THE CITY OF BAY MINETTE, ALABAMA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For The Fiscal Year Ended

September 30, 2025

Prepared By: Finance Department

City of Bay Minette, Alabama
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended September 30, 2025

STATISTICAL SECTION (UNAUDITED)

LETTER OF TRANSMITTAL

October 20, 2025

The Honorable Robert A. “Bob” Wills, Mayor
Members of the City Council
Citizens of the City of Bay Minette, Alabama

The Annual Comprehensive Financial Report of the City of Bay Minette, Alabama (the City), for the fiscal year ended September 30, 2025, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management. A comprehensive framework of internal control has been established and is updated and maintained in a manner that offers assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

As required by State law, an annual audit of the City's financial statements is conducted in accordance with established standards. Kubina, Hayles and Ray, PC, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City’s financial statements for the year ended September 30, 2025. The independent auditors’ report is located at the beginning of the financial section of this report. Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management’s Discussion and Analysis (MD&A). This letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately preceding the Independent Auditors’ Report. The statistical section located near the end of this report provides historical financial and demographic information.

City Profile

The City is located in north Baldwin County, Alabama (the “County”) within thirty miles of Mobile, Alabama, and within fifty miles of Pensacola, Florida. The City serves as the county seat of Baldwin County, Alabama. According to the U.S. Census Bureau, the City has a total area of 17.3 square miles, with a population estimate of 8,537 residents per the United States Census Bureau as of July 1, 2025.

The City is a municipal corporation incorporated under the Constitution and laws of the State of Alabama. The City is governed by a strong mayor-weak council form of government consisting of the Mayor and five council members elected for concurrent terms of four years. Members of the City Council serve part-time and are responsible for adopting all legislative ordinances and setting policies of the City, including the appropriation of money. The Mayor, who is a member of the council, is the chief executive officer of the City. The Mayor, with assistance from the City Administrator, is responsible for the day-to-day management of the City. The department heads of the City’s several departments are appointed by the City Council and are responsible for the day-to-day operation of their respective departments. The City provides the following services as authorized by its charter: public safety (police and fire), street and drainage, sanitation, culture and recreation, public improvements, and general administrative services. As required by accounting principles generally accepted in the United States of America, the financial statements of the City include the accounts of all City operations. The City includes, as necessary, component units as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Please see Note 1 of the Notes to the Financial Statements for further explanation.

Budgetary Control

An annual budget is adopted for the general fund by following these procedures:

- Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October.
- Prior to October 1, the budget is legally enacted through passage of a resolution.
- The Mayor and/or his designee is authorized to transfer budgeted amounts between departments within funds; however, revisions that alter the total budgeted expenditures must be approved by the City Council.
- Department Heads present current and multi-year capital purchase and new personnel requests to the Mayor prior to beginning the requisition or hiring process. Requests are approved, denied or deferred based on economic conditions.

Local Information and Demographics

Utilities, Education and Health Care Services

North Baldwin Utilities provide water, sewage, and natural gas for the City of Bay Minette. Alabama Power and Baldwin EMC supply and distribute electricity.

The City is a part of the Baldwin County Public Schools system. The City has Baldwin County High School (grades 9-12), North Baldwin Center for Technology (grades 11-12), Bay Minette Middle School (grades 7-8), Pine Grove Elementary School (PK-6), Delta Elementary School (PK-6), Stapleton Elementary School (PK-6), Perdido Elementary School (PK-8) and Bay Minette Elementary School (K-6) in their feeder pattern. Coastal Alabama Community College is a two-year public college with the main campus in Bay Minette and satellite campuses located in Baldwin, Choctaw, Clarke and Monroe counties in Alabama.

North Baldwin Infirmary, a 77-bed community hospital located in the City, serves the City and surrounding areas.

Population & Economy

With the City's estimated 2025 population of 8,537, it is the 84th largest city in Alabama. Bay Minette is currently growing at a rate of 0.98% annually and its population has increased by 5.11% since the most recent census, which recorded a population of 8,122 in 2020. Bay Minette reached its highest population of 9,422 in 2019.

The average household income in Bay Minette is $57,076 with a poverty rate of 29.85%. The median rental costs in recent years comes to $849 per month, and the median house value is $219,859. The median age in Bay Minette is 33.5 years, 36 years for males, and 29.6 years for females. Bay Minette is the county seat for Baldwin County which is the 4th largest county in the state. Since 2010, it has experienced over 46.06% in population growth with a total median age of 43.7 years, 42.2 years for males and 45.1 years for females.

The local economy is beginning to feel the impact from the May, 2022 announcement and subsequent construction in process at the South Alabama Mega Site in North Baldwin County. The Mega Site is located partially within the City's police jurisdiction. Novelis, the leading sustainable aluminum solutions provider and world leader in aluminum rolling and recycling, has begun construction on a new advanced manufacturing facility at the Mega Site with plans to invest $ 3.8 billion, and is expected to create approximately 1,000 jobs. This plant is the first fully integrated aluminum mill being built in the United States in 40 years. Other major employment opportunities include education, manufacturing, retail, and health care.

Hurricanes, Pandemic, Reserve and Capital Planning

The Gulf Coast region is subject to occurrences of severe weather, including hurricanes, in which winds and tidal surges are powerful enough to cause severe destruction. The City is located near a coastal area and serves as the county seat for a county that is particularly susceptible to such storms and their effects. While the City's property and equipment is insured against damage from such weather hazards in amounts the City's management believes to be reasonable, the City is not insured against risks like business interruption or loss of taxes and other revenues that could result from such weather hazards. While the City's reserves were adequate, together with disaster relief funds through the Federal Emergency Management Agency, to cover the added expenses incurred as a result of the most recent storm to affect the City (Hurricane Sally), there can be no assurance that the City will have adequate financial reserve funds against such uninsured risks in the event of future storms although no line of credit has been historically required to fund these expenditures.

To fund economic incentives and provide for infrastructure funding in advance of permanent bond issuances, the City established a $5,000,000 line of credit. This line of credit along with the reserve account can be utilized to fund future emergencies or disasters The line of credit was also utilized to fund a shortfall of the Justice Center bond issuance financing.

S & P Global Ratings assigned a long-term rating of A+ to the City's most recent general obligation (GO) warrants. At the same time, S&P Global Ratings affirmed its A+ long-term rating on the City's GO warrants outstanding.

Other Relevant Financial Policies

The City of Bay Minette strives to maintain up to date comprehensive financial policies and procedures. New Governmental Accounting Standards Board (GASB) pronouncements are monitored to determine the impact to the City's financial reporting requirements and steps are taken to implement the required standards within the appropriate timelines. During fiscal year 2025 the City implemented GASB 101, Compensated Absences. The City's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits and that the valuation of the costs and benefits require estimates and judgements by management. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Management will continue to implement policies and procedures that improve and strengthen internal control as needed.

Acknowledgements

The preparation of this report would not have been possible without the daily commitment of the staff of the Finance Department as well as all City Departments who practice fiscal responsibility throughout the year. As public servants, we are fortunate to be led by a supportive Mayor and City Council who strive to make our City the best place to work, play and live while providing financial accountability and transparency.

Respectfully submitted,

Tammy Smith

Tammy Smith, CPA

City Administrator/Finance Director

The City of Bay Minette, Alabama
ELECTED AND APPOINTED OFFICIALS
Year Ended September 30, 2025

ELECTED OFFICIALS

Mayor	**Robert A. “Bob” Wills**
Council Member – District 1	**Pete Sellers**
Council Member – District 2 / Mayor Pro Tempore	**Mike Phillips**
Council Member – District 3	**Matt Franklin**
Council Member – District 4	**William Taylor**
Council Member – District 5	**Shannon Clemmons**

APPOINTED OFFICIALS

City Administrator/Finance Director	**Tammy Smith**
City Clerk	**Rita Diedtrich**
Human Resources Director	**Liana Barnett**
City Planner	**Clair Dorough**
Building Official/Code Enforcement Officer	**Rob Madison**
Police Chief	**Al Tolbert**
Fire Chief	**Mike Minchew**
Superintendent of Streets & Sanitation	**Murry Stewart**
Superintendent of Parks & Grounds	**Jody McMillan**
Building Maintenance Superintendent	**Ronnie McDill**
Library Director	**Joanna Bailey**
Recreation Director	**Blake Clark**
Court Clerk/Magistrate	**Heather Ford**
Municipal Judge	**Marcus McDowell**
Municipal Court City Prosecutor	**William E. Scully III**
Municipal Court Defense Attorney	**John Gamble**

FINANCIAL SECTION

CITY OF BAY MINETTE, ALABAMA

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

Audited Financial Statements
City of Bay Minette, Alabama
September 30, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Our discussion and analysis of the City of Bay Minette's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the City's financial statements, which begin on page 11.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the current fiscal year by $34,395,655.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $8,151,586.
- The General Fund closed with a fund balance of $3,999,497; an increase of $14,530 since the beginning of the year.
- The City's Statement of Activities reflects the net position increased by $2,542,990.

Using this Report

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) governmental fund statements, 3) notes to financial statements, and 4) supplementary information.

The Statement of Net Position and the Statement of Activities, (pages 11 and 12) provide information about the activities of the City as a whole and present a cumulative view of the City's finances.

Governmental fund statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Governmental fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements start on page 19.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability, employer contributions, general fund budget, and federal awards. This supplementary information begins on page 46.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the economic resources measurement focus and reflect an accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's changes in net position and ending net position. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State Law and by bond covenants. However, the City Council established other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds are separately reported while all others are combined into a single, aggregated presentation.

- *Governmental funds* – The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the current financial resource method and the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a separate reconciliation following each fund financial statement.

Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is $34,395,655. This is an increase of $2,542,990 from last year's restated net position of $31,852,665. See page 26 for restatement disclosure. The following table provides a summary of the City's net position:

City of Bay Minette, AL
Summary of Net Position
September 30,

	Governmental Activities		Amount Change
	2025	2024	
Current assets	$ 10,444,243	$ 6,699,934	$ 3,744,309
Capital assets	49,729,760	46,018,061	3,711,699
Deferred Outflows	1,501,559	1,907,488	(405,929)
Total assets and deferred outflows	$ 61,675,562	$ 54,625,483	$ 7,050,079
Current liabilities	$ 3,011,836	$ 1,839,379	$ 1,172,457
Noncurrent liabilities	22,931,269	20,275,856	2,655,413
Deferred Inflows	1,336,802	657,583	679,219
Total liabilities and deferred inflows	$ 27,279,907	$ 22,772,818	$ 4,507,089
Net position:			
Net Investment in Capital Assets	$ 28,318,752	$ 28,540,880	$ (222,128)
Restricted	1,391,607	1,171,071	220,536
Unrestricted	4,685,296	2,140,714	2,544,582
Total net position - as restated	$ 34,395,655	$ 31,852,665	$ 2,542,990
Total liabilities and net position	$ 61,675,562	$ 54,625,483	$ 7,050,079

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position may be used to meet the City's on-going obligations to citizens and creditors.

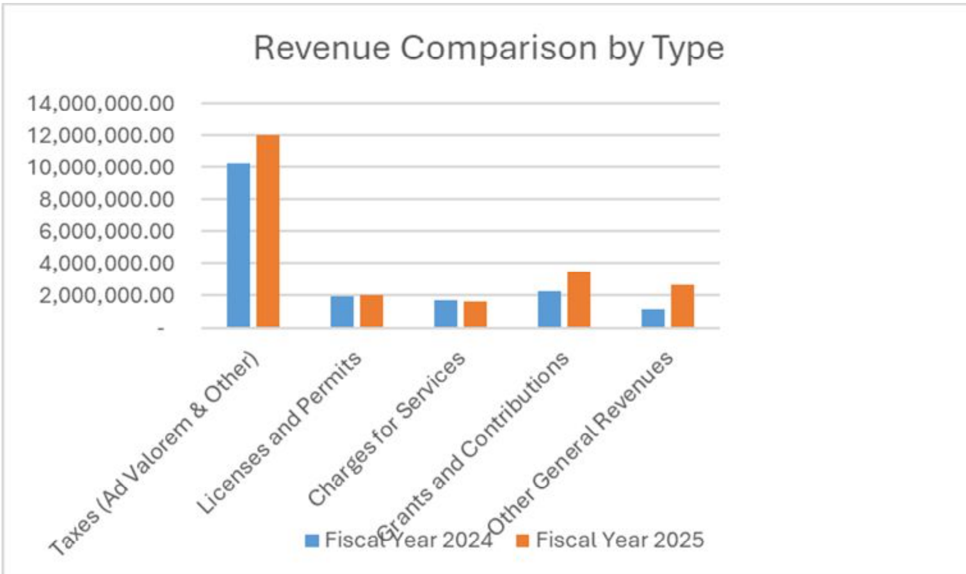
For fiscal year ended September 30, 2025, the City completed participating in a CDBG Pass through Grant for North Baldwin Utilities which enables them to increase their needed infrastructure to support the Novelis Project. There is an offsetting revenue included in the Grants and Contributions revenue line item. The City also established the City of Bay Minette Redevelopment Authority and subsequently approved the creation of Cooperative Districts to facilitate economic development within the Redevelopment Authority's approved "development area".

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net position as presented in the Statement of Activities:

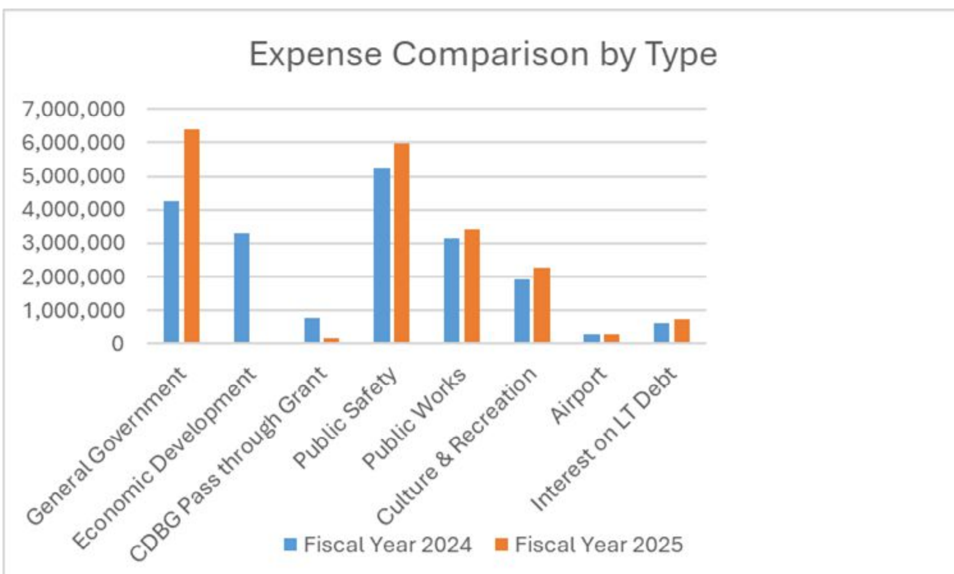
City of Bay Minette, AL
Statement of Activities

	Governmental Activities		Amount Change
	2025	2024	
Program Revenues:			
Charges for services	$ 1,626,351	$ 1,733,372	$ (107,021)
Grants and Contributions	3,451,241	2,257,926	1,193,315
General Revenues:			
Taxes	12,023,088	10,292,080	1,731,008
Licenses and permits	2,020,459	1,931,592	88,867
Fines and forfeitures	732,135	571,002	161,133
Investment income	18,531	80,576	(62,045)
Rent income	195,323	176,130	19,193
Miscellaneous	327,760	313,803	13,957
Proceeds from Sale of Property	1,300,000	-	1,300,000
Donations	100,930	26,897	74,033
Total revenues	$ 21,795,818	$ 17,383,378	$ 4,412,440
Program Expenses:			
General government	$ 6,401,583	$ 4,255,175	$ 2,146,408
CDBG Passthrough Grant	156,320	772,788	(616,468)
Economic development	-	3,300,000	(3,300,000)
Public safety	5,968,745	5,243,031	725,714
Public works	3,424,817	3,131,245	293,572
Culture and recreation	2,261,935	1,905,468	356,467
Airport	283,740	283,432	308
Interest on long-term debt	755,688	636,554	119,134
Total expenses	$ 19,252,828	$ 19,527,693	$ (274,865)
Change in net position	$ 2,542,990	$ (2,144,315)	$ 4,687,305
Net position, beginning	$ 31,852,665	$ 34,120,095	$ (2,267,430)
Change in Accounting Principle	$ -	$ (123,115)	$ 123,115
Net position, ending	$ 34,395,655	$ 31,852,665	$ 2,542,990

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2025 as compared to fiscal year 2024.



As graphically portrayed above, the City is heavily reliant on taxes to support governmental operations. Taxes provided 55% of the City's total governmental revenues in fiscal year 2025 and 59% in 2024.



Governmental activity expenses varied from the prior year due to Economic Development costs in 2024. Of the $19,252,828 of governmental expenditures, Public Safety made up 31% for 2025 and 27% for 2024.

General Fund Budgetary Highlights

The general fund budget for fiscal year 2025 was approximately $14,521,150. This was a decrease of approximately $93,000 from the prior year budget.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2025, the City's investment in capital assets, net of accumulated depreciation for governmental activities was $49,554,886. See Note 3 for additional information about changes in capital assets during the fiscal year.

Long-term Debt

As of September 30, 2025, the City had $24,272,719 of long-term debt outstanding, including bonds payable, notes payable, compensated absences and net pension liability. See Note 6 for additional information about changes in long-term debt during the fiscal year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional information, please contact the City Administrator/Finance Director at 301 D'Olive Street, Bay Minette, Alabama 36507.

AUDITED FINANCIAL STATEMENTS

KUBINA, HAYLES & RAY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 970 · 2100 HAND AVENUE
BAY MINETTE, ALABAMA 36507
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JIMMY C. KUBINA, C.P.A.
GEORGE A. HAYLES, C.P.A.
HANNAH B. RAY, C.P.A.

MEMBERS
ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
Of the City Council of the
City of Bay Minette, Alabama

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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 opinion.

Change in Accounting Principle

As described on page 26 of the notes to the financial statements, in 2025,the City adopted new accounting guidance, GASB Statement 101, Compensated Absences. 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 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 opinion. 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 management's discussion and analysis, the schedule of changes in the net pension liability, the schedule of employer pension plan contributions, and the budgetary comparison information on page 50 be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 October 15, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kubina, Hayles & Ray, P.C.

