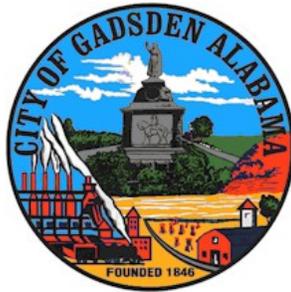


ANNUAL FINANCIAL REPORT



CITY OF GADSDEN, ALABAMA

For the Year Ended September 30, 2009

Prepared by:

**Finance Department
Lisa Rosser, Finance Director**



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —



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INTRODUCTORY SECTION

PRINCIPAL CITY OFFICIALS

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ORGANIZATIONAL CHART



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**CITY OF GADSDEN, ALABAMA
PRINCIPAL CITY OFFICIALS**

September 30, 2009

MAYOR

Sherman Guyton

CITY COUNCIL

**Walt Higgins, District 1
J.R. Countryman, District 2
Robert Avery, District 3
Robert Echols, District 4 (President Pro Tem)
Bill C. Stewart, District 5
Johnny Cannon, District 6
Ben Reed, District 7 (President)**

CITY OF GADSDEN, ALABAMA
Annual Financial Report
For the Year Ended September 30, 2009

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City of Gadsden Organization Chart





FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Gadsden, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Gadsden City Board of Education, or the Gadsden Airport Authority, which represent all of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gadsden City Board of Education and the Gadsden Airport Authority, is based on the report of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

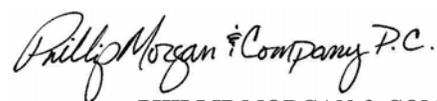
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budget to actual comparison - major funds, and schedule of pension plan funding progress are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as the combining statements, individual fund statements and schedules and the statistical section in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information in the combining statements, individual fund statements and schedules and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2010, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Birmingham, Alabama
February 22, 2010



PHILLIP MORGAN & COMPANY, P.C.

City of Gadsden, Alabama

Management's Discussion and Analysis

September 30, 2009

As management of the City of Gadsden, Alabama, we present this narrative overview and analysis designed to assist readers of the City's financial statements for the fiscal year ended September 30, 2009. Our discussion and analysis focuses on significant financial issues, provides an overview of the City's financial activity, identifies changes in the City's financial position, identifies any material deviations from the financial plan (the approved budget), and identifies individual fund issues or concerns.

Financial Highlights

- The liabilities of the City of Gadsden exceed its assets at the close of the fiscal year ended September 30, 2009, by \$67,371,040 (*net assets*). The portion of net assets that may be used to meet the City's ongoing obligations to citizens and creditors (*unrestricted net assets*) reflects a deficit of \$139,056,210. The deficit is primarily the result of the reporting of the OPEB obligation as required by GASB No. 45, as well as additional outstanding debt for schools and economic development.
- The City's total net assets decreased by \$6,171,118 in fiscal 2009. The factor that most influenced this decrease was expenses exceeded revenues by over \$5.6 million.
- The City's total net capital assets decreased by \$1,411,414 in fiscal 2009. This increase was attributable to the value of assets being decreased by accumulated depreciation.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$28,402,089, an increase of \$744,135 from the prior year. Of this amount, \$16,501,782, or approximately 58.10% of total fund balances, is available for spending at the City's discretion (*unreserved fund balances*).
- At the end of the current fiscal year, the unreserved fund balance of the General Fund (the City's primary operating fund) was \$10,650,576 or approximately 25.24% of total General Fund expenditures.
- The City's net long-term liabilities increased by \$4,734,746, or 2.82%, primarily resulting from funds borrowed from the Wachovia line of credit.

Overview of the Financial Statements

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 three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the City's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. This statement combines governmental funds' current financial resources with capital assets and long-term obligations. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information focused on functions, and shows how the City's net assets changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of revenue and expenses of various governmental services and/or subsidies to various business-type activities. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee leave).

Both of the government-wide financial statements distinguish functions of the City of Gadsden that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services (*business-type activities*). The governmental activities of the City of Gadsden include general government, public safety, public works, urban development, recreation and cultural services, internal services, and non-departmental. The business-type activities of the City of Gadsden reflect private sector type operations and include air depot operations, garbage services, and the City's golf course.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the activities of its *component units*, the Gadsden Board of Education and the Airport Authority. A component unit is a legally separate organization over which the City can exercise influence and/or may be obligated to provide financial subsidies. The focus of the statements is clearly on the primary government and the presentation allows the readers to address the City's relative relationship with the component unit. The Board of Education issues complete financial statements which may be obtained by contacting the Board directly.

Fund Financial Statements

Traditional users of governmental financial statements will find the *Fund Financial Statements* presentation more familiar. The focus is on the City's major funds rather than the City as a whole. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gadsden, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types.

Governmental Funds:

The City of Gadsden maintains four individual *major governmental funds*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the school ad valorem tax fund, the capital improvements fund, and the 2003A GOW Capital Projects Fund. Data from other governmental funds are combined into a single, *non-major governmental funds* aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

For management control of expenditures, the City of Gadsden adopts an annual appropriated budget for all funds with the exception of the golf course enterprise fund. A budgetary comparison statement has been provided as required supplementary information for the City's major governmental funds to demonstrate compliance with their budgets.

Proprietary Funds:

The City of Gadsden maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Gadsden uses enterprise funds to provide for separate information for the Air Depot, Residential Garbage, and Golf Course activities, each of which is considered a major fund of the City. An *Internal service fund* is used to accumulate and allocate costs of workers' compensation and employee health care internally among the City's various functions. Because the internal service fund primarily benefits governmental rather than business-type activities, it has been included within governmental activities in the government-wide financial statements.

Notes to the Financial Statements:

The notes to the financial statements provided in this report convey additional essential information that will magnify the readers' understanding of the data in the government-wide and fund financial statements.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons and the City's progress in funding its obligations to provide pension benefits to its employees.

The combining and individual fund statements and schedules are presented immediately following the required supplementary information, and the other supplementary information section and single audit section represent the last two sections of this annual report.

Government-wide Financial Analysis

Condensed Statements of Net Assets As of September 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 42,523,428	\$ 43,275,174	\$ (934,870)	\$ 1,354,375	\$ 41,588,558	\$ 44,629,549
Capital assets, net of accumulated depreciation	<u>62,403,950</u>	<u>63,096,609</u>	<u>10,819,313</u>	<u>11,538,068</u>	<u>73,223,263</u>	<u>74,634,677</u>
Total Assets	<u>104,927,378</u>	<u>106,371,783</u>	<u>9,884,443</u>	<u>12,892,443</u>	<u>114,811,821</u>	<u>119,264,226</u>
Current and other liabilities.....	17,575,817	16,295,452	501,555	2,585,823	18,077,372	18,881,275
Long-term liabilities, net of current portion.....	<u>161,458,241</u>	<u>61,423,448</u>	<u>2,647,248</u>	<u>2,425,866</u>	<u>164,105,489</u>	<u>63,849,314</u>
Total Liabilities.....	<u>179,034,058</u>	<u>77,718,900</u>	<u>3,148,803</u>	<u>5,011,689</u>	<u>182,182,861</u>	<u>82,730,589</u>
Net Assets						
Invested in capital assets, net of related debt	46,150,673	47,450,873	9,559,313	10,138,068	55,709,986	57,588,941
Restricted.....	15,972,722	15,442,566	—	—	15,972,722	15,442,566
Unrestricted.....	<u>(136,230,075)</u>	<u>(34,240,556)</u>	<u>(2,823,673)</u>	<u>(2,257,314)</u>	<u>(139,053,748)</u>	<u>(36,497,870)</u>
Total Net Assets	<u>\$ (74,106,680)</u>	<u>\$ 28,652,883</u>	<u>\$ 6,735,640</u>	<u>\$ 7,880,754</u>	<u>\$(67,371,040)</u>	<u>\$ 36,533,637</u>

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, 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 this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the City's net assets represents resources that are subject to external restrictions on how they are used.

The remaining unrestricted net assets reflect a deficit of \$139,056,210. This deficit is primarily the result of the following:

- Fulfilling the requirements of GASB No. 45, which required the booking of the current portion of the OPEB obligation at \$103,106,933.
- An estimate for accrued leave owed to employees totaling approximately \$2,709,999 and an estimate for other claims and judgments totaling \$670,980. Rather than accumulating assets to liquidate these liabilities, the City funds them on a pay-as-you-go basis.

The deficit balance in unrestricted net assets of governmental activities is also affected by the fact that the assets of Twin Bridges Golf Course are reflected in business-type activities, while the related debt is expected to be paid from governmental activities and is reported as such.

Condensed Statements of Activities
For the Years Ended September 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	2008	<u>2009</u>	2008	<u>2009</u>	2008
Revenues						
Program Revenues:						
Charges for services.....	\$ 2,415,058	\$ 2,433,064	\$ 3,575,445	\$ 3,848,725	\$ 5,990,503	\$ 6,281,789
Operating grants and contributions.....	2,808,132	2,021,904	—	—	2,808,132	2,021,904
Cap grants and contributions	1,793,688	3,134,323	—	—	1,793,688	3,134,323
General Revenues:						
Taxes	44,040,763	45,936,304	—	—	44,040,763	45,936,304
Licenses and permits.....	6,408,364	6,519,107	—	—	6,408,364	6,519,107
Unrestricted grants	—	—	—	—	—	—
Gain (loss) on disposal of assets.....	(41,576)	787,336	1,309	27,754	(40,267)	815,090
Investment earnings	640,781	943,408	2,483	12,812	643,264	956,220
Contributions from component unit ...	—	—	—	—	—	—
Other general revenues	973,244	1,234,047	—	—	973,244	1,234,047
Total Revenues	<u>59,038,454</u>	<u>63,009,493</u>	<u>3,579,237</u>	<u>3,889,291</u>	<u>62,617,691</u>	<u>66,898,784</u>
Expenses						
Governmental Activities:						
General government.....	2,483,815	2,538,170	—	—	2,483,815	2,538,170
Internal services	4,167,529	3,577,867	—	—	4,167,529	3,577,867
Public safety	24,722,833	20,907,931	—	—	24,722,833	20,907,931
Recreation and cultural services	9,917,736	7,953,830	—	—	9,917,736	7,953,830
Public works.....	6,721,432	6,404,959	—	—	6,721,432	6,404,959
Urban development.....	6,481,941	5,560,958	—	—	6,481,941	5,560,958
Non-departmental	5,450,477	4,179,588	—	—	5,450,477	4,179,588
Interest on long-term debt.....	3,224,834	3,335,548	—	—	3,224,834	3,335,548
Business-type Activities:						
Airport-Air Depot	—	—	694,922	619,460	694,922	619,460
Garbage	—	—	2,991,627	2,803,454	2,991,627	2,803,454
Golf course	—	—	1,416,100	1,355,295	1,416,100	1,355,295
Total Expenses	<u>63,170,597</u>	<u>54,458,851</u>	<u>5,102,649</u>	<u>4,778,209</u>	<u>68,273,246</u>	<u>59,237,060</u>
Change in Net Assets Before						
Transfers and Special Items	(4,132,143)	8,550,642	(1,523,412)	(888,918)	(5,655,555)	7,661,724
Transfers.....	(893,861)	(220,000)	378,298	220,000	(515,563)	—
Special items.....	—	—	—	—	—	—
Change in Net Assets	<u>\$ (5,026,004)</u>	<u>\$ 8,330,642</u>	<u>\$ (1,145,114)</u>	<u>\$ (668,918)</u>	<u>\$ (6,171,118)</u>	<u>\$ 7,661,724</u>

Governmental Activities - Governmental activities decreased the City's net assets by \$5,026,004. Key elements of this increase are as follows:

- Expenses of governmental activities exceeded total revenues by \$4,132,143.
- Transfers of \$893,861 were made from Governmental Activities to Business-Type Activities and Special Revenue Funds.

Business-Type Activities - Business-Type activities decreased the City's net assets by \$1,145,114. Key elements of this decrease are as follows:

- An operating loss in the Residential Garbage Enterprise Fund of \$551,764.
- An operating loss in the Golf Course Enterprise Fund of \$509,967.

Fund Financial Analysis

Governmental Funds

The *General Fund* is the chief operating fund of the City. The total fund balance of the general fund increased by \$744,135 in 2009 to \$12,438,943. At the end of the current fiscal year, the *unreserved fund balance* was \$10,650,576, an increase of \$388,416. The City designates a portion of the unreserved fund balance for specific purposes. The balance designated at year end was \$242,176. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. This is very useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unreserved, undesignated fund balance represents 25.24% of total general fund expenditures, while total fund balance represents 29.47% of the total general fund expenditures.

General Fund Fund Balances As of September 30, 2009 and 2008

	<u>Fund Balance 2009</u>	<u>Fund Balance 2008</u>	<u>Increase (Decrease)</u>
Reserved	\$ 1,788,367	\$ 1,432,648	\$ 355,719
Unreserved, Designated.....	242,176	269,676	(27,500)
Unreserved, Undesignated.....	<u>10,408,400</u>	<u>9,992,484</u>	<u>415,916</u>
Total Fund Balance.....	<u>\$ 12,438,943</u>	<u>\$ 11,694,808</u>	<u>\$ 744,135</u>

There are several factors for the unreserved fund balance of the City' general fund increasing by \$415,916 and the total fund balance increasing by \$744,135 during the current fiscal year. Even though revenues were under budget, expenses continued to be well controlled and under budget in excess of \$3,000,000.

Enterprise Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. The combined net assets of the enterprise funds were \$7,190,861, a decrease of \$709,269. The primary factor for the decrease is non-cash depreciation expense of \$724,221.

Enterprise Funds Net Assets As of September 30, 2009 and 2008

	<u>Net Assets 2009</u>	<u>Net Assets 2008</u>	<u>Increase (Decrease)</u>
Airport	\$ 1,114,241	\$ 1,142,848	\$ (28,607)
Garbage.....	(529,830)	(298,286)	(231,544)
Golf Course	<u>6,606,450</u>	<u>7,055,568</u>	<u>(449,118)</u>
Total Net Assets.....	<u>\$ 7,190,861</u>	<u>\$ 7,900,130</u>	<u>\$ (709,269)</u>

Internal Service Fund

As previously mentioned, the City utilizes an internal service fund to accumulate and allocate the costs of workers' compensation and employee health care internally among the City's various functions. At the end of the current fiscal year, the net assets of the internal service fund were \$(1,236,198), a decrease of \$1,786,766. The primary cause of this decrease was a deficit in the average cost per employee to the City to provide insurance benefits to employees, as well as the actuarial liability of \$676,454 for workers compensation.

**Internal Service Fund
Net Assets
As of September 30, 2009 and 2008**

	<u>Net Assets 2009</u>	<u>Net Assets 2008</u>	<u>Increase (Decrease)</u>
Unrestricted	\$ (1,236,198)	550,568	(1,786,766)
Total Net Assets (Deficit)	<u>\$ (1,236,198)</u>	<u>\$ 550,568</u>	<u>\$ (1,786,766)</u>

Budgetary Highlights

Encumbrances from fiscal year 2008 were carried forward to fiscal year 2009 and the budget was increased in the general fund by \$105,502. These encumbrances were funded from the fund balance of the general fund. Differences between the general fund original budget and the final amended budget totaled \$1,562,015 including the encumbrances mentioned above. The majority of the budget amendments involved the appropriation of designated as well as undesignated funds for specific needs during the fiscal year. Those needs include:

- \$462,500 Communications network upgrade
- \$250,000 American Disabilities Act compliance
- \$180,075 FY09 Alatax fees
- \$25,000 Purchase of tazers for Police Department

**General Fund Budget
For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance From Final Budget</u>
Revenues.....	\$ 45,522,800	\$ 45,522,800	\$ 43,867,589	\$ (1,655,211)
Expenditures.....	44,529,987	46,074,863	42,203,884	3,870,979
Other sources (uses).....	<u>(1,065,313)</u>	<u>(1,082,452)</u>	<u>(919,570)</u>	<u>162,882</u>
Net Change in Fund Balance	<u>\$ (72,500)</u>	<u>\$ (1,634,515)</u>	<u>\$ 744,135</u>	<u>\$ (2,378,650)</u>

The variances from the final budget were primarily the result of actual revenues being under budget by \$1,655,211 and actual expenses under budget by \$3,870,979.

Capital Asset and Debt Administration

Capital Assets As of September 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land.....	\$ 12,544,181	\$ 13,056,746	\$ 2,976,164	\$ 2,976,164	\$ 15,520,345	\$ 16,032,910
Buildings	9,117,188	7,070,648	3,038,623	3,266,495	12,155,811	10,337,143
Improvements other than buildings	13,625,762	10,240,195	4,363,333	4,646,605	17,989,095	14,886,800
Equipment	5,921,612	5,590,329	441,193	648,804	6,362,805	6,239,133
Infrastructure	18,081,937	19,066,046	—	—	18,081,937	19,066,046
Construction in progress	3,113,271	8,072,645	—	—	3,113,271	8,072,645
Net Total Capital Assets.....	<u>\$ 62,403,951</u>	<u>\$ 63,096,609</u>	<u>\$ 10,819,313</u>	<u>\$ 11,538,068</u>	<u>\$ 73,223,264</u>	<u>\$ 74,634,677</u>

This investment in capital assets includes land, buildings, improvements other than buildings, system improvements (drainage and streets) machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was \$1,411,414 (an decrease of \$692,659 for governmental activities and a decrease of \$718,755 for business-type activities). The reduction is due to the value of the assets being decreased by accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- \$ 1,848,477 Capital expenditures for various equipment
- \$ 927,911 Street improvements
- \$ 797,047 Communications network upgrade
- \$ 666,457 Various municipal improvements
- \$ 293,198 Bridge at Chestnut Street
- \$ 253,112 Airport Road
- \$ 213,240 Nocalula Falls lighting project
- \$ 97,387 Drainage improvements

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Debt Outstanding

Outstanding Debt As of September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Governmental:		
GOW 2006.....	\$ 905,000	\$ 935,000
GOW 2005.....	13,045,000	13,930,000
GOW 2004-A.....	4,305,000	4,490,000
GOW 2003-B.....	26,140,000	26,760,000
GOW 2003-A.....	7,440,000	7,620,000
GOW 2002-B.....	870,000	1,065,000
GOW 2002-A.....	1,800,000	2,355,000
Less deferred amounts:		
Issuance Discounts.....	(406,993)	(431,609)
On Refunding.....	(638,807)	(704,548)
Issuance Premiums	106,841	115,388
Notes payable	2,627,755	2,734,377
Notes payable	2,031,375	26,702
Honda assistance.....	978,999	1,115,994
HUD Section 108 Loans.....	1,875,000	2,050,000
Capital leases	568,209	1,034,369
Compensated absences	2,710,239	2,652,333
Claims and judgments	2,578,442	2,055,208
Business-Type:		
GOW 2003.....	160,000	200,000
GOW 2005-B.....	1,100,000	1,200,000
Compensated absences	76,968	69,823
Landfill closure and post closure	<u>1,218,900</u>	<u>1,189,066</u>
Total Long-term Debt.....	<u>\$ 69,491,928</u>	<u>\$ 70,462,103</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of its total assessed valuation. The current constitutional debt limitation for the City of Gadsden is \$80,106,280, which is significantly in excess of the City of Gadsden's outstanding general obligation debt. The legal debt margin as of September 30, 2009, was \$42,249,689.

Economic Factors

The City relies primarily on taxes (sales and ad valorem) and fees (business licenses and occupational licenses) for their governmental activities. The primary source of revenue is sales tax.

In the business-type and certain governmental activities (airport, garbage services, golf course and recreational programs, etc.) the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services have a direct bearing on the City's ability to (a) annex additional land into its corporate limits and (b) encourage development (office, retail, residential and industrial) to choose to be located in the jurisdiction. The City places significant emphasis on encouraging both annexation and economic development.

Financial Information Contact

The City of Gadsden's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances. If you have questions about the report or need additional financial information, contact the Finance Department at 90 Broad Street, Gadsden, Alabama 35901.



