council may override his veto by a vote of two-thirds of the Council members. The Council may override a veto of the budget by a simple majority.

Executive, Legislative and Administrative Officials

Executive

CRAIG FORD, Mayor, was elected in 2022 following a long career in public service and business. He holds a bachelor's degree from Auburn University and has been a small business owner in Gadsden for over 20 years. Ford owns *The Gadsden Messenger*, a locally owned, community-focused newspaper, and Ford Insurance Agency, one of the oldest independent insurance agencies in North Alabama. Prior to becoming mayor, he served for 18 years in the Alabama House of Representatives, where he was known for his bipartisan leadership and advocacy for education and economic development. His experience in both business and government gives him a unique perspective on the needs of the Gadsden community. As Mayor, he remains committed to transparency, growth, and improving the quality of life for all residents.

Legislative

Name/District	Date of Expiration of Current Term	Present Business Occupation
Tonya Latham Councilmember, District 1	November 2026	Bishop
Steve Smith Councilmember, District 2	November 2026	Pastor
Larry Avery Councilmember, District 3	November 2026	Entrepreneur
Kent Back Councilmember, District 4	November 2026	President, Bowman & Back, Inc.
Jason Wilson Councilmember, District 5	November 2026	Business Owner, Coldwater Mountain Brewpub
Dixie Minatra Councilmember, District 6	November 2026	Retired – Southern Living Stores
Chris Robinson	November 2026	Business owner, Blackstone

Administrative

NICK HALL, Director of Human Resources, has been serving the City since 1987, bringing over 38 years of experience in municipal government. He holds a bachelor's degree in business management and a master's degree in public administration, both from Jacksonville State University. Throughout his career, he has held roles in a wide range of city departments, including Parks & Recreation, Revenue, Library, Community Development, Planning, and Human Resources. His broad experience across departments reflects his deep understanding of city operations and his long-standing commitment to public service. He has also acted as the Mayor's liaison to Twin Bridges Golf Course since 2010 and now serves as the liaison for the Fire Department. Currently, Hall serves as Chairman of the Utilities Board of Rainbow City.

TENA KING, Director of City Services, was appointed to her position in November 2022. She holds a bachelor's degree in political science, a master's degree in secondary education, and a master's degree in counselor education from Jacksonville State University. She is also ABD (all but dissertation) for a doctorate in higher education administration from The University of Alabama. With over 20 years of leadership experience across the nonprofit and higher education sectors, King brings a wealth of knowledge and dedication to her role. In addition to her public service, she is a successful small business owner whose company has received multiple statewide awards. Deeply engaged in her community, she is a past president of the Etowah Chamber of Commerce, United Way of Etowah County, and Etowah C.A.R.E.S. She currently serves on the boards of Downtown Gadsden Inc. (DGI), Main Street Alabama, Executive Board of Rotary, Gadsden Titans Creating Entrepreneurial Opportunities, State Public Safety Committee for ALM, and NLC's Communities and Campuses.

RUTH MOFFATT, Director of Social Responsibility and Community Engagement, was appointed to her position in November 2022. She is a seasoned executive and public servant with experience across the corporate, nonprofit, and municipal sectors. She holds a master of public administration from Jacksonville State University and is a member of several honor societies, including PRSA and the National Society of Leadership and Success. Moffatt joined United Way of Etowah County in 2015 and became Executive Director in 2019. She now serves on the Mayor's Executive Cabinet overseeing federal programs and leading key citywide initiatives. Her community leadership extends to multiple advisory boards and task forces focused on public service and equity, including VOAD, the Gadsden Rotary Club, and the National League of Cities.

JOHN MOORE, Director of Commercial Development and Community Affairs, was appointed to his position in December 2022. Moore holds a bachelor's degree in marketing from Jacksonville State University. He has also earned several certifications including senior leadership and creative problem solving. He has 20 years of executive sales leadership at Spectrum and 12 years of municipal experience as a former member of the Hokes Bluff City Council. He most recently served as Director of Sales for Spectrum where he managed a sales team across multiple offices in north Alabama. An active community servant, Moore is a member of the Etowah County Republican Party, president of Etowah C.A.R.E.S., and has served on the United Way of Etowah County board of directors and the Downtown Gadsden, Inc. board of directors.

BRANDON PHILLIPS, Finance Director, was appointed to his position in April 2023. Phillips earned an associate's degree in accounting from Gadsden State Community College prior to graduating from Jacksonville State University in 2003 with a bachelor's degree in business administration and accounting. He worked in public accounting for nine years including performing audits for government entities. He began working in government in 2013 at the City of Anniston as the Assistant Finance Director. He has been employed by the City of Gadsden since 2015, when he was originally hired into the City's Finance Department as the Assistant Finance Director. He is a member of the Governmental Finance Officers Association of Alabama.

J. LEE ROBERTS, JR., City Attorney, was hired in November 2013 after having served in private practice as the City's attorney following the retirement of the City's prior in-house attorney in July 2012. Roberts graduated from Auburn University in 1987 and Cumberland School of Law in 1990. He was previously employed with the law firm of Turnbach, Warren, Roberts & Lloyd, P.C., Gadsden, Alabama. He has been licensed to practice law in the State of Alabama since 1990 and, while in private practice, was a member of the Alabama Trial Lawyers Association (Member, Board of Governors, 1997-2004) and the Association of Trial Lawyers of America.

HEATH WILLIAMSON, Director of Engineering, attended both Gadsden State Community College and Auburn University where he earned his bachelor's degree in civil engineering in 2000. He then obtained his professional engineering license to practice in the State of Alabama in 2005. His career began out of college working as a staff engineer in Montgomery with the Alabama Department of Environmental Management in the Air Division and continued as a civil engineering consultant with JBW&T, Inc. in Gadsden. As a consultant, he was able to diversify and work for both public and private clients across the region, completing a wide range of projects that included roadway design, storm water infrastructure design, site layout design, as well as utility designs that incorporated both water and waste water repairs and improvements to meet the needs of a variety of end users. In 2010, Heath was hired by the City of Rainbow City and Utilities Board of Rainbow City before receiving the call to come be a part of the City of Gadsden team in 2015.

Services, Departments and Agencies

The City's current-year budget authorizes the employment of 580 full-time and 287 part-time employees in its various departments or agencies, which include the following:

Police Department. 1 police chief, 96 full-time sworn police officers, 12 full-time dispatchers and 5 part-time dispatchers.

Fire Department. 1 fire chief, 98 full-time fire-medics and 13 full-time firefighters (not medics).

Municipal Court. 1 part-time judge, 1 part-time city prosecutor, 5 magistrates and 1 chief magistrate.

The City employs 1 director of public works, 1 assistant director and other superintendents to administer the following departments:

Environmental Services/Garbage. 8 equipment operators and 2 part-time employees.

Street Cleaning. 25 full-time employees and 14 part-time employees.

Street Painting/Maintenance. 26 full-time employees.

Facility Maintenance. 17 full-time employees and 6 part-time employees.

Cemetery. 7 full-time employees and 3 part-time employees.

Fleet Management Department. 1 director, 15 mechanics and 2 buyers.

The City employs 1 director of Parks and Recreation, 1 supervisor and 2 managers to administer the following departments:

Noccalula Falls/Coosa Landing. 27 full-time employees and 63 part-time employees.

Special Events. 2 full-time employees and 14 part-time employees.

Parks and Recreation Complex. 15 full-time employees and 50 part-time employees.

Venue. 17 full-time employees and 40 part-time employees.

There are several independent public corporations or agencies that have responsibility for providing governmental services. Each of these corporations or agencies has its own governing body, all or a majority of the members of which are elected by the City's Mayor or Council. The City has no responsibility for payment of expenses or other obligations of these corporations or agencies and has no right to their revenues. The significant independent public corporations include the following:

Board of Education. The public education system of the City is supervised and operated by the Gadsden City Board of Education, consisting of seven members elected by district. The Board of Education has more than

650 employees and approximately 4,700 students. There are 8 elementary schools, 3 middle schools, 1 high school, and 1 alternative school.

Water Works and Sewer Board. The Water Works and Sewer Board of the City of Gadsden owns and operates the water supply and distribution system and the sanitary sewer system for the City and certain portions of the surrounding area. This corporation has a governing body consisting of seven members elected for staggered, 6-year terms. The Coosa River, which flows through the City's city limits, is the Board's source of water. The Board's facilities include a water treatment plant and related storage and distribution facilities and two sewage treatment plants and related collectors, mains and pumping facilities.

Housing Authority. The Greater Gadsden Housing Authority provides low-cost multifamily housing facilities for area residents. These facilities are constructed under federal housing assistance programs.

Economic Development. The Gadsden-Etowah Industrial Development Authority, the Gadsden Commercial Development Authority, Downtown Gadsden, Inc. and several other nonprofit corporations and medical clinic boards have been incorporated primarily to facilitate tax-exempt financings and to facilitate industrial and retail development activity.

Airport Authority. The Gadsden Airport Authority owns and operates the Gadsden Municipal Airport. This corporation has a governing body consisting of seven members elected for staggered, 6-year terms; however, the Director of the Gadsden Airport is an employee of the City.

The following table lists the governmental services provided by the City, other levels of government or independently appointed or elected agencies.

Governmental Services Provided by the City and Others				
	City	County	State	Independent
Police protection ⁽¹⁾	Principal	Shared	Shared	
Fire protection	Exclusive			
Street maintenance and repair ⁽²⁾	Principal		Shared	
Solid waste disposal	Principal	Shared		
Water service ⁽³⁾	Shared			Principal
Sanitary sewer service ⁽⁴⁾	Shared			Principal
Storm water sewers	Exclusive			
Gas and electric services ⁽⁵⁾				Exclusive
Courts ⁽⁶⁾	Shared		Principal	
Road construction ⁽⁷⁾	Shared		Principal	
Education ⁽⁸⁾	Shared		Shared	Shared
Health			Principal	
Recreation ⁽⁹⁾	Principal			
Social welfare		Shared	Principal	
Aviation ⁽¹⁰⁾	Shared			Principal

(1) The City, the County and the State have co-extensive law enforcement jurisdiction.

(2) The State is responsible for maintaining state and federal highways in the city limits.

(3) The water system is owned and operated by an independent corporation, The Water Works and Sewer Board of the City of Gadsden, the members of which are appointed by the City Council.

(4) The sanitary sewer system is owned and operated by an independent corporation, The Water Works and Sewer Board of the City of Gadsden, the members of which are appointed by the City Council.

(5) Gas and electric services are provided by investor-owned public utility corporations, Alabama Power Company and Spire Inc.

(6) The City operates a municipal court, a limited jurisdiction court that is a component of the Unified Judicial System of the State.

(7) The City builds and maintains streets that are not state or federal highways.

(8) The Gadsden City Board of Education, an independent public corporation whose members are elected by district, operates schools with local ad valorem and other taxes and state and federal funds.

(9) The City historically has financed all major public recreation facilities in its jurisdiction.

(10) The Gadsden Municipal Airport is owned and operated by an independent corporation, the Gadsden Airport Authority, the members of which are appointed by the City Council; however, the Director of the Gadsden Airport is an employee of the City.

Employee Relations

The City considers relations with its employees to be satisfactory. The City is aware that many of its first responders are members of labor unions. The City meets and confers with representatives of two labor unions regarding wages and other conditions of employment. The recommendations made by the unions are taken into consideration when the City Council sets the wages, benefits, and conditions of employment for the City's employees.

The City recently engaged an employee benefits consultant to analyze and make recommendations regarding personnel costs and staffing levels for the fire department. The consultant's review was completed and reviewed by the City, and changes are being implemented as attrition occurs.

Personnel and Retirement System

The City employed approximately 580 full-time personnel in its several departments as of a recent date. The benefits and compensation for all employees of the City's several departments are established by the City Council.

The employees of the City participate in a retirement system established by the Legislature of Alabama known as the Employees' Retirement System of Alabama (the "Retirement System"). Contributions to the Retirement System are made by both the employees and the City. The respective amounts of such contributions are established by the Legislature of Alabama. The City's obligations under the Retirement System are described more particularly in the audited financial statements of the City included in Appendix B to this Official Statement. **As detailed in the audited financial statements, at present, the City has significant unfunded actuarial accrued liabilities with respect to the Retirement System.**

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45 ("GASB 45"), which is entitled Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition and presentation of post-employment benefits other than pension benefits ("OPEB") expenses/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplemental information in the financial reports of state and local governmental employers. GASB 45 is intended to improve the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB costs (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

GASB 45 was effective for the City's fiscal year ending September 30, 2009. The City's OPEB obligations are described more particularly in the audited financial statements of the City included in Appendix B to this Official Statement. **As detailed in the audited financial statements, at present, the City has significant unfunded actuarial accrued liabilities with respect to its OPEB obligations.**

FINANCIAL SYSTEM

General

The City maintains a financial reporting system which provides timely and accurate reports of receipts and expenditures. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (i) the safeguarding of assets against loss from unauthorized use or disposition, and (ii) the reliability of financial records for preparing financial statements and maintaining accountability for assets. Activities of the City are

monitored internally on a monthly basis and are audited annually, as required by law, by independent certified public accountants. The report of such accountants with respect to certain of the City's financial statements for the fiscal year ended September 30, 2016 is included as Appendix B to this Official Statement.

The City operates on a fiscal year basis beginning October 1 and ending September 30. The City prepares a budget for each fiscal year. The budget process and the significant accounting practices for City finances are summarized in the audited financial statements of the City included in Appendix B to this Official Statement. All revenues and expenditures of the City are accounted for in a series of funds (including a General Fund, which is the City's primary operating fund), which are described in the City's financial statements.

Description of Major Sources of General Fund Revenues

General. Under applicable judicial precedents, neither the general sales and use tax nor any business license tax may be levied at rates that are confiscatory or unreasonable, nor may the rate of any such taxes in the police jurisdiction of a municipality be fixed at a rate that will yield an amount in excess of the cost of furnishing police and fire protection and other essential services to the activity or person being taxed.

Occupational License Fee. The City levies an occupational license fee on persons employed within the City in an amount equal to 2% of wages and salary (sometimes referred to herein as the "Special Fee" or "Special Fees"). The City is prohibited by law from levying an occupational license fee in excess of 2%. Collections from occupational license fees for the fiscal years indicated were as follows:

Year	Amount
2020	\$15,616,669
2021	14,355,478
2022	15,459,195
2023	15,972,420
2024	16,287,940

The top ten payers of occupational license fees accounted for approximately 37.3% of all occupational license fees for the fiscal year ended September 30, 2024.

Sales and Use Tax. The City levies a sales tax on retail sales of personal property within city corporate limits at the general rate of 5% of the price of all purchases. The sales tax levied by the City parallels the sales and use tax of the State of Alabama and is being collected by a private firm for the City and remitted to the City at least weekly. Collections for sales and use taxes for the fiscal years indicated were as follows:

Year	Amount
2020	\$36,000,415
2021	39,939,181
2022	41,891,977
2023	42,985,874
2024	43,802,681

The top ten payers of sales and use taxes accounted for approximately 31.5% of all sales and use taxes for the fiscal year ended September 30, 2024.

Business Licenses. The City levies license taxes on the privilege of engaging in certain businesses and professions within the corporate limits of the City. Most license taxes are computed as a stated amount plus a percentage of gross receipts based on a graduated scale. Business license tax collections for the fiscal years indicated were as follows:

Year	Amount
2020	\$7,354,041

2021	6,662,932
2022	7,170,546
2023	7,413,694
2024	10,197,134

The governing body of the City recently adopted an ordinance increasing business licenses, which is a significant reason for the increase in business license revenues from FY2023 to FY2024.

Ad Valorem Taxes. Property or ad valorem taxes are levied under various provisions of the constitution and statutes of Alabama and may be used only for the purpose or purposes for which they are levied. The City levies a 6-mill tax for general municipal purposes, proceeds of which are deposited in the General Fund. In addition to the 6-mill tax levied for general municipal purposes, the City levies a 6-mill ad valorem tax for public school purposes. Under present law, the rates at which local ad valorem taxes are levied may be increased only after approval by the legislature and a majority vote of the qualified electors of the affected jurisdiction. See “AD VALOREM TAXATION”. Ad valorem tax collections for the fiscal years indicated were as follows:

Year	Amount
2020	\$5,283,641
2021	5,448,001
2022	5,688,926
2023	6,389,325
2024	6,186,508

RESULTS OF OPERATIONS

General

This section of the Official Statement presents certain historical financial information concerning the City. The information in this section will be updated annually and such annual report will be filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System in accordance with the requirements of Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING DISCLOSURE”.

Comparative Statement of General Fund Revenues and Expenditures and Changes in Fund Balance

The following table sets forth revenues, expenditures and changes in fund balance for the City’s General Fund for the five fiscal years ended September 30, 2020 through 2024. This information was extracted from the audited financial statements of the City for fiscal years ending September 30, 2020 through September 30, 2024. The audited financial statements for fiscal year 2024 are included in Appendix B to this Official Statement. Audited financial statements for prior fiscal years may be obtained from the City upon request or from the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System.

**Comparative Statement of General Fund
Revenues and Expenditures and
Changes in Fund Balance**

	Fiscal Year (Ended 9/30)				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenue					
Taxes	\$41,147,805	\$42,803,988	\$45,196,209	\$46,550,589	\$47,455,836
Licenses and permits	7,354,041	6,662,932	7,170,564	7,413,694	10,197,134
Intergovernmental	387,455	399,060	409,576	417,942	1,570,080
Charges for services	2,351,462	2,895,752	3,195,910	3,542,504	3,899,072
Fines and forfeitures	637,431	618,172	546,641	441,625	438,056
Other revenue	<u>160,560</u>	<u>597,351</u>	<u>410,311</u>	<u>4,419,985</u>	<u>5,233,899</u>
Total revenue	<u>52,035,754</u>	<u>53,977,255</u>	<u>56,929,193</u>	<u>62,786,339</u>	<u>68,794,077</u>
Expenditures					
Current					
General government	2,289,401	2,344,008	2,480,025	4,015,917	5,106,323
Internal services	3,216,065	3,238,177	3,123,105	3,220,054	3,248,458
Public safety	21,995,995	21,208,067	21,619,589	7,434,533	23,619,581
Recreation and cultural services	6,288,306	6,405,997	7,714,171	7,434,533	8,016,700
Public works services	5,217,937	5,352,251	5,542,041	5,392,218	5,795,585
Urban development	1,918,750	1,798,566	2,043,859	3,008,875	4,561,794
Non-departmental	3,378,009	3,813,741	4,143,231	4,539,719	4,877,575
Intergovernmental	2,211,500	2,125,000	1,835,162	1,924,500	1,578,167
Principal Retirement	-	-	-	-	59,000
Capital outlays	<u>1,568,492</u>	<u>2,432,715</u>	<u>2,053,386</u>	<u>4,490,959</u>	<u>19,270,443</u>
Total expenditures	<u>48,084,455</u>	<u>48,718,522</u>	<u>50,554,569</u>	<u>55,956,300</u>	<u>76,133,626</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>3,951,299</u>	<u>5,258,733</u>	<u>6,374,624</u>	<u>6,830,039</u>	<u>(7,339,549)</u>
Other Financing Sources (Uses)					
Proceeds from Leases/SBITAs	-	-	-	-	8,880,706
Proceeds from sale of assets	39,250	65,697	5,520	472,601	122,153
Transfers	<u>(907,509)</u>	<u>(744,705)</u>	<u>(914,779)</u>	<u>(760,860)</u>	<u>560,997</u>
Total other financing sources (uses)	<u>(595,259)</u>	<u>(679,008)</u>	<u>(909,259)</u>	<u>(288,259)</u>	<u>9,563,856</u>
Extraordinary Item					
Surety bond proceeds – construction project	1,905,812	-	-	-	-
Net Change in Fund Balances	4,988,852	4,579,725	5,465,365	6,541,780	2,224,309
Fund Balance - Beginning of Year	<u>20,369,008</u>	<u>25,357,860</u>	<u>30,149,922</u>	<u>35,615,287</u>	<u>42,157,067</u>
Fund Balance - End of Year	<u>\$25,357,860</u>	<u>\$29,937,585</u>	<u>\$35,615,287</u>	<u>\$42,157,067</u>	<u>\$44,381,374</u>

GENERAL FUND BUDGET INFORMATION

The following table sets forth the following budget information for the City's General Fund: (1) approved budget for the City's General Fund for the fiscal year ending September 30, 2024; and (2) approved budget for the City's General Fund for the fiscal year ending September 30, 2025. The information shown below is unaudited.

City of Gadsden Comparative Budgets Fiscal Year Ended September 30

	2024 Approved Budget	2025 Approved Budget
REVENUES		
Taxes	\$44,909,000	\$47,575,000
Licenses & Permits	7,929,000	9,102,000
Intergovernmental	377,513	392,513
Charges for Service	3,121,200	4,011,000
Fines & Forfeitures	446,000	426,000
Other Income	2,267,800	3,796,000
Sale of Assets	100,000	100,000
Transfer from Unassigned Fund Balance	<u>1,100,000</u>	<u>9,000,000</u>
TOTAL REVENUE	<u>\$60,250,513</u>	<u>\$74,402,513</u>
EXPENDITURES		
General Government	4,034,594	3,947,845
Internal Services	3,738,999	4,057,000
Public Safety	24,757,217	24,586,974
Recreation & Cultural Services	9,119,743	9,496,537
Public Works Services	7,313,291	7,530,845
Urban Development	3,839,744	8,783,627
General Expenses	2,200,611	9,704,557
Utilities	2,840,200	2,845,200
Agency Appropriations	1,552,500	1,475,000
Transfers To Other Funds	<u>853,614</u>	<u>1,974,928</u>
TOTAL EXPENDITURES	<u>\$60,250,513</u>	<u>\$74,402,513</u>

DEBT MANAGEMENT

General

The principal forms of indebtedness that the City is authorized to incur include general obligation bonds, general obligation warrants, general obligation bond anticipation notes, revenue anticipation notes, gasoline tax anticipation bonds, and various revenue anticipation bonds and warrants relating to enterprises. In addition, the City has the power to enter into certain leases which constitute a charge upon the general credit of the City and to guarantee obligations of certain public corporations affiliated with the City.

In general, the issuance of general obligation bonds requires voter approval. The following types of obligations may be issued or incurred without voter approval: (1) general obligation warrants; (2) general obligation refunding bonds; (3) certain revenue anticipation bonds, warrants and notes; (4) general and special obligation bonds financing street, sidewalk and sewer improvements supported, in whole or in part, by assessments; and (5) capitalized lease obligations that are funded on a “year-to-year basis”. The issuance of the City’s General Obligation Warrants, Series 2025A (the “Series 2025A Warrants”) does not require voter approval.

The City has never defaulted in the payment of debt service on its bonds, warrants or other funded indebtedness, nor has the City ever refunded any funded indebtedness for the purpose of preventing or avoiding such a default.

Outstanding Indebtedness

Long-Term Indebtedness. Following the issuance of the Series 2025A Warrants, the City will have the following long-term indebtedness outstanding:

Description of Indebtedness	Source of Payment	Principal Balance
General Obligation Warrants, Series 2025A	general obligation	\$127,600,000*
General Obligation Warrants, Series 2017A	general obligation	333,383
General Obligation Warrants, Series 2017B	general obligation	11,175,000
General Obligation School Warrants, Series 2014B ⁽¹⁾	general obligation	7,030,000
General Obligation Warrants, Series 2014C	general obligation	1,965,000
General Obligation School Warrants, Series 2012A ⁽¹⁾	general obligation	5,655,000
General Obligation Warrants, Series 2012C	general obligation	1,690,000
General Obligation Warrants, Series 2006A	general obligation	45,000
Capital Lease Obligations ⁽¹⁾	general obligation	<u>645,000</u>
TOTAL		<u>\$156,138,383</u>

* Preliminary; subject to change.

⁽¹⁾ As described more particularly under “Funding Agreements, Capital Leases, and Related Arrangements”, the City has entered into funding agreements, capital leases, and other arrangements with respect to certain of the City’s outstanding indebtedness.

Short-Term Indebtedness. Other than portions of long-term indebtedness due in the current fiscal year, the City has no short-term indebtedness outstanding.

