WATER WORKS AND SEWER BOARD OF THE CITY OF CENTREVILLE
CENTREVILLE, ALABAMA

SEPTEMBER 30, 2025

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Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Annual Report
September 30, 2025

Table of Contents

DESCRIPTION	PAGE
Independent Auditor's Report..……	1-2
Management's Discussion & Analysis……	3-6
Financial Statements	
Statement of Financial Position……..……..	8
Statement of Activities…...……...	9
Statement of Cash Flows…….	10
Notes to Financial Statements……..	10-19
Required Supplementary Information:	
Budget Comparison Schedule…….	21
Statistical Tables – Retirement Actuarial……...…….	22-23

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September 8, 2026

INDEPENDENT AUDITOR'S REPORT

The Water Works and Sewer
Board of the City of Centreville
1270 Walnut Street
Centreville, AL 35042

Opinion

We have audited the accompanying financial statements of Water Works and Sewer Board of the City of Centreville (the Board), which comprise the statement of financial position as of and for the year ended September 30, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

We do not express an opinion on the financial statements of the Board. Because of the significance of the matter described in the Basis for Disclaimer of Opinion, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Board.

Basis for Disclaimer of Opinion

The Board implemented a new accounting information system during the year ended September 30, 2024, which resulted in numerous misstatements in the general ledger, failure to properly allocate payroll and other expenses, related reimbursements and transfers to the City. The Board approved a subsequent software change in 2025, but due to issues with transferring data, the staff had to report revenue without sufficient breakdowns and were unable to find appropriate documentation for all disbursements. The Board also experienced a loss in revenue from apparent employee theft, with known amounts identified in the report. The previously noted inconsistencies in application of utility billing in customer accounts, resulting in an undetermined amount of fees and charges that should have been collected during the previous period continued into the current fiscal year. As a result of these matters, we were unable to determine whether any additional adjustments might have been found necessary for the amounts included in the financial statements.

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.

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 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, 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 Board'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.

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 on pages 4-8, Budget Comparison Schedules, and the Schedules of Funding progress be presented to supplement the basic financial. Such information, although not 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. I 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 financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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Don Wallace, CPA

Don Wallace, CPA, PC

MEMBER
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants

Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Annual Report
September 30, 2025
Management's Discussion & Analysis

This section of Water Works and Sewer Board of the City of Centreville' annual financial report presents our discussion and analysis of the organization's financial performance during the fiscal year that ended September 30, 2025. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Board's share of Net Pension Liability, net of deferred outflows and inflows, with the Retirement Systems of Alabama was $281,557 at yearend, decreased by $8,204.

- Net capital assets were $7,693,734 at yearend. There were no asset additions during the year. Depreciation charges were $400,997 in related depreciation charges.

- Outstanding bonds and notes payable were $4,169,000. Overall debt repayments were $210,000. Unamortized bond costs were $61,106 at yearend, while bond premiums associated with 2019 bonds were $165,333. Income available for debt service of $373,437, more than the estimated minimum debt service ratio.

- Decreases in net assets were $144,003 for the year, including $122,261 in interest expense. Net cash flows decreased by $161,256.

- A review of customer accounts indicated staff did not consistently following policies related to late charges or cutoffs during the year, and adjustments to various accounts did not appear to be properly authorized. Some adjustments involved employees or related parties, or appeared to follow billing errors during changes in accounting software. Matters have been reviewed with management, with the expectation that policies will be strictly followed to help improve the Board's financial position.

- During the year, management discovered discrepancies related to cash deposited from customers in the amount of $44,195 involving a former clerk. Those amounts are recorded as employee theft in the statement of activities.

- During the year, management decided to handle sanitation services within the Board, so customer fees and waste disposal expenses are reflected in the financial statements to avoid transfers to the City. Additional changes were made in the current period that will result in only commercial activity being handled by the board in the future. These efforts will minimize transfers between the board and city, and simplify related cash flow requirements.

- The Board paid over $10,000 in excess payroll expenses related to prior period penalties and interest as noted in the previous audit period. Additional penalties were paid on fuel charges and other expenses.