BASIC FINANCIAL STATEMENTS

CITY OF GADSDEN, ALABAMA

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents.....	\$ 15,580,486	\$ 806,411	\$ 16,386,897
Investments	167,406	—	167,406
Receivables, net of allowances for uncollectibles.....	8,103,473	433,381	8,536,854
Internal balances	2,222,620	(2,222,620)	—
Due from primary government.....	—	—	—
Inventories.....	228,172	29,638	257,810
Prepays.....	522,104	18,320	540,424
Deferred charges	546,621	—	546,621
Restricted assets	1,369,387	—	1,369,387
Due from component units.....	13,783,158	—	13,783,158
Capital assets, net of accumulated depreciation:			
Land	12,544,181	2,976,164	15,520,345
Buildings	9,117,188	3,038,623	12,155,811
Improvements.....	13,625,762	4,363,333	17,989,095
Equipment	5,921,612	441,193	6,362,805
Infrastructure	18,081,937	—	18,081,937
Construction in progress.....	3,113,271	—	3,113,271
Total Assets	104,927,378	9,884,443	114,811,821
Liabilities			
Accounts payable and other current liabilities	\$ 1,339,076	\$ 190,160	\$ 1,529,236
Accrued payroll and related liabilities	949,287	44,289	993,576
Due to component units	6,702,702	—	6,702,702
Due to primary government	—	—	—
Deferred revenue.....	—	26,938	26,938
Noncurrent liabilities:			
Due within one year	8,584,752	240,168	8,824,920
Due in more than one year	161,458,241	2,647,248	164,105,489
Total Liabilities	179,034,058	3,148,803	182,182,861
Net Assets			
Invested in capital assets, net of related debt	46,150,673	9,559,313	55,709,986
Restricted for:			
Capital projects.....	11,166,994	—	11,166,994
Debt service.....	1,417,647	—	1,417,647
Economic development.....	743,038	—	743,038
Public safety	813,200	—	813,200
Recreation and cultural services			
Expendable	25,779	—	25,779
Nonexpendable	228,903	—	228,903
Other purposes	1,577,161	—	1,577,161
Unrestricted.....	(136,230,075)	(2,823,673)	(139,053,748)
Total Net Assets	\$ (74,106,680)	\$ 6,735,640	\$ (67,371,040)

CITY OF GADSDEN, ALABAMA

STATEMENT OF NET ASSETS

September 30, 2009

Component Units		
Board of Education	Airport Authority	Public Building Authority of the City of Gadsden
\$ 5,048,754	\$ 48,571	\$ —
—	—	—
7,764,049	1,341,147	—
—	—	—
—	6,145,000	—
100,703	—	—
11,656	5,271	238,191
—	5,200	7,117,664
—	91,959	—
—	—	—
5,644,533	713,321	513,101
42,965,085	93,642	—
6,766,921	1,214,604	—
2,739,547	66,490	—
—	2,626,665	—
<u>1,853,500</u>	<u>—</u>	<u>1,255,974</u>
<u>72,894,748</u>	<u>12,351,870</u>	<u>9,124,930</u>
\$ 424,215	\$ 112,028	\$ 217,381
3,098,669	1,089	—
—	—	85,248
—	1,101,900	—
6,879,815	—	—
932,462	200,000	—
<u>21,783,852</u>	<u>5,945,000</u>	<u>8,306,738</u>
<u>33,119,013</u>	<u>7,360,017</u>	<u>8,609,367</u>
37,253,271	4,714,722	515,563
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
<u>2,522,464</u>	<u>277,131</u>	<u>—</u>
<u>\$ 39,775,735</u>	<u>\$ 4,991,853</u>	<u>\$ 515,563</u>

The notes to the financial statements are an integral part of this statement

CITY OF GADSDEN, ALABAMA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities				
General government.....	\$ (2,483,815)	\$ —	\$ 155,566	\$ 4,436
Internal services.....	(4,167,529)	—	—	—
Public safety	(24,722,833)	938,040	954,383	449,039
Recreation and cultural services	(9,917,736)	1,172,250	176,714	83,315
Public works services.....	(6,721,432)	—	577,915	—
Urban development.....	(6,997,504)	304,768	943,554	1,256,898
Non-departmental	(5,450,477)	—	—	—
Interest on long-term debt.....	(3,224,834)	—	—	—
Total Governmental Activities.....	<u>(63,686,160)</u>	<u>2,415,058</u>	<u>2,808,132</u>	<u>1,793,688</u>
Business-Type Activities				
Airport	(694,922)	623,068	—	—
Residential garbage.....	(2,991,627)	2,165,788	—	—
Golf course	(1,416,100)	786,589	—	—
Total Business-Type Activities.....	<u>(5,102,649)</u>	<u>3,575,445</u>	<u>—</u>	<u>—</u>
Total Primary Government	<u>\$ (68,788,809)</u>	<u>\$ 5,990,503</u>	<u>\$ 2,808,132</u>	<u>\$ 1,793,688</u>
Component Units				
Board of Education	\$ (52,493,699)	\$ 4,341,919	\$ 34,119,927	\$ 1,254,375
Airport Authority	\$ (824,922)	\$ 26,528	\$ 661,758	\$ —
Public Building Authority of the City of Gadsden....	\$ —	\$ —	\$ —	\$ 515,563
General Revenues				
Sales and use tax				
Occupational license fee				
Licenses and permits				
Property tax				
Gasoline tax				
Tobacco tax				
Beer tax				
Lodging tax				
Wine and liquor tax.....				
Financial institution excise tax				
Rental and leasing tax				
City appropriations.....				
Unrestricted investment earnings				
Gain on sale of assets				
Other general revenues.....				
Transfers.....				
Total General Revenues, Transfers and Special Items				
Change In Net Assets				
Net Assets – Beginning - Restated.....				
Net Assets - Ending				

Net Revenue (Expense) and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-Type Activity	Total	Board of Education	Airport Authority	Building Authority
\$ (2,323,813)	\$ —	\$ (2,323,813)	\$ —	\$ —	\$ —
(4,167,529)	—	(4,167,529)	—	—	—
(22,381,371)	—	(22,381,371)	—	—	—
(8,485,457)	—	(8,485,457)	—	—	—
(6,143,517)	—	(6,143,517)	—	—	—
(4,492,284)	—	(4,492,284)	—	—	—
(5,450,477)	—	(5,450,477)	—	—	—
(3,224,834)	—	(3,224,834)	—	—	—
<u>(56,669,282)</u>	<u>—</u>	<u>(56,669,282)</u>	<u>—</u>	<u>—</u>	<u>—</u>
—	(71,854)	(71,854)	—	—	—
—	(825,839)	(825,839)	—	—	—
—	<u>(629,511)</u>	<u>(629,511)</u>	—	—	—
—	<u>(1,527,204)</u>	<u>(1,527,204)</u>	—	—	—
<u>(56,669,282)</u>	<u>(1,527,204)</u>	<u>(58,196,486)</u>	—	—	—
			<u>(12,777,478)</u>		
				<u>(136,636)</u>	
					<u>515,563</u>
24,121,962	—	24,121,962	1,394,529	—	—
12,987,003	—	12,987,003	—	—	—
6,408,364	—	6,408,364	—	—	—
4,168,711	—	4,168,711	6,855,255	—	—
574,259	—	574,259	—	—	—
427,461	—	427,461	—	—	—
242,219	—	242,219	88,261	—	—
534,115	—	534,115	—	—	—
187,373	—	187,373	—	—	—
261,831	—	261,831	—	—	—
535,829	—	535,829	—	—	—
—	—	—	—	—	—
640,781	2,483	643,264	36,406	33,812	—
107,779	1,309	109,088	—	—	—
823,889	—	823,889	5,236,277	—	—
<u>(378,298)</u>	<u>378,298</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>51,643,278</u>	<u>382,090</u>	<u>52,025,368</u>	<u>13,610,728</u>	<u>33,812</u>	<u>—</u>
<u>(5,026,004)</u>	<u>(1,145,114)</u>	<u>(6,171,118)</u>	<u>833,250</u>	<u>(103,824)</u>	<u>515,563</u>
<u>(69,080,676)</u>	<u>7,880,754</u>	<u>(61,199,922)</u>	<u>38,942,485</u>	<u>5,095,677</u>	<u>—</u>
<u>\$ (74,106,680)</u>	<u>\$ 6,735,640</u>	<u>\$ (67,371,040)</u>	<u>\$ 39,775,735</u>	<u>\$ 4,991,853</u>	<u>\$ 515,563</u>

The notes to the financial statements are an integral part of this statement

CITY OF GADSDEN, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2009

	General Fund	School Ad Valorem Tax Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,652,674	\$ 633,524	\$ 1,121,612	\$ 5,001,384	\$ 15,409,194
Investments	—	—	—	167,406	167,406
Receivables, net of allowances for uncollectibles:					
Taxes	4,727,761	1,164,040	475,805	1,159,499	7,527,105
Intergovernmental	2,998	—	—	384,604	387,602
Notes	112,500	—	—	5,683	118,183
Other	70,081	—	—	502	70,583
Due from other funds	2,367,164	—	—	—	2,367,164
Inventories	228,172	—	—	—	228,172
Restricted assets	—	—	—	1,369,387	1,369,387
Prepays	—	—	—	—	—
Due from component units	—	—	<u>13,647,662</u>	<u>135,496</u>	<u>13,783,158</u>
Total Assets	<u>\$16,161,350</u>	<u>\$ 1,797,564</u>	<u>\$15,245,079</u>	<u>\$ 8,223,961</u>	<u>\$ 41,427,954</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable and other liabilities	\$ 788,206	\$ —	\$ 16,581	\$ 115,579	\$ 920,366
Accrued payroll and related liabilities	910,793	—	—	34,220	945,013
Due to other funds	—	—	—	268,218	268,218
Due to component units	—	543,972	6,158,730	—	6,702,702
Deferred revenue	<u>2,023,408</u>	<u>1,111,926</u>	<u>—</u>	<u>1,054,232</u>	<u>4,189,566</u>
Total Liabilities	<u>3,722,407</u>	<u>1,655,898</u>	<u>6,175,311</u>	<u>1,472,249</u>	<u>13,025,865</u>
Fund Balances					
Reserved for encumbrances	367,670	—	66,320	926,545	1,360,535
Reserved for inventories	228,172	—	—	—	228,172
Reserved for debt service	—	—	—	1,417,647	1,417,647
Reserved for noncurrent receivables	182,581	—	7,488,932	—	7,671,513
Reserved for compensated absences	315,648	—	—	—	315,648
Reserved for legal claims	694,296	—	—	—	694,296
Reserved for library endowment	—	—	—	212,496	212,496
Unreserved reported in:					
General fund	10,650,576	—	—	—	10,650,576
Special revenue funds	—	141,666	—	2,999,486	3,141,152
Capital projects funds	—	—	<u>1,514,516</u>	<u>1,195,538</u>	<u>2,710,054</u>
Total Fund Balances	<u>12,438,943</u>	<u>141,666</u>	<u>9,069,768</u>	<u>6,751,712</u>	<u>28,402,089</u>
Total Liabilities and Fund Balances	<u>\$16,161,350</u>	<u>\$ 1,797,564</u>	<u>\$15,245,079</u>	<u>\$ 8,223,961</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not expendable, available financial resources and therefore, are not reported in the funds					62,403,951
Internal service funds are used by management to charge the costs of workers' compensation and employee health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets					(1,109,651)
Certain revenues reported in the statement of activities are not available to pay the liabilities of the current year, and therefore, are deferred in the funds					4,189,566
Long-term liabilities are not due and payable in the current year, and therefore are not reported in the funds					<u>(167,992,635)</u>
Net Assets of Governmental Activities					<u>\$ (74,106,680)</u>

The notes to the financial statements are an integral part of this statement

CITY OF GADSDEN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	General Fund	School Ad Valorem Tax Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes.....	\$34,684,607	\$ 987,453	\$ 5,985,472	\$ 2,443,480	\$ 44,101,012
Licenses and permits.....	6,408,364	—	—	—	6,408,364
Intergovernmental.....	289,868	—	—	4,291,069	4,580,937
Charges for services.....	1,508,525	—	—	175,733	1,684,258
Fines and forfeitures.....	654,390	—	—	76,411	730,801
Other revenues.....	321,835	1,337	602,157	720,365	1,645,694
Total Revenues	<u>43,867,589</u>	<u>988,790</u>	<u>6,587,629</u>	<u>7,707,058</u>	<u>59,151,066</u>
Expenditures					
Current:					
General government.....	2,268,878	—	—	—	2,268,878
Internal services.....	3,382,137	—	138,062	11,714	3,531,913
Public safety.....	18,539,573	—	—	1,274,790	19,814,363
Recreation and cultural services.....	6,814,934	—	—	367,743	7,182,677
Public works services.....	5,680,169	—	—	—	5,680,169
Urban development.....	1,697,359	—	6,480	1,515,476	3,219,315
Non-departmental.....	698,972	—	—	—	698,972
Intergovernmental.....	1,685,277	695,302	570,500	1,761,211	4,712,290
Debt Service:					
Principal.....	—	—	—	3,534,776	3,534,776
Interest and fiscal charges.....	23,130	—	—	3,094,075	3,117,205
Capital outlays.....	1,413,455	—	1,329,785	3,164,529	5,907,769
Total Expenditures	<u>42,203,884</u>	<u>695,302</u>	<u>2,044,827</u>	<u>14,724,314</u>	<u>59,668,327</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>1,663,705</u>	<u>293,488</u>	<u>4,542,802</u>	<u>(7,017,256)</u>	<u>(517,261)</u>
Other Financing Sources (Uses)					
General obligation warrants.....	—	—	—	2,004,673	2,004,673
Capital leases.....	—	—	—	—	—
Sale of assets.....	158,063	—	—	—	158,063
Transfers.....	<u>(1,077,633)</u>	<u>(241,374)</u>	<u>(3,745,498)</u>	<u>4,683,745</u>	<u>(380,760)</u>
Net Other Financing Sources (Uses)	<u>(919,570)</u>	<u>(241,374)</u>	<u>(3,745,498)</u>	<u>6,688,418</u>	<u>1,781,976</u>
Net Change in Fund Balances.....	744,135	52,114	797,304	(328,838)	1,264,715
Beginning Fund Balances	<u>11,694,808</u>	<u>89,552</u>	<u>8,272,464</u>	<u>7,080,550</u>	<u>27,137,374</u>
Ending Fund Balances	<u>\$12,438,943</u>	<u>\$ 141,666</u>	<u>\$ 9,069,768</u>	<u>\$ 6,751,712</u>	<u>\$ 28,402,089</u>

The notes to the financial statements are an integral part of this statement

CITY OF GADSDEN, 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, 2009

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

Net change in fund balances - total governmental funds	\$ 1,264,715
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.....	20,082
The net effect of various transactions involving capital assets effects the change in net assets, but has no effect on the current financial resources of governmental funds.	(712,740)
Revenues are recognized in the governmental funds when they are both measurable and available to pay the liabilities of the current period. Revenues are recognized in the statement of activities when they are earned.	
Increase in earned but unavailable deferred revenue in governmental funds.....	(60,249)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(3,843,271)
Some expenses reported in the statement of activities differ from amounts reported as expenditures in governmental funds.	(12,073)
An internal service fund is used by management to charge the costs of workers' compensation and employee health insurance to individual funds. The net revenue of certain activities of the internal service fund is reported as governmental activities in the statement of activities.....	<u>(1,682,468)</u>
Change In Net Assets of Governmental Activities	<u>\$ (5,026,004)</u>

CITY OF GADSDEN, ALABAMA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

September 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Airport	Garbage	Golf	Totals	
Assets					
Current Assets					
Cash and cash equivalents.....	\$ 550,437	\$ 80,067	\$ 175,907	\$ 806,411	\$ 171,292
Receivables, net of allowances for uncollectibles:					
Accounts.....	15,311	418,070	—	433,381	—
Inventories.....	—	—	29,638	29,638	—
Prepays.....	—	—	18,320	18,320	522,104
Total Current Assets	<u>565,748</u>	<u>498,137</u>	<u>223,865</u>	<u>1,287,750</u>	<u>693,396</u>
Capital assets, net of accumulated depreciation:					
Land	111,470	267,134	2,597,560	2,976,164	—
Buildings	1,728,924	383,630	926,069	3,038,623	—
Improvements	63,507	173,807	4,126,019	4,363,333	—
Equipment.....	2,150	424,157	14,886	441,193	—
Total Assets	<u>2,471,799</u>	<u>1,746,865</u>	<u>7,888,399</u>	<u>12,107,063</u>	<u>693,396</u>
Liabilities					
Current Liabilities					
Accounts payable and other current liabilities.....	54,442	103,154	32,564	190,160	14,744
Accrued payroll and related liabilities	4,871	36,270	3,148	44,289	4,274
Compensated absences payable	11,658	65,311	—	76,969	3,114
Claims and adjustments payable	—	—	—	—	1,907,462
Accrued landfill closure and post closure.....	—	23,200	—	23,200	—
Current portion of general obligation warrants	140,000	—	—	140,000	—
Deferred revenue.....	26,587	—	351	26,938	—
Due to other funds.....	—	853,060	1,245,886	2,098,946	—
Total Current Liabilities	<u>237,558</u>	<u>1,080,995</u>	<u>1,281,949</u>	<u>2,600,502</u>	<u>1,929,594</u>
Accrued landfill closure and post closure ..	—	1,195,700	—	1,195,700	—
General obligation warrants payable.....	<u>1,120,000</u>	—	—	<u>1,120,000</u>	—
Total Liabilities	<u>1,357,558</u>	<u>2,276,695</u>	<u>1,281,949</u>	<u>4,916,202</u>	<u>1,929,594</u>
Net Assets					
Invested in capital assets, net of related debt.....	646,051	1,248,728	7,664,534	9,559,313	—
Unrestricted.....	<u>468,190</u>	<u>(1,778,558)</u>	<u>(1,058,084)</u>	<u>(2,368,452)</u>	<u>(1,236,198)</u>
Total Net Assets	<u>\$ 1,114,241</u>	<u>\$ (529,830)</u>	<u>\$ 6,606,450</u>	7,190,861	<u>\$ (1,236,198)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					
OPEB Obligation.....				(123,674)	
				<u>(331,547)</u>	
Net Assets of Business-Type Activities				<u>\$ 6,735,640</u>	

The notes to the financial statements are an integral part of this statement

CITY OF GADSDEN, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended September 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Airport	Garbage	Golf	Totals	
Operating Revenues					
Charges for sales and services.....	\$ 623,068	\$ 2,165,788	\$ 786,589	\$ 3,575,445	\$ 5,116,637
Operating Expenses					
Cost of sales and services.....	433,209	2,438,849	982,269	3,854,327	6,903,403
Depreciation	131,231	278,703	314,287	724,221	—
Total Operating Expenses.....	564,440	2,717,552	1,296,556	4,578,548	6,903,403
Operating Income (Loss).....	58,628	(551,764)	(509,967)	(1,003,103)	(1,786,766)
Non-Operating Revenues (Expenses)					
Gain on sale of assets	—	3,267	(784)	2,483	—
Interest revenue	1,021	288	—	1,309	—
Interest expense.....	(88,256)	—	—	(88,256)	—
Total Non-Operating Revenues (Expenses).....	(87,235)	3,555	(784)	(84,464)	—
Income (loss) before contributions, transfers, and special items	(28,607)	(548,209)	(510,751)	(1,087,567)	(1,786,766)
Transfers	—	316,665	61,633	378,298	—
Changes In Net Assets	(28,607)	(231,544)	(449,118)	(709,269)	(1,786,766)
Beginning Net Assets	1,142,848	(298,286)	7,055,568	—	550,568
Ending Net Assets	\$ 1,114,241	\$ (529,830)	\$ 6,606,450	—	\$ (1,236,198)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(104,298)	
OPEB Obligation				(331,547)	
Change In Net Assets of Business- Type Activities				\$ (1,145,114)	