KUBINA, HAYLES & RAY, P.C.
Bay Minette, Alabama
October 15, 2025

City of Bay Minette, Alabama
Statement of Net Position
September 30, 2025

ASSETS		
Cash and Cash Equivalents	$	4,739,389
Cash and Cash Equivalents, Restricted		1,391,607
Investments		1,745,961
Receivables, Net		2,567,286
Other Assets:		
Right of Use Assets, Net		105,110
Land		7,316,336
Depreciable Capital Assets, Net		38,331,227
Construction in Progress		3,907,323
Prepaid and Other		69,764
Total Assets	$	60,174,003
Deferred Outflows of Resources		1,501,559
Total Assets and Deferred Outflows of Resources	$	61,675,562
LIABILITIES		
Accounts Payable and Accrued Liabilities	$	1,565,276
Noncurrent Liabilities:		
Due Within One Year:		
Short-Term Warrants Payable		727,381
Current Maturities of Bonds and Warrants Payable		410,144
Notes Payable and Capital Financing		266,558
Right of Use Liability		42,477
Due In More Than One Year:		
Bonds and Warrants Payable		17,917,142
Notes Payable and Capital Financing		2,642,290
Right of Use Liability		62,633
Compensated Absences		386,376
Net Pension Liability		1,922,828
Total Liabilities	$	25,943,105
Deferred Inflows of Resources		1,336,802
NET POSITION		
Net Investment in Capital Assets	$	28,318,752
Restricted - for Capital Improvements		967,717
Restricted - for Debt Service		269,002
Restricted - Other		154,888
Unrestricted		4,685,296
Total Net Position	$	34,395,655
Total Liabilities, Deferred Inflows of Resources and Net Position	$	61,675,562

City of Bay Minette, Alabama
Statement of Activities
For the Year Ended September 30, 2025

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	$ (6,401,583)	$ 238,062	$ 56,417	$ 1,579,912	$ (4,527,192)
CDBG Passthrough Grant	(156,320)	-	-	156,320	-
Public Safety	(5,968,745)	412,185	221,614	-	(5,334,946)
Public Works	(3,424,817)	3,900	-	-	(3,420,917)
Culture and Recreation	(2,261,935)	951,257		-	(1,310,678)
Airport	(283,740)	20,947	-	1,436,978	1,174,185
Interest on Long-Term Debt	(755,688)	-	-	-	(755,688)
	$ (19,252,828)	$ 1,626,351	$ 278,031	$ 3,173,210	$ (14,175,236)

General Revenues:	
Taxes	$ 12,023,088
Licenses and Permits	2,020,459
Fines and Forfeitures	732,135
Investment Income	18,531
Rent Income	195,323
Donations	100,930
Proceeds from Sale of Property	1,300,000
Miscellaneous	327,760
Total General Revenues	$ 16,718,226
Change in Net Position	$ 2,542,990
Net Position Beginning, As Restated, See Page 26	31,852,665
Net Position, Ending	$ 34,395,655

City of Bay Minette, Alabama
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Capital Projects Fund
ASSETS		
Cash and Cash Equivalents	$ 2,464,569	$ 377,848
Cash and Cash Equivalents - Restricted	269,002	-
Cash and Cash Equivalents - Committed	1,303,804	-
Cash and Cash Equivalents - Assigned	-	114,616
Investments	-	-
Receivables, Net	832,044	1,357,636
Total Assets	$ 4,869,419	$ 1,850,100
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 142,541	$ 920,928
Short-Term Debt	727,381	-
Total Liabilities	$ 869,922	$ 920,928
FUND BALANCE		
Nonspendable	$ -	$ -
Restricted	269,002	
Committed	1,303,804	-
Assigned	-	114,616
Unassigned	2,426,691	814,556
TOTAL FUND BALANCE	$ 3,999,497	$ 929,172
Total Liabilities and Fund Balance	$ 4,869,419	$ 1,850,100

Special Revenue Fund 03	Airport Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 49,678	$ 302,634	$ 3,194,729
967,717	-	154,888	1,391,607
-	-	92,212	1,396,016
-	-	34,028	148,644
-	-	1,745,961	1,745,961
-	377,606	-	2,567,286
$ 967,717	$ 427,284	$ 2,329,723	$ 10,444,243
$ 8,574	$ 397,481	$ 95,752	$ 1,565,276
-	-	-	727,381
$ 8,574	$ 397,481	$ 95,752	$ 2,292,657
$ -	$ -	$ -	$ -
959,143	-	154,888	1,383,033
-	-	92,212	1,396,016
-	-	34,028	148,644
-	29,803	1,952,843	5,223,893
$ 959,143	$ 29,803	$ 2,233,971	$ 8,151,586
$ 967,717	$ 427,284	$ 2,329,723	$ 10,444,243

City of Bay Minette, Alabama
Reconciliation of the Governmental Fund Balances
to the Net Position of Governmental Activities
September 30, 2025

Fund Balances of Governmental Funds as reported on page 14		$ 8,151,586
Amounts Presented for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets reported in the Statement of Net Position are not financial resources:		
Governmental Capital Assets	$ 75,474,292	
Less Accumulated Depreciation	(25,919,406)	49,554,886
Lease Right of Use Assets		105,110
Long-term liabilities are reported in the Statement of Net Position but they are not due and payable from financial resources in the current period and therefore are not reported as liabilities of fund balances:		
Bond and Warrants Payable - Long-term		(18,327,286)
Notes Payable - Long-Term		(2,908,848)
Lease Liabilites - Long-term		(105,110)
Liability for Compensated Absences		(386,376)
Unamortized Bond Insurance		69,764
Pension Related Amounts:		
Net Pension Liability		(1,922,828)
Deferred Outflows of Resources		1,501,559
Deferred Inflows of Resources		(1,336,802)
Net Position of Governmental Activities as reported on page 11		$ 34,395,655

City of Bay Minette, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025

	General Fund	Capital Projects Fund
Revenues:		
Taxes	$ 11,333,106	$ -
Licenses and Permits	2,020,459	-
Fines and Forfeitures	731,290	-
Investment Income	17,048	1,188
Rent Income	34,548	-
Donations	6,922	1,345,590
Federal, State and Local Grants	26,089	677,934
Proceeds from Sale of Property	-	1,300,000
Services and Miscellaneous	646,946	224,696
Total Revenues	$ 14,816,408	$ 3,549,408
Expenditures:		
Current:		
General Government	$ 3,858,074	$ 144,711
CDBG Passthrough Grant	-	156,320
Public Safety	4,999,862	295,003
Public Works	3,079,655	105,720
Culture and Recreation	1,396,619	-
Airport	-	-
Capital Expenditures	43,689	3,641,400
Debt Service:		
Principal	130,000	403,502
Interest on Long-Term Debt	262,530	460,237
Total Expenditures	$ 13,770,429	$ 5,206,893
Excess (Deficiency) of Revenues over Expenditures	$ 1,045,979	$ (1,657,485)
Other Financing Sources and (Uses)		
Transfers In	$ 942,864	$ 1,886,073
Transfers Out	(1,974,313)	(501,248)
Issuance of Bonds/Warrants	-	943,787
Total Other Financing Sources and (Uses)	(1,031,449)	2,328,612
Net Change in Fund Balances	$ 14,530	$ 671,127
Fund Balances		
Beginning	3,984,967	258,045
Ending	$ 3,999,497	$ 929,172

Special Revenue Fund 03	Airport Fund	Other Governmental Funds	Total Governmental Funds
$ 689,982	$ -	$ -	$ 12,023,088
-	-	-	2,020,459
-	-	845	732,135
295	-	-	18,531
-	112,027	48,748	195,323
-	-	28,330	1,380,842
	1,436,978	30,328	2,171,329
-	-	-	1,300,000
-	20,947	1,061,522	1,954,111
$ 690,277	$ 1,569,952	$ 1,169,773	$ 21,795,818
$ 28,890	$ -	$ 5,739	$ 4,037,414
-	-	-	156,320
-	-	46,274	5,341,139
11,153	-	-	3,196,528
2,634	-	752,956	2,152,209
-	36,064	-	36,064
1,919,643	1,540,387	130,937	7,276,056
45,667	-	-	579,169
32,921	-	-	755,688
$ 2,040,908	$ 1,576,451	$ 935,906	$ 23,530,587
$ (1,350,631)	$ (6,499)	$ 233,867	$ (1,734,769)
$ 1,814	$ -	$ 76,060	$ 2,906,811
(130,000)	-	(301,250)	(2,906,811)
1,784,364	-	1,745,961	4,474,112
1,656,178	-	1,520,771	4,474,112
$ 305,547	$ (6,499)	$ 1,754,638	$ 2,739,343
653,596	36,302	479,333	5,412,243
$ 959,143	$ 29,803	$ 2,233,971	$ 8,151,586

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

Net Change in Fund Balances - Total Governmental Funds, page 17		$ 2,739,343
Governmental Funds report capital investments as an expenditure, while the Statement of Activities reports depreciation expense on capital assets:		
Expenditures for capital assets, including construction in progress	$ 7,276,056	
Basis difference on disposal of capital assets	(1,684,499)	
Less current year depreciation	(1,918,742)	3,672,815
The issuance of long-term debt (e.g. Warrants, Leases, Notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other non-current liabilities also do not consume current financial resources.		
Debt Obligations Issued		(4,474,112)
Principal Repayments		579,169
Compensated Absences		(57,711)
Unamortized Bond Insurance		(2,735)
Other		
Pension Related Amounts:		
Net Pension Liability		1,294,484
Deferred Outflows of Resources		(405,929)
Deferred Inflows of Resources		(802,334)
Change in Net Position of Governmental Activities, page 12		$ 2,542,990

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bay Minette, Alabama (the City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), street and drainage, sanitation, culture and recreation, public improvements, and general administrative services. The accounting policies of the City of Bay Minette, Alabama conform to accounting principles generally accepted in the United States of America. The following is a summary of significant policies.

The Reporting Entity
The City's basic financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

As required by accounting principles generally accepted in the United States of America, the financial statements of the City include the accounts of all City operations. The City includes, as necessary, component units as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Criteria for including a component unit include: the organization is legally separate (can sue and be sued in their own name); whether the City holds the corporate powers of the organization; whether the City appoints a voting majority of the organization's board; whether the City is able to impose its will on the organization; whether the organization has the potential to impose a financial benefit/burden on the City and whether there is fiscal dependency by the organization on the City.

Blended Component Unit
The Bay Minette Municipal Airport Authority, Inc. is governed by a board appointed by the City's Mayor and elected council. The Authority holds title to certain parcels of land at, and adjacent to, the City airport. Financial management of the Airport is performed by the City's employees.

Related Organizations
The City is responsible for appointing a majority of the members of the boards of North Baldwin Utilities, the Housing Authority of the City of Bay Minette, the Industrial Development Authority of the City of Bay Minette, and the City of Bay Minette Redevelopment Authority; the City's accountability for these organizations does not extend beyond making appointments.

The City also coordinates certain economic development projects with the Cooperative District of Bay Minette – North Hoyle Project, the Cooperative District of Bay Minette – Hotel Project, and the Cooperative District of Bay Minette – McMeans Avenue I. The City's accountability for these organizations does not extend beyond making the appointment of one board member to each district's board. See Note 10 for a discussion of these projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation - Government-wide and Fund Level

Government-wide
The basic financial statements include government-wide and fund financial statements. The reporting model focuses on the City as a whole and on major funds. Government-wide and fund financial statements categorize primary activities as governmental or business-type.