Funding Agreements, Capital Leases, and Related Arrangements

Board of Education Funding Agreement. The City and the Gadsden City Board of Education (the “Board of Education”) previously have entered into one or more funding agreements (collectively, the “BOE Funding Agreement”) relating to the City’s Tax-Exempt General Obligation Warrants, Series 2012A and the City’s General Obligation School Warrants, Series 2014B. The Board of Education has agreed in the Funding Agreement to remit

so much of the proceeds of all legally available revenues now or hereafter levied by the City or Etowah County for the benefit of public schools as is necessary to pay \$900,000 of the annual combined debt service on the Series 2012A Warrants and the Series 2014B Warrants and the City's Tax-Exempt General Obligation School Warrants, Series 2012-A (the "Series 2012-A Warrants"). As security for the Board of Education's performance under the Funding Agreement, the Board of Education has pledged to the City a first priority lien on certain sales and use taxes levied for the benefit of public schools in the City. The City believes that these Board of Education revenues will be sufficient to service \$900,000 of the combined annual debt service on the Series 2012A Warrants and the Series 2014B Warrants. However, the City can provide no assurances that this will be the case.

Capital Leases. The City has entered into capital leases to finance the acquisition of a fire truck. The current outstanding obligation of the City pursuant to the capital lease is approximately \$645,000.

Other Indebtedness

The City has previously entered into revenue-sharing arrangements intended to incentivize economic development within the City. Each of these revenue-sharing arrangements is a limited obligation of the City payable over a certain period of time. In all cases, the City's revenue-sharing obligation is payable solely out of and secured by a portion of the sales tax revenues to be derived from a commercial project to be constructed at the expense of a third-party private entity. These revenue-sharing arrangements are expected to total no more than \$28 million.

Anticipated Indebtedness

The City has no authorized but unissued debt outstanding other than the Series 2025A Warrants. The City does not expect to incur additional long-term indebtedness, other than the Series 2025A Warrants, within the next 12 months.

Constitutional Debt Limit

Constitutional Debt Limit—General. The City's present constitutional debt limit is based on three provisions of the Alabama Constitution of 2022, namely, Section 225 of the Alabama Constitution of 2022, Amendment No. 761 to the Alabama Constitution of 2022, and Amendment No. 772 to the Alabama Constitution of 2022. Obligations chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 2022 are not chargeable against debt limit for purposes of Amendment No. 761 to the Alabama Constitution of 2022 and/or Amendment No. 772 to the Alabama Constitution of 2022, and obligations chargeable against debt limit for purposes of Amendment No. 761 to the Alabama Constitution of 2022 and/or Amendment No. 772 to the Alabama Constitution of 2022 are not chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 2022.

Constitutional Debt Limit—Section 225. Under Section 225 of the Alabama Constitution of 2022, the City's present constitutional debt limit is an amount equal to 20% of the assessed value of the taxable property located within its corporate limits; however, under existing law, the following are not chargeable against the City's constitutional debt limit: (1) obligations chargeable against debt limit for purposes of Amendment No. 761 to the Alabama Constitution of 2022 and/or Amendment No. 772 to the Alabama Constitution of 2022; (2) obligations issued for the purpose of acquiring, providing or constructing schools, water works or sewers; (3) obligations incurred for street or sidewalk improvements where the costs thereof, in whole or in part, are to be assessed against the property abutting such improvements; (4) tax anticipation notes not exceeding one-fourth of general revenues; (5) revenue securities payable solely from the revenues of water, sewer, gas or electric systems; and (6) capitalized lease obligations that are funded on a "year-to-year basis".

The following statement reflects the City's legal debt margin under Section 225 of the Alabama Constitution of 2022 after the issuance of the Series 2025A Warrants:

City of Gadsden
Statement of Legal Debt Margin—Section 225

Assessed value of taxable property (including motor vehicles) (as of September 30, 2024)	\$473,665,040
Basic debt limit (20% of assessed value)	94,733,008
Total indebtedness:	
General obligation indebtedness ⁽¹⁾	156,138,383
Less: Exempt indebtedness ⁽²⁾	<u>(128,170,000)</u>
Total indebtedness chargeable against debt limit	27,968,383
Legal debt margin	<u>\$66,764,625</u>

(1) See “Outstanding Indebtedness”.

(2) The following indebtedness (in the amounts noted in parentheses) is not chargeable against debt limit: (a) Tax-Exempt General Obligation School Warrants, Series 2012A (\$5,655,000); (b) General Obligation School Warrants, Series 2014B (\$7,030,000); (c) General Obligation Warrants, Series 2025A (\$114,840,000); (d) Capital Lease Obligations (\$645,000). See “Outstanding Indebtedness”. All or a portion of the City’s capital lease obligations (totaling approximately \$700,000) may not be chargeable against debt limit; however, the City’s capital lease obligations are excluded from exempt indebtedness in the above table.

Constitutional Debt Limit—Amendment No. 761/Amendment No. 772. Under Amendment No. 761 to the Alabama Constitution of 2022 and/or Amendment No. 772 to the Alabama Constitution of 2022, the City may become indebted and issue bonds, warrants which may be payable from funds to be realized in future years, notes, or other obligations, or evidences of indebtedness to a principal amount not exceeding 50% of the assessed value of the taxable property located within its corporate limits in order to secure funds for any of the economic and industrial development powers or authorities granted in such amendment; however, under existing law, obligations chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 2022 are not chargeable against the City’s constitutional debt limit.

The following statement reflects the City’s legal debt margin under Amendment No. 761 to the Alabama Constitution of 2022 and/or Amendment No. 772 to the Alabama Constitution of 2022 after the issuance of the Series 2025A Warrants:

City of Gadsden, Alabama
Statement of Legal Debt Margin—Amendment No. 761/Amendment No. 772

Assessed value of taxable property (including motor vehicles) (as of September 30, 2024)	\$473,665,040
Basic debt limit (50% of assessed value)	236,832,520
Total indebtedness chargeable against debt limit ⁽¹⁾	<u>(142,801,304)</u>
Legal debt margin	<u>\$94,031,216</u>

(1) The following indebtedness (in the amounts noted in parentheses) is chargeable against debt limit for purposes of Amendment No. 761 to the Alabama Constitution of 2022 and/or Amendment No. 772 to the Alabama Constitution of 2022: (a) River Trace Venture, LLC (2011) (\$10,000,000); (b) D’Alessandro Enterprises, LLC (2021) (\$780,000); (c) Los Arcos Properties (2022) (\$125,000); (d) Akin Holdings V Gadsden, LLC (2022) (\$500,000); (e) Ershco, LLC (2022) (\$250,000); (f) K-V-A-T Food Stores, Inc. (2022) (\$6,738,160); (g) Backpack Brands, LLC (2022) (\$250,000); (h) Aileron Gadsden, LLC (2022) (\$200,000); (i) TSC Gadsden, LLC (2022) (\$250,000); (j) MWB Restaurants, LLC (2022) (\$515,000); (k) Gadsden Premiere Cinema (2022) (\$600,000); (l) AJM, LLC Gadsden AL (2025) (\$7,753,144); and (m) General Obligation Warrants, Series 2025A (\$114,840,000). See “Other Indebtedness”. Because obligations chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 2022 are not chargeable against debt limit for purposes of Amendment No. 761 to the Alabama

Constitution of 2022 and/or Amendment No. 772 to the Alabama Constitution of 2022, the indebtedness described more particularly under “Outstanding Indebtedness–Long-Term Indebtedness” is excluded from this table.

Debt Service Requirements on General Obligation Debt

The following table contains the debt service requirements on all long-term, general obligation debt of the City that will be outstanding after the issuance of the Series 2025A Warrants.

City of Gadsden Debt Service Requirements on General Obligation Debt

Fiscal Year Ended	Series 2025A Warrants ⁽¹⁾⁽⁴⁾	Other General Obligation Indebtedness ⁽¹⁾⁽²⁾⁽³⁾	Total Debt Service
2026	\$2,989,663	\$5,843,741	\$8,833,404
2027	6,562,675	5,565,870	12,128,545
2028	6,562,675	5,440,513	12,003,188
2029	6,562,675	5,446,843	12,009,518
2030	6,562,675	3,369,321	9,931,996
2031	7,001,425	2,390,181	9,391,606
2032	7,003,300	2,387,131	9,390,431
2033	7,003,925	2,385,350	9,389,275
2034	9,392,050	-	9,392,050
2035	9,389,550	-	9,389,550
2036	9,389,300	-	9,389,300
2037	9,390,800	-	9,390,800
2038	9,388,675	-	9,388,675
2039	9,392,425	-	9,392,425
2040	9,391,550	-	9,391,550
2041	9,390,675	-	9,390,675
2042	9,389,300	-	9,389,300
2043	9,391,800	-	9,391,800
2044	9,392,550	-	9,392,550
2045	9,391,050	-	9,391,050
2046	9,391,675	-	9,391,675
2047	9,391,419	-	9,391,419
2048	9,388,900	-	9,388,900
2049	9,389,844	-	9,389,844
2050	9,393,200	-	9,393,200
2051	9,393,050	-	9,393,050
2052	9,388,606	-	9,388,606
2053	9,388,819	-	9,388,819
2054	9,392,375	-	9,392,375
2055	9,388,225	-	9,388,225
2056	<u>9,390,188</u>	<u>-</u>	<u>9,390,188</u>
Total	<u>\$266,235,038</u>	<u>\$32,828,951</u>	<u>\$299,063,989</u>

(1) For purposes of this table the principal amount of indebtedness to be retired in a fiscal year pursuant to mandatory redemption provisions is shown as maturing in that fiscal year. For purposes of this table, total debt service for the Series 2025A Warrants is shown. A breakdown of debt service by principal and interest for the Series 2025A Warrants is shown under “DEBT SERVICE REQUIREMENTS”.

(2) Includes the indebtedness shown under “Outstanding Indebtedness” except for the Series 2025A Warrants.

(3) As described more particularly under “Funding Agreements, Capital Leases, and Related Arrangements”, the City has entered into funding agreements, capital leases, and other arrangements with respect to certain of the City’s outstanding indebtedness.

(4) For purposes of this Preliminary Official Statement, principal and interest requirements on the City’s existing indebtedness are shown. Principal amounts and maturities and actual interest rates will be established after pricing of the Series 2025A Warrants and, along with principal and interest requirements on the City’s existing indebtedness, will be reflected in the final Official Statement.

Direct and Overlapping Debt

The following table reflects the direct debt of the City that will be outstanding after the issuance of the Series 2025A Warrants and the overlapping debt of Etowah County and governmental entities subordinate to the County and the City. Debt of the State of Alabama is not included in overlapping debt. For purposes of this table, direct and overlapping debt includes only general obligation debt or debt payable from taxes levied by the County, the City or a governmental entity subordinate to the County or the City.

Pro Forma Direct and Overlapping Indebtedness September 30, 2024

	Principal Balance	Percent of Debt Allocable To City ⁽¹⁾	City's Allocable Share of Debt
<u>Direct Debt</u>			
General obligation bonds or warrants ⁽²⁾	\$156,138,383	100.0%	\$156,138,383
<u>Overlapping Debt⁽³⁾</u>			
Etowah County ⁽⁴⁾	19,706,431	35%	6,897,251
Gadsden City Board of Education ⁽⁵⁾	16,175,275	100%	<u>16,175,275</u>
Total Direct and Overlapping Debt			<u>\$179,210,908</u>

(1) The percent of this debt allocable to the City was calculated on the basis of the ratio of assessed value of taxable property within the City's corporate limits to assessed value of taxable property within Etowah County as of the end of the fiscal year ended September 30, 2024.

(2) After giving effect to the issuance of the Series 2025A Warrants.

(3) Includes all general obligation debt and other County debt payable from county-wide ad valorem taxes.

(4) Indebtedness for Etowah County shown as of September 30, 2024.

(5) Indebtedness for Gadsden City Board of Education shown as of September 30, 2023; such indebtedness excludes indebtedness issued by the City on behalf of the Board of Education.

Debt Ratio

The following table sets forth certain debt ratios applicable to the City:

City of Gadsden Debt Ratios

Population (estimated) ⁽¹⁾	33,945
Assessed Value of Taxable Property ⁽²⁾	\$473,665,040
General Obligation Debt ⁽³⁾	\$156,138,383
General Obligation Debt Per Capita	\$4,599
Ratio of General Obligation Debt to Assessed Value	3.3%
Direct and Overlapping Debt	\$179,210,908
Ratio of Direct and Overlapping Debt Per Capita	\$5,279
Ratio of Direct and Overlapping Debt to Assessed Value	3.8%

(1) Based on 2020 census of U.S. Bureau of the Census.

(2) Source: Etowah County Revenue Commissioner.

(3) After giving effect to the issuance of the Series 2025A Warrants.

AD VALOREM TAXATION

General

The levy and collection of ad valorem taxes in Alabama are subject to the Alabama Constitution, which, among other things, fixes the percentage of market value at which property can be assessed for taxation, limits the tax rates that can be levied against property and places a ceiling on the aggregate ad valorem taxes that can be levied by all taxing authorities on any property in any tax year. The amount of an ad valorem tax in Alabama is computed by multiplying the applicable tax rate by the assessed value of the taxable property. The assessed value of taxable property is a specified percentage (the “assessment ratio”) of its fair and reasonable market value or, in certain circumstances, its current use value. Ad valorem tax rates are stated in terms of mills per dollar of assessed value. Each mill represents a tax equal to one-tenth of one percent of the assessed value of such property.

Classification of Taxable Property

Amendment No. 373 to the Alabama Constitution divides all taxable property into the following four classes valued for taxation according to the assessment ratios shown below:

Class I	All property owned by utilities	30%
Class II	All property not otherwise classified	20%
Class III	All agricultural, forest and single-family, owner-occupied residential property and historic buildings and sites	10%
Class IV	Private passenger automobiles and pickup trucks owned and operated by an individual for personal or private use	15%

Amendment No. 373 permits the owner of Class III property to elect to have such property appraised at its “current use value” rather than its “fair and reasonable market value”. “Current use value” has been defined statutorily as the

value of such property based on the use being made of it on October 1 of the preceding year, without taking into consideration the prospective value such property might have if it were put to some other possible use.

Assessment Ratio Adjustment

The Alabama Legislature has no power to adjust assessment ratios pertaining to local (as distinguished from state) taxes but does have the power to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of any county, municipality or other local taxing authority may increase or decrease the assessment ratio with respect to any class of property subject to the following conditions: (i) the governing body of such county, municipality or other taxing authority must hold a public hearing on the proposed adjustment before authorizing the adjustment, (ii) the Legislature must adopt an act approving the adjustment and (iii) a majority of the electors of such county, municipality or other taxing authority must approve the adjustment in a special election. In addition, the Legislature has placed the following restrictions on the adjustment of assessment ratios:

(1) If the total assessed value of all property of a single class located within a taxing authority's jurisdiction exceeds 50% of the total assessed value of all taxable property located within the jurisdiction of such authority, then the assessment ratio with respect to that class of property may be decreased by no more than 5% from the ratio otherwise prescribed for such class;

(2) If the total assessed value of all properties of a single class located within the jurisdiction of a local taxing authority is less than 20% of the total assessed value of all taxable property located within such jurisdiction, then the assessment ratio with respect to that class of property may be increased by no more than 5% from the ratio otherwise prescribed for such class; and

(3) If the total assessed value of all property of a single class located within the jurisdiction of a local taxing authority exceeds 75% of the total assessed value of all taxable property located within such jurisdiction, then (i) the assessment ratio with respect to that class of property may be decreased by no more than 5% from the ratio otherwise prescribed for such class and (ii) the prospective assessment ratio for all other classes of property may be increased by no more than 5% from the ratio otherwise prescribed for such classes.

The governing body of the City has not sought to adjust the assessment ratio applicable to any class of taxable property nor does the City have any present plan for any such adjustment.

Rate Adjustments

Amendment No. 373 authorizes any county, municipality or other local taxing authority to decrease any ad valorem tax rate at any time, provided that such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax. Amendment No. 373 also permits a county, municipality or other local taxing authority to increase the rate at which any ad valorem tax is levied, but only if (i) the governing body of such county, municipality or other taxing authority holds a public hearing on the proposed increase before authorizing the increase, (ii) the Legislature adopts an act approving the increase and (iii) a majority of the electors of such county, municipality or other taxing authority subsequently approves the increase in a special election.

Ceiling on Ad Valorem Taxes

Amendment No. 373 also limits the total amount of state, county, municipal and other ad valorem taxes that may be imposed on any class of property in any one tax year. This limitation is expressed in terms of a specified percentage of the fair and reasonable market value of such property. The applicable percentages to the four classes of property are as follows:

Class I -	2%
Class II -	1 1/2%
Class III -	1%
Class IV -	1 1/4%

If the total amount of tax otherwise payable with respect to a class of property would exceed the maximum tax limit, the millage rate of each separate tax to which such property is subject must be reduced in the same proportion that

the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all applicable taxing authorities. This provision becomes operative as to the several classes of property only if the total tax rate exceeds the following:

Class I -	66 2/3 mills
Class II -	75 mills
Class III -	100 mills
Class IV -	83 1/3 mills

Ad Valorem Tax Rates

Ad valorem taxes on property in the jurisdiction of the City are currently levied at the following rates:

Taxing Authority	Mills
State of Alabama	6.5
Etowah County:	
General Fund	7.5
Road & Bridge	4.0
Fire Protection	3.0
School—Countywide	6.0
School—District 35-Gadsden	<u>10.0</u>
County Subtotal	30.5
City of Gadsden:	
School	6.0
General	<u>6.0</u>
Total	<u>49.0</u>

Source: Alabama Department of Revenue.

Assessed Valuation of Taxable Property

The following table contains the assessed value of taxable property (including motor vehicles but excluding exempt property) in the City for the tax years ended September 30 of the years indicated.

Year	Assessed Value
2020	\$416,935,420
2021	418,930,920
2022	452,330,420
2023	498,772,820
2024	473,665,040

Source: Etowah County Revenue Commissioner and City of Gadsden.

Largest Ad Valorem Taxpayers

Listed below are the largest ad valorem taxpayers in Etowah County and the total amount of ad valorem taxes paid by each during the tax year ended September 30, 2024 (the most recent year for which definitive information is available). The amounts shown under the heading “Total Ad Valorem Taxes Paid” represent the collections during the tax year ended September 30, 2024 from the total state, county, municipal and school district levies (49 mills) on property in the City’s jurisdiction.

Name of Taxpayer	Total Ad Valorem Taxes Paid
Alabama Power Co.	\$2,655,741
Koch Foods of Gadsden LLC	542,288
QHG of Gadsden, Inc.	509,376

Keystone Foods LLC	402,359
Spire Alabama, Inc.	338,926
Phoenix Gadsden Industrial Investors LLC	307,617
Prince Metal Stamping USA, Inc.	288,975
Comcast of AL, Inc.	224,362
Inteva Products, LLC	223,676
Mercedes-Benz U.S. International, Inc.	199,455

Source: Etowah County Revenue Commissioner.

LITIGATION RELATING TO THE CITY

The City is a defendant in several suits and has been notified of various claims against it arising from matters relating to normal operations of a municipality. The City believes that any liability resulting from these suits and claims will be covered by the City's liability insurance, which has customary deductible amounts, or by other funds of the City which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

Recent court decisions have substantially eroded the immunity from tort liability formerly enjoyed by local governmental units in Alabama. However, Chapter 93 of Title 11 of the Code of Alabama (1975) now prescribes certain limits on the liability of local governmental units for bodily injury or death and for damage or loss of property. The limits are presently \$100,000 in the case of bodily injury or death of one person in any single occurrence, \$300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence, and \$100,000 for damage or loss of property arising out of any single occurrence. There is no limit on the aggregation of property damage claims by multiple parties from a single occurrence. The Alabama Supreme Court has held that the limitations prescribed by Chapter 93 are constitutional.

Local governmental units throughout the country increasingly have been subjected to lawsuits - many of which claim damages in large amounts - for alleged denials of civil rights under the provisions of Section 1983 of Title 42 of the United States Code. Existing Alabama statutory limitations on liability for personal injury do not limit liability under Section 1983, only to alleged violations of state law.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The City of Gadsden is located in Etowah County, Alabama. The County is located in northeast Alabama, in the foothills of the Appalachian Mountains. The County has a land area of approximately 535 square miles and is bordered by DeKalb County to the north, Cherokee County to the east, Calhoun County to the southeast, St. Clair County to the southwest, Blount County to the west, and Marshall County to the northwest. The Coosa River flows through the County. The County is served by Interstate Highways 59 and 759, U.S. Highways 11, 278, 411 and 431, and various Alabama state highways.

Gadsden is the county seat and is located approximately 62 miles northeast of Birmingham, 90 miles southwest of Chattanooga, Tennessee and 118 miles northwest of Atlanta, Georgia. Gadsden currently ranks 18th in population in the State of Alabama. The principal basis of the area's economy is its diversified industries. More than 100 products are manufactured in the County, including steel, automotive parts, electrical materials, building materials, furniture, machine products, textile materials, and food products. The area's industrial economy is augmented by its farm products, consisting principally of cotton, corn, other grain, truck crops, livestock, dairy products, and poultry. The industries are interspersed with connecting railroad lines, and industrial sites are located for easy access to existing spurs.

Population

The following table sets forth population statistics for the City, the County, the State of Alabama, and the United States.

	1990	2000	2010	2020
City of Gadsden	42,523	38,978	36,856	33,945
Etowah County	99,840	103,459	104,430	103,436
State of Alabama	4,040,587	4,447,100	4,779,736	5,024,279
United States	248,709,873	281,421,906	308,745,538	331,449,281

Source: U.S. Census Bureau.

Employment

The following table sets forth estimated nonagricultural wage and salary employment statistics for the County for the 2023 annual year:

Etowah County Employment by Industry

	Number Employed	%
Health Care and Social Assistance	6,739	21.3
Retail Trade	4,727	15.0
Manufacturing	4,432	14.0
Public Administration	4,050	12.8
Accommodation and Food Services	3,583	11.3
Administrative and Support and Waste Management Services	1,753	5.5
Construction	993	3.1
Wholesale Trade	992	3.1
Finance and Insurance	901	2.9
Transportation and Warehousing	894	2.8
Other Services (except Public Admin.)	707	2.2
Professional, Scientific, and Technical Services	625	2.0
Arts, Entertainment and Recreation	367	1.2
Real Estate and Rental and Leasing	257	0.8
Educational Services	198	0.6
Information	168	0.5
Utilities	123	0.4
Management of Companies and Enterprises	88	0.3
Total wage and salary employees	31,597	100%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth labor force data, estimates and employment rates for the City for the dates indicated:

	2020	2021	2022	2023	2024	February 2025*
Civilian Labor Force	12,976	12,164	12,024	12,109	12,569	12,736
Employment	11,550	11,504	11,575	11,697	12,070	12,194
Unemployment	1,426	660	449	412	499	542
Unemployment Rate	11.0%	5.4%	3.7%	3.4%	4.0%	4.3%

*Preliminary, subject to change.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth comparative unemployment rates for the City, the County, the State of Alabama, and the United States for the dates indicated:

	2020	2021	2022	2023	2024	February 2025*
City of Gadsden	11.0%	5.4%	3.7%	3.4%	4.0%	4.3%
Etowah County	8.4	4.0	2.9	2.8	3.3	3.6
State of Alabama	6.4	3.3	2.5	2.5	3.1	3.4
United States	8.1	5.3	3.6	3.6	4.0	4.5

*Preliminary, subject to change.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Major Employers

The major governmental and nongovernmental employers in the County, their principal product or activity, and the number of employees of each are as follows:

Employer	Product or Activity	Approximate Number of Employed
Etowah County Board of Education	Education	1,365
Gadsden Regional Medical Center	Healthcare	1,024
Koch Foods	Agricultural/Food Production	1,000
Riverview Regional Medical Center	Healthcare	900
City of Gadsden	Municipal	685
Gadsden State Community College	Education	684
Gadsden City School System	Education	651
Tyson Foods	Agricultural/Food Production	512
Walmart	Retail	450
Fehrer Automotive	Automotive	325

Source: Economic Development Partnership of Alabama and Gadsden-Etowah Industrial Development Authority.

