

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. 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 the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 29, 2025

NEW ISSUE-BOOK ENTRY ONLY

S&P Ratings:
"AA" (AG Insured)
"AA-" (Underlying)
See "RATINGS" herein

In the opinion of Bradley Arant Boult Cummings LLP, Bond Counsel to the City, and assuming continuing compliance by the City with certain conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2025 Warrants is presently excludable from gross income for federal income taxation under Section 103 of the Code, regulations and rulings of the Commissioner of Internal Revenue issued or pertinent thereunder, and court decisions heretofore rendered. See "TAX MATTERS". Bond Counsel to the City is also of the opinion that interest on the Series 2025 Warrants is exempt from Alabama income taxation. See "TAX MATTERS" herein.



\$18,565,000*
CITY OF CLANTON
GENERAL OBLIGATION WARRANTS
SERIES 2025

Dated: date of delivery

Due as shown on inside cover

The above-referenced General Obligation Warrants, Series 2025 (the "Series 2025 Warrants") constitute general obligations of the City of Clanton, Alabama (the "City") for the payment of which the full faith and credit of the City are irrevocably pledged. The principal of the Series 2025 Warrants will be payable at the principal corporate trust office of Regions Bank in the City of Birmingham, Alabama (the "Bank"), at maturity. Interest on the Series 2025 Warrants will be payable on April 1, 2026, and semiannually thereafter on each October 1 and April 1. The Series 2025 Warrants are general obligations of the City for which the full faith and credit of the City are irrevocably pledged. See "THE SERIES 2025 WARRANTS – Security."

The Series 2025 Warrants are initially issuable as fully registered warrants without coupons in denominations of \$5,000 and any integral multiple thereof pursuant to a book-entry only system to be administered by The Depository Trust Company, New York, New York, or any successor or assign thereof or substitute therefor as such securities depository (the "Securities Depository") and, when issued, will be registered in the name of and held by Cede & Co., as nominee. During the period in which the book-entry only system is in effect for the Series 2025 Warrants, purchases and transfers of ownership of beneficial interests in the Series 2025 Warrants will be evidenced by book-entry only and all payments of principal of, premium (if any) and interest on the Series 2025 Warrants will be made by the Bank, as paying agent, to the Securities Depository for disbursement thereby to the Direct Participants and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Series 2025 Warrants, as more particularly provided in the Series 2025 Ordinance and described herein. In the event the said book-entry system for the Series 2025 Warrants is discontinued, Series 2025 Warrants in certificated form will be distributed to the owners of beneficial interests in the Series 2025 Warrants and the principal of the Series 2025 Warrants shall be payable only upon presentation and surrender of the Series 2025 Warrants at the designated corporate trust office of the Bank, and interest will be remitted to the registered owners of the Series 2025 Warrants by the Bank at the respective addresses of said owners shown on the registration books of the Bank pertaining to the Series 2025 Warrants. The Series 2025 Warrants are offered when, as and if issued by the City, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of validity by Bond Counsel to the City and certain other conditions.

The scheduled payment of principal of and interest on the Series 2025 Warrants when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2025 Warrants by ASSURED GUARANTY INC.

**ASSURED
GUARANTY**

Certain of the Series 2025 Warrants are subject to redemption prior to maturity as more particularly set forth herein.

The Series 2025 Warrants are offered when, as and if received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the validity thereof by Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the City, and certain other conditions. Certain matters will be passed upon for the Underwriter by its counsel, Gilpin Givhan, PC, Montgomery, Alabama. Delivery of the Series 2025 Warrants through DTC is expected to occur on or about _____, 2025.

STIFEL

Dated: _____, 2025

* Preliminary; Subject to change.

CITY OF CLANTON

\$18,565,000*

**General Obligation Warrants
Series 2025**

| Year of Maturity (October 1,) | Principal Amount* | Interest Rate | Yield | CUSIP⁽¹⁾ |
|--|------------------------------|--------------------------|--------------|----------------------------|
| 2026 | \$275,000 | | | |
| 2027 | 285,000 | | | |
| 2028 | 300,000 | | | |
| 2029 | 315,000 | | | |
| 2030 | 335,000 | | | |
| 2031 | 350,000 | | | |
| 2032 | 370,000 | | | |
| 2033 | 390,000 | | | |
| 2034 | 405,000 | | | |
| 2035 | 430,000 | | | |
| 2036 | 450,000 | | | |
| 2037 | 475,000 | | | |
| 2038 | 500,000 | | | |
| 2039 | 525,000 | | | |
| 2040 | 550,000 | | | |
| 2041 | 580,000 | | | |
| 2042 | 610,000 | | | |
| 2043 | 640,000 | | | |
| 2044 | 670,000 | | | |
| 2045 | 705,000 | | | |
| 2046 | 745,000 | | | |
| 2047 | 780,000 | | | |
| 2048 | 820,000 | | | |
| 2049 | 865,000 | | | |
| 2050 | 905,000 | | | |
| 2051 | 955,000 | | | |
| 2052 | 1,005,000 | | | |
| 2053 | 1,055,000 | | | |
| 2054 | 1,110,000 | | | |
| 2055 | 1,165,000 | | | |

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Series 2025 Warrants. The City and the Underwriter are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the City on the Series 2025 Warrants and by the Underwriter on the Series 2025 Warrants or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2025 Warrants as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2025 Warrants.

* Preliminary; subject to change.

CITY OF CLANTON, ALABAMA

Mayor

Jeff Mims

City Council

Billy Singleton, President

Phillip Giles

Don Driver

Awlahjaday Agee

Mary Mell Smith

City Clerk/Treasurer

Susie Ellison

Bond Counsel to the City

Bradley Arant Boult Cummings LLP

Birmingham, Alabama

Underwriter

Stifel, Nicolaus & Company, Incorporated

Montgomery, Alabama

Counsel to the Underwriter

Gilpin Givhan, PC

Montgomery, Alabama

Certain information contained in or incorporated by reference in this Official Statement has been obtained by the City from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriter or the City. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the City or the Underwriter to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2025 Warrants.

Any statements made in this Official Statement, including the Appendices hereto, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City's beliefs as well as assumptions made by and information currently available to the City.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "estimate," "budget," "projected," "forecast" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct in whole or in part. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when expectations do not materialize, or events, conditions or circumstances on which such statements are based do or do not occur.

Furthermore, any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2025 Warrants shall under any circumstances create any implication that there has been no change in the affairs of the City since the date as of which such information is given.

No representation is made that past experience, results of operations or financial condition, as it might be shown by financial and other information reported in this Official Statement (including any Appendix hereto) will continue or be repeated in the future.

The Series 2025 Warrants have not been registered under the Securities Act of 1933, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2025 Warrants and the security therefor, including an analysis of the risks involved. The Series 2025 Warrants have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2025 Warrants in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2025 Warrants have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2025 Warrants or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Assured Guaranty Inc. ("AG") makes no representation regarding the Series 2025 Warrants or the advisability of investing in the Series 2025 Warrants. In addition, AG 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 contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE" and "Appendix D – Specimen Municipal Bond Insurance Policy."

TABLE OF CONTENTS

| | |
|--|----|
| INTRODUCTION..... | 1 |
| SPECIAL QUALIFICATIONS | 1 |
| THE SERIES 2025 WARRANTS | 1 |
| ESTIMATED SOURCES AND USES OF FUNDS..... | 8 |
| DEBT SERVICE REQUIREMENTS | 10 |
| THE CITY | 12 |
| SUMMARY OF TOTAL GOVERNMENTAL FUNDS REVENUES AND EXPENDITURES..... | 16 |
| PRIMARY SOURCES OF REVENUES | 19 |
| AD VALOREM TAXATION..... | 20 |
| DEMOGRAPHIC INFORMATION | 23 |
| TORT LIABILITY | 27 |
| TAX MATTERS..... | 27 |
| ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM AND ORIGINAL ISSUE DISCOUNT | 29 |
| LITIGATION | 30 |
| FEDERAL BANKRUPTCY CODE..... | 30 |
| APPROVAL OF LEGAL MATTERS | 30 |
| AUDITED FINANCIAL STATEMENTS | 31 |
| RATING..... | 31 |
| UNDERWRITING..... | 31 |
| CONTINUING DISCLOSURE | 31 |
| FORWARD-LOOKING STATEMENTS | 32 |
| MISCELLANEOUS..... | 32 |

| | |
|--------------|--|
| APPENDIX A - | Audited Financial Statements of the City for Fiscal Year ending September 30, 2024 |
| APPENDIX B - | Proposed Form of Opinion of Bond Counsel to the City |
| APPENDIX C - | Summary of Continuing Disclosure Agreement |
| APPENDIX D - | Specimen Municipal Bond Insurance Policy |

OFFICIAL STATEMENT
Regarding
\$18,565,000*
General Obligation Warrants
Series 2025

INTRODUCTION

This Official Statement of the City of Clanton, Alabama (the "City"), including the cover page and appendices, is furnished in connection with the offering of the City's above-described General Obligation Warrants, Series 2025 (the "Series 2025 Warrants").

The Series 2025 Warrants are issued by the City under the authority of the Constitution and laws of the State of Alabama and pursuant to an ordinance duly adopted by the governing body of the City (the "2025 Ordinance"). The Series 2025 Warrants are being issued for the purposes of (i) providing funds to pay the costs of various public capital improvements hereinafter defined as the "2025 Improvements," and (ii) paying the costs of issuing the Series 2025 Warrants. The Series 2025 Warrants are general obligations of the City for which the full faith and credit of the City are pledged.

An investment in the Series 2025 Warrants involves certain risks which should be carefully considered by investors. 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 2025 Warrants are an appropriate investment for them. The sufficiency of general fund revenues and taxes to pay debt service on the Series 2025 Warrants may be affected by events and conditions relating generally to, among other things, the volume and value of retail and other sales in the City, population trends and general economic developments, the exact nature of which are not presently determinable.

The scheduled payment of principal of and interest on the Series 2025 Warrants when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with delivery of the Series 2025 Warrants by Assured Guaranty Inc. See "BOND INSURANCE" herein.

SPECIAL QUALIFICATIONS

So far as any statements are made in this Official Statement involving matters of opinion, projection or estimates, whether or not expressly so stated, they are set forth as such, made in good faith and not as representations of fact, and no representation is made, nor assurance given, that any such projections or estimates will be realized.

The information contained in this Official Statement does not purport to be comprehensive or definitive. All references to the Constitution and laws of the State of Alabama and to portions of the 2025 Ordinance, the Series 2025 Warrants, and certain other contracts, documents, or official acts are qualified by the exact terms of such Constitution, laws, contracts and documents, each being an item of public record.

Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered owners of the Series 2025 Warrants.

THE SERIES 2025 WARRANTS

General Description

The Series 2025 Warrants will be issued in fully registered form, without coupons, payable to the respective registered owners or registered assigns in the denomination of \$5,000 or any integral multiple thereof for each maturity. The Series 2025 Warrants are dated their date of issuance and will bear interest from that date at the applicable per annum rates, and will mature on dates and in amounts, as set forth on the inside cover page of this Official Statement. The principal of the Series 2025 Warrants will be payable at the principal corporate trust office of Regions Bank in the City of Birmingham, Alabama (the "Bank"), at maturity.

* Preliminary; subject to change.

Interest on the Series 2025 Warrants will be payable on April 1, 2026, and semiannually thereafter on each October 1 and April 1.

Payment of interest due on each interest payment date will be made in accordance with the procedures of the Book-Entry System on each interest payment date to the persons who were registered holders of the Series 2025 Warrants on March 15 or September 15, as the case may be, next preceding such interest payment date for the Series 2025 Warrants (each such date, a "Record Date").

The Series 2025 Warrants are initially issued pursuant to a book-entry only system to be administered by The Depository Trust Company, New York, New York ("DTC") and registered in the name of and held by Cede & Co., as nominee of DTC. During the period in which Cede & Co. is the registered owner of the Series 2025 Warrants, purchases and transfers of ownership of beneficial interests in the Series 2025 Warrants will be evidenced by book-entry only and all payments of principal of, premium (if any) and interest on the Series 2025 Warrants will be made by the Depository to Cede & Co. (as registered owner) for DTC for disbursement by DTC to the Direct Participants of DTC and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Series 2025 Warrants, as more particularly provided in the 2025 Ordinance and described herein under "Book-Entry Only System." In the event the book-entry only system for the Series 2025 Warrants is discontinued, Series 2025 Warrants in certificated form in authorized denominations will be physically distributed to the owners of the beneficial interests in the Series 2025 Warrants, the Series 2025 Warrants will be registered in the names of the owners thereof on the Series 2025 Warrant Register, the Bank shall make payments of principal of, premium (if any) and interest on the Series 2025 Warrants to the registered owners thereof as provided in the Series 2025 Warrants and the 2025 Ordinance, and the provisions of the Series 2025 Warrants and of the 2025 Ordinance with respect to registration, transfer and exchange of Series 2025 Warrants by the registered owners thereof shall apply, as described herein under "Discontinuation of Book-Entry System; Transfer, Exchange and Registration."

Security

The Series 2025 Warrants are general obligations of the City for which the full faith and credit of the City are irrevocably pledged.

Authority for Issuance

The Series 2025 Warrants are issued by the City under authority of the Constitution and laws of the State of Alabama, including particularly but without limitation Section 11-47-2 and Section 11-81-4 of the Code of Alabama 1975, as amended, and pursuant to the 2025 Ordinance. The Series 2025 Warrants will initially be issued in book-entry only form, as herein described under "Book-Entry Only System" and the method and place of payment will be as provided in the book-entry only system.

Purposes

The Series 2025 Warrants are being issued for the purposes of providing funds (i) to pay the costs of certain public capital improvements within the City including, without limitation, infrastructure and public improvements for (1) a new senior center, (2) water, sewer and other utility improvements, (3) acquisition and renovation of an existing facility for City use, (4) public building demolition and related expenses, and (5) various other public capital improvements, equipment and assets in the City (collectively, the "2025 Improvements"), and (ii) to pay the costs of issuing the Series 2025 Warrants.

Optional Redemption

Those of the Series 2025 Warrants having stated maturities on [] and thereafter will be subject to redemption prior to their respective maturities, at the option of the City, as a whole or in part (but if in part, in such maturities as the City in its discretion shall designate, and if less than all Series 2025 Warrants of a single maturity are to be redeemed, those to be redeemed to be selected by the Bank by lot), on [], and on any date thereafter, at a redemption price equal to the face amount of Series 2025 Warrants to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

Mandatory Redemption

[Those of the Series 2025 Warrants maturing in ____ and ____ (the "Series 2025 Term Warrants") shall be redeemed, at a redemption price equal to the face amount of Series 2025 Warrants to be redeemed plus accrued interest thereon to the date fixed for redemption, on the dates and in the principal amounts as follows:

| <i>Series 2025 Term Warrants Maturing in ____</i> | <i>Principal Amount</i> |
|---|-------------------------|
| <i>Year</i> | <i>to be Redeemed</i> |
| ([_____] 1) | |

| <i>Series 2025 Term Warrants Maturing in ____</i> | <i>Principal Amount</i> |
|---|-------------------------|
| <i>Year</i> | <i>to be Redeemed</i> |
| ([_____] 1) | |

In the event the City shall have partially redeemed the Series 2025 Term Warrants or shall have provided for a partial redemption of the Series 2025 Term Warrants in such a manner that the Series 2025 Term Warrants for the redemption of which provision is made are considered as fully paid, the City may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such Series 2025 Term Warrants so redeemed or to be redeemed to the reduction of the principal amount of Series 2025 Term Warrants required to be redeemed pursuant to the schedules set forth immediately above on any [_____] 1 coterminous with or subsequent to the date such optional redemption actually occurs.]

Additional Provisions Respecting Redemptions

Partial Redemption of Series 2025 Warrants. Except as otherwise provided with respect to mandatory redemption of Series 2025 Term Warrants, if less than all Series 2025 Warrants are to be redeemed, the principal amount of Series 2025 Warrants of each maturity to be redeemed may be specified by the City by written notice to the Bank, or, in the absence of timely receipt by the Bank of such notice, shall be selected by the Bank by lot or by such other method as the Bank shall deem fair and appropriate; provided, however, that the principal amount of Series 2025 Warrants of each maturity to be redeemed must be a multiple of the smallest authorized denomination of the Series 2025 Warrants. If less than all Series 2025 Warrants of the same maturity are to be redeemed, the particular Series 2025 Warrants of such maturity to be redeemed shall be selected by the Bank by lot or by such other method as the Bank shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the smallest authorized denomination of the Series 2025 Warrants, or a multiple thereof) of the principal amount of Series 2025 Warrants of such maturity of a denomination larger than the smallest authorized denomination.

Manner, Notice and Effect of Redemption. Notice of any redemption of the Series 2025 Warrants shall be given to the affected holder thereof not less than 30 days before the date fixed for redemption. If the book-entry system is in effect, such notice of redemption shall be given to DTC (as defined below) and shall be forwarded by DTC to the affected holders of Series 2025 Warrants through methods established by the rules and operational arrangements of DTC. If the book-entry system is not in effect, notice of redemption shall be given to the holders of Series 2025 Warrants being redeemed by registered or certified mail. No further interest will accrue, after the date fixed for redemption, on the principal of any Series 2025 Warrants called for redemption if notice has been duly given and payment therefor has been duly provided, and in such event any Series 2025 Warrants called for redemption will no longer be protected by the provisions of the 2025 Ordinance.

Defeasance and Deemed Payment of Series 2025 Warrants

In addition to all other circumstances under which the Series 2025 Warrants are to be deemed paid under the 2025 Ordinance, any of the Series 2025 Warrants shall be considered as fully paid if there shall be filed with the City Clerk and submitted to the Bank each of the following:

(a) a trust agreement between the City and a banking corporation or national banking association making provision for the retirement of such Series 2025 Warrants by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Series 2025 Warrants (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (i) United States Securities (defined to include any securities that are direct obligations of the United States of America and any securities with respect to which payment of the principal thereof and the interest thereon is unconditionally guaranteed by the United States of America) which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of all such Series 2025 Warrants, or (ii) both cash and such United States Securities which together will produce funds sufficient for such purpose, or (iii) cash sufficient for such purpose;

(b) a certified copy of a resolution adopted by the Council calling for redemption those of such Series 2025 Warrants that, according to said trust agreement, are to be redeemed prior to their respective maturities; and

(c) an opinion of bond counsel to the City to the effect that the execution and effectuation of the trust agreement referred to in the preceding clause (a) will not result in subjecting the interest income on such Series 2025 Warrants to federal income taxation.

Control Rights of AG

The 2025 Ordinance provides that Assured Guaranty Inc. ("AG") will be deemed to be the sole holder of the Series 2025 Warrants for all purposes and will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2025 Warrants.

Book-Entry Only System

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry only system have been obtained from DTC. The City and the Underwriter make no representation as to the accuracy of such information.

Initially, DTC will act as securities depository for the Series 2025 Warrants. The Series 2025 Warrants initially 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. Initially, one fully-registered warrant certificate for each maturity will be issued for the Series 2025 Warrants, in the aggregate principal amount of the Series 2025 Warrants 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 and www.dtc.org. So long as the Series 2025 Warrants are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Series 2025 Warrants.

Purchases of the Series 2025 Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Warrants on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct 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 or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025 Warrants are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2025 Warrants, except in the event that use of the book-entry system for the Series 2025 Warrants is discontinued.

To facilitate subsequent transfers, all the Series 2025 Warrants deposited by 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 the Series 2025 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 2025 Warrants; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 Warrants are credited, which may or may not be the Beneficial Owners. The Direct 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.

As long as the book-entry system is used for the Series 2025 Warrants, redemption notices will be sent to DTC. If less than all of the Series 2025 Warrants within an issue 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.