In the Statement of Net Position, governmental and business-type activities (a) are presented using the economic resources measurement focus, and (b) reflect accrual accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. As a general rule, eliminations have been made to minimize the double-counting of internal activities. The Statement of Activities reflects both the gross and net cost per functional category (public works, police, fire, etc.) which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues. The program revenues must be directly associated with a function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Level
The governmental fund level financial statements are presented using the current financial resource method and the modified accrual basis of accounting. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation. The accounts of the City are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from nonexchange transactions or ancillary activities. The various funds are grouped into broad fund categories as follows:

The General Fund accounts for all revenues and expenditures of the City except those which must be accounted for by other funds, and it is the largest accounting activity of the City. These resources together with inter-fund revenues finance all of the current operations of the general governmental units which basically benefit all of the taxpayers or citizenry as a whole. In addition, it underwrites any deficits in other funds.

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance resolutions to finance particular activities or functions.

Debt Service Funds of the City are used to account for the payment of interest on, and principal of, most long-term debt not being financed by Proprietary Funds. They also provide the bond holders assurance that the provisions of the indentures relating to sinking fund requirements for principal and interest are met and that the security for the debt is protected. The City does not report any Debt Service Funds for the year ended September 30, 2025.

Capital Projects Funds are used to account for financial resources segregated for the acquisition of major capital facilities. A separate capital projects fund is used to account for the expenditures of the proceeds for each bond issue or grant when the fund is used for capital projects. The requirement of one fund for each source of revenue is necessitated by the fact that the accounting for particular revenue must show that the proceeds were spent only on the projects and for the purposes authorized, and that any unused proceeds are properly handled and accounted for in accordance with applicable legal, budgetary, and policy provisions.

The Airport Fund accounts for revenues, expenses, and grants which benefit the City through airport improvements and operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major governmental funds:

- General Fund
- Capital Projects Fund
- Special Revenue Fund 03
- The Airport Fund

Proprietary Funds are used to account for operations of the City that are: (a) financed and operated in a manner similar to private business enterprise, where the interest of the governing body is that the costs of providing goods or services to the general public on a continuing basis be recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or measurement of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City does not report any Proprietary Funds for the year ended September 30, 2025.

Capital Assets
The accounting treatment over capital assets depends on whether the assets are used by governmental funds or proprietary funds and fund level or government-wide reporting.

In government-wide reporting, all capital assets are reported as capital assets for both governmental-type and business-type activities. The City records as capital assets those having an original cost of $7,500 or more and over three years of useful life. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds, while they remain capital assets in proprietary funds. Depreciation is not provided in governmental funds at the fund level.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (government-wide level).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

• Buildings, Structures and Improvements	20 – 50 years
• Infrastructure and Improvements	20 – 50 years
• Equipment	7 – 10 years
• Vehicles	5 – 15 years

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Governmental wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they become measurable and available. The City considers sales taxes and similar taxes collected by an intermediary at year end but not remitted until the following fiscal year to be available and therefore recognized as revenues if collected within 30 days of the year end. Revenue which is not both measurable and available includes licenses, permits and fines. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Proprietary fund financial statements are presented on the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Budgetary Control

An annual budget is adopted for the general fund.

The City follows these procedures in establishing the budgetary data presented in the accompanying financial statements:

- Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

- Two consecutive public council meetings are conducted to provide taxpayers with an opportunity to ask questions or provide comments.

- Prior to October 1, the budget is legally enacted through passage of an ordinance.

- The Mayor and/or his designee is authorized to transfer budgeted amounts between departments within funds; however, revisions that alter the total budgeted expenditures must be approved by the City Council.

- Formal budgetary integration is employed as a management control device during the year for the general fund. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

For the fiscal year ended September 30, 2025, total general fund revenues exceeded budgeted amounts while total general fund expenditures also exceeded budgeted amounts; see page 50 for the General Fund – Budget and Actual Comparison which reflects an excess of revenues over expenditures.

Cash and Investments

The City considers all highly liquid debt instruments purchased with a original maturity of three months or less to be cash equivalents. Investments in money market accounts are stated at cost which approximates fair value.

Accounts Receivable

Accounts receivable are recorded on the accrual basis of accounting. Accounts receivable from taxes and fees were $832,044 at September 30, 2025. Accounts receivable from grants and reimbursements were $1,735,242 at September 30, 2025, including $1,300,000 due from the sale of property at McMeans Avenue to the Cooperative District of Bay Minette – McMeans Avenue I. Management is of the opinion that all accounts receivable are collectible.

Unearned Revenue

In the government-wide and fund level financial statements, unearned revenue represents amounts received which have not been earned, such as unexpended grants or governmental funding received in advance. At September 30, 2025, the City of Bay Minette had no unearned revenue to report.

Use of Estimates

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

Ad Valorem Taxes

Ad Valorem taxes are levied on the assessed property valuations as of October 1 each year. They are due on October 1, but are not considered delinquent until December 31, after which delinquent penalties are levied.

Inventories

Inventories (when held) are valued at cost which approximates market, using the first-in, first-out (FIFO) method.

Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. There were no instances of settlements that exceeded insurance coverage in the last three fiscal years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences – As restated
It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave. Accrued vacation is payable upon separation from service and a liability is accrued in the government wide Statement of Net Position; sick leave is not, however, available to be paid to employees upon separation from service, and in accordance with GASB Statement 101, Compensated Absences only the amount of accumulated sick leave that has been earned and is anticipated to be used or settled through cash and noncash means is accrued. The amount of liability accrued for compensated absences is $386,376 at September 30, 2025.

In governmental funds, the cost of both vacation and sick leave is recognized when payments are made to employees. There was no current liability recorded in the governmental fund types under the modified accrual basis because expenditures are expected to be made from future revenues rather than from expendable available resources.

Change in Accounting Principle and Restatement of Net Position
During the year ending September 30, 2025, the City adopted new accounting guidance by implementing provisions of GASB Statement number 101. GASB Statement No. 101, Compensated Absences, prescribed a new approach to the recognition and measurement for compensated absences. Whereas the City previously recorded accumulated sick leave liability to the extent that the City believed would be paid upon employee severance, the new guidance requires accumulated sick leave liability to also include leave that is earned and anticipated to be used or settled through cash and noncash means. The paragraph above reflects the liability for the City's compensated absences. The adoption and restatement resulted in a decrease of beginning net position of $123,115.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Position and Equity Classifications

Government-wide Financial Statements:
The City adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, that superseded GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government.

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

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.

- Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- Unrestricted net position - The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund balance is classified into one of the following five categories:

- Nonspendable fund balance - Consists of amounts that are not in a spendable form or are required to be maintained intact.

- Restricted fund balance - Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.

- Committed fund balance - Consists of fund balances that are useable only for specific purposes by formal action of the government's highest level of decision making authority. The City's highest level of decision making lies with the Mayor of the City and the City Council. In order to establish, modify or rescind a fund balance commitment, the Mayor and City Council must pass a law or ordinance by formal action committing the funds.

- Assigned fund balance - Consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself, or (2) a subordinate high-level body or official which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Mayor and the City Council have the power to assign fund balance amounts to specific purposes. The governing body must vote to grant authorization of assigned fund balances to specific purposes.

- Unassigned fund balance - All other fund balances that do not meet the definition of "nonspendable, restricted, committed, or assigned fund balances."

The City considers restricted fund balances to have been spent when both restricted and unrestricted fund balances are available. Also, the City considers assigned and committed fund balances to have been spent when unassigned or unrestricted amounts are available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Grant Proceeds in Governmental Funds
The City received/accrued proceeds from various grants during the fiscal year 2025. These and other capital grants and donations are recorded as capital grants and donations on the Statement of Revenues, Expenses and Changes in Fund Net Balance.

Reclassifications
Certain reclassifications have been made to the 2024 financial statement presentation to correspond to the current year's format. Total equity and net income remain unchanged due to these reclassifications.

Subsequent Events
The City of Bay Minette, Alabama has evaluated subsequent events through October 15, 2025, the date which the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2025, the City had an investment in Federated Hermes U.S. Treasury Cash Reserves Fund #125 (CUSIP # 60934N682) through its trustee agreement for debt sinking funds. The fair value of the investment was $269,002. The average maturity of the portfolio was 41 days.

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

Credit Risk
State statutes authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of the state, and SEC registered mutual funds holding like maturities. The City has no investment policy that further limits investment choices.

Custodial Credit Risk
The City is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledge collateral coverage for all governments and agencies in the State and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution.