Construction Activity

The following table shows the value of building permits issued in the City for the calendar years indicated:

Value of Building Permits (Residential Apartment and Commercial/Industrial)

Year	Value
2022	44,462,170
2023	62,552,606
2024	70,265,229
2025*	24,757,348

Source: City of Gadsden Building Inspection Department.
*YTD March, 2025

Income Levels

Median family income is defined by the U.S. Census Bureau as the amount which divides the income distribution of families into two equal groups, half having incomes above the median, half having incomes below the median. For the year 2024, the U.S. Department of Housing and Urban Development estimates the following with respect to median family income levels in the jurisdictions indicated:

	Median Family Income
Gadsden, AL MSA (Etowah County)	\$72,800
State of Alabama	\$82,500
United States	\$97,800

Source: U.S. Department of Housing and Urban Development.

Education

The Gadsden City Board of Education owns and operates its own school system that enrolls over 4,813 students. The City School System operates 8 elementary schools, 3 middle schools, 1 high school, and 1 secondary alternative school. In addition, there are two other public school systems, Etowah County and Attalla City schools, as well as two private schools in the Gadsden area.

Gadsden State Community College is one of the largest 2-year post-secondary schools in the State of Alabama. The University of Alabama's Gadsden Center also offers courses for credit in several post-graduate programs of the University. Jacksonville State University is located approximately 24 miles from Gadsden and maintains an office in Gadsden for developmental purposes.

Health Care Services

Two hospitals, Riverview Regional Medical Center and Gadsden Regional Medical Center, serve the County and both are located in the City of Gadsden. The County is also served by 1 specialized, private psychiatric hospital, 16 nursing homes and assisted living facilities, and 6 clinics which offer a variety of health care services.

Utilities

The electric power is provided to the residences and businesses of the County by Alabama Power Company. Natural gas is provided by Spire, formerly Alabama Gas Corporation. Water and sewer services are provided by The Water Works and Sewer Board of the City of Gadsden. Telecommunication services are provided by AT&T, CenturyLink, Comcast, EarthLink, HughesNet, NetZero and Windstream.

Recreational Facilities

The City maintains a year-round Recreation Department, which operates parks, playgrounds, sports complexes, and youth recreation centers. Nockalula Falls Park, which includes the Botanical Gardens, Pioneer Homestead and camping facilities, is a major tourist attraction.

Transportation

The County is served by six state highways: 77, 132, 179, 205, and 211, and 291. It is also served by four U.S. highways: 11, 278, 411 and 431. Interstates 59 and 759 also serve the County. Rail service is provided by an OmniTRAX subsidiary, Alabama and Tennessee River Railway (operating over trackage formerly operated by CSX Transportation) and Norfolk Southern Railway. Both run the entire length of the County. ATRR runs an east-west

route and Norfolk Southern runs north-south. The County is served by Northeast Alabama Regional Airport, located in the City of Gadsden. There are no navigable waterways in the County.

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APPENDIX B

**Audited Financial Statements of the City of Gadsden
for the fiscal year
ended September 30, 2024**

ANNUAL FINANCIAL REPORT

CITY OF GADSDEN, ALABAMA

For the Year Ended September 30, 2024



Prepared by:

**Finance Department
Brandon Phillips, Finance Director**

CITY OF GADSDEN, ALABAMA
PRINCIPAL CITY OFFICIALS

September 30, 2024

MAYOR

Craig Ford

CITY COUNCIL

Tonya Latham, District 1
Steve Smith, District 2 (President Pro-Tem)
Larry Avery, District 3
Kent Back, District 4 (President)
Jason Wilson, District 5
Dixie Minatra, District 6
Chris Robinson, District 7

CITY OF GADSDEN, ALABAMA
Annual Financial Report
For the Year Ended September 30, 2024

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CITY OF GADSDEN, ALABAMA

**Annual Financial Report (continued)
For the Year Ended September 30, 2024**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
And Members of the City Council
City of Gadsden, Alabama

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Gadsden City Board of Education or Gadsden Airport Authority, which represent 83 percent, 182 percent, and 99 percent, respectively, of the assets and deferred outflows of resources, net position, and revenues of the aggregate discretely presented component units as of September 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Gadsden City Board of Education and the Gadsden Airport Authority, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of changes in net pension liability, schedule of employer contributions, and schedule of changes in total OPEB liability and related ratios, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements.

Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

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

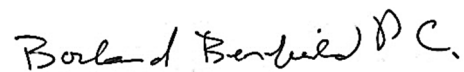
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Borland Benefield" followed by a stylized initial or mark.

Borland Benefield, PC
Birmingham, Alabama
June 27, 2025

CITY OF GADSDEN, ALABAMA

STATEMENT OF NET POSITION
September 30, 2024

	Primary Government			Component Units		
	Governmental Activities	Business Type Activities	Total	Gadsden Board of Education	Gadsden Airport Authority	Public Building Authority of the City of Gadsden
Assets						
Current Assets						
Pooled cash and investments	\$ 87,730,073	\$ 1,458,071	\$ 89,188,144	\$ 16,112,585	\$ 350,440	\$ 8,165,184
Receivables, net of allowances for uncollectibles	11,371,123	863,984	12,235,107	12,503,245	190,142	-
Leases receivable	16,698,220	87,654	16,785,874	-	317,927	11,731,641
Internal balances	(128,332)	128,332	-	-	-	-
Inventories	390,298	70,559	460,857	223,204	-	-
Prepays and other	280,315	-	280,315	-	9,602	269,114
Restricted assets	90,198	-	90,198	-	148,938	-
Due from component units	6,436,659	-	6,436,659	-	-	-
Capital Assets, Net of Accumulated Depreciation						
Land	22,126,533	2,961,186	25,087,719	13,691,157	595,244	513,101
Buildings	38,960,244	277,113	39,237,357	32,425,049	39,254	5,002,749
Improvements	36,604,624	1,299,724	37,904,348	18,328,691	5,022,009	-
Equipment	15,976,904	265,846	16,242,750	1,441,006	55,517	-
Infrastructure	22,154,339	-	22,154,339	-	527,646	-
Subscription-based information technology	87,678	-	87,678	1,080,161	-	-
Intangible right to use lease-building	8,749,189	-	8,749,189	-	-	-
Construction in progress	21,418,243	-	21,418,243	109,146	1,299,067	1,148,941
Total Assets	288,946,308	7,412,469	296,358,777	95,914,244	8,555,786	26,830,730
Deferred Outflows of Resources						
Deferred charges on refunding	405,826	-	405,826	21,012	-	-
Pension related	9,859,761	557,438	10,417,199	16,967,007	-	-
OPEB related	773,398	49,129	822,527	13,395,435	-	-
Total Deferred Outflows of Resources	11,038,985	606,567	11,645,552	30,383,454	-	-
Liabilities						
Current Liabilities						
Accounts payable and other current liabilities	3,588,711	626,670	4,215,381	339,909	220,705	481,194
Accrued payroll and related liabilities	2,446,418	99,972	2,546,390	5,488,776	-	-
Due to component units	1,078,271	-	1,078,271	-	-	-
Unearned revenue	10,864,526	-	10,864,526	25,321	-	-
Noncurrent Liabilities						
Due within one year	6,413,293	267,308	6,680,601	2,227,974	-	519,205
Due in more than one year	103,023,245	6,193,111	109,216,356	91,407,171	-	11,162,347
Total Liabilities	127,414,464	7,187,061	134,601,525	99,489,151	220,705	12,162,746
Deferred Inflows of Resources						
Unavailable revenue - property taxes	-	-	-	10,055,445	-	-
Pension related	3,822,178	216,093	4,038,271	2,212,000	-	-
OPEB related	6,958,555	442,041	7,400,596	29,114,153	-	-
Lease related	16,387,883	62,542	16,450,425	-	317,927	11,717,230
Total Deferred Inflows of Resources	27,168,616	720,676	27,889,292	41,381,598	317,927	11,717,230
Net Position						
Net investment in capital assets	140,496,601	4,803,869	145,300,470	48,848,396	7,538,737	3,001,771
Restricted						
Debt service	90,198	-	90,198	-	-	-
Economic development	2,883,358	-	2,883,358	-	-	-
Public safety	530,131	-	530,131	-	-	-
Recreation and cultural services						
Expendable	223,498	-	223,498	-	-	-
Nonexpendable	196,630	-	196,630	-	-	-
Road Repairs	669,309	-	669,309	-	-	-
Other purposes	5,012,103	-	5,012,103	8,810,245	148,938	-
Unrestricted	(4,699,615)	(4,692,570)	(9,392,185)	(72,231,692)	329,479	(51,017)
Total Net Position	\$ 145,402,213	\$ 111,299	\$ 145,513,512	\$ (14,573,051)	\$ 8,017,154	\$ 2,950,754

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Functions/Programs	Program Revenue				Net Revenue (Expense) and Changes in Net Position					
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Total	Gadsden Board of Education	Gadsden Airport Authority	Public Building Authority of the City of Gadsden
Primary Government										
Governmental activities										
General government	\$ (4,102,654)	\$ 1,530,228	\$ 3,955,375	\$ -	\$ 1,382,949	\$ -	\$ 1,382,949	\$ -	\$ -	\$ -
Internal services	(3,429,776)	1,401,725	-	-	(2,028,051)	-	(2,028,051)	-	-	-
Public safety	(26,203,839)	2,210,738	106,847	337,091	(23,549,163)	-	(23,549,163)	-	-	-
Recreation and cultural services	(9,510,920)	4,586,474	152,617	7,800	(4,764,029)	-	(4,764,029)	-	-	-
Public works services	(9,645,473)	1,786,785	817,087	-	(7,041,601)	-	(7,041,601)	-	-	-
Urban development	(7,868,124)	1,712,373	1,750,613	229,719	(4,175,419)	-	(4,175,419)	-	-	-
Intergovernmental	(4,504,542)	1,401,725	-	-	(3,102,817)	-	(3,102,817)	-	-	-
Non-departmental	(5,819,022)	-	-	-	(5,819,022)	-	(5,819,022)	-	-	-
Interest on long-term debt	(1,333,826)	-	-	-	(1,333,826)	-	(1,333,826)	-	-	-
Total Governmental Activities	(72,418,176)	14,630,047	6,782,539	574,610	(50,430,980)	-	(50,430,980)	-	-	-
Business-type activities										
Air depot	(151,185)	73,860	-	-	-	(77,325)	(77,325)	-	-	-
Residential garbage	(3,768,236)	4,407,898	-	-	-	639,662	639,662	-	-	-
Golf course	(1,814,770)	1,463,144	-	-	-	(351,626)	(351,626)	-	-	-
Total Business-Type Activities	(5,734,191)	5,944,902	-	-	-	210,711	210,711	-	-	-
Total Primary Government	\$ (78,152,367)	\$ 20,574,949	\$ 6,782,539	\$ 574,610	\$ (50,430,980)	\$ 210,711	\$ (50,220,269)	\$ -	\$ -	\$ -
Component Units										
Board of Education	\$ (77,578,718)	\$ 6,290,907	\$ 62,577,820	\$ 1,486,682	\$ -	\$ -	\$ -	\$ (7,223,309)	\$ -	\$ -
Airport Authority	\$ (625,741)	\$ 65,275	\$ 250,000	\$ 1,204,011	\$ -	\$ -	\$ -	\$ -	\$ 893,545	\$ -
Public Building Authority	\$ (799,252)	\$ 587,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (211,501)
General Revenue										
Sales and use tax					\$ 43,802,681	\$ -	\$ 43,802,681	\$ 2,134,738	\$ -	\$ -
Occupational tax					16,287,940	-	16,287,940	-	-	-
Property tax					6,186,508	-	6,186,508	10,157,131	-	-
Lodging tax					1,497,350	-	1,497,350	-	-	-
Gasoline tax					663,416	-	663,416	-	-	-
Tobacco tax					326,823	-	326,823	-	-	-
Beer tax					244,744	-	244,744	59,637	-	-
Wine and liquor tax					367,628	-	367,628	-	-	-
Financial institution excise tax					322,321	-	322,321	-	-	-
Gain (Loss) on disposition of assets					170,875	-	170,875	-	-	-
Unrestricted investment earnings					4,561,498	-	4,561,498	54,402	-	-
Other general revenue					2,944,436	32,622	2,977,058	4,490,956	21,213	250,433
Transfers					1,510,215	(1,510,215)	-	-	-	-
Total General Revenue and Transfers					78,886,435	(1,477,593)	77,408,842	16,896,864	21,213	250,433
Change in Net Position					28,455,455	(1,266,882)	27,188,573	9,673,555	914,758	38,932
Net Position, Beginning of Year					116,946,758	1,378,181	118,324,939	(24,246,606)	7,102,396	2,911,822
Net Position, End of Year					\$ 145,402,213	\$ 111,299	\$ 145,513,512	\$ (14,573,051)	\$ 8,017,154	\$ 2,950,754

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2024

	General Fund	Capital Improvements Fund	Capital Improvements Fund II	American Rescue Plan Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 43,359,978	\$ 6,749,043	\$ 8,924,022	\$ 10,868,826	\$ 12,907,870	\$ 82,809,739
Investments	-	-	-	-	166,925	166,925
Receivables, net of allowances for uncollectibles						
Taxes	6,224,908	684,482	684,482	-	3,059,749	10,653,621
Intergovernmental	400,898	-	-	-	294,441	695,339
Other	7,679	-	-	-	853	8,532
Leases receivable	16,698,220	-	-	-	-	16,698,220
Due from other funds	236,494	-	-	-	495,061	731,555
Due from component units	-	6,436,659	-	-	-	6,436,659
Inventories	390,298	-	-	-	-	390,298
Restricted assets	-	-	-	-	90,198	90,198
Total Assets	\$ 67,318,475	\$ 13,870,184	\$ 9,608,504	\$ 10,868,826	\$ 17,015,097	\$ 118,681,086
Liabilities						
Accounts payable and other liabilities	\$ 1,506,013	\$ 422,654	\$ 1,362,079	\$ 4,300	\$ 65,009	\$ 3,360,055
Accrued payroll and related liabilities	2,386,652	-	-	-	54,044	2,440,696
Unearned revenue	-	-	-	10,864,526	-	10,864,526
Due to other funds	-	-	-	-	731,555	731,555
Due to component units	-	-	-	-	1,078,271	1,078,271
Total Liabilities	3,892,665	422,654	1,362,079	10,868,826	1,928,879	18,475,103
Deferred Inflows of Resources						
Unavailable revenue - property tax	2,656,553	-	-	-	2,832,062	5,488,615
Deferred inflows related to leases	16,387,883	-	-	-	-	16,387,883
Total Deferred Inflows of Resources	19,044,436	-	-	-	2,832,062	21,876,498
Fund Balances						
Non-spendable	397,977	6,436,659	-	-	-	6,834,636
Restricted	-	-	-	-	9,605,227	9,605,227
Committed	4,350,514	7,010,871	8,246,425	-	2,672,185	22,279,995
Unassigned	39,632,883	-	-	-	(23,256)	39,609,627
Total Fund Balance	44,381,374	13,447,530	8,246,425	-	12,254,156	78,329,485
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 67,318,475	\$ 13,870,184	\$ 9,608,504	\$ 10,868,826	\$ 17,015,097	\$ 118,681,086

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

Capital assets used in governmental activities are not expendable, available financial resources and, therefore, are not reported in the funds.	\$ 166,077,754
Prepaid asset for IT subscription costs incurred during initial implementation stage not capitalized in the funds.	277,283
Internal service funds are used by management to charge the costs of workers' compensation and employee health insurance to individual funds. The assets, deferred outflows, liabilities and deferred inflows of the internal service fund are included in governmental activities in the statement of net position.	3,359,482
Deferred charges from refunding are reported as current expenditures in governmental funds. However, in the Statement of Activities, these items are deferred and amortized over the life of the debt and are include as deferred charges in the Statement of Net Position.	405,826
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore are not reported in the funds.	(171,214)
Certain revenue reported in the statement of activities is not available to pay the liabilities of the current year and, therefore, are deferred in the funds.	5,488,615
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.	(108,365,018)
Net Position of Governmental Activities	\$ 145,402,213

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	General Fund	Capital Improvements Fund	Capital Improvements Fund II	American Rescue Plan Fund	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes	\$ 47,455,836	\$ 8,715,430	\$ 8,929,601	\$ -	\$ 5,125,879	\$ 70,226,746
Licenses and permits	10,197,134	-	-	-	-	10,197,134
Intergovernmental	1,570,080	-	-	3,955,376	3,525,848	9,051,304
Charges for services	3,899,072	-	-	-	68,366	3,967,438
Fines and forfeitures	438,056	-	-	-	61,658	499,714
Other revenue	5,233,899	364,344	-	-	179,297	5,777,540
Total Revenue	<u>68,794,077</u>	<u>9,079,774</u>	<u>8,929,601</u>	<u>3,955,376</u>	<u>8,961,048</u>	<u>99,719,876</u>
Expenditures						
Current						
General government	5,106,323	-	365,000	259,843	-	5,731,166
Internal services	3,248,458	-	-	-	-	3,248,458
Public safety	23,619,581	-	-	-	1,209,802	24,829,383
Recreation and cultural services	8,016,700	-	-	-	275,934	8,292,634
Public works services	5,795,585	-	-	171,128	-	5,966,713
Urban development	4,561,794	-	-	-	20,428	4,582,222
Non-departmental	4,877,575	-	-	-	-	4,877,575
Intergovernmental	1,578,167	-	-	-	2,926,375	4,504,542
Debt service						
Principal retirement	59,000	-	-	-	5,374,035	5,433,035
Interest and fiscal charges	-	-	-	-	1,481,543	1,481,543
Capital outlays	<u>19,270,443</u>	<u>10,549,449</u>	<u>9,155,754</u>	<u>3,524,405</u>	<u>1,871,043</u>	<u>44,371,094</u>
Total Expenditures	<u>76,133,626</u>	<u>10,549,449</u>	<u>9,520,754</u>	<u>3,955,376</u>	<u>13,159,160</u>	<u>113,318,365</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditures	<u>(7,339,549)</u>	<u>(1,469,675)</u>	<u>(591,153)</u>	<u>-</u>	<u>(4,198,112)</u>	<u>(13,598,489)</u>
Other Financing Sources/(Uses)						
Proceeds from Leases/SBITAs	8,880,706	-	-	-	-	8,880,706
Proceeds from sale of assets	122,153	-	-	-	157,000	279,153
Transfers	<u>560,997</u>	<u>(3,072,828)</u>	<u>(2,883,540)</u>	<u>-</u>	<u>6,905,586</u>	<u>1,510,215</u>
Total Other Financing Sources (Uses)	<u>9,563,856</u>	<u>(3,072,828)</u>	<u>(2,883,540)</u>	<u>-</u>	<u>7,062,586</u>	<u>10,670,074</u>
Net Change in Fund Balances	<u>2,224,307</u>	<u>(4,542,503)</u>	<u>(3,474,693)</u>	<u>-</u>	<u>2,864,474</u>	<u>(2,928,415)</u>
Fund Balance, Beginning of Year	<u>42,157,067</u>	<u>17,990,033</u>	<u>11,721,118</u>	<u>-</u>	<u>9,389,682</u>	<u>81,257,900</u>
Fund Balance, End of Year	<u>\$ 44,381,374</u>	<u>\$ 13,447,530</u>	<u>\$ 8,246,425</u>	<u>\$ -</u>	<u>\$ 12,254,156</u>	<u>\$ 78,329,485</u>

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
September 30, 2024

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

Net change in fund balance - total governmental funds	\$ (2,928,415)
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Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	32,947,204
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In the statement of activities, a gain or loss is reported for each disposal of capital assets	(108,278)
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IT subscription expenditures incurred during the initial implementation stage reported in the fund statements, not reported as expenses in the statement of activities	202,488
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Revenue is recognized in the governmental funds when they are both measurable and available to pay the liabilities of the current period. Revenues are recognized in the statement of activities when they are earned.	(527,335)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(3,326,540)
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Some expenses reported in the statement of activities differ from amounts reported as expenditures in governmental funds.	3,206,311
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An internal service fund is used by management to charge the costs of workers' compensation and employee health insurance to individual funds. The net revenue of certain activities of the internal service fund is reported as governmental activities in the statement of activities.	<u>(1,009,980)</u>
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Change in Net Position of Governmental Activities	<u>\$ 28,455,455</u>
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See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2024

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	<u>Air Depot</u>	<u>Garbage</u>	<u>Golf</u>	<u>Totals</u>	
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,133,205	\$ 620	\$ 324,246	\$ 1,458,071	\$ 4,753,409
Accounts receivables, net	-	863,984	-	863,984	13,631
Leases receivable	87,654	-	-	87,654	-
Inventories	-	-	70,559	70,559	-
Prepays	-	-	-	-	3,032
Due from other funds	-	-	-	-	-
Total Current Assets	<u>1,220,859</u>	<u>864,604</u>	<u>394,805</u>	<u>2,480,268</u>	<u>4,770,072</u>
Capital assets, net of accumulated depreciation					
Land	96,492	267,134	2,597,560	2,961,186	-
Buildings	101,911	-	175,202	277,113	-
Improvements	130,380	112,673	1,056,671	1,299,724	-
Equipment	-	15,634	250,212	265,846	-
Total Assets	<u>1,549,642</u>	<u>1,260,045</u>	<u>4,474,450</u>	<u>7,284,137</u>	<u>4,770,072</u>
Deferred Outflows of Resources					
Pension related	-	420,734	136,704	557,438	38,606
OPEB related	-	33,078	16,051	49,129	-
Total Deferred Outflows of Resources	<u>-</u>	<u>453,812</u>	<u>152,755</u>	<u>606,567</u>	<u>38,606</u>
Liabilities					
Current Liabilities					
Accounts payable and other current liabilities	115	573,091	53,464	626,670	10,201
Accrued payroll and related liabilities	-	66,223	33,749	99,972	5,721
Compensated absences payable	-	153,397	55,831	209,228	22,274
Claims and adjustments payable	-	-	-	-	1,053,603
Accrued landfill closure and post closure	-	58,080	-	58,080	-
Due to other funds	-	-	-	-	-
Total Current Liabilities	<u>115</u>	<u>850,791</u>	<u>143,044</u>	<u>993,950</u>	<u>1,091,799</u>
Accrued landfill closure and post closure	-	2,729,529	-	2,729,529	-
OPEB liability	-	250,606	121,602	372,208	-
Net pension liability	-	2,333,260	758,114	3,091,374	214,099
Total Liabilities	<u>115</u>	<u>6,164,186</u>	<u>1,022,760</u>	<u>7,187,061</u>	<u>1,305,898</u>
Deferred Inflows of Resources					
Pension related	-	163,099	52,994	216,093	14,966
OPEB related	-	297,624	144,417	442,041	-
Lease related	62,542	-	-	62,542	-
Total Deferred Inflows of Resources	<u>62,542</u>	<u>460,723</u>	<u>197,411</u>	<u>720,676</u>	<u>14,966</u>
Net Position					
Net investment in capital assets	328,783	395,441	4,079,645	4,803,869	-
Unrestricted	<u>1,158,202</u>	<u>(5,306,493)</u>	<u>(672,611)</u>	<u>(4,820,902)</u>	<u>3,487,814</u>
Total Net Position	<u>\$ 1,486,985</u>	<u>\$ (4,911,052)</u>	<u>\$ 3,407,034</u>	<u>\$ (17,033)</u>	<u>\$ 3,487,814</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				\$ 128,332	
Net Position of Business-Type Activities				<u>\$ 111,299</u>	