As long as the book-entry system is used for the Series 2025 Warrants, principal, premium, if any, and interest payments on the Series 2025 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 DTC's receipt of funds and corresponding detail information from the Bank, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 such Participant and not of DTC, the Bank or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bank, and disbursement of such payments to the Participants or the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025 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 Bank 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 2025 Warrants are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

The City and the Bank will have no responsibility or obligation to any securities depository, any Participants in the book-entry system, or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the securities depository or any Participant; (ii) the payment by the securities depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount of, or interest on, any of the Series 2025 Warrants; (iii) the delivery of any notice by the securities depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2025 Warrants; or (v) any other action taken by the securities depository or any Participant.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its services with respect to the Series 2025 Warrants at any time by giving notice to the City and the Bank and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the book-entry only system for the Series 2025 Warrants will be discontinued unless a successor securities depository is appointed by the City. In addition, the City may discontinue the book-entry only system for the Series 2025 Warrants at any time by giving reasonable notice to DTC.

In the event that the book-entry only system for the Series 2025 Warrants is discontinued, the following provisions would apply, subject to the further conditions set forth in the 2025 Ordinance.

The principal of and premium, if any, on the Series 2025 Warrants will be payable when due upon their presentation and surrender at the office of the Bank in Birmingham, Alabama. Interest payments on the Series 2025 Warrants will be made to the persons who are the registered owners by check or draft mailed to such owners at their addresses as they appear on the registration books of the Bank.

The Series 2025 Warrants are transferable only upon presentation to the Bank with written power to transfer signed by the registered owner thereof in person or by duly authorized attorney. Upon the request of the owner of any Series 2025 Warrant, the City will execute and the Bank will authenticate and deliver, upon surrender to the Bank of such Series 2025 Warrant and in exchange therefor, as may be requested by the person surrendering such Series 2025 Warrant, other Series 2025 Warrants in different authorized denominations (\$5,000 or any integral multiple thereof) of like tenor and together aggregating the same principal amount as the then outstanding unpaid principal amount of Series 2025 Warrant so surrendered. The Bank will not be required to register or transfer any Series 2025 Warrant during the period beginning March 15 or September 15 next preceding any interest payment date with respect thereto.

BOND INSURANCE

The information contained in this section entitled "BOND INSURANCE" relates to AG and the Policy hereinafter described and has been obtained from AG for use in this Official Statement. No representation is made by the City or the Underwriter as to the accuracy or completeness of this information.

Bond Insurance Policy

Concurrently with the issuance of the Series 2025 Warrants, Assured Guaranty Inc. ("AG") will issue a Municipal Bond Insurance Policy for the Series 2025 Warrants (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2025 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, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("AGM"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On August 4, 2025, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At June 30, 2025:

- The policyholders' surplus of AG was approximately \$3,514 million.
- The contingency reserve of AG was approximately \$1,453 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,437 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2025 Warrants shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Series 2025 Warrants or the advisability of investing in the Series 2025 Warrants. In addition, AG 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 AG supplied by AG and presented under the heading "BOND INSURANCE".

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be derived from the sale of the Series 2025 Warrants are expected to be used by the City as follows:

Series 2025 Warrants

Sources

Principal Amount

[Plus/Less] [Net] Original Issue [Premium/Discount]

Total

Uses

2025 Improvements

Issuance Expenses (including underwriting, rating fees, bond insurance premium, legal, printing and other costs of issuance)

Total

DEBT SERVICE REQUIREMENTS

Debt Service on Series 2025 Warrants

The following schedule presents the estimated debt service requirements on a fiscal year basis for the Series 2025 Warrants:

| Fiscal Year Ending (September 30,) | Principal* | Interest* | Total* |
|---|-------------------|------------------|---------------|
| 2026 | -- | \$440,919 | \$ 440,919 |
| 2027 | \$275,000 | 921,375 | 1,196,375 |
| 2028 | 285,000 | 907,375 | 1,192,375 |
| 2029 | 300,000 | 892,750 | 1,192,750 |
| 2030 | 315,000 | 877,375 | 1,192,375 |
| 2031 | 335,000 | 861,125 | 1,196,125 |
| 2032 | 350,000 | 844,000 | 1,194,000 |
| 2033 | 370,000 | 826,000 | 1,196,000 |
| 2034 | 390,000 | 807,000 | 1,197,000 |
| 2035 | 405,000 | 787,125 | 1,192,125 |
| 2036 | 430,000 | 766,250 | 1,196,250 |
| 2037 | 450,000 | 744,250 | 1,194,250 |
| 2038 | 475,000 | 721,125 | 1,196,125 |
| 2039 | 500,000 | 696,750 | 1,196,750 |
| 2040 | 525,000 | 671,125 | 1,196,125 |
| 2041 | 550,000 | 644,250 | 1,194,250 |
| 2042 | 580,000 | 616,000 | 1,196,000 |
| 2043 | 610,000 | 586,250 | 1,196,250 |
| 2044 | 640,000 | 555,000 | 1,195,000 |
| 2045 | 670,000 | 522,250 | 1,192,250 |
| 2046 | 705,000 | 487,875 | 1,192,875 |
| 2047 | 745,000 | 451,625 | 1,196,625 |
| 2048 | 780,000 | 413,500 | 1,193,500 |
| 2049 | 820,000 | 373,500 | 1,193,500 |
| 2050 | 865,000 | 331,375 | 1,196,375 |
| 2051 | 905,000 | 287,125 | 1,192,125 |
| 2052 | 955,000 | 240,625 | 1,195,625 |
| 2053 | 1,005,000 | 191,625 | 1,196,625 |
| 2054 | 1,055,000 | 140,125 | 1,195,125 |
| 2055 | 1,110,000 | 86,000 | 1,196,000 |
| 2056 | 1,165,000 | 29,125 | 1,194,125 |

* Preliminary; subject to change.

Outstanding Long-Term Indebtedness

Provided below is a schedule showing the debt service obligations of the City on a fiscal year basis of its outstanding long-term general obligation indebtedness, together with the Series 2025 Warrants.

| Fiscal Year Ending (September 30,) | Outstanding Obligations⁽¹⁾ | Series 2025 Warrants* | Total* |
|---|--|----------------------------------|---------------|
| 2026 | 2,357,337 | \$ 440,919 | \$2,798,256 |
| 2027 | 1,118,989 | 1,196,375 | 2,315,364 |
| 2028 | -- | 1,192,375 | 1,192,375 |
| 2029 | -- | 1,192,750 | 1,192,750 |
| 2030 | -- | 1,192,375 | 1,192,375 |
| 2031 | -- | 1,196,125 | 1,196,125 |
| 2032 | -- | 1,194,000 | 1,194,000 |
| 2033 | -- | 1,196,000 | 1,196,000 |
| 2034 | -- | 1,197,000 | 1,197,000 |
| 2035 | -- | 1,192,125 | 1,192,125 |
| 2036 | -- | 1,196,250 | 1,196,250 |
| 2037 | -- | 1,194,250 | 1,194,250 |
| 2038 | -- | 1,196,125 | 1,196,125 |
| 2039 | -- | 1,196,750 | 1,196,750 |
| 2040 | -- | 1,196,125 | 1,196,125 |
| 2041 | -- | 1,194,250 | 1,194,250 |
| 2042 | -- | 1,196,000 | 1,196,000 |
| 2043 | -- | 1,196,250 | 1,196,250 |
| 2044 | -- | 1,195,000 | 1,195,000 |
| 2045 | -- | 1,192,250 | 1,192,250 |
| 2046 | -- | 1,192,875 | 1,192,875 |
| 2047 | -- | 1,196,625 | 1,196,625 |
| 2048 | -- | 1,193,500 | 1,193,500 |
| 2049 | -- | 1,193,500 | 1,193,500 |
| 2050 | -- | 1,196,375 | 1,196,375 |
| 2051 | -- | 1,192,125 | 1,192,125 |
| 2052 | -- | 1,195,625 | 1,195,625 |
| 2053 | -- | 1,196,625 | 1,196,625 |
| 2054 | -- | 1,195,125 | 1,195,125 |
| 2055 | -- | 1,196,000 | 1,196,000 |
| 2056 | -- | 1,194,125 | 1,194,125 |

* Preliminary; subject to change.

⁽¹⁾ Includes remaining scheduled principal and interest on the City's \$8,515,000 initial principal amount General Obligation Warrants, Series 2016, and \$5,000,000 initial principal amount Taxable General Obligation Warrant, Series 2022.

THE CITY

General

The City is a municipal corporation organized under the laws of the State of Alabama. The City, which is the county seat of Chilton County, is located approximately 40 miles north of Montgomery and 54 miles south of Birmingham. The population of the City is estimated to be 9,228 according to the most recent census estimate (2024) by the United States Census Bureau. The corporate limits of the City encompass approximately 23.2 square miles.

Population

The population in the State of Alabama, the City of Clanton, Chilton County and the Birmingham-Hoover Metropolitan Statistical Area (MSA) for the years indicated has been as follows:

| Census Year | State of Alabama | City of Clanton | Chilton County | Birmingham-Hoover Metropolitan Statistical Area (MSA) ⁽¹⁾ |
|---------------------|------------------|-----------------|----------------|--|
| 2024 ⁽²⁾ | 5,157,699 | 9,228 | 47,262 | 1,192,583 |
| 2020 | 5,024,279 | 9,034 | 45,014 | 1,115,289 |
| 2010 | 4,779,736 | 8,619 | 43,643 | 1,128,047 |
| 2000 | 4,447,100 | 7,800 | 39,593 | 1,052,238 |
| 1990 | 4,040,587 | 7,669 | 32,458 | 907,810 |
| 1980 | 3,893,888 | 5,832 | 30,612 | 883,993 |

⁽¹⁾ The Birmingham-Hoover Metropolitan Area (MSA) is comprised of Bibb, Blount, Chilton, Jefferson, Shelby, St. Clair and Walker Counties.

⁽²⁾ Population estimates as of July 1, 2024.

Source: U.S. Census Bureau

Governmental Organization and Administration

The City is a municipal corporation incorporated under the Constitution and laws of the State of Alabama.

The City is governed under the mayor-council form of government. The Mayor is elected on an at-large basis for a four (4) year term and five City Council (the "Council") members are elected from single-member districts, each for a four (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 exercises the legislative powers of the City, including the appropriation of money and adoption of all legislative ordinances and policies of the City. The Council also makes appointments to all agencies, boards and committees of the City which are established for municipal purposes.

The City's governing body and primary civil service employees are as follows*:

| Name and Office | Term Expires |
|---|------------------|
| Jeff Mims Mayor | November 2, 2025 |
| Billy Singleton President District 1 | November 2, 2025 |
| Phillip Giles Council Member District 2 | November 2, 2025 |
| Don Driver Council Member District 3 | November 2, 2025 |

Awlahjaday Agee
Council Member
District 4

November 2, 2025

Mary Mell Smith
Council Member
District 5

November 2, 2025*

Susie Ellison
City Clerk/Treasurer

Serves at pleasure of the
Council

* Commencing November 3, 2025, Jeffery "Doc" Price will serve as Mayor of the City, and David McCary will serve on the Council for District 5. All other members of the Council shown above have been elected to serve for the subsequent four-year term that commences November 3, 2025.

Personnel; Primary Utility and Related Services

General. The City provides, among other things, police protection, fire protection and public safety, and recreational and cultural services to its citizens. No employees of the City are represented by labor unions or similar employee organizations. The City does not bargain collectively with any labor union or employee organization. The City has enjoyed good relations with all City employees and the City believes that good relations will continue.

Overall Public Services in the City. The City's current-year budget authorizes the employment of 130 full-time and 29 part-time employees in its various departments or agencies, which include the following:

Police Department. 1 police chief, 33 full-time sworn police officers, 7 part-time sworn police officers.

Fire Department. 1 fire chief, 12 full time fire-medics and 17 part-time fire-medics

Municipal Court. 1 judge, 2 City prosecutors on contract, 2 Magistrates, and 1 part-time summer help.

Sanitation Department. 10 laborers

Street Maintenance. 1 supervisor, 15 employees, 1 part time laborer

Equipment and Service "Shop." 4 employees

Administration. 12 full time employees, 1 part time employee

Utility Water and Sewer. 28 full-time employees, 2 part-time employees

Parks and Recreation. 1 supervisor, 6 full-time employees

Beautification. 1 supervisor, 2 full-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 the 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 operating within the City include the following:

Water Works and Sewer Board. All waterworks and sewer services in the City are owned and operated by The Water Works and Sewer Board of the City of Clanton, a public corporation under the laws of the State of Alabama (the "Clanton WWSB"). The Clanton WWSB consists of five (5) directors appointed by the Council for staggered six (6) year terms. Although the Clanton WWSB is a separate legal entity from the City, its governing body is appointed

by the Council. The Clanton WWSB serves customers within the corporate limits of the City and certain surrounding territory and unincorporated communities in Chilton County. The City employs all people that manage and operate the water and sewer system of the Clanton WWSB.

Industrial Economic Development. The Industrial Development Board of the City of Clanton, a public corporation under the laws of the State of Alabama (the "Clanton IDB") has been incorporated primarily to oversee industrial prospects and a 194 acre industrial park. The Clanton IDB consists of five (5) directors appointed by the Council for staggered six (6) year terms. Although the Clanton IDB is a separate legal entity from the City, its governing body is appointed by the Council.

Pension Plan

City employees are included in a retirement plan covered by the Employee's Retirement System of Alabama. The Employee's Retirement System of Alabama was created in 1945 pursuant to an act of the Alabama Legislature. The Employees' Retirement System is administered on behalf of the State of Alabama and certain local governmental units in Alabama by Retirement Systems of Alabama, an agency of the State of Alabama.

Contributions by the City are made on the basis of certain actuarial calculations of amounts which, together with the employees' contributions, are projected to provide at the time of retirement the benefits contemplated by the retirement program. The City has been informed by the independent actuary employed by Retirement Systems of Alabama that total employer contributions will, together with employee contributions at the statutory rate, cover, when due and payable, the normal contribution and administrative charge. Additional actuarial evaluations of the accrued liability respecting the local governmental units which participate in the Employees' Retirement System, including the City, will be prepared in the future to reflect revised actuarial assumptions. Consequently, the contribution rates set forth above may be adjusted either upward or downward.

The Employees' Retirement System does not undertake to fund the retirement plans of participating local governmental units. The Employees' Retirement System acts only in an administrative capacity, and then only upon the election of the local governmental units. The statute permitting such election provides that "The retirement system shall not be liable for the payment of any pension or benefits on account of the employees or pensioners of any employers under this section, for which reserves have not been previously created from funds contributed by such employer or its employees for such benefit." The statute further provides that the agreement of the City to contribute to the Employees' Retirement System on account of its employees is irrevocable, but should it become financially unable to make the normal contribution, administrative charge and accrued liability contribution, the City would be deemed to be in default under the Employees' Retirement System.

See "NOTE 6 – Pension Plan" beginning on page 23 of the audited financial statements of the City attached hereto as Appendix A for a more complete discussion of the City's pension obligations governed by the Employees' 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, 2010. The City does not currently provide post-employment benefits other than pension benefits, therefore, no OPEB liability has been accrued in the audited financial statements of the City included in Appendix A to this Official Statement.

Incentive Agreements

The City is a party to various economic incentive agreements pursuant to which the City has committed to make payments to help offset certain costs of development (such payments, the "City Incentive Payment Obligations"). As to each project, the City Incentive Payment Obligations are limited to half of the sales and use tax generated by the project. The City's total remaining financial liability under these agreements is not more than \$300,000. These incentive agreements were authorized and approved under Amendment 772 to the Constitution of Alabama of 1901 (recodified as Section 94.01 of the Constitution of Alabama) ("Amendment 772"). By authorizing and entering into these agreements pursuant to Amendment 772, the City's payment obligations are not included within the City's debt limit under Section 225 of the Alabama Constitution). See "The City – Constitutional Debt Limit" herein.

General Financial Information

The City operates on a fiscal year basis beginning October 1 and ending September 30. The City prepares a detailed budget for each fiscal year that is approved by the City Council prior to the beginning of the fiscal year, and all departments are encouraged to operate within their respective budgets. There is no constitutional requirement that the budget be balanced each year and in past years expenditures in certain departments have exceeded budgeted amounts.

The significant accounting practices for City finances are summarized in the audited financial statements attached hereto as Appendix A. All revenues and expenditures of the City are accounted for in a series of funds which are described in the City's financial statements. The General Fund finances substantially all current operations of the City.

Outstanding Long-Term General Obligation Debt

Upon the issuance of the Series 2025 Warrants, the City will have the following estimated maximum amount of general obligation indebtedness outstanding:

| Description of Obligations | Principal Outstanding | Final Maturity |
|---|----------------------------------|---------------------------|
| General Obligation Warrants, Series 2016 | \$1,940,000 | 10/01/2026 |
| Taxable General Obligation Warrant, Series 2022 | 963,504 | 07/31/2027 |
| Series 2025 Warrants | <u>18,565,000*</u> | 10/01/2055* |
| Total | <u>\$21,468,504*</u> | |

* Preliminary, subject to change.

Short-Term Debt

At the present time the City does not have any lines of credit or other forms of short-term indebtedness.

Anticipated Capital Borrowings

The City does not anticipate any additional borrowings over the next 12 to 18 months. The City may also have other short-term, minor capital needs for which it will need to borrow funds which cannot be anticipated at this time. Any such borrowings likely would be general obligations of the City secured by the full faith and credit of the City.

Constitutional Debt Limitation

Section 225 of the Alabama Constitution provides that cities having a population of six thousand or more may not become indebted in an amount in excess of twenty percent (20%) of the assessed value of the property situated therein and excepts from the debt limit several categories of indebtedness, including: (i) temporary loans, to be paid in one year, made in anticipation of the collection of taxes and not exceeding one-fourth of the general revenues; (ii) bonds or other obligations already issued, or which may hereafter be issued, for the purpose of acquiring, providing or constructing school houses, waterworks and sewers; and (iii) obligations incurred and bonds issued for street or sidewalk improvements, where the costs of the same, in whole or in part, is to be assessed against the property abutting

said improvements. Further, under existing law, the amount of any indebtedness chargeable against the constitutional debt limit is reduced by the amount of any escrow or sinking fund held for the payment of such indebtedness. Also exempt from being treated as a debt for constitutional debt limit purposes are short term obligations are obligations subject to unilateral termination by the city as of the end of any fiscal year and that are payable, as to any fiscal year, solely from funds of the city lawfully available for such purpose received by the city during such fiscal year.

Future borrowing by the City solely for the purpose of acquiring, providing or constructing school houses, waterworks and sewers will not reduce the current unused constitutional debt capacity of the City. The constitutional debt capacity of the City will increase or decrease with any increase or decrease in the assessed value of taxable property in the City. Upon the issuance of the Series 2025 Warrants, the estimated constitutional debt limitation of the City is as follows:

| | |
|--|--------------------|
| Net Assessed Value (excluding motor vehicles) on October 1, 2024 | \$171,038,380 |
| Constitutional Debt Limit (20% of Assessed Value) | 34,207,676 |
| Total General Obligation Indebtedness | 21,468,504* |
| Total Indebtedness Estimated as Chargeable to Debt Limit | <u>21,468,504*</u> |
| Estimated Remaining Debt Margin | \$12,739,172* |

* Preliminary, subject to change.