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED

The State guarantees deposits identified as "public funds" will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

To assist with economic development, the City has provided financing to the Cooperative District of Bay Minette – North Hoyle Project by purchasing the District's Limited Obligation Revenue Bond 2024 in the amount of $1,745,961 at September 30, 2025. The purchase of the bond is reflected as an investment on the City's Statement of Net Position at September 30, 2025.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets during the fiscal year were as follows:

	Balance 10/01/24	Additions	Reclass/ Retirements	Balance 09/30/25
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 6,586,261	$ 1,309,228	$ 579,153	$ 7,316,336
Construction in Progress	356,914	3,907,323	356,914	3,907,323
Capital assets not being depreciated	$ 6,943,175	$ 5,216,551	$ 936,067	$ 11,223,659
Capital assets being depreciated				
Buildings and Structures	$ 32,393,141	$ 952,717	$ 1,667,808	$ 31,678,050
Infrastructure (Streets, Roads, Drainage Systems)	17,438,188	179,113	85,749	17,531,552
Vehicles and equipment	14,069,001	1,284,589	312,559	15,041,031
Capital assets being depreciated	$ 63,900,330	$ 2,416,419	$ 2,066,116	$ 64,250,633
Total Capital Assets	$ 70,843,505	$ 7,632,970	$ 3,002,183	$ 75,474,292
Less accumulated depreciation for:				
Buildings and Structures	$ 8,354,923	$ 731,464	$ 660,546	$ 8,425,841
Infrastructure	6,086,031	372,513	34,854	6,423,690
Vehicles and equipment	10,520,479	814,765	265,369	11,069,875
Total accumulated depreciation	$ 24,961,433	$ 1,918,742	$ 960,769	$ 25,919,406
Total Capital assets, net	$ 45,882,072	$ 5,714,228	$ 2,041,414	$ 49,554,886

NOTE 3 - CAPITAL ASSETS, CONTINUED

Depreciation was charged to governmental activities as follows:

General	$ 705,442
Public Safety	627,607
Public Works	228,288
Culture and Recreation	109,727
Airport	247,678
Total	$ 1,918,742

NOTE 4 – RIGHT OF USE ASSETS AND LEASE LIABILITY

The City entered into certain leases for equipment. Approximate future maximum principal and interest payments under these leases at September 30, 2025, are as follows:

	2025		
	Principal	Interest	Total
2026	$ 42,477	$ 4,289	$ 46,766
2027	22,378	3,002	25,380
2028	23,692	1,688	25,380
2029	16,563	357	16,920
2030	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-
	$ 105,110	$ 9,336	$ 114,446
Less Current	42,477	4,289	46,766
Long Term	$ 62,633	$ 5,047	$ 67,680

	2025			
	Right of Use Asset Balance 10/1/2024	Additions	Amortization	Right of Use Asset Balance 9/30/2025
Leased Equipment	$ 63,490	$ 83,770	$ (42,150)	$ 105,110
Total	$ 63,490	$ 83,770	$ (42,150)	$ 105,110

NOTE 5 – SHORT-TERM DEBT

Short-term debt activity for the year ended September 30, 2025 was as follows:

	2024			
	Balance 10/01/24	Issued or Assumed	Reductions	Balance 9/30/25
General Obligation Warrants	$ 825,000	$ -0-	$ 97,619	$ 727,381
Total	$ 825,000	$ -0-	$ 97,619	$ 727,381

On September 6, 2024 the City issued a Taxable General Obligation Warrant Series 2024, to provide a short term, revolving line of credit not to exceed $5,000,000, which was renewed on September 8, 2025 and is due and payable on September 8, 2026. Interest is variable and is due monthly until maturity. The balance outstanding at September 30, 2025 was $727,381.

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Warrants	$ 16,791,667	$ -0-	$ 395,000	$ 16,396,667	$ 400,000
Notes Payable, Capital Financing Activities, and General Obligation Warrants from Direct Borrowings:					
General Obligation Warrants	194,328	1,745,961	9,669	1,930,620	10,144
Notes Payable	-0-	-0-	-0-	-0-	-0-
Capital Financing	355,197	2,728,151	174,500	2,908,848	266,558
	549,525	4,474,112	184,169	4,839,468	276,702
Net Pension Liability	3,217,312	-0-	1,294,484	1,922,828	-0-
Compensated Absences - as restated, net change	328,665	57,711	-0-	386,376	-0-
	3,545,977	57,711	1,294,484	2,309,204	-0-
Governmental Activities, long-term liabilities	20,887,169	4,531,823	1,873,653	23,545,339	676,702
Total Long-term Liabilities	$ 20,887,169	$ 4,531,823	$ 1,873,653	$ 23,545,339	$ 676,702

Compensated absences and the Net Pension Liability, typically, have been liquidated in the general fund.

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

General Obligation Warrants were comprised of the following at September 30, 2025:

Series 2008 General Obligation Warrants; due monthly with interest at 3.60%, maturing November 20, 2029.	$ 446,667
Series 2018 General Obligation Economic Development Improvement Warrants payable with interest ranging from 3.00% to 4.00%, payable on February 15, and August 15, with principal due in annual installments beginning August 15, 2029 and ranging from $80,000 to $295,000 through August 15, 2047.	4,045,000
Series 2022 General Obligation Warrants payable with interest ranging from .50% to 3.00%, payable on January 1 and July 1, with principal due in annual installments beginning January 1, 2024, and ranging from $160,000 to $295,000 through January 1, 2047.	4,820,000
Series 2023A General Obligation Warrants payable with interest ranging from 3.00% to 4.125%, payable on January 1 and July 1, with principal due in annual installments beginning January 1, 2024, and ranging from $100,000 to $290,000 through January 1, 2053.	4,985,000
Series 2023B General Obligation Warrants payable with interest ranging from 4.10% to 4.125%, payable on January 1 and July 1, with principal due in annual installments beginning January 1, 2048, and ranging from $315,000 to $385,000 through January 1, 2053.	2,100,000
	$ 16,396,667

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

Notes Payable, Capital Financing Activities and General Obligation Warrants from Direct Borrowings were comprised of the following at September 30, 2025:

Direct Borrowings	
Series 2019 General Obligation Warrants; Payable in monthly installments of $1,560.18 with interest at 4.75%, maturing April 5, 2039.	$ 184,658
Series 2024-B General Obligation Warrants; Payable in monthly installments with interest at 6.27%, and the remaining balance due December 15, 2029.	1,745,961
Capital financing activity payable for purchase of equipment, due in 9 annual installments of $54,751.25, including interest at 3.07% and maturing December, 2029.	250,244
Capital financing activity payable for purchase of equipment, due in monthly installments of $18,027.38, including interest at 5.29% and maturing April, 2030.	874,241
Capital financing activity payable for purchase of equipment, due in 9 annual installments of $263,347.20, including interest at 4.98% and maturing October, 2034.	1,784,364
	$ 4,839,468
Total General Obligation Bonds/Warrants, Notes Payable, and Capital Financing Activity, including Direct Borrowings	$ 21,236,135

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

Annual debt service requirements to maturity for general obligation bonds and warrants, notes payable and capital financing activities are as follows:

Year Ending	Gen. Obligation Warrants		Direct Borrowings	
September 30,	Principal	Interest	Principal	Interest
2025	$ 400,000	$ 580,423	$ 276,702	$ 245,740
2026	410,000	573,573	376,131	251,148
2027	410,000	573,004	482,840	223,694
2028	421,667	557,095	511,246	195,288
2029	455,000	537,270	1,922,325	102,377
2030-2034	2,495,000	2,379,230	1,212,299	203,839
2035-2039	2,975,000	1,913,340	57,925	4,934
2040-2044	3,555,000	1,359,320	-	-
2045-2049	2,985,000	626,391	-	-
2050-2054	2,290,000	111,375	-	-
Thereafter	-	-	-	-
	$16,396,667	$ 9,211,021	$ 4,839,468	$ 1,227,020

The bond agreement authorizing the 2008 warrant includes a provision requiring the City to pay, upon early payoff of the warrants (if occurring), an amount equivalent to the value of a certain interest rate swap between U.S. Bank and Bank of NY Mellon. The City is not counterparty to the swap; however the City’s liability related to the agreement, contingent on early payoff, is estimated to be $9,639 at September 30, 2025. If the warrants are outstanding to normal maturity no additional amounts are owed related to the swap agreement.

NOTE 7 - DEBT ISSUANCE COST

Issuance expense, except any portion related to prepaid insurance costs, on long-term debt is accounted for as costs relating to the services provided in the current period and, as such, is expensed in the current period. For governmental funds, bond discounts/premiums are treated as other financing sources (uses) in the year of issue in the fund financial statements. In the government-wide financial statements and proprietary fund financial statements, bond discounts/premiums are presented as a reduction/addition to the face amount of the bonds payable.

NOTE 8 - PENSION PLAN

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Employees Retirement System of Alabama (RSA), an agency multiple-employer pension plan. The State of Alabama has the authority to establish and amend the benefit provisions of the plans that participate. RSA issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The RSA was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing 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 general administration and operation of the RSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6.

Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the City authority to accept or reject various cost-of-living adjustments granted to retirees. RSA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may 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) Four vested active employees of specified employer classes participating in ERS pursuant to 36-27-6.

NOTE 8 - PENSION PLAN, CONTINUED

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 608 employers adopted Act 2019-132 as of September 30, 2022.

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.

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

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit.

NOTE 8 - PENSION PLAN, CONTINUED

Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. 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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 890 local participating employers. The ERS membership includes approximately 117,309 participants.

As of September 30, 2024, membership of ERS in total, and of the City's plan, consists of:

	ERS in Total	City of Bay Minette
Retirees and beneficiaries currently receiving benefits	32,477	42
Terminated employees entitled to but not yet receiving benefits	2,425	8
Terminated employees not entitled to a benefit	22,097	76
Post-DROP participants who Are still in active service	31	0
Active Members	60,279	121
Total	117,309	247

Contributions

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 pre-retirement death benefit and administrative expenses of the Plan.

NOTE 8 - PENSION PLAN, CONTINUED

The City's contractually required contribution rate for the year ended September 30, 2025 was 8.73% for Tier 1 employees, and 6.30% for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2022, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were $497,691 for the year ended September 30, 2025.

Net Pension Liability

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

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) **Total Pension Liability** as of September 30, 2023	$ 15,985,813	$ 16,362,118	$ 16,362,118
(b) **Discount Rate**	7.45%	7.45%	7.45%
(c) **Entry Age Normal Cost** for the period October 1, 2023 to September 30, 2024	583,147	583,147	583,147
(d) **Transfers Among Employees**	0	(164,007)	(164,007)
(e) **Actual Benefit Payments & Refunds** for October 1, 2023 to September 30, 2024	(783,395)	(783,395)	(783,395)
(f) **Total Pension Liability** as of September 30, 2024 [(a)x(1+(b))]+(c)+(d)+[(e)x(1+0.5x(b))]	$ 16,947,327	$ 17,187,660	$ 17,187,660
(g) **Difference between Expected and Actual Experience (Gain)/Loss**		$ 240,333	
(h) **Less Liability Transferred**		(164,007)	
(i) **Experience (Gain) Loss**		$ 404,340	
(j) **Difference between Actual TPL Before and After Plan Changes – Benefit Change (Gain) Loss**			$ -0-

NOTE 8 - PENSION PLAN, CONTINUED

Actuarial Assumptions
The total pension liability as of September 30, 2024 was determined as part of actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) 7.45% investment rate of return (net of pension plan investment expense), (b) projected salary increases ranging from 3.25% to 6.00% per year, and an inflation component of 2.50%.