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	<u>Air Depot</u>	<u>Garbage</u>	<u>Golf</u>	<u>Totals</u>	
Operating Revenue					
Charges for sales and services	\$ 73,860	\$ 4,407,898	\$ 1,463,144	\$ 5,944,902	\$ 6,518,080
Total Operating Revenue	<u>73,860</u>	<u>4,407,898</u>	<u>1,463,144</u>	<u>5,944,902</u>	<u>6,518,080</u>
Operating Expenses					
Cost of sales and services	126,357	3,728,123	1,461,251	5,315,731	7,592,468
Depreciation	<u>24,828</u>	<u>19,071</u>	<u>310,153</u>	<u>354,052</u>	<u>-</u>
Total Operating Expenses	<u>151,185</u>	<u>3,747,194</u>	<u>1,771,404</u>	<u>5,669,783</u>	<u>7,592,468</u>
Operating income (loss)	<u>(77,325)</u>	<u>660,704</u>	<u>(308,260)</u>	<u>275,119</u>	<u>(1,074,388)</u>
Nonoperating Revenue (Expenses)					
Other	<u>32,622</u>	<u>-</u>	<u>-</u>	<u>32,622</u>	<u>-</u>
Total Nonoperating Revenue (Expenses)	<u>32,622</u>	<u>-</u>	<u>-</u>	<u>32,622</u>	<u>-</u>
Net Income (Loss) Before Contributions Transfers and Special Items	<u>(44,703)</u>	<u>660,704</u>	<u>(308,260)</u>	<u>307,741</u>	<u>(1,074,388)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	885,572	885,572	-
Operating transfers out	<u>-</u>	<u>(2,395,787)</u>	<u>-</u>	<u>(2,395,787)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,395,787)</u>	<u>885,572</u>	<u>(1,510,215)</u>	<u>-</u>
Change in Net Position	<u>(44,703)</u>	<u>(1,735,083)</u>	<u>577,312</u>	<u>(1,202,474)</u>	<u>(1,074,388)</u>
Net Position - Beginning of Year	<u>1,531,688</u>	<u>(3,175,969)</u>	<u>2,829,722</u>	<u>1,185,441</u>	<u>4,562,202</u>
Net Position - End of Year	<u>\$ 1,486,985</u>	<u>\$ (4,911,052)</u>	<u>\$ 3,407,034</u>	<u>\$ (17,033)</u>	<u>\$ 3,487,814</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				\$ (64,408)	
Change In Net Position of Business-Type Activities				<u>\$ (1,266,882)</u>	

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	<u>Air Depot</u>	<u>Garbage</u>	<u>Golf</u>	<u>Totals</u>	
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 74,357	\$ 4,316,778	\$ 1,463,146	\$ 5,854,281	\$ 6,523,086
Payments to suppliers	(133,211)	(1,592,010)	(1,218,404)	(2,943,625)	(7,619,651)
Payments to employees	-	(311,610)	(465,483)	(777,093)	(134,123)
Net Cash Provided (Used) by Operating Activities	(58,854)	2,413,158	(220,741)	2,133,563	(1,230,688)
Cash Flows From Noncapital Financing Activities					
Damage reimbursement proceeds from customer	32,500	-	-	32,500	-
Transfers	-	(2,395,787)	885,572	(1,510,215)	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	32,500	(2,395,787)	885,572	(1,477,715)	-
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	(17,371)	(341,285)	(358,656)	-
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	-	(17,371)	(341,285)	(358,656)	-
Cash Flows From Investing Activities					
Interest income - leases	122	-	-	122	-
Net Increase (Decrease) in Cash and Cash Equivalents	(26,232)	-	323,546	297,314	(1,230,688)
Cash and Cash Equivalents, Beginning of Year	1,159,437	620	700	1,160,757	5,984,097
Cash and Cash Equivalents, End of Year	\$ 1,133,205	\$ 620	\$ 324,246	\$ 1,458,071	\$ 4,753,409
Reconciliation of Operating Income to Net Cash Flows From Operating Activities					
Operating income (loss)	\$ (77,325)	\$ 660,704	\$ (308,260)	\$ 275,119	\$ (1,074,388)
Depreciation	24,828	19,071	310,153	354,052	-
Change in receivables	3,162	(91,121)	-	(87,959)	5,005
Change in due from/to other funds	-	1,586,362	(232,044)	1,354,318	-
Change in prepaids	-	-	-	-	14
Change in inventories	-	-	4,242	4,242	-
Change in accounts payable and other current liabilities	(6,854)	(5,070)	2,097	(9,827)	(5,357)
Change in accrued payroll and related liabilities	-	42,256	20,587	62,843	3,129
Change in accrued compensated absences	-	28,547	2,589	31,136	4,992
Change in accrued landfill closure and post closure	-	(145,595)	-	(145,595)	-
Change in OPEB liability	-	(26,135)	(44,505)	(70,640)	-
Change in net pension liability	-	57,358	(74,894)	(17,536)	(31,438)
Change in claims payable	-	-	-	-	(161,216)
Change in deferred outflows	-	160,139	80,331	240,470	23,773
Change in deferred inflows	(2,665)	126,642	18,963	142,940	4,798
Net Cash Provided (Used) by Operating Activities	\$ (58,854)	\$ 2,413,158	\$ (220,741)	\$ 2,133,563	\$ (1,230,688)

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The City of Gadsden (the City) is a municipal corporation that was incorporated on March 19, 1871. The City operates under the Mayor-Council form of government as provided by Act. No. 85-926 of the Alabama Legislature, now codified as Sections 11-43B-1 et seq. of the Code of Alabama 1975 (The Mayor-Council Act), and is comprised of a Mayor and a seven-member council (elected at large).

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes the ultimate authority on GAAP for state and local governmental units. The more significant of the City's accounting policies are described below.

As required by GAAP, these financial statements present the City and its component units, legally separate entities for which the City is considered to be financially accountable. The City has no blended component units. On the other hand, the City does have three discreetly presented component units. The component units have September 30 year-ends.

- Gadsden Board of Education – The Board of Education is a legally separate agency of the State of Alabama under the general supervision and financial jurisdiction of the Alabama State Department of Education. The City is obligated in some manner for the debt of the Board of Education and the City levies a property tax specifically for operations of the Board of Education. Complete financial statements for the Board of Education may be obtained at the following administrative office: Gadsden Board of Education, 1026 Chestnut Street, P.O. Box 184, Gadsden, Alabama 35902.

The Board of Education's financial statements include certain long-term debt and related debt service expenditures of the City. In addition, the Board of Education's financial statements include certain property tax revenue, receivables, and deferred amounts of the City. No eliminations have been made to these amounts.

- Gadsden Airport Authority – The Airport Authority's board members are appointed by the City, and the City is obligated in some manner for the debt of the Airport Authority. Complete financial statements for the Airport Authority may be obtained at the following administrative office: Gadsden Airport Authority, P.O. Box 961, Gadsden, Alabama 35902.
- Public Building Authority of the City of Gadsden – The Public Building Authority's board members are appointed by the City and the City is obligated in some manner for the debt of the Public Building Authority. Compiled financial statements may be obtained at the following address: Public Building Authority of the City of Gadsden, 90 Broad Street, Gadsden, Alabama 35901.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

- Related Organizations – The City is also responsible for appointing a voting majority of the boards of other organizations, but the City's financial accountability for these organizations does not extend beyond making the appointments, or the financial resources and obligations of these organizations are immaterial. The City appointed a voting majority of the following boards: Gadsden Water Works and Sewer Board, Greater Gadsden Housing Authority, Gadsden Industrial Development Board, the Etowah-Gadsden Industrial Development Authority, the Forrest Cemetery Foundation, and others. These organizations are related organizations that have not been included in the reporting entity. During the year, the City made appropriations to the Etowah Gadsden Industrial Development Board and the Gadsden Commercial Development Authority in the amounts of \$365,000 and \$80,000, respectively. The City received a payment in lieu of taxes from the Greater Gadsden Housing Authority in the amount of \$128,503.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. Government-wide financial statements focus on the City as a whole and are designed to allow the users of financial reports to assess the City's *operational accountability*. The fund financial statements focus on major individual funds and are designed to demonstrate the City's *fiscal accountability*. *Operational accountability* refers to the City's responsibility to report the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet those objectives for the foreseeable future. *Fiscal accountability* is the City's responsibility to demonstrate that its actions in the current period have complied with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or year).

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported separately from component units.

The government-wide statement of activities reflects both the gross and net costs per functional category (i.e., general government, public safety, etc.) by offsetting direct expenses with program revenue. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenue includes: 1) charges to customers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The fund financial statements provide separate financial statements for governmental funds, proprietary funds, and fiduciary funds (even though fiduciary funds are excluded from the government-wide financial statements). The emphasis of the fund financial statements is on the City's major funds, and each major fund is reported in a separate column. Non-major funds of each type are summarized into a single column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when the related liability is incurred. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, sales and use taxes, beer taxes, occupational taxes, lodging taxes, rental and leasing taxes, payments in lieu of taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. All other revenue is considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- The *general fund* is the primary operating fund of the City. General tax revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures applicable to the general operations of the City are paid from the general fund.
- The *capital improvements fund* accounts for the proceeds of certain capital debt and for the portion of sales and use taxes that are earmarked for capital purposes.
- The *capital improvements fund II* accounts for a portion of sales and use taxes that are earmarked for capital purposes.
- The *American Recovery Plan fund* accounts for the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan.

The City reports the following major proprietary funds:

- The *air depot fund* accounts for the activities of the Air Depot.
- The *residential garbage fund* accounts for the activities of the City's residential garbage service, including waste disposal at the current landfill and future landfill closure and post-closure care costs at all landfill sites.
- The *golf course fund* accounts for the activities of Twin Bridges Golf Course.

Additionally, the City reports the following fund types:

- The City's nonmajor *special revenue funds* are used to account for resources that are legally restricted to expenditure for specific purposes, not including those accounted for in capital projects funds or permanent funds.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

- *Debt service funds* account for the payment of principal and interest on long-term debt not being financed by proprietary funds.
- The City's nonmajor *capital projects funds* account for the costs of constructing or acquiring capital assets and major improvements other than those financed by proprietary funds.
- *Permanent funds* are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs - that is, for the benefit of the City or its citizens.
- An *internal service fund* accounts for the accumulation of funds and the allocation of claims arising from the City's self-insured workers' compensation program and for the accumulation of funds for the payment of employee health care costs.

The proprietary and internal service funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish *operating* revenue and expenses from *non-operating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and internal service fund is charges to customers and users for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

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 preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from these estimates.

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

Cash and Investments – Cash includes cash on hand, amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, U.S. corporate stock, U.S. corporate debt, State of Alabama Government obligations, County Government obligations, and other Municipal Government obligations. All investments are reported at fair value.

For purposes of the statements of cash flows, cash and cash equivalents include short-term investments with an original maturity date of three months or less.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables and Payables – Activity between funds that are representative of lending and borrowing arrangements, as well as all other outstanding balances between funds at year-end, are referred to as due to/from other funds. These balances resulted from the time lag between dates that goods and services were provided, or reimbursable expenditures occur, transactions are recorded in the accounting system and payments are made between funds. Management does not expect the balances owed by the Golf and Garbage funds to be fully collected by the General Fund in the subsequent year. Any outstanding balances between governmental activities and business-type activities are reported in the government-wide statement of net position as internal balances.

Advances to other funds are offset by a fund balance reserve in the fund financial statements to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible accounts.

Property taxes are assessed by the Etowah County Tax Assessor and collected by the Etowah County Tax Collector. The Etowah County property tax calendar specifies the following actions on the following dates:

Levy (assessment date)	September 30
Lien date	September 30
Due date	October 1
Collection dates	October 1 to December 31
Delinquent date	January 1

Inventories and Prepaid Items – All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of long-term debt, as well as certain resources set aside for its repayment, are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable debt agreements.

Capital Assets – Capital outlays are recorded as expenditures in governmental fund financial statements. In contrast, capital assets, which include land, buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide and proprietary fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Capital assets are defined by the City as assets with an estimated useful life in excess of one year and with an individual cost at least equal to the following amounts:

Land	1
Buildings	50,000
Improvements other than buildings	50,000
Equipment	1,000
Infrastructure	
Street construction and improvements	100,000
Bridges	100,000
Street resurfacing, sidewalks, drainage, etc.	50,000

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

Land	Not depreciated
Construction in progress	Not depreciated
Buildings	25 years
Improvements	25 years
Equipment	5-10 years
Infrastructure	
Street construction and improvements	50 years
Bridges	30 years
Street resurfacing, sidewalks, drainage, etc.	10-25 years

Pension – The City participates in the Employees' Retirement System of Alabama (the Plan or ERS). The Plan's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of 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 Outflows/Inflows of Resources – In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City's deferred outflows of resources reported in the government-wide statement of financial position include deferred charges on refunding as well as pension and OPEB-related activity. A deferred charge on refunded debt results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources for pension and OPEB activity result from the City's participation in the Employees' Retirement System of Alabama and its retiree health insurance plan. The pension and OPEB activity represents changes in assumptions, differences between expected and actual experience, net difference between projected and actual earnings on pension plan investments, and amounts resulting from employer contributions made subsequent to the Plan's measurement date but as of the date of the City's basic financial statements.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Principles (continued)

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports a type of deferred inflow, unavailable property tax revenue, which arises only under a modified accrual basis of accounting that qualifies for reporting this category. Accordingly, the unavailable property tax revenue is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred amounts related to leases and deferred amounts related to pension and OPEB. The pension and OPEB activity represents differences between expected and actual experience and changes in assumptions.

Compensated Absences – City employees earn sick leave at the rate of one day per month of service. Each employee can accumulate up to sixty days of sick leave. Employees earn vacation leave at graduated rates based on their length of service. Each employee can accumulate up to twenty days of vacation leave and carry it over to the next year.

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of a liability as the benefits are earned by the employees, if both of these conditions are met:

- The employee's right to receive compensation is attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 also states that an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Accumulated vacation and sick leave have been accrued in the government-wide and proprietary fund financial statements because they meet the criteria above. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund. Premiums and discounts are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the unamortized portion of these amounts. Long-term obligations are not reported in governmental funds.

Leases (Lessor) – The City is a lessor for noncancellable leases. The City recognizes lease receivables and deferred inflows 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 the 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 below the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Principles (continued)

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

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

Net Position – Net position is reported in the government-wide financial statements and is classified into the following categories:

- Net investment in capital assets;
- Restricted; and
- Unrestricted.

Restricted net position is that whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City or that expire with the passage of time. The government-wide statement of net position reports \$9,605,227 of restricted net position, of which \$1,645,466 is restricted by enabling legislation. Unrestricted net position is not subject to external restrictions but may be designated for specific purposes by the City's management or the City Council.

Fund Balance Policies – Governmental Funds – The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as non-spendable at September 30, 2024 by the City are non-spendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Total</u>
Non-spendable Funds			
Inventories	\$ 390,298	\$ -	\$ 390,298
Non-current receivables	<u>7,679</u>	<u>6,436,659</u>	<u>6,444,338</u>
Non-spendable Fund Balance	<u>\$ 397,977</u>	<u>\$ 6,436,659</u>	<u>\$ 6,834,636</u>

- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total
Restricted for				
Community development and social services	\$ 2,883,358	\$ -	\$ -	\$ 2,883,358
Other purposes and grants	5,001,283	-	-	5,001,283
Public safety	530,131	-	-	530,131
Recreational and cultural	223,498	-	196,630	420,128
Road repair	680,129	-	-	680,129
Debt service reserves	-	90,198	-	90,198
Restricted Fund Balance	<u>\$ 9,318,399</u>	<u>\$ 90,198</u>	<u>\$ 196,630</u>	<u>\$ 9,605,227</u>

- **Committed** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City Council, the City's highest level of decision-making authority. Commitments may be modified or rescinded only through ordinances approved by the City Council.

	General Fund	Capital Improvement Fund	Capital Improvement Fund II	Other Governmental Funds	Total
Committed for					
Legal claims	\$ 571,500	\$ -	\$ -	\$ -	\$ 571,500
Compensated absences	886,519	-	-	-	886,519
Encumbrances	2,892,495	-	-	-	2,892,495
Capital improvements	-	7,010,871	8,246,425	2,672,185	17,929,481
Committed Fund Balance	<u>\$ 4,350,514</u>	<u>\$ 7,010,871</u>	<u>\$ 8,246,425</u>	<u>\$ 2,672,185</u>	<u>\$ 22,279,995</u>

- **Assigned** – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Finance Director or other City management. The City had no assigned fund balances at September 30, 2024.
- **Unassigned** – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City reports all amounts that meet the Unrestricted General Fund Balance Policy described below as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

The City has nonmajor funds with deficit unassigned fund balances totaling \$23,256. The City's intent is to appropriate resources from the General Fund to reduce the deficits.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the statement of net position. One element of that reconciliation explains that deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and are not reported in the funds. The details of this difference are as follows:

Deferred outflows - pension	\$ 9,821,155
Deferred outflows - OPEB	773,398
Deferred inflows - pension	(3,807,212)
Deferred inflows - OPEB	<u>(6,958,555)</u>

Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (171,214)</u>
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Another element of that reconciliation explains that long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds. The details of this difference are as follows:

General obligation warrants payable	\$ (32,385,638)
Issuance discounts and premiums (to be amortized as interest expense)	(1,464,132)
HUD Section 108 loans	(100,000)
Financed purchases payable	(203,984)
SBITA obligations payable	(72,517)
Lease payable	(8,749,189)
Accrued interest payable	(218,455)
Compensated absences	(3,711,278)
Claims and judgments	(1,135,527)
OPEB liability	(5,859,266)
Net pension liability	<u>(54,465,032)</u>

Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (108,365,018)</u>
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Explanation of certain differences between the governmental funds statement of revenue, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenue, expenditures and changes in fund balances includes reconciliation between Net Change in Fund Balances – total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that 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.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 2 – Reconciliation of Government-Wide and Fund Balance Statements (continued)

The details of this difference are as follows:

Outlays capitalized	\$ 43,420,893
Depreciation expense	<u>(10,473,689)</u>
Net adjustment to increase net change in fund balances -	
total government funds to arrive at changes in net position of governmental activities	<u>\$ 32,947,204</u>

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Amortization of long-term debt related, premiums, discounts, etc.	\$ 121,131
Proceeds from lease/SBITA obligations	(8,880,706)
Principal repayments	<u>5,433,035</u>
Net adjustment to increase net change in fund balances - total governmental	
funds to arrive at changes in net position of governmental activities	<u>\$ (3,326,540)</u>

Another element of that reconciliation states that some expenses reported in the statement of activities differ from amounts reported as expenditures in governmental funds. The details of this difference are as follows:

Compensated absences	\$ (611,199)
Claims and judgments	2,132,354
OPEB	2,435,188
Pension	(776,618)
Accrued interest	<u>26,586</u>
Net adjustment to decrease net change in fund balances - total governmental funds	
to arrive at changes in net position of governmental activities	<u>\$ 3,206,311</u>

Note 3 – Stewardship, Compliance and Accountability

Budgetary Information – The City follows these procedures in adopting its annual budgets:

1. The Mayor annually submits to the City Council a proposed Operating Budget for the general fund and special revenue funds for the fiscal year commencing October 1. The Operating Budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer between departments must be approved by City Council Ordinance.
5. Formal budgetary integration is employed as a management control device during the year.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 3 – Stewardship, Compliance and Accountability (continued)

6. Budgets are adopted on a basis consistent with generally accepted accounting principles, except that budgets and budgetary schedules included in these financial statements are prepared using encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded. At the end of the fiscal year, unencumbered appropriations automatically lapse.
7. The adopted Operating Budget is allotted to each department or agency of the City according to the Mayor-Council Act. Total appropriations may not be exceeded by expenditures unless the City Council amends the budget due to increased revenue or through a reduction of fund balance. This year's Operating Budget was amended as needed throughout the year by City Council action, provided adequate funds were available at the time of the amendment.

Excess of Expenditures Over Appropriations – During the fiscal year ended September 30, 2024, there were expenditures in excess of appropriations in the general fund due to financial reporting for leases and SBITAs during the current fiscal year.

Note 4 – Deposits and Investments

Custodial Credit Risk – This is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City participates in a collateral risk pool, the Security for Alabama Funds Enhancement program (SAFE). The pool is administered by the State of Alabama Office of the State Treasurer and was established to protect public deposits in excess of FDIC coverage. Bank deposits are collateralized by securities held in the risk pool. Under the SAFE program, participating banks pledge securities to the State Treasurer for the SAFE collateral pool.

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

The City's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at September 30, 2024.

At September 30, 2024, a portion of the City's cash was held in a money market fund, which was not collateralized under the SAFE program or covered by FDIC insurance. However, the funds were fully backed by United States Treasury Notes and Treasury Bills.

At September 30, 2024, the entire bank balance of the City's component unit, the Gadsden Board of Education, was fully covered by federal depository insurance or the SAFE Program.

Restricted assets held in trust for retirement of debt in accordance with applicable trust indentures and for other purposes consist of the following:

Airport Authority	\$ <u>90,198</u>
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CITY OF GADSDEN, ALABAMA**NOTES TO FINANCIAL STATEMENTS (continued)****For the Year Ended September 30, 2024**

Note 5 – Receivables

Receivables, other than leases, of the City's individual major funds, and non-major and internal service funds in the aggregate, were as follows at September 30, 2024:

	<u>General</u>	<u>Capital Improvements</u>	<u>Capital Improvements II</u>
Taxes receivable	\$ 6,224,908	\$ 684,482	\$ 684,482
Accounts receivable	-	-	-
Intergovernmental receivables	400,898	-	-
Notes and other receivables	365,202	-	-
Gross receivables	6,991,008	684,482	684,482
Allowance for uncollectibles	(357,523)	-	-
Net Receivables	<u>\$ 6,633,485</u>	<u>\$ 684,482</u>	<u>\$ 684,482</u>

	<u>Garbage</u>	<u>Non-Major and Other</u>	<u>Total</u>
Taxes receivable	\$ -	\$ 3,059,749	\$ 10,653,621
Accounts receivable	1,462,627	-	1,462,627
Intergovernmental receivables	-	294,441	695,339
Notes and other receivables	-	49,255	414,457
Gross receivables	1,462,627	3,403,445	13,226,044
Allowance for uncollectibles	(598,643)	(48,402)	(1,004,568)
Net Receivables	<u>\$ 863,984</u>	<u>\$ 3,355,043</u>	<u>\$ 12,221,476</u>

The City reports revenue net of uncollectible amounts.

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 6 – Capital Assets

Governmental Activities

The following table summarizes the changes in capital assets during the year:

	Balance Beginning of Year	Additions/ Completions	Retirements/ Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 21,807,457	\$ 319,076	\$ -	\$ 22,126,533
Construction in progress	10,711,026	18,520,650	(7,813,433)	21,418,243
Total Capital Assets Not Being Depreciated	<u>32,518,483</u>	<u>18,839,726</u>	<u>(7,813,433)</u>	<u>43,544,776</u>
Capital Assets Being Depreciated				
Buildings and capital facilities	77,275,679	7,394,659	-	84,670,338
Subscription-based information technology (Note 9)	-	131,517	-	131,517
Intangible Right to Use Lease-Building (Note 13)	-	8,749,189	-	8,749,189
Improvements	46,218,226	6,215,903	-	52,434,129
Equipment	50,565,083	8,035,546	(2,015,024)	56,585,605
Other infrastructures	72,038,525	1,867,786	-	73,906,311
Total Capital Assets Being Depreciated	<u>246,097,513</u>	<u>32,394,600</u>	<u>(2,015,024)</u>	<u>276,477,089</u>
Less Accumulated Depreciation for:				
Buildings and capital facilities	43,559,822	2,150,272	-	45,710,094
Subscription-based information technology (Note 9)	-	43,839	-	43,839
Intangible Right to Use Lease-Building (Note 13)	-	-	-	-
Improvements	13,973,463	1,856,042	-	15,829,505
Equipment	38,854,709	3,660,738	(1,906,746)	40,608,701
Other infrastructures	48,989,174	2,762,798	-	51,751,972
Total Accumulated Depreciation	<u>145,377,168</u>	<u>10,473,689</u>	<u>(1,906,746)</u>	<u>153,944,111</u>
Total Capital Assets Being Depreciated, net	<u>100,720,345</u>	<u>21,920,911</u>	<u>(108,278)</u>	<u>122,532,978</u>
Total Capital Assets, net	<u>\$ 133,238,828</u>	<u>\$ 40,760,637</u>	<u>\$ (7,921,711)</u>	<u>\$ 166,077,754</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 6 – Capital Assets (continued)

Business-Type Activities

	Balance Beginning of Year	Additions/ Completions	Retirements/ Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 2,961,186	\$ -	\$ -	\$ 2,961,186
Total Capital Assets Not Being Depreciated	<u>2,961,186</u>	<u>-</u>	<u>-</u>	<u>2,961,186</u>
Capital Assets Being Depreciated				
Buildings and capital facilities	5,396,625	-	-	5,396,625
Improvements	7,370,754	215,840	-	7,586,594
Equipment	<u>2,611,571</u>	<u>142,816</u>	<u>(636,197)</u>	<u>2,118,190</u>
Total Capital Assets Being Depreciated	<u>15,378,950</u>	<u>358,656</u>	<u>(636,197)</u>	<u>15,101,409</u>
Less Accumulated Depreciation for:				
Buildings and capital facilities	5,051,408	68,104	-	5,119,512
Improvements	6,054,874	231,996	-	6,286,870
Equipment	<u>2,434,589</u>	<u>53,952</u>	<u>(636,197)</u>	<u>1,852,344</u>
Total Accumulated Depreciation	<u>13,540,871</u>	<u>354,052</u>	<u>(636,197)</u>	<u>13,258,726</u>
Total Capital Assets Being Depreciated, net	<u>1,838,079</u>	<u>4,604</u>	<u>-</u>	<u>1,842,683</u>
Total Capital Assets, net	<u>\$ 4,799,265</u>	<u>\$ 4,604</u>	<u>\$ -</u>	<u>\$ 4,803,869</u>

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

General government	\$ 138,213
Internal services	213,764
Public safety	1,710,319
Recreation and cultural services	1,319,643
Public works services	3,760,135
Urban development	<u>3,331,615</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 10,473,689</u>
Air Depot	\$ 24,828
Garbage	19,071
Golf Course	<u>310,153</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 354,052</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 6 – Capital Assets (continued)

Construction Commitments

The City had active construction projects at the end of the fiscal year. At September 30, 2024, the City's commitments related to these projects were as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Bait Shop Fueling Station	\$ 131,447	\$ 267,553
Gadsden State Sports Complex Irrigation	154,504	406,214
Gadsden State Sports Complex Concession and Office	230,445	73,055
Fire Station #5 - Noccalula Falls	1,109,349	1,844,880
Fire Station #6	54,375	18,125
New City Hall	4,823,155	11,865,845
Animal Habitat - Noccalula Falls	<u>1,027,501</u>	<u>168,600</u>
Total	<u>\$ 7,530,776</u>	<u>\$ 14,644,272</u>

These projects are being funded through a combination of capital grants, capital restricted tax receipts, and unassigned fund balance.