SUMMARY OF TOTAL GOVERNMENTAL FUNDS REVENUES AND EXPENDITURES

The following table, extracted from the City's audited financial statements, sets forth the revenues and expenditures from the City's Total Governmental Funds for the fiscal years ended September 30, 2020 through and including September 30, 2023:

| | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|------------------|-------------------|-------------------|-------------------|
| REVENUES | | | | |
| Taxes | | | | |
| City sales tax | \$7,990,373 | \$9,012,507 | \$9,593,540 | \$10,192,490 |
| Ad valorem tax | 736,797 | 800,467 | 839,148 | 857,386 |
| Motor vehicle tax | 36,799 | 56,686 | 62,241 | 57,678 |
| Gasoline tax | 496,491 | 533,922 | 537,494 | 530,045 |
| Lodging tax | 150,992 | 209,919 | 334,884 | 466,665 |
| Cigarette tax | 123,779 | 126,995 | 124,730 | 111,059 |
| Franchise tax | 46,933 | 88,690 | 41,280 | 46,270 |
| Total taxes | <u>9,582,164</u> | <u>10,829,186</u> | <u>11,533,317</u> | <u>12,261,593</u> |
| Licenses, Permits, and Fees | | | | |
| Privilege licenses | 1,320,174 | 1,237,427 | 1,387,160 | 1,561,980 |
| Alcohol licenses and fees | 282,765 | 283,727 | 316,760 | 332,086 |
| Building permits | 69,187 | 129,427 | 141,213 | 99,052 |
| Garbage fees and dumpster payments | 1,173,026 | 1,170,270 | 1,119,405 | 1,093,736 |
| Total licenses, permits, and fees | <u>2,845,152</u> | <u>2,820,851</u> | <u>2,964,538</u> | <u>3,086,854</u> |
| Intergovernmental | | | | |
| ABC Store profit share | 25,255 | 27,638 | 17,136 | 21,621 |
| Excise tax | 84,389 | 204,437 | 188,494 | 191,804 |
| Grant | 374,163 | 1,162,020 | 1,519,919 | 518,153 |
| Total intergovernmental | <u>483,807</u> | <u>1,394,095</u> | <u>1,725,549</u> | <u>731,578</u> |
| Fines | | | | |
| Police fines, forfeitures and accident reports | 103,384 | 208,171 | 307,785 | 286,921 |
| Total fines | <u>103,384</u> | <u>208,171</u> | <u>307,785</u> | <u>286,921</u> |
| Other Revenues | | | | |
| Interest | 73,049 | 37,197 | 9,201 | 332,363 |
| Parks | 1,590 | 6,211 | 5,765 | 8,488 |

| | | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| Miscellaneous revenues | 73,994 | 33,849 | 105,197 | 95,369 |
| Contributed income | 707 | 1,000 | 16,000 | 609,875 |
| Transit system | 15,000 | 15,000 | 3,900 | -- |
| Sales of assets | 23,800 | 409,752 | 370,301 | 1,229,762 |
| Rent | 101,191 | 158,757 | 126,533 | 151,716 |
| Driving School | 3,100 | 900 | -- | -- |
| Windfall | 85,370 | 89,760 | -- | -- |
| Total Other Revenues | 377,801 | 752,426 | 636,897 | 2,427,573 |
| Total Revenues | 13,392,308 | 16,004,729 | 17,168,086 | 18,794,519 |
| Expenditures | | | | |
| Administrative | 1,698,748 | 2,271,298 | 3,033,293 | 3,104,140 |
| Police | 3,031,217 | 2,847,981 | 3,283,190 | 3,459,649 |
| Streets | 1,989,111 | 1,710,739 | 2,697,079 | 1,758,063 |
| Shop | 225,293 | 232,353 | 288,963 | 289,430 |
| Fire | 607,330 | 659,891 | 746,133 | 925,540 |
| Parks | 639,031 | 748,375 | 852,524 | 736,888 |
| Beautification | 118,662 | 165,562 | 210,175 | 216,972 |
| Sanitation | 1,457,887 | 1,561,719 | 1,898,896 | 1,742,630 |
| Capital outlay | 1,197,087 | 948,273 | 4,709,743 | 5,988,434 |
| Debt service: | | | | |
| Principal retirement | 1,145,000 | 820,000 | 845,000 | 2,426,556 |
| Interest and fiscal charges | 211,700 | 176,967 | 176,807 | 250,366 |
| Total Expenditures | 12,321,066 | 12,143,158 | 18,741,803 | 20,898,668 |
| Excess (deficiency) revenues over expenditures | 1,071,242 | 3,861,571 | (1,573,717) | (2,104,149) |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | 2,844,341 | 3,521,491 | 4,492,463 | 12,809,629 |
| Operating transfers out | (4,016,205) | (3,811,309) | (5,467,463) | (12,885,028) |
| Proceeds from Borrowing | -- | -- | 4,011,612 | 619,054 |
| Total Other Financing Sources (uses) | (1,171,864) | (289,818) | 3,036,612 | 543,655 |
| Net change in fund balance | (100,622) | 3,571,753 | 1,462,895 | (1,560,494) |
| Fund balances – October 1 | 11,122,335 | 11,021,713 | 14,593,466 | 16,095,912 |
| Prior period adjustment | -- | -- | 39,551 | -- |
| Fund balances – October 1, as restated | 11,122,335 | 11,021,713 | 14,633,017 | 16,095,912 |
| Fund balances, September 30 | \$11,021,713 | \$14,593,466 | \$16,095,912 | \$14,535,418 |

The following table, extracted from the City's audited financial statements, sets forth the revenues and expenditures from the City's Total Governmental Funds for the fiscal year ended September 30, 2024:

| | |
|--|----------------------------|
| Revenues | 2024 |
| Taxes | \$ 12,661,287 |
| Charges for services | 3,085,587 |
| Fines and forfeitures | 405,847 |
| Intergovernmental grants | 1,002,877 |
| Intergovernmental shared revenues | 348,066 |
| Contributions and donations | 1,000 |
| Investment earnings | 674,370 |
| Miscellaneous revenues | 110,715 |
| Sale of assets | 66,941 |
| Total Revenues | 18,356,690 |
| Expenditures | |
| General government | 3,139,415 |
| Police | 3,903,853 |
| Fire | 1,158,786 |
| Streets | 1,852,252 |
| Shop | 298,209 |
| Sanitation | 1,765,003 |
| Parks and recreation | 847,332 |
| Beautification | 184,962 |
| Capital outlay | 1,651,797 |
| Debt service | |
| Principal retirement | 1,698,060 |
| Interest and fiscal charges | 201,161 |
| Total Expenditures | 16,700,830 |
| Excess of Revenues Over (Under) | |
| Expenditures | 1,655,860 |
| Other Financing Sources (Uses) | |
| Transfers in | 1,206,924 |
| Transfers (out) | (1,364,564) |
| Total Other Financing Sources (Uses) | (157,640) |
| Net Change in Fund Balance | 1,498,220 |
| Fund Balances, Beginning, As Restated | 13,420,924 |
| Fund Balances, Ending | <u>\$14,919,144</u> |

PRIMARY SOURCES OF REVENUES

The following summarizes the taxes and revenues that provide the primary sources of funding for the City.

Sales and Use Tax

The City levies a sales and use tax, the proceeds of which are used for general municipal purposes. This tax constitutes a major portion of the revenues of the City for its General Fund. Such tax has no expiration date and is not subject to a popular referendum. Collections of such taxes within the corporate limits of the City may be used for any lawful purpose, as directed by the governing body of the City, including the payment of debt service on the Series 2025 Warrants. The City presently levies its sales and use tax at a rate of 3.0%. Collections from the City sales and use tax, as shown on the audited financial statements of the City for the years indicated, were as follows:

| Fiscal Year | Total Receipts |
|------------------------|---------------------------|
| 2024 | \$10,329,355 |
| 2023 | 10,192,490 |
| 2022 | 9,593,540 |
| 2021 | 9,012,507 |
| 2020 | 7,890,373 |

The total current sales tax rate in the City is 10.0% (3.0% City, 4.0% State of Alabama, and 3.0% Chilton County).

During the 2023 legislative session, the Alabama Legislature passed Act 2023-554, which reduced the State sales tax on "food", as that term is defined at 7 U.S.C. § 2011 et seq., from 4.0% to 3.0% as of September 1, 2023. Additionally, Act 2023-554 prohibited any county or municipality from levying additional sales or use taxes on "food" after June 15, 2023. Further, Act 2023-554 authorized cities and counties, by ordinance or resolution, to reduce the sales and use tax rate on "food" by 25% in any year in which the growth in that county or municipality's general fund exceeds 2.0% over the prior year.

Business Privilege License

Under general authority of Alabama law and pursuant to an ordinance of the City, a special business privilege license tax is levied against persons, firms, or corporations engaged in any business, occupation or profession in the City. There is no statutory minimum or maximum rate applicable to the business privilege license tax, but said tax may not be levied at rates that are confiscatory or unreasonable. Income from the business privilege tax, as shown on the audited financial statements of the City for the fiscal years indicated, was as follows:

| Fiscal Year | Amount |
|--------------------|---------------|
| 2024 | \$1,727,020 |
| 2023 | 1,561,980 |
| 2022 | 1,387,160 |
| 2021 | 1,237,427 |
| 2020 | 1,320,174 |

Lodging Tax

Under general authority of Alabama law and pursuant to an ordinance of the City, the City levies a lodging tax on hotels and hotel operators. There is no statutory minimum or maximum rate applicable to the City's lodging tax, but the tax may not be levied at rates that are confiscatory or unreasonable.

The City's lodging tax rate is presently levied at a rate of six percent. The City also imposes a \$2.00 per night room fee, which fee became effective on February 1, 2023. Income from the City lodging tax, plus income from collections of the \$2.00 per night room fee, as shown on the audited financial statements of the City for the fiscal years indicated, was as follows:

| Fiscal Year | Amount |
|--------------------|------------------------|
| 2024 | \$482,594 |
| 2023 | 466,665 ⁽¹⁾ |
| 2022 | 334,884 ⁽²⁾ |
| 2021 | 209,919 |
| 2020 | 150,992 |

⁽¹⁾ The \$2.00/night room fee went into effect on February 1, 2023.

⁽²⁾ The City raised its lodging tax rate from 4.0% to 6.0% effective July 1, 2021.

Alcohol Tax

Under general authority of Alabama law and pursuant to an ordinance of the City, the City levies a tax on sales of alcoholic beverages. There is no statutory minimum or maximum rate applicable to the City's alcohol tax, but the tax may not be levied at rates that are confiscatory or unreasonable. The City's alcohol tax is levied at a rate of 10% on the gross sales of liquor sales at retail, excluding sales tax, and at a rate of 6.0% on liquor sales at Alabama ABC stores.

Income from the City's alcohol and liquor tax, as shown on the audited financial statements of the City for the fiscal years indicated, was as follows:

| Fiscal Year | Amount |
|--------------------|---------------|
| 2024 | \$333,815 |
| 2023 | 332,086 |
| 2022 | 316,760 |
| 2021 | 283,727 |
| 2020 | 282,765 |

Ad Valorem Receipts

The City levies a 7-mill ad valorem tax for general municipal purposes for, the proceeds of which are deposited into the General Fund of the City. 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" below. The collections of the City general fund ad valorem tax for the last five years have been as follows:

| Fiscal Year | Amount |
|--------------------|---------------|
| 2024 | \$971,926 |
| 2023 | 857,386 |
| 2022 | 839,148 |
| 2021 | 800,467 |
| 2020 | 736,797 |

The Alabama Constitution provides for the levy and collection of ad valorem taxes in Alabama and establishes the ratios at which property may be assessed, the millage rates that may be levied on property, and the amount of ad valorem taxes that may be collected in any year. During the 1970's two amendments to the Alabama Constitution substantially changed ad valorem taxation in Alabama. Because of future changes that could be made by the Alabama Legislature or pursuant to constitutional amendment, and because the City could, under certain circumstances, vary the assessment ratios of property in the City and/or the millage rates with respect thereto, future collections of ad valorem taxes in the City cannot be predicted with certainty.

AD VALOREM TAXATION

General

The levy and collection of ad valorem taxes in Alabama is subject to the provisions of the Constitution of Alabama of 1901, as amended, which limits the ratios at which property may be assessed, specifies the maximum

millage rates that may be levied on property and limits total ad valorem taxes on any property in any year. The City currently levies ad valorem taxes on the assessed value of real property in the City of at a rate of 7.0 mills.

Classification of Taxable Property

For purposes of ad valorem taxation, all taxable property in the State is required under current law to be divided into the following four classes: Class I - All property of utilities used in their business; Class II -All property not otherwise classified; Class III - All agricultural; forest; single-family, owner-occupied residential property; and historical buildings and sites; and Class IV - Private passenger automobiles and pickup trucks. Under applicable law, railroad property is not considered Class I (utility) property and is instead considered Class II property.

Taxable property designated as "Class III" may, upon request of the owner of such property, be appraised at its "current use value" rather than its "fair and reasonable market value." "Current use value" was originally defined in a legislative act 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." Amendatory legislation, effective since the beginning of the 1981-82 tax year, extensively revised the formulas and methods to be used in computing the current use value of agricultural and forest property. However, the original statutory definition, though somewhat modified, remains applicable to residential and historical property.

These are exempted from all ad valorem taxes: household and kitchen furniture, farm tractors, farming implements when used exclusively in connection with agricultural property, and stocks of goods, wares and merchandise.

Assessment Ratios

The following are the assessment ratios now in effect in the City for purposes of state and local taxation:

| | |
|-----------|-----|
| Class I | 30% |
| Class II | 20 |
| Class III | 10 |
| Class IV | 15 |

Although current law provides in effect that with respect to ad valorem taxes levied by the City, the governing body of the City may, subject to the approval of the Legislature and of a majority of the electorate of the City at a special election, and in accordance with criteria established by legislative act, adjust (by increasing or decreasing) the ratio of assessed value of any class to taxable property to its fair and reasonable market value or its current use value (as the case may be), the governing body of the City has not heretofore sought to make any adjustment of the assessment ratio applicable to any class of taxable property in the City and has no present plan for any such adjustment. (The Legislature has no power over the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority.) The assessment ratio applicable to each class of taxable property must in any event be uniform with respect to ad valorem taxes levied by the City.

Current Ad Valorem Tax Rates

At the present time there is a total of 46.5 mills of ad valorem tax levied by various taxing authorities on real property located within the City, as follows:

| <u>Taxing Authority</u> | <u>Millage</u> |
|--|-----------------------|
| <u>State</u> | |
| General Fund | 2.5 |
| Education | 3.0 |
| Soldier/Veterans Pension | <u>1.0</u> |
| Subtotal | 6.5 |
| <u>County</u> | |
| General Fund | 7.0 |
| Road and Bridge | 3.5 |
| Special General Fund – Roads, Health, Police | 5.0 |
| Trade School | 3.0 |

| | |
|---|-------------|
| Fire/Emergency – Outside Municipalities | <u>4.0</u> |
| Subtotal | 22.5 |
| <u>School Purpose</u> | |
| County Wide | 5.0 |
| District | <u>5.0</u> |
| Subtotal | 10.0 |
| <u>City</u> | |
| General | 7.5 |
| Total | <u>46.5</u> |

Constitutional Limit on Ad Valorem Taxes

The Alabama Constitution provides that all ad valorem taxes payable to the State and to all counties, municipalities and other taxing authorities with respect to any item of taxable property shall not exceed the following percentage of the fair and reasonable market value of such property: 2% in the case of Class I property; 1.50% in the case of Class II property; 1% in the case of Class III property; and 1.25% in the case of Class IV property. The limitations are not exceeded as to any class of property in the City.

Homestead Exemption

Act No. 82-789 enacted at the 1982 Second Special Session of the Legislature, among other things, effectively authorizes the governing body of the City to grant a homestead exemption of not exceeding \$4,000 in assessed value against any City ad valorem tax. No such homestead exemption (or authorization therefor) with respect to municipal, as distinguished from State or county, ad valorem taxes existed prior to the enactment of said Act No. 82-789, except in the case of persons who were totally disabled or who were 65 years of age or older and had an annual taxable income of \$7,500 or less.

Assessment and Collections

Ad valorem taxes on taxable properties, motor vehicles, and public utility properties, are assessed by the County Revenue Commissioner and collected by the County Revenue Commissioner. Ad valorem taxes on public utility properties are assessed by the State Department of Revenue and collected by the County Revenue Commissioner.

Assessed Value of Property

The assessed value of property including motor vehicles in the City of Clanton for the indicated years was as follows:

| Fiscal Year Ending September 30 | All Property⁽¹⁾ Other Than Motor Vehicles | Motor⁽²⁾ Vehicles | Total Assessed Value |
|--|---|---|-------------------------------------|
| 2020 | \$117,184,840 | \$13,649,788 | \$130,834,628 |
| 2021 | 119,544,980 | 14,866,907 | 134,411,887 |
| 2022 | 124,714,900 | 16,346,384 | 141,061,284 |
| 2023 | 155,560,220 | 18,664,240 | 174,224,460 |
| 2024 | 150,459,900 | 20,578,480 | 171,038,380 |

⁽¹⁾ Real and Personal Property Tax Year begins October 1 – September 30.

⁽²⁾ Motor Vehicle Tax Year begins June 1 – May 31.

Source: Chilton County Office of Revenue Commissioner

Assessed Value by Property Classification

The following chart reflects, for the tax year that ended September 30, 2024 (that is, the year for which taxes became due and payable on October 1, 2024, and delinquent on January 1, 2025), the appropriate division of net assessed valuation of property in the City by classification:

| | Property Classification | Assessed Valuation |
|-----------|--|-------------------------------|
| Class I | Utilities | \$ 8,838,000 |
| Class II | All Property Not Otherwise Classified | 121,835,360 |
| Class III | All Agricultural, Forest and Single Family Owner Occupied Residential Property and Historic Building and Sites | 43,044,620 |
| Class IV | Private Passenger Automobiles and Trucks for Personal Use | 20,578,480 |
| | Less Exemptions | 23,258,080 |
| | Total Net Assessed Valuation | \$171,038,380 |

Source: Chilton County Office of Revenue Commissioner

DEMOGRAPHIC INFORMATION

Major Ad Valorem Taxpayers

The following table indicates the ten (10) largest ad valorem taxpayers in the City of Clanton for the tax year for which taxes became due and payable on October 1, 2024:

| Taxpayer | Total Assessed Value | City Ad Valorem Taxes Paid |
|---|---------------------------------|---|
| Adient Clanton, Inc. | \$11,771,460 | \$82,400 |
| Alabama Power Company | 7,368,200 | 51,577 |
| Kumi Manufacturing Alabama LLC. | 4,477,680 | 31,343 |
| Honda Dev & Mfg. of America LLC. | 2,935,160 | 20,546 |
| Merchants Company a MS Corporation | 2,926,960 | 13,563 |
| Wal-Mart Properties, Inc. | 1,616,880 | 11,318 |
| Ford Motor Company | 1,416,720 | 9,917 |
| Stella-Jones Corporation | 1,407,140 | 9,849 |
| McSweeney Real Estate Clanton LLC. | 1,331,200 | 9,318 |
| CSX Transportation Inc Tax Department C-910 | 1,310,020 | 9,170 |

Source: Chilton County Office of Revenue Commissioner

Income

Median Family Income. The following table sets forth the median family income for the United States, the State of Alabama and the Birmingham-Hoover MSA for the years shown:

| Year | United States | State of Alabama | Birmingham-Hoover MSA |
|-------------|--------------------------|-----------------------------|----------------------------------|
| 2021 | \$ 78,500 | \$66,700 | \$78,000 |
| 2022 | 90,000 | 73,600 | 84,800 |

| | | | |
|------|---------|--------|--------|
| 2023 | 96,200 | 79,600 | 90,400 |
| 2024 | 97,800 | 82,500 | 94,400 |
| 2025 | 104,200 | 86,400 | 95,900 |

Source: HUD Office of Economic Affairs, Economic and Market Analysis Division.

Per Capita Personal Income. The following table sets forth the per capita personal income for the United States, the State of Alabama, Chilton County and the Birmingham-Hoover MSA for the years shown:

| Year | United States | State of Alabama | Chilton County | Birmingham-Hoover MSA |
|-------------|----------------------|-------------------------|-----------------------|------------------------------|
| 2019 | \$55,567 | \$42,998 | \$36,220 | \$51,900 |
| 2020 | 59,123 | 45,854 | 38,311 | 54,798 |
| 2021 | 64,460 | 50,483 | 42,839 | 60,940 |
| 2022 | 66,244 | 51,683 | 43,454 | 62,993 |
| 2023 | 69,810 | 54,209 | 46,120 | 66,502 |

Last updated: February 20, 2025.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Poverty

The following table sets forth the estimated number of poor and the poverty rate for the United States, the State of Alabama, the City of Clanton, Chilton County and the Birmingham-Hoover MSA:

| | United States | State of Alabama | City of Clanton | Chilton County | Birmingham-Hoover MSA |
|----------------|----------------------|-------------------------|------------------------|-----------------------|------------------------------|
| Number of Poor | 40,763,043 | 773,166 | 1,045 | 6,111 | 160,191 |
| Poverty Rate | 12.5% | 15.6% | 12.3% | 13.6% | 13.9% |

Source: U.S. Census Bureau, American Community Survey, 2023: 1-Year Estimates Subject Tables; 5-Year Estimates regarding the City of Clanton and Chilton County.