The notes to the financial statements are an integral part of this statement

CITY OF GADSDEN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Airport	Garbage	Golf	Totals	
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 611,191	\$ 2,179,756	\$ 785,630	\$ 3,576,577	\$ 5,116,637
Payments to suppliers.....	(222,134)	(1,059,049)	(429,075)	(1,710,258)	(6,064,961)
Payments to employees.....	(198,395)	(1,442,461)	(430,829)	(2,071,685)	(179,350)
Net Cash Provided (Used) By Operating Activities.....	<u>190,662</u>	<u>(321,754)</u>	<u>(74,274)</u>	<u>(205,366)</u>	<u>(1,127,674)</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds.....	—	316,665	61,633	378,298	—
Net Cash Provided By Noncapital Financing Activities.....	<u>—</u>	<u>316,665</u>	<u>61,633</u>	<u>378,298</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities					
Principal paid on capital debt.....	(140,000)	—	—	(140,000)	—
Interest paid on capital debt.....	(88,256)	—	—	(88,256)	—
Acquisition and construction of capital assets.....	—	(6,250)	—	(6,250)	—
Proceeds from sale of capital assets ...	—	3,267	—	3,267	—
Net Cash Provided (Used) By Capital and Related Financing Activities.....	<u>(228,256)</u>	<u>(2,983)</u>	<u>—</u>	<u>(231,239)</u>	<u>—</u>
Cash Flows From Investing Activities					
Interest received.....	1,021	288	—	1,309	—
Net Cash Provided By Investing Activities.....	<u>1,021</u>	<u>288</u>	<u>—</u>	<u>1,309</u>	<u>—</u>
Net Increase (Decrease) In Cash and Cash Equivalents.....	<u>(36,573)</u>	<u>(7,784)</u>	<u>(12,641)</u>	<u>(56,998)</u>	<u>(1,127,674)</u>
Beginning Cash and Cash Equivalents ..	<u>587,010</u>	<u>87,851</u>	<u>188,548</u>	<u>863,409</u>	<u>1,298,966</u>
Ending Cash and Cash Equivalents ...	<u>\$ 550,437</u>	<u>\$ 80,067</u>	<u>\$ 175,907</u>	<u>\$ 806,411</u>	<u>\$ 171,292</u>

The notes to the financial statements are an integral part of this statement

CITY OF GADSDEN, ALABAMA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended September 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental
	<u>Airport</u>	<u>Garbage</u>	<u>Golf</u>	<u>Totals</u>	<u>Activities - Internal Service Fund</u>
Reconciliation of Operating Income					
To Net Cash Provided (Used) By					
Operating Activities					
Operating income (loss).....	\$ 58,628	\$ (551,764)	\$ (509,967)	\$ (1,003,103)	\$ (1,786,766)
Depreciation.....	131,231	278,703	314,287	724,221	—
Change in receivables.....	(11,877)	13,968	(959)	1,132	—
Change in prepaids.....	—	—	(1,477)	(1,477)	(18,835)
Change in inventories.....	—	—	3,933	3,933	—
Change in accounts payable and other current liabilities.....	11,008	47,120	(5,670)	52,458	680
Change in due to other funds.....	—	(152,360)	140,832	(11,528)	—
Change in claims and judgments payable	—	—	—	—	676,454
Change in accrued payroll and related liabilities.....	649	6,622	(15,253)	(7,982)	552
Change in accrued compensated absences.....	1,023	6,123	—	7,146	241
Change in accrued landfill closure and post closure.....	—	29,834	—	29,834	—
Change in deferred revenue.....	—	—	—	—	—
Net Cash Provided (Used) By					
Operating Activities	<u>\$ 190,662</u>	<u>\$ (321,754)</u>	<u>\$ (74,274)</u>	<u>\$ (205,366)</u>	<u>\$ (1,127,674)</u>
Noncash Investing, Capital and					
Financing Activities					
Transfers of capital assets.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The notes to the financial statements are an integral part of this statement

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

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

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

- Gadsden Board of Education - The members of the Board of Education are appointed by the City and the Board of Education is an agency of the State of Alabama under the general supervision and financial jurisdiction of the Alabama State Department of Education. The City is obligated in some manner for the debt of the Board of Education and the City levies a property tax specifically for operations of the Board of Education. Complete financial statements for the Board of Education may be obtained at the following administrative office:

Gadsden Board of Education
1026 Chestnut Street
P. O. Box 184
Gadsden, Alabama 35902

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

- Gadsden Airport Authority - The Airport Authority's board members are appointed by the City and the City is obligated in some manner for the debt of the Airport Authority. Complete financial statements for the Airport Authority may be obtained at the following administrative office:

Gadsden Airport Authority
P. O. Box 961
Gadsden, Alabama 35902

- Public Building Authority of the City of Gadsden - The Public Building Authority's board members are appointed by the City and the City is obligated in some manner for the debt of the Public Building Authority. Compiled financial statements may be obtained at the following address:

Public Building Authority of the City of Gadsden
90 Broad Street
Gadsden, Alabama 35901

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 1 - Summary of Significant Accounting Policies - Continued

Related Organizations: The City is also responsible for appointing a voting majority of the boards of other organizations, but the City's financial accountability for these organizations does not extend beyond making the appointments or the financial resources and obligations of these organizations are immaterial. The City appointed a voting majority of the following boards: Gadsden Water Works and Sewer Board, Greater Gadsden Housing Authority, Gadsden Industrial Development Board, the Etowah-Gadsden Industrial Development Authority, the Forrest Cemetery Foundation, and others. These organizations are related organizations, which have not been included in the reporting entity.

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 1 - Summary of Significant Accounting Policies - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

The **general fund** is the primary operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures applicable to the general operations of the City are paid from the general fund.

The **school ad valorem tax fund** accounts for funds received from a 6-mill property tax that is earmarked for educational purposes.

The **capital improvements fund** accounts for the proceeds of certain capital debt and for the portion of sales and use taxes that are earmarked for capital purposes.

The City reports the following major proprietary funds:

The **airport fund** accounts for the activities of the Air Depot.

The **residential garbage fund** accounts for the activities of the City's residential garbage service, including waste disposal at the current landfill and future landfill closure and post closure care costs at all landfill sites.

The **golf course fund** accounts for the activities of Twin Bridges Golf Course, which was opened to the public in the early summer of 2003.

Additionally, the City reports the following fund types:

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

Debt service funds account for the payment of principal and interest on long-term debt not being financed by proprietary funds.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 1 - Summary of Significant Accounting Policies - Continued

The City's nonmajor **capital projects funds** account for the costs of constructing or acquiring capital assets and major improvements other than those financed by proprietary funds.

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs - that is, for the benefit of the City or its citizens.

An **internal service fund** accounts for the accumulation of funds and the allocation of claims arising from the City's self-insured workers' compensation program and for the accumulation of funds for the payment of employee health care costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict the guidance of the GASB. The City also has the option of following subsequent private-sector guidance for its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Comparative total data for the prior year have been presented in the individual fund financial statements in order to provide an understanding of the changes in the financial position, operations and cash flows of the funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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

Assets, Liabilities, and Net Assets or Equity

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

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

Receivables and Payables: Activity between funds that are representative of lending and borrowing arrangements, as well as all other outstanding balances between funds at year end are referred to as either due to/from other funds (for the current portion) or advances to/from other funds (for the noncurrent portion). Any outstanding balances between governmental activities and business-type activities are reported in the government-wide statement of net assets as internal balances.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 1 - Summary of Significant Accounting Policies - Continued

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

All receivables are shown net of an allowance for uncollectibles.

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

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

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

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

Deferred Charges: In the government-wide and proprietary fund financial statements, long-term debt issuance costs are deferred and amortized over the term of the related debt. In governmental fund financial statements, these costs are reported as expenditures in the year the debt is issued.

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

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

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

Interest incurred during the construction phase of major capital projects is included in the capitalized cost of assets in business-type activities. The total interest expense incurred by the City during the current fiscal year was \$3,224,834. None of this amount was included as part of construction cost.

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

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

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 1 - Summary of Significant Accounting Policies - Continued

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

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

Deferred Revenue: Deferred revenues in the government-wide and proprietary fund financial statements represent unearned revenues. Deferred revenues in the governmental fund financial statements represent unearned revenues and other revenues for which the “available” criterion has not been met.

Compensated Absences: City employees earn sick leave at the rate of one day per month of service. Each employee can accumulate unlimited days, but upon separation, may be paid up to sixty days of sick leave. Employees earn vacation leave at graduated rates based on their length of service. Each employee can accumulate between five and twenty days of vacation leave and carry it over to the next year.

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

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

Net Assets/Fund Equity: Net assets are reported in the government-wide financial statements and are classified into the following categories:

- ♦ Invested in capital assets, net of related debt
- ♦ Restricted
- ♦ Unrestricted.

Restricted net assets are those whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City or that expire with the passage of time. The government-wide statement of net assets reports \$15,975,184 of restricted net assets, of which \$1,273,773 is restricted by enabling legislation. Unrestricted net assets are not subject to external restrictions but may be designated for specific purposes by the City’s management or the City council.

In the governmental fund financial statements, the City reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reclassifications: Certain amounts reported in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

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

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the statement of net assets. One element of that reconciliation explains that long-term liabilities are not due and payable in the current year, and therefore, are not reported in the funds. The details of this difference are as follows:

General obligation warrants payable	\$ (54,505,000)
Less: Deferred charge on refunding (to be amortized as interest expense).....	638,807
Deferred charge for issuance costs (to be amortized over the life of the debt).....	300,152
Issuance discounts (to be amortized as interest expense)	546,621
Notes payable	(2,627,755)
Series 2008 line of credit	(2,031,375)
Special obligation bonds.....	(978,998)
HUD Section 108 loans	(1,875,000)
Capital leases	(568,209)
Accrued interest payable.....	(403,966)
Compensated absences	(2,709,999)
Claims and judgments.....	(670,980)
OPEB obligation.....	<u>(103,106,933)</u>
 Net adjustment to reduce fund balance – total governmental funds to arrive at net assets - governmental activities	 <u>\$ (167,992,635)</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between Net change in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay.....	\$ 5,342,548
Depreciation expense.....	<u>(5,322,466)</u>
 Net adjustment to increase net change in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 20,082</u>

That reconciliation also discloses that the net effect of various transactions involving capital assets effects the change in net assets, but has no effect on the current financial resources of governmental funds. The details of this difference are as follows:

Transfers of capital assets to component unit	\$ (513,101)
Net carrying value of capital assets disposed	<u>(199,639)</u>
 Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (712,740)</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

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

Debt issued or incurred:	
Issuance of notes payable	\$ (2,004,673)
Principal repayments	<u>3,534,776</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,530,103</u>

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

Compensated absences	\$ (57,664)
Claims and judgments.....	153,220
Accrued interest.....	9,049
Amortization of long-term debt issuance costs, premiums, discounts, etc.	<u>(116,678)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (12,073)</u>

Note 3 - Stewardship, Compliance, and Accountability

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

1. The Mayor annually submits to the City Council a proposed Operating Budget for the general fund and special revenue funds for the fiscal year commencing October 1. The Operating Budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer between departments must be approved by City Council Ordinance.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles except that budgets and budgetary schedules included in these financial statements are prepared using encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded. At the end of the fiscal year, unencumbered appropriations automatically lapse.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 3 - Stewardship, Compliance, and Accountability - Continued

7. The adopted Operating Budget is allotted to each department or agency of the City according to the Mayor-Council Act. Total appropriations may not be exceeded by expenditures unless the City Council amends the budget due to increased revenues or through a reduction of fund balance. This year's Operating Budget was amended as needed throughout the year by City Council action, provided adequate funds were available at the time of the amendment.

Excess of Expenditures Over Appropriations: During the fiscal year ended September 30, 2009, there were no expenditures in excess of appropriations in any fund (the legal level of budgetary control).

As of September 30, 2009, the tobacco tax special revenue fund, the aging program revenue fund, the miscellaneous grants special revenue fund, and the residential garbage fund reported a deficit fund balance of \$9,576, \$700, \$2,753, and \$529,830, respectively.

Note 4 - Deposits and Investments

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

The City's deposits with financial institutions, including certificates of deposit, were fully insured or collateralized as required by State statutes as of September 30, 2009.

At September 30, 2009, the entire bank balance of the City's component unit, the Gadsden Board of Education, was fully covered by federal depository insurance or the SAFE program.

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

Restricted assets held for retirement of debt in accordance with applicable debt covenants and for other purposes consisted of the following at September 30, 2009:

1999 General Obligation Warrants	\$	1
2000 General Obligation Warrants		2
2002-A General Obligation Warrants		54,071
2002-B General Obligation Warrants		150,724
2003-A General Obligation Warrants		86,559
2003-B General Obligation Warrants		312,180
2004 General Obligation Warrants		73,340
2005 General Obligation Warrants		605,327
2006-A General Obligation Warrants		5,381
2006-B General Obligation Warrants		4,698
Airport Authority Assistance		73,451
Honda Project Assistance		<u>3,653</u>
Total	\$	<u>1,369,387</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 5 - Receivables

Receivables of the City's individual major funds and non-major and internal service funds in the aggregate were as follows at year-end:

	<u>General</u>	<u>School Ad Valorem</u>	<u>Capital Improvements</u>	<u>Airport</u>
Taxes receivable	\$ 4,727,761	\$ 1,164,040	\$ 475,805	\$ —
Accounts receivable.....	—	—	—	15,311
Intergovernmental receivables.....	2,998	—	—	—
Notes and other receivables.....	<u>528,476</u>	<u>—</u>	<u>—</u>	<u>—</u>
Gross receivables.....	5,259,235	1,164,040	475,805	15,311
Allowance for uncollectibles	<u>(345,895)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net receivables	<u>\$ 4,913,340</u>	<u>\$ 1,164,040</u>	<u>\$ 475,805</u>	<u>\$ 15,311</u>

	<u>Garbage</u>	<u>Golf</u>	<u>Nonmajor and Other</u>	<u>Total</u>
Taxes receivable	\$ —	\$ —	\$ 1,159,499	\$ 7,527,105
Accounts receivable.....	616,934	—	—	632,245
Intergovernmental receivables.....	—	—	384,604	387,602
Notes and other receivables.....	<u>—</u>	<u>—</u>	<u>445,196</u>	<u>973,672</u>
Gross receivables.....	616,934	—	1,989,299	9,520,624
Allowance for uncollectibles	<u>(198,864)</u>	<u>—</u>	<u>(439,011)</u>	<u>(983,770)</u>
Net receivables	<u>\$ 418,070</u>	<u>\$ —</u>	<u>\$ 1,550,288</u>	<u>\$ 8,536,854</u>

The City reports revenues net of uncollectible amounts. Total uncollectible amounts related to revenues of the current year were:

<u>Airport</u>	<u>Garbage</u>	<u>Golf</u>
<u>\$ —</u>	<u>\$ (11,074)</u>	<u>\$ —</u>

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CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 6 - Capital Assets

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

Primary Government

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 13,056,746	\$ 536	\$ (513,101)	\$ 12,544,181
Construction in progress	<u>8,072,645</u>	<u>2,029,161</u>	<u>(6,988,535)</u>	<u>3,113,271</u>
Total Capital Assets Not Being Depreciated	<u>21,129,391</u>	<u>2,029,697</u>	<u>(7,501,636)</u>	<u>15,657,452</u>
Capital Assets Being Depreciated				
Buildings	34,107,923	2,994,163	(436,267)	36,665,819
Improvements	10,889,327	3,996,232	—	14,885,559
Equipment	25,289,673	2,266,016	(944,486)	26,611,203
Infrastructure	<u>35,525,494</u>	<u>927,911</u>	<u>—</u>	<u>36,453,405</u>
Total Capital Assets Being Depreciated	<u>105,812,417</u>	<u>10,184,322</u>	<u>(1,380,753)</u>	<u>114,615,986</u>
Less accumulated depreciation on:				
Buildings	27,037,275	903,996	(392,640)	27,548,631
Improvements	649,132	610,666	—	1,259,798
Equipment	19,699,344	1,928,075	(937,829)	20,689,590
Infrastructure	<u>16,459,448</u>	<u>1,912,020</u>	<u>—</u>	<u>18,371,468</u>
Total Accumulated Depreciation	<u>63,845,199</u>	<u>5,354,757</u>	<u>(1,330,469)</u>	<u>67,869,487</u>
Net Capital Assets Being Depreciated.....	<u>41,967,218</u>	<u>4,829,565</u>	<u>(50,284)</u>	<u>46,746,499</u>
Net Capital Assets Used In the Operation Of Governmental Activities	<u>\$ 63,096,609</u>	<u>\$ 6,859,262</u>	<u>\$ (7,551,920)</u>	<u>\$ 62,403,951</u>
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 2,976,164	\$ —	\$ —	\$ 2,976,164
Total Capital Assets Not Being Depreciated	<u>2,976,164</u>	<u>—</u>	<u>—</u>	<u>2,976,164</u>
Capital Assets Being Depreciated				
Buildings	7,158,278	—	—	7,158,278
Improvements	6,675,939	—	—	6,675,939
Equipment	<u>3,685,751</u>	<u>19,350</u>	<u>(49,331)</u>	<u>3,655,770</u>
Total Capital Assets Being Depreciated	<u>17,519,968</u>	<u>19,350</u>	<u>(49,331)</u>	<u>17,489,987</u>
Less accumulated depreciation on:				
Buildings	3,891,783	227,872	—	4,119,655
Improvements	2,029,334	283,272	—	2,312,606
Equipment	<u>3,036,947</u>	<u>226,177</u>	<u>(48,547)</u>	<u>3,214,577</u>
Total Accumulated Depreciation	<u>8,958,064</u>	<u>737,321</u>	<u>(48,547)</u>	<u>9,646,838</u>
Net Capital Assets Being Depreciated.....	<u>8,561,904</u>	<u>(717,971)</u>	<u>(784)</u>	<u>7,843,149</u>
Net Capital Assets Used In the Operation Of Business-type Activities	<u>\$ 11,538,068</u>	<u>\$ (717,971)</u>	<u>\$ (784)</u>	<u>\$ 10,819,313</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 6 - Capital Assets - Continued

Construction Commitments:

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

Project	Spent-to-date	Remaining Commitment
Airport Road.....	\$ 280,813	\$ 4,639,213
Communications Network Update	797,047	2,745,911
Street Improvements – Paving.....	—	2,409,112
Hwy 411 Enhancement.....	1,201	780,890
Noccalula Greenway.....	48,950	693,560
CSX Railroad Bridge.....	3,851	488,113
Trolley Stop – 4 th Street Downtown	6,130	445,500
Drainage Improvements	—	402,878
South Gadsden Community Center	4,311	271,705
DHR Building – Hoke Street.....	479,695	232,814
Trolley Stop – 8 th Street East Gadsden	13,200	211,064
American Disabilities Compliance	—	181,467
Black Creek Parkway	5,793	145,413
Adams Park - Playground.....	9,451	91,376
Ritz Theatre	114,067	83,000
Wall Street Park – Gazebo.....	68,598	79,667
Transportation Building.....	49,050	48,451
Runt's Building	25,625	34,375
Museum of Art	249,658	25,500
Noccalula Falls – FY09 Improvements	213,240	17,705
Stonewall Avenue.....	843,268	5,000
Bridge – Chestnut Street at Black Creek	320,079	—
College Street Park - Library	54,939	—
Street Improvements – South 11 th Street	4,000	—
	<u>\$ 3,592,966</u>	<u>\$ 14,032,714</u>

These projects are being funded primarily from the proceeds of capital debt and capital grants.