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 6 – Capital Assets (continued)

Discretely Presented Component Units

Gadsden Board of Education

	Balance Beginning of Year	Additions/ Completions	Retirements/ Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 13,691,157	\$ -	\$ -	\$ 13,691,157
Construction in progress	-	109,146	-	109,146
Total Capital Assets Not Being Depreciated	<u>13,691,157</u>	<u>109,146</u>	<u>-</u>	<u>13,800,303</u>
Other Capital Assets				
Buildings	61,090,090	3,000,000	-	64,090,090
Building improvements	31,776,546	1,830,817	-	33,607,363
Equipment and furniture	2,526,090	460,923	-	2,987,013
Vehicles	198,040	64,400	-	262,440
Intangible right-to-use lease - copiers	506,183	-	-	506,183
Intangible right-to-use subscriptions	1,340,018	-	-	1,340,018
Total Capital Assets Being Depreciated	<u>97,436,967</u>	<u>5,356,140</u>	<u>-</u>	<u>102,793,107</u>
Less Accumulated Depreciation for:				
Buildings	30,619,504	1,045,537	-	31,665,041
Building improvements	13,697,150	1,581,522	-	15,278,672
Equipment and furniture	1,495,201	156,238	-	1,651,439
Vehicles	142,288	14,720	-	157,008
Intangible right-to-use lease - copiers	109,673	101,237	-	210,910
Intangible right-to-use subscriptions	179,500	375,630	-	555,130
Total Accumulated Depreciation	<u>46,243,316</u>	<u>3,274,884</u>	<u>-</u>	<u>49,518,200</u>
Total Capital Assets Being Depreciated, net	<u>51,193,651</u>	<u>2,081,256</u>	<u>-</u>	<u>53,274,907</u>
Total Capital Assets, net	<u>\$ 64,884,808</u>	<u>\$ 2,190,402</u>	<u>\$ -</u>	<u>\$ 67,075,210</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 6 – Capital Assets (continued)

Discretely Presented Component Units

Gadsden Airport Authority

	Balance Beginning of Year	Additions/ Completions	Retirements/ Adjustments	Balance End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 595,244	\$ -	\$ -	\$ 595,244
Construction in progress	-	1,299,067	-	1,299,067
Total Capital Assets Not Being Depreciated	595,244	1,299,067	-	1,894,311
Other Capital Assets				
Airport runways	7,739,974	-	-	7,739,974
Buildings	211,283	-	-	211,283
Equipment	228,404	33,494	-	261,898
Improvements, other than building	8,160,293	-	-	8,160,293
Total Capital Assets Being Depreciated	16,339,954	33,494	-	16,373,448
Less Accumulated Depreciation for:				
Airport runways	7,090,135	122,193	-	7,212,328
Buildings	168,485	3,544	-	172,029
Equipment	195,726	10,655	-	206,381
Improvements, other than building	2,911,513	226,771	-	3,138,284
Total Accumulated Depreciation	10,365,859	363,163	-	10,729,022
Total Capital Assets Being Depreciated, Net	5,974,095	(329,669)	-	5,644,426
Total Capital Assets, Net	\$ 6,569,339	\$ 969,398	\$ -	\$ 7,538,737

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 6 – Capital Assets (continued)

The Public Building Authority of the City of Gadsden

	Balance Beginning of Year	Additions/ Completions	Retirements/ Adjustments	Balance End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 513,101	\$ -	\$ -	\$ 513,101
Construction in progress	-	1,148,941	-	1,148,941
Total Capital Assets Not Being Depreciated	<u>513,101</u>	<u>1,148,941</u>	<u>-</u>	<u>1,662,042</u>
Other Capital Assets				
Buildings and improvements	<u>7,647,515</u>	<u>-</u>	<u>-</u>	<u>7,647,515</u>
Total Capital Assets Being Depreciated	<u>7,647,515</u>	<u>-</u>	<u>-</u>	<u>7,647,515</u>
Less Accumulated Depreciation for:				
Buildings and improvements	<u>2,453,578</u>	<u>191,188</u>	<u>-</u>	<u>2,644,766</u>
Total Accumulated Depreciation	<u>2,453,578</u>	<u>191,188</u>	<u>-</u>	<u>2,644,766</u>
Total Capital Assets Being Depreciated, Net	<u>5,193,937</u>	<u>(191,188)</u>	<u>-</u>	<u>5,002,749</u>
Total Capital Assets, Net	<u>\$ 5,707,038</u>	<u>\$ 957,753</u>	<u>\$ -</u>	<u>\$ 6,664,791</u>

Note 7 – Interfund Receivables, Payables and Transfers

The following is a detailed listing of interfund balances at September 30, 2024:

	Interfund Receivable	Interfund Payable
Due To/From Other Funds		
General	\$ 236,494	\$ -
Other restricted	495,061	-
State gas tax	-	10,659
Community development	-	394,432
School ad valorem tax	-	123,765
Library grants	-	2,334
Aging program	-	2,076
Transportation & planning	-	22,437
State grants	-	154,848
Miscellaneous grants	-	21,004
Total	<u>\$ 731,555</u>	<u>\$ 731,555</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 7 – Interfund Receivables, Payables and Transfers (continued)

	<u>Purpose</u>	<u>Amount</u>
<u>Transfers From General Fund - Transfers To</u>		
Gadsden transit grants	Operations	\$ 496,971
Transportation and planning	Operations	27,711
Aging program	Operations	108,191
Golf course	Operations	652,785
Summer food service	Operations	3,130
Opiod settlement	Operations	578,723
Total Transfers From General Fund		<u>1,867,511</u>
<u>Transfers From Capital Improvements Fund - Transfers To</u>		
2014A/2017-A GOW Debt Service	Debt Service	248,076
2014B GOW Debt Service	Debt Service	318,593
2014C GOW Debt Service	Debt Service	90,192
2014D GOW Debt Service	Debt Service	125,307
2006A GOW Debt Service	Debt Service	75,576
2012A GOW Debt Service	Debt Service	1,542,305
2012B GOW Debt Service	Debt Service	439,992
Golf Course	Capital Projects	232,787
Total Transfers From Capital Improvements Fund		<u>3,072,828</u>
<u>Transfers From Capital Improvements Fund II - Transfers To</u>		
2017 B GOW Debt Service	Debt Service	2,883,540
		<u>2,883,540</u>
<u>Transfers From Nonmajor Governmental Funds - Transfers To</u>		
Resurfacing fund	Capital	272,612
General fund	Operations	32,721
Capital leases	Debt Service	375,075
2012C GOW Debt Service	Debt Service	654,763
Total Transfers From Nonmajor Funds		<u>1,335,171</u>
<u>Transfers From Proprietary Funds - Transfers To</u>		
General fund	Operations	<u>2,395,787</u>
Total Transfers		<u>\$ 11,554,837</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 8 – Intra-Entity Receivables and Payables

Resource flows between the City and its discretely presented component units are reported as if they were external transactions - that is, as revenue and expenses. However, amounts payable and receivable between the City and its discretely presented component units or between those units are reported on a separate line in the statement of net position.

Due From Component Units

On December 22, 2003, the City issued warrants for the purpose of financing the costs of acquiring, constructing, and equipping a new high school in connection with the consolidation of the Gadsden City Board of Education's existing three high schools. While the City is solely responsible for the debt service on these warrants, the City and the Board of Education executed a Funding Agreement that requires the Board of Education to make monthly payments to the City in the amount of \$75,000. The City refunded the Series 2003 Warrants with Series 2014-B.

\$ 6,436,659

Due To Component Units

School Ad Valorem Taxes receivable from taxpayers which are ultimately due to the Board of Education.

\$ 1,078,271

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 9 – Long-term Liabilities

Changes in long-term liabilities during the year are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Governmental Activities						
General Obligation Warrants, Series 2017-B	\$ 15,635,000	\$ -	\$ (2,195,000)	\$ 13,440,000	\$ 2,265,000	\$ 11,175,000
General Obligation Warrants, Series 2014-B	7,130,000	-	(50,000)	7,080,000	50,000	7,030,000
General Obligation Warrants, Series 2014-C	1,995,000	-	(15,000)	1,980,000	15,000	1,965,000
General Obligation Warrants, Series 2012-A	8,205,000	-	(1,255,000)	6,950,000	1,295,000	5,655,000
General Obligation Warrants, Series 2012-B	420,000	-	(420,000)	-	-	-
General Obligation Warrants, Series 2012-C	2,815,000	-	(555,000)	2,260,000	570,000	1,690,000
General Obligation Warrants, Series 2006-A	190,000	-	(70,000)	120,000	75,000	45,000
Less deferred amounts						
For issuance discounts	(25,328)	-	6,170	(19,158)	(2,189)	(16,969)
Plus deferred amounts						
For issuance premiums	1,707,396	-	(224,106)	1,483,290	224,106	1,259,184
Total General Obligation Warrants	38,072,068	-	(4,777,936)	33,294,132	4,491,917	28,802,215
Notes From Direct Borrowings and Direct Placements						
General Obligation Warrant, Series 2017-A	777,893	-	(222,255)	555,638	222,255	333,383
General Obligation Warrants, Series 2014-D	123,750	-	(123,750)	-	-	-
	901,643	-	(346,005)	555,638	222,255	333,383
Other Long-Term Liabilities						
HUD Section 108 Loans	200,000	-	(100,000)	100,000	100,000	-
Financed purchases	572,014	-	(368,030)	203,984	203,984	-
SBITA obligation payable	-	131,517	(59,000)	72,517	35,374	37,143
Lease payable	-	8,749,189	-	8,749,189	-	8,749,189
Compensated absences	3,117,361	616,191	-	3,733,552	988,678	2,744,874
OPEB liability	8,333,901	-	(2,474,635)	5,859,266	-	5,859,266
Net pension liability	60,795,342	-	(6,116,211)	54,679,131	-	54,679,131
Claims and judgments	4,482,700	287,143	(2,580,714)	2,189,129	371,085	1,818,044
Governmental Activities Long-term Liabilities	<u>\$ 116,475,029</u>	<u>\$ 9,784,040</u>	<u>\$ (16,822,531)</u>	<u>\$ 109,436,538</u>	<u>\$ 6,413,293</u>	<u>\$ 103,023,245</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 9 – Long-term Liabilities (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Business-Type Activities						
Compensated absences	\$ 178,092	\$ 31,136	\$ -	\$ 209,228	\$ 209,228	\$ -
OPEB liability	442,848	-	(70,640)	372,208	-	372,208
Net pension liability	3,108,910	-	(17,536)	3,091,374	-	3,091,374
Accrued landfill closure and post closure	<u>2,933,203</u>	<u>-</u>	<u>(145,594)</u>	<u>2,787,609</u>	<u>58,080</u>	<u>2,729,529</u>
Business-Type Activities Long-term Liabilities	<u>\$ 6,663,053</u>	<u>\$ 31,136</u>	<u>\$ (233,770)</u>	<u>\$ 6,460,419</u>	<u>\$ 267,308</u>	<u>\$ 6,193,111</u>

The City's internal service fund primarily serves the governmental funds. Accordingly, its long-term liabilities are included as part of the long-term liabilities of governmental activities above.

Compensated absences and claims and judgments liabilities of governmental activities typically have been liquidated from the general fund in prior years.

General Obligation Warrants, Special Obligation Bonds and Notes Payable

The City issues long-term bonds and warrants to provide funds for the acquisition and construction of major capital facilities. The bonds and warrants have been issued for both governmental and business-type activities. General obligation debt represents direct obligations and pledges the full faith and credit of the City. These bonds and warrants are generally issued as serial bonds and warrants with varying amounts of principal maturing each year.

Governmental Activities:

General Obligation Warrant dated November 27, 2017 is due in annual principal installments ranging from \$520,000 to \$2,610,000 starting August 1, 2018 through August 1, 2030, with interest payable semi-annually from inception at rates varying from 2 % to 5 %.

\$ 13,440,000

General Obligation Warrant dated January 18, 2017 is due in quarterly principal installments of \$55,564 starting May 11, 2017 through May 11, 2027, with interest payable monthly from inception at 3.8125 %.

555,638

General Obligation Warrants dated June 26, 2014 are due in annual principal installments ranging from \$316,000 to \$1,866,000 starting July 10, 2014 through August 1, 2033, with interest payable semi-annually from inception at rates varying from 2.0 % to 3.7 %.

7,080,000

General Obligation Warrants dated June 26, 2014 are due in annual principal installments ranging from \$84,000 to \$518,000 starting July 10, 2014 through August 1, 2033, with interest payable semi-annually from inception at rates varying from 2.0 % to 3.7 %.

1,980,000

General Obligation Warrants dated June 30, 2014 are due in annual principal installments ranging from \$41,250 to \$165,000 starting June 30, 2014 through June 30, 2024, with interest payable semi-annually from inception at 3.25 %.

-

General Obligation Warrants dated February 2, 2012 are due in annual principal installments ranging from \$925,000 to \$1,490,000 starting August 1, 2015 through August 1, 2029, with interest payable semi-annually from inception at rates varying from 2.75 % to 4 %.

6,950,000

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 9 – Long-term Liabilities (continued)

General Obligation Warrants dated February 2, 2012 are due in annual principal installments ranging from \$30,000 to \$420,000 through August 1, 2024, with interest payable semi-annually at rates varying from 1.51 % to 4.45 %.	-
General Obligation Warrants dated February 2, 2012 are due in annual principal installments ranging from \$110,000 to \$570,000 through August 1, 2029, with interest payable semi-annually at rates varying from 2 % to 4 %.	2,260,000
General Obligation Warrants dated June 12, 2007, are due in annual principal installments ranging from \$30,000 to \$325,000 through November 20, 2025, with variable interest payable semi-annually.	120,000
HUD Section 108 Loans dated March 28, 2019, due in annual principal installments ranging from \$75,000 to \$100,000 through August 1, 2025, with interest payable semi-annually at 20 basis points (0.2%) above the applicable LIBO rate.	100,000
Financed purchase payable to Truist Bank for the financing of two fire trucks; due in quarterly installments of \$68,349 through April 2025; interest at 1.04%.	<u>203,984</u>
Total Governmental Activities	<u><u>\$32,689,622</u></u>

The following schedules show debt service to maturity for general obligation warrants, special obligation bonds and notes payable outstanding at September 30, 2024:

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 9 – Long-term Liabilities (continued)

	<u>Total</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Governmental Activities					
GOW Series 2017- B					
Principal	\$ 13,440,000	\$ 2,265,000	\$ 2,375,000	\$ 2,490,000	\$ 2,610,000
Interest	1,983,400	623,750	510,500	400,000	275,500
Total	<u>15,423,400</u>	<u>2,888,750</u>	<u>2,885,500</u>	<u>2,890,000</u>	<u>2,885,500</u>
GOW Series 2017- A					
Principal	555,638	222,255	222,255	111,128	-
Interest	27,341	17,284	8,816	1,241	-
Total	<u>582,979</u>	<u>239,539</u>	<u>231,071</u>	<u>112,369</u>	<u>-</u>
GOW Series 2014- B					
Principal	7,080,000	50,000	55,000	55,000	55,000
Interest	1,975,104	266,078	264,453	262,665	260,878
Total	<u>9,055,104</u>	<u>316,078</u>	<u>319,453</u>	<u>317,665</u>	<u>315,878</u>
GOW Series 2014- C					
Principal	1,980,000	15,000	15,000	15,000	15,000
Interest	526,923	71,156	70,631	70,106	69,581
Total	<u>2,506,923</u>	<u>86,156</u>	<u>85,631</u>	<u>85,106</u>	<u>84,581</u>
GOW Series 2014- D					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GOW Series 2012- A					
Principal	6,950,000	1,295,000	1,340,000	1,390,000	1,435,000
Interest	781,675	249,063	206,975	160,075	109,687
Total	<u>7,731,675</u>	<u>1,544,063</u>	<u>1,546,975</u>	<u>1,550,075</u>	<u>1,544,687</u>
GOW Series 2012- B					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GOW Series 2012- C					
Principal	2,260,000	570,000	490,000	385,000	400,000
Interest	232,507	80,194	61,669	44,519	30,563
Total	<u>2,492,507</u>	<u>650,194</u>	<u>551,669</u>	<u>429,519</u>	<u>430,563</u>
GOW Series 2006- A					
Principal	120,000	75,000	45,000	-	-
Interest	4,999	4,105	894	-	-
Total	<u>124,999</u>	<u>79,105</u>	<u>45,894</u>	<u>-</u>	<u>-</u>
HUD Section 108 Loan					
Principal	100,000	100,000	-	-	-
Interest	2,738	2,738	-	-	-
Total	<u>102,738</u>	<u>102,738</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financed Purchases Payable					
Principal	203,984	203,984	-	-	-
Interest	1,062	1,062	-	-	-
Total	<u>205,046</u>	<u>205,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities					
Principal	32,689,622	4,796,239	4,542,255	4,446,128	4,515,000
Interest	5,535,749	1,315,430	1,123,938	938,606	746,209
Total	<u>\$ 38,225,371</u>	<u>\$ 6,111,669</u>	<u>\$ 5,666,193</u>	<u>\$ 5,384,734</u>	<u>\$ 5,261,209</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 9 – Long-term Liabilities (continued)

	<u>2029</u>	<u>2030-2034</u>
Governmental Activities		
GOW Series 2017- B		
Principal	\$ 2,745,000	\$ 955,000
Interest	145,000	28,650
Total	<u>2,890,000</u>	<u>983,650</u>
GOW Series 2017- A		
Principal	-	-
Interest	-	-
Total	<u>-</u>	<u>-</u>
GOW Series 2014- B		
Principal	60,000	6,805,000
Interest	259,090	661,940
Total	<u>319,090</u>	<u>7,466,940</u>
GOW Series 2014- C		
Principal	15,000	1,905,000
Interest	69,056	176,393
Total	<u>84,056</u>	<u>2,081,393</u>
GOW Series 2014- D		
Principal	-	-
Interest	-	-
Total	<u>-</u>	<u>-</u>
GOW Series 2012- A		
Principal	1,490,000	-
Interest	55,875	-
Total	<u>1,545,875</u>	<u>-</u>
GOW Series 2012- B		
Principal	-	-
Interest	-	-
Total	<u>-</u>	<u>-</u>
GOW Series 2012- C		
Principal	415,000	-
Interest	15,562	-
Total	<u>430,562</u>	<u>-</u>
GOW Series 2006- A		
Principal	-	-
Interest	-	-
Total	<u>-</u>	<u>-</u>
HUD Section 108 Loan		
Principal	-	-
Interest	-	-
Total	<u>-</u>	<u>-</u>
Financed Purchases Payable		
Principal	-	-
Interest	-	-
Total	<u>-</u>	<u>-</u>
Total Governmental Activities		
Principal	4,725,000	9,665,000
Interest	544,583	866,983
Total	<u>\$ 5,269,583</u>	<u>\$ 10,531,983</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 9 – Long-term Liabilities (continued)

Public Building Authority of the City of Gadsden

General Obligation Warrants dated April 1, 2009 were issued to construct a building. Payments are due in annual principal installments ranging from \$300,000 to \$615,000 through July 1, 2029, with interest payable semi-annually at rates varying from 3.375% to 4.50%.

Revenue bonds dated February 23, 2024 were issued to construct a building. Payments are due in annual principal installments beginning October 1, 2026 ranging from \$160,000 to \$545,000 through 2054, with interest payable semi-annually beginning in fiscal year 2024 at rates varying from 4% to 5%.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
General Obligation						
Warrants - Series 2009A	\$ 3,005,000	\$ -	\$ 495,000	\$ 2,510,000	\$ 515,000	\$ 1,995,000
Revenue Bonds						
Series 2024A	-	9,070,000	-	9,070,000	-	9,070,000
	3,005,000	9,070,000	495,000	11,580,000	515,000	11,065,000
Deferred amounts for issuance premiums	4,923	100,834	4,205	101,552	4,205	97,347
	<u>\$ 3,009,923</u>	<u>\$ 9,170,834</u>	<u>\$ 499,205</u>	<u>\$ 11,681,552</u>	<u>\$ 519,205</u>	<u>\$ 11,162,347</u>

Future debt service to maturities for the general obligation warrants and revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 515,000	\$ 507,969	\$ 1,022,969
2026	540,000	488,213	1,028,213
2027	720,000	463,498	1,183,498
2028	755,000	433,766	1,188,766
2029	490,000	402,574	892,574
2030-2034	1,035,000	1,777,375	2,812,375
2035-2039	1,320,000	1,484,250	2,804,250
2040-2044	1,665,000	1,138,175	2,803,175
2045-2049	2,035,000	755,544	2,790,544
2050-2054	2,505,000	275,083	2,780,083
Total	<u>\$ 11,580,000</u>	<u>\$ 7,726,447</u>	<u>\$ 19,306,447</u>

Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses and injuries to employees; and natural disasters. The City has established a limited risk management program for employee medical and workers' compensation. The City has purchased commercial insurance coverage for employee medical expenses exceeding \$50,000 per employee per year, workers' compensation claims exceeding \$300,000 per claim, and for aggregate claims exceeding 275 % of expected annual claims. The City has also purchased commercial insurance coverage for commercial general liability, automobile and property, public officials and other employee bonds, etc., with varying coverage amounts and deductibles. Settlements have not exceeded coverage in any of the last three fiscal years.

CITY OF GADSDEN, ALABAMA**NOTES TO FINANCIAL STATEMENTS (continued)****For the Year Ended September 30, 2024**

Note 9 – Long-term Liabilities (continued)

The liabilities for employee medical and workers' compensation claims are reported in the internal service fund. The liabilities for other legal claims (e.g., settlements of lawsuits against the City) are not reported as a fund liability until they become due and payable because they are paid from the general fund. The government-wide statement of net position includes all liabilities for claims and judgments as part of long-term liabilities.

Liabilities for claims and judgments are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liabilities is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards.

Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liabilities also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation, are another component of the claims liabilities estimate. Changes in the balances of claims liabilities during the fiscal year were:

	Workers' Compensation and Medical Claims	Legal Claims	Total
Unpaid claims, beginning of year	\$ 1,214,819	\$ 3,267,881	\$ 4,482,700
Incurred claims (including IBNRs)	205,565	81,578	287,143
Claim payments	(369,718)	(2,213,933)	(2,583,651)
Changes to prior year estimates	<u>2,937</u>	<u>-</u>	<u>2,937</u>
Unpaid Claims, End of Year	<u>\$ 1,053,603</u>	<u>\$ 1,135,526</u>	<u>\$ 2,189,129</u>

The Board of Education is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board of Education has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board of Education pays the annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Errors and omissions insurance is purchased from Alabama Trust for Boards of Education (ATBE), a self-funded risk management trust. ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. The Board of Education purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage. Also, there have been no significant reductions in insurance coverage from the prior year.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued) For the Year Ended September 30, 2024

Note 9 – Long-term Liabilities (continued)

The Board of Education's employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board. PEEHIF was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board of Education contributes the specified amount monthly to the PEEHIF for each employee. The Board of Education contribution is applied against the employees' premium for the coverage selected and the employee pays any remaining premium.

The State Board of Adjustments is a state agency with which people can file claims against the Board of Education to collect reimbursement for damages when all other means have been exhausted. The Board of Education does not have insurance coverage for job-related injuries. Claims for employee job-related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board of Education.

Landfill Closure and Post Closure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense of the residential garbage enterprise fund in each period based on landfill capacity used as of fiscal year end.

The \$2,787,609 reported as landfill closure and post closure care liability at September 30, 2024, represents the cumulative amount reported to date, based on the use of 84% of the estimated capacity of its Brunsway Drive site and post closure care costs for 7 remaining years at the Noccalula Falls sites. The City will recognize the remaining estimated cost of closure and post-closure care of \$468,749 as the remaining estimated capacity of the Brunsway Drive site is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2024. The City is in the process of expanding the boundary of the Brunsway Drive site, which could extend the life to the year 2075, contingent on permitting that will allow the expansion. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

The City met the Environmental Protection Agency's ("EPA") regulations regarding financial assurance provisions by meeting the EPA's financial test as of September 30, 2024.

Subscriptions Payable

For the year ended September 30, 2024, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, the City is required to recognize a subscription liability and an intangible right-to-use subscription asset.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 9 – Long-term Liabilities (continued)

On December 12, 2022 the City entered into a 36-month subscription for the use of a financial management, human resources management, and revenue management software. The subscription calls for annual payments up to \$94,653. Initial implementation costs have been estimated up to \$393,000. As of September 30, 2024, the subscription is in the initial implementation stage. Recognition of the subscription liability and the intangible right-to-use subscription asset occurs when the initial implementation stage is completed, and the City is able to control the right to use the underlying IT assets. As of September 30, 2024 total subscription payments and initial implementation costs totaled \$277,283 and are reported as prepaid assets.

On September 3, 2024 the City entered into a 36-month subscription for use of a government services software. The initial subscription asset and liability was recorded in the amount of \$131,517. As of September 30, 2024, the subscription liability was \$72,517. The subscription calls for annual payments ranging from \$59,000 in the first year and \$39,000 in years two and three. The subscription liability is being amortized using an interest rate of 5%. The annual amortization of the right-to-use asset is \$43,839 and the net book value as of September 30, 2024 was \$87,678.

In the governmental fund financial statements, the City reported current operating expenses (General Government) for the annual subscription payment in the amount of \$59,000 for the year ended September 30, 2024. In the government-wide statements, the City reported no interest expense for the year ended September 30, 2024 and SBITA obligations payable at September 30, 2024 as follows:

	<u>Subscription</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 39,000	\$ 35,374	\$ 3,626
2026	39,000	37,143	1,857
Total	<u>\$ 78,000</u>	<u>\$ 72,517</u>	<u>\$ 5,483</u>

Note 10 – Contingencies

Various lawsuits are pending against the City. In addition, numerous claims have been filed that have not yet resulted in lawsuits. In the opinion of the City Attorney, the potential adverse impact of all these claims, individually or in the aggregate, would not be material to the financial statements of the City.

The City and the Board of Education have 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 agencies for expenditures disallowed under the terms of the grants. City management believes such disallowances, if any, will be immaterial.

Note 11 – Pension Plan

General Information about the Pension Plan

Plan description: The Employees' Retirement System of Alabama (ERS), an agency 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 System 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.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued) For the Year Ended September 30, 2024

Note 11 – Pension Plan (continued)

The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Benefits provided - State law establishes retirement benefits as well as death and disability benefits, and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life.

Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

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.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 11 – Pension Plan (continued)

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 618 employers adopted Act 2019-132 as of September 30, 2023.

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

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 113,083 participants. As of September 30, 2023, membership consisted of:

	ERS	City
Retirees or their beneficiaries currently receiving benefits	31,481	416
Vested inactive members	2,350	15
Non-vested inactive members	20,556	108
Active members	58,659	467
Post-DROP participants still in active service	33	-
Total	<u>113,079</u>	<u>1,006</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.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 11 – Pension Plan (continued)

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contribution 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, 2024, the City's active employee contribution rates were 7.50% (Tier 1) for civilian employees and 8.50% (Tier 1) for firefighters and sworn police officers. The City's average contribution rate to fund the normal and accrued liability costs was 19.85% of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2024 was 19.63% for all employees. The required contribution rate is based upon the actuarial valuation dated September 30, 2021, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$5,064,842 for the year ended September 30, 2024.

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 11 – Pension Plan (continued)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2022 rolled forward to September 30, 2023 using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2022	\$ 136,748,058	\$ 134,002,165	\$ 134,002,165
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2022 - September 30, 2023	2,257,569	2,257,569	2,257,269
(d) Transfers Among Employers	-	(368,369)	(368,369)
(e) Actual Benefit Payments and Refunds for the period October 1, 2022 - September 30, 2023	<u>(9,574,958)</u>	<u>(9,574,958)</u>	<u>(9,574,958)</u>
(f) Total Pension Liability as of September 30, 2023 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 139,261,732</u>	<u>\$ 135,942,901</u>	<u>\$ 135,942,901</u>
(g) Difference between Expected and Actual		\$ (3,318,831)	
(h) Less Liability Transferred for Immediate Recognition		<u>(368,369)</u>	
(i) Difference between Expected and Actual Experience (Gain)/Loss = (g) - (h)		<u>\$ (2,950,462)</u>	
(i) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss			<u>\$ -</u>

Actuarial assumptions: The total pension liability as of September 30, 2023 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2022.

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

* Net of pension plan investment expense.

CITY OF GADSDEN, ALABAMA**NOTES TO FINANCIAL STATEMENTS (continued)****For the Year Ended September 30, 2024**

Note 11 – Pension Plan (continued)

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

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

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

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

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 11 – Pension Plan (continued)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
Total	<u>100.0%</u>	

* Includes assumed rate of inflation of 2.00%

Discount rate: The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumes 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.

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 11 – Pension Plan (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2022	\$ 136,748,058	\$ 72,843,806	\$ 63,904,252
Changes for the year:			
Service cost	2,257,569	-	2,257,569
Interest	9,831,063	-	9,831,063
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(2,950,462)	-	(2,950,462)
Contributions - employer	-	4,260,266	(4,260,266)
Contributions - employee	-	1,806,398	(1,806,398)
Net investment income	-	9,205,253	(9,205,253)
Benefit payments, including refunds of employee contributions	(9,574,958)	(9,574,958)	-
Administrative expense	-	-	-
Transfers among employers	(368,369)	(368,369)	-
Net changes	<u>(805,157)</u>	<u>5,328,590</u>	<u>(6,133,747)</u>
Balances at September 30, 2023	<u>\$ 135,942,901</u>	<u>\$ 78,172,396</u>	<u>\$ 57,770,505</u>

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

	1% Decrease (6.45%)	Current Discount (7.45%)	1% Increase (8.45%)
City's net pension liability	\$ 72,482,895	\$ 57,770,505	\$ 45,330,925

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, 2023. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2023. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

CITY OF GADSDEN, ALABAMA**NOTES TO FINANCIAL STATEMENTS (continued)****For the Year Ended September 30, 2024**

Note 11 – Pension Plan (continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended September 30, 2024, the City recognized net pension expense \$6,140,793. At September 30, 2024, 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	\$ 45,848	\$ 4,038,271
Changes of assumptions	2,020,414	-
Net difference between projected and actual earnings on pension plan investments	3,286,094	-
Employer contributions subsequent to the measurement date	5,064,842	-
Total	<u>\$ 10,417,198</u>	<u>\$ 4,038,271</u>

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, totaling \$5,064,842, will be recognized as a reduction of net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2025	\$ 490,852
2026	213,883
2027	1,996,732
2028	(1,387,382)
2029	-
Thereafter	-

Note 12 – Post-Employment Benefits

Retiree Medical Plan Eligibility. A participant is eligible to receive benefits from the plan upon retirement under the Retirement System of Alabama.

Tier I employees are those enrolled in ERS for the first time prior to 1/1/2013. To be eligible for retiree benefits, the participant must be actively covered under the medical plan immediately prior to retirement and must have attained a specified age and service requirement at retirement, either age 60 with 10 years of service or any age with 25 years of service.

Tier II employees are those enrolled in ERS for the first time on or after 1/1/2013. To be eligible for retiree benefits, the participant must be actively covered under the medical plan for the 120 months immediately prior to retirement and must have attained a specified age and service requirement at retirement: Age 62 with 10 years of service.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 12 – Post-Employment Benefits (continued)

A participant is eligible for a disability retirement upon attainment of 10 years of service and must be deemed permanently incapacitated for duty before reaching eligibility for the service requirement.

Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

A member may elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service and attainment of at least 55 years of age. Medical claims incurred while in the DROP are not considered liabilities for the purposes of this valuation. Members with a participation date after June 1, 2011, are not eligible for the DROP.

Coverage Options. Retirees and their eligible dependents who are not yet Medicare eligible may elect to continue coverage under the LGHIP-sponsored Bluecard PPO. Retirees and their Dependents are required to contribute a portion of the premium for coverage dependent on their date of retirement and age at that date.

Retirees and their eligible dependents who are Medicare eligible may elect to continue coverage under the LGHIP-sponsored Bluecard PPO, with Medicare as the primary coverage.

Alternatively, Medicare-eligible retirees and their eligible dependents can enroll in an Amwins-administered supplemental insurance plan. The Amwins supplemental coverage replaces BlueCard PPO coverage.

Once a retiree allows coverage under the Bluecard PPO Plan to lapse, including an election for Amwins coverage, the retiree cannot be readmitted into the Bluecard PPO coverage.

Participants who retired after December 31, 2012 receive no premium subsidy towards PPO Medical Coverage after Medicare Eligibility Age.

City Premium Subsidies. Retirees of the City electing and maintaining medical coverage through the City are eligible for a premium subsidy. The amount of the subsidy is determined based on age at retirement and date of retirement.

Eligible retirees who accepted Amwins coverage prior to May 1, 2012 are eligible to receive \$200 per month from the City to offset the premiums for coverage. Participants who are not yet Medicare eligible, retired prior to May 1, 2012, and elected to maintain Bluecard PPO coverage are eligible to receive the \$200 per month subsidy after Medicare eligibility.

Plan Assets. No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75, paragraph 4, to pay benefits:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the Plan administrator, and Plan members.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2024

Note 12 – Post-Employment Benefits (continued)

Employees Covered by Benefit Terms – As of September 30, 2024, the following employees were covered by the benefit terms:

Active participants	508
Retirees	<u>47</u>
Total	<u>555</u>

Total OPEB Liability

The City's total OPEB liability is \$6,231,474. The valuation date is October 1, 2024. This is the date as of which the actuarial valuation is performed. The measurement date is September 30, 2024. This is the date as of which the total OPEB liability is determined. The reporting date is September 30, 2024. This is the plan's and/or employer's fiscal year ending date. There have been no significant changes between the valuation date and fiscal year end.

Discount rate. The discount rate of 3.81% as of September 30, 2024 was based on the Bond Buyer General Obligation 20-Year Bond Municipal Index as of the current measurement date.

Actuarial assumptions and other inputs. The actuarial assumptions that determined the total OPEB liability as of September 30, 2024 were based on decrements used in the most recent actuarial valuation of the Employees' Retirement System of Alabama, under which City employees are covered:

Valuation date	October 1, 2024
Measurement date	September 30, 2024
Inflation	2.30%
Salary increases including inflation	4.00%
Mortality	Active Participants: Pub-2010 General Employees Headcount-Weighted Mortality projected generationally with scale MP-2021 Retired Participants: Pub-2010 General Retirees Headcount-Weighted Mortality projected generationally with scale MP-2021
Actuarial cost method	Entry Age Normal

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 12 – Post-Employment Benefits (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes in Total OPEB Liability	
Balance as of September 30, 2023	\$ 8,776,749
Changes for the year:	
Service cost	189,387
Interest on total OPEB liability	354,404
Effect of plan changes	-
Effect of economic/demographic gains or losses	(2,634,918)
Effect of assumptions changes or inputs	153,932
Benefit payments	(608,080)
Balance as of September 30, 2024	<u>\$ 6,231,474</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 3.81%, 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 (2.81%) or 1 percentage point higher (4.81%) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 6,817,128	\$ 6,231,474	\$ 5,701,262

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 5,624,307	\$ 6,231,474	\$ 6,941,319

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

For the year ended September 30, 2024, the City recognized OPEB (benefit) of \$(2,439,488). At September 30, 2024, 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	\$ 394,157	\$ 3,138,982
Changes of assumptions	428,370	4,261,614
Total	<u>\$ 822,527</u>	<u>\$ 7,400,596</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2024

Note 12 – Post-Employment Benefits (continued)

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

Year ended September 30:	
2025	\$ (2,253,257)
2026	(1,646,455)
2027	(1,155,513)
2028	(617,993)
2029	(358,580)
Thereafter	(546,271)

Note 13 – Leases

Lease receivable

The City is reporting lease receivables of \$16,785,874 at September 30, 2024. For 2024, the City reported lease revenue of \$413,746 and interest revenue of \$30,478 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Governmental Activities			
Gadsden-Etowah IDA	\$ 89,380	\$ 14,364	\$ 963
Jack's Family Restaurant, Inc.	683,959	36,904	3,273
Southern Communications	377,900	16,982	1,697
TWS Gadsden, LLC	3,493,402	95,704	1,156
T-Mobile South, LLC	150,733	8,075	4,740
Capstar Radio Operating Co.	48,510	8,242	341
Alabama Law Enforcement Agency	287,983	15,841	1,937
Merrill Lynch	667,613	84,551	7,192
CDG Engineers	835,731	74,071	3,092
Regions Bank	1,313,820	57,152	5,965
State of Alabama Department of Rehabilitation Services (ADRS)	8,749,189	-	-
Total Governmental Activities	<u>16,698,220</u>	<u>411,886</u>	<u>30,356</u>
Business-Type Activities			
Miss Martha's Originals	86,719	1,595	68
State of Alabama	935	265	54
Total Business-Type Activities	<u>87,654</u>	<u>1,860</u>	<u>122</u>
Total	<u>\$ 16,785,874</u>	<u>\$ 413,746</u>	<u>\$ 30,478</u>
Discretely Presented Component Units			
Gadsden Airport Authority	<u>\$ 317,927</u>	<u>\$ 56,974</u>	<u>\$ 3,326</u>
The Public Building Authority of the City of Gadsden	<u>\$ 11,731,641</u>	<u>\$ 587,751</u>	<u>\$ 12,327</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued) For the Year Ended September 30, 2024

Note 13 – Leases (continued)

Gadsden-Etowah IDA Lease – In May 2022, the City entered into a three-year lease agreement with Gadsden-Etowah IDA for the lease of building space that is part of the Venue. Based on this agreement, the City will receive monthly payments starting at the end of the construction period for the duration of the lease agreement. There are no renewal options included in this lease agreement.

Jack's Family Restaurant Lease – In March 2011, the City entered into a ten-year lease agreement with Jack's Family Restaurant, Inc. for the lease of real property that is part of Noccalula Falls. Based on a five-year extension agreement, the City will be receiving monthly payments through 2027. There are options to extend this lease for an additional three consecutive five-year terms through 2042.

Southern Communications Lease – In August 2014, the City entered into a ten-year lease agreement with Southern Communications for the lease of space on the City's communications tower. Based on a five-year extension agreement, the City will be receiving annual payments through 2026. There are options to extend this lease for an additional three consecutive five-year terms through 2041.

TWS Gadsden, LLC Lease – In October 2018, the City entered into a twenty-year lease agreement with TWS Gadsden, LLC (dba Buffalo Wild Wings) for the lease of real property near the Venue. Based on the agreement, the City will be receiving monthly payments through 2039. There are options to extend this lease for four terms of five years each, ending in 2059.

T-Mobile South, LLC Lease – In March 2011, the City entered into a thirty-year lease agreement with T-Mobile South, LLC for the lease of space on the City's communications tower. Based on the agreement, the City will be receiving annual payments through 2040. There are no renewal options included in this lease agreement.

Capstar Radio Operating Company Lease – In July 2020, the City entered into a five-year lease agreement with Capstar Radio Operating Company for the lease of space on the City's communications tower. Based on the agreement, the City will be receiving monthly payments through 2025. There is an option to extend this lease for an additional five-year term ending in 2030.

Alabama Law Enforcement Agency – In April 2024, the City entered into a five-year lease agreement with Alabama Law Enforcement Agency (ALEA) for the lease of a building. Based on the agreement, the City will be receiving monthly payments through 2029. There is an option to extend this lease for an additional three-year term ending in 2032.

Merrill Lynch – In October 2023, the City assumed a lease agreement with Merrill Lynch for the lease of office space. Based on the agreement, the City will be receiving monthly payments through 2027. The City assumed the lease under the first five-year extended term, which ends July 2027. There is an option to extend this lease for an additional five-year term ending in 2032.

CDG Engineers – In October 2023, the City assumed a lease agreement with CDG Engineers for the lease of office space. Based on the agreement, the City will be receiving monthly payments through 2025. There is an option to extend for two additional 5-year terms ending in 2030 and 2035, respectively.

Regions Bank – In October 2023, the City entered into a ten-year lease agreement with Regions Bank for the lease of office space. Based on the agreement, the City will be receiving monthly payments through 2033. There is an option to extend this lease for three additional terms of five years each, ending in 2038, 2043, and 2048, respectively.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued) **For the Year Ended September 30, 2024**

Note 13 – Leases (continued)

State of Alabama Department of Rehabilitation Services – In February 2024, the City entered into a sub-lease agreement with the State of Alabama Department of Rehabilitation Services (ADRS) through September 30, 2024 for the lease of an office building. There is an option to extend this lease each fiscal year ending September 30 through 2054.

Miss Martha's Originals Lease – In October 1984, the City entered into a fifty-year lease agreement with Miss Martha's Originals, Inc. for the lease of real property at the Air Depot. Based on the agreement, the City will be receiving annual payments through 2034. There are options to extend this lease for two additional ten-year terms ending in 2054.

State of Alabama Lease – In October 2008, the City entered into a seventeen-year lease agreement with the State of Alabama for the lease of real property at the Air Depot. Based on the agreement, the City will be receiving annual payments through 2025. There are no renewal options included in this lease agreement.

Discretely Presented Component Units

Gadsden Airport Authority

The Authority has entered into leasing agreements with corporate tenants for the use of certain airport facilities. Normally, the terms of the agreements include a fixed minimum annual guaranteed (MAG) payment to the Authority as well as additional contingent payments based on the number of gallons of fuel purchased and stored on Authority facilities.

The Public Building Authority of the City of Gadsden

In April 2009, the Public Building Authority entered into a twenty-year lease agreement with the State of Alabama Department of Human Resources for the lease of real property, including a building. Based on this agreement, the Public Building Authority will be receiving monthly payments through 2029. There are no renewal options included in this lease agreement.

In February 2024, the Public Building Authority entered into a lease agreement with the City for the lease of an office building. There are options to renew this lease annually through September 30, 2054.

Lease payable

The City entered into a lease with The Public Building Authority of the City of Gadsden for a building, which has been sub-leased to the ADRS (see previous). As of September 30, 2024, the value of the lease liability was \$8,749,189. The City is required to make an initial annual principal and interest payment of \$405,850 due October 1, 2025. The remaining principal and interest payments of \$560,026 will be due annually, with the final payment due October 1, 2053. The lease has an interest rate of 5%. The value of the right-to-use-asset as of September 30, 2024 was \$8,749,189, with amortization beginning in fiscal year 2026.

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CITY OF GADSDEN, ALABAMA**NOTES TO FINANCIAL STATEMENTS (continued)**
For the Year Ended September 30, 2024

Note 13 – Leases (continued)

The future principal and interest lease payments as of September 30, 2024, were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ -	\$ -
2026	405,850	-	405,850
2027	142,859	417,167	560,026
2028	150,002	410,024	560,026
2029	157,502	402,524	560,026
2030-2034	913,814	1,886,316	2,800,130
2035-2039	1,166,283	1,633,847	2,800,130
2040-2044	1,488,506	1,311,624	2,800,130
2045-2049	1,899,753	6,900,377	8,800,130
2050-2054	2,424,620	375,510	2,800,130
Total	<u>\$ 8,749,189</u>	<u>\$ 13,337,389</u>	<u>\$ 22,086,578</u>

Note 14 – Sales Tax Rebate Agreements

From time to time, the City enters into sales tax rebate agreements, generally with property developers, to encourage retail growth. As of the 2024 fiscal year end, the City had eight of these agreements in place that rebate 50% of sales tax collected to the property developer. The agreements range in terms from 3 to 15 years. Rebates for the year ended September 30, 2024 totaled \$1,084,493.

Note 15 – Subsequent Events

The City has evaluated subsequent events through June 27, 2025, the date the financial statements were available to be issued.