Major Employers. The following are the major employers located within the corporate limits of the City of Clanton showing the estimated number of employees employed by each:

| Name of Employer | Product/Service | Approximate Number of Employees |
|-----------------------------------|------------------------------|--|
| Chilton County Board of Education | County Public Schools | 897 |
| Adient | Manufacturing - Automotive | 850 |
| WalMart SuperCenter | Discount Retail Store | 320 |
| Chilton County Commission | County Government | 299 |
| Kumi Manufacturing Alabama, LLC | Manufacturing - Automotive | 250 |
| Boise Cascade Industry | Paper | 248 |
| Merchants Foodservice | Distribution - Food | 227 |
| University of Alabama, Birmingham | Healthcare | 225 |
| City of Clanton | City Government | 150 |
| Wadsworth Oil | Gas Station Distributors | 121 |
| Franklin Iron Works | Industry - Metal | 75 |
| O-Flex Metals | Metal Anodizing | 70 |
| Wayne/EBSCO | Signs and Displays | 48 |
| Stella-Jones | Railroad Rolling Stock | 48 |
| Sumrall Seats | Seat Structure Manufacturing | 46 |

Source: City of Clanton Economic Development, August 2025.

Major Employers. The following are the major industrial and non-industrial employers located within the corporate limits of the City of Clanton including Chilton County, showing the estimated number of employees employed by each:

| Name of Employer | Product/Service | Approximate Number of Employees |
|-------------------------------------|----------------------------|--|
| Chilton County Board of Education | County Public Schools | 897 |
| Adient | Manufacturing - Automotive | 850 |
| Wal Mart SuperCenter | Discount Retail Store | 320 |
| Kumi Manufacturing Alabama, LLC | Manufacturing - Automotive | 250 |
| Ascension, St. Vincent's Hospital | Healthcare | 225 |
| Boise Cascade | Industry - Paper | 258 |
| Merchants Corp. | Distribution - Food | 227 |
| Chilton County Commission | County Government | 299 |
| City of Clanton | City Government | 150 |
| West Frasier | Industry - Wood | 130 |
| Chilton Contractors | Construction | 101 |
| South Coast Paper | Industry - Paper | 75 |
| Franklin Iron Works | Industry - Metal | 75 |
| McKinnon Automotive | New Car Sales/Service | 75 |
| O-Flex Metals | Metal Anodizing | 70 |
| Thomas Oil | Distribution - Oil | 60 |
| McSweeney Automotive | New Car Sales/Service | 60 |
| Taylor Made | Industry - Wood | 50 |
| Stella Jones | Industry- Wood | 48 |
| Patrick Industries /dba Ubique Tech | Manufacturing | 46 |

Source: Chilton County Chamber of Commerce, August 2025.

Unemployment Statistics

Unemployment Rates. The following table sets forth the rates of unemployment for the United States, the State of Alabama, Chilton County and the Birmingham-Hoover MSA for the years shown:

| Year | United States | State of Alabama | Chilton County | Birmingham- Hoover MSA |
|-------------|--------------------------|-----------------------------|---------------------------|-----------------------------------|
| 2020 | 8.1% | 6.4% | 5.7% | 6.0% |
| 2021 | 5.3 | 3.3 | 2.9 | 3.1 |
| 2022 | 3.6 | 2.5 | 2.3 | 2.3 |
| 2023 | 3.6 | 2.5 | 2.2 | 2.3 |
| 2024 | 4.0 | 3.1 | 2.8 | 2.9 |
| 2025* | 4.4 | 3.0 | 2.8 | 2.8 |

*Year to date estimates. As of June 2025.

Estimates prepared by the Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on a 2024 benchmark.

Source: Alabama Department of Labor

Labor Force Estimates. The following table sets forth information respecting the civilian labor force for Chilton County:

Chilton County

| Year | Total Labor Force | Employed Labor Force | Unemployed Labor Force | Unemployment Rate |
|-------|-------------------|----------------------|------------------------|-------------------|
| 2020 | 18,963 | 17,890 | 1,073 | 5.7% |
| 2021 | 19,017 | 18,464 | 553 | 2.9 |
| 2022 | 19,464 | 19,022 | 442 | 2.3 |
| 2023 | 19,775 | 19,340 | 435 | 2.2 |
| 2024 | 20,082 | 19,520 | 562 | 2.8 |
| 2025* | 20,321 | 19,752 | 569 | 2.8 |

Birmingham-Hoover Metropolitan Statistical Area

| Year | Total Labor Force | Employed Labor Force | Unemployed Labor Force | Unemployment Rate |
|-------|-------------------|----------------------|------------------------|-------------------|
| 2020 | 553,319 | 520,286 | 33,033 | 6.0% |
| 2021 | 552,037 | 534,999 | 17,038 | 3.1 |
| 2022 | 557,449 | 544,558 | 12,891 | 2.3 |
| 2023 | 563,035 | 550,319 | 12,716 | 2.3 |
| 2024 | 571,613 | 555,175 | 16,438 | 2.9 |
| 2025* | 578,871 | 562,415 | 16,456 | 2.8 |

*Year to date estimates. As of June 2025.

Estimates prepared by the Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on a 2024 benchmark.

Source: Alabama Department of Labor

Housing

Median Value. The following table sets forth the average value of owner-occupied housing units for the State of Alabama, the City of Clanton, Chilton County and the Birmingham-Hoover MSA:

| | State of Alabama | City of Clanton | Chilton County | Birmingham-Hoover MSA |
|--------------|------------------|-----------------|----------------|-----------------------|
| Median Value | \$216,600 | \$158,200 | \$142,300 | \$213,500 |

Composition of Housing Units. The following tables set forth certain information concerning housing in the State of Alabama, Chilton County, the City of Clanton and the Birmingham-Hoover MSA:

| | State of Alabama | City of Clanton | Chilton County | Birmingham-Hoover MSA |
|--------------------------|------------------|-----------------|----------------|-----------------------|
| Occupied Housing Units | | | | |
| Renter | 612,789 | 1,310 | 4,067 | 136,940 |
| Owner | <u>1,438,756</u> | <u>2,467</u> | <u>13,487</u> | <u>334,827</u> |
| Total | 2,051,545 | 3,777 | 17,554 | 471,767 |
| Unoccupied Housing Units | <u>308,575</u> | <u>142</u> | <u>2,148</u> | <u>59,867</u> |
| Total Housing Units | 2,360,120 | 3,919 | 19,702 | 531,634 |
| | State of Alabama | City of Clanton | Chilton County | Birmingham-Hoover MSA |
| Family Households | 1,328,854 | 2,151 | 12,072 | 312,210 |
| Non-Family Households | <u>722,691</u> | <u>1,626</u> | <u>5,482</u> | <u>159,557</u> |
| Total Households | 2,051,545 | 3,777 | 17,554 | 471,767 |
| Mobile Home or Trailer | 282,266 | 419 | 5,763 | 46,050 |

Source: Housing data for the State of Alabama and the Birmingham-Hoover MSA are based on 2023 American Community Survey 1-Year Estimates; Housing data for the City of Clanton and Chilton County are based on 2023 American Community Survey 5-Year Estimates.

Health Care Services

UAB St. Vincent's Chilton is a 30-bed hospital in the City. The hospital provides advanced specialty care services, 24/7 emergency care, and various other health care services. It provides inpatient and outpatient surgical care for serious and life-threatening injuries and illnesses, including minimally invasive procedures. The hospital first opened in 2016 as a full-service community hospital, and it now offers expert care in over 20 specialties, including critical care and wellness services.

TORT LIABILITY

The Supreme Court of Alabama has, in several related decisions, overruled a long-standing series of cases holding that political subdivisions of the State were not liable in tort for damages resulting from the performance by them of governmental functions. As a result of these decisions, municipalities in Alabama may now be liable for damages for injuries to persons and property resulting from their negligence in the performance of governmental functions.

The Legislature of Alabama during its 1977 Regular Session enacted Act No. 673 (Sections 11-93-1 et seq. of the Code of Alabama 1975, as amended) which prescribed and established monetary limits payable on claims and judgments based on tort liability, filed or obtained against governmental entities, including municipalities. This act limits recovery of damages from a governmental entity to \$100,000 for bodily injury or death for one person in any single occurrence and \$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. This Act also limits recovery of damages to \$100,000 for damage or loss of property arising out of any single occurrence. Bond Counsel to the City expresses no opinion as to the validity or constitutionality of said Act or whether any recovery against the City would be limited by the amounts set forth in the Act. Additionally, Act No. 673 most probably does not apply to actions brought under Section 1983 of Title 42 of the United States Code, pursuant to the provisions of which local governments nationwide have been increasingly subject to lawsuits for alleged denials of civil rights.

It should be realized that the ability of governmental bodies to obtain insurance protection is becoming increasingly difficult and expensive and that such insurance may not be commercially available to the City in the future.

TAX MATTERS

General

In the opinion of Bradley Arant Boult Cummings LLP, Bond Counsel to the City, assuming continuing compliance by the City with certain conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Series 2025 Warrants will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, and the interest on the Series 2025 Warrants will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the alternative minimum tax imposed by the Code. However, as a result of amendments to the Code enacted pursuant to the Inflation Reduction Act of 2022, interest on the Series 2025 Warrants may be taken into account for purposes of the alternative minimum tax imposed by Section 55(b)(2) of the Code on "applicable corporations", as defined in Section 59(k) of the Code. In rendering its opinion, Bond Counsel to the City has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Series 2025 Warrants, and Bond Counsel to the City has assumed compliance with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2025 Warrants from gross income under Section 103(a) of the Code.

Bond Counsel to the City expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2025 Warrants. Bond Counsel to the City renders its opinions under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the City expresses no

opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2025 Warrants.

Bond Counsel to the City is also of the opinion that interest on the Series 2025 Warrants is exempt from present state income taxation under the laws of the State of Alabama as enacted and construed on the date of issuance of the Series 2025 Warrants.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2025 Warrants. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Series 2025 Warrant. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2025 Warrants.

Prospective owners of the Series 2025 Warrants should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2025 Warrants may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Post-Issuance Compliance

The tax-exempt status of the Series 2025 Warrants could be affected by post-issuance events. Various requirements of the Code must be observed or satisfied after the issuance of the Series 2025 Warrants in order for such interest to remain excludable from gross income of the holders thereof. These requirements include restrictions on use of the proceeds of the Series 2025 Warrants, use of the facilities financed or refinanced by the Series 2025 Warrants, investment of proceeds of the Series 2025 Warrants, and the rebate of so-called excess arbitrage earnings. The City is primarily responsible for such compliance, and a failure to comply could result in the inclusion of interest on the Series 2025 Warrants in gross income retroactive to the date of issuance of the Series 2025 Warrants.

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

Future Legislation

Current and future legislative proposals, if enacted into law, may cause interest on the Series 2025 Warrants to be subject, directly or indirectly, to federal income taxation or otherwise prevent beneficial owners of the Series 2025 Warrants from realizing the full benefit of the current tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Series 2025 Warrants. Neither the Series 2025 Warrants nor the ordinance authorizing the issuance of the Series 2025 Warrants contains any provision for an increase in the rate of interest applicable to the Series 2025 Warrants, or for the mandatory redemption of the Series 2025 Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Prospective purchasers of the Series 2025 Warrants should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel to the City expresses no opinion.

No Mandatory Redemption due to Event of Taxability of the Series 2025 Warrants

The 2025 Ordinance does not provide for mandatory redemption of the Series 2025 Warrants or payment of any additional interest or penalty if a determination is made that the Series 2025 Warrants do not comply with the existing requirements of the Code or if a subsequent change in law adversely affects the tax-exempt status of the Series 2025 Warrants or the economic benefit of investing in the Series 2025 Warrants.

ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM AND ORIGINAL ISSUE DISCOUNT

Original Issue Premium

[The initial public offering price to be paid for certain of the Series 2025 Warrants (the "Original Issue Premium Warrants") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium Warrant in the initial public offering of the Series 2025 Warrants is required to reduce his basis in such Original Issue Premium Warrants by the amount of premium allocable to periods during which he holds such Original Issue Premium Warrants, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Warrants should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Warrants and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Warrants.]

Original Issue Discount

[The initial public offering price to be paid for certain of the Series 2025 Warrants (the "Original Issue Discount Series 2025 Warrants") is less than the principal amount thereof. Under existing law, the difference between (i) the amount payable at the maturity of each Original Issue Discount Series 2025 Warrant, and (ii) the initial offering price to the public of such Original Issue Discount Series 2025 Warrant, constitutes original issue discount with respect to such Original Issue Discount Series 2025 Warrant in the hands of any owner who has purchased such Original Issue Discount Series 2025 Warrant in the initial public offering of the Series 2025 Warrants. Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Series 2025 Warrant equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Series 2025 Warrant continues to be owned by such owner. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Series 2025 Warrant prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Series 2025 Warrant in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Series 2025 Warrant was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Series 2025 Warrant is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary date of the Series 2025 Warrants and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Series 2025 Warrant for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other taxable disposition thereof. The amount (if any) to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods (if any) multiplied by the yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Series 2025 Warrants.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Series 2025 Warrants which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Series 2025 Warrants should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Series 2025 Warrants and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Discount Series 2025 Warrants.

LITIGATION

There is not now pending or threatened any litigation restraining, enjoining or in any manner questioning or affecting the creation, organization or existence of the City; the title of the present members of the City Council or other officers of the City to their respective offices; the validity of the Series 2025 Warrants; or the proceedings and authority under which the Series 2025 Warrants are issued. The City is a party to various legal proceedings which normally occur in governmental operations and in the opinion of City officials and its attorneys, the results of these proceedings are not likely to have a materially adverse impact on the City's financial condition.

The immunity from tort liability formerly enjoyed by local governmental units in Alabama has been largely eroded by recent court decisions. While Chapter 93 of Title 11 of the Code of Alabama 1975, as amended, now prescribes certain maximum limits on the liability of Alabama local governmental units (such as the City) for bodily injury, sickness, disease or death sustained by a person and for injury or destruction of tangible property, the constitutional validity of Chapter 93 has not been definitively determined. Additionally, Chapter 93 has no applicability to causes of action under Section 1983 or Section 1985 of Title 42 of the United States Code. Local governments throughout the country have been increasingly subjected to lawsuits - many of which seek substantial damages - for alleged denials of civil rights under the provisions of Section 1983 and Section 1985.

FEDERAL BANKRUPTCY CODE

Under certain conditions, Title 11 of the United States Code, 11 U.S.C. 101, et seq. (the "Bankruptcy Code") permits a municipality to file a petition for relief in federal bankruptcy court to adjust debts under Chapter 9 of the Bankruptcy Code. Debt adjustment may include restructuring, reduction or other impairment of debt, subject to various conditions and limitations set forth in the Bankruptcy Code. Section 101 of the Bankruptcy Code defines "municipality" to mean a political subdivision, public agency or instrumentality of a State. To be eligible to file a Chapter 9 bankruptcy petition under section 109 of the Bankruptcy Code, a municipality must be "specifically authorized, in its capacity as a municipality or by name, to be a debtor under [Chapter 9], or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under [Chapter 9]." Section 109 of the Bankruptcy Code imposes additional requirements for a municipality to be eligible to file bankruptcy. Without limitation, the municipality must (a) be insolvent (either unable to pay debts as they come due or generally not paying debts as they come due); (b) desire to effect a debt adjustment plan; and (c) meet certain requirements regarding negotiations with creditors (or certain exceptions to such requirements). Alabama law authorizes municipalities, counties and certain public authorities to file petitions under the Bankruptcy Code. The other conditions to eligibility are fact-specific to the time of filing the petition.

Section 922(d) of Chapter 9 of the Bankruptcy Code provides that a bankruptcy petition does not operate as a stay of "application of pledged special revenues" to the payment of indebtedness secured by such revenues in a manner consistent with other provisions of the Bankruptcy Code. Without limitation, section 928 of the Bankruptcy Code provides that special revenues acquired by the debtor after commencement of a chapter 9 case remain subject to any lien resulting from any security agreement entered into by the debtor before commencement of the case, but further provides that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system shall be subject to "the necessary operating expenses of such project or system."

The approving legal opinion of Bond Counsel will contain the customary reservation that the rights of the holders of the Series 2025 Warrants and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases. See "TAX MATTERS" below and the proposed form of approval opinion of Bond Counsel to the City set forth in [Appendix B](#).

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2025 Warrants are subject to the approval of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the City, whose approving legal opinion will be delivered at the time of delivery of the Series 2025 Warrants. The proposed form of such opinion is included in this Official Statement as [Appendix B](#). Certain matters will be passed upon for the Underwriter by its counsel, Gilpin Givhan, PC, Montgomery, Alabama.

The various legal opinions to be delivered concurrently with the delivery of the Series 2025 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 the future performance of parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

AUDITED FINANCIAL STATEMENTS

The Appendices to this Official Statement contain information concerning the City and the Series 2025 Warrants. Such Appendices are an integral part of this Official Statement and should be read in their entirety.

The financial statements included as Appendix A to this Official Statement have been examined to the extent set forth in the report by Jackson Thornton, for fiscal year ending September 30, 2024, and are included in reliance upon the report of such accountants dated May 23, 2025, and upon their authority as experts in auditing and accounting. Bond Counsel to the City has not been engaged, and therefore has not undertaken, to review or determine, and consequently will express no opinion as to, the accuracy of the financial statements and is relying upon the expertise of said auditor to review and prepare the financial statements of the City.

Prior to the fiscal year ended September 30, 2024, the City utilized Hull & Russell, P.C., to audit its annual financial statements, including without limitation the City's financial statements for the fiscal years ended September 30, 2021 through September 30, 2024. The City made this change because the City was required to complete a single audit (i.e., presenting audited financials of the City, the Clanton WWSB and all other component units of the City in a single audit) due to the amount of federal funding received through federal grants, and Hull & Russell did not provide that level of auditing service. As a consequence, the City selected a new auditor to complete the single audit requirement.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), is expected to give the Series 2025 Warrants a rating of "AA" (stable outlook) with the understanding that AG will issue the Bond Insurance Policy at the time of delivery of the Series 2025 Warrants. S&P has also an underlying rating of "AA-" to the Series 2025 Warrants. Such credit ratings reflect only the view of S&P, and an explanation of the significance of such credit ratings may be obtained only from S&P. There is no assurance that such credit ratings will remain in effect for any given period of time or may not be lowered or withdrawn entirely if, in the judgment of S&P, circumstances should warrant such action. Any such downward revision or withdrawal of the credit ratings assigned to any of the Series 2025 Warrants may have an adverse effect on the market price of the Series 2025 Warrants. Neither the City nor the Underwriter is undertaking any responsibility after the issuance of the Series 2025 Warrants to assure maintenance of the ratings or to oppose any such revision or withdrawal.