- Due to problems with the previous software and billing conversions, staff was not able to record utility revenue showing breakdowns in late fees, connections, and other charges separate from water usage, sewer and sanitation fees. Amounts noted in the financial statements are estimated based upon collection and billing reports. Transactions for the year had to be retroactively posted back to October 2024 in the new Quickbooks accounting program being utilized for general ledger purposes.

Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Annual Report
September 30, 2025
Management's Discussion & Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion & Analysis and the Basic Financial Statements. The financial statements also include Notes that explain some of the information in the report and provide further detailed data.

FINANCIAL ANALYSIS

Assets	9/30/24	9/30/25
Current	$ 741,521	$ 786,738
Capital	8,094,731	7,693,734
Other	465,343	481,202
Total Assets	9,301,595	8,961,674
Liabilities		
Current	$ 401,722	$ 452,365
Long-Term	4,676,469	4,429,908
Total Liabilities	5,078,191	4,882,273
Net Assets		
Investment in net Capital Assets	3,603,486	3,524,734
Restricted for Debt Service	399,537	420,096
Unrestricted	220,381	134,571
Total Net Assets	4,223,404	4,079,401
Total Liabilities & Net Assets	9,301,595	8,961,674

Total net assets decreased $144,003, including depreciation/amortization charges of $405,697.

	9/30/24	9/30/25
Revenues		
Fees from Customers	$ 1,606,496	$ 2,341,279
Grant revenue	0	223,172
Other	13,481	10,518
Total Revenues	1,619,977	2,574,969
Expenses		
Operating expenses	1,365,043	2,191,014
Depreciation	402,501	400,997
Interest & actuarial	168,371	126,961
Total Expenses	1,935,915	2,718,972
Change in Net Assets	$ -315,938	$ -144,003

Operating revenues before sanitation fees increased 21%, while operating costs increased 36%, with the largest costs for payroll, utilities, system repairs and maintenance and lagoon operations. Sanitation fees and disposal charges of $395,996 and $335,700, respectively, were reported in the current period. Depreciation and amortization totaled $405,697. Net income available for debt service appeared to be above required debt service payments for principal and interest for the year.

Apparent employee theft of $44,195 was reported during the year upon investigation by management. A forensic audit conducted regarding previous periods and a portion of the current year had not reported any detailed losses related to previously mentioned billing matters as of the audit. An additional $22,480 in uncategorized expenses were also reported in the statement of activities, as the current administration had difficulty with data transfers during changes in accounting software, etc.

CAPITAL ASSET ADMINISTRATION

At the end of 2025, the Board had invested $7,693,734 in capital assets, a net decrease of $400,997 from the prior year. There were no increases in capital assets, as grant activity was related to lead service line inventory. Capital asset summary for the fiscal year is as follows:

Capital Assets, Net of Depreciation	9/30/24	9/30/25
Land & improvements	$ 170,354	$ 159,551
Utility system	7,474,295	7,136,339
Machinery & equipment	450,082	397,844
System capital assets, net	8,094,731	7,693,734

DEBT ADMINISTRATION

Long-term debt is comprised of water revenue bonds, state revolving fund and other debts. Bond and related interest activity for the year are shown below.

	10-1-2024	Additions	Repayments	9-30-2025
Bonds/Loans Payable	$4,379,000	0	210,000	$4,169,000

Total interest expense recognized was $122,261, while accrued interest payable was $58,403.

BUDGET ANALYSIS

The Board is required to adopt a budget under State law. A summary of budget versus actual results are as follows:

	Budget	Actual	Variance
Operating Revenue	$1,910,400	$2,564,451	$ 654,051
Operating Expenditures	-1,796,900	-2,592,011	-795,111
Transfers/Other	-113,500	-116,443	-2,943
Net	0	-144,003	-144,003

System revenues included $395,996 in sanitation fees and $335,700 in related waste disposal charges in the current year that were previously handled through the City's general fund. The budget did not include that change in activity. While results did not meet budget expectations, overall results improved, with operating income before depreciation appearing to be sufficient to cover debt service requirements. Management continues to evaluate rates and related revenues, as well as the costs of operations in the current fiscal year..

Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Annual Report
September 30, 2025
Management's Discussion & Analysis

ECONOMIC FACTORS

The City of Centreville is located in Bibb County, in the west central portion of Alabama, within commuting distance of Tuscaloosa and Birmingham. The Board is continuing to evaluate demand on its services, improvements and upgrades to the water and sewer system, and its ability to expand water services to new customers and potential growth along the new Highway 82 bypass.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide our citizens and customers with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Water Works and Sewer Board of the City of Centreville, 1270 Walnut Street, Centreville, AL 35042.

The Management and Board of Directors of the system as of September 30, 2025 was as follows:

Mike Oakley, Mayor and Manager
Larry Oikle, Superintendent
Jimmy Martin
Josh Colburn
Linda Lawrence
Barry Cooner
Seth Young

FINANCIAL STATEMENTS

Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Statement of Financial Position
September 30, 2025

ASSETS		
Current:		
Cash	$ 105,217	
Cash, restricted for meter deposits	21,360	
Certificates of deposit	122,157	
Accounts receivable, net	278,031	
Grant funds receivable	223,172	
Prepaid expenses	2,023	
Inventory	34,778	786,738
Fixed:		
Land and improvements	93,309	
Buildings	226,686	
Utility system	15,116,402	
Machinery and vehicles	931,674	
Furniture and equipment	77,380	
Less: Accumulated depreciation	-8,751,717	7,693,734
Other/Restricted:		
Bond issuance costs	61,106	
Bond investments	420,096	481,202
Total assets		8,961,674
LIABILITIES		
Current:		
Accounts payable	49,099	
Accrued grant payables	100,557	
Payroll liabilities	8,788	
Accrued absences	10,518	
Accrued interest	58,403	
Current portion of long-term debt	225,000	452,365
Long-term:		
Renter deposits	39,018	
State revolving loan	590,000	
Bonds payable	2,400,000	
USDA bonds payable	1,179,000	
Less: current portion	-225,000	
Bond premium	165,333	
RSA Pension liability, net	281,557	4,429,908
Total liabilities		4,882,273
NET ASSETS		
Investment in net capital assets	3,524,734	
Restricted for debt service	420,096	
Unrestricted	134,571	
Total net assets		4,079,401
Total liabilities and net assets		$ 8,961,674

The accompanying notes are integral of the financial statements.

Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Statement of Activities
Year Ended September 30, 2025

OPERATING REVENUES		
Water service fees	$ 1,583,148	
Sewer service fees	362,135	
Sanitation service fees	395,996	
SRF grant proceeds	223,172	
Total operating revenues		2,564,451
OPERATING EXPENSES		
Salaries and wages	493,999	
Payroll taxes and retirement	98,374	
Health insurance	159,184	
Sanitation fees	335,700	
Utilities	161,987	
System repairs and maintenance	135,925	
Lagoon repairs and operations	58,647	
Materials and supplies	104,401	
Fuel and truck	51,050	
Insurance	20,464	
Legal and accounting	15,730	
Water testing	9,795	
Professional fees	17,932	
Grant fees and expenses	247,942	
Computer & Office	63,962	
Rent - Tractor	12,701	
Deposit discrepancies	44,195	
Equipment maintenance	67,339	
Bad debt expense	59,956	
Uncategorized expenses	22,480	
Other expenses	9,251	
Total operating expenses		2,191,014
Operating income before depreciation		373,437
Depreciation expense		-400,997
Operating income		-27,560
Other items		
Interest and other	2,314	
RSA pension credit	8,204	
Amortization expense	-4,700	
Interest expense	-122,261	-116,443
Change in net assets		-144,003
Beginning net assets		4,223,404
Ending net assets		4,079,401

The accompanying notes are integral of the financial statements.

Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Statement of Cash Flows
Year Ended September 30, 2025

CASH FLOW FROM OPERATIONS		
Receipts of customer revenue	$ 2,240,105	
Deposit discrepancies	-44,195	
Less payments of:		
Personnel costs	-785,299	
Utilities & telephone	-161,987	
System maintenance & operations	-194,572	
Equipment repairs & maintenance	-67,339	
Fuel, oil and repairs	-51,050	
Materials & supplies	-104,401	
Professional services	-138,580	
Sanitation services	-335,700	
Computer & office	-63,962	
Insurance	-22,487	
Other operating expenses	-69,957	
Net cash from by operating activities		200,576
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Less payments of:		
Long-term debt interest	-154,147	
Long-term debt principal	-210,000	
Net cash from financing activities		-364,147
CASH FLOW FROM INVESTING ACTIVITY		
Interest income		2,315
CASH FLOW FROM NONCAPITAL FINANCING		
Changes in Due from General Fund		0
Change in cash		-161,256
Beginning cash & CD's		409,990
Ending cash & CD's		248,734
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATIONS		
Operating income		$ -27,560
Adjustments for non-cash items:		
Depreciation expense	400,997	
Less changes in operating assets:		
Accounts receivable/bad debt	-40,579	
Grant receivable	-223,172	
Prepaid expenses	-2,023	
Other receivable/payable to City	-25,019	
Accounts payable	127,294	
Payroll liabilities	-8,723	
Customer deposits	-639	228,136
Net cash from operating activities		200,576

The accompanying notes are integral of the financial statements.

Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Notes to the Financial Statements
September 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in the users understanding of the Board's financial statements. The financial statements and notes are representations of the Board's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements, as applied to governmental units.

Corporate Structure

The Water Works and Sewer Board of the City of Centreville (the Board) was incorporated on February 3, 1950, under the laws of the State of Alabama, as set forth under the provisions of Title 37, Section 394-402, of the Code of Alabama of 1940. Managerial and financial control is exercised by the Board, which is appointed by the local government. Therefore, it is accounted for as an Enterprise Fund, as well as a separately reported Component Unit of the Town of Centreville.

The Board now serves areas within the City of Centreville, as well as other unincorporated areas inside Bibb County. The operation of the Board involves the maintenance and operation of a water supply and distribution system and sewer treatment facility.

Basis of Accounting

The financial statements of the Board have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. As an Enterprise Fund, it accounts for activities in a manner similar to private business entities.

Inventory – Materials

Inventory of materials and supplies is presented at lower of cost or market, using the first-out method.

Accounts Receivable

Receivables from water customers are based upon rates set by the Board of Directors, which in the case of water, are applied to the amount of water used by the customers. The Board had approximately 2,000 customers as of September 30, 2025. Per review of outstanding customer balances, allowance for doubtful accounts was $286,377. Bad debt expense of $59,956 was charged against income for the year.

Estimates

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

Property & Equipment

Land, equipment and the water system are stated at cost or, if donated, fair market value on the date received. Maintenance and repair coats are charged to operation as incurred, while renewals and betterments are capitalized. The costs of assets sold, retired or otherwise dispose of and the related allowance for depreciation is eliminated from the accounts, and any resulting gain or loss is included in operations.

Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which range as follows:

Utility system	40 years
Automotive equipment	5-7 years
Other equipment	5-10 years
Improvements	15 years
Buildings	39 years

The Board regularly enters into construction and expansion projects that may require more than one accounting period to complete. The costs of those projects are accumulated within the caption "Construction-in-Progress" and reclassified as depreciable additions to the utility system upon their completion.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Board considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Balances are invested in Cash and CDs, or in bond reserve funds as allowed by state law.

Customer Deposits

The Board charges user fees to connection for services, which are held in separate savings and certificate accounts. Only renter deposits are recognized and old customer deposit liabilities are considered immaterial and removed. As of September 30, 2025, the renter deposit liability was $39,018, while restricted cash to cover deposits was $21,360 at yearend. Other connection and service fees for customers were not reported separately in the financial statements.