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

General government.....	\$ 39,377
Internal services	94,139
Public safety.....	1,071,388
Recreation and cultural services.....	1,521,632
Public works services.....	274,818
Urban development.....	2,321,152
Total depreciation expense - governmental activities	<u>\$ 5,322,506</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 6 - Capital Assets – Continued

Airport.....	131,231
Garbage.....	278,703
Golf Course.....	<u>314,287</u>
Total depreciation expense - business-type activities	<u>\$ 724,221</u>

Discretely Presented Component Units:

Gadsden Board of Education:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 5,644,533	\$ —	\$ —	\$ 5,644,533
Construction in progress	<u>40,479</u>	<u>1,813,021</u>	<u>—</u>	<u>1,853,500</u>
Total capital assets not being depreciated	<u>5,685,012</u>	<u>1,813,021</u>	<u>—</u>	<u>7,498,033</u>
Capital assets being depreciated:				
Buildings	59,561,899	—	—	59,561,899
Improvements	16,246,405	965,356	—	17,211,761
Equipment	<u>7,583,201</u>	<u>—</u>	<u>(254,170)</u>	<u>7,329,031</u>
Total capital assets being depreciated.....	<u>83,391,505</u>	<u>965,356</u>	<u>(254,170)</u>	<u>84,102,691</u>
Less accumulated depreciation on:				
Buildings	15,615,924	980,890	—	16,596,814
Improvements	9,917,371	527,469	—	10,444,840
Equipment	<u>4,491,208</u>	<u>352,446</u>	<u>(254,170)</u>	<u>4,589,484</u>
Total accumulated depreciation.....	<u>30,024,503</u>	<u>1,860,805</u>	<u>(254,170)</u>	<u>31,631,138</u>
Net capital assets being depreciated.....	<u>53,367,002</u>	<u>(895,449)</u>	<u>—</u>	<u>52,471,553</u>
Net Capital Assets.....	<u>\$ 59,052,014</u>	<u>\$ 917,572</u>	<u>\$ —</u>	<u>\$ 59,969,586</u>

Public Building Authority of the City of Gadsden:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ —	\$ 513,101	\$ —	\$ 513,101
Construction in progress	<u>—</u>	<u>1,255,974</u>	<u>—</u>	<u>1,255,974</u>
Total capital assets not being depreciated	<u>—</u>	<u>1,769,075</u>	<u>—</u>	<u>1,769,075</u>
Net Capital Assets.....	<u>\$ —</u>	<u>\$ 1,769,075</u>	<u>\$ —</u>	<u>\$ 1,769,075</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 6 - Capital Assets – Continued

Discretely Presented Component Units:

Gadsden Airport Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 678,321	\$ 35,000	\$ —	\$ 713,321
Construction in progress	<u>200,306</u>	<u>—</u>	<u>(200,306)</u>	<u>—</u>
Total capital assets not being depreciated	<u>878,627</u>	<u>35,000</u>	<u>(200,306)</u>	<u>713,321</u>
Capital assets being depreciated:				
Buildings	181,066	—	—	181,066
Improvements	937,976	751,610	—	1,689,586
Equipment	102,886	30,300	—	133,186
Infrastructure	<u>7,739,974</u>	<u>—</u>	<u>—</u>	<u>7,739,974</u>
Total capital assets being depreciated	<u>8,961,902</u>	<u>781,910</u>	<u>—</u>	<u>9,741,812</u>
Less accumulated depreciation on:				
Buildings	79,331	8,093	—	87,424
Improvements	421,856	53,126	—	474,982
Equipment	54,165	12,531	—	66,696
Infrastructure	<u>4,958,843</u>	<u>154,466</u>	<u>—</u>	<u>5,113,309</u>
Total accumulated depreciation	<u>5,514,195</u>	<u>228,216</u>	<u>—</u>	<u>5,742,411</u>
Net capital assets being depreciated	<u>3,447,707</u>	<u>553,694</u>	<u>—</u>	<u>4,001,401</u>
Net Capital Assets	<u>\$ 4,326,334</u>	<u>\$ 588,694</u>	<u>\$ (200,306)</u>	<u>\$ 4,714,722</u>

Note 7 - Interfund Receivables, Payables and Transfers

The following is a detailed listing of interfund balances at year-end:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Due To/From Other Funds		
General Fund	\$ 2,367,164	\$ —
Residential Garbage Fund	—	853,060
Special Auto Tax Fund	—	5,754
Golf Course Fund	—	1,245,886
Community Development Fund	—	42,262
Tobacco Tax Fund	—	9,576
State Gas Tax Fund	—	21,573
Chemical Stopckpile Fund	—	121,406
Transportation & Planning Fund	—	58,980
Miscellaneous Grants Fund	—	8,667
	<u>\$ 2,367,164</u>	<u>\$ 2,367,164</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 7 - Interfund Receivables, Payables and Transfers - Continued

Interfund Transfers:

<u>Purpose</u>	<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Transfer of amount			
Debt Service	Capital Improvements Fund	Debt Service Fund - 2003-B GOW	\$ 1,871,250
Debt Service	Capital Improvements Fund	Debt Service Fund - 2005 GOW	775,280
Debt Service	Economic Development Fund	Debt Service Fund - 2003-A GOW	517,911
Debt Service	Capital Improvements Fund	Debt Service Fund - 2004 GOW	437,195
Debt Service	Tobacco Tax Fund	Debt Service Fund - 2005 GOW	368,720
Operating	General Fund	Transit Grants Fund	339,117
Debt Service	General Fund	Debt Service Fund - 2002-A GOW	336,459
Operating	General Fund	Residential Garbage Fund	316,665
Debt Service	Municipal Capital Improvements Fund	Debt Service Fund - 2002-A GOW	300,000
Debt Service	School Ad Valorem Tax Fund	Debt Service Fund - 2002-B GOW	241,374
Debt Service	Capital Improvements Fund	Debt Service Fund - Capital Leases	241,245
Capital Outlays	State Gas Tax Fund	Capital Projects Fund – Resurfacing	225,500
Debt Service	Fire Tax Ad Valorem Fund	Debt Service Fund - Capital Leases	212,856
Debt Service	Capital Improvements Fund	Debt Service Fund - Honda	190,000
Debt Service	Capital Improvements Fund	Debt Service Fund - 2006-B GOW	186,520
Operating	Lodging Tax Fund	General Fund	150,000
Capital Outlays	Special Auto Tax Fund	Capital Projects Fund - Resurfacing	119,500
Debt Service	Economic Development Fund	Debt Service Fund – 2005 GOW	100,000
Debt Service	Capital Improvements Fund	Debt Service Fund - 2006-A GOW	74,100
Operating	General Fund	Aging Program Fund	69,157
Operating	General Fund	Golf Course Fund	61,633
Debt Service	General Fund	Debt Service Fund - Capital Leases	48,912
Operating	General Fund	Transportation and Planning Fund	41,340
Debt Service	Debt Service – Airport Warrant	Capital Improvements Fund	30,092
Operating	General Fund	Law Enforcement Grants	16,258
Capital Outlays	Debt Service Fund – 2006-A GOW	2006-A GOW Construction Fund	2,375
Operating	DARE Grant Fund	General Fund	<u>1,908</u>
Total.....			<u>\$ 7,275,367</u>

Note 8 - Intra-Entity Receivables and Payables

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

Due From Component Units

On December 22, 2003, the City issued its \$29,560,000 General Obligation Warrants, Series 2003-B. These warrants were issued for the purpose of financing the costs of acquiring, constructing and equipping a new high school in connection with the consolidation of the Gadsden City Board of Education’s existing three high schools. While the City is solely responsible for the debt service on these warrants, the City and the Board of Education executed a Funding Agreement that requires the Board of Education to make monthly payments to the City in the amount of \$75,000. \$ 12,584,462

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 8 - Intra-Entity Receivables and Payables

On August 28, 2007, the City of Gadsden formed the Public Building Authority of the City of Gadsden to construct and lease a building to the State of Alabama. The Building Authority issued special obligation bonds to cover the cost of construction. In the interim, the City of Gadsden paid for construction draws to be reimbursed by the Building Authority of the City of Gadsden.	85,248
On August 26, 2004, the Gadsden Airport Authority issued its \$6,905,000 Taxable Airport Revenue Bonds, Series 2004. These bonds were issued for the purpose of financing the acquisition and construction of a mixed-use community south and southeast of the Gadsden Municipal Airport, including the acquisition of approximately 405 acres of land and the construction of roads, sidewalks, sewers, parks and other improvements, and financing the acquisition and construction of an automotive mold-making facility in the Gadsden Airport Industrial Park that the Airport Authority will lease to a manufacturer. As an integral part of the issuance of these bonds, the City and the Airport Authority executed a Funding Agreement which requires the City to make the debt service payments on the bonds on behalf of the Airport Authority (see Due to Component Units below) and requires the Airport Authority to pay to the City all amounts received under its lease of the automotive mold-making facility. The amount due from the Airport Authority under this Funding Agreement has been recorded at its estimated present value.	<u>1,113,448</u>
Total Due From Component Units	<u>\$ 13,783,158</u>

Due To Component Units

The Taxable Airport Revenue Bonds, Series 2004 discussed above are demand bonds which may be tendered for payment by the bondholder in whole or in part on any business day at a purchase price equal to 100% of the principal amount tendered plus accrued interest. During fiscal year 2008, the bondholder called the outstanding bonds of \$6,360,000 plus \$13,730 in accrued interest. . To provide temporary short-term financing for this contingency, the City has obtained an irrevocable letter of credit from a financial institution in the amount of \$6,984,455. The City activated the irrevocable letter of credit, and has performed on all debt service payments. The Remarketing Agent remarketed all tendered bonds successfully in January 2009. Because the Funding Agreement requires the City to make all debt service payments on behalf of the Airport Authority, an amount due to the Airport Authority has been recorded at the current principal balance outstanding on the letter of credit.....	\$ 6,158,730
School Ad Valorem Taxes receivable from taxpayers which are ultimately due to the Board of Education	<u>543,972</u>
Total Due to Component Units.....	<u>\$ 6,702,702</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 9 - Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
Governmental Activities:						
General Obligation Warrants, Series 2006.....	\$ 935,000	\$ —	\$ (30,000)	\$ 905,000	\$ 40,000	\$ 865,000
General Obligation Warrants, Series 2005.....	13,930,000	—	(885,000)	13,045,000	905,000	12,140,000
General Obligation Warrants, Series 2004-A	4,490,000	—	(185,000)	4,305,000	195,000	4,110,000
General Obligation Warrants, Series 2003-A	7,620,000	—	(180,000)	7,440,000	185,000	7,255,000
General Obligation Warrants, Series 2003-B.....	26,760,000	—	(620,000)	26,140,000	640,000	25,500,000
General Obligation Warrants, Series 2002-A	2,355,000	—	(555,000)	1,800,000	575,000	1,225,000
General Obligation Warrants, Series 2002-B	1,065,000	—	(195,000)	870,000	205,000	665,000
Less: Deferred Amounts:						
For issuance discounts	(431,609)	—	24,616	(406,993)	—	(406,993)
On refunding	(704,548)	—	65,741	(638,807)	—	(638,807)
Plus: Deferred Amounts:						
For issuance premiums.....	115,388	—	(8,547)	106,841	—	106,841
Total General Obligation Warrants...	56,134,231	—	(2,568,190)	53,566,041	2,745,000	50,821,041
Note Payable	2,734,377	—	(106,622)	2,627,755	101,801	2,525,954
Series 2008 Line of Credit	26,702	2,004,673	—	2,031,375	2,031,375	—
Special Obligation Bonds -						
Honda Assistance	1,115,994	—	(136,995)	978,999	143,457	835,542
HUD Section 108 Loans	2,050,000	—	(175,000)	1,875,000	175,000	1,700,000
Capital Leases	1,034,369	—	(466,160)	568,209	230,354	337,855
Compensated Absences	2,652,333	57,906	—	2,710,239	579,323	2,130,916
Claims and Judgments	2,055,208	1,117,169	(593,935)	2,578,442	2,578,442	—
OPEB obligation	97,733,559	5,373,374	—	103,106,933	—	103,106,933
Governmental Activities long-term liabilities	<u>\$165,536,773</u>	<u>\$ 8,553,122</u>	<u>\$ (4,046,902)</u>	<u>\$170,042,993</u>	<u>\$ 8,584,752</u>	<u>\$161,458,241</u>
Business-Type Activities:						
General Obligation Warrants, Series 2003	\$ 200,000	\$ —	\$ (40,000)	\$ 160,000	\$ 40,000	\$ 120,000
Taxable General Obligation Warrants, Series 2005-B.....	1,200,000	—	(100,000)	1,100,000	100,000	1,000,000
Compensated absences.....	69,823	7,145	—	76,968	76,968	—
Accrued landfill closure and post closure..	1,189,066	29,835	—	1,218,900	23,200	1,195,700
OPEB obligation	—	331,547	—	331,547	—	331,547
Business-Type Activities long-term liabilities	<u>\$ 2,658,889</u>	<u>\$ 368,527</u>	<u>\$ (140,000)</u>	<u>\$ 2,887,415</u>	<u>\$ 240,168</u>	<u>\$ 2,647,247</u>

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

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

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 9 - Long-term Liabilities - Continued

Future debt service to maturities for general obligation warrants, special obligation bonds, loans payable, and notes payable outstanding:

	Total	2010	2011	2012	2013
Governmental Activities					
GOW Series 2002-A					
Principal	\$ 1,800,000	\$ 575,000	\$ 600,000	\$ 625,000	\$ —
Interest	150,950	73,850	50,850	26,250	—
Total	<u>1,950,950</u>	<u>648,850</u>	<u>650,850</u>	<u>651,250</u>	<u>—</u>
GOW Series 2002-B					
Principal	870,000	205,000	215,000	220,000	230,000
Interest	75,038	32,045	23,538	14,510	4,945
Total	<u>945,038</u>	<u>237,045</u>	<u>238,538</u>	<u>234,510</u>	<u>234,945</u>
GOW Series 2003-A					
Principal	7,440,000	185,000	195,000	200,000	205,000
Interest	5,070,243	334,050	328,315	321,685	314,585
Total	<u>12,510,243</u>	<u>519,050</u>	<u>523,315</u>	<u>521,685</u>	<u>519,585</u>
GOW Series 2003-B					
Principal	26,140,000	640,000	655,000	680,000	705,000
Interest	18,730,210	1,231,993	1,212,153	1,189,883	1,165,743
Total	<u>44,870,210</u>	<u>1,871,993</u>	<u>1,867,153</u>	<u>1,869,883</u>	<u>1,870,743</u>
GOW Series 2004-A					
Principal	4,305,000	195,000	205,000	215,000	225,000
Interest	2,281,060	244,780	235,030	224,780	214,030
Total	<u>7,013,240</u>	<u>439,780</u>	<u>440,030</u>	<u>439,780</u>	<u>439,030</u>
GOW Series 2005					
Principal	13,045,000	905,000	940,000	965,000	1,000,000
Interest	3,626,688	512,390	484,245	454,235	422,295
Total	<u>16,671,688</u>	<u>1,417,390</u>	<u>1,424,245</u>	<u>1,419,235</u>	<u>1,422,295</u>
GOW Series 2006					
Principal	905,000	40,000	40,000	40,000	40,000
Interest	347,837	35,850	34,243	32,641	31,039
Total	<u>1,252,837</u>	<u>75,850</u>	<u>74,243</u>	<u>72,641</u>	<u>71,039</u>
Honda Assist. Special Ob. Bonds					
Principal	978,999	143,458	150,565	158,320	166,721
Interest	188,727	51,107	43,934	36,255	28,102
Total	<u>1,167,726</u>	<u>194,565</u>	<u>194,499</u>	<u>194,575</u>	<u>194,823</u>
HUD Section 108 Loans					
Principal	1,875,000	175,000	175,000	175,000	175,000
Interest	728,647	98,492	89,760	80,975	72,173
Total	<u>2,603,647</u>	<u>273,492</u>	<u>264,760</u>	<u>255,975</u>	<u>247,173</u>
Note Payable					
Principal	2,627,755	110,992	115,964	120,869	126,573
Interest	1,077,426	113,528	108,556	103,651	97,947
Total	<u>3,481,079</u>	<u>224,520</u>	<u>224,520</u>	<u>224,520</u>	<u>224,520</u>
Note Payable					
Principal	2,031,375	2,031,375	—	—	—
Interest	456,000	456,000	—	—	—
Total	<u>2,487,375</u>	<u>2,487,375</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Governmental Activities					
Principal	62,018,129	5,205,825	3,291,529	3,399,189	2,873,294
Interest	32,722,826	3,184,085	2,610,624	2,484,865	2,350,859
Total	<u>\$ 94,740,955</u>	<u>\$ 8,389,910</u>	<u>\$ 5,902,153</u>	<u>\$ 5,884,054</u>	<u>\$ 5,224,153</u>
Business-type Activities					
GOW Series 2003 (Airport)					
Principal	\$ 160,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Interest	24,880	9,952	7,464	4,976	2,488
Total	<u>184,800</u>	<u>49,952</u>	<u>47,464</u>	<u>44,976</u>	<u>42,488</u>
GOW Series 2005-B					
Principal	1,100,000	100,000	100,000	100,000	100,000
Interest	435,900	72,605	66,004	59,567	52,803
Total	<u>1,535,900</u>	<u>172,605</u>	<u>166,004</u>	<u>159,567</u>	<u>152,803</u>
Total Business-type Activities					
Principal	1,260,000	140,000	140,000	140,000	140,000
Interest	460,780	82,557	73,468	64,543	55,291
Total	<u>\$ 1,720,780</u>	<u>\$ 222,557</u>	<u>\$ 213,468</u>	<u>\$ 204,543</u>	<u>\$ 195,291</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

<u>2014</u>	<u>2015 - 2019</u>	<u>2020 - 2024</u>	<u>2025 - 2029</u>	<u>2030 - 2033</u>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
215,000	1,205,000	1,495,000	1,885,000	1,855,000
307,000	1,398,780	1,112,548	725,520	227,760
<u>2,606,072</u>	<u>2,603,780</u>	<u>2,607,548</u>	<u>2,610,520</u>	<u>2,082,760</u>
730,000	4,125,000	5,235,000	6,710,000	6,660,000
1,139,658	5,226,047	4,106,463	2,640,350	817,920
<u>1,869,658</u>	<u>9,351,047</u>	<u>9,341,463</u>	<u>9,350,350</u>	<u>7,477,920</u>
235,000	1,385,000	1,845,000	—	—
202,780	804,060	345,600	—	—
<u>439,030</u>	<u>2,189,060</u>	<u>2,190,600</u>	—	—
1,030,000	5,855,000	2,350,000	—	—
388,285	1,221,638	143,600	—	—
<u>1,418,285</u>	<u>7,076,638</u>	<u>2,493,600</u>	—	—
40,000	260,000	325,000	120,000	—
29,437	118,549	61,079	4,999	—
<u>69,437</u>	<u>378,549</u>	<u>386,079</u>	<u>124,999</u>	—
175,121	184,814	—	—	—
19,349	9,980	—	—	—
<u>194,470</u>	<u>194,794</u>	—	—	—
175,000	475,000	420,000	100,000	—
63,335	213,200	104,972	5,740	—
<u>238,335</u>	<u>688,200</u>	<u>529,972</u>	<u>105,740</u>	—
132,243	755,307	940,355	325,452	—
92,277	367,293	182,245	11,929	—
<u>224,520</u>	<u>1,122,600</u>	<u>1,122,600</u>	<u>337,381</u>	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
2,732,364	14,245,121	12,615,355	9,140,452	8,515,000
2,242,121	9,359,547	6,056,507	3,388,538	1,045,680
<u>\$ 4,974,485</u>	<u>\$ 23,604,668</u>	<u>\$ 18,671,862</u>	<u>\$ 12,528,990</u>	<u>\$ 9,560,680</u>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
100,000	500,000	100,000	—	—
46,203	132,100	6,619	—	—
<u>146,203</u>	<u>632,100</u>	<u>106,619</u>	—	—
140,000	500,000	100,000	—	—
46,203	132,100	6,619	—	—
<u>\$ 146,203</u>	<u>\$ 632,100</u>	<u>\$ 106,619</u>	<u>\$ —</u>	<u>\$ —</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 9 - Long-term Liabilities - Continued

General Obligation Warrants, Special Obligation Bonds and Notes Payable

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

Governmental Activities:

General Obligation Warrants dated January 12, 2006, are due in annual principal installments ranging from \$30,000 to \$325,000 through November 20, 2025, with interest payable semi-annually at 4.005 percent.....	\$ 905,000
General Obligation Warrants dated June 1, 2005, are due in annual principal installments ranging from \$690,000 to \$1,285,000 through March 1, 2022, with interest payable semi-annually at rates varying from 2.65 percent to 5.00 percent	13,045,000
Taxable General Obligation Warrants dated January 21, 2004, are due in annual principal installments ranging from \$160,000 to \$415,000 through August 1, 2024, with interest payable semi-annually at rates varying from 4.00 percent to 6.00 percent	4,305,000
General Obligation Refunding Warrants dated December 22, 2003, are due in annual principal installments ranging from \$170,000 to \$495,000 through August 1, 2033, with interest payable semi-annually at rates varying from 1.50 percent to 4.80 percent	7,440,000
General Obligation Warrants dated December 22, 2003, are due in annual principal installments ranging from \$455,000 to \$1,785,000 through August 1, 2033, with interest payable semi-annually at rates varying from 1.10 percent to 5.125 percent	26,140,000
General Obligation Warrants dated June 1, 2002, are due in annual principal installments ranging from \$485,000 to \$625,000 through September 1, 2012, with interest payable semi-annually at rates varying from 2.50 percent to 4.20 percent	1,800,000
General Obligation Refunding Warrants dated June 1, 2002, are due in annual principal installments ranging from \$25,000 to \$230,000 through February 1, 2013, with interest payable semi-annually at rates varying from 2.90 percent to 4.30 percent.....	870,000
Special Obligation Bonds dated July 1, 2000, issued by the East Central Alabama Industrial Development Authority of which the City is liable for approximately \$2,000,000, are due in annual principal installments ranging from \$118,255 to \$184,814, through February 1, 2015, with interest payable semi-annually at rates varying from 4.5 percent to 5.5 percent	978,999
Note payable dated February 9, 2007, due in annual principal installments ranging from \$97,685 to \$907,840 through February 1, 2026, with interest payable semi-annually at 4.33 percent	2,627,755
Line of Credit payable dated June 30, 2008, interest due monthly at a variable rate of 67% of LIBOR plus 0.21 percent, principal due in full on June 30, 2010.....	2,031,375
HUD Section 108 Loan dated October 14, 2006, due in annual principal installments ranging from \$25,647 to \$322,672 through October 14, 2025, with interest payable semi-annually at variable rates.....	600,000
HUD Section 108 Loan dated October 14, 2006, due in annual principal installments ranging from \$42,745 to \$537,787 through October 14, 2025, with interest payable semi-annually at variable rates.....	<u>1,275,000</u>
Total	<u>\$ 62,018,129</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 9 - Long-term Liabilities - Continued

Business-type Activities:

General Obligation Warrants dated April 28, 2005, are due in annual principal installments of \$100,000 through May 1, 2020, with interest payable semi-annually at 6.51 percent	\$ 1,100,000
General Obligation Airport Warrant of 2003 are due in annual principal installments of \$40,000 beginning June 23, 2013 through June 23, 2013, with interest payable annually at 6.22 percent	<u>160,000</u>
Total	<u>\$ 1,260,000</u>

Advance Refunding of Long-Term Debt

During the fiscal year ended September 30, 2005, the City issued \$16,315,000 in general obligation warrants, of which \$16,123,400 was placed in an irrevocable trust for the purpose of generating resources for all future debt service payments through the year 2022 on the City's Series 1999 and Series 2000 general obligation warrants. As a result, the refunded warrants are considered to be defeased, and the liabilities have been removed from the financial statements. The outstanding principal balance of the defeased warrants at September 30, 2009 was \$12,205,000.