UNDERWRITING

The Series 2025 Warrants are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), at a price equal to \$_____ (which price reflects the initial par amount of the Series 2025 Warrants, [plus/less] [net] original issue [premium/discount] of \$_____, and less an underwriting discount of \$_____). The Series 2025 Warrants may be sold and offered to certain dealers (including dealers depositing such warrants into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

In order to comply with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), on or before issuance of the Series 2025 Warrants, the City will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") pursuant to which it will covenant for the benefit of beneficial owners of the Series 2025 Warrants to provide annually certain financial information and operating data relating to the City for the preceding fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events in compliance with the Rule. The Annual Report and event notices will be filed with the Electronic Municipal Market Access system ("EMMA") established by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of events and other provisions of the Disclosure Agreement are set forth in the

summary of Continuing Disclosure Agreement attached as Appendix C hereto. A failure by the City to comply with the Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2025 Warrants in the secondary market.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the City or other entities to which the forward-looking statements relate to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The City and the Underwriter disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

MISCELLANEOUS

The summaries, descriptions or references of provisions of the 2025 Ordinance and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

CITY OF CLANTON, ALABAMA

By: /s/ Jeff Mims
Mayor

APPENDIX A
Audited Financial Statements of the City for Fiscal Year ended September 30, 2024

Certified Public Accountants
& Consultants



City of Clanton, Alabama
September 30, 2024
Annual Financial Report

**City of Clanton, Alabama
As of September 30, 2024**

Table of Contents

| | <u>Page</u> |
|--|--------------------|
| Independent Auditor's Report | 1 - 3 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 4 |
| Statement of Activities | 5 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 6 |
| Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position | 7 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 8 |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities | 9 |
| Statement of Net Position - Proprietary Funds | 10 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | 11 |
| Statement of Cash Flows - Proprietary Funds | 12 |
| Notes to Financial Statements | 13 - 33 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule - General Fund | 34 - 35 |
| Notes to Budgetary Comparison Schedule - General Fund | 36 |
| Schedule of Changes in the Net Pension Liability - City | 37 |
| Schedule of Employer Contributions - City | 38 |
| Schedule of Changes in the Net Pension Liability - Water and Sewer Board | 39 |
| Schedule of Employer Contributions - Water and Sewer Board | 40 |
| Supplementary Information | |
| Schedule of Revenues, Expenses, and Changes in Net Position - Water and Sewer | 41 |

**City of Clanton, Alabama
As of September 30, 2024**

Table of Contents

| | <u>Page</u> |
|---|--------------------|
| Other Reports and Information | |
| Schedule of Expenditures of Federal Awards | 42 |
| Notes to the Schedule of Expenditures of Federal Awards | 43 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 44 - 45 |
| Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance | 46 - 48 |
| Schedule of Findings and Questioned Costs | |
| Section I - Summary of Auditor's Results | 49 |
| Section II - Financial Statement Findings | 50 - 51 |
| Section III - Federal Award Findings and Questioned Costs | 52 |
| Corrective Action Plan | 53 - 55 |

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Clanton, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clanton, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 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.

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.

Emphasis-of-Matter

As described in Note 12 to the financial statements, beginning net position and fund balances have been restated to correct beginning balance errors. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 schedule - general fund, schedule of changes in the net pension liability - city, schedule of employer contributions - city, schedule of changes in the net pension liability - water and sewer board, and schedule of employer contributions - water and sewer board be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing statements, and other knowledge we obtained during the 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 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 City's internal control over financial reporting and compliance.

Jackson Thornton & Co. PC

Montgomery, Alabama
May 23, 2025

Basic Financial Statements

City of Clanton, Alabama
Statement of Net Position
September 30, 2024

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 13,708,525 | \$ 894,398 | \$ 14,602,923 |
| Accounts receivable | 145,371 | 398,353 | 543,724 |
| Intergovernmental receivables | 58,323 | 444,060 | 502,383 |
| Taxes receivable | 775,220 | | 775,220 |
| Lease receivable | 334,608 | 88,974 | 423,582 |
| Prepaid items | 157,927 | 38,482 | 196,409 |
| Investments | 951,323 | 1,707,664 | 2,658,987 |
| Restricted cash | 1,041,482 | 296,644 | 1,338,126 |
| Capital assets, not being depreciated | 13,063,072 | 1,423,119 | 14,486,191 |
| Capital assets, net of accumulated depreciation | 9,207,507 | 13,922,274 | 23,129,781 |
| Other assets - economic development | 704,116 | | 704,116 |
| Total assets | <u>40,147,474</u> | <u>19,213,968</u> | <u>59,361,442</u> |
| Deferred Outflows of Resources | | | |
| Pension related items | <u>2,150,800</u> | <u>767,290</u> | <u>2,918,090</u> |
| Liabilities | | | |
| Accounts payable | 496,548 | 388,893 | 885,441 |
| Customer deposits | | 296,644 | 296,644 |
| Unearned revenue | 2,100,579 | | 2,100,579 |
| Portion due or payable in one year | | | |
| General obligation warrants | 925,000 | | 925,000 |
| Direct borrowings and direct placements | 902,603 | | 902,603 |
| Compensated absences | 215,341 | 47,611 | 262,952 |
| Portion due or payable after one year | | | |
| General obligation warrants | 2,140,784 | | 2,140,784 |
| Direct borrowings and direct placements | 1,512,976 | | 1,512,976 |
| Net pension liability | 3,729,172 | 2,131,161 | 5,860,333 |
| Total liabilities | <u>12,023,003</u> | <u>2,864,309</u> | <u>14,887,312</u> |
| Deferred Inflows of Resources | | | |
| Leases | <u>360,624</u> | <u>89,516</u> | <u>450,140</u> |
| Net Position | | | |
| Investment in capital assets, net | 16,763,200 | 15,344,851 | 32,108,051 |
| Restricted | | | |
| Debt service | 1,041,482 | | 1,041,482 |
| Capital improvements | 1,117,822 | | 1,117,822 |
| Highways and streets | 396,185 | | 396,185 |
| Unrestricted | 10,595,958 | 1,682,582 | 12,278,540 |
| Total net position | <u>\$ 29,914,647</u> | <u>\$ 17,027,433</u> | <u>\$ 46,942,080</u> |

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

City of Clanton, Alabama
Statement of Activities
For the Year Ended September 30, 2024

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | Total |
|--------------------------------------|--------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental Activities | | | | | | | |
| General government | \$ 3,789,190 | \$ 1,945,928 | \$ 30,130 | \$ 697,705 | \$ (1,115,427) | | \$ (1,115,427) |
| Police | 4,399,492 | 405,847 | | 24,000 | (3,969,645) | | (3,969,645) |
| Fire | 1,528,009 | | 11,300 | | (1,516,709) | | (1,516,709) |
| Streets | 2,663,695 | | 82,719 | 478,332 | (2,102,644) | | (2,102,644) |
| Shop | 377,192 | | | | (377,192) | | (377,192) |
| Sanitation | 1,913,062 | 1,123,046 | | | (790,016) | | (790,016) |
| Parks and recreation | 1,224,421 | 16,613 | | 29,908 | (1,177,900) | | (1,177,900) |
| Beautification | 192,823 | | | | (192,823) | | (192,823) |
| Interest and fiscal charges | 96,205 | | | | (96,205) | | (96,205) |
| Total governmental activities | 16,184,089 | 3,491,434 | 124,149 | 1,229,945 | (11,338,561) | | (11,338,561) |
| Business-Type Activities | | | | | | | |
| Water | 3,165,888 | 2,838,697 | | 49,785 | | \$ (277,406) | (277,406) |
| Sewer | 1,644,561 | 1,290,027 | | 712,735 | | 358,201 | 358,201 |
| Total business-type activities | \$ 4,810,449 | \$ 4,128,724 | \$ - | \$ 762,520 | | 80,795 | 80,795 |
| General Revenues | | | | | | | |
| Sales tax | | | | | 10,329,355 | | 10,329,355 |
| Ad valorem tax | | | | | 971,926 | | 971,926 |
| Other taxes | | | | | 1,360,006 | | 1,360,006 |
| Unrestricted shared revenues | | | | | 112,849 | | 112,849 |
| Investment earnings | | | | | 674,370 | 168,924 | 843,294 |
| Miscellaneous | | | | | 110,715 | 38,714 | 149,429 |
| Gain (loss) on sale of assets | | | | | 65,871 | | 65,871 |
| Transfers | | | | | (157,640) | 157,640 | |
| Total general revenues and transfers | | | | | 13,467,452 | 365,278 | 13,832,730 |
| Change in Net Position | | | | | 2,128,891 | 446,073 | 2,574,964 |
| Net Position - As Restated | | | | | 27,785,756 | 16,581,360 | 44,367,116 |
| Net Position - Ending | | | | | \$ 29,914,647 | \$ 17,027,433 | \$ 46,942,080 |

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

City of Clanton, Alabama
Balance Sheet
Governmental Funds
September 30, 2024

| | General Fund | Special Projects Fund | Capital Improvement Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|--------------------------------------|---|--|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 12,004,787 | \$ 33,588 | \$ 1,117,822 | \$ 552,328 | \$ 13,708,525 |
| Accounts receivable | 145,371 | | | | 145,371 |
| Intergovernmental receivables | 36,158 | | | 22,165 | 58,323 |
| Taxes receivable | 775,220 | | | | 775,220 |
| Lease receivable | 334,608 | | | | 334,608 |
| Prepaid items | 157,927 | | | | 157,927 |
| Investments | 951,323 | | | | 951,323 |
| Restricted cash | 1,041,482 | | | | 1,041,482 |
| Other assets - economic development | 704,116 | | | | 704,116 |
| Total assets | <u>\$ 16,150,992</u> | <u>\$ 33,588</u> | <u>\$ 1,117,822</u> | <u>\$ 574,493</u> | <u>\$ 17,876,895</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 318,240 | | | \$ 178,308 | \$ 496,548 |
| Unearned revenue | 2,100,579 | | | | 2,100,579 |
| Total liabilities | <u>2,418,819</u> | | | <u>178,308</u> | <u>2,597,127</u> |
| Deferred Inflows of Resources | | | | | |
| Leases | <u>360,624</u> | | | | <u>360,624</u> |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepaid items | 157,927 | | | | 157,927 |
| Restricted | | | | | |
| Debt service | 1,041,482 | | | | 1,041,482 |
| Capital improvements | | | \$ 1,117,822 | | 1,117,822 |
| Highways and streets | | | | 396,185 | 396,185 |
| Unassigned | <u>12,172,140</u> | <u>\$ 33,588</u> | | | <u>12,205,728</u> |
| Total fund balances | <u>13,371,549</u> | <u>33,588</u> | <u>1,117,822</u> | <u>396,185</u> | <u>14,919,144</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 16,150,992</u> | <u>\$ 33,588</u> | <u>\$ 1,117,822</u> | <u>\$ 574,493</u> | <u>\$ 17,876,895</u> |

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

City of Clanton, Alabama
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
September 30, 2024

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

| | |
|--|---------------|
| Total fund balances - governmental funds | \$ 14,919,144 |
|--|---------------|

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

| | | |
|---|---------------|------------|
| Land | \$ 12,335,569 | |
| Construction in progress | 727,503 | |
| Buildings | 4,932,125 | |
| Improvements other than building | 474,266 | |
| Machinery and equipment | 2,671,996 | |
| Infrastructure | 1,129,120 | |
| | | |
| Total capital assets, net of accumulated depreciation | | 22,270,579 |

Long-term liabilities and compensated absences are not due and payable in current period and, therefore, are not reported in the

| | | |
|---|-------------|-------------|
| General obligation warrants | (2,865,000) | |
| Debt issuance premiums | (200,784) | |
| Direct borrowings and direct placements | (2,415,579) | |
| Net pension liability | (3,729,172) | |
| Compensated absences | (215,341) | |
| | | |
| | | (9,425,876) |

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

| | | |
|--|-----------|---------------|
| Deferred outflows of resources related to pensions | 2,150,800 | |
| Net position of governmental activities | | \$ 29,914,647 |

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

City of Clanton, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2024

| | General Fund | Special Projects Fund | Capital Improvement Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|--------------------------------------|---|--|---|
| Revenues | | | | | |
| Taxes | \$ 12,661,287 | | | | \$ 12,661,287 |
| Charges for services | 3,085,587 | | | | 3,085,587 |
| Fines and forfeitures | 405,847 | | | | 405,847 |
| Intergovernmental grants | 917,972 | | \$ 84,905 | | 1,002,877 |
| Intergovernmental shared revenues | 112,849 | | | \$ 235,217 | 348,066 |
| Contributions and donations | 1,000 | | | | 1,000 |
| Investment earnings | 607,211 | \$ 5,025 | 47,031 | 15,103 | 674,370 |
| Miscellaneous revenues | 110,715 | | | | 110,715 |
| Sales of assets | 66,941 | | | | 66,941 |
| Total revenues | <u>17,969,409</u> | <u>5,025</u> | <u>131,936</u> | <u>250,320</u> | <u>18,356,690</u> |
| Expenditures | | | | | |
| General government | 3,139,415 | | | | 3,139,415 |
| Police | 3,903,853 | | | | 3,903,853 |
| Fire | 1,158,786 | | | | 1,158,786 |
| Streets | 1,668,054 | 5,890 | | 178,308 | 1,852,252 |
| Shop | 298,209 | | | | 298,209 |
| Sanitation | 1,765,003 | | | | 1,765,003 |
| Parks and recreation | 847,332 | | | | 847,332 |
| Beautification | 184,962 | | | | 184,962 |
| Capital outlay | 1,187,270 | 424,676 | 39,851 | | 1,651,797 |
| Debt service | | | | | |
| Principal retirement | 940,435 | 757,625 | | | 1,698,060 |
| Interest and fiscal charges | 104,015 | 97,146 | | | 201,161 |
| Total expenditures | <u>15,197,334</u> | <u>1,285,337</u> | <u>39,851</u> | <u>178,308</u> | <u>16,700,830</u> |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | <u>2,772,075</u> | <u>(1,280,312)</u> | <u>92,085</u> | <u>72,012</u> | <u>1,655,860</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | | 1,206,924 | | | 1,206,924 |
| Transfers out | (1,364,564) | | | | (1,364,564) |
| Total other financing sources (uses) | <u>(1,364,564)</u> | <u>1,206,924</u> | | | <u>(157,640)</u> |
| Net Change in Fund Balances | <u>1,407,511</u> | <u>(73,388)</u> | <u>92,085</u> | <u>72,012</u> | <u>1,498,220</u> |
| Fund Balances - Beginning, As Restated | <u>11,964,038</u> | <u>106,976</u> | <u>1,025,737</u> | <u>324,173</u> | <u>13,420,924</u> |
| Fund Balances - Ending | <u>\$ 13,371,549</u> | <u>\$ 33,588</u> | <u>\$ 1,117,822</u> | <u>\$ 396,185</u> | <u>\$ 14,919,144</u> |

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

City of Clanton, Alabama
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to Statement of Activities
For the Year Ended September 30, 2024

Differences in amounts reported for governmental activities in the statement of activities:

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ 1,498,220 |
| Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net position. | 1,651,797 |
| Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities. | (2,357,469) |
| The net effect of transactions involving the sale of capital assets is to decrease in the statement of net position. | (1,070) |
| Donation of capital assets increase net position in the statement of net position but do not appear in the governmental funds because they are not financial resources. | 115,000 |
| Repayment of long-term debt is reports as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net position. | 1,698,060 |
| Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | |
| Change in net pension liability and related deferred amounts | (580,603) |
| Governmental funds report the effect of deferred charges on refunding and debt issuance premiums and discounts, whereas these amounts are deferred and amortized in the statement of activities. | 104,956 |
| Change in net position of governmental activities | <u>\$ 2,128,891</u> |

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

City of Clanton, Alabama
Statement of Net Position - Propriety Funds
For the Year Ended September 30, 2024

| | Water and Sewer |
|---|-----------------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 894,398 |
| Accounts receivable | 398,353 |
| Intergovernmental receivable | 444,060 |
| Lease receivable | 88,974 |
| Prepaid items | 38,482 |
| Investments | 1,707,664 |
| Total current assets | <u>3,571,931</u> |
| Noncurrent assets | |
| Restricted cash | 296,644 |
| Capital assets, not being depreciated | 1,423,119 |
| Capital assets, net of accumulated depreciation | 13,922,274 |
| Total noncurrent assets | <u>15,642,037</u> |
| Total assets | <u>19,213,968</u> |
| Deferred Outflow of Resources | |
| Pension related items | <u>767,290</u> |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 388,893 |
| Compensated absences | 47,611 |
| Customer deposits | 296,644 |
| Total current liabilities | <u>733,148</u> |
| Noncurrent liabilities | |
| Net pension liability | 2,131,161 |
| Total noncurrent liabilities | <u>2,131,161</u> |
| Total liabilities | <u>2,864,309</u> |
| Deferred Inflow of Resources | |
| Leases | <u>89,516</u> |
| Net Position | |
| Net investment in capital assets | 15,344,851 |
| Unrestricted | 1,682,582 |
| Total net position | <u><u>\$ 17,027,433</u></u> |

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

City of Clanton, Alabama
Statement of Revenues, Expenses, and Changes in Net Position - Propriety Funds
For the Year Ended September 30, 2024

| | Water and Sewer |
|--|-----------------------------|
| Operating Revenues | |
| Charges for services | \$ 4,128,724 |
| Miscellaneous | 38,714 |
| Total operating revenues | <u>4,167,438</u> |
| Operating Expenses | |
| Personal services and related benefits | 1,964,056 |
| Materials and supplies | 538,460 |
| Depreciation | 1,009,101 |
| Utilities and telephone | 510,147 |
| Engineering | 1,881 |
| Insurance | 108,306 |
| Payroll taxes | 104,218 |
| Legal | 7,448 |
| Gas and oil | 52,962 |
| Office and postage | 91,488 |
| Repairs | 266,021 |
| Utility tax | 82,819 |
| Other expenses | 73,542 |
| Total operating expenses | <u>4,810,449</u> |
| Operating revenue (loss) | <u>(643,011)</u> |
| Nonoperating Revenues (Expenses) | |
| Investment earnings | <u>168,924</u> |
| Net income (loss) before transfers | (474,087) |
| Transfers in | 157,640 |
| Capital contributions | <u>762,520</u> |
| Change in Net Position | 446,073 |
| Net Position - Beginning, As Restated | 16,581,360 |
| Net Position - Ending | <u><u>\$ 17,027,433</u></u> |

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

City of Clanton, Alabama
Statement of Cash Flows - Propriety Funds
For the Year Ended September 30, 2024

| | Water and Sewer |
|--|----------------------------|
| Cash Flows From Operating Activities | |
| Receipts from customers | \$ 4,149,126 |
| Payments to suppliers | (1,594,484) |
| Payments to employees | (1,777,819) |
| Net cash from (used for) operating activities | <u>776,823</u> |
| Cash Flows Used For Capital And Related Financing Activities | |
| Capital contributions | 485,000 |
| Acquisition and construction of capital assets | (1,446,327) |
| Net cash from (used for) capital and related financing activities | <u>(961,327)</u> |
| Cash Flows From Investing Activities | |
| Interest received | <u>60,056</u> |
| Net Increase in Cash And Cash Equivalents | (124,448) |
| Cash and Cash Equivalents - Beginning | <u>1,315,490</u> |
| Cash and Cash Equivalents - Ending | <u><u>\$ 1,191,042</u></u> |
| Reconciliation of Cash and Cash Equivalents | |
| Cash and cash equivalents | \$ 894,398 |
| Restricted cash | 296,644 |
| | <u><u>\$ 1,191,042</u></u> |
| Reconciliation of Operating Revenue (Loss) to Net Cash From (Used For) Operating Activities | |
| Operating revenue (loss) | \$ (643,011) |
| Adjustments to reconcile operating revenue (loss) to net cash from (used for) operations | |
| Depreciation expense | 1,009,101 |
| (Increase) decrease in receivables | (35,671) |
| (Increase) decrease in lease related items | 542 |
| Increase (decrease) in accounts payable and other liabilities | 242,808 |
| Increase (decrease) in customer deposits | 16,817 |
| Increase (decrease) in pension related items | 186,237 |
| Net cash from (used for) operating activities | <u><u>\$ 776,823</u></u> |
| Schedule of Noncash Capital and Related Financing Activities | |
| Capital contributions via increase in intergovernmental receivables | \$ 277,520 |

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

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 1 - Summary of Significant Accounting Policies

Reporting entity - The City of Clanton, Alabama is located in the central part of the state. The City's major operations include police and fire protection, sanitation services, street and shop maintenance and operations, parks, beautification, general administration services, and a water and sewer system.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

The City of Clanton is a municipal corporation governed by an elected mayor and five-member council. The reporting entity includes the operations of the City of Clanton and its Water and Sewer Board.

Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. The Water and Sewer Board is considered a blended component unit of the City because it functions, for all practical purposes, as a department of the City.

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. These organizations would not be considered component units of the City; therefore, their financial information is not reflected in the City's financial statements.

Government-wide and fund financial statements - The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. Property taxes are recognized as revenues in the year received or when an enforceable claim exists, whichever comes first. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Clanton, Alabama
Notes to Financial Statements
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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financial sources.

The government reports the following major governmental funds:

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

The Special Projects Fund is used to account for receipt of grants and borrowed funds and for the construction of capital assets. This fund is considered a capital projects fund.

The Capital Improvement Fund is reserved to assist in the restoration and improvement of municipal government buildings, roads, streets, and other facilities and to promote the health, safety, and public welfare of the citizens of the State of Alabama and/or the City of Clanton. Includes construction, additions, and renovations to public buildings. This fund is considered a capital projects fund.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the City's utilities. The City operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions for the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and continuations. General revenues include all taxes.