Note 16 – Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Compensated Absences
- Certain Risk Disclosures
- Financial Reporting Model Improvements
- Disclosure of Certain Capital Assets

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

CITY OF GADSDEN, ALABAMA

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Taxes	\$ 44,909,000	\$ 44,909,000	\$ 47,455,836	\$ 2,546,836
Licenses and permits	7,929,000	7,929,000	10,197,134	2,268,134
Intergovernmental	377,513	480,596	1,570,080	1,089,484
Charges for services	2,916,200	2,916,200	3,899,072	982,872
Fines and forfeitures	445,000	445,000	438,056	(6,944)
Other revenue	<u>2,573,800</u>	<u>2,573,800</u>	<u>5,233,899</u>	<u>2,660,099</u>
Total Revenue	<u>59,150,513</u>	<u>59,253,596</u>	<u>68,794,077</u>	<u>9,540,481</u>
Expenditures				
Current				
General government	4,019,734	5,842,018	5,106,323	735,695
Internal services	3,637,199	3,550,448	3,248,458	301,990
Public safety	24,204,571	24,773,393	23,619,581	1,153,812
Recreation and cultural services	9,336,184	9,584,913	8,016,700	1,568,213
Public works services	6,474,239	6,642,039	5,795,585	846,454
Urban development	3,703,794	5,446,808	4,561,794	885,014
Nondepartmental	5,189,335	5,281,871	4,877,575	404,296
Intergovernmental	1,552,500	1,578,167	1,578,167	-
Debt service				
Principal	-	-	59,000	(59,000)
Capital outlay	<u>1,279,347</u>	<u>13,472,139</u>	<u>19,270,443</u>	<u>(5,798,304)</u>
Total Expenditures	<u>59,396,903</u>	<u>76,171,796</u>	<u>76,133,626</u>	<u>38,170</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(246,390)</u>	<u>(16,918,200)</u>	<u>(7,339,549)</u>	<u>9,578,651</u>
Other Financing Sources (Uses)				
Proceeds from Leases/SBITAs	-	-	8,880,706	8,880,706
Proceeds from the sale of assets	-	-	122,153	122,153
Transfers	<u>(1,053,614)</u>	<u>(1,060,718)</u>	<u>560,997</u>	<u>1,621,715</u>
Total Other Financing Sources (Uses)	<u>(1,053,614)</u>	<u>(1,060,718)</u>	<u>9,563,856</u>	<u>10,624,574</u>
Net Change in Fund Balances	(1,300,004)	(17,978,918)	2,224,307	20,203,225
Fund Balance - Beginning of Year	<u>42,157,067</u>	<u>42,157,067</u>	<u>42,157,067</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 40,857,063</u>	<u>\$ 24,178,149</u>	<u>\$ 44,381,374</u>	<u>\$ 20,203,225</u>

CITY OF GADSDEN, ALABAMA

**CAPITAL IMPROVEMENTS FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Taxes	\$ 8,300,000	\$ 8,300,000	\$ 8,715,430	\$ 415,430
Other	<u>-</u>	<u>-</u>	<u>364,344</u>	<u>364,344</u>
Total Revenue	<u>8,300,000</u>	<u>8,300,000</u>	<u>9,079,774</u>	<u>779,774</u>
Expenditures				
Capital outlays	<u>5,709,245</u>	<u>13,538,512</u>	<u>10,549,449</u>	<u>2,989,063</u>
Total Expenditures	<u>5,709,245</u>	<u>13,538,512</u>	<u>10,549,449</u>	<u>2,989,063</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>2,590,755</u>	<u>(5,238,512)</u>	<u>(1,469,675)</u>	<u>3,768,837</u>
Other Financing Sources (Uses)				
Transfers	<u>(2,399,527)</u>	<u>(2,838,217)</u>	<u>(3,072,828)</u>	<u>(234,611)</u>
Total Other Financing Sources (Uses)	<u>(2,399,527)</u>	<u>(2,838,217)</u>	<u>(3,072,828)</u>	<u>(234,611)</u>
Net Change in Fund Balances	191,228	(8,076,729)	(4,542,503)	3,534,226
Fund Balance - Beginning of Year	<u>17,990,033</u>	<u>17,990,033</u>	<u>17,990,033</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 18,181,261</u>	<u>\$ 9,913,304</u>	<u>\$ 13,447,530</u>	<u>\$ 3,534,226</u>

CITY OF GADSDEN, ALABAMA

**CAPITAL IMPROVEMENTS FUND II
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Taxes	\$ -	\$ -	\$ 8,929,601	\$ 8,929,601
Total Revenue	<u>-</u>	<u>-</u>	<u>8,929,601</u>	<u>8,929,601</u>
Expenditures				
General government	365,000	365,000	365,000	-
Capital outlay	<u>5,248,500</u>	<u>18,366,892</u>	<u>9,155,754</u>	<u>9,211,138</u>
Total Expenditures	<u>5,613,500</u>	<u>18,731,892</u>	<u>9,520,754</u>	<u>9,211,138</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(5,613,500)</u>	<u>(18,731,892)</u>	<u>(591,153)</u>	<u>18,140,739</u>
Other Financing Sources (Uses)				
Transfers	<u>(2,886,500)</u>	<u>(2,886,500)</u>	<u>(2,883,540)</u>	<u>2,960</u>
Total Other Financing Sources (Uses)	<u>(2,886,500)</u>	<u>(2,886,500)</u>	<u>(2,883,540)</u>	<u>2,960</u>
Net Change in Fund Balances	(8,500,000)	(21,618,392)	(3,474,693)	18,143,699
Fund Balance - Beginning of Year	<u>11,721,118</u>	<u>11,721,118</u>	<u>11,721,118</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,221,118</u>	<u>\$ (9,897,274)</u>	<u>\$ 8,246,425</u>	<u>\$ 18,143,699</u>

CITY OF GADSDEN, ALABAMA

**AMERICAN RESCUE PLAN FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual	Variance from
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Intergovernmental	\$ -	\$ -	\$ 3,955,376	\$ 3,955,376
Total Revenue	<u>-</u>	<u>-</u>	<u>3,955,376</u>	<u>3,955,376</u>
Expenditures				
General government	-	259,843	259,843	-
Public works services	-	183,860	171,128	12,732
Nondepartmental	-	-	-	-
Education	-	-	-	-
Capital outlays	<u>-</u>	<u>14,376,203</u>	<u>3,524,405</u>	<u>10,851,798</u>
Total Expenditures	<u>-</u>	<u>14,819,906</u>	<u>3,955,376</u>	<u>10,864,530</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>-</u>	<u>(14,819,906)</u>	<u>-</u>	<u>14,819,906</u>
Net Change in Fund Balances	-	(14,819,906)	-	14,819,906
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ (14,819,906)</u>	<u>\$ -</u>	<u>\$ 14,819,906</u>

CITY OF GADSDEN, ALABAMA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Last 10 Fiscal Years Ending September 30,

Measurement Date (Sept 30)	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability										
Service cost	\$ 2,257,569	\$ 2,245,147	\$ 2,008,871	\$ 1,896,415	\$ 1,900,553	\$ 1,862,807	\$ 1,830,169	\$ 1,786,596	\$ 1,731,440	\$ 1,716,524
Interest	9,831,063	9,713,403	9,749,376	9,502,735	9,373,929	9,300,955	9,037,260	8,850,683	8,880,939	8,755,913
Changes of benefit terms	-	69,956	-	1,178,109	-	-	-	-	-	-
Differences between expected and actual experience	(2,950,462)	(649,229)	(2,973,637)	229,232	(794,223)	(1,500,023)	1,108,983	(843,027)	(2,047,937)	-
Changes of assumptions	-	-	4,906,723	-	-	598,831	-	4,708,481	-	-
Benefit payments, including refunds of employee contributions	(9,574,958)	(9,084,487)	(9,775,089)	(8,687,823)	(8,466,457)	(8,460,542)	(8,178,550)	(8,939,771)	(8,945,504)	(8,873,728)
Transfers among employers	(368,369)	(470,225)	(495,564)	(371,908)	(230,309)	(72,059)	(254,355)	32,697	-	-
Net change in total pension liability	(805,157)	1,824,565	3,420,680	3,746,760	1,783,493	1,729,969	3,543,507	5,595,659	(381,062)	1,598,709
Total pension liability - beginning	<u>136,748,058</u>	<u>134,923,493</u>	<u>131,502,813</u>	<u>127,756,053</u>	<u>125,972,560</u>	<u>124,242,591</u>	<u>120,699,084</u>	<u>115,103,425</u>	<u>115,484,487</u>	<u>113,885,778</u>
Total pension liability - ending (a)	<u>\$ 135,942,901</u>	<u>\$ 136,748,058</u>	<u>\$ 134,923,493</u>	<u>\$ 131,502,813</u>	<u>\$ 127,756,053</u>	<u>\$ 125,972,560</u>	<u>\$ 124,242,591</u>	<u>\$ 120,699,084</u>	<u>\$ 115,103,425</u>	<u>\$ 115,484,487</u>
Plan Fiduciary Net Position										
Contributions - employer	\$ 4,260,266	\$ 4,307,919	\$ 4,011,433	\$ 3,955,705	\$ 4,023,270	\$ 3,980,353	\$ 3,808,433	\$ 4,124,581	\$ 3,995,134	\$ 3,938,717
Contributions - member	1,806,398	1,806,674	1,766,151	1,650,833	1,812,341	1,646,384	1,597,925	1,619,074	1,644,309	1,536,995
Net investment income	9,205,253	(10,934,304)	16,256,934	4,171,938	1,906,837	6,534,598	8,351,218	6,314,534	767,608	7,323,153
Benefit payments, including refunds of employee contributions	(9,574,958)	(9,084,487)	(9,775,089)	(8,687,823)	(8,466,457)	(8,460,542)	(8,178,550)	(8,939,771)	(8,945,504)	(8,873,728)
Transfers among employers	(368,369)	(470,225)	(495,564)	(371,908)	(230,309)	(72,059)	(254,355)	32,697	(462,753)	(142,214)
Net change in plan fiduciary net position	<u>5,328,590</u>	<u>(14,374,423)</u>	<u>11,763,865</u>	<u>718,745</u>	<u>(954,318)</u>	<u>3,628,734</u>	<u>5,324,671</u>	<u>3,151,115</u>	<u>(3,001,206)</u>	<u>3,782,923</u>
Plan net position - beginning	<u>72,843,806</u>	<u>87,218,229</u>	<u>75,454,364</u>	<u>74,735,619</u>	<u>75,689,937</u>	<u>72,061,203</u>	<u>66,736,532</u>	<u>63,585,417</u>	<u>66,586,623</u>	<u>62,803,700</u>
Plan net position - ending (b)	<u>\$ 78,172,396</u>	<u>\$ 72,843,806</u>	<u>\$ 87,218,229</u>	<u>\$ 75,454,364</u>	<u>\$ 74,735,619</u>	<u>\$ 75,689,937</u>	<u>\$ 72,061,203</u>	<u>\$ 66,736,532</u>	<u>\$ 63,585,417</u>	<u>\$ 66,586,623</u>
Net pension liability - ending (a) - (b)	\$ 57,770,505	\$ 63,904,252	\$ 47,705,264	\$ 56,048,449	\$ 53,020,434	\$ 50,282,623	\$ 52,181,388	\$ 53,962,552	\$ 51,518,008	\$ 48,897,864
Plan fiduciary net position as a percentage of the total pension liability	57.50%	53.27%	64.64%	57.38%	58.50%	60.08%	58.00%	55.29%	55.24%	57.66%
Covered payroll *	22,248,168	21,874,202	21,382,599	21,890,808	21,669,808	21,282,788	20,750,678	20,414,069	20,305,580	19,806,420
Net pension liability as a percentage of covered payroll	259.66%	292.14%	223.10%	256.04%	244.67%	236.26%	251.47%	264.34%	253.71%	246.88%

* The data provided in the schedule is as of the measurement date of the City's net pension liability, which is as of the beginning of the City's fiscal year.

CITY OF GADSDEN, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last 10 Fiscal Years

	<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>	<u>2015</u>
Actuarially determined contribution*	\$ 5,064,842	\$ 4,303,211	\$ 4,130,558	\$ 4,021,145	\$ 4,064,717	\$ 4,043,673	\$ 3,827,590	\$ 3,882,967	\$ 4,161,168	\$ 3,706,876
Contributions in relation to the actuarially determined contribution*	<u>5,064,842</u>	<u>4,303,211</u>	<u>4,130,558</u>	<u>4,021,145</u>	<u>4,064,717</u>	<u>4,043,673</u>	<u>3,827,590</u>	<u>3,882,967</u>	<u>4,161,168</u>	<u>4,081,582</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (374,706)</u>
Covered payroll	\$ 25,518,571	\$ 22,248,168	\$ 21,874,202	\$ 21,382,599	\$ 21,890,808	\$ 21,669,808	\$ 21,282,778	\$ 20,750,678	\$ 20,414,069	\$ 20,305,580
Contributions as a percentage of covered payroll	19.85%	19.34%	18.88%	18.81%	18.57%	18.66%	17.98%	18.71%	20.38%	20.10%

* 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 statements.

CITY OF GADSDEN, ALABAMA

**EMPLOYEES' MEDICAL INSURANCE PLAN OF THE CITY OF GADSDEN, ALABAMA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability								
Service cost	\$ 189,387	\$ 217,077	\$ 303,645	\$ 491,290	\$ 559,276	\$ 386,511	\$ 498,404	\$ 541,622
Interest on total OPEB liability	354,404	352,038	231,411	346,428	484,931	893,835	791,004	704,964
Effect of plan changes	-	-	-	-	-	-	-	-
Effect of economic/demographic gains or losses	(2,634,918)	-	-	894,677	-	(6,368,704)	-	-
Effect of assumption changes or inputs	153,932	(49,475)	(1,384,151)	(5,416,197)	(3,763,900)	2,214,815	(766,950)	(1,428,238)
Benefit payments	<u>(608,080)</u>	<u>(560,442)</u>	<u>(535,288)</u>	<u>(803,101)</u>	<u>(521,930)</u>	<u>(382,260)</u>	<u>(1,127,239)</u>	<u>(1,069,551)</u>
Net change in total OPEB liability	(2,545,275)	(40,802)	(1,384,383)	(4,486,903)	(3,241,623)	(3,255,803)	(604,781)	(1,251,203)
Total OPEB liability, beginning	<u>8,776,749</u>	<u>8,817,551</u>	<u>10,201,934</u>	<u>14,688,837</u>	<u>17,930,460</u>	<u>21,186,263</u>	<u>21,791,044</u>	<u>23,042,247</u>
Total OPEB liability, ending	<u>\$ 6,231,474</u>	<u>\$ 8,776,749</u>	<u>\$ 8,817,551</u>	<u>\$ 10,201,934</u>	<u>\$ 14,688,837</u>	<u>\$ 17,930,460</u>	<u>\$ 21,186,263</u>	<u>\$ 21,791,044</u>
Covered payroll	\$ 22,035,173	\$ 19,611,895	\$ 19,113,277	\$ 18,824,120	\$ 19,197,521	\$ 18,961,553	\$ 19,096,233	\$ 18,590,055
Total OPEB liability as a % of covered payroll	28.28%	44.75%	46.13%	54.20%	76.51%	94.56%	110.94%	117.22%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF GADSDEN, ALABAMA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2024**

Note 1 – Net Pension Liability

A. Actuarial Assumptions

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 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2023 to September 30, 2024 are as follows:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	20.8 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increase	3.25 – 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

Note 2 – Other Post-Employment Benefits

A. Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of September 30, 2024 were based on decrements used in the most recent actuarial valuation of the Employees' Retirement System of Alabama, under which City employees are covered:

Valuation date	October 1, 2024
Measurement date	September 30, 2024
Inflation	2.30%
Discount Rate	4.00%

Mortality:

Active Participants: Pub-2010 General Employees Headcount-Weighted Mortality projected generationally with scale MP-2021

Retired Participants: Pub-2010 General Retirees Headcount-Weighted Mortality projected generationally with scale MP-2021

Actuarial cost method	Entry Age Normal
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CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2024

	Special Revenue Funds												
	Total Nonmajor Funds	Special Auto Tax	State Gas Tax	State Gas Tax II	Lodging Tax	Community Development	Library Grants	Tobacco Tax	Drug Task Force	Opioid Settlement	Summer Food Service	Aging Program	Transportation and Planning
Assets													
Cash and cash equivalents	\$ 12,907,870	\$ 50,992	\$ -	\$ 669,309	\$ 432,283	\$ 531,492	\$ 231,155	\$ 13,058	\$ 44,167	\$ 660,645	\$ -	\$ -	\$ -
Investments	166,925	-	-	-	-	-	-	-	-	-	-	-	-
Receivables													
Interest	853	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	3,059,749	10,572	21,479	-	22,335	-	-	-	-	-	-	-	-
Intergovernmental	294,441	-	-	-	-	190,084	-	-	-	-	-	17,921	28,656
Due from other funds	495,061	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	90,198	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 17,015,097	\$ 61,564	\$ 21,479	\$ 669,309	\$ 454,618	\$ 721,576	\$ 231,155	\$ 13,058	\$ 44,167	\$ 660,645	\$ -	\$ 17,921	\$ 28,656
Liabilities, Deferred Inflows of Resources and Fund Balances													
Liabilities													
Accounts payable and other liabilities	\$ 65,009	\$ -	\$ -	\$ -	\$ -	\$ 5,855	\$ 4,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (50)
Accrued payroll and related liabilities	54,044	-	-	-	-	8,234	1,068	-	-	-	-	5,113	5,566
Due to component units	1,078,271	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	731,555	-	10,659	-	-	394,432	2,334	-	-	-	-	2,076	22,437
Total Liabilities	1,928,879	-	10,659	-	-	408,521	7,657	-	-	-	-	7,189	27,953
Deferred Inflows of Resources													
Unavailable revenue - property taxes	2,832,062	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balances													
Restricted	9,605,227	61,564	10,820	669,309	454,618	313,055	223,498	13,058	44,167	660,645	-	10,732	703
Committed	2,672,185	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	(23,256)	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	12,254,156	61,564	10,820	669,309	454,618	313,055	223,498	13,058	44,167	660,645	-	10,732	703
Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,015,097	\$ 61,564	\$ 21,479	\$ 669,309	\$ 454,618	\$ 721,576	\$ 231,155	\$ 13,058	\$ 44,167	\$ 660,645	\$ -	\$ 17,921	\$ 28,656

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
September 30, 2024

	Special Revenue Funds											Total Special Revenue Funds
	Gadsden Transit Service	Corrections Fund	State Grants	Economic Development	Law Enforcement	Other Restricted Funds	Miscellaneous Grants	Judicial Adm Fund	School Ad Valorem Tax Fund	Ad Valorem Fire Tax Fund		
Assets												
Cash and cash equivalents	\$ 23,519	\$ 14,436	\$ 156,402	\$ 2,054,087	\$ 18,667	\$ 3,020,494	\$ -	\$ 38,509	\$ 1,796,791	\$ 506,633		\$ 10,262,639
Investments	-	-	-	-	-	-	-	-	-	-		-
Receivables												
Interest	-	-	-	-	-	-	-	-	-	-		-
Taxes	-	-	-	61,598	-	-	-	-	1,520,520	1,423,245		3,059,749
Intergovernmental	56,822	-	-	-	958	-	-	-	-	-		294,441
Due from other funds	-	-	-	-	-	495,061	-	-	-	-		495,061
Restricted cash	-	-	-	-	-	-	-	-	-	-		-
Total Assets	\$ 80,341	\$ 14,436	\$ 156,402	\$ 2,115,685	\$ 19,625	\$ 3,515,555	\$ -	\$ 38,509	\$ 3,317,311	\$ 1,929,878		\$ 14,111,890
Liabilities, Deferred Inflows of Resources and Fund Balances												
Liabilities												
Accounts payable and other liabilities	\$ (883)	\$ 2,288	\$ -	\$ -	\$ -	\$ (587)	\$ -	\$ -	\$ -	\$ 47,506		\$ 58,384
Accrued payroll and related liabilities	34,063	-	-	-	-	-	-	-	-	-		54,044
Due to component units	-	-	-	-	-	-	-	-	1,078,271	-		1,078,271
Due to other funds	-	-	154,848	-	-	-	21,004	-	123,765	-		731,555
Total Liabilities	33,180	2,288	154,848	-	-	(587)	21,004	-	1,202,036	47,506		1,922,254
Deferred Inflows of Resources												
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-	1,425,551	1,406,511		2,832,062
Fund Balances												
Restricted	47,161	12,148	1,554	2,115,685	19,625	3,516,142	-	38,509	689,724	415,682		9,318,399
Committed	-	-	-	-	-	-	-	-	-	60,179		60,179
Unassigned	-	-	-	-	-	-	(21,004)	-	-	-		(21,004)
Total Fund Balances	47,161	12,148	1,554	2,115,685	19,625	3,516,142	(21,004)	38,509	689,724	475,861		9,357,574
Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 80,341	\$ 14,436	\$ 156,402	\$ 2,115,685	\$ 19,625	\$ 3,515,555	\$ -	\$ 38,509	\$ 3,317,311	\$ 1,929,878		\$ 14,111,890

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
September 30, 2024

	Debt Service Funds												Total Debt Service Funds
	<u>Airport Authority</u>	<u>2006-A Debt Service</u>	<u>2011 Debt Service</u>	<u>2012-A Debt Service</u>	<u>2012-B Debt Service</u>	<u>2012-C Debt Service</u>	<u>2014-A/ 2017-A Debt Service</u>	<u>2014-B Debt Service</u>	<u>2014-C Debt Service</u>	<u>2014-D Debt Service</u>	<u>2017-B Debt Service</u>	<u>Capital Leases</u>	
Assets													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	90,198	-	-	-	-	-	-	-	-	-	-	-	90,198
Total Assets	<u>\$ 90,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,198</u>
Liabilities, Deferred Inflows of Resources and Fund Balances													
Liabilities													
Accounts payable and other liabilities	\$ -	\$ 512	\$ -	\$ -	\$ -	\$ -	\$ 1,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,252
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,252</u>
Deferred Inflows of Resources													
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balances													
Restricted	90,198	-	-	-	-	-	-	-	-	-	-	-	90,198
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(512)	-	-	-	-	(1,740)	-	-	-	-	-	(2,252)
Total Fund Balances	<u>90,198</u>	<u>(512)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,740)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,946</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 90,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,198</u>

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
September 30, 2024

	Capital Projects Funds						Permanent Funds		
	Municipal Capital Improvements Funds	Capital Project Funds	Resurfacing Project 1999	2011-A Capital Project	2017-B Capital Project	Total Capital Project Funds	Nell Thomas Library	Library Endowment	Total Permanent Funds
Assets									
Cash and cash equivalents	\$ 882,227	\$ 714,037	\$ 649,189	\$ 370,926	\$ -	\$ 2,616,379	\$ 25,045	\$ 3,807	\$ 28,852
Investments	-	-	-	-	-	-	142,174	24,751	166,925
Receivables									
Interest	-	-	-	-	-	-	173	680	853
Intergovernmental	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 882,227</u>	<u>\$ 714,037</u>	<u>\$ 649,189</u>	<u>\$ 370,926</u>	<u>\$ -</u>	<u>\$ 2,616,379</u>	<u>\$ 167,392</u>	<u>\$ 29,238</u>	<u>\$ 196,630</u>
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable and other liabilities	\$ 4,373	\$ -	\$ -	\$ -	\$ -	\$ 4,373	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>4,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,373</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources									
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-	-
Fund Balances									
Restricted	-	-	-	-	-	-	167,392	29,238	196,630
Committed	877,854	714,037	649,189	370,926	-	2,612,006	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>877,854</u>	<u>714,037</u>	<u>649,189</u>	<u>370,926</u>	<u>-</u>	<u>2,612,006</u>	<u>167,392</u>	<u>29,238</u>	<u>196,630</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 882,227</u>	<u>\$ 714,037</u>	<u>\$ 649,189</u>	<u>\$ 370,926</u>	<u>\$ -</u>	<u>\$ 2,616,379</u>	<u>\$ 167,392</u>	<u>\$ 29,238</u>	<u>\$ 196,630</u>

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2024

	Special Revenue Funds											
	Total Nonmajor Funds	Special Auto Tax	State Gas Tax	State Gas Tax II	Lodging Tax	Community Development	Library Grants	Tobacco Tax	Drug Task Force	Opioid Settlement	Summer Food Service	Aging Program
Revenue												
Taxes	\$ 5,125,879	\$ -	\$ -	\$ -	\$ 349,407	\$ -	\$ -	\$ 326,822	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,525,848	120,923	400,694	295,471	-	1,090,432	130,166	-	-	-	-	29,088
Charges for services	68,366	-	-	-	-	8,800	-	-	-	-	-	-
Fines and forfeitures	61,658	-	-	-	-	-	-	-	-	-	-	-
Other	179,297	-	-	-	-	-	-	-	(5,557)	81,922	-	-
Total Revenue	8,961,048	120,923	400,694	295,471	349,407	1,099,232	130,166	326,822	(5,557)	81,922	-	29,088
Expenditures												
Current												
Public safety	1,209,802	-	200,000	-	-	-	-	-	-	-	-	-
Recreation and cultural services	275,934	-	-	-	-	-	62,337	-	-	-	-	122,766
Urban development	20,428	-	-	20,428	-	-	-	-	-	-	-	-
Intergovernmental	2,926,375	-	-	-	-	411,446	-	-	-	-	-	-
Debt service												
Principal	5,374,035	-	-	-	-	100,000	-	-	-	-	-	-
Interest and fiscal charges	1,481,543	-	-	-	-	5,406	-	-	-	-	-	-
Capital outlays	1,871,043	-	-	-	230,445	353,629	6,825	-	-	-	-	-
Total Expenditures	13,159,160	-	200,000	20,428	230,445	870,481	69,162	-	-	-	-	122,766
Excess (Deficiency) of Revenue Over (Under) Expenditures	(4,198,112)	120,923	200,694	275,043	118,962	228,751	61,004	326,822	(5,557)	81,922	-	(93,678)
Other Financing Sources (Uses)												
Proceeds from sale of assets	157,000	-	-	-	-	-	-	-	-	-	-	-
Transfers	6,905,586	(120,000)	(152,612)	-	-	-	-	(654,763)	-	578,723	3,130	108,191
Total Other Financing Sources (Uses)	7,062,586	(120,000)	(152,612)	-	-	-	-	(654,763)	-	578,723	3,130	108,191
Net Change in Fund Balances	2,864,474	923	48,082	275,043	118,962	228,751	61,004	(327,941)	(5,557)	660,645	3,130	14,513
Fund Balances - Beginning of Year	9,389,682	60,641	(37,262)	394,266	335,656	84,304	162,494	340,999	49,724	-	(3,130)	(3,781)
Fund Balances - End of Year	\$ 12,254,156	\$ 61,564	\$ 10,820	\$ 669,309	\$ 454,618	\$ 313,055	\$ 223,498	\$ 13,058	\$ 44,167	\$ 660,645	-	\$ 10,732

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
For the Year Ended September 30, 2024

	Special Revenue Funds											Total Special Revenue Funds
	Transportation and Planning	Gadsden Transit Grants	Corrections Fund	Emergency Management Fund	Economic Development	Law Enforcement	Other Restricted Funds	Miscellaneous Grants	Judicial Adm Fees	School Ad Valorem Tax Fund	Ad Valorem Fire Tax Fund	
Revenue												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 607,148	\$ -	\$ 958,408	\$ -	\$ -	\$ 1,435,749	\$ 1,448,345	\$ 5,125,879
Intergovernmental	106,777	461,195	-	158,037	-	12,122	-	391,613	-	-	-	3,196,518
Charges for services	-	26,001	-	-	-	-	33,565	-	-	-	-	68,366
Fines and forfeitures	-	-	38,135	-	-	-	3,095	-	20,428	-	-	61,658
Other	-	-	-	-	-	-	99,309	-	-	-	200	175,874
Total Revenue	<u>106,777</u>	<u>487,196</u>	<u>38,135</u>	<u>158,037</u>	<u>607,148</u>	<u>12,122</u>	<u>1,094,377</u>	<u>391,613</u>	<u>20,428</u>	<u>1,435,749</u>	<u>1,448,545</u>	<u>8,628,295</u>
Expenditures												
Current												
Public safety	-	-	31,950	1,635	-	12,995	24,312	-	-	-	938,910	1,209,802
Recreation and cultural services	-	-	-	-	-	-	90,831	-	-	-	-	275,934
Urban development	-	-	-	-	-	-	-	-	-	-	-	20,428
Intergovernmental	133,471	905,557	-	-	-	-	-	-	11,355	1,464,546	-	2,926,375
Debt service												
Principal	-	-	-	-	-	-	-	-	-	-	-	100,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	5,406
Capital outlays	-	26,882	-	-	301,163	-	78,916	409,864	-	-	134,312	1,542,036
Total Expenditures	<u>133,471</u>	<u>932,439</u>	<u>31,950</u>	<u>1,635</u>	<u>301,163</u>	<u>12,995</u>	<u>194,059</u>	<u>409,864</u>	<u>11,355</u>	<u>1,464,546</u>	<u>1,073,222</u>	<u>6,079,981</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(26,694)</u>	<u>(445,243)</u>	<u>6,185</u>	<u>156,402</u>	<u>305,985</u>	<u>(873)</u>	<u>900,318</u>	<u>(18,251)</u>	<u>9,073</u>	<u>(28,797)</u>	<u>375,323</u>	<u>2,548,314</u>
Other Financing Sources (Uses)												
Proceeds from sale of assets	-	-	-	-	147,000	-	-	-	-	-	10,000	157,000
Transfers	26,694	465,267	-	-	-	-	-	-	-	-	(373,075)	(118,445)
Total Other Financing Sources (Uses)	<u>26,694</u>	<u>465,267</u>	<u>-</u>	<u>-</u>	<u>147,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(363,075)</u>	<u>38,555</u>
Net Change in Fund Balances	-	20,024	6,185	156,402	452,985	(873)	900,318	(18,251)	9,073	(28,797)	12,248	2,586,869
Fund Balances - Beginning of Year	<u>703</u>	<u>27,137</u>	<u>5,963</u>	<u>(154,848)</u>	<u>1,662,700</u>	<u>20,498</u>	<u>2,615,824</u>	<u>(2,753)</u>	<u>29,436</u>	<u>718,521</u>	<u>463,613</u>	<u>6,770,705</u>
Fund Balances - End of Year	<u>\$ 703</u>	<u>\$ 47,161</u>	<u>\$ 12,148</u>	<u>\$ 1,554</u>	<u>\$ 2,115,685</u>	<u>\$ 19,625</u>	<u>\$ 3,516,142</u>	<u>\$ (21,004)</u>	<u>\$ 38,509</u>	<u>\$ 689,724</u>	<u>\$ 475,861</u>	<u>\$ 9,357,574</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
For the Year Ended September 30, 2024

	Debt Service Funds													
	Airport Authority	2006-A Debt Service	2011 Debt Service	2012-A Debt Service	2012-B Debt Service	2012-C Debt Service	2012-D Debt Service	2014-A/ 2017-A Debt Service	2014-B Debt Service	2014-C Debt Service	2014-D Debt Service	2017-B Debt Service	Capital Leases	Total Debt Service Funds
Revenue														
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures														
Current														
Debt service														
Principal	-	70,000	-	1,255,000	420,000	555,000	-	222,255	50,000	15,000	123,750	2,195,000	368,030	5,274,035
Interest and fiscal charges	-	8,024	-	286,953	19,102	98,703	-	27,561	268,593	72,873	1,557	687,725	5,046	1,476,137
Total Expenditures	-	78,024	-	1,541,953	439,102	653,703	-	249,816	318,593	87,873	125,307	2,882,725	373,076	6,750,172
Excess (Deficiency) of Revenue Over (Under) Expenditures	-	(78,024)	-	(1,541,953)	(439,102)	(653,703)	-	(249,816)	(318,593)	(87,873)	(125,307)	(2,882,725)	(373,076)	(6,750,172)
Other Financing Sources (Uses)														
Transfers	-	75,576	-	1,542,305	439,992	654,763	-	248,076	318,593	90,192	125,307	2,883,540	373,075	6,751,419
Total Other Financing Sources (Uses)	-	75,576	-	1,542,305	439,992	654,763	-	248,076	318,593	90,192	125,307	2,883,540	373,075	6,751,419
Net Change in Fund Balances	-	(2,448)	-	352	890	1,060	-	(1,740)	-	2,319	-	815	(1)	1,247
Fund Balances - Beginning of Year	90,198	1,936	-	(352)	(890)	(1,060)	-	-	-	(2,319)	-	(815)	1	86,699
Fund Balances - End of Year	\$ 90,198	\$ (512)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,740)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,946

CITY OF GADSDEN, ALABAMA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
For the Year Ended September 30, 2024**

	Capital Projects Funds						Permanent Funds		
	Municipal Capital Improvements Funds	Capital Project Funds	Resurfacing Project 1999	2011-A Capital Project	2017-B Capital Project	Total Capital Project Funds	Nell Thomas Library	Library Endowment	Total Permanent Funds
Revenue									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	321,530	7,800	-	-	-	329,330	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	2,282	1,141	3,423
Total Revenue	321,530	7,800	-	-	-	329,330	2,282	1,141	3,423
Expenditures									
Recreation and cultural services	-	-	-	-	-	-	-	-	-
Capital outlays	174,900	17,073	137,034	-	-	329,007	-	-	-
Total Expenditures	174,900	17,073	137,034	-	-	329,007	-	-	-
Excess (Deficiency) of Revenue Over (Under) Expenditures	146,630	(9,273)	(137,034)	-	-	323	2,282	1,141	3,423
Other Financing Sources (Uses)									
Transfers	-	-	272,612	-	-	272,612	-	-	-
Total Other Financing Sources (Uses)	-	-	272,612	-	-	272,612	-	-	-
Net Change in Fund Balances	146,630	(9,273)	135,578	-	-	272,935	2,282	1,141	3,423
Fund Balances - Beginning of Year	731,224	723,310	513,611	370,926	-	2,339,071	165,110	28,097	193,207
Fund Balances - End of Year	\$ 877,854	\$ 714,037	\$ 649,189	\$ 370,926	\$ -	\$ 2,612,006	\$ 167,392	\$ 29,238	\$ 196,630

BORLAND

BENEFIELD

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2025. Our report includes a reference to other auditors who audited the financial statements of Gadsden City Board of Education and the Gadsden Airport Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

City of Gadsden, Alabama's Response to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Borland Benefield, P.C.
Birmingham, Alabama
June 27, 2025

BORLAND

BENEFIELD

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Gadsden, Alabama's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2024. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Gadsden City Board of Education, which expended \$23,509,123 in federal awards, which are not included in the City's schedule of expenditures of federal awards during the year ended September 30, 2024. Our audit, described in the Opinion on Each Major Federal Program section, did not include the operations of the Gadsden City Board of Education because this entity was required to have a separate audit in accordance with Uniform Guidance.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Borland Benefield P.C." with a stylized flourish at the end.

Borland Benefield, P.C.
Birmingham, Alabama
June 27, 2025

CITY OF GADSDEN, ALABAMA

**Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>ALN Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expended</u>
Federal Awards:				
Department of Housing & Urban Development:				
<u>Direct Programs:</u>				
COVID-19: Community Development Block Grant	14.218	B-20-MW-010004	\$ -	\$ 103,126
Community Development Block Grant	14.218	B-21-MC-010004	-	200,601
Community Development Block Grant	14.218	B-22-MC-010004	9,117	259,007
Community Development Block Grant	14.218	B-23-MC-010004	5,242	309,013
Total Department of Housing & Urban Development			\$ 14,359	\$ 871,747
U.S. Department of Justice				
<u>Direct Programs:</u>				
Bulletproof Vest Partnership Grant	16.607	15PBJA-24-GG-04880-JAGX	\$ -	\$ 6,425
Byrne Memorial Justice Assistant Grant	16.738		-	42,922
Total U.S. Department of Justice			\$ -	\$ 49,347
Department of Health & Human Services				
<u>Passed Through Alabama Commission on Aging:</u>				
Special Program for Aging Title III B	93.044	09-30-22-12	\$ -	\$ 2,544
Special Program for Aging Title III C	93.045	09-30-22-12	-	19,906
Total Department of Health & Human Services			\$ -	\$ 22,450
Department of Homeland Security				
<u>Passed Through Alabama Emergency Management Agency:</u>				
Emergency Management State & Local Assistance	97.042	FY2024 EMPG	\$ -	\$ 51,804
<u>Direct Programs:</u>				
Assistance to Firefighters Grant	97.044	DHS-22-GPD-044-00-98	-	337,091
Total Department of Homeland Security			\$ -	\$ 388,895
Department of Transportation				
<u>Direct Programs:</u>				
Federal Transit Formula Grant	20.507	AL-2022-017	\$ -	\$ 444,127
Federal Transit Formula Grant	20.507	AL-90-X373	-	17,068
<u>Passed Through Alabama Department of Transportation:</u>				
Highway Planning and Construction Grant	20.205	HP3-100077548	-	106,777
Highway Planning and Construction Grant	20.205	MPO/TAPPA	-	894,945
Total Alabama Department of Transportation			\$ -	\$ 1,462,917
Department of Treasury				
<u>Passed Through Alabama Department of Finance:</u>				
Coronavirus State and Local Fiscal Recovery Fund	21.027		\$ 171,128	\$ 3,955,375
Total Department of Treasury			\$ 171,128	\$ 3,955,375
Total Federal Awards			\$ 185,487	\$ 6,750,731
State Awards:				
Alabama Tourism Grants			\$ -	\$ 18,249
Alabama Department of Environmental Management Grant			-	57,582
Innovate Alabama Grant			-	15,082
Emergency Management Performance Grant		24EMA	-	3,709
Total State Awards			\$ -	\$ 94,622
Total Federal and State Awards			\$ 185,487	\$ 6,845,353

CITY OF GADSDEN, ALABAMA

Notes to the Schedule of Expenditures of Federal and State Awards For the Year Ended September 30, 2024

Note 1: REPORTING ENTITY AND SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

The Reporting entity for the schedule of expenditures of federal awards includes the City of Gadsden, Alabama ("the City"). The City's discreetly presented component units: the Gadsden Board of Education and Gadsden Airport Authority of the City of Gadsden are not included.

The U. S. Department of Housing and Urban Development has been designated as the City's cognizant agency for the "Single-Audit".

Note 2: FISCAL PERIOD AUDITED

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2024.

Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Federal grant revenues are recorded for financial reporting purposes when the City has met the qualifications for the respective grants. Encumbrances for purchase orders and contracts are not recorded as expenditures because the liability has not been incurred for goods received or services rendered; however, these encumbrances (if any) are reserved in the fund balances of the governmental funds. Costs incurred in programs partially funded by Federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

Indirect Cost

The City has elected not to use the 10% de minimis indirect cost rate during the fiscal year ended September 30, 2024.

Federally Funded Insurance and Federally Funded Loans

The City has no federally funded insurance and no federally funded loans or loan guarantees for the fiscal year ended September 30, 2024.

CITY OF GADSDEN, ALABAMA

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified not considered to be material weaknesses? Yes X No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

ALN # 14.218 – Community Development Block Grants/Entitlement Grants
ALN # 20.205 – Highway Planning and Construction
ALN # 21.027 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF GADSDEN, ALABAMA

Schedule of Findings and Questioned Costs (continued) For the Year Ended September 30, 2024

B. Financial Statement Findings

2024-001 – Audit Adjustments

Criteria: Audit adjustments are generally indicative of a material weakness in the internal control structure of an organization. This is a repeat finding.

Condition: Various financial statement amounts, including cash, receivables, capital assets, deferred revenues, accrued compensated absences liability, landfill closure and post-closure care liability, interfund payables and receivables, interfund transfers, as well as other transactions, were either misstated or improperly recorded at year end. As a result of the audit procedures performed, audit adjustments were required to be recorded.

Cause: There is a lack of appropriate procedures in place to ensure year-end adjustments are properly recorded.

Effect: We noted multiple instances where transactions and/or significant assets and liabilities had not been recorded in the City's accounting records or were recorded incorrectly prior to submitting those records to us for audit. Failure to record these items resulted in a significant number of material adjustments to the City's financial statements necessary for presentation in accordance with US GAAP.

Recommendation: Controls over the year-end financial reporting process, including procedures for analysis of accounts and reconciliations at fiscal year-end, should be strengthened. We recommend that management evaluate its accounting policies and procedures, particularly those related to year-end close-out. This evaluation should include, but is not limited to, items such as:

- Reconcilement of pooled cash and interfund accounts on a regular basis to ensure that posted transactions are appropriately recorded and the general ledger accounts are in balance.
- Reconcilement of all receivable and payable accounts at year end to ensure that all transactions have been appropriately recorded in the proper accounting period.
- Reconcilement of all capital asset and related accounts at year-end to ensure that all transactions have been appropriately recorded.
- Accounting for and reconcilement of financial activity of the Public Building Authority.
- Reconcilement of landfill closure and post-closure care liability at year-end to ensure proper accrual and appropriate balances.
- All reconciliations should be reviewed and approved by appropriate personnel to ensure clerical accuracy and appropriateness.

Views of Responsible Officials and Planned Corrective Actions: The City acknowledges the finding and is in the process of implementing procedures to address the items noted.

C. Federal Award Findings and Questioned Costs

None reported.

CITY OF GADSDEN, ALABAMA

Schedule of Findings and Questioned Costs (continued) For the Year Ended September 30, 2024

D. Summary of Prior Year Findings

2023-001 – Audit Adjustments

Criteria: Audit adjustments are generally indicative of a material weakness in the internal control structure of an organization.

Condition: Various financial statement amounts, including cash, receivables, capital assets, deferred revenues, accrued compensated absences liability, landfill closure and post-closure care liability, interfund payables and receivables, interfund transfers, as well as other transactions, were either misstated or improperly recorded at year end. As a result of the audit procedures performed, audit adjustments were required to be recorded.

Cause: Certain adjustments for various year-end accruals were not properly recorded prior to audit procedures being performed.

Effect: We noted multiple instances where transactions and/or significant assets and liabilities had not been recorded in the City's accounting records or were recorded incorrectly prior to submitting those records to us for audit. Failure to record these items resulted in a significant number of material adjustments to the City's financial statements necessary for presentation in accordance with US GAAP.

Recommendation: Controls over the year-end financial reporting process, including procedures for analysis of accounts and reconciliations at fiscal year-end, should be strengthened. We recommend that management evaluate its accounting policies and procedures, particularly those related to year-end close-out. This evaluation should include, but is not limited to, items such as:

- Reconciliation of pooled cash and interfund accounts on a regular basis to ensure that posted transactions are appropriately recorded and the general ledger accounts are in balance.
- Reconciliation of all receivable and deferred revenue accounts at year end to ensure that all transactions have been appropriately recorded in the proper accounting period.
- Reconciliation of all capital asset and related accounts at year-end to ensure that all transactions have been appropriately recorded.
- Reconciliation of accrued compensated absences at year-end to ensure proper accrual and appropriate balances.
- Reconciliation of landfill closure and post-closure care liability at year-end to ensure proper accrual and appropriate balances.
- All reconciliations should be reviewed and approved by appropriate personnel to ensure clerical accuracy and appropriateness.

Views of Responsible Officials and Planned Corrective Actions: The City acknowledges the finding and is in the process of implementing procedures to address the items noted.

2023-002 – ALN # 14.218 – Community Development Block Grants/Entitlement Grants; Grant No. B-22-MC-01-004; Grant Period: Year Ended September 30, 2023

Criteria: Under 2 CFR 200.303, the City is required to establish and maintain effective internal controls over Federal awards that provide reasonable assurance that the City is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

CITY OF GADSDEN, ALABAMA

Schedule of Findings and Questioned Costs (continued)

For the Year Ended September 30, 2024

Condition: Our audit procedures found that the City submitted drawdown requests to HUD for certain expenditures twice, totaling \$31,296.

Cause: The City's Community Development and Finance offices have experienced turnover in key positions responsible for reconciling and requesting the drawdowns during the fiscal year 2023. Training was needed for program and finance employees to fully understand the drawdown process.

Effect: The City received excess funds totaling \$31,296 for duplicate drawdown requests.

Recommendation: We recommend that the City return the duplicate drawn funds to HUD. We recommend that all drawdown requests be completed by appropriately trained employees, and that all drawdowns are reviewed and approved by appropriate personnel prior to submission to HUD.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding. The City will work with HUD to repay the duplicated funds and implement additional review and approval procedures for drawdown requests.



Corrective Action Plan for Findings and Questioned Costs for Year Ended September 30, 2024

The City of Gadsden, Alabama respectfully submits the following corrective action plan for the year ended September 30, 2024.

Name and address of independent public accounting firm:

Borland Benefield, PC
800 Shades Creek Parkway, Suite 875
Birmingham, AL 35209

Audit Period:
10/01/2023 – 9/30/2024

The findings from the September 30, 2024 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Financial Statement Findings:

2024-001- Audit Adjustments

Recommendation:

Controls over the year-end financial reporting process, including procedures for analysis of accounts and reconciliations at fiscal year-end, should be strengthened. We recommend that management evaluate its accounting policies and procedures, particularly those related to year-end close-out. This evaluation should include, but is not limited to, items such as:

- Reconciliation of pooled cash and interfund accounts on a regular basis to ensure that posted transactions are appropriately recorded and the general ledger accounts are in balance.
- Reconciliation of all receivable and payable accounts at year end to ensure that all transactions have been appropriately recorded in the proper accounting period.
- Reconciliation of all capital asset and related accounts at year-end to ensure that all transactions have been appropriately recorded.
- Accounting for and reconciliation of financial activity of the Public Building Authority.
- Reconciliation of landfill closure and post-closure care liability at year end to ensure proper accrual and appropriate balances.
- All reconciliations should be reviewed and approved by appropriate personnel to ensure clerical accuracy and appropriateness.

Corrective Action Planned:

The City agrees with this finding. The City is in the process of implementing procedures to address the items noted.

Person responsible for corrective action:

Brandon Phillips, Finance Director

Telephone: (256) 549-4715

Anticipated Completion Date:

Corrective action will be implemented for the fiscal year ended September 30, 2025.

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APPENDIX C

Book-Entry Only System

The information contained in this section concerning The Depository Trust Company and its book-entry only system has been obtained from materials furnished by The Depository Trust Company to the City. The City and the Underwriter do not make any representation or warranty as to the accuracy or completeness of such information.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2025A Warrants. The Series 2025A Warrants will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2025A Warrant certificate will be issued for each maturity of the Series 2025A Warrants, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2025A Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025A Warrants on DTC’s records. The ownership interest of each actual purchaser of each Series 2025A Warrant (a “Beneficial Owner”) is in turn to be recorded on the Direct Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025A Warrants are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2025A Warrants, except in the event that use of the book-entry system for the Series 2025A Warrants is discontinued.

To facilitate subsequent transfers, all Series 2025A Warrants deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025A Warrants with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025A Warrants. DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2025A Warrants are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2025A Warrants may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2025A Warrants, such as redemptions, tenders, defaults, and proposed amendments to the documents governing the terms of the Series 2025A Warrants. For example, Beneficial Owners of Series 2025A Warrants may wish to ascertain that the nominee holding the Series 2025A Warrants for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided to them directly.

Redemption notices shall be sent to DTC. If less than all of the Series 2025A Warrants are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2025A Warrants unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the City as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025A Warrants are credited on the record date (identified in a listing attached to the "Omnibus Proxy").

Principal, premium and interest payments on the Series 2025A Warrants will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon receipt of funds and corresponding detail information, in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of Direct Participants and Indirect Participants and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to Cede & Co. (or such other DTC nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2025A Warrants at any time by giving reasonable notice to the City and the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2025A Warrants are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2025A Warrants will be printed and delivered to DTC.

The City, the Paying Agent and the Underwriter cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2025A Warrants (1) payments of principal, redemption price or interest on the Series 2025A Warrants; (2) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Series 2025A Warrants; or (3) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2025A Warrants, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the United States Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with DTC participants are on file with DTC.

Neither the City, the Paying Agent nor the Underwriter will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series 2025A Warrants; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series 2025A Warrants; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Warrant Ordinance to be given to holders of the Series 2025A Warrants; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2025A Warrants; or (6) any consent given or other action taken by DTC as a holder of the Series 2025A Warrants.

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APPENDIX D

Proposed Opinion of Bond Counsel

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(Form of Opinion of Bond Counsel)

[Closing Date]

Holders of the Series 2025A Warrants
referred to below

Re: \$127,600,000* General Obligation Warrants, Series 2025A, issued by the City of Gadsden

We have acted as bond counsel in connection with the issuance of the above-referenced warrants (the “Series 2025A Warrants”) by City of Gadsden, a municipal corporation organized under the laws of the State of Alabama (the “City”). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Series 2025A Warrants are being issued under and pursuant to a resolution duly adopted by the governing body of the City on September 2, 2025 (the “Warrant Ordinance”) and the constitution and laws of the State of Alabama, including particularly Section 11-47-2 of the Code of Alabama (1975) and Section 28-4.01 of Article 1 of Chapter 4 of Title 28 of the Local Provisions of the Constitution of Alabama of 2022 (also cited as Amendment No. 761 to the Alabama Constitution of 1901).

As to various questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation.

In connection with the rendering of this opinion, we have served as counsel to the City.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Warrant Ordinance has been duly adopted by the governing body of the City and constitutes a valid and binding obligation of the City enforceable against the City in accordance with the terms thereof.

2. The Series 2025A Warrants have been duly authorized and executed by the City and constitute valid and binding orders on the Finance Director of the City for the payment thereof as therein provided. The indebtedness evidenced by the Series 2025A Warrants is a general obligation of the City for the payment of which the City has validly and irrevocably pledged its full faith and credit.

3. The City has validly and irrevocably pledged for the benefit of the Series 2025A Warrants the Pledged Fee Proceeds referred to in the Warrant Ordinance.

4. Interest on the Series 2025A Warrants is excludable from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2025A Warrants in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply

* Preliminary; subject to change.

with certain of such requirements may cause interest on the Series 2025A Warrants to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2025A Warrants.

5. Interest on the Series 2025A Warrants is not an item of tax preference for purposes of the federal alternative minimum tax. However, interest on the Series 2025A Warrants may be taken into account for purposes of the alternative minimum tax imposed on applicable corporations pursuant to Section 55(b)(2) of the Internal Revenue Code, as amended by the Inflation Reduction Act of 2022.

6. Interest on the Series 2025A Warrants is exempt from State of Alabama income taxation.

We express no opinion regarding any federal or state tax consequences of acquiring, carrying, owning, or disposing of the Series 2025A Warrants, other than the opinions expressed in paragraphs 4, 5, and 6 above. Owners of the Series 2025A Warrants should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2025A Warrants, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The rights of the holders of the Series 2025A Warrants and the enforceability of the Series 2025A Warrants and the Warrant Ordinance may be limited by (1) bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and (2) general principles of equity, including the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2025A Warrants.

This opinion is rendered solely for your benefit. It is not to be relied upon by any other person or for any other purpose. This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Faithfully yours,

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APPENDIX E

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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