Capital Leases

The city has entered into capital leases to finance the acquisition of computer equipment, vehicles and other equipment. These lease agreements are classified as capital leases for accounting purposes and therefore, are reported as long-term liabilities at the present value of their future minimum lease payments.

The net carrying values of assets acquired under capital leases at year end were:

Governmental Activities:

Equipment	\$ 4,174,138
Less: accumulated depreciation	<u>(2,378,739)</u>
Net Carrying Value	<u>\$ 1,795,399</u>

The future minimum lease payments and the net present value of these minimum lease payments were as follows at year end:

	Governmental Activities
Year ending September 30,	
2010	\$ 252,001
2011	173,524
2012	87,098
2013	48,785
2014	48,912
2015	<u>8,152</u>
Total minimum lease payments	618,472
Less: amounts representing interest	<u>(50,390)</u>
Present value of minimum lease payments	<u>\$ 568,082</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 9 - Long-term Liabilities - Continued

Interest Rate Swap

On January 12, 2006, the City of Gadsden entered into an interest rate swap sponsored by the Alabama Municipal Funding Corporation. The objective was to lower borrowing costs by fixing interest rates on the subject bonds. The swap contract did not require an initial payment. The fair value of the swap contract is not material to the City's basic financial statements, and accordingly, the City does not recognize unrealized changes in the contract's fair value. Instead, the City accrues amounts receivable or payable under the swap contract and combines interest receipts and payments with the interest payments on the bonds.

Claims and Judgments

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

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

Liabilities for claims and judgments are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNRs"). The result of the process to estimate the claims liabilities is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liabilities also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liabilities estimate. Changes in the balances of claims liabilities during the fiscal year were:

	Workers' Compensation and Medical Claims	Legal Claims	Total
Unpaid claims, beginning of year	\$ 1,231,008	\$ 824,200	\$ 2,055,208
Incurred claims (including IBNRs).....	1,046,588	70,581	1,117,169
Claim payments	<u>(370,134)</u>	<u>(223,801)</u>	<u>(593,935)</u>
Unpaid claims, end of year	<u>\$ 1,907,462</u>	<u>\$ 670,980</u>	<u>\$ 2,578,442</u>

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS

September 30, 2009

Note 9 - Long-term Liabilities - Continued

The Board of Education is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board of Education has insurance for its buildings and contents through the State Insurance Fund (“SIF”), Alabama Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board of Education pays the annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Errors and omissions insurance is purchased from Alabama Risk Management for Schools (“ARMS”), a public entity risk pool. ARMS collects premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board of Education purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

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

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

Landfill Closure and Post Closure Care Cost

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

The \$1,195,700 reported as landfill closure and post closure care liability at September 30, 2009, represents the cumulative amount reported to date, based on the use of 100 percent of the estimated capacity of its Brunsway Drive site and post closure care costs for 22 remaining years at the Nocalula Falls sites. The City has obtained approval for an expansion to the Brunsway Drive site. The City will recognize the remaining estimated cost of closure and post closure care of \$53,035 as the remaining estimated capacity of the Brunsway Drive site is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2009. The City expects to close the Brunsway Drive site in the year 2026. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City met the Environmental Protection Agency’s (“EPA”) regulations regarding financial assurance provisions by meeting the EPA’s financial test as of September 30, 2009.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 10 - Contingencies

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

The City and the Board of Education have received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management believes such disallowances, if any, will be immaterial.

Note 11 - Pension Funds

Employees' Retirement System of Alabama

Plan Description: The City contributes to the Employees' Retirement System of Alabama ("RSA"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the RSA. Membership is mandatory for covered or eligible employees. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125 percent of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to Plan members.

The RSA 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 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.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the RSA. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Funding Policy: The employee contribution rate is 6 percent of annual compensation for full-time firefighters and full-time law enforcement officers. All other City employees are required to contribute 5 percent of their annual compensation to the System. The City is required to contribute the remaining amounts necessary to fund RSA, using the "entry age" actuarial method. The current rate is 25.08 percent of annual covered payroll. These contribution requirements are established and may be amended by the RSA Board of Control.

Annual Pension Cost: The actuarial valuation is made annually one year in arrears. The most recent valuation was made as of September 30, 2008. The City's annual pension cost for the year ended September 30, 2008, of \$4,893,497 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2008, actuarial valuation.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 11 - Pension Funds - Continued

Actuarial Valuation Information:

Valuation date.....	9/30/2008
Actuarial cost method.....	Entry age
Amortization method.....	Level percent open
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increases *	4.61% – 7.75%
*Includes inflation at.....	4.50%
Cost-of-living adjustments	None

Trend Information:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation (NOP)</u>
9/30/2006	\$ 4,249,298	100.0%	—
9/30/2007	4,664,690	100.0%	—
9/30/2008	4,733,634	100.0%	—

The Board of Education contributes to the Teachers’ Retirement System of Alabama (“TRSA”), a cost-sharing multiple-employer public retirement system for the various state-supported educational agencies and institutions. The plan is administered by RSA. Employees are required by statute to contribute 5 percent of their salary to the plan. The Board of Education is required to contribute the remaining amounts necessary to fund the plan.

Deferred Compensation Plan

The City and Board of Education offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan RSA-1 is administered by the Retirement Systems of Alabama (“RSA”). The plan, available to all City and Board of Education employees participating in the Employees’ Retirement System, permits them to defer a portion of their salary until future years. Participation in the plan is optional.

The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As of October 1, 1997, RSA amended the plan such that all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of plan participants and their beneficiaries. The assets of the plan cannot be diverted for any other purpose and therefore, are not reflected in the City’s financial statements.

In addition, the City offers another Section 457 deferred compensation plan to its employees. All City employees are eligible to participate in this optional plan. The assets of the plan cannot be diverted for use by the City and therefore, are not reflected in the City’s financial statements.

Other Post Employment Benefits

Plan Description: The City also provides post-retirement health care, prescription drug, and life insurance benefits, in accordance with City statutes; to all retirees qualifying for benefits through the State of Alabama Retirement System, and who, upon retirement, elect to remain on the group health program. In the past, coverage has been extended to

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 11 - Pension Funds - Continued

those employees who did not elect to participate in the RSA's program when it was originally offered and participation was optional. If the employee has sufficient years of service to have retired from the City, but did not choose participation in the retirement program for eligibility purposes of this program, these employees have been considered retirees of the City.

Funding Policies: The City is subsidizing the amount of validated claims for this division at approximately 61 percent for medical and hospitalization cost for eligible retirees and their dependents. This includes secondary payments of approved charges not paid by Medicare for those retirees and dependents covered by Medicare. During the fiscal year ended September 30, 1991, the City adopted an ordinance that limits post-retirement health care benefits for all employees retiring after October 1, 1991. This ordinance specifically requires that any employee retiring before age 55 will pay 100 percent of the applicable premiums. Employees retiring due to medical disability or retiring between the ages of 55 and 65 will have their premiums subsidized by the City at \$150 per month for family coverage and \$65 for single coverage.

Expenditures for post-retirement health care benefits are recognized as retirees report claims. As of September 30, 2009, there were 173 former employees that were receiving benefits. The City finances the plan on a pay-as-you-go basis. For the year ended September 30, 2009, the City recognized \$1,539,101 of expenditures, which was net of \$484,971 of retiree contributions.

Annual OPEB Cost and Net OPEB Obligation: The City's annual OPEB cost (expense) is calculated based on the annual required contribution(ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Annual OPEB Cost:

Annual required contribution	\$	8,871,351
Interest on net OPEB obligation.....		2,443,339
Adjustment to annual required contribution.....		<u>(4,555,589)</u>
Annual OPEB cost		6,759,101
Contributions.....		<u>(1,054,180)</u>
Increase in net OPEB obligation		5,704,921
Net OPEB obligation, beginning of year.....		<u>97,733,559</u>
 Net OPEB obligation, end of year.....	 \$	 <u>103,438,480</u>

Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NOP)
9/30/2007	\$ N/A	N/A	91,908,983
9/30/2008	6,884,984	15.40%	97,733,559
9/30/2009	6,759,101	15.60%	103,438,480

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 11 - Pension Funds - Continued

Funded Status and Funding Progress: As of October 1, 2007, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$91,908,983, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAAL) of \$91,908,983. The actuarial liability was determined under the unit credit cost method.

Actuarial Valuation: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contribution of the City and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

Actuarial Methods and Assumptions: In the October 1, 2007 valuation the projected unit credit method was used. The actuarial assumptions included (a) a 2.5% investment rate of return; (b) a 10.0% medical cost trend rate graded to 5.0% over ten years; (c) 100.0% participation rate by retirees and 60% participation rate by spouses of participating retirees; (d) retirement rates consistent with the City's pension plan actuarial valuation, and (e) the UAAAL is being amortized on the level dollar amortization factor. The remaining amortization period at September 30, 2009 was 28 years.

Note 12 - Recently Issued Accounting Standards

The following recently issued accounting standards will be adopted by the City in upcoming years:

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of GASB 49 excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. GASB 49 became effective for the City's fiscal year ending September 30, 2009, and its adoption did not have a material effect on the City's basic financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 establishes accounting and financial reporting requirements for intangible assets, more specifically easements, to reduce inconsistencies arising from the implementation of GASB 34. This Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable, and establishes a specified-conditions approach to recognizing intangible assets that are internally generated. The Statement also provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. GASB 51 is effective for the City's fiscal year ending September 30, 2010, and its adoption is not expected to have a material effect on the City's basic financial statements.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

Note 12 - Recently Issued Accounting Standards - Continued

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Accounting standards previously required permanent and term endowments, including permanent funds, to report land and other real estate held as investments at their historical costs. GASB 52 establishes consistent standards for the reporting of land and other real estate held as investments at fair value, and to report the changes in fair value as investment income while disclosing the methods and significant assumptions employed to determine fair value. GASB 52 became effective for the City's fiscal year ending September 30, 2009, and its adoption did not have a material effect on the City's basic financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governments to measure most derivative instruments at fair value in their government-wide financial statements. In addition, GASB 53 will require disclosures providing a summary of the government's derivative instrument activity, and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments. GASB 53 is effective for the City's fiscal year ending September 30, 2010, and its adoption is not expected to have a material effect on the City's basic financial statements.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 is effective for the City's fiscal year ending September 30, 2011, and its adoption is not expected to have a material effect on the City's basic financial statements.

In March 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of generally accepted accounting principles for state and local governments into the GASB's authoritative literature. GASB 55 became effective upon issuance, and its adoption did not have a material effect on the City's basic financial statements.

In March 2009, the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' *Statements on Auditing Standards*. GASB 56 became effective upon issuance, and its adoption did not have a material effect on the City's basic financial statements.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF GADSDEN, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	from Final Budget- Positive (Negative)
Revenues				
Taxes.....	\$ 36,350,000	\$ 36,350,000	\$ 34,684,607	\$ (1,665,393)
Licenses and permits.....	6,460,000	6,460,000	6,408,364	(51,636)
Intergovernmental.....	174,100	174,100	289,868	115,768
Charges for services.....	1,462,000	1,462,000	1,508,525	46,525
Fines and forfeitures.....	730,000	730,000	654,390	(75,610)
Other revenues.....	346,700	346,700	321,835	(24,865)
Total Revenues.....	45,522,800	45,522,800	43,867,589	(1,655,211)
Expenditures				
Current:				
General government.....	2,338,376	2,609,471	2,268,878	(340,593)
Internal services.....	3,503,069	3,510,936	3,382,137	(128,799)
Public safety.....	20,370,140	20,368,305	18,539,573	(1,828,732)
Recreation and cultural services.....	7,067,229	7,117,551	6,814,934	(302,617)
Public works services.....	6,027,739	6,029,294	5,680,169	(349,125)
Urban development.....	1,997,714	2,020,623	1,697,359	(323,264)
Non-departmental.....	885,335	860,353	698,972	(161,381)
Intergovernmental.....	1,512,500	1,587,500	1,685,277	97,777
Debt service principal.....	10,000	10,000	—	(10,000)
Interest and fiscal charges.....	90,000	90,000	23,130	(66,870)
Capital Outlay.....	727,885	1,870,830	1,413,455	(457,375)
Total Expenditures.....	44,529,987	46,074,863	42,203,884	(3,870,979)
Excess (deficiency) of revenues				
over (under) expenditures.....	992,813	(552,063)	1,663,705	2,215,768
Other Financing Sources (Uses)				
Sale of assets.....	25,000	25,000	158,063	133,063
Transfers.....	(1,090,313)	(1,107,452)	(1,077,633)	29,819
Total Other Financing Sources (Uses).....	(1,065,313)	(1,082,452)	(919,570)	162,882
Net Change in Fund Balances.....	(72,500)	(1,634,515)	744,135	2,378,650
Beginning Fund Balances.....	11,694,808	11,694,808	11,694,808	—
Ending Fund Balances.....	\$ 11,622,308	\$ 10,060,293	\$ 12,438,943	\$ 2,378,650

CITY OF GADSDEN, ALABAMA
SCHOOL AD VALOREM TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance from Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 950,000	\$ 950,000	\$ 987,453	\$ 37,453
Intergovernmental	—	—	—	—
Other revenues	<u>12,500</u>	<u>12,500</u>	<u>1,337</u>	<u>(11,163)</u>
Total Revenues	<u>962,500</u>	<u>962,500</u>	<u>988,790</u>	<u>26,290</u>
Expenditures				
Intergovernmental	<u>727,601</u>	<u>727,601</u>	<u>695,302</u>	<u>(32,299)</u>
Total Expenditures	<u>727,601</u>	<u>727,601</u>	<u>695,302</u>	<u>(32,299)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>234,899</u>	<u>234,899</u>	<u>293,488</u>	<u>58,589</u>
Other Financing Sources (Uses)				
Transfers	<u>(234,899)</u>	<u>(234,899)</u>	<u>(241,374)</u>	<u>(6,475)</u>
Total Other Financing Sources (Uses)	<u>(234,899)</u>	<u>(234,899)</u>	<u>(241,374)</u>	<u>(6,475)</u>
Net Change in Fund Balances	—	—	52,114	52,114
Beginning Fund Balances	<u>89,552</u>	<u>89,552</u>	<u>89,552</u>	—
Ending Fund Balances	<u>\$ 89,552</u>	<u>\$ 89,552</u>	<u>\$ 141,666</u>	<u>\$ 52,114</u>

CITY OF GADSDEN, ALABAMA
SCHEDULE OF PENSION PLAN FUNDING PROGRESS:

Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
9/30/98.....	\$ 27,874,155	\$ 27,067,430	\$ (806,725)	103.0%	\$ 8,889,779	(9.1)%
9/30/99.....	29,921,618	29,260,670	(660,948)	102.3%	9,208,542	(7.2)%
9/30/00.....	31,540,596	30,853,684	(686,912)	102.2%	9,233,860	(7.4)%
9/30/01.....	32,401,858	32,404,526	2,668	100.0%	9,374,545	0.0%
9/30/02.....	40,491,874	72,026,746	31,534,872	56.2%	17,354,447	181.7%
9/30/03.....	43,842,694	76,321,773	32,479,079	57.4%	18,719,676	173.5%
9/30/04.....	46,642,962	76,353,027	29,710,065	61.1%	18,283,540	162.5%
9/30/05.....	49,780,583	88,970,788	39,190,205	56.0%	18,966,254	206.6%
9/30/06.....	53,680,624	95,791,410	42,110,786	56.0%	19,335,171	217.8%
9/30/07.....	58,738,491	100,928,162	42,189,672	58.2%	19,464,294	216.8%
9/30/08.....	61,241,644	103,930,759	42,689,115	58.9%	19,737,065	216.3%

Note: The City's unfunded actuarial accrued liability was significantly effected during 2002 by the termination of the City's Policemen's and Firemen's Retirement Fund, which had a UALL in excess of \$30,000,000. In addition, the employees formerly covered by that plan are now covered by RSA, which explains the sharp increase in covered payroll during 2002.