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Deposits and investments - The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with an original maturity of 12 months or less.

The City utilizes an investment policy which follows state statutes. State statutes authorize the government to invest in obligations of the United States (U.S.) Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Receivables - Receivables in governmental funds consist of fees for public services rendered, sales and other taxes receivable, and grants and shared revenues receivable from other governments. Receivables are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment, it has concluded that realization losses on balances outstanding at year end will be immaterial. Receivables at year end are considered fully collectible and are recorded at net realizable value.

In Alabama, city property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and are delinquent after December 31. In accordance with the nonexchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable claim has arisen or when resources are received, whichever is first. That date for the City is October 1, 2023.

Accounts receivable in the proprietary funds consist of monthly billings to customers for services provided. Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. The City uses the direct write off-method for recording uncollectible receivables.

Leases - The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease. As of September 30, 2024, the balance of the lease receivable was \$423,582 and the balance of the deferred inflow of resources related to leases was \$450,140.

Inventories and prepaid items - Due to the immaterial amounts of inventory on hand, materials and supplies are expensed as purchased.

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

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

Restricted cash - Funds held in escrow for debt service and utility customer deposits are classified as restricted cash on the statements of net position and balance sheet.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------------|--------------|
| Buildings | 20 - 40 |
| Improvements other than building | 7 - 25 |
| Machinery and equipment | 5 - 7 |
| Infrastructure | 25 |

Deferred outflows of resources - Decreases in net position that relate to future periods are reported as deferred outflows of resources in a separate section of the government-wide statement of net position and/or governmental funds balance sheet. The City has deferred outflows of resources related to the City's pension plan. See Note 6.

Deferred inflows of resources - Increases in net position that apply to future periods are reported as deferred inflows of resources in a separate section of the government-wide statement of net position and/or governmental funds balance sheet. The City has deferred inflows of resources related to the City's leases.

Compensated absences - The City has a provision whereby its employees may be paid for vacation not taken during the year. The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave accumulated at the time of retirement may be received up to certain limits based on years of service. These amounts are accrued as compensated absences.

Long-term obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Warrant premiums and discounts, as well as the costs of insurance prepayments for warrants issued are deferred and amortized over the life of the warrants. Bond issuance costs (other than the insurance prepayments) are expensed as incurred.

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt related expenditures.

Net position - Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, or unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund balances - In accordance with GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*", the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable fund (such as inventory or prepaid expenses) or are required to be maintained intact.
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.
- Assigned fund balance-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing delegates the authority.
- Unassigned fund balance-amounts that are available for any purpose; positive amounts are available for any purpose; positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

It is the City's policy to first use the restricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted funds are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Effect of new pronouncements - The objective of GASB Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* is to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. GASB 100 applies to the following categories: changes in accounting principles, changes in accounting estimates, changes to or within the financial reporting entity, and corrections of errors in previously issued financial statements. GASB 100 was applied in 2024 due to the City's correction of an error in previously issued financial statements.

Note 2 - Deposits and Investments

Deposits - Cash consists of insured (FDIC) or collateralized deposits. The Security for Alabama Funds Enhancement Program (SAFE) eliminates the need to have banks individually collateralize deposits. Banks servicing the City of Clanton are qualified public depositories designated to pledge securities to the State Treasurer for the SAFE collateral pool.

Interest rate risk - The City's investment policy encourages matching investment maturities with known cash needs and anticipated cash flow requirements in order to manage interest rate risk.

Credit risk - State law limits investments to direct obligations of the United States Treasury Department and obligations of certain other federal, state, and municipal agencies. The City has no investment policy that would further limit its investment choices.

The City invested in a municipal bond issued by the Chilton County Health Care Authority (the Authority). The Authority's bond rating at September 30, 2024, was AA-.

Concentration credit risk - The City's investment policy does not specifically address concentration credit risk. At September 30, 2024, other than United States Government obligations, no issuer included holdings of greater than three percent of the City's total fixed income portfolio.

Custodial credit risk - Investments of the City consist of obligations issued by the United States Government or local government agencies. They are held in the name of the City and therefore are not subject to custodial credit risk.

Fair value of investments - The City measures and records its investments using fair value measurements guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - Directly or indirectly observable inputs, other than those in Level 1, are Level 2 inputs. These include quoted prices for similar - but not identical - items in active markets and quoted prices for similar or identical items from markets that are not considered active. It would also include observable inputs other than quoted prices, such as credit spreads, interest rates and yield curves, and volatilities, as well as inputs that are derived from or supported by correlated, observable market data known as market-corroborated inputs.
- Level 3 - Unobservable inputs for an asset.

The City's investments in U.S. treasury securities and municipal bonds are considered Level 2 investments.

Investments - Investment of the City consists of cash equivalents, certificates of deposit, U.S. treasury securities, and municipal bonds.

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

As of September 30, 2024, the City had the following investments:

| | Fair Value |
|--------------------------------------|-----------------------|
| City | |
| Cash, Money Funds, and Bank Deposits | \$ 12,857 |
| Certificates of Deposit | 70,740 |
| U.S. Treasury Securities | 619,978 |
| Municipal Bonds | 247,748 |
| Total | <u>\$ 951,323</u> |
| Water and Sewer | |
| Cash, Money Funds, and Bank Deposits | \$ 12,126 |
| Certificates of Deposit | 807,377 |
| U.S. Treasury Securities | 888,161 |
| Total | <u>\$ 1,707,664</u> |

Estimated current value of the City's investment account at year end was \$951,323 with a cost basis of \$948,714. An unrealized increase in the fair value of investment of \$2,609 has been recorded in the financial statements, as a component of investment earnings.

Estimated current value of the Water and Sewer Board's investment account at year end was \$1,707,664 with a cost basis of \$1,742,073. An unrealized decrease in the fair value of investment of \$34,409 has been recorded in the financial statements, as a component of investment earnings.

Note 3 - Interfund Transfers

The following is a schedule of interfund transfers for the year ended September 30, 2024:

| Transfer Out | Transfer In | | |
|---------------------|----------------------------------|----------------------------|---------------------|
| | Special Projects Fund | Water and Sewer | Total |
| General Fund | <u>\$ 1,206,924</u> | <u>\$ 157,640</u> | <u>\$ 1,364,564</u> |

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including expense reclassifications, subsidies from one fund to another to cover debt service payments, and matching funds for various grant programs.

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 4 - Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|-------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 11,820,569 | \$ 515,000 | | \$ 12,335,569 |
| Construction in progress | 586,798 | 140,705 | | 727,503 |
| Total capital assets, not being depreciated | <u>12,407,367</u> | <u>655,705</u> | | <u>13,063,072</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 15,099,250 | 294,928 | | 15,394,178 |
| Improvements other than building | 3,247,489 | 5,220 | | 3,252,709 |
| Machinery and equipment | 10,877,918 | 810,945 | \$ 25,172 | 11,663,691 |
| Infrastructure | 10,529,916 | | | 10,529,916 |
| Total capital assets being depreciated | <u>39,754,573</u> | <u>1,111,093</u> | <u>25,172</u> | <u>40,840,494</u> |
| Less accumulated depreciation | | | | |
| Building | 9,773,139 | 688,914 | | 10,462,053 |
| Improvements other than buildings | 2,525,462 | 252,981 | | 2,778,443 |
| Machinery and equipment | 7,984,057 | 1,031,740 | 24,102 | 8,991,695 |
| Infrastructure | 9,016,962 | 383,834 | | 9,400,796 |
| Total accumulated depreciation | <u>29,299,620</u> | <u>2,357,469</u> | <u>24,102</u> | <u>31,632,987</u> |
| Total capital assets, being depreciated, net | <u>10,454,953</u> | <u>3,468,562</u> | <u>(1,070)</u> | <u>9,207,507</u> |
| Governmental activities capital assets, net | <u>\$ 22,862,320</u> | <u>\$ 4,124,267</u> | <u>\$ (1,070)</u> | <u>\$ 22,270,579</u> |
| | | | | |
| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-Type Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 360,589 | | | \$ 360,589 |
| Construction in progress | 91,335 | \$ 971,195 | | 1,062,530 |
| Total capital assets, not being depreciated | <u>451,924</u> | <u>971,195</u> | | <u>1,423,119</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 35,161,453 | 177,010 | | 35,338,463 |
| Machinery and equipment | 2,306,444 | 455,763 | | 2,762,207 |
| Total capital assets being depreciated | <u>37,467,897</u> | <u>632,773</u> | | <u>38,100,670</u> |
| Less accumulated depreciation | | | | |
| Building | 21,421,596 | 855,504 | | 22,277,100 |
| Machinery and equipment | 1,747,699 | 153,597 | | 1,901,296 |
| Total accumulated depreciation | <u>23,169,295</u> | <u>1,009,101</u> | | <u>24,178,396</u> |
| Total capital assets, being depreciated, net | <u>14,298,602</u> | <u>1,641,874</u> | | <u>13,922,274</u> |
| Business-type activities capital assets, net | <u>\$ 14,750,526</u> | <u>\$ 2,613,069</u> | <u>\$ -</u> | <u>\$ 15,345,393</u> |

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

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

Governmental Activities

| | |
|--|---------------------|
| General government | \$ 579,767 |
| Police | 249,310 |
| Fire | 295,276 |
| Streets | 739,095 |
| Shop | 28,581 |
| Sanitation | 129,422 |
| Parks and recreation | 328,157 |
| Beautification | 7,861 |
| Total depreciation expense-governmental activities | <u>\$ 2,357,469</u> |

Business-Type Activities

| | |
|---|---------------------|
| Water | \$ 424,717 |
| Sewer | 584,384 |
| Total depreciation expense-business-type activities | <u>\$ 1,009,101</u> |

Note 5 - Long-Term Debt

Long-term debt activity for the year ended September 30, 2024, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| General obligation warrants | \$ 3,765,000 | | \$ 900,000 | \$ 2,865,000 | \$ 925,000 |
| Debt issuance premiums | 258,151 | | 57,367 | 200,784 | |
| Total general obligation warrants | <u>4,023,151</u> | | <u>957,367</u> | <u>3,065,784</u> | <u>925,000</u> |
| Direct borrowings and direct placements | 3,213,639 | | 798,060 | 2,415,579 | 902,603 |
| Compensated absences | <u>215,341</u> | | | <u>215,341</u> | <u>215,341</u> |
| Governmental activities long-term liabilities | <u>7,452,131</u> | | <u>1,755,427</u> | <u>5,696,704</u> | <u>2,042,944</u> |
| Business-Type Activities | | | | | |
| Compensated absences | 47,611 | | | 47,611 | 47,611 |
| Total business-type activities | <u>47,611</u> | | | <u>47,611</u> | <u>47,611</u> |
| Total long-term liabilities | <u>\$ 7,499,742</u> | <u>\$ -</u> | <u>\$ 1,755,427</u> | <u>\$ 5,744,315</u> | <u>\$ 2,090,555</u> |

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 5 - Long-Term Debt (continued)

Warrants payable - Warrants payable at September 30, 2024, consisted of the following:

General Obligation Warrants, Series 2016; principal amount of \$8,515,000; graduated principal payments are due annually beginning on October 1, 2027 and semiannual interest payments are due each April 1 and October 1, beginning April 1, 2017; interest rate is 3%; final payment is due October 1, 2026. Proceeds were used to refund previous debt.

\$ 2,865,000

General obligation warrants constitute general obligations of the City for the payments of which the full faith and credit of the City are irrevocably pledged. Debt service requirements to maturity for general obligation warrants outstanding at September 30, 2024, were as follows:

| <u>Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 925,000 | \$ 72,075 | \$ 997,075 |
| 2026 | 955,000 | 43,875 | 998,875 |
| 2027 | 985,000 | 14,775 | 999,775 |
| Totals | <u>\$ 2,865,000</u> | <u>\$ 130,725</u> | <u>\$ 2,995,725</u> |

The City's outstanding general obligation warrants contain a provision that in the event of default, the City is subject to suit.

Direct borrowings and direct placements - Direct borrowings and direct placements at September 30, 2024, consisted of the following:

Financing agreement with Caterpillar Financial Service Corporation; principal amount of \$246,263; payments of \$3,750 are due monthly beginning October 22, 2021; interest rate is 2.989%; final payment is due September 22, 2025. Proceeds were used to purchase an excavator.

\$ 119,093

Taxable General Obligation Warrant, Series 2022 with River Bank & Trust; principal amount up to \$5,000,000; payments of \$71,231 are due monthly beginning on September 1, 2023; interest rate is 3.5%; final payment is due August 1, 2027. Proceeds were used to finance the purchase capital assets.

2,296,486

Total direct borrowings and direct placements

\$ 2,415,579

The financing agreement is secured by real property. The warrant is pledged by the full faith and credit of the City. Annual debt service requirements to maturity for direct borrowings and direct placements at September 30, 2024, were as follows:

| <u>Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 902,603 | \$ 146,802 | \$ 1,049,405 |
| 2026 | 811,801 | 86,845 | 898,646 |
| 2027 | 701,175 | 28,464 | 729,639 |
| Totals | <u>\$ 2,415,579</u> | <u>\$ 262,111</u> | <u>\$ 2,677,690</u> |

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

The financing agreement contains a provision that in the event of default, the outstanding balance becomes immediately due and payable. The outstanding balance subject to this provision was \$119,093 at September 30, 2024. The City's outstanding warrant contains a provision that in the event of default, the City is subject to suit.

Other liabilities - Compensated absences and net pension liability are generally liquidated by the General Fund.

Covenants and limitations - State statute limits the amount of long-term debt the City can incur. The amount of debt applicable to this limit during a year can be no greater than 20% of the assessed value of taxable property as of the beginning of the fiscal year. As of September 30, 2024, the City's outstanding debt was under this limit.

Note 6 - Pension Plan

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

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

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

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 6 - Pension Plan (continued)

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 three 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 five 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.

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

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

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 6 - Pension Plan (continued)

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 113,083 participants, the City's membership includes 169 participants, and the Water and Sewer Board's (the Board) membership includes 45 participants. As of September 30, 2023, membership consisted of:

| | <u>ERS</u> | <u>City</u> | <u>Board</u> |
|---|----------------|-------------|--------------|
| Retirees and beneficiaries currently receiving benefits | 31,481 | 38 | 11 |
| Terminated employees entitled to but not yet receiving benefits | 2,354 | 2 | |
| Terminated employees not entitled to a benefit | 20,556 | 32 | 12 |
| Active members | 58,659 | 97 | 22 |
| Post-DROP participants who are still in active service | 33 | | |
| Total | <u>113,083</u> | <u>169</u> | <u>45</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 7.5% 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 8.5% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2024, the City's active employee contribution rate was 6.86% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 6.28% of pensionable payroll. For the year ended September 30, 2024, the Board's active employee contribution rate was 6.07% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 15.18% of pensionable payroll.

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 6 - Pension Plan (continued)

The City's contractually required contribution rate for the year ended September 30, 2024, was 6.89% of pensionable pay for Tier 1 employees, and 5.42% of pensionable pay for Tier 2 employees. The Board's contractually required contribution rate for the year ended September 30, 2024, was 15.80% of pensionable pay for Tier 1 employees, and 14.72% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2021, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$301,407 for the year ended September 30, 2024. Total employer contributions to the pension plan from the Board were \$190,297 for the year ended September 30, 2024.

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 of September 30, 2022, rolled forward to September 30, 2023, using standard roll-forward techniques as shown in the following table:

| | <u>Expected</u> | <u>Actual Before Plan Changes</u> | <u>Actual After Plan Change</u> |
|---|----------------------|---------------------------------------|-------------------------------------|
| (a) TPL as of September 30, 2022 | \$ 13,708,271 | \$ 14,685,548 | \$ 14,685,548 |
| (b) Discount Rate | 7.45% | 7.45% | 7.45% |
| (c) Entry Age Normal Cost for the period October 1, 2022 - September 30, 2023 | 412,296 | 412,296 | 412,296 |
| (d) Transfers Among Employers | | (53,344) | (53,344) |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2022 - September 30, 2023 | <u>(731,219)</u> | <u>(731,219)</u> | <u>(731,219)</u> |
| (f) TPL as of September 30, 2023 [(a)x(I+(b))]+ (c) + (d) + [(e) x (1 + 0.S*(b))] | <u>\$ 14,383,376</u> | <u>\$ 15,380,116</u> | <u>\$ 15,380,116</u> |
| (g) Difference between expected and actual | | \$ 996,740 | |
| (h) Less Liability Transferred for Immediate Recognition | | (53,344) | |
| (i) Difference between Expected and Actual - Experience (Gain)/Loss | | 1,050,084 | |

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 6 - Pension Plan (continued)

The Board'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 of September 30, 2022, rolled forward to September 30, 2023, using standard roll-forward techniques as shown in the following table:

| | <u>Expected</u> | <u>Actual Before Plan Changes</u> | <u>Actual After Plan Change</u> |
|---|---------------------|---------------------------------------|-------------------------------------|
| (a) TPL as of September 30, 2022 | \$ 4,389,399 | \$ 4,878,446 | \$ 4,878,446 |
| (b) Discount Rate | 7.45% | 7.45% | 7.45% |
| (c) Entry Age Normal Cost for the period October 1, 2022 - September 30, 2023 | 113,680 | 113,680 | 113,680 |
| (d) Transfers Among Employers | | 87,428 | 87,428 |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2022 - September 30, 2023 | (239,604) | (239,604) | (239,604) |
| (f) TPL as of September 30, 2023 [(a)x(l+(b)) + (c) + (d) + [(e) x (1 + 0.S*(b))] | <u>\$ 4,581,560</u> | <u>\$ 5,194,469</u> | <u>\$ 5,194,469</u> |
| (g) Difference between Expected and Actual | | \$ 612,909 | |
| (h) Less Liability Transferred for Immediate Recognition | | 87,428 | |
| (i) Difference between Expected and Actual - Experience (Gain)/Loss | | 525,481 | |

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. The key actuarial assumptions are summarized below:

| | |
|----------------------------|----------------------------|
| Inflation | 2.50% |
| Projected salary increases | 3.25% - 6.00% |
| Investment rate of return | 7.45%, including inflation |

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

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

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 6 - Pension Plan (continued)

The actuarial assumptions used in the September 30, 2021, valuation were based on the results of an actuarial experience study for the period October 1, 2015 - September 30, 2020.