Compensated Absences

Employees must be full-time, permanent employees to accrue paid leave. Currently, paid leave is accrued for sick, vacation and personal leave time in the amount of $10,518.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Board maintains all of its cash deposits in financial institutions that provide FDIC coverage, thereby insuring the deposits that are maintained therein. As of September 30, 2025, the Board had $668,430 in total deposits; $243,473 at First US Bank, $4,861 at First Financial Bank, and $420,096 with BNY Mellon. All banks are a participant in the Security for Alabama Funds Enhancement Program (SAFE). Under the SAFE program, pledging securities directly to the State Treasurer for the SAFE collateral pool collateralizes funds in excess of $100,000. Under Section 41-14A of the Code of Alabama, both institutions are a Qualified Public Depository. This Program is mandatory for banks to hold public deposits.

NOTE 3: PROPERTY & EQUIPMENT

Fixed asset activity for the fiscal year ended September 30, 2025:

	10/1/24	Additions	Disposals	9/30/25
Land and improvements	$ 93,309	$ 0	$ 0	$ 93,309
Building	226,686	0	0	226,686
Utility system - Water	7,221,142	0	0	7,221,142
Utility system - Sewer	7,895,260	0	0	7,895,260
Machinery & equipment	464,421	0	0	464,421
Autos & trucks	467,253	0	0	467,253
Furniture and equipment	77,380	0	0	77,380
Totals, at historical cost	16,445,451	0	0	16,445,451
Less: Accumulated depreciation	8,350,720	400,997	0	8,751,717
Net fixed assets	8,094,731	-400,997	0	7,693,734

There were no increases in fixed assets during the year.

Property and related insurance coverage related to property and equipment were sufficient to cover any unexpected loss.

NOTE 4: LONG-TERM DEBT

The Board had the following long-term debt as of September 30:

Series 2019 Bonds Payable – Bank of New York Original issue of $3,045,000, with interest payable semi-annually on May 1 and Nov 1, with interest from 3-4%, maximum debt service $229,900	$2,400,000
State Revolving Fund – ADWFA Original issue of $1,405,000, less debt forgiveness of $350,000, with interest payable semi-annually on February 15 and August 15 at 2.25%, maximum debt service of $67,925	590,000
USDA Bonds Payable – Series 2022 $1,237,000 Water and Sewer Revenue Bonds with 2.375% interest, principal and interest due annually on January 1. Final payment 1-1-2062	1,179,000
Total bonds and notes	4,169,000

Net activity during the year for bonds payable was as follows:

Balance at 10/1/2023	$ 4,379,000
Additions (premium)	0
Less: Payments	-210,000
Balance at 9/30/2025	4,169,000
Less: Current portion	-225,000
Long-term debt	3,944,000

Future expected principal payments are expected to be as follows:

	USDA 2025 Revenue Bonds	SRF Loan	Series 2019 Bond
September 30, 2026	20,000	55,000	150,000
September 30, 2027	21,000	55,000	150,000
September 30, 2028	21,000	55,000	160,000
September 30, 2029	22,000	55,000	165,000
September 30, 2030	22,000	60,000	170,000
September 30, 2031	23,000	60,000	180,000
September 30, 2032	23,000	60,000	190,000
September 30, 2033	24,000	60,000	190,000
September 30, 2034	24,000	65,000	195,000
September 30, 2035	25,000	65,000	205,000
September 30, 2036	26,000	0	210,000
September 30, 2037	26,000	0	215,000
September 30, 2038	27,000	0	220,000
Thereafter	975,000	0	0
TOTALS	1,179,000	590,000	2,400,000

Interest expense is estimated to be $120,000-95,000 for the next five years. Interest payments are due monthly and semi-annually as required. Total interest expense for the year was $122,261 and accrued interest was $58,403.

Unamortized Loan Costs Asset & Bond Premium

Unamortized bond expenses related to the Series 2019 bonds were valued at $61,106 at yearend and are shown on the Statement of Financial Position as an Other Asset. Bond Premiums related to the issuance of the 2019 bonds were $165,333, which will be amortized in future periods against interest expense and are recorded as an Other Long-Term Liability.

Debt Service Ratio

Pursuant to the Series 2019 Bond & SRF Agreements, the Utilities Board must maintain net operating income plus depreciation and interest expense in an amount equal to or greater than maximum debt service. The Board's 2025 adjusted net income of $373,437 is greater than the maximum debt service of $347,000.

The Board is reviewing steps to address collection policies and adjust rates to help maintain proper debt service ratios, including the debt service for the USDA funding.

NOTE 5: DUE FROM CITY

The Board previously made advances or covered expenses for the City's General Fund and special revenue funds in year's past. Total advances considered repayable from the City as of the yearend include:

City General Fund	$0

In an effort to simplify reporting and minimize outstanding balances due to the City, the City began accounting for sanitation service fees and related disposal charges as part of the Board's operating activities. Additional changes were made in the subsequent year to only be responsible for the billing and collection of commercial sanitation services.

NOTE 6: RETIREMENT PLAN DESCRIPTION

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established as of 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 ERS is vested in the Board of Control, which consists of 13 trustees. The Plan is administered by the RSA. Title 36-Chapter 27 of the Code of Alabama grants authority to establish and amend the benefit terms of the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 with 10 years or more creditable service or after 25 or 30 years of service, regardless of age, are entitles 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 retiree receiving payment under the method that yields the highest monthly benefit. Under the Formula method, members are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after 1-1-2013. Tier 2 members are eligible to retire after age 62 with 10 years or more 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 retiree receiving payment under the method that yields the highest monthly benefit. Under the Formula method, Tier 2 members are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

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 1,036 local participating employers. The ERS membership includes approximately 89,557 active participants as of September 30, 2024.

Contributions. Covered members of the ERS contributed 5% of earned compensation until September 30, 2011. From October 2011 through September 2012, covered members were required to contribute 7.25%, with 7.5% thereafter. Certified law enforcement members of the ERS contributed 6% of earned compensation until September 30, 2011. From October 2011 through September 2012, covered members were required to contribute 8.25%, with 8.5% thereafter. Tier 2 covered members contribute 6% by statute, while Tier 2 law enforcement officers contribute 7%.

The ERS establishes rates based upon an actuarially determined rate, necessary to finance the costs of benefits earned during the year, with additional amounts to finance unfunded pension liability, pre-retirement death benefit and administrative costs of The Plan. For the year ended September 30, 2025, the Town's active employee contribution rate was 5-6% of covered payroll, and the Board's average contribution rate to cover normal and accrued liability costs was 10.14%. The Board's contractually required contribution rate for the year was 10.02% for Tier 1 employees. Total employer contributions to the pension plan from the Board were $49,134, with an additional $72,921 from the City for total contributions of $122,055.

Net Pension Liability

The Board's net pension liability is consolidated with the City by the RSA, so the following statistical information presents combined data (with allocated balances to the Board noted and based on percentage of payroll for the current period). The Net pension liability was measured on 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 using standard roll-forward techniques as shown in the following table:

		Expected	Actual Pre-Plan Changes	Actual After Plan Changes
a.	Total Pension Liability (TPL) @ 9-30-23	$3,039,860	$3,000,355	$3,000,355
b.	Discount Rate	7.45%	7.45%	7.45%
c.	Entry Age Normal Cost for FY 2024	93,299	93,299	93,299
d.	Transfers Among Employers	0	0	0
e.	Actual Benefit Pymts & Refunds for FY 2024	-144,067	-144,067	-144,067
f.	TPL as of 9-30-24 = (a*1b)+b-(c*1.05)	$3,210,195	3,167,747	3,167,747
g.	Difference between Expected & Actual Results		-42,448	
h.	Less Liability Transfers		0	
i.	Experience Gain or Loss		- 42,448	
j.	Difference between Actual TPL before and after plan benefit changes (gain) loss			0

Changes in Net Pension Liability Table: Increases (Decreases)

	TPL	Net Position	NPL
Balances at 9-30-2023	$3,039,860	$1,956,701	$1,083,159
Changes for the year:			
Service Cost	93,299		93,299
Interest	221,103		221,103
Changes in Benefit terms	0		0
Changes in Assumptions	0		0
Difference between expected and actual	-42,448		-42,448
Contributions – employer		88,938	-88,938
Contributions – employee		70,732	-70,732
Net investment income		414,858	-414,858
Benefit payments, including refunds	-144,067	-144,067	0
Transfers among employers	0	0	0
Net changes	127,887	430,461	-302,574
Balances at 9-30-2024	$3,167,747	$2,387,162	$780,585

Discount rate. The discount rate used to measure the TPL 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 remain at their current rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS.

Sensitivity of the NPL to changes in the discount rate.

	1% decrease (6.45%)	Current % (7.45%)	1% increase (8.45%)
Town's Net Pension Liability (Asset)	$1,159,631	$780,585	$462,137

Pension Plan Fiduciary Net Position. Detailed information about the plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for FY 2025. The supporting actuarial information is included in the GASB 68 report for the ERS prepared as of September 30, 2024.

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated events and transactions that have occurred between September 30, 2025 and September 8, 2026, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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

For FY 2025, the Board recognized net pension expense of $40,930, including related RSA pension credits of $8,204. At 9-30-2025 the City reported overall net pension expense of $82,972, and overall deferred outflows and deferred inflows related to pensions as follows:

	Deferred Outflows	Deferred Inflows
Difference between expected and and actual experience	210,687	82,164
Changes of assumptions	0	14,829
Net difference between projected and actual earnings on plan investments	0	159,058
Employer contributions subsequent to the measurement date	122,055	0
Total	332,742	256,051

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

Year ended September 30:	
2026	-5,273
2027	28,958
2028	-37,813
2029	-33,277
2030	2,041
Thereafter	0

Allocation of Net Pension Liability, Deferred Outflows and Deferred Inflows

	Deferred Outflows	Deferred Inflows	Net Pension Liability
Board	$133,097	$102,420	$ 312,234
City	199,645	153,631	468,351
Total	332,742	256,051	780,585

The City's participation in the RSA system is for the long-term interest of its employees and is therefore reported in the financial statements as a net long-term liability managed by RSA.

REQUIRED SUPPLEMENTARY INFORMATION

Water Works and Sewer Board of the City of Centreville
Centreville, Alabama
Budget Comparison Schedule
September 30, 2025

	Budget	Actual
OPERATING REVENUES		
Charges for Services:		
Water	$1,587,960	1,583,148
Sewer	322,440	362,135
Sanitation	0	395,996
Grant revenues	0	223,172
Net Operating Revenues	1,910,400	2,564,451
OPERATING EXPENSES		
Payroll & benefits	642,000	592,393
Group insurance	110,000	159,184
Repairs & maintenance	173,000	203,264
Lagoon maintenance & operations	77,500	58,647
Utilities	111,000	161,987
Sanitation fees	0	335,700
Insurance	33,000	20,464
Materials & supplies	125,000	104,401
Fuel & truck	65,000	51,050
Office & computer	30,000	63,962
Professional expenses	25,000	17,932
Grant – professional & fees	0	247,942
Deposit discrepancies	0	44,195
Legal & accounting	27,000	15,730
Bad debt expense	0	59,956
Testing	15,000	9,795
Depreciation	329,900	400,977
Equipment rent	15,000	12,701
Uncategorized	0	22,480
Other	18,500	9,251
Total Operating Expenses	1,796,900	2,592,011
Operating Income (Loss)	113,500	-27,560
NONOPERATING ITEMS		
Interest and other	0	2,314
RSA actuarial expense	0	8,204
Amortization expense	0	-4,700
Interest expense	-113,500	-122,261
Nonoperating Items	-113,500	-116,443
Net Income (Loss)	0	-144,003
Beginning Net Assets		4,223,404
Ending Net Assets		4,079,401

The accompanying notes are integral of the financial statements.

Employees' Retirement System of Alabama
Required Supplementary Information
City of Centreville 2296-ECOC

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	$93,299	$95,253	$81,406	$74,895	$71,547	$76,897	$60,448	$70,566	$40,690	$ 50,669
Interest	221,103	201,590	189,619	173,491	178,418	149,265	161,674	153,327	168,635	160,438
Changes of benefit terms	0	0	2,182	39,988	0	0	0	0	0	0
Differences between expected and actual results	-42,448	119,047	38,558	164,962	-214,441	280,777	-253,404	155,383	-308,345	2,354
Changes of assumptions	0	0	0	-33,369	0	0	9,057	0	184,093	0
Benefit payments, including refunds of employee contributions	-144,067	-163,863	-138,317	-156,748	-129,681	-126,973	-131,079	-324,828	-104,361	-117,656
Transfers among employers	0	0	0	19,656	43,706	0	3,638	-43,612	0	0
Net change in pension liability	127,887	252,027	173,448	282,875	-50,451	379,966	-149,666	10,836	-19,288	95,805
Total pension liability, beginning	3,039,860	2,787,833	2,614,385	2,331,510	2,381,961	2,001,995	2,151,661	2,140,825	2,160,113	2,064,308
Total pension liability, ending	$3,167,747	$3,039,860	$2,787,833	$2,614,385	$2,331,510	$2,381,961	$2,001,995	$2,151,661	$2,140,825	2,160,113
Plan fiduciary net position										
Contributions – employer	$88,938	$99,345	$79,312	$81,704	$65,105	$59,739	$63,596	$38,107	$63,144	$53,889
Contributions – member	70,732	67,665	62,079	40,719	37,640	34,842	34,072	19,995	32,680	34,155
Net investment income	414,858	224,657	-255,306	360,967	87,807	38,666	130,185	178,970	143,929	16,931
Benefit payments, including ref	-144,067	-163,863	-138,317	-156,748	-129,681	-126,973	-131,079	-324,828	-104,361	-117,656
Transfers among employers	0	0	0	19,656	43,706	0	3,638	-43,612	0	-23,260
Net change in fiduciary position	430,461	227,804	-250,232	346,298	104,577	6,274	100,412	-131,368	135,392	-35,941
Plan net position – beginning	1,956,701	1,728,897	1,979,129	1,632,831	1,528,254	1,521,980	1,421,658	1,552,936	1,417,544	1,453,485
Plan net position – ending	$2,387,162	$1,956,701	$1,728,897	$1,979,129	$1,632,831	$1,528,254	$1,521,980	$1,421,658	$1,552,936	$1,417,544
NET PENSION LIABILITY	$780,585	$1,083,159	$1,058,936	$635,256	$698,679	$853,707	$480,015	$730,093	$587,889	$742,569
Plan Position as a Percent of TPL	75.36%	64.37%	62.02%	75.70%	70.03%	64.16%	76.02%	66.07%	72.54%	65.62%
Covered employee payroll	$1,034,786	$875,399	$918,570	$800,985	$706,890	$604,084	$651,501	$514,401	$625,363	$444,376
NPL as a % of covered payroll	75%	110%	115%	80%	98%	142%	73.7%	142%	94%	167%

The accompanying notes are integral of the financial statements.

Employees' Retirement System of Alabama
Required Supplementary Information
City of Centreville 2296-ECOC

SCHEDULE OF EMPLOYER CONTRIBUTIONS										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined Contribution	$82,972	$174,837	$133,404	$96,105	$77,291	$96,460	$64,253	$79,086	$70,686	$62,286
Contributions in relation to the actuarially determined contribute	122,055	100,412	103,142	87,552	105,020	62,053	90,558	65,508	38,107	63,144
Contribution Deficiency (Excess)	-39,083	74,425	30,262	8,553	-27,729	34,407	-26,305	13,578	5,886	1,805
Covered employee payroll	1,034,786	1,034,786	875,399	918,570	800,985	706,890	734,874	653,050	514,401	625,363
Contributions as a percentage of covered payroll	12%	10%	12%	10%	14%	8%	12.3%	10.0%	7%	10%

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 FY 2025 were based on the FY 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization method	Level percent closed
Remaining amortization period	25.1 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	3.25-6.0% including inflation
Investment rate of return	7.45%, net of pension investment expense, including inflation