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2000 scale, which is adjusted by 66-2/3% beginning with year 2019. The actuarial assumptions used in the September 30, 2022 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.80%
U.S. Large Stocks	32.0%	8.00%
U.S Mid Stocks	9.0%	10.00%
U.S. Small Stocks	4.0%	11.00%
International Developed Mkt Stks	12.0%	9.50%
International Emerging Mkt Stks	3.0%	11.00%
Alternatives	10.0%	9.00%
Real Estate	10.0%	6.50%
Cash	5.0%	1.50%
	100.0%	

*Includes assumed rate of inflation of 2.0%

NOTE 8 - PENSION PLAN, CONTINUED

Discount Rate

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

Changes in the Net Pension Liability – Measurement Date September 30, 2024

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2023	$ 15,985,813	$12,768,501	$ 3,217,312
Changes for the year:			
Service cost	583,147	-	583,147
Interest	1,161,762	-	1,161,762
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	404,340	-	404,340
Contributions - employer	-	374,467	(374,467)
Contributions - employee	-	391,961	(391,961)
Net investment income	-	2,677,305	(2,677,305)
Benefit payments, including refunds of employee contributions	(783,396)	(783,396)	–
Administrative expense	-	-	-
Transfers among employers	(164,007)	(164,007)	-
Net Changes	1,201,847	2,496,331	(1,294,484)
Balances at September 30, 2024	$ 17,187,660	$15,264,832	$ 1,922,828

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

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Net pension liability	$ 4,192,848	$ 1,922,828	$ 39,762

NOTE 8 - PENSION PLAN, CONTINUED

Pension plan fiduciary net position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $398,627. Components of pension expense recognized for the year ended September 30, 2025 are as follows:

Service Cost	$ 583,147
Interest on the total pension liability	1,161,762
Current period benefit changes	-
Expensed portion of current period difference between expected and actual experience in the total pension liability	77,758
Expensed portion of the current period changes of assumptions	-
Member contributions	(391,961)
Projected earnings on plan investments	(944,512)
Expensed portion of current period differences between actual and projected earnings on plan investments	(346,559)
Recognition of beginning deferred outflows of resources as pension expense	464,216
Recognition of beginning deferred inflows of resources as pension expense	(205,224)
Pension Expense Recognized	$ 398,627

NOTE 8 - PENSION PLAN, CONTINUED

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 825,134	$ 329,244
Changes of assumptions	178,734	-
Net difference between projected and actual earnings on plan investments	-	1,007,558
Employer contributions subsequent to measurement date	497,691	-
Total	$ 1,501,559	$ 1,336,802

The $497,691 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the City's net pension liability in the year ending September 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be amortized in pension expense in accordance with the following schedule of years ending September 30:

Amort. Year	Actual and Expected Experience	Investment Gains/Losses	Assumption Changes	Total
2026	$ 108,461	$ (254,074)	$ 119,157	$ (26,456)
2027	93,375	66,050	59,577	219,002
2028	188,233	(472,977)	-0-	(284,744)
2029	90,271	(346,557)	-0-	(256,286)
2030	15,550	-0-	-0-	15,550
Thereafter	-0-	-0-	-0-	-0-
Total	$ 495,890	$ (1,007,558)	$ 178,734	$ (332,934)

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due or to the general fund, and 2) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 10 – ECONOMIC DEVELOPMENT INCENTIVE OBLIGATIONS

The City, in conjunction with the Industrial Development Board of the City of Bay Minette and the Baldwin County Economic Development Alliance enters into economic development incentive agreements with entities that propose to locate businesses within the city, or expand businesses within the City, which are expected to provide stimulus to the City's economy. These agreements provide for full or partial abatement of sales, use and/or property taxes, as well as other financial commitments. Property taxes are abated through reductions of assessed values. Sales and use taxes are abated either through exemptions granted on purchases for specified construction or equipment-purchase purposes or through tax rebate arrangements. The agreements have limited terms of duration and/or maximum thresholds.

As a result of these agreements the City expects to receive economic benefits including but not limited to increased revenue, job creation and job retention. These incentive agreements require approval by the Mayor and City Council and are pursuant to *Chapter 54A of Title 11 of the code of Alabama 1975, as amended and Chapter 9B of Title 40 of the Code of Alabama 1975,* as amended. Some agreements provide for the repayment to the City of abated amounts if the entity ceases to operate its business for a certain length of time, fails to produce and maintain a certain level of employment or fails to complete construction within a certain length of time.

The City does not collect property taxes. The Revenue Commissioner of Baldwin County is responsible for such collections.

Property taxes abated – fiscal year 2025 $ 15,759

NOTE 10 – ECONOMIC DEVELOPMENT INCENTIVE OBLIGATIONS, CONTINUED

The City also coordinates certain economic development projects with the Cooperative District of Bay Minette – North Hoyle Project, the Cooperative District of Bay Minette – Hotel Project, and the Cooperative District of Bay Minette – McMeans Avenue I. Significant transactions during the year ended September 30, 2025 are:

1) The City loaned the Cooperative District of Bay Minette – North Hoyle Project $1,745,961 which is secured by the District's issuance of the Cooperative District of Bay Minette – North Hoyle Project Limited Obligation Revenue Bond 2024. These funds will be used in economic development within the District and are to be repaid out of certain fees and charges imposed by the District.

2) The City has approved a Limited Obligation Project Revenue Warrant in the amount of $2,000,000 in support of the Cooperative District of Bay Minette – Hotel Project; however, no funds have been drawn on the warrant at September 30, 2025.

3) The City transferred property at McMeans Avenue to the Cooperative District of Bay Minette – McMeans Avenue I under a sales agreement in the amount of $1,300,000. This amount is currently reflected as a receivable from the District on the City's Statement of Net Position at September 30, 2025 and will be paid to the City by the District, as the Project progresses.

NOTE 11 – CONTINGENCIES

The City is party to various legal proceedings which normally occur in governmental operations. The City's administration is of the opinion that it is reasonably possible that these legal proceedings could have a material adverse impact to the City, however the amount of any impact is not estimable.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAY MINETTE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE MEASUREMENT PERIOD ENDED SEPTEMBER 30,

	2024	2023	2022	2021
Total Pension Liability				
Service Cost	$ 583,147	$ 507,503	$ 444,838	$ 431,066
Interest	1,161,762	1,070,885	1,074,139	982,065
Changes of Benefit Terms	-	-	8,659	-
Difference between expected and actual experience	404,340	638,078	(746,613)	405,904
Changes of assumptions	-	-	-	655,362
Benefit payments, including refunds of employee contributions	(783,395)	(872,012)	(778,269)	(848,596)
Transfers among Employers	(164,007)	(168,936)	430	2,916
Net change in total pension liability	1,201,847	1,175,518	3,184	1,628,717
Total Pension Liability - beginning	15,985,813	14,810,295	14,807,111	13,178,394
Total Pension Liability - ending (a)	$ 17,187,660	$ 15,985,813	$ 14,810,295	$ 14,807,111
Plan Fiduciary Net Position				
Contributions - employer	$ 374,467	$ 400,188	$ 332,940	$ 313,353
Contributions - employee	391,961	360,912	347,955	294,411
Net investment income	2,677,305	1,483,264	(1,703,052)	2,450,228
Benefit payments, including refunds of employee contributions	(783,395)	(872,012)	(778,269)	(848,596)
Transfers among employers	(164,007)	(168,936)	430	2,916
Net change in plan fiduciary net position	2,496,331	1,203,416	(1,799,996)	2,212,312
Plan Net Position - beginning	12,768,501	11,565,085	13,365,081	11,152,769
Plan Net Position - ending (b)	$ 15,264,832	$ 12,768,501	$ 11,565,085	$ 13,365,081
Net pension liability (asset)- ending (a) - (b)	$ 1,922,828	$ 3,217,312	$ 3,245,210	$ 1,442,030
Plan fiduciary net position as a percentage of the total pension liability	88.81%	79.87%	78.09%	90.26%
Covered payroll*	$ 6,206,023	$ 5,907,628	$ 5,495,140	$ 4,880,038
Net pension asset (liability) as a percentage of covered payroll	30.98%	54.46%	59.06%	29.55%

* Employer's covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll)

2020	2019	2018	2017	2016	2015
$ 337,912	$ 341,421	$ 313,301	$ 328,279	$ 290,849	$ 302,046
921,470	894,829	862,397	829,790	807,960	799,426
248,832	-	-	-	-	-
(109,060)	(80,601)	(235,164)	78,050	(152,029)	(352,893)
-	-	64,244	-	368,655	-
(756,788)	(708,332)	(753,223)	(636,044)	(689,649)	(594,167)
190,491	(77,106)	219,458	(120,757)	(45,112)	-
832,857	370,211	471,013	479,318	580,674	154,412
12,345,537	11,975,326	11,504,313	11,024,995	10,444,321	10,289,909
$ 13,178,394	$ 12,345,537	$ 11,975,326	$ 11,504,313	$ 11,024,995	$ 10,444,321
$ 304,759	$ 265,757	$ 288,629	$ 264,973	$ 297,262	$ 309,050
269,282	229,809	213,254	204,715	204,383	183,124
602,643	267,559	896,262	1,117,349	830,619	97,863
(756,788)	(708,332)	(753,223)	(636,044)	(689,649)	(594,167)
190,491	(77,106)	219,458	(120,757)	(45,112)	(46,327)
610,387	(22,313)	864,380	830,236	597,503	(50,457)
10,542,382	10,564,695	9,700,315	8,870,079	8,272,576	8,323,033
$ 11,152,769	$ 10,542,382	$ 10,564,695	$ 9,700,315	$ 8,870,079	$ 8,272,576
$ 2,025,625	$ 1,803,155	$ 1,410,631	$ 1,803,998	$ 2,154,916	$ 2,171,745
84.63%	85.39%	88.22%	84.32%	80.45%	79.21%
$ 4,608,261	$ 4,150,819	$ 3,954,494	$ 3,865,538	$ 3,832,383	$ 3,625,607
43.96%	43.44%	35.67%	46.67%	56.23%	59.90%

CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE
EMPLOYEES RETIREMENT SYSTEM
FOR THE YEARS ENDED SEPTEMBER 30,

	2025	2024	2023	2022
Actuarially determined Contribution	$ 497,691	$ 387,310	$ 397,268	$ 361,944
Contributions in relation to the actuarially determined contribution	497,691	387,310	367,268	361,944
Contribution variance	$ -	$ -	$ -	$ -
Covered payroll	$ 6,968,019	$ 6,206,023	$ 5,907,628	$ 5,495,140
Contributions as a percentage of covered payroll	7.14%	6.24%	6.73%	6.58%

Notes to Schedule

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

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

Actuarial cost method:	Entry Age
Amortization method:	Level percent closed
Remaining amortization period:	15.9 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

2021	2020	2019	2018	2017	2016
$ 334,306	$ 304,735	$ 284,893	$ 288,685	$ 285,428	$ 312,428
334,306	304,735	284,893	288,685	285,428	312,428
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,880,038	$ 4,608,261	$ 4,150,819	$ 3,954,494	$ 3,865,538	$ 3,832,383
6.85%	6.61%	6.87%	7.30%	7.38%	8.15%

City of Bay Minette, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund - Budget and Actual
For the Year Ended September 30, 2025

	Budget		Actual Budgetary	
	Original	Final	Basis	Variance
Revenues:				
Taxes	$ 10,220,000	$ 10,255,000	$ 11,520,914	$ 1,265,914
Licenses and Permits	1,904,250	2,055,750	2,020,459	(35,291)
Fines and Forfeitures	540,000	630,000	731,290	101,290
Investment Income	25,000	25,000	17,048	(7,952)
Rent Income	20,000	23,500	34,548	11,048
Services and Miscellaneous	1,534,900	1,531,900	1,298,154	(233,746)
Total Revenues	$ 14,244,150	$ 14,521,150	$ 15,622,413	$ 1,101,263
Expenditures				
Current:				
General Government	$ 3,615,702	$ 3,690,353	$ 3,836,012	$ 145,659
Public Safety	4,589,887	4,817,661	5,001,676	184,015
Public Works	3,264,300	3,203,185	3,078,361	(124,824)
Culture and Recreation	1,298,981	1,334,671	1,447,556	112,885
Capital Expenditures				
and Capital Transfers	500,000	500,000	1,054,507	554,507
Reserve	36,000	36,000	36,000	-
Debt Service:				
Principal	563,955	563,955	525,000	(38,955)
Interest on Long-Term Debt	375,325	375,325	355,952	(19,373)
Total Expenditures	$ 14,244,150	$ 14,521,150	$ 15,335,064	$ 813,914
Excess of				
Revenues over Expenditures	$ -	$ -	$ 287,349	

The Notes are an Integral Part of These Financial Statements

COMPLIANCE SECTION

OTHER SUPPLEMENTARY INFORMATION

CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/ Program Title	Assistance Listing Number	Assistance Period	Expenditures
U.S. Department of Transportation -			
Passed through the Alabama Department of Transportation:			
Airport Improvement Program	20.106	10/01/2024-09/30/2025	**$ 1,309,367**
U.S. Department of Justice -			
Passed through the Alabama Department of Economic and Community Development:			
Edward Byrne Memorial Justice Assistance Grant	16.738	10/01/2024-09/30/2025	**$ 202,217**
U.S. Department of Housing and Urban Development -			
Passed through the Alabama Department of Economic and Community Development:			
Community Development Block Grant	14.228	10/01/2024-09/30/2025	**$ 156,320**
U.S. Department of Commerce -			
Passed through the Alabama Department of Conservation and Natural Resources			
Coastal Zone Management Administration Awards	11.419	10/01/2024-09/30/2025	**$ 50,000**
U.S. Department of Health and Human Services -			
Passed through the South Alabama Regional Planning Commission:			
Special Programs for the Aging, Title III	93.043	10/01/2024-09/30/2025	**$ 20,000**
U.S. Department of Justice -			
Passed through the Mobile Alabama County Commission:			
National Priority Safety Programs	20.617	10/01/2024-09/30/2025	**$ 19,032**
Institute of Museum and Library Services			
Passed through the Alabama Public Library Service:			
LSTA Gants to States	45.310	10/01/2024-09/30/2025	**$ 12,000**
U.S. Department of Justice -			
Bulletproof Vest Partnership Program	16.607	10/01/2024-09/30/2025	**$ 365**
			$ 1,769,301

The Notes are an Integral Part of These Financial Statements

Note 1 - Significant Accounting Policies

A. **Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance).

1. **Federal Awards** - According to the Single Audit Act Amendments of 1996 (Public Law 104-156) and the Uniform Guidance, Federal Awards consist of Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

2. **Federal Financial Assistance** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and the Uniform Guidance, Federal financial assistance is defined as assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

3. **Major Programs** - A risk-based approach to determine which Federal programs are major programs is required. Federal programs are classified as either Type A or Type B programs. The dollar threshold used to distinguish between Type A and Type B programs is $1,000,000.

4. **Indirect Costs** – The City has not elected to use the 10% de minimus indirect cost rule under Uniform Guidance.

B. **Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The information presented in the Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred except for: (1) inventories of materials and supplies which are considered expenditures when consumed; (2) principal and interest on long-term debts which is generally recognized when due.

Note 2 – Sub-Recipients

Of the federal expenditures presented in the schedule, the City provided federal awards to sub-recipients as follows:

Community Development Block Grant Assistance Listing Number 14.228	$ 156,320
Edward Byrne Memorial Justice Assistance Grant Assistance Listing Number 16.738	$ 170,745

ADDITIONAL INFORMATION

KUBINA, HAYLES & RAY, P.C.

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MEMBERS
ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
Of the City Council of the
City of Bay Minette, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bay Minette, Alabama, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively compose the City of Bay Minette, Alabama's basic financial statements and have issued our report thereon dated October 15, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the City of Bay Minette, Alabama's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bay Minette, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bay Minette, Alabama'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kubina, Hayles & Ray, P.C.

KUBINA, HAYLES & RAY, P.C.
Bay Minette, Alabama
October 15, 2025

KUBINA, HAYLES & RAY, P.C.

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
Of the City Council of the
City of Bay Minette, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City's 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, 2025. 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, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Kubina, Hayles & Ray, P.C.

KUBINA, HAYLES & RAY, P.C.
Bay Minette, Alabama
October 15, 2025

CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of the City of Bay Minette, Alabama.

2. No material weaknesses were identified relative to internal control over financial reporting.

3. No significant deficiencies identified that are not considered to be material weaknesses are reported relative to internal control over financial reporting.

4. No instances of noncompliance material to the consolidated financial statements of the City of Bay Minette, Alabama were noted.

5. No material weaknesses were identified relative to internal control over major programs.

6. No significant deficiencies identified that are not considered to be material weaknesses are reported relative to internal control over major programs.

7. The auditors' report on compliance for the major federal programs for the City of Bay Minette, Alabama expresses an unqualified opinion.

8. No audit findings are disclosed that are required to be reported in accordance with the Uniform Guidance.

9. The program tested as a major program was:

   Airport Improvement Program, Assistance Listing #20.106

10. The threshold for distinguishing Type A and B programs was $1,000,000.

11. The City of Bay Minette, Alabama was determined to be a low-risk auditee.

CITY OF BAY MINETTE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2025

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

None Identified

C. FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARDS PROGRAM

None Identified

STATISTICAL SECTION (UNAUDITED)

The following statistical information, which is an integral part of the City of Bay Minette's annual comprehensive financial report, offer detailed information to assist the reader in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial well-being. In the event historical data was unavailable, the data is omitted and replaced with an asterisk(*).

Contents

Financial Trends

- These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.

Revenue Capacity

- These schedules contain information to assist the reader in assessing the City's most significant local revenue sources.

Debt Capacity

- These schedules present information to assist the reader in assessing the affordability of the City's current level of outstanding debt and its ability to issue additional debt in the future.

Population Trends & Census Data

- These schedules provide the reader with an understanding of the environment within which the City's financial activities take place.

CITY OF BAY MINETTE, ALABAMA

Combined Statement of Revenues, Expenditures and Changes in Fund Balance

Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
Taxes	$12,023,088	$10,292,080	$9,616,949	$8,697,974	$8,218,254	$7,492,884	$7,370,259	$6,847,841	$6,684,070	$6,654,165
License and Permits	2,020,459	1,931,592	1,746,042	1,459,779	1,718,134	1,430,229	1,454,847	1,388,975	1,326,989	1,297,390
Fines and Forfeitures	732,135	571,002	542,365	733,122	895,361	723,106	833,233	554,853	261,735	269,307
Charges and Services	1,626,351	1,733,372	1,809,373	1,732,145	1,883,359	1,728,910	1,807,991	1,511,607	0	0
Investment Income	18,531	80,576	72,965	4,875	1,213	9,601	16,069	10,644	7,096	6,013
Rent Income	195,323	176,130	178,869	148,207	139,724	105,807	133,808	111,152	104,177	97,259
Donated Assets	1,579,912	26,897	90,443	36,094	64,325	61,834	170,240	43,119	38,174	23,233
Local Grants	202,958	425,260	870	24,000	8,835	232,571	266,282	82,092	349,857	0
Federal Grants	1,769,301	1,832,666	2,070,649	1,179,355	1,966,131	1,536,685	321,515	1,389,350	809,142	964,281
Miscellaneous/Other	1,627,760	313,803	393,267	294,317	265,659	310,417	242,216	278,157	1,737,589	1,716,858
Total Revenues	$21,795,818	$17,383,378	$16,521,792	$14,309,868	$15,160,995	$13,632,044	$12,616,460	$12,217,790	$11,318,829	$11,028,506
Expenditures										
General Government	$4,037,414	$3,212,229	$3,268,563	$3,281,681	$4,232,583	$3,146,048	$3,023,077	$2,566,820	$2,326,040	$1,904,575
Public Safety	5,341,139	4,764,485	4,485,259	4,027,324	3,671,033	3,341,735	3,129,083	3,091,294	2,985,938	2,823,304
Public Works	3,196,528	2,907,498	2,967,807	2,627,529	2,582,202	2,288,273	1,900,404	1,960,702	1,890,025	1,978,879
Culture and Recreation	2,152,209	1,808,903	1,758,999	1,461,314	1,444,112	1,472,699	1,669,957	1,554,915	1,549,540	1,587,310
Airport	36,064	41,207	32,692	38,356	87,183	53,700	74,334	53,603	28,941	26,868
Capital Expenditures										
and Capital Transfers	7,432,376	5,658,823	8,074,152	2,137,122	1,583,617	2,665,232	5,086,097	2,308,163	1,559,085	1,561,005
Economic Development	0	3,300,000	0	1,700,000	0	0	0	0	0	0
Debt Service										
Principal	579,169	767,554	1,022,862	1,152,207	1,130,950	1,151,710	977,793	916,435	818,783	853,809
Interest on Long-Term Debt	755,688	636,554	534,309	324,237	290,277	327,812	270,843	212,761	160,028	164,982
Total Expenditures	$23,530,587	$23,097,253	$22,144,643	$16,749,770	$15,021,957	$14,447,209	$16,131,588	$12,664,693	$11,318,380	$10,900,732
Excess (Deficiency) of										
Sources Over Expenditures	($1,734,769)	($5,713,875)	($5,622,851)	($2,439,902)	$139,038	($815,165)	($3,515,128)	($446,903)	$449	$127,774

CITY OF BAY MINETTE, ALABAMA

Combined Statement of Revenues, Expenditures and

Changes in Fund Balance - Continued

Last Ten Fiscal Years

Other Financing Sources (Uses)										
Transfers In	$2,906,811	$3,613,952	$3,613,952	$2,924,564	$2,517,747	$1,586,441	$1,361,613	$698,727	$440,370	$890,199
Transfers Out (less capital transfers reflected above	(2,906,811)	(3,613,952)	(3,613,952)	(2,924,564)	(2,517,747)	(1,586,441)	(1,361,613)	(698,727)	(440,370)	(890,199)
Other Financing Sources–Capital Lease	2,728,151	0	0	0	0	980,390	410,886	206,377	0	61,435
Other Financing Sources–Sale of Assets	0	0	0	67,328	0	893,404	0	0	0	0
Bond Issuance Proceeds	1,745,961	0	7,285,000	5,310,000	0	0	240,000	4,045,000	0	0
Total Other Financing Sources (Uses)	$4,474,112	$0	$7,285,000	$5,377,328	$0	$1,873,794	$650,886	$4,251,377	$0	$61,435
Net change in Fund Balances	$2,739,343	($5,713,875)	$1,662,149	$2,937,426	$139,038	$1,058,629	($2,864,242)	$3,804,474	$449	$189,209
Fund Balance – Beginning	5,412,243	11,126,118	9,463,969	6,526,543	5,254,100	4,195,471	7,059,713	3,255,239	3,254,790	3,065,581
Fund Balance– Ending	$8,151,586	$5,412,243	$11,126,118	$9,463,969	$5,393,138	$5,254,100	$4,195,471	$7,059,713	$3,255,239	$3,254,790

CITY OF BAY MINETTE, ALABAMA
Revenue Capacity Statistical Information
Last Ten Fiscal Years

Sales and Use Taxes - 3% Inside City Limits 1.5% in Police Jurisdiction

Fiscal Year	Collection
2024-2025	9,147,047
2023-2024	7,651,748
2022-2023	7,209,045
2021-2022	6,434,689
2020-2021	5,987,629
2019-2020	5,422,657
2018-2019	5,292,657
2017-2018	4,871,012
2016-2017	4,714,796
2015-2016	4,711,287

Business License Tax

Fiscal Year	Collection
2024-2025	1,599,175
2023-2024	1,521,508
2022-2023	1,281,774
2021-2022	1,214,656
2020-2021	1,184,125
2019-2020	1,225,699
2018-2019	1,207,199
2017-2018	1,216,808
2016-2017	1,177,393
2015-2016	1,129,945

Property Tax - 12.5 mills

Fiscal Year	Property	Motor Vehicles	Total
2024-2025	1,339,304	164,921	1,504,225
2023-2024	1,094,687	158,058	1,252,745
2022-2023	962,672	152,692	1,115,364
2021-2022	893,904	128,383	1,022,287
2020-2021	836,455	120,031	956,486
2019-2020	804,461	117,061	921,522
2018-2019	850,588	105,606	956,194
2017-2018	797,145	105,005	902,150
2016-2017	768,896	111,727	880,623
2015-2016	762,359	114,907	877,266

CITY OF BAY MINETTE, ALABAMA
Revenue Capacity Statistical Information - Continued
Last Ten Fiscal Years

Net Assessed Values - Real Property and Motor Vehicles

Fiscal Year	Real Property	Motor Vehicles	Total
2024-2025	125,754,420	14,424,402	140,178,822
2023-2024	114,913,280	13,648,562	128,561,842
2022-2023	96,170,740	12,776,384	108,947,124
2021-2022	84,567,100	11,405,783	95,972,883
2020-2021	76,616,460	10,700,150	87,316,610
2019-2020	70,974,320	9,101,043	80,075,363
2018-2019	69,737,360	8,976,209	78,713,569
2017-2018	68,306,840	9,029,033	77,335,873
2016-2017	67,422,280	9,506,201	76,928,481
2015-2016	65,188,120	9,914,360	75,102,480

Direct and Overlapping Sales and Use Tax Rates

Fiscal Year	City of Bay Minette	Baldwin County	State of Alabama	Total Sales Tax Rate
2024-2025	3.0%	3.0%	4.0%	10.0%
2023-2024	3.0%	3.0%	4.0%	10.0%
2022-2023	3.0%	3.0%	4.0%	10.0%
2021-2022	3.0%	3.0%	4.0%	10.0%
2020-2021	3.0%	3.0%	4.0%	10.0%
2019-2020	3.0%	3.0%	4.0%	10.0%
2018-2019	3.0%	3.0%	4.0%	10.0%
2017-2018	3.0%	3.0%	4.0%	10.0%
2016-2017	3.0%	3.0%	4.0%	10.0%
2015-2016	3.0%	3.0%	4.0%	10.0%

CITY OF BAY MINETTE, ALABAMA
Legal Debt Margin Information
Last Ten Fiscal Years

	2024	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net Assessed Values	$ 140,178,822	$ 128,561,842	$ 108,947,124	$ 95,972,883	$ 87,316,610	$ 80,075,363	$ 78,713,569	$ 77,335,873	$ 76,928,481	$ 75,102,480
General Limitation										
General Constitutional Debt Limit (20%)	28,035,764	25,712,368	21,789,425	19,194,577	17,463,322	16,015,073	15,742,714	15,467,175	15,385,696	15,020,496
General & Limited Obligation Debt	19,490,174	17,341,192	18,108,746	11,846,608	7,688,814	8,788,685	8,823,849	9,101,023	5,672,137	6,484,022
Debt to Assessed Valuation	13.90%	13.49%	16.62%	12.34%	8.81%	10.98%	11.21%	11.77%	7.37%	8.63%
Net debt chargeable to 20% Debt Limit	10,186,608	10,186,608	10,186,608	7,801,608	3,276,186	4,743,685	4,778,849	5,056,023	5,672,137	6,484,022
Debt Margin	$ 17,849,156	$ 15,525,760	$ 11,602,817	$ 11,392,969	$ 14,187,136	$ 11,271,388	$ 10,963,865	$ 10,411,152	$ 9,713,559	$ 8,536,474
Special Indebtedness										
Special Amendment 772 Debt Limit (50%)	$ 70,089,411	$ 64,280,921	$ 54,473,562	$ 47,986,442	$ 43,658,305	$ 40,037,682	$ 39,356,785	$ 38,667,937	$ 38,464,241	$ 37,551,240
Debt Chargeable to 50% Debt Limit	9,045,000	9,045,000	9,045,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000
Debt Margin	$ 61,044,411	$ 55,235,921	$ 45,428,562	$ 43,941,442	$ 39,613,305	$ 35,992,682	$ 35,311,785	$ 34,622,937	$ 34,419,241	$ 33,506,240

CITY OF BAY MINETTE, ALABAMA
Population Trends & Census Data

	City of Bay Minette		Baldwin County	
Year	Population	Growth Rate	Population	Growth Rate
2025	8,537	0.97%	267,459	2.61%
2024	8,454	0.26%	260,483	-0.04%
2023	8,432	3.64%	260,583	7.93%
2022	8,125	2.84%	239,924	2.47%
2021	7,894	1.33%	233,992	0.95%
2020	7,789	-19.55%	231,767	10.72%
2016	9,312	1.80%	206,915	2.67%
2015	9,144	0.87%	201,397	0.64%
2014	9,064	11.25%	200,111	8.92%
2010	8,044	1.77%	182,265	22.96%
2000	7,902	9.17%	140,415	30.01%
1990	7,177	NA	98,280	NA

Per Capita Personal Income Levels

Year	Baldwin County	State of Alabama	United States
2025	47,748	56,684	76,212
2024	40,775	34,835	63,360
2023	45,209	39,624	69,030
2022	54,650	49,769	55,477
2021	51,348	46,179	53,772
2020	48,380	43,288	51,167
2019	46,247	41,539	49,656
2018	44,870	40,233	48,607
2017	43,623	39,014	47,646
2016	41,286	38,896	49,246
2015	40,640	38,214	48,451
2014	38,939	36,879	46,494
2013	37,723	35,778	44,493