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

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

*Includes assumed rate of inflation of 2.00%

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

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 6 - Pension Plan (continued)

Changes in net pension liability -City

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Position Liability (a-b) |
|--|--|--|---|
| Balances at September 30, 2022 | \$ 13,708,271 | \$ 10,501,921 | \$ 3,206,350 |
| Changes for the year | | | |
| Service cost | 412,296 | | 412,296 |
| Interest | 994,028 | | 994,028 |
| Differences between expected and actual | 1,050,084 | | 1,050,084 |
| Contributions - employer | | 279,969 | (279,969) |
| Contributions - employee | | 303,280 | (303,280) |
| Net Investment income | | 1,350,337 | (1,350,337) |
| Benefit payments, including refunds of employee contributions | (731,219) | (731,219) | |
| Transfers among employers | (53,344) | (53,344) | |
| Net changes | 1,671,845 | 1,149,023 | 522,822 |
| Balances at September 30, 2023 | <u>\$ 15,380,116</u> | <u>\$ 11,650,944</u> | <u>\$ 3,729,172</u> |

Changes in net pension liability - Board

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Position Liability (a-b) |
|--|--|--|---|
| Balances at September 30, 2022 | \$ 4,389,399 | \$ 2,608,051 | \$ 1,781,348 |
| Changes for the year | | | |
| Service cost | 113,680 | | 113,680 |
| Interest | 318,085 | | 318,085 |
| Differences between expected and actual | 525,481 | | 525,481 |
| Contributions - employer | | 191,646 | (191,646) |
| Contributions - employee | | 70,087 | (70,087) |
| Net Investment income | | 345,700 | (345,700) |
| Benefit payments, including refunds of employee contributions | (239,604) | (239,604) | |
| Transfers among employers | 87,428 | 87,428 | |
| Net changes | 805,070 | 455,257 | 349,813 |
| Balances at September 30, 2023 | <u>\$ 5,194,469</u> | <u>\$ 3,063,308</u> | <u>\$ 2,131,161</u> |

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 6 - Pension Plan (continued)

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|-------------------------------|--------------------------------|--|--------------------------------|
| City's net pension liability | \$ 5,685,451 | \$ 3,729,172 | \$ 2,096,581 |
| Board's net pension liability | 2,669,653 | 2,131,161 | 1,675,929 |

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. Additional financial and actuarial information is available at www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

Pension expense and deferred outflows of resources related to pensions - For the year ended September 30, 2024, the City recognized pension expense of \$882,008. At September 30, 2024, the City reported deferred outflows of resources related to pensions of the following sources:

| | Deferred Outflows of Resources |
|---|---|
| Differences between expected and actual experience | \$ 1,131,798 |
| Changes of assumptions | 249,624 |
| Net difference between projected and actual | |
| Earnings on pension plan investments | 467,971 |
| Employer contributions subsequent to the measurement date | 301,407 |
| Total | <u>\$ 2,150,800</u> |

For the year ended September 30, 2024, the Board recognized pension expense of \$376,534. At September 30, 2024, the Board reported deferred outflows of resources related to pensions of the following sources:

| | Deferred Outflows of Resources |
|---|---|
| Differences between expected and actual experience | \$ 409,805 |
| Changes of assumptions | 55,194 |
| Net difference between projected and actual | |
| Earnings on pension plan investments | 111,994 |
| Employer contributions subsequent to the measurement date | 190,297 |
| Total | <u>\$ 767,290</u> |

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

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

| <u>Year Ended September 30</u> | <u>City</u> | <u>Board</u> |
|--------------------------------|-------------|--------------|
| 2025 | \$ 403,176 | \$ 196,489 |
| 2026 | 416,667 | 190,182 |
| 2027 | 710,112 | 219,785 |
| 2028 | 174,012 | (29,463) |
| 2029 | 145,426 | |

Note 7 - Contingent Liabilities

The City is subject to various claims and lawsuits, which arise primarily in the ordinary course of operations. Although there are outstanding claims and lawsuits against the City, the outcomes of these claims and lawsuits is not presently determinable. In the opinion of the City's counsel, the estimated potential loss is unknown and no potential loss has been accrued as of September 30, 2024.

Note 8 - Economic Development Abatements

At year end, the City has granted abatements to three different industrial entities with requirements regarding specified numbers for employee hiring and retention and/or capital investment in their facilities. Under *Chapter 9B, Title 40, Code of Alabama 1975*, the industrial entities will be exempt from noneducational property taxes for the life of the abatement so long as the specified number of employees and capital investment amounts are met.

The abatements were granted by reducing the assessed property values in different years and are staggered according to expiration. Some abatements began as early as the year ended September 30, 2009, and will be fulfilled and back on the tax rolls after the year ended September 30, 2024. The entities are required to pay the property tax millage related to schools along with data processing fees.

The City entered into development agreements with two retail entities both commencing October 2022. The City pays one-half of the net city sales taxes received from one entity, up to \$150,000 or ten years, and up to \$45,000 or six years on the other, whichever is earlier.

Note 9 - Subsequent Events

The City has evaluated subsequent events through May 23, 2025, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2024, have been incorporated into these financial statements.

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 10 - Effect of New Pronouncements

Management has not currently determined what, if any, impact the implementation of the following statements may have on the financial statements of the City.

GASB Statement No. 101, *Compensated Absences*, has a primary objective to align recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. Additionally, the Statement provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 103, *Financial Reporting Model Improvements*, has a primary objective to improve key components of the financial reporting model by enhancing the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability and addressing certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures and establishes requirements for capital assets held for sale and requires additional disclosures for those capital assets. This is designed to allow users to make informed decisions about these assets and to evaluate accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Note 11 - Commitments

As of September 30, 2024, commitments made to contractors for capital projects and professional services were as follows:

| | |
|-----------------------|--------------------------|
| Commitments | \$ 1,046,958 |
| Spent to date | <u>347,359</u> |
| Remaining commitments | <u><u>\$ 699,599</u></u> |

City of Clanton, Alabama
Notes to Financial Statements
September 30, 2024

Note 12 - Restatement

Beginning net position and fund balances have been restated to correct errors in the recording of certain balances as of September 30, 2023. The impact of restatement on the beginning balances is shown below.

| General Fund Balance | Amount |
|---|-----------------------------|
| Beginning fund balance, as originally stated | \$ 13,098,991 |
| To recognize unspent American Rescue Plan Act funds as unearned revenue | (2,090,579) |
| To record sales taxes receivable | 913,603 |
| To record miscellaneous accounts and taxes receivable | 42,023 |
| Beginning fund balance, as restated | <u><u>\$ 11,964,038</u></u> |

| Nonmajor Governmental Fund Balance | Amount |
|--|--------------------------|
| Beginning fund balance, as originally stated | \$ 303,714 |
| To record miscellaneous accounts receivable | 20,459 |
| Beginning fund balance, as restated | <u><u>\$ 324,173</u></u> |

| Water and Sewer Net Position | Amount |
|---|-----------------------------|
| Beginning fund balance, as originally stated | \$ 16,307,259 |
| To record ADEM funds considered to be receivable as of prior year end | 166,540 |
| To record miscellaneous accounts receivable | 2,749 |
| To record unbilled water revenue | 104,812 |
| Beginning net position, as restated | <u><u>\$ 16,581,360</u></u> |

| Governmental Activities Net Position | Amount |
|---|-----------------------------|
| Beginning net position, as originally stated | \$ 28,900,250 |
| To recognize unspent American Rescue Plan Act funds as unearned revenue | (2,090,579) |
| To record sales taxes receivable | 913,603 |
| To record miscellaneous accounts and taxes receivable | 42,023 |
| To record miscellaneous accounts receivable | 20,459 |
| Beginning net position, as restated | <u><u>\$ 27,785,756</u></u> |

Required Supplementary Information

City of Clanton, Alabama
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2024

| | Budgeted Amounts | | Actual | Variance |
|---|-------------------------|-------------------|-------------------|------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| City sales tax | \$ 9,045,000 | \$ 9,045,000 | \$ 10,329,355 | \$ 1,284,355 |
| Ad valorem tax | 860,000 | 860,000 | 971,926 | 111,926 |
| Motor vehicle tax | 56,000 | 56,000 | 99,325 | 43,325 |
| Gasoline tax | 288,000 | 288,000 | 302,091 | 14,091 |
| Lodging tax | 400,000 | 400,000 | 482,594 | 82,594 |
| Cigarette tax | 108,000 | 108,000 | 96,825 | (11,175) |
| Franchise tax | 50,000 | 50,000 | 45,356 | (4,644) |
| Alcohol tax | 300,000 | 300,000 | 333,815 | 33,815 |
| Total taxes | <u>11,107,000</u> | <u>11,107,000</u> | <u>12,661,287</u> | <u>1,554,287</u> |
| Charges for services | | | | |
| Privilege licenses | 1,600,000 | 1,600,000 | 1,727,020 | 127,020 |
| Building permits | 108,000 | 108,000 | 109,914 | 1,914 |
| Garbage fees and dumpster payments | 1,100,000 | 1,100,000 | 1,123,046 | 23,046 |
| Recreation | 7,000 | 7,000 | 16,613 | 9,613 |
| Administrative | 142,500 | 142,500 | 108,994 | (33,506) |
| Total licenses, permits, and fees | <u>2,957,500</u> | <u>2,957,500</u> | <u>3,085,587</u> | <u>128,087</u> |
| Intergovernmental | | | | |
| Grants | 505,000 | 505,000 | 917,972 | 412,972 |
| Shared revenues | 208,000 | 208,000 | 112,849 | (95,151) |
| Total intergovernmental | <u>713,000</u> | <u>713,000</u> | <u>1,030,821</u> | <u>317,821</u> |
| Fines and forfeitures | | | | |
| Police fines, forfeitures, and accident reports | 250,000 | 250,000 | 405,847 | 155,847 |
| Total fines | <u>250,000</u> | <u>250,000</u> | <u>405,847</u> | <u>155,847</u> |
| Other revenues | | | | |
| Interest | 152,500 | 152,500 | 607,211 | 454,711 |
| Miscellaneous revenues | 53,000 | 53,000 | 110,715 | 57,715 |
| Contributed income | | | 1,000 | 1,000 |
| Proceeds from sale of assets | 150,000 | 150,000 | 66,941 | (83,059) |
| Total other revenues | <u>355,500</u> | <u>355,500</u> | <u>785,867</u> | <u>430,367</u> |
| Total revenues | <u>15,383,000</u> | <u>15,383,000</u> | <u>17,969,409</u> | <u>2,586,409</u> |

City of Clanton, Alabama
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2024

| | Budgeted Amounts | | Actual | Variance |
|---|-------------------------|--------------------|---------------------|---------------------|
| | Original | Final | | |
| Expenditures | | | | |
| General government | \$ 4,925,050.00 | \$ 4,925,050 | \$ 3,139,411 | \$ 1,785,639 |
| Police | 3,816,950 | 3,816,950 | 3,903,853 | (86,903) |
| Fire | 1,030,323 | 1,030,323 | 1,158,786 | (128,463) |
| Streets | 1,647,900 | 1,647,900 | 1,668,058 | (20,158) |
| Shop | 534,050 | 534,050 | 298,209 | 235,841 |
| Sanitation | 2,099,000 | 2,099,000 | 1,765,003 | 333,997 |
| Parks and recreation | 909,200 | 909,200 | 847,332 | 61,868 |
| Beautification | 217,700 | 217,700 | 184,962 | 32,738 |
| Capital outlay | 829,000 | 829,000 | 1,187,270 | (358,270) |
| Debt service | | | | |
| Principal retirement | 1,010,950 | 1,010,950 | 940,435 | 70,515 |
| Interest and fiscal charges | | | 104,015 | (104,015) |
| Total expenditures | <u>17,020,123</u> | <u>17,020,123</u> | <u>15,197,334</u> | <u>1,822,789</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(1,637,123)</u> | <u>(1,637,123)</u> | <u>2,772,075</u> | <u>4,409,198</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | 3,355,000 | 3,355,000 | | (3,355,000) |
| Operating transfer out | <u>(1,355,000)</u> | <u>(1,355,000)</u> | <u>(1,364,564)</u> | <u>(9,564)</u> |
| Total other financing sources (uses) | <u>2,000,000</u> | <u>2,000,000</u> | <u>(1,364,564)</u> | <u>(3,364,564)</u> |
| Net Change in Fund Balances | <u>\$ 362,877</u> | <u>\$ 362,877</u> | <u>\$ 1,407,511</u> | <u>\$ 1,044,634</u> |

City of Clanton, Alabama
Notes to Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2024

Budgetary information - Each year formal budgets are legally adopted and amended as required by the City Council for the General Fund. Management can approve transfers within governmental function categories only. Transfers of appropriations or revisions between governmental function categories requires the approval of the Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level. Appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - For the year ended September 30, 2024, five General Fund functional expenditure categories (the legal level of budgetary control) exceeded appropriations.

Police expenditures exceeded appropriations by \$86,903 (2.3%). Fire expenditures exceeded appropriations by \$128,463 (12.5%). Streets expenditures exceeded appropriations by \$20,158 (1.2%). Capital outlay expenditures exceeded appropriations by \$358,270 (43.2%). Interest and fiscal charges exceeded appropriations by \$104,015.

City of Clanton, Alabama
Schedule of Changes in the Net Pension Liability - City
Last 10 Fiscal Years

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 412,296 | \$ 357,905 | \$ 257,772 | \$ 249,458 | \$ 250,409 | \$ 232,059 | \$ 243,661 | \$ 231,672 | \$ 228,434 | \$ 238,784 |
| Interest | 994,028 | 900,250 | 834,579 | 791,501 | 752,668 | 742,484 | 699,232 | 646,350 | 634,274 | 592,488 |
| Change in benefit terms | | 11,549 | | 87,924 | | | | | | |
| Difference between expected and actual experience | 1,050,084 | 510,453 | 13,556 | (59,522) | 19,278 | (469,250) | 125,168 | (130,168) | (397,447) | |
| Changes of assumptions | | | 459,863 | | | 56,443 | | 445,904 | | |
| Benefit payments, including refunds of employee contributions | (731,219) | (612,061) | (577,968) | (444,423) | (347,970) | (386,570) | (381,347) | (318,238) | (310,385) | (307,512) |
| Transfers among employers | (53,344) | 150,252 | 274,444 | 1,289 | (121,829) | | (126,011) | 99,016 | | |
| Net change in total pension liability | 1,671,845 | 1,318,348 | 1,262,246 | 626,227 | 552,556 | 175,166 | 560,703 | 974,536 | 154,876 | 523,760 |
| Total pension liability - beginning | 13,708,271 | 12,389,923 | 11,127,677 | 10,501,450 | 9,948,894 | 9,773,728 | 9,213,025 | 8,238,489 | 8,083,613 | 7,559,853 |
| Total pension liability - ending (a) | <u>\$ 15,380,116</u> | <u>\$ 13,708,271</u> | <u>\$ 12,389,923</u> | <u>\$ 11,127,677</u> | <u>\$ 10,501,450</u> | <u>\$ 9,948,894</u> | <u>\$ 9,773,728</u> | <u>\$ 9,213,025</u> | <u>\$ 8,238,489</u> | <u>\$ 8,083,613</u> |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - employer | \$ 279,969 | \$ 271,835 | \$ 213,593 | \$ 177,299 | \$ 201,488 | \$ 164,247 | \$ 183,168 | \$ 200,015 | \$ 184,786 | \$ 197,984 |
| Contributions - member | 303,280 | 276,672 | 212,828 | 163,952 | 167,988 | 154,159 | 146,945 | 152,226 | 145,344 | 146,120 |
| Net investment income | 1,350,337 | (1,533,682) | 2,160,108 | 525,234 | 232,645 | 774,594 | 963,950 | 697,888 | 79,207 | 710,893 |
| Benefit payments, including refunds of employee contributions | (731,219) | (612,061) | (577,968) | (444,423) | (347,970) | (386,570) | (381,347) | (318,238) | (310,385) | (307,512) |
| Transfers among employers | (53,344) | 150,252 | 274,444 | 1,289 | (121,829) | | (126,011) | 99,016 | 41,519 | (24,587) |
| Net change in plan fiduciary net position | 1,149,023 | (1,446,984) | 2,283,005 | 423,351 | 132,322 | 706,430 | 786,705 | 830,907 | 140,471 | 722,898 |
| Plan net position - beginning | 10,501,921 | 11,948,905 | 9,665,900 | 9,242,549 | 9,110,227 | 8,403,797 | 7,617,092 | 6,786,185 | 6,645,714 | 5,922,816 |
| Plan net position - ending (b) | <u>\$ 11,650,944</u> | <u>\$ 10,501,921</u> | <u>\$ 11,948,905</u> | <u>\$ 9,665,900</u> | <u>\$ 9,242,549</u> | <u>\$ 9,110,227</u> | <u>\$ 8,403,797</u> | <u>\$ 7,617,092</u> | <u>\$ 6,786,185</u> | <u>\$ 6,645,714</u> |
| Net pension liability - ending (a) - (b) | \$ 3,729,172 | \$ 3,206,350 | \$ 441,018 | \$ 1,461,777 | \$ 1,258,901 | \$ 838,667 | \$ 1,369,931 | \$ 1,595,933 | \$ 1,452,304 | \$ 1,437,899 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.75% | 76.61% | 96.44% | 86.86% | 88.01% | 91.57% | 85.98% | 82.68% | 82.37% | 82.21% |
| Covered payroll | \$ 5,053,748 | \$ 4,828,903 | \$ 3,963,243 | \$ 3,565,291 | \$ 3,340,287 | \$ 3,677,325 | \$ 3,568,392 | \$ 3,465,217 | \$ 3,401,963 | \$ 3,330,481 |
| Net pension liability as a percentage of covered payroll | 73.79% | 66.40% | 11.13% | 41.00% | 37.69% | 22.81% | 38.39% | 46.06% | 42.69% | 43.17% |

City of Clanton, Alabama
Schedule of Employer Contributions - City
Last 10 Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 301,407 | \$ 296,783 | \$ 287,603 | \$ 224,804 | \$ 188,542 | \$ 212,237 | \$ 175,160 | \$ 183,168 | \$ 210,100 | \$ 197,984 |
| Contributions in relation to the actuarially determined contribution | 301,407 | 296,783 | 287,603 | 224,804 | 188,542 | 212,237 | 175,160 | 183,168 | 210,100 | 197,984 |
| Contribution excess | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$4,801,292 | \$5,053,748 | \$4,828,903 | \$3,963,243 | \$3,565,291 | \$3,340,287 | \$3,677,325 | \$3,568,392 | \$3,465,217 | \$3,401,963 |
| Contributions as a percentage of covered payroll | 6.28% | 5.87% | 5.96% | 5.67% | 5.29% | 6.35% | 4.76% | 5.13% | 6.06% | 5.82% |

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine the contribution rates for the October 1, 2023 to September 30, 2024

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percent closed |
| Remaining amortization method | 17.6 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.50% |
| Salary increases | 3.25 - 6.00%, including inflation |
| Investment rate of return | 7.45%, net of pension plan investment expense, including inflation |

City of Clanton, Alabama
Schedule of Changes in the Net Pension Liability - Water and Sewer Board
Last 10 Fiscal Years

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 113,680 | \$ 105,427 | \$ 80,728 | \$ 58,759 | \$ 57,686 | \$ 60,223 | \$ 61,855 | \$ 50,950 | \$ 54,572 | \$ 55,433 |
| Interest | 318,085 | 306,261 | 294,720 | 271,779 | 240,089 | 273,565 | 272,891 | 237,097 | 226,973 | 220,903 |
| Change in benefit terms | | | | 50,077 | | | | | | |
| Difference between expected and actual experience | 525,481 | (19,945) | 59,253 | 124,310 | 294,811 | (555,552) | (83,020) | (24,601) | 57,370 | |
| Changes of assumptions | | | 123,873 | | | 15,825 | | 484,937 | | |
| Benefit payments, including refunds of employee contributions | (239,604) | (310,636) | (204,620) | (186,248) | (189,158) | (213,648) | (200,542) | (209,956) | (214,783) | (186,137) |
| Transfers among employers | 87,428 | 42,086 | (17,589) | (11,563) | 6,686 | (4,490) | (35,941) | 14,329 | | |
| Net change in total pension liability | 805,070 | 123,193 | 336,365 | 307,114 | 410,114 | (424,077) | 15,243 | 552,756 | 124,132 | 90,199 |
| Total pension liability - beginning | 4,389,399 | 4,266,206 | 3,929,841 | 3,622,727 | 3,212,613 | 3,636,690 | 3,621,447 | 3,068,691 | 2,944,559 | 2,854,360 |
| Total pension liability - ending (a) | <u>\$ 5,194,469</u> | <u>\$ 4,389,399</u> | <u>\$ 4,266,206</u> | <u>\$ 3,929,841</u> | <u>\$ 3,622,727</u> | <u>\$ 3,212,613</u> | <u>\$ 3,636,690</u> | <u>\$ 3,621,447</u> | <u>\$ 3,068,691</u> | <u>\$ 2,944,559</u> |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - employer | \$ 191,646 | \$ 199,097 | \$ 138,186 | \$ 66,158 | \$ 76,375 | \$ 75,768 | \$ 80,282 | \$ 71,346 | \$ 66,200 | \$ 78,206 |
| Contributions - member | 70,087 | 73,994 | 56,190 | 40,811 | 34,705 | 34,591 | 35,340 | 34,818 | 32,998 | 76,194 |
| Net investment income | 345,700 | (382,121) | 545,058 | 135,883 | 61,564 | 210,675 | 271,364 | 205,609 | 24,740 | 231,003 |
| Benefit payments, including refunds of employee contributions | (239,604) | (310,636) | (204,620) | (186,248) | (189,158) | (213,648) | (200,542) | (209,956) | (214,783) | (186,137) |
| Transfers among employers | 87,428 | 42,086 | (17,589) | (11,563) | 6,686 | (4,490) | (35,941) | 14,329 | 22,831 | (21,401) |
| Net change in plan fiduciary net position | 455,257 | (377,580) | 517,225 | 45,041 | (9,828) | 102,896 | 150,503 | 116,146 | (68,014) | 177,865 |
| Plan net position - beginning | 2,608,051 | 2,985,631 | 2,468,406 | 2,423,365 | 2,433,193 | 2,330,297 | 2,179,794 | 2,063,648 | 2,131,662 | 1,953,797 |
| Plan net position - ending (b) | <u>\$ 3,063,308</u> | <u>\$ 2,608,051</u> | <u>\$ 2,985,631</u> | <u>\$ 2,468,406</u> | <u>\$ 2,423,365</u> | <u>\$ 2,433,193</u> | <u>\$ 2,330,297</u> | <u>\$ 2,179,794</u> | <u>\$ 2,063,648</u> | <u>\$ 2,131,662</u> |
| Net pension liability - ending (a) - (b) | \$ 2,131,161 | \$ 1,781,348 | \$ 1,280,575 | \$ 1,461,435 | \$ 1,199,362 | \$ 779,420 | \$ 1,306,393 | \$ 1,441,653 | \$ 1,005,043 | \$ 812,897 |
| Plan fiduciary net position as a percentage of the total pension liability | 58.97% | 59.42% | 69.98% | 62.81% | 66.89% | 75.74% | 64.08% | 60.19% | 67.25% | 72.39% |
| Covered payroll | \$ 1,261,651 | \$ 1,331,190 | \$ 1,072,235 | \$ 904,803 | \$ 836,443 | \$ 785,533 | \$ 789,688 | \$ 762,143 | \$ 733,588 | \$ 775,196 |
| Net pension liability as a percentage of covered payroll | 168.92% | 133.82% | 119.43% | 161.52% | 143.39% | 99.22% | 165.43% | 189.16% | 137.00% | 104.86% |