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
September 30, 2007	\$ —	\$ 91,908,983	\$ 91,908,983	0.0%	N/A	N/A



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

September 30, 2009

	Total Nonmajor Funds	Special Revenue Funds				
		Special Auto Tax	State Gas Tax	Lodging Tax	Community Development	Ad Valorem Fire Tax
Assets						
Cash and cash equivalents	\$ 5,001,384	\$ —	\$ —	\$ 410,835	\$ 53,211	\$ 694,757
Investments	167,406	—	—	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	1,159,499	—	—	15,839	—	1,063,817
Intergovernmental	384,604	9,592	41,066	—	44,161	—
Other	6,185	—	—	—	—	—
Due from component units	135,496	—	—	—	—	—
Restricted cash	1,369,387	—	—	—	—	—
Total Assets	<u>\$ 8,223,961</u>	<u>\$ 9,592</u>	<u>\$ 41,066</u>	<u>\$ 426,674</u>	<u>\$ 97,372</u>	<u>\$ 1,758,574</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable and other liabilities	\$ 115,579	\$ —	\$ —	\$ —	\$ 482	\$ 12,664
Accrued payroll and related liabilities	34,220	—	—	—	5,671	—
Due to other funds	268,218	5,754	21,573	—	42,262	—
Deferred revenue	1,054,232	—	—	—	—	1,054,232
Total Liabilities	<u>1,472,249</u>	<u>5,754</u>	<u>21,573</u>	<u>—</u>	<u>48,415</u>	<u>1,066,896</u>
Fund Balances						
Reserved for encumbrances	926,545	—	—	—	—	18,392
Reserved for debt service	1,417,647	—	—	—	—	—
Reserved for library endowment	212,496	—	—	—	—	—
Unreserved, designated	2,305,577	—	—	—	—	—
Unreserved, undesignated	1,889,447	3,838	19,493	426,674	48,957	673,286
Total Fund Balances	<u>6,751,712</u>	<u>3,838</u>	<u>19,493</u>	<u>426,674</u>	<u>48,957</u>	<u>691,678</u>
Total Liabilities and Fund Balances	<u>\$ 8,223,961</u>	<u>\$ 9,592</u>	<u>\$ 41,066</u>	<u>\$ 426,674</u>	<u>\$ 97,372</u>	<u>\$ 1,758,574</u>

Special Revenue Funds

Library Grants	Tobacco Tax	Local Law Enf. Block Grant	DARE Grant	Drug Task Force	Summer Food Service	Aging Program
\$ 48,531	\$ —	\$ —	\$ —	\$ 17,235	\$ 2,783	\$ —
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	2,674
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>\$ 48,531</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,235</u>	<u>\$ 2,783</u>	<u>\$ 2,674</u>
\$ 5,538	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,075
890	—	—	—	—	—	2,299
—	9,576	—	—	—	—	—
—	—	—	—	—	—	—
<u>6,428</u>	<u>9,576</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,374</u>
5,012	—	—	—	—	—	890
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
37,091	(9,576)	—	—	17,235	2,783	(1,590)
<u>42,103</u>	<u>(9,576)</u>	<u>—</u>	<u>—</u>	<u>17,235</u>	<u>2,783</u>	<u>(700)</u>
<u>\$ 48,531</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,235</u>	<u>\$ 2,783</u>	<u>\$ 2,674</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED

September 30, 2009

	Special Revenue Funds					
	Transportation and Planning	Gadsden Transit Grants	McKinney Shelter	Chemical Stockpile	Emergency Management	Economic Development
Assets						
Cash and cash equivalents	\$ —	\$ 286,465	\$ —	\$ —	\$ —	\$ 211,260
Investments	—	—	—	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	—	—	—	—	—	79,843
Intergovernmental	74,077	41,359	—	138,327	—	—
Other	—	—	—	—	—	—
Due from component units	—	—	—	—	—	—
Restricted cash	—	—	—	—	—	—
Total Assets	<u>\$ 74,077</u>	<u>\$ 327,824</u>	<u>\$ —</u>	<u>\$ 138,327</u>	<u>\$ —</u>	<u>\$ 291,103</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable and other liabilities	\$ 10,368	\$ 7,853	\$ —	\$ 9,093	\$ —	\$ 23,696
Accrued payroll and related liabilities	3,968	15,389	—	6,003	—	—
Due to other funds	58,980	—	—	121,406	—	—
Deferred revenue	—	—	—	—	—	—
Total Liabilities	<u>73,316</u>	<u>23,242</u>	<u>—</u>	<u>136,502</u>	<u>—</u>	<u>23,696</u>
Fund Balances						
Reserved for encumbrances	—	480	—	—	—	—
Reserved for debt service	—	—	—	—	—	—
Reserved for library endowment	—	—	—	—	—	—
Unreserved, designated	—	—	—	—	—	—
Unreserved, undesignated	761	304,102	—	1,825	—	267,407
Total Fund Balances	<u>761</u>	<u>304,582</u>	<u>—</u>	<u>1,825</u>	<u>—</u>	<u>267,407</u>
Total Liabilities and Fund Balances	<u>\$ 74,077</u>	<u>\$ 327,824</u>	<u>\$ —</u>	<u>\$ 138,327</u>	<u>\$ —</u>	<u>\$ 291,103</u>

Special Revenue Funds					Debt Service Funds	
Law Enforcement Grants	Other Restricted	Miscellaneous Grants	Corrections Fund	Total	1999	2000
\$ —	\$ 1,026,818	\$ —	\$ 102,462	\$ 2,854,357	\$ —	\$ —
—	—	—	—	—	—	—
—	—	—	—	1,159,499	—	—
—	—	33,348	—	384,604	—	—
—	—	—	—	—	—	—
—	85,248	—	—	85,248	—	—
—	—	—	—	—	1	2
<u>\$ —</u>	<u>\$ 1,112,066</u>	<u>\$ 33,348</u>	<u>\$ 102,462</u>	<u>\$ 4,483,708</u>	<u>\$ 1</u>	<u>\$ 2</u>
\$ —	\$ 4,575	\$ 27,434	\$ —	\$ 102,778	\$ —	\$ —
—	—	—	—	34,220	—	—
—	—	8,667	—	268,218	—	—
—	—	—	—	1,054,232	—	—
—	4,575	36,101	—	1,459,448	—	—
—	—	—	—	24,774	—	—
—	—	—	—	—	1	2
—	—	—	—	—	—	—
—	1,098,568	—	—	1,098,568	—	—
—	8,923	(2,753)	102,462	1,900,918	—	—
—	1,107,491	(2,753)	102,462	3,024,260	1	2
<u>\$ —</u>	<u>\$ 1,112,066</u>	<u>\$ 33,348</u>	<u>\$ 102,462</u>	<u>\$ 4,483,708</u>	<u>\$ 1</u>	<u>\$ 2</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED

September 30, 2009

Debt Service Funds							
	Honda	2002-A	2002-B	2003-A	2003-B	2004-A	Airport Authority
Assets							
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Investments	—	—	—	—	—	—	—
Receivables, net of allowance for uncollectibles:							
Taxes.....	—	—	—	—	—	—	—
Intergovernmental.....	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Due from component unit	—	—	—	—	—	—	50,248
Restricted cash.....	3,653	54,071	150,724	86,559	312,180	73,340	73,450
Total Assets	<u>\$ 3,653</u>	<u>\$ 54,071</u>	<u>\$ 150,724</u>	<u>\$ 86,559</u>	<u>\$ 312,180</u>	<u>\$ 73,340</u>	<u>\$ 123,698</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable and other liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,988
Accrued payroll and related liabilities	—	—	—	—	—	—	—
Due to other funds.....	—	—	—	—	—	—	—
Deferred revenue	—	—	—	—	—	—	—
Total Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,988</u>
Fund Balances							
Reserved for encumbrances	—	—	—	—	—	—	—
Reserved for debt service.....	3,653	54,071	150,724	86,559	312,180	73,340	121,710
Reserved for library endowment	—	—	—	—	—	—	—
Unreserved, designated.....	—	—	—	—	—	—	—
Unreserved, undesignated.....	—	—	—	—	—	—	—
Total Fund Balances	<u>3,653</u>	<u>54,071</u>	<u>150,724</u>	<u>86,559</u>	<u>312,180</u>	<u>73,340</u>	<u>121,710</u>
Total Liabilities and Fund Balances	<u>\$ 3,653</u>	<u>\$ 54,071</u>	<u>\$ 150,724</u>	<u>\$ 86,559</u>	<u>\$ 312,180</u>	<u>\$ 73,340</u>	<u>\$ 123,698</u>

Debt Service Funds					Capital Projects Funds			
2005	2006-A	2006-B	Capital Leases	Total	Municipal Capital Imp.	Capital Projects	Resurfacing 1999	1999
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 235,125	\$ 761,579	\$ 296,047	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	5,683	—	—
—	—	—	—	50,248	—	—	—	—
<u>605,327</u>	<u>5,381</u>	<u>4,698</u>	<u>1</u>	<u>1,369,387</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 605,327</u>	<u>\$ 5,381</u>	<u>\$ 4,698</u>	<u>\$ 1</u>	<u>\$ 1,419,635</u>	<u>\$ 235,125</u>	<u>\$ 767,262</u>	<u>\$ 296,047</u>	<u>\$ —</u>
\$ —	\$ —	\$ —	\$ —	\$ 1,988	\$ —	\$ 631	\$ —	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	1,988	—	631	—	—
—	—	—	—	—	—	639,449	—	—
605,327	5,381	4,698	1	1,417,647	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1,207,009	—	—
—	—	—	—	—	235,125	(1,079,827)	296,047	—
<u>605,327</u>	<u>5,381</u>	<u>4,698</u>	<u>1</u>	<u>1,417,647</u>	<u>235,125</u>	<u>766,631</u>	<u>296,047</u>	<u>—</u>
<u>\$ 605,327</u>	<u>\$ 5,381</u>	<u>\$ 4,698</u>	<u>\$ 1</u>	<u>\$ 1,419,635</u>	<u>\$ 235,125</u>	<u>\$ 767,262</u>	<u>\$ 296,047</u>	<u>\$ —</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED

September 30, 2009

	<u>Capital Projects Funds</u>				
	<u>2003-A</u>	<u>2004-A</u>	<u>2006-A</u>	<u>2008-A</u>	<u>Totals</u>
Assets					
Cash and cash equivalents	\$ —	\$ 18,586	\$ —	\$ 790,883	\$ 2,102,220
Investments	—	—	—	—	—
Receivables, net of allowance for uncollectibles:					
Taxes	—	—	—	—	—
Intergovernmental	—	—	—	—	—
Other	—	—	—	—	5,683
Due from component unit	—	—	—	—	—
Restricted cash	—	—	—	—	—
Total Assets	<u>\$ —</u>	<u>\$ 18,586</u>	<u>\$ —</u>	<u>\$ 790,883</u>	<u>\$ 2,107,903</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable and other liabilities	\$ —	\$ —	\$ —	\$ 10,046	\$ 10,677
Accrued payroll and related liabilities	—	—	—	—	—
Due to other funds	—	—	—	—	—
Deferred revenue	—	—	—	—	—
Total Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,046</u>	<u>10,677</u>
Fund Balances					
Reserved for encumbrances	—	—	—	262,239	901,688
Reserved for debt service	—	—	—	—	—
Reserved for library endowment	—	—	—	—	—
Unreserved, designated	—	—	—	—	1,207,009
Unreserved, undesignated	—	18,586	—	518,598	(11,471)
Total Fund Balances	<u>—</u>	<u>18,586</u>	<u>—</u>	<u>518,598</u>	<u>2,097,226</u>
Total Liabilities and Fund Balances	<u>\$ —</u>	<u>\$ 18,586</u>	<u>\$ —</u>	<u>\$ 790,883</u>	<u>\$ 2,107,903</u>

<u>Permanent Funds</u>			
<u>Nell Thomas Library</u>	<u>Library Endowment</u>	<u>Allison B. Rains</u>	<u>Total</u>
\$ 21,756	\$ 19,469	\$ 3,582	\$ 44,807
142,656	24,750	—	167,406
—	—	—	—
—	—	—	—
420	82	—	502
—	—	—	—
—	—	—	—
<u>\$ 212,715</u>	<u>\$ 44,301</u>	<u>\$ 3,582</u>	<u>\$ 212,715</u>
\$ 136	\$ —	\$ —	\$ 136
—	—	—	—
—	—	—	—
—	—	—	—
<u>136</u>	<u>—</u>	<u>—</u>	<u>136</u>
83	—	—	83
—	—	—	—
212,496	44,301	3,582	212,496
—	—	—	—
—	—	—	—
<u>212,579</u>	<u>44,301</u>	<u>3,582</u>	<u>212,579</u>
<u>\$ 212,715</u>	<u>\$ 44,301</u>	<u>\$ 3,582</u>	<u>\$ 212,715</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended September 30, 2009

	Total Nonmajor Funds	Special Revenue Funds				
		Special Auto Tax	State Gas Tax	Lodging Tax	Community Development	Ad Valorem Fire Tax
Revenues						
Taxes.....	\$ 2,443,480	\$ —	\$ —	\$ 213,646	\$ —	\$ 950,803
Intergovernmental.....	4,291,069	110,834	467,081	—	1,011,087	—
Charges for services.....	175,733	—	—	—	70,762	—
Fines and forfeitures	76,411	—	—	—	—	—
Other revenues	<u>720,365</u>	<u>7</u>	<u>—</u>	<u>731</u>	<u>20,925</u>	<u>3,036</u>
Total Revenues	<u>7,707,058</u>	<u>110,841</u>	<u>467,081</u>	<u>214,377</u>	<u>1,102,774</u>	<u>953,839</u>
Expenditures						
Current:						
Internal services.....	11,714	—	—	—	4,126	—
Public safety	1,274,790	—	243,000	—	—	484,871
Recreation and cultural services	367,743	—	—	—	—	—
Urban development.....	1,515,476	—	—	54,950	415,374	—
Intergovernmental.....	1,761,211	—	—	—	—	—
Debt service:						
Principal.....	3,534,776	—	—	—	175,000	—
Interest and fiscal charges.....	3,094,075	—	—	—	107,173	—
Capital outlays	<u>3,164,529</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>401,060</u>	<u>53,291</u>
Total Expenditures	<u>14,724,314</u>	<u>—</u>	<u>243,000</u>	<u>54,950</u>	<u>1,102,733</u>	<u>538,162</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,017,256)</u>	<u>110,841</u>	<u>224,081</u>	<u>159,427</u>	<u>41</u>	<u>415,677</u>
Other Financing Sources (Uses)						
General Obligation Warrants.....	2,004,673	—	—	—	—	—
Sales of assets	—	—	—	—	—	—
Transfers	<u>4,683,745</u>	<u>(119,500)</u>	<u>(225,500)</u>	<u>(150,000)</u>	<u>—</u>	<u>(212,856)</u>
Total Other Financing Sources (Uses)	<u>6,688,418</u>	<u>(119,500)</u>	<u>(225,500)</u>	<u>(150,000)</u>	<u>—</u>	<u>(212,856)</u>
Net Change In Fund Balances	(328,838)	(8,659)	(1,419)	9,427	41	202,821
Beginning Fund Balances	<u>7,080,550</u>	<u>12,497</u>	<u>20,912</u>	<u>417,247</u>	<u>48,916</u>	<u>488,857</u>
Ending Fund Balances	<u>\$ 6,751,712</u>	<u>\$ 3,838</u>	<u>\$ 19,493</u>	<u>\$ 426,674</u>	<u>\$ 48,957</u>	<u>\$ 691,678</u>

Special Revenue Funds

Library Grants	Tobacco Tax	Local Law Enf. Block Grant	DARE Grant	Drug Task Force	Summer Food Service	Aging Program
\$ —	\$ 427,461	\$ —	\$ —	\$ —	\$ —	\$ —
141,501	—	—	—	—	77,678	16,047
3,476	—	—	—	—	—	—
—	—	—	—	—	—	—
85	—	—	2	3,114	1	—
<u>145,062</u>	<u>427,461</u>	<u>—</u>	<u>2</u>	<u>3,114</u>	<u>77,679</u>	<u>16,047</u>
—	—	—	—	—	—	—
—	—	—	—	512	—	—
138,736	—	—	—	—	74,166	85,904
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
19,748	—	—	—	—	—	—
<u>158,484</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>512</u>	<u>74,166</u>	<u>85,904</u>
<u>(13,422)</u>	<u>427,461</u>	<u>—</u>	<u>2</u>	<u>2,602</u>	<u>3,513</u>	<u>(69,857)</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	(368,720)	—	(1,908)	—	—	69,157
—	(368,720)	—	(1,908)	—	—	69,157
(13,422)	58,741	—	(1,906)	2,602	3,513	(700)
<u>55,525</u>	<u>(68,317)</u>	<u>—</u>	<u>1,906</u>	<u>14,633</u>	<u>(730)</u>	<u>—</u>
<u>\$ 42,103</u>	<u>\$ (9,576)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,235</u>	<u>\$ 2,783</u>	<u>\$ (700)</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED

For the Year Ended September 30, 2009

	Special Revenue Funds					
	Transportation and Planning	Gadsden Transit Grants	McKinney Shelter	Chemical Stockpile	Emergency Management	Economic Development
Revenues						
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 535,829
Intergovernmental.....	165,358	874,065	55,505	824,029	—	—
Charges for services.....	—	67,235	—	—	—	—
Fines and forfeitures	—	—	—	—	—	—
Other revenues	—	—	—	—	—	579
Total Revenues	<u>165,358</u>	<u>941,300</u>	<u>55,505</u>	<u>824,029</u>	<u>—</u>	<u>536,408</u>
Expenditures						
Current:						
Internal services.....	—	—	—	—	—	—
Public safety	—	—	—	392,988	—	—
Recreation and cultural services	—	—	—	—	—	—
Urban development.....	206,698	782,949	55,505	—	—	—
Intergovernmental.....	—	—	—	—	—	—
Debt service:						
Principal.....	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—
Capital outlays	—	564,641	—	431,041	—	95,556
Total Expenditures	<u>206,698</u>	<u>1,347,590</u>	<u>55,505</u>	<u>824,029</u>	<u>—</u>	<u>95,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,340)</u>	<u>(406,290)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>440,852</u>
Other Financing Sources (Uses)						
General Obligation Warrants	—	—	—	—	—	—
Sales of assets	—	—	—	—	—	—
Transfers	41,340	339,117	—	—	—	(617,911)
Total Other Financing Sources (Uses)	<u>41,340</u>	<u>339,117</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(617,911)</u>
Net Change In Fund Balances	—	(67,173)	—	—	—	(177,059)
Beginning Fund Balances	<u>761</u>	<u>371,755</u>	<u>—</u>	<u>1,825</u>	<u>—</u>	<u>444,466</u>
Ending Fund Balances	<u>\$ 761</u>	<u>\$ 304,582</u>	<u>\$ —</u>	<u>\$ 1,825</u>	<u>\$ —</u>	<u>\$ 267,407</u>

Special Revenue Funds					Debt Service Funds	
Law Enforcement	Other Restricted	Misc. Grants	Corrections Fund	Total	1999	2000
\$ —	\$ 315,741	\$ —	\$ —	\$ 2,443,480	\$ —	\$ —
18,051	—	430,538	—	4,192,224	—	—
—	34,260	—	—	175,733	—	—
—	6,666	—	69,745	76,411	—	—
<u>20</u>	<u>207,813</u>	<u>—</u>	<u>124</u>	<u>236,437</u>	<u>1</u>	<u>—</u>
<u>18,071</u>	<u>564,480</u>	<u>430,538</u>	<u>69,869</u>	<u>7,124,285</u>	<u>1</u>	<u>—</u>
—	378	—	—	4,504	—	—
32,678	19,623	94,331	6,787	1,274,790	—	—
—	45,895	280	—	344,981	—	—
—	—	—	—	1,515,476	—	—
—	—	—	—	—	—	—
—	—	—	—	175,000	—	—
—	—	—	—	107,173	—	—
<u>5,517</u>	<u>3,135</u>	<u>336,207</u>	<u>26,950</u>	<u>1,937,146</u>	<u>—</u>	<u>—</u>
<u>38,195</u>	<u>69,031</u>	<u>430,818</u>	<u>33,737</u>	<u>5,359,070</u>	<u>—</u>	<u>—</u>
<u>(19,674)</u>	<u>495,449</u>	<u>(280)</u>	<u>36,132</u>	<u>1,765,118</u>	<u>1</u>	<u>—</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>16,258</u>	<u>(2,462)</u>	<u>—</u>	<u>—</u>	<u>(1,232,985)</u>	<u>—</u>	<u>—</u>
<u>16,258</u>	<u>(2,462)</u>	<u>—</u>	<u>—</u>	<u>(1,232,985)</u>	<u>—</u>	<u>—</u>
(3,416)	492,987	(280)	36,132	532,230	1	—
<u>3,416</u>	<u>614,504</u>	<u>(2,473)</u>	<u>66,330</u>	<u>2,492,030</u>	<u>—</u>	<u>2</u>
<u>\$ —</u>	<u>\$ 1,107,491</u>	<u>\$ (2,753)</u>	<u>\$ 102,462</u>	<u>\$ 3,024,260</u>	<u>\$ 1</u>	<u>\$ 2</u>

CITY OF GADSDEN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED
NONMAJOR GOVERNMENTAL FUND

For the Year Ended September 30, 2009

Debt Service Funds							
	Honda	2002-A	2002-B	2003-A	2003-B	2004-A	Airport Authority
Revenues							
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental.....	—	—	—	—	—	—	—
Charges for services.....	—	—	—	—	—	—	—
Fines and forfeitures	—	—	—	—	—	—	—
Other revenues	28	117	221	119	429	100	602
Total Revenues	<u>28</u>	<u>117</u>	<u>221</u>	<u>119</u>	<u>429</u>	<u>100</u>	<u>602</u>
Expenditures							
Current:							
Internal services	—	—	—	—	—	—	—
Public safety	—	—	—	—	—	—	—
Recreation and cultural services	—	—	—	—	—	—	—
Urban development.....	—	—	—	—	—	—	—
Intergovernmental.....	—	—	—	—	—	—	—
Debt service:							
Principal.....	136,995	555,000	195,000	180,000	620,000	185,000	—
Interest and fiscal charges	58,025	96,881	41,083	340,462	1,251,163	253,449	206,444
Capital outlays	—	—	—	—	—	—	—
Total Expenditures	<u>195,020</u>	<u>651,881</u>	<u>236,083</u>	<u>520,462</u>	<u>1,871,163</u>	<u>438,449</u>	<u>206,444</u>
Excess (deficiency) of revenues over (under) expenditures.....	(194,992)	(651,764)	(235,862)	(520,343)	(1,870,734)	(438,349)	(205,842)
Other Financing Sources (Uses)							
General Obligation							
Warrants	—	—	—	—	—	—	—
Sales of assets	—	—	—	—	—	—	—
Transfers	190,000	636,459	241,374	517,911	1,871,250	437,195	(30,092)
Total Other Financing Sources (Uses)	<u>190,000</u>	<u>636,459</u>	<u>241,374</u>	<u>517,911</u>	<u>1,871,250</u>	<u>437,195</u>	<u>(30,092)</u>
Net Change In Fund Balances							
	(4,992)	(15,305)	5,512	(2,432)	516	(1,154)	(253,934)
Beginning Fund Balances .	8,645	69,376	145,212	88,991	311,664	74,494	357,644
Ending Fund Balances ...	<u>\$ 3,653</u>	<u>\$ 54,071</u>	<u>\$ 150,724</u>	<u>\$ 86,559</u>	<u>\$ 312,180</u>	<u>\$ 73,340</u>	<u>\$ 121,710</u>

Debt Service Funds					Capital Projects Funds			
2005	2006-A	2006-B	Capital Leases	Total	Municipal Capital Improvements	Capital Projects	Resurfacing 1999	1999
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	98,845	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,208	4	—	—	2,829	473,560	992	854	1
<u>1,208</u>	<u>4</u>	<u>—</u>	<u>—</u>	<u>2,829</u>	<u>473,560</u>	<u>99,837</u>	<u>854</u>	<u>1</u>
—	—	—	—	—	—	7,210	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1,156	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
885,000	30,000	106,622	466,159	3,359,776	—	—	—	—
540,944	43,700	117,898	36,853	2,986,902	—	—	—	—
—	—	—	—	—	—	150,772	557,911	1,736
<u>1,425,944</u>	<u>73,700</u>	<u>224,520</u>	<u>503,012</u>	<u>6,346,678</u>	<u>—</u>	<u>159,138</u>	<u>557,911</u>	<u>1,736</u>
<u>(1,424,736)</u>	<u>(73,696)</u>	<u>(224,520)</u>	<u>(503,012)</u>	<u>(6,343,849)</u>	<u>473,560</u>	<u>(59,301)</u>	<u>(557,057)</u>	<u>(1,735)</u>
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>1,244,000</u>	<u>71,725</u>	<u>186,520</u>	<u>503,013</u>	<u>5,869,355</u>	<u>(300,000)</u>	<u>—</u>	<u>345,000</u>	<u>—</u>
<u>1,244,000</u>	<u>71,725</u>	<u>186,520</u>	<u>503,013</u>	<u>5,869,355</u>	<u>(300,000)</u>	<u>—</u>	<u>345,000</u>	<u>—</u>
(180,736)	(1,971)	(38,000)	1	(474,494)	173,560	(59,301)	(212,057)	(1,735)
<u>786,063</u>	<u>7,352</u>	<u>42,698</u>	<u>—</u>	<u>1,892,141</u>	<u>61,565</u>	<u>825,932</u>	<u>508,104</u>	<u>1,735</u>
<u>\$ 605,327</u>	<u>\$ 5,381</u>	<u>\$ 4,698</u>	<u>\$ 1</u>	<u>\$ 1,417,647</u>	<u>\$ 235,125</u>	<u>\$ 766,631</u>	<u>\$ 296,047</u>	<u>\$ —</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED

For the Year Ended September 30, 2009

	Capital Projects Funds				
	2003-A	2004-A	2006-A	2008-A	Totals
Revenues					
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental.....	—	—	—	—	98,845
Charges for services.....	—	—	—	—	—
Fines and forfeitures	—	—	—	—	—
Other revenues	225	35	97	—	475,764
Total Revenues	<u>225</u>	<u>35</u>	<u>97</u>	<u>—</u>	<u>574,609</u>
Expenditures					
Current:					
Internal services	—	—	—	—	7,210
Public safety	—	—	—	—	—
Recreation and cultural services	—	—	—	—	1,156
Urban development.....	—	—	—	—	—
Intergovernmental.....	—	—	—	1,761,211	1,761,211
Debt service:					
Principal.....	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—
Capital outlays	164,977	—	103,035	248,952	1,227,383
Total Expenditures	<u>164,977</u>	<u>—</u>	<u>103,035</u>	<u>2,010,163</u>	<u>2,996,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(164,752)</u>	<u>35</u>	<u>(102,938)</u>	<u>(2,010,163)</u>	<u>(2,422,351)</u>
Other Financing Sources (Uses)					
General Obligation Warrants	—	—	—	2,004,673	2,004,673
Sales of assets	—	—	—	—	—
Transfers	—	—	2,375	—	47,375
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>2,375</u>	<u>2,004,673</u>	<u>2,052,048</u>
Net Change In Fund Balances	(164,752)	35	(100,563)	(5,490)	(370,303)
Beginning Fund Balances	<u>164,752</u>	<u>18,551</u>	<u>100,563</u>	<u>786,327</u>	<u>2,467,529</u>
Ending Fund Balances	<u>\$ —</u>	<u>\$ 18,586</u>	<u>\$ —</u>	<u>\$ 780,837</u>	<u>\$ 2,097,226</u>

<u>Permanent Funds</u>			
<u>Nell Thomas Library</u>	<u>Library Endowment</u>	<u>Allison B. Rains</u>	<u>Total</u>
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
<u>4,290</u>	<u>1,037</u>	<u>8</u>	<u>5,335</u>
<u>4,290</u>	<u>1,037</u>	<u>8</u>	<u>5,335</u>
—	—	—	—
—	—	—	—
14,344	5,549	1,713	21,606
—	—	—	—
—	—	—	—
—	—	—	—
<u>14,344</u>	<u>5,549</u>	<u>1,713</u>	<u>21,606</u>
<u>(10,054)</u>	<u>(4,512)</u>	<u>(1,705)</u>	<u>(16,271)</u>
—	—	—	—
—	—	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
—	—	—	—
(10,054)	(4,512)	(1,705)	(16,271)
<u>174,750</u>	<u>48,813</u>	<u>5,287</u>	<u>228,850</u>
<u>\$ 164,696</u>	<u>\$ 44,301</u>	<u>\$ 3,582</u>	<u>\$ 212,579</u>



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STATISTICAL SECTION

CITY OF GADSDEN, ALABAMA
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government			
	Invested In Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total	Invested In Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total	Invested In Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total
2005	\$ 22,970,696	\$ 6,615,970	\$ (32,244,486)	\$ (2,657,820)	\$ 11,145,096	\$ —	\$ (1,295,839)	\$ 9,849,257	\$ 34,115,792	\$6,615,970	\$ (33,540,325)	\$ 7,191,437
2006	29,245,427	5,391,092	(32,496,531)	2,139,988	10,697,504	—	(1,533,176)	9,164,328	39,942,931	5,391,092	(34,029,707)	11,304,316
2007	44,957,412	5,591,170	(30,226,341)	20,322,241	10,725,141	—	(2,175,469)	8,549,672	55,682,553	5,591,170	(32,401,810)	28,871,913
2008	47,450,873	15,442,566	(34,240,556)	28,652,883	10,138,068	—	(2,257,314)	7,880,754	57,588,941	15,442,566	(36,497,870)	36,533,637
2009	46,150,673	15,975,184	(136,232,537)	(74,106,680)	9,559,313	—	(2,823,673)	6,735,640	55,709,986	15,975,184	(139,056,210)	(67,371,040)

CITY OF GADSDEN, ALABAMA

CHANGES IN NET ASSETS

LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses					
Governmental activities					
General government	\$ 2,063,187	\$ 2,075,680	\$ 2,392,781	\$ 2,538,170	\$ 2,483,815
Internal services	2,717,199	2,437,636	3,429,748	3,577,867	4,167,529
Public safety	19,027,985	18,396,207	21,074,353	20,907,931	24,722,833
Recreation and cultural services	7,457,546	7,511,637	8,725,834	7,953,830	9,917,736
Public works services	5,184,522	5,261,618	5,169,966	6,404,959	6,721,432
Urban development	5,740,247	8,508,433	5,723,611	5,560,958	6,481,941
Non-departmental	5,516,929	3,648,053	4,402,049	4,179,588	5,450,477
Interest on long-term debt	3,669,744	3,469,296	3,615,964	3,335,548	3,224,834
Total Governmental Activities	<u>51,377,359</u>	<u>51,308,560</u>	<u>54,534,306</u>	<u>54,458,851</u>	<u>63,170,597</u>
Business-type activities					
Airport	541,857	685,740	618,238	619,460	694,922
Residential garbage	2,956,249	3,016,560	2,813,150	2,803,454	2,991,627
Golf course	1,491,348	1,399,203	1,435,568	1,355,295	1,416,100
Total Business-Type Activities	<u>4,989,454</u>	<u>5,101,503</u>	<u>4,866,956</u>	<u>4,778,209</u>	<u>5,102,649</u>
Total Primary Government Expenses	<u>56,366,813</u>	<u>56,410,063</u>	<u>59,401,262</u>	<u>59,237,060</u>	<u>68,273,246</u>
Program Revenues					
Governmental activities					
Charges for services	1,882,188	1,941,530	2,141,431	2,433,064	2,415,058
Operating grants and contributions	3,533,926	5,290,148	4,379,177	2,021,904	2,808,132
Capital grants and contributions	900,190	348,062	1,004,617	3,134,323	1,739,688
Total Governmental Activities					
Program Revenues	<u>6,316,304</u>	<u>7,579,740</u>	<u>7,525,225</u>	<u>7,589,291</u>	<u>7,016,878</u>
Business-type activities					
Charges for services	3,631,970	3,689,233	3,435,216	3,848,725	5,990,503
Capital grants and contributions	—	—	—	—	—
Total Business-Type Activities					
Program Revenues	<u>3,631,970</u>	<u>3,689,233</u>	<u>3,435,216</u>	<u>3,848,725</u>	<u>5,990,503</u>
Total Primary Government					
Program Revenues	<u>9,948,274</u>	<u>11,268,973</u>	<u>10,960,441</u>	<u>11,438,016</u>	<u>13,007,381</u>
Net Revenues (Expenses)					
Governmental activities	(45,061,055)	(43,728,820)	(47,009,081)	(46,869,560)	(56,153,719)
Business-type activities	(1,357,484)	(1,412,270)	(1,431,740)	(929,484)	(1,527,204)
Total Primary Government	<u>\$ (46,418,539)</u>	<u>\$ (45,141,090)</u>	<u>\$ (48,440,821)</u>	<u>\$ (47,799,044)</u>	<u>\$ (57,680,923)</u>

CITY OF GADSDEN, ALABAMA
CHANGES IN NET ASSETS (CONTINUED)
LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes	\$ 40,703,337	\$ 44,692,566	\$ 44,238,232	\$ 45,936,304	44,040,763
Licenses and permits	5,331,322	5,545,800	6,136,942	6,519,107	6,408,364
Unrestricted grants	331,378	383,462	—	—	—
Investment earnings.....	1,191,395	1,424,454	1,259,682	943,408	640,781
Gain/loss on disposal of assets	150,831	180,923	92,382	787,336	107,779
Transfer to component unit	—	—	—	—	(515,563)
Other general revenues.....	<u>1,183,956</u>	<u>551,007</u>	<u>859,369</u>	<u>1,234,047</u>	<u>823,889</u>
Total Governmental Activities General Revenues and Other Changes.....	<u>48,892,219</u>	<u>52,778,212</u>	<u>52,586,607</u>	<u>55,420,202</u>	<u>51,506,013</u>
Business-type activities					
Investment earnings.....	42,639	43,857	26,149	12,812	2,483
Gain on disposal of assets	<u>37,573</u>	<u>40,909</u>	<u>7,752</u>	<u>27,754</u>	<u>1,309</u>
Total Business-Type Activities General Revenues and Other Changes.....	<u>80,212</u>	<u>84,766</u>	<u>33,901</u>	<u>40,566</u>	<u>3,792</u>
Total Primary Government General Revenues and Other Changes.....	<u>48,972,431</u>	<u>52,862,978</u>	<u>52,620,508</u>	<u>55,460,768</u>	<u>51,509,805</u>
Change in Net Assets					
Governmental activities.....	3,831,164	9,049,392	5,577,526	8,330,642	(5,026,004)
Business-type activities	<u>(1,277,272)</u>	<u>(1,327,504)</u>	<u>(1,397,839)</u>	<u>(668,918)</u>	<u>(1,145,114)</u>
Total Primary Government Change in Net Assets.....	<u>\$ 2,553,892</u>	<u>\$ 7,721,888</u>	<u>\$ 4,179,687</u>	<u>\$ 7,661,724</u>	<u>\$ (6,171,118)</u>

CITY OF GADSDEN, ALABAMA
FUND BALANCE, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$ 1,263,064	\$ 1,509,696	\$ 1,331,346	\$ 1,432,648	\$ 1,788,367
Unreserved, designated	1,340,806	568,901	568,901	269,676	242,176
Unreserved, undesignated	<u>4,466,257</u>	<u>3,991,887</u>	<u>6,268,709</u>	<u>9,992,484</u>	<u>10,408,400</u>
Total general fund	<u>7,070,127</u>	<u>6,070,484</u>	<u>8,168,956</u>	<u>11,694,808</u>	<u>12,438,943</u>
All Other Governmental Funds					
Reserved	13,364,529	12,363,714	10,624,088	10,648,962	10,111,940
Unreserved, designated	3,830,491	1,942,915	1,351,002	2,105,431	4,274,302
Unreserved, undesignated	<u>6,991,070</u>	<u>6,715,018</u>	<u>2,175,124</u>	<u>2,688,173</u>	<u>1,576,904</u>
Total all other governmental funds	<u>24,186,090</u>	<u>21,021,647</u>	<u>14,150,214</u>	<u>15,442,566</u>	<u>15,963,146</u>
Total Governmental Funds					
Reserved	14,627,593	13,873,410	11,955,434	12,081,610	11,900,307
Unreserved, designated	5,171,297	2,511,816	1,919,903	2,375,107	4,516,478
Unreserved, undesignated	<u>11,457,327</u>	<u>10,706,905</u>	<u>8,443,833</u>	<u>12,680,657</u>	<u>11,985,304</u>
Total fund balance, governmental funds	<u>\$ 31,256,217</u>	<u>\$ 27,092,131</u>	<u>\$ 22,319,170</u>	<u>\$ 27,137,374</u>	<u>\$ 28,402,089</u>

CITY OF GADSDEN, ALABAMA
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenue					
Taxes.....	\$ 40,971,526	\$ 43,646,558	\$ 44,551,570	\$ 45,878,553	\$ 44,101,012
Licenses and permits.....	5,331,322	5,545,800	6,136,942	6,519,107	6,408,364
Intergovernmental.....	4,816,166	6,021,439	5,668,275	5,383,907	4,508,937
Charges for services.....	1,578,005	1,528,604	1,533,702	1,589,052	1,684,258
Fines and forfeitures	681,775	666,707	676,033	795,848	730,801
Other revenue.....	<u>2,483,401</u>	<u>2,082,240</u>	<u>2,335,639</u>	<u>1,981,236</u>	<u>1,645,694</u>
Total revenue	<u>55,862,195</u>	<u>59,491,348</u>	<u>60,902,161</u>	<u>62,147,703</u>	<u>59,151,066</u>
Expenditures					
Current					
General government.....	2,069,061	2,077,938	2,166,046	2,304,471	2,268,878
Internal services	3,204,491	3,330,620	3,297,689	3,419,840	3,531,913
Public safety.....	18,767,226	19,837,972	19,706,389	19,322,010	19,814,363
Recreation and cultural services.....	7,239,461	7,676,778	7,867,921	6,977,010	7,182,677
Public works services.....	4,636,551	5,108,930	4,825,324	5,798,441	5,680,169
Urban development.....	5,268,560	9,552,373	3,223,687	3,378,445	3,219,315
Non-departmental	892,007	817,770	872,991	831,643	698,972
Intergovernmental.....	4,626,341	2,835,662	3,491,316	2,917,151	4,712,290
Debt service					
Principal.....	2,652,563	3,602,639	4,114,800	3,622,165	3,534,776
Interest and fiscal charges	3,433,844	3,349,014	3,511,998	3,232,821	3,117,205
Capital outlays	<u>7,752,153</u>	<u>7,727,507</u>	<u>6,346,979</u>	<u>6,404,804</u>	<u>5,907,769</u>
Total expenditures.....	<u>60,542,258</u>	<u>65,917,203</u>	<u>59,425,140</u>	<u>58,208,801</u>	<u>59,668,327</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(4,680,063)</u>	<u>(6,425,855)</u>	<u>1,477,021</u>	<u>3,938,902</u>	<u>(517,261)</u>
Other Financing Sources (Uses)					
Proceeds of general obligation warrants ...	862,976	1,010,000	—	—	2,004,673
Proceeds of HUD Section 108 loans	—	2,400,000	—	—	—
Proceeds of notes payable.....	1,000,000	3,000,000	—	26,702	—
Capital leases entered into	—	1,572,112	340,686	188,772	—
Proceeds of sales of assets	150,831	192,110	97,228	883,828	158,063
Proceeds of refunding warrants.....	15,711,532	—	—	—	—
Payment to refunded warrant escrow	(16,123,400)	—	—	—	—
Transfers	<u>(505,538)</u>	<u>(641,715)</u>	<u>(429,011)</u>	<u>(220,000)</u>	<u>(378,298)</u>
Total other financing sources (uses)	<u>1,096,401</u>	<u>7,532,507</u>	<u>8,903</u>	<u>879,302</u>	<u>1,784,438</u>
Special Items					
Transfers to component units.....	<u>(492,608)</u>	<u>(4,271,094)</u>	<u>(188,400)</u>	<u>—</u>	<u>(2,462)</u>
Net Change in Fund Balance	<u>\$ (4,076,270)</u>	<u>\$ (3,164,442)</u>	<u>\$ 1,297,524</u>	<u>\$ 4,818,204</u>	<u>\$ 1,264,715</u>
Debt Service as a Percentage of Noncapital Expenditures.....					
	<u>12%</u>	<u>12%</u>	<u>14%</u>	<u>13%</u>	<u>12%</u>

CITY OF GADSDEN, ALABAMA
ASSESSED VALUE OF TAXABLE PROPERTY
LAST FIVE FISCAL YEARS

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2005	\$56,648,280	\$ 258,447,680	\$ 27,315,680	\$ 66,060,900	\$ 276,350,740	6.00
2006	70,767,560	305,859,600	27,893,060	67,750,600	336,769,620	6.00
2007	70,937,440	314,498,900	28,109,660	73,114,160	340,431,840	6.00
2008	70,508,900	289,043,480	29,417,880	60,202,960	328,767,300	6.00
2009	72,223,200	297,613,420	29,513,780	50,813,960	349,717,440	6.00

CITY OF GADSDEN, ALABAMA
GENERAL GOVERNMENT TAX REVENUES BY SOURCE (1)
LAST FIVE FISCAL YEARS

<u>Fiscal Year</u>	<u>Sales and Use Tax</u>	<u>Occupational License Fee</u>	<u>Ad Valorem</u>	<u>Gasoline Tax</u>	<u>Beer Tax</u>	<u>Financial Institution Excise Tax</u>	<u>Wine and Liquor Tax</u>	<u>Lodging Tax</u>
2005	\$ 23,006,278	\$ 12,138,595	\$ 2,935,077	\$ 554,871	\$ 327,508	\$ 163,924	\$ 174,845	\$ 415,789
2006	24,771,408	12,635,379	4,348,896	582,232	267,784	473,902	224,368	484,313
2007	25,022,818	12,617,448	3,676,931	621,557	250,144	313,867	237,506	573,245
2008	25,634,982	13,228,790	4,445,861	607,974	255,386	38,963	195,053	569,233
2009	24,121,962	12,987,003	4,620,945	574,259	242,220	261,831	187,373	534,115

(1) This schedule presented on the accrual basis of accounting.

CITY OF GADSDEN, ALABAMA
TOP TEN TAX RECEIPTS BY CATEGORY
LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Warehouse clubs and supercenters	\$ 2,501,100	\$ 3,023,783	\$ 2,187,847	\$ 3,352,055	\$ 3,405,098
Department stores (except discount dept. stores)	1,716,984	1,620,665	1,812,493	905,480	1,534,671
Supermarkets & grocery stores (except convenience).....	1,717,582	1,541,948	1,812,292	1,649,892	1,545,522
Home centers	1,306,547	1,374,534	1,273,951	1,354,722	1,224,721
Full service restaurants	971,069	939,669	1,188,110	1,362,916	1,480,570
Limited service restaurants	842,187	874,695	1,325,623	1,606,521	1,423,784
Discount department stores.....	651,769	793,735	650,408	782,101	579,003
Family clothing stores.....	657,727	782,805	517,682	679,344	608,652
Medical, dental and hospital equipment and supplies, and merchant wholesalers.....	525,139	668,906	710,635	923,754	280,602
New car dealers.....	<u>720,794</u>	<u>656,161</u>	<u>976,979</u>	<u>1,005,795</u>	<u>777,332</u>
Total	<u>\$ 11,610,898</u>	<u>\$ 12,276,901</u>	<u>\$ 12,456,020</u>	<u>\$ 13,622,580</u>	<u>\$ 12,859,955</u>
City Direct Tax Rate	<u>4%</u>	<u>4%</u>	<u>4%</u>	<u>4%</u>	<u>4%</u>

Source: RDS/AlaTax

CITY OF GADSDEN, ALABAMA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST FIVE FISCAL YEARS

Fiscal Year	City Direct Rates					Overlapping Rates				
	Basic Rate	General Fund	School Debt Service	Fire Protection	Total Direct	Fire Protection	County School District	City School District	State	County
2005	12	6	3	3	12	3	10	6	6.5	11.5
2006	12	6	3	3	12	3	10	6	6.5	11.5
2007	12	6	3	3	12	3	10	6	6.5	11.5
2008	12	6	3	3	12	3	10	6	6.5	11.5
2009	12	6	3	3	12	3	10	6	6.5	11.5

CITY OF GADSDEN, ALABAMA
PRINCIPAL PROPERTY TAX PAYERS
LAST FIVE FISCAL YEARS

Taxpayer	2005		Percent of Total Assessed Value		2006		Percent of Total Assessed Value		2007		Percent of Total Assessed Value		2008		Percent of Total Assessed Value		2009	
	Taxable Assessed Value	Rank	Value	%	Value	Rank	Value	%	Value	Rank	Value	%	Value	Rank	Value	%	Value	Rank
Alabama Power Company	\$ 18,777,160	1	6.79%	\$ 19,204,620	1	5.70%	\$ 19,464,400	1	5.72%	\$ 20,716,980	1	6.30%	\$ 21,453,780	1	6.80%			
Goodyear Tire & Rubber Company.....	12,642,740	2	4.57%	13,574,480	2	4.03%	13,256,860	2	3.89%	14,027,480	2	4.27%	13,207,340	2	4.18%			
QHG of Gadsden, Inc.....	6,548,560	4	2.37%	7,645,240	3	2.27%	7,623,080	3	2.24%	7,620,380	3	2.32%	7,601,560	3	2.41%			
Riverview Regional Medical	6,023,600	5	2.18%	7,519,320	4	2.23%	6,490,840	4	1.91%	6,490,840	4	1.97%	6,490,840	4	2.06%			
BellSouth Telecommunications, Inc.....	6,732,740	3	2.44%	6,573,800	5	1.95%	6,478,600	5	1.90%	6,369,700	5	1.94%	6,023,500	5	1.91%			
Preit Gadsden Mall, LLC	3,415,500	7	1.24%	4,462,560	6	1.33%	4,525,800	7	1.33%	4,904,780	6	1.49%	5,046,400	6	1.60%			
CHS Inc. / Triad Hospitals, Inc.....	3,497,620	6	1.27%	3,115,620	8	0.93%	4,818,040	6	1.42%	4,858,520	7	1.48%	4,243,080	7	1.34%			
Prince Metal Stamping USA, Inc.....	—	—	—	—	—	—	—	—	—	—	—	—	4,033,320	8	1.28%			
Koch Foods of Gadsden LLC	—	—	—	—	—	—	—	—	—	2,759,720	10	0.84%	2,733,240	9	0.87%			
Riverview Regional Medical Center.....	2,136,600	10	0.77%	2,749,320	9	0.82%	2,910,580	9	0.85%	—	—	—	2,314,370	10	0.73%			
Delphi Automotive Systems, LLC.....	—	—	—	—	—	—	—	—	—	3,264,960	8	0.99%	—	—	—			
Dixie Pacific Manufacturing Company	—	—	—	—	—	—	2,188,320	10	0.64%	2,863,020	9	0.87%	—	—	—			
Tyson Foods of Alabama, Inc.....	3,052,580	8	1.10%	3,321,960	7	0.99%	3,051,760	8	0.89%	—	—	—	—	—	—			
Advance Stores Co., Inc.....	2,300,400	9	0.83%	—	—	—	—	—	—	—	—	—	—	—	—			
Gestamp Alabama, Inc.....	—	—	—	1,910,000	10	0.57%	—	—	—	—	—	—	—	—	—			
Total.....	\$ 65,127,500			\$ 70,076,920			\$ 70,808,280			\$ 73,876,380			\$ 73,147,440					
Total City Taxable Assessed Value	\$276,350,740			\$336,769,620			\$340,431,840			\$328,767,300			\$349,717,440					

CITY OF GADSDEN, ALABAMA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Five Fiscal Years

	Taxes Levied For The Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 3,784,659	\$ —	—%	\$ 3,146,768	\$ 3,146,768	83.15%
2005	3,505,087	—	—%	3,302,079	3,302,079	94.21%
2006	4,564,308	—	—%	3,990,279	3,990,279	87.42%
2007	4,631,425	—	—%	4,388,116	4,388,116	94.75%
2008	4,467,074	—	—%	4,228,960	4,228,960	94.67%
2009	4,355,492	—	—%	2,950,474	2,950,474	67.74% ⁽¹⁾

(1) – Represents partial collections as of report date

CITY OF GADSDEN, ALABAMA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FIVE FISCAL YEARS

	Governmental Activities			Business Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Warrants	Other Obligations	Special Obligation Bonds	General Obligation Warrants			
2005.....	\$ 62,238,798	\$ 1,923,951	\$ 1,488,852	\$ 1,820,000	\$ 67,471,601	9.40%	\$ 1,811
2006.....	61,035,608	7,706,645	1,370,597	1,680,000	71,792,850	10.50%	1,941
2007.....	58,627,420	6,546,605	1,246,526	1,540,000	67,960,551	9.88%	1,812
2008.....	56,134,231	5,845,448	1,115,994	1,400,000	64,495,673	9.38%	1,655
2009.....	53,566,041	7,102,339	978,999	1,260,000	61,647,379	10.59%	1,653

CITY OF GADSDEN, ALABAMA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST FIVE FISCAL YEARS

	<u>General Obligation Warrants</u>	<u>Special Obligation Bonds</u>	<u>Total</u>	<u>Percentage of Taxable Value of Property</u>	<u>Per Capita</u>
2005.....	\$ 64,058,798	\$ 1,488,852	\$ 65,547,650	23.72%	\$ 1,758
2006.....	62,715,608	1,370,597	64,086,205	19.03%	1,733
2007.....	60,167,420	1,246,526	61,413,946	18.04%	1,638
2008.....	57,534,231	1,115,994	58,650,225	17.84%	1,505
2009.....	54,826,041	978,999	55,805,040	15.96%	1,496

CITY OF GADSDEN, ALABAMA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2009

	<u>Total Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percent</u> <u>Applicable</u>	<u>Amount</u> <u>Applicable to</u> <u>City of Gadsden</u>
Direct Debt:			
City of Gadsden.....	\$ 69,491,928	100%	\$ 69,491,928
Overlapping Debt:			
Etowah County.....	<u>27,320,312</u>	23%	<u>6,283,672</u>
Total Direct and Overlapping Debt	<u>\$ 96,812,240</u>		<u>\$ 75,775,600</u>

CITY OF GADSDEN, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2009

Assessed value of real and personal property	\$ <u>400,531,400</u> ⁽¹⁾
Debt limit, 20 percent of assessed value (see Note below).....	\$ 80,106,280
Outstanding general obligation warrants, installment purchases, etc.	\$ 70,005,068
Less:	
Obligations exempted from legal debt limit.....	<u>32,148,477</u>
Net debt applicable to limit.....	<u>37,856,591</u>
Legal debt margin.....	<u>\$ 42,249,689</u>

	2005	2006	2007	2008	2009
Debt Limit.....	\$ 63,035,996	\$ 80,904,044	\$ 75,090,100	\$ 77,794,052	\$ 80,106,280
Debt Applicable to Limit	<u>41,182,340</u>	<u>42,766,219</u>	<u>40,405,217</u>	<u>38,102,064</u>	<u>37,856,591</u>
Legal Debt Margin.....	<u>\$ 21,853,656</u>	<u>\$ 38,137,825</u>	<u>\$ 34,684,883</u>	<u>\$ 39,691,988</u>	<u>\$ 42,249,689</u>
Total net debt applicable to the limit, as a percentage of the debt limit.....	65%	53%	54%	49%	47%

Note: Section 225, as amended, Constitution of State of Alabama, limits debt of the City of Gadsden to 20 percent of the assessed value of taxable property. Excluded from this limitation are bonds issued for schools, sewers and assessed improvements.

(1) Source: Etowah County Tax Assessor

CITY OF GADSDEN, ALABAMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST FIVE FISCAL YEARS

	<u>Population</u>	<u>Personal Income*</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Years of Education</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005.....	37,265	\$ 717,947	\$ 19,266	39.4	N/A	5,370	4.20%
2006.....	36,984	683,908	18,492	N/A	N/A	5,422	3.70%
2007.....	37,500	687,713	18,339	N/A	N/A	5,305	3.90%
2008.....	38,978	687,377	17,635	39	N/A	5,306	5.80%
2009.....	37,291	582,113	15,610	41	N/A	6,476	10.60%

* Personal income amounts expressed in thousands.

CITY OF GADSDEN, ALABAMA
PRINCIPAL EMPLOYERS
LAST FIVE FISCAL YEARS

	<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>	
	<u>Employees</u>	<u>Rank</u>								
Goodyear Tire & Rubber	1,361	1	1,430	1	1,430	1	1,430	1	1,430	1
Gadsden Regional Medical Cntr .	1,200	2	1,200	2	1,200	2	1,200	2	1,200	2
Etowah Cnty Bd. Of Education...	—	—	—	—	—	—	—	—	1,000	3
Riverview Reg. Med. Cntr	800	3	800	3	800	3	800	3	800	4
Gadsden City Schools	650	5	650	5	650	4	650	4	650	5
City of Gadsden.....	513	6	513	6	513	5	513	5	513	6
Equity Group	343	10	500	8	500	6	500	6	500	7
Mid-South Industries.....	—	—	—	—	—	—	440	7	440	8
Koch Foods.....	—	—	—	—	—	—	390	8	390	9
Gadsden St. Comm. College	373	8	373	10	373	9	373	9	373	10
Wal-Mart	350	9	—	—	350	10	350	10	—	—
Tyson Foods	790	4	790	4	475	7	—	—	—	—
Delphi Automotive	—	—	500	7	400	8	—	—	—	—
Dept. of Human Resources	400	7	400	9	—	—	—	—	—	—

Sources: Industrial Development Board and the Gadsden/Etowah Chamber of Commerce.

CITY OF GADSDEN, ALABAMA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government					
Mayor's Office	3	3	5	5	5
City Council.....	—	—	—	—	—
Revenue	6	5	5	6	6
City Clerk	3	3	3	3	3
Public Safety					
Police					
Officers	97	97	96	101	98
Civilian	29	31	30	30	30
Fire Department					
Firefighters.....	105	105	102	114	114
Officers	7	7	7	8	7
Civilians.....	2	2	2	2	3
Judicial.....	6	6	6	6	6
Animal Control.....	2	2	3	3	3
Civil Defense	4	4	4	4	4
Communications.....	2	2	2	2	2
Public Works					
Maintenance	18	15	15	18	11
Street Painting	5	5	5	5	5
Street Cleaning	40	40	39	12	12
Street Maintenance	26	26	26	41	41
Internal Service					
Finance.....	8	8	7	7	6
M.I.S.	5	5	5	5	6
Purchasing	2	1	1	1	1
Personnel	2	2	2	3	3
Civil Service	—	—	—	—	—
Legal	4	4	4	3	3
Fleet	21	22	21	21	20
Recreation and Culture					
Parks and Recreation.....	30	30	32	44	45
Noccalula Falls.....	—	—	—	—	—
Convention Hall.....	1	1	1	1	1
Cemetery.....	6	3	4	6	6
Library	17	18	18	20	19
Museum of Arts.....	3	3	3	3	3
Tourism.....	—	—	—	—	—
Urban Development					
Engineering.....	9	11	11	8	8
Building	6	6	6	7	7
Planning.....	5	5	5	8	8
Total	<u>474</u>	<u>472</u>	<u>470</u>	<u>497</u>	<u>486</u>

CITY OF GADSDEN, ALABAMA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Physical Arrests	3,116	3,744	3,225	3,037	2,992
Parking Violations	105	29	60	—	—
Traffic Violations.....	6,101	5,494	4,665	4,221	4,136
Fire					
Emergency Responses	4,409	4,336	4,454	5,026	6,543
Fires Extinguished	345	385	292	234	222
Inspections	1,758	2,092	1,928	1,583	1,918
Public Works					
Street Resurfacing (Miles).....	11.37	12.06	8.00	16.83	16.83
Potholes Repaired	7,500	7,500	7,500	7,500	7,500
Recreation and Culture					
Community Center Admissions	583,350	629,450	367,700	203,139	261,853
Library					
Volumes in Collection	198,300	202,410	206,228	221,284	184,105
Total Volumes Borrowed	141,386	132,350	206,435	189,609	151,471

Note: The City of Gadsden does not issue permits for Athletic Fields

Source: Various City Departments

CITY OF GADSDEN, ALABAMA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Stations.....	1	1	1	1	1
Patrol Units	35	33	40	40	40
Fire					
Stations.....	6	6	6	6	7
Public Works					
Streets (Miles).....	372	372	372	372	372
Highways (Miles)	35	35	35	35	35
Streetlights	4,000	4,000	4,000	4,005	4005
Traffic Signals	134	134	134	134	134
Recreation and Culture					
Acreage of Parks.....	166	166	166	166	545
Playgrounds	16	16	16	16	16
Baseball/Softball Diamonds	19	19	19	19	19
Football/Soccer Fields	13	13	13	13	14
Community Centers	9	9	8	8	8



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SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 22, 2010. We did not audit the financial statements of the Gadsden City Board of Education or the Gadsden Airport Authority, which represent all of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Gadsden City Board of Education and the Gadsden Airport Authority, is based on the report of the other auditors. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's basic financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the City's basis financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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*.

This report is intended solely for the information and use of the Mayor, City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Birmingham, Alabama
February 22, 2010

A handwritten signature in cursive script that reads 'Phillip Morgan & Company P.C.'. Below the signature, the text 'Phillip Morgan & Company P.C.' is printed in a bold, sans-serif font.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Gadsden, Alabama (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Gadsden Board of Education which expended approximately \$9 million in federal awards which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2009. Our audit, described below, did not include the operations of the Gadsden Board of Education because it was required to have a separate audit in accordance with OMB Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Birmingham, Alabama
February 22, 2010


Phillip Morgan & Company P.C.

CITY OF GADSDEN, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Total Expended</u>
Department of Housing & Urban Development:			
<u>Direct Programs:</u>			
Community Development Block Grant	14.218	B-07-MC-010004	\$ 147,090
Community Development Block Grant	14.218	B-08-MC-010004	863,965
Homeless Management Information Systems	14.235	AL09B6-05002	20,883
<u>Passed Through Alabama Department of Economic and Community Affairs:</u>			
Emergency Shelter Grant	14.231	ESG-07-013	<u>55,505</u>
Total Department of Housing & Urban Development			<u>1,087,443</u>
U.S. Department of Justice:			
<u>Direct Programs:</u>			
Community Oriented Policing Services			
Methamphetamine Initiative Grant	16.710	2007CKWX0326	196,663
Community Oriented Policing Services			
Technology Program Grant	16.710	2008CKWX0097	201,807
Byrne Justice Assistance Grant	16.738	2009-SB-B9-0700	32,068
Bulletproof Vest Partnership Grant	16.607		16,363
Safe Street Task Force	16.744		<u>25,851</u>
Total U.S. Department of Justice			<u>472,752</u>
Department of Health and Human Services:			
<u>Passed Through Alabama Commission on Aging:</u>			
Special Program for Aging Title III B	93.044	04-09-03-19	6,300
Special Program for Aging Title III C	93.045	04-09-03-19	9,747
<u>Passed Through Alabama Department of Public Health</u>			
Mobile Mortuary Grant	93.889	CEP-39-QW9-09	<u>41,603</u>
Total Department of Health and Human Services			<u>57,650</u>
Department of Agriculture:			
<u>Passed Through Alabama Department of Education:</u>			
Summer Food Service Program for Children	10.559	08-AEZ-0000	<u>77,679</u>
Department of Homeland Security:			
<u>Passed Through Alabama Emergency Management Agency:</u>			
Emergency Management State and Local Assistance	97.042	9SIR-005	27,993
Emergency Management State and Local Assistance	97.042	09-EMPG-31	58,316
Chemical Stockpile Emergency Preparedness Program	97.040	07-ETO-O&M	12,255
Chemical Stockpile Emergency Preparedness Program	97.040	08-ETO-O&M	570,307
Chemical Stockpile Emergency Preparedness Program	97.040	09-ETO-O&M	241,166
Hazard Mitigation Grant Program	97.039	HMGP-1605-0009	
Total Department of Homeland Security			<u>910,037</u>

CITY OF GADSDEN, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED

For the Year Ended September 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Total Expended</u>
Department of Transportation:			
<u>Direct Programs:</u>			
Federal Railroad Administration	20.314	DTFR53-06-G-00015	\$ —
Federal Transit Formula Grant	20.507	AL-90-0185	42,877
Federal Transit Formula Grant	20.507	AL-90-0200	35,777
Federal Transit Formula Grant	20.507	AL-90-4200	157,433
Federal Transit Formula Grant	20.507	AL-90-4189	158,928
Federal Transit Formula Grant	20.507	AL-90-0189	8,867
Federal Transit Formula Grant	20.507	AL040015	151,374
Federal Transit Formula Grant	20.507	AL040022	7,784
Federal Transit Formula Grant	20.507	AL040023	312,705
<u>Passed Through Alabama Department of Transportation:</u>			
Highway Planning and Construction Grant	20.205	PL-N8L-100-050-835	165,358
Highway Planning and Construction Grant	20.205	STPTE-TE05	1,201
Safety Incentive Grants to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	09-SP-PT-005	<u>5,422</u>
Total Department of Transportation			<u>1,047,726</u>
Department of Education:			
<u>Passed Through Alabama Department of Education:</u>			
State Library Program	45.310	03-5-4	<u>21,836</u>
General Services Administration:			
<u>Passed Through Alabama Department of Economic and Community Affairs:</u>			
Donation of Federal Surplus Personal Property	39.003		<u>4,194</u>
 Total Federal Awards			 <u>3,679,317</u>
State Awards:			
<u>Alabama Public Library Service:</u>			
Library Grant			<u>80,374</u>
 Total State Awards			 <u>80,374</u>
 Total Federal And State Awards			 <u>\$ 3,759,691</u>

CITY OF GADSDEN, ALABAMA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2008

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") summarizes the expenditures of the City of Gadsden, Alabama (the "City") under programs of the federal government and the State of Alabama for the year ended September 30, 2009.

For purposes of the Schedule, federal and state awards include all grants, contracts, and similar agreements entered into directly between the City and agencies and departments of the federal government and the State of Alabama, and all sub-awards to the City by nonfederal organizations pursuant to federal grants, contracts and similar agreements. Federal awards are classified into Major and Nonmajor programs in accordance with the provisions of Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Programs classified as Major Programs are as follows:

1. Community Development Block Grant
2. Chemical Stockpile Emergency Preparedness Program
3. Federal Transit Formula Grant
4. Community Oriented Policing Services

Note 2 - Summary of Significant Accounting Policies

The schedule is presented primarily on the modified accrual basis of accounting. However, the information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and therefore some amounts presented may differ from amounts presented in or used in the preparation of the basic financial statements.

CITY OF GADSDEN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

A. Summary of Audit Results

Financial Statements

Type of auditors' report issued:				Unqualified
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	_____ <u>X</u> _____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	_____ <u>X</u> _____	None Reported
Type of auditors' report issued on compliance for major programs				Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A133?	_____	Yes	_____ <u>X</u> _____	No

Identification of major programs:

CFDA Number	Name of Federal Program
14.218	Community Development Block Grant
97.040	Chemical Stockpile Emergency Preparedness Program
20.507	Federal Transit Formula Grant
16.710	Community Oriented Policing Services

Dollar threshold used to distinguish between Type A and Type B programs:				\$300,000
Auditee qualified as low-risk auditee?	_____ <u>X</u> _____	Yes	_____ _____	No

B. Findings - Financial Statements Audit

No matters were reported.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

No matters were reported.



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