City of Clanton, Alabama
Schedule of Employer Contributions - Water and Sewer Board
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 | \$ 190,297 | \$ 195,893 | \$ 203,454 | \$ 140,149 | \$ 69,882 | \$ 78,842 | \$ 78,710 | \$ 82,811 | \$ 73,859 | \$ 78,206 |
| Contributions in relation to the | | | | | | | | | | |
| actuarially determined contribution | 190,297 | 195,893 | 203,454 | 140,149 | 69,882 | 78,842 | 78,710 | 82,811 | 73,859 | 78,206 |
| Contribution excess | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 1,253,497 | \$ 1,261,651 | \$ 1,331,190 | \$ 1,072,235 | \$ 904,803 | \$ 836,443 | \$ 785,533 | \$ 789,688 | \$ 762,143 | \$ 733,588 |
| Contributions as a percentage of | | | | | | | | | | |
| covered payroll | 15.18% | 15.53% | 15.28% | 13.07% | 7.72% | 9.43% | 10.02% | 10.49% | 9.69% | 10.66% |

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine the contribution rates for the October 1, 2023 to September 30, 2024

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percent closed |
| Remaining amortization method | 24.4 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.50% |
| Salary increases | 3.25 - 6.00%, including inflation |
| Investment rate of return | 7.45%, net of pension plan investment expense, including inflation |

Supplementary Information

City of Clanton, Alabama
Schedule of Revenues, Expenses, and Changes in Net Position - Water and Sewer
For the Year Ended September 30, 2024

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|-----------------------------|--------------------------|-----------------------------|
| Operating Revenues | | | |
| Charges for services | \$ 2,838,697 | \$ 1,290,027 | \$ 4,128,724 |
| Miscellaneous | <u>37,992</u> | <u>722</u> | <u>38,714</u> |
| Total operating revenues | <u>2,876,689</u> | <u>1,290,749</u> | <u>4,167,438</u> |
| Operating Expenses | | | |
| Personal services and related benefits | 1,296,454 | 667,602 | 1,964,056 |
| Materials and supplies | 451,737 | 86,723 | 538,460 |
| Depreciation | 584,388 | 424,713 | 1,009,101 |
| Utilities and telephone | 355,361 | 154,786 | 510,147 |
| Engineering | 14,986 | (13,105) | 1,881 |
| Insurance | 56,622 | 51,684 | 108,306 |
| Payroll taxes | 74,512 | 29,706 | 104,218 |
| Legal | 3,848 | 3,600 | 7,448 |
| Gas and oil | 30,530 | 22,432 | 52,962 |
| Office and postage | 75,357 | 16,131 | 91,488 |
| Repairs | 91,389 | 174,632 | 266,021 |
| Utility tax | 82,819 | | 82,819 |
| Other expenses | <u>47,885</u> | <u>25,657</u> | <u>73,542</u> |
| Total operating expenses | <u>3,165,888</u> | <u>1,644,561</u> | <u>4,810,449</u> |
| Operating revenue (loss) | <u>(289,199)</u> | <u>(353,812)</u> | <u>(643,011)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Investment earnings | <u>87,237</u> | <u>81,687</u> | <u>168,924</u> |
| Net income (loss) before transfers | (201,962) | (272,125) | (474,087) |
| Transfers in | 157,640 | | 157,640 |
| Capital contributions | <u>49,785</u> | <u>712,735</u> | <u>762,520</u> |
| Change in Net Position | 5,463 | 440,610 | 446,073 |
| Net Position - Beginning, As Restated | <u>16,581,360</u> | | <u>16,581,360</u> |
| Net Position - Ending | <u><u>\$ 16,586,823</u></u> | <u><u>\$ 440,610</u></u> | <u><u>\$ 17,027,433</u></u> |

Other Reports and Information

City of Clanton, Alabama
Schedule of Expenditures of Federal Awards
September 30, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Contract Number | Federal Expenditures | Subrecipient Expenditures |
|--|--|-------------------------|---------------------------------|--------------------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| Passed through the Alabama Department of Economic and Community Affairs | | | | |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | B-23-DC-01-0001 | \$ 250,000 | |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | B-22-DC-01-0001 | 243,812 | |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | B-22-DC-01-0001 | 3,988 | |
| Total U.S. Department of Housing and Urban Development | | | <u>497,800</u> | <u></u> |
| U.S. Department of Justice | | | | |
| Passed through the Alabama Department of Economic and Community Affairs | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 15PBJA-21-GG-00237-MUMU | 7,010 | |
| Total U.S. Department of Justice | | | <u>7,010</u> | <u></u> |
| U.S. Department of Transportation | | | | |
| Passed through the Alabama Department of Transportation | | | | |
| Highway Planning and Construction | 20.205 | TAPUC-TA23(914) | 29,908 | |
| Total U.S. Department of Transportation | | | <u>29,908</u> | <u></u> |
| U.S. Department of the Treasury | | | | |
| Passed through the Alabama Department of Environmental Management | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 49,785 | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 100,000 | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 612,735 | |
| Total U.S. Department of Treasury | | | <u>762,520</u> | <u></u> |
| U.S. Federal Emergency Management Agency | | | | |
| Direct Program | | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2022-FG-00686 | 11,300 | |
| Total U.S. Federal Emergency Management Agency | | | <u>11,300</u> | <u></u> |
| Total Schedule of Expenditures of Federal Awards | | | <u>\$ 1,308,538</u> | <u>\$ -</u> |

See accompanying notes to schedule of expenditures of federal awards.

City of Clanton, Alabama
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Clanton, Alabama (the City) and is presented on the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The information in this schedule is presented in accordance with the 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).

Note 2 - Reporting Entity

The City's reporting entity is fully described in Note 1 to the financial statements.

Note 3 - Indirect Cost Rates

The City did not elect to charge a de minimus rate of 10% for all federal awards.

**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***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clanton, 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 basic financial statements of the City's primary government and have issued our report thereon dated May 23, 2025.

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 City'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 import enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

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 Clanton, Alabama's Response to Findings

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

Jackson Thornton & Co. PC

Montgomery, Alabama
May 23, 2025

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Mayor and Members of the City Council
City of Clanton, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited the City of Clanton, 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 auditor's results section of the accompanying schedule of findings and questioned costs.

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 Responsibility 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2024-003 to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clanton, Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government. We issued our report thereon dated May 23, 2025, which contained unmodified opinions on those financial statements of the City's primary government. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements of the City's primary government. 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 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 of the City's primary government or to the basic financial statements of the City's primary government themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements of the City's primary government as a whole.

Jackson Thornton & Co. PC

Montgomery, Alabama
May 23, 2025

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - unmodified.

Internal Control Over Financial Reporting

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance Material to Financial Statements Noted?

 Yes X No

Federal Awards

Internal control over major programs

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs - unmodified.

Any audit findings disclosed that are required to be reported in accordance with *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?

 Yes X No

Identification of major programs

| Assistance Listing Number | Name of Federal Program or Cluster |
|--------------------------------------|---|
| 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 Clanton, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2024-001 - Material Weakness

Criteria - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenue recognition depends on the timing of cash collections (availability). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, considered to be 90 days for all revenue. Expenditures are recognized when a liability is incurred, as under accrual accounting.

Condition - Policies and procedures over the recording of transactions occurring at or near year end are not adequate to capture all material accruals.

Effect - The City's balances of accounts and intergovernmental receivables and revenues were understated. Our audit procedures identified current year receivables and revenues of approximately \$480,000 that were not accrued by the City.

Restatements were made to prior year net position and fund balance to recognize unearned revenue and receivables. See Note 12 to the financial statements.

Cause - The City reviews all transactions subsequent to year end through a specific cutoff date to determine which transactions should be accrued. The application of these procedures, however, was inconsistent, and the procedures did not adequately consider all significant receipts and expenditures.

Recommendation - The City should enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded. Procedures should include a comprehensive assessment of new and existing expenditures that are susceptible to accrual. Once these potential accruals are identified, a process should be formalized to capture the accruals and allow for supervisory review.

Views of Responsible Officials - The City agrees with the finding. The City will enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded.

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

Finding 2024-002 - Material Weakness

Criteria - The City does not have appropriate internal controls over preparation of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with Uniform Guidance.

Condition - The City's internal controls over preparation of the SEFA were not adequate to ensure its accuracy and completeness, including procedures to assess the federal awards received subsequent to year end for expenditures incurred during the fiscal year.

Effect - The City's federal awards could be incorrectly identified resulting in improper reporting of federal program activity.

Cause - The City's internal controls over the preparation of the SEFA are not adequate.

Recommendation - The City should implement procedures to identify all federal expenditures and required elements of the SEFA and require review by someone independent of the preparation process.

Views of Responsible Officials - The City agrees with the finding. The City will implement procedures to identify all federal expenditures and required elements of the SEFA and require review by someone independent of the preparation process.

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

Section III - Federal Awards Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to major federal programs that are required to be reported in accordance with the Uniform Guidance.

Finding 2024-003 - Material Weakness (same as Finding 2024-002)

Criteria - The City does not have appropriate internal controls over preparation of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with Uniform Guidance.

Condition - The City's internal controls over preparation of the SEFA were not adequate to ensure its accuracy and completeness, including procedures to assess the federal awards received subsequent to year end for expenditures incurred during the fiscal year.

Effect - The City's federal awards could be incorrectly identified resulting in improper reporting of federal program activity.

Cause - The City's internal controls over the preparation of the SEFA are not adequate.

Recommendation - The City should implement procedures to identify all federal expenditures and required elements of the SEFA and require review by someone independent of the preparation process.

Views of Responsible Officials - The City agrees with the finding. The City will implement procedures to identify all federal expenditures and required elements of the SEFA and require review by someone independent of the preparation process.



P.O. Box 580
505 2nd Avenue North
Clanton, Alabama 35046 / 35045
Telephone 205.755.6840

Council Members
Billy Singleton
Philip Giles
Don Driver
Awlahjaday Agee
Mary Mell Smith

Mayor
Jeff Mims

City Clerk/Treasurer
Susie Ellison

Corrective Action Plan
September 30, 2024

Contact Person

Lisa Taylor, City Operations Manager
205-755-6840
ltaylor@clanton.al.gov

Finding 2024-001 - Material Weakness

Criteria - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenue recognition depends on the timing of cash collections (availability). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, considered to be 90 days for all revenue. Expenditures are recognized when a liability is incurred, as under accrual accounting.

Condition - Policies and procedures over the recording of transactions occurring at or near year end are not adequate to capture all material accruals.

Effect - The City's balances of accounts and intergovernmental receivables and revenues were understated. Our audit procedures identified current year receivables and revenues of approximately \$480,000 that were not accrued by the City.

Restatements were made to prior year net position and fund balance to recognize unearned revenue and receivables. See Note 12 to the financial statements.

Cause - The City reviews all transactions subsequent to year end through a specific cutoff date to determine which transactions should be accrued. The application of these procedures, however, was inconsistent, and the procedures did not adequately consider all significant receipts and expenditures.

Recommendation - The City should enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded.

Procedures should include a comprehensive assessment of new and existing expenditures that are susceptible to accrual. Once these potential accruals are identified, a process should be formalized to capture the accruals and allow for supervisory review.

Views of responsible officials - The City agrees with the finding. The City will enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded.

Corrective Action Plan - Management agrees with the finding. The City will implement policies and procedures to ensure all transactions are recorded in the proper period.

Finding 2024-002 - Material Weakness

Criteria - The City does not have appropriate internal controls over preparation of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with Uniform Guidance.

Condition - The City's internal controls over preparation of the SEFA were not adequate to ensure its accuracy and completeness, including procedures to assess the federal awards received subsequent to year end for expenditures incurred during the fiscal year.

Effect - The City's federal awards could be incorrectly identified resulting in improper reporting of federal program activity.

Cause - The City's internal controls over the preparation of the SEFA are not adequate.

Recommendation - The City should implement procedures to identify all federal expenditures and required elements of the SEFA and require review by someone independent of the preparation process.

Views of responsible officials - The City agrees with the finding. The City will implement procedures to identify all federal expenditures and required elements of the SEFA and require review by someone independent of the preparation process.

Corrective Action Plan - Management agrees with the finding. The City will implement procedures to identify all federal expenditures and required elements of the SEFA.

Finding 2024-003 - Material Weakness (same as Finding 2024-002)

Criteria - The City does not have appropriate internal controls over preparation of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with Uniform Guidance.

Condition - The City's internal controls over preparation of the SEFA were not adequate to ensure its accuracy and completeness, including procedures to assess the federal awards received subsequent to year end for expenditures incurred during the fiscal year.

Effect - The City's federal awards could be incorrectly identified resulting in improper reporting of federal program activity.

Cause - The City's internal controls over the preparation of the SEFA are not adequate.

Recommendation - The City should implement procedures to identify all federal expenditures and required elements of the SEFA and require review by someone independent of the preparation process.

Views of responsible officials - The City agrees with the finding. The City will implement procedures to identify all federal expenditures and required elements of the SEFA and require review by someone independent of the preparation process.

Corrective Action Plan - Management agrees with the finding. The City will implement procedures to identify all federal expenditures and required elements of the SEFA.

APPENDIX B
Proposed Form of Opinion of Bond Counsel to the City

The Mayor and City Council
City of Clanton
Clanton, Alabama

Ladies and Gentlemen:

We have examined certified copies of proceedings of the governing body of the City of Clanton (herein called "the City"), in the State of Alabama, and other documents submitted to us pertaining to the authorization, sale and issuance of

\$ _____
CITY OF CLANTON, ALABAMA
General Obligation Warrants
Series 2025

(herein collectively called the "Warrants". The opinions hereinafter expressed and the statements hereinafter made are based upon our examination of the said proceedings and documents.

We are of the following opinion: that the Warrants are in due and legal form, have been validly authorized and issued pursuant to the applicable provisions of the constitution and laws of Alabama, and constitute valid orders on the treasurer of the City for the payment thereof as therein provided; that the indebtedness ordered paid by the Warrants is a valid general obligation of the City for the payment of the principal of and interest on which the City has validly pledged its full faith and credit; and that, under existing statutes, the interest on the Warrants is exempt from Alabama income taxation.

We are further of the opinion that under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by the City with its covenants pertaining to certain requirements of federal tax law that are set forth in the proceedings authorizing the issuance of the Warrants and in the Tax Compliance Agreement and Certificate executed by the City in connection with the issuance of the Warrants, the interest on the Warrants will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, and the interest on the Warrants will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the alternative minimum tax imposed by the Code. However, as a result of amendments to the Code enacted pursuant to the Inflation Reduction Act of 2022, interest on the Warrants may be taken into account for purposes of the alternative minimum tax imposed by Section 55(b)(2) of the Code on "applicable corporations", as defined in Section 59(k) of the Code. We express no opinion with respect to the federal tax consequences to the recipients of the interest on the Warrants under any provision of the Code not referred to above.

We express no opinion regarding the accuracy, adequacy or completeness of the Official Statement of the City relating to the Warrants. Further, we express no opinion regarding tax consequences arising with respect to the Warrants other than as expressly set forth herein.

The rights of the holders of the Warrants and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to 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.

Yours very truly,

APPENDIX C
Summary of Continuing Disclosure Agreement

Summary of Continuing Disclosure Agreement

The following is a summary of the Continuing Disclosure Agreement (the "Agreement") entered into by the City, pursuant to the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission of the United States of America (the "Commission") pursuant to the Securities Exchange Act of 1934. Except where otherwise defined in this Appendix, all capitalized terms have the meaning assigned in the front portion of this Official Statement.

Annual Report of the City. The City agrees, in accordance with the provisions of the Rule, to provide or cause to be provided through the Electronic Municipal Market Access system ("EMMA") established by the Municipal Securities Rulemaking Board ("MSRB") (or such other system as may be subsequently authorized by the MSRB), not later than 270 days after the close of each fiscal year of the City (October 1 - September 30) commencing after September 30, 2025, the following annual financial information and operating data (the "Annual Report"): the audited financial statements of the City prepared in accordance with accounting principles generally accepted in the United States of America and notes thereto, and, to the extent not already included in the aforesaid Annual Report, with respect to the fiscal year being reported, the City's respective receipts of its (i) sales and use taxes, (ii) business or privilege license tax, (iii) alcohol tax, (iv) hotel lodging tax and per night hotel room fee (which may be shown collectively), and (v) ad valorem taxes. The City also agrees, in accordance with the Rule, to provide or cause to be provided through EMMA (or such other system as may be authorized by the MSRB) notice of any failure to provide the Annual Report or any part thereof.

Notice of Certain Events. The City agrees to provide or cause to be provided, in a timely manner, through EMMA (or such other system as may be authorized by the MSRB) within ten (10) business days of the occurrence of any of the following events with respect to the Series 2025 Warrants:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, 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 2025 Warrants, or other material events affecting the tax status of the Series 2025 Warrants;
- (vii) modifications of the rights of holders of the Series 2025 Warrants;
- (viii) calls for redemption, other than scheduled mandatory redemption, of any of the Series 2025 Warrants if material, and notice of tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2025 Warrants, if material;
- (xi) rating changes;

- (xii) Bankruptcy, insolvency, receivership or similar event of the City or of any obligated person respecting the Series 2025 Warrants;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or any obligated person respecting the Series 2025 Warrants (each, an "Obligated Person") or the sale of all or substantially all of the assets of the Obligated Person, 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 related to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material;
- (xv) failure of the City to timely file its Annual Report;
- (xvi) incurrence of a Financial Obligation of an Obligor, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligor, any of which affect security holders, if material; and
- (xvii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligor, any of which reflect financial difficulties.

As used herein, "Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

Additional Information. The City may from time to time choose to provide other information in addition to the information and notices listed above, but the City does not undertake in the Agreement to commit to provide any such additional information or to update or to continue to provide such additional information or notices once provided.

Amendment; Waiver. The City may amend the Agreement and any provision of the Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings therein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

Beneficiaries and Enforcement. The City agrees that its undertakings pursuant to the Rule set forth in the Agreement are intended to be for the benefit of the holders of the Series 2025 Warrants and shall be enforceable by such holders. No failure by the City to comply with its obligations under the Agreement shall constitute an event of default under the 2025 Ordinance.

APPENDIX D
Specimen Municipal Bond Insurance Policy



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, 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 Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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 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 AG 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AG 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 AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer