

ANNUAL FINANCIAL REPORT

CITY OF GADSDEN, ALABAMA

For the Year Ended September 30, 2016



**Prepared by: Finance Department
Lisa Rosser, Finance Director**

CITY OF GADSDEN, ALABAMA
Annual Financial Report
For the Year Ended September 30, 2016

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INTRODUCTORY SECTION

PRINCIPAL CITY OFFICIALS

ORGANIZATIONAL CHART



CITY OF GADSDEN, ALABAMA
PRINCIPAL CITY OFFICIALS

September 30, 2016

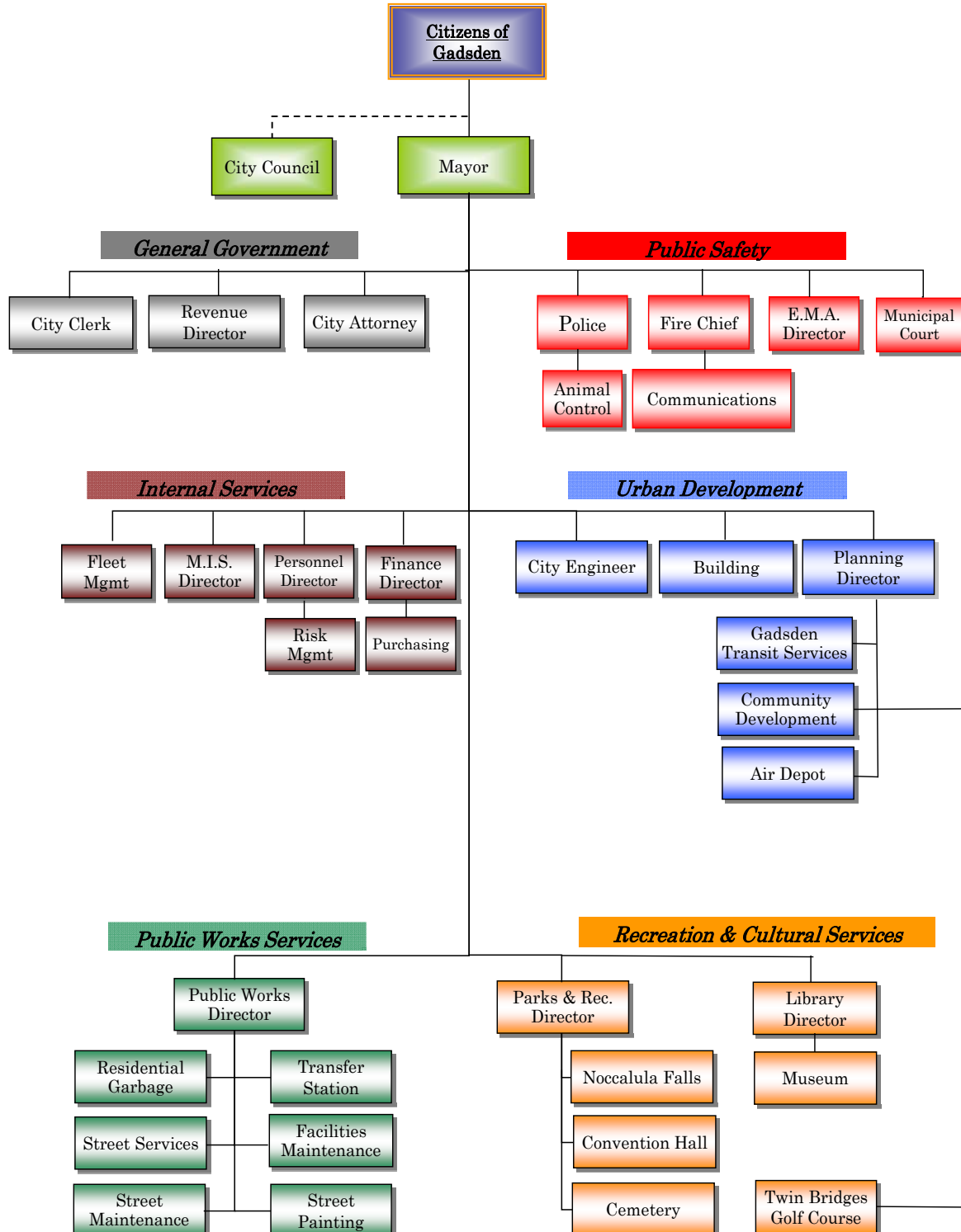
MAYOR

Sherman Guyton

CITY COUNCIL

Dr. Cynthia Toles, District 1
Deverick Williams, District 2 (President)
Thomas Worthy, District 3
Robert Echols, District 4
Billy Billingsley, District 5
Johnny Cannon, District 6 (President Pro Tem)
Ben Reed, District 7

City of Gadsden Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basis financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 38%, 36% and 43% of the assets and deferred outflows of resources, net position and revenue 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. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of pension funding progress on pages 4-12 and 62-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and budgetary comparison schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Montgomery, Alabama
March 10, 2017

City of Gadsden, Alabama
Management's Discussion and Analysis
For the Year Ended September 30, 2016

As management of the City of Gadsden, Alabama (the City), we present this narrative overview and analysis designed to assist readers of the City's financial statements for the fiscal year ended September 30, 2016. 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, 2016, by \$20,054,912 (*net position*). The portion of net position that may be used to meet the City's ongoing obligations to citizens and creditors (*unrestricted net position*) reflects a deficit of \$94,224,431. The deficit is primarily the result of the reporting of the OPEB obligation as required by GASB No. 45 and net pension obligation as required by GASB No. 68.
- The City's total net position increased by \$6,589,417 in fiscal year 2016. The main factor that influenced this change was an excess of various revenues over expenses, which were reduced from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$37,122,035 an increase of \$1,797,041 from the prior year. Of this amount, \$16,040,458 or approximately 43% of total fund balances are available for spending at the City's discretion (*unassigned fund balances*).
- At the end of the current fiscal year, the unassigned fund balance of the General Fund (the City's primary operating fund) was \$15,688,901 or approximately 34% of total General Fund expenditures.

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 position* presents information on all of the City's assets, deferred outflows and deferred inflows, and liabilities, with the difference between the two reported as net position. This statement combines governmental funds' current financial resources with capital assets and long-term obligations. Over time, increases or decreases in net position 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 position 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 position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue 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 revenue (*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*).

City of Gadsden, Alabama
Management's Discussion and Analysis (continued)
For the Year Ended September 30, 2016

The governmental activities of the City of Gadsden include general government, public safety, public works, urban development, recreation and cultural services, internal services, and nondepartmental. 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, the Gadsden Airport Authority, and the Public Building Authority of the City of Gadsden. 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 units. The Board of Education, the Airport Authority, and the Public Building Authority issue complete financial statements, which may be obtained by contacting the entities 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 three individual *major governmental funds*. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund, the school ad valorem tax fund, and the capital improvements 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. 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.

City of Gadsden, Alabama
Management's Discussion and Analysis (continued)
For the Year Ended September 30, 2016

Condensed Statements of Net Position
As of September 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 51,703,024	\$ 49,958,064	\$ (1,227,152)	\$ (1,349,473)	\$ 50,475,872	\$ 48,608,591
Capital assets, net of accumulated depreciation	77,582,781	76,932,161	8,445,586	9,132,873	86,028,367	86,065,034
Total Assets	129,285,805	126,890,225	7,218,434	7,783,400	136,504,239	134,673,625
Deferred Outflows of Resources	7,103,290	5,174,245	295,642	190,513	7,398,932	5,364,758
Current and other liabilities	6,740,785	7,197,406	341,453	345,404	7,082,238	7,542,810
Long-term liabilities, net of current portion	149,977,550	151,257,196	5,244,170	5,507,393	155,221,720	156,764,589
Total Liabilities	156,718,335	158,454,602	5,585,623	5,852,797	162,303,958	164,307,399
Deferred Inflows of Resources	1,577,704	2,048,384	76,421	91,129	1,654,125	2,139,513
Net Position						
Net investment in capital assets	61,245,198	58,221,381	8,045,586	8,632,873	69,290,784	66,854,254
Restricted	4,878,735	4,391,557	-	-	4,878,735	4,391,557
Unrestricted	(88,030,877)	(91,051,454)	(6,193,554)	(6,602,886)	(94,224,431)	(97,654,340)
Total Net Position	\$ (21,906,944)	\$ (28,438,516)	\$ 1,852,032	\$ 2,029,987	\$ (20,054,912)	\$ (26,408,529)

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

The remaining unrestricted net position reflects a deficit of \$88,030,877. This deficit is primarily the result of the following:

- The OPEB obligation of \$42,891,932.
- The net pension liability of \$49,106,429.

The deficit balance in unrestricted net position 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 reported as such.

City of Gadsden, Alabama
Management's Discussion and Analysis (continued)
For the Year Ended September 30, 2016

Condensed Statements of Activities
For the Years Ended September 30, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue						
Program Revenue:						
Charges for services	\$ 2,829,425	\$ 2,530,128	\$ 2,776,439	\$ 2,831,689	\$ 5,605,864	\$ 5,361,817
Operating grants and contributions	2,355,791	3,511,925	-	-	2,355,791	3,511,925
Capital grants and contributions	361,474	338,767	-	-	361,474	338,767
General Revenue:						
Taxes	51,822,478	49,998,590	-	-	51,822,478	49,998,590
Licenses and permits	7,247,356	7,055,204	-	-	7,247,356	7,055,204
Investment earnings	520,799	536,644	-	-	520,799	536,644
Other general revenue	544,753	518,192	-	-	544,753	518,192
Total Revenue	<u>65,682,076</u>	<u>64,489,450</u>	<u>2,776,439</u>	<u>2,831,689</u>	<u>68,458,515</u>	<u>67,321,139</u>
Expenses						
Governmental Activities:						
General government	2,416,177	2,191,507	-	-	2,416,177	2,191,507
Internal services	3,331,109	3,222,613	-	-	3,331,109	3,222,613
Public safety	23,217,184	22,868,749	-	-	23,217,184	22,868,749
Recreation and cultural services	8,197,657	6,888,842	-	-	8,197,657	6,888,842
Public works	6,143,063	6,468,979	-	-	6,143,063	6,468,979
Urban development	6,355,444	6,382,086	-	-	6,355,444	6,382,086
Intergovernmental	3,261,942	3,399,928	-	-	3,261,942	3,399,928
Nondepartmental	3,068,824	3,051,515	-	-	3,068,824	3,051,515
Interest on long-term debt	1,926,780	1,993,652	-	-	1,926,780	1,993,652
Bond issue cost	-	-	-	-	-	-
Business-type Activities:						
Air depot	-	-	285,428	227,127	285,428	227,127
Garbage	-	-	2,403,472	2,757,333	2,403,472	2,757,333
Golf course	-	-	1,262,018	1,298,132	1,262,018	1,298,132
Total Expenses	<u>57,918,180</u>	<u>56,467,871</u>	<u>3,950,918</u>	<u>4,282,592</u>	<u>61,869,098</u>	<u>60,750,463</u>
Change in Net Position Before Transfers and Special Items	7,763,896	8,021,579	(1,174,479)	(1,450,903)	6,589,417	6,570,676
Transfers	(996,524)	(1,738,144)	996,524	1,738,144	-	-
Change in Net Position	<u>\$ 6,767,372</u>	<u>\$ 6,283,435</u>	<u>\$ (177,955)</u>	<u>\$ 287,241</u>	<u>\$ 6,589,417</u>	<u>\$ 6,570,676</u>

Governmental Activities – Governmental activities increased the City's net position by \$6,767,372. Key elements of this increase are as follows: Revenues exceeding governmental expenses, outside of transfers.

Business-Type Activities – Business-type activities decreased the City's net position by \$177,955. Key elements of this decrease are as follows: Expenses exceeding revenues by approximately \$1.17 million, offset by transfers of approximately \$1.0 million.

City of Gadsden, Alabama
Management's Discussion and Analysis (continued)
For the Year Ended September 30, 2016

Fund Financial Analysis

Governmental Funds – The *General Fund* is the chief operating fund of the City. The total general fund balance increased by \$3,030,140 in 2016 to \$19,372,941. At the end of the current fiscal year, the *unassigned fund balance* was \$15,688,901 an increase of \$1,845,109.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. This is very useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance represents approximately 34% of total general fund expenditures, while total fund balance represents 42% of the total general fund expenditures.

General Fund - Fund Balances
As of September 30, 2016 and 2015

	<u>Fund Balances</u>		<u>Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>	
Nonspendable	\$ 255,837	\$ 387,613	\$ (131,776)
Committed	3,428,203	2,111,396	1,316,807
Unassigned	<u>15,688,901</u>	<u>13,843,792</u>	<u>1,845,109</u>
Total Fund Balance	<u>\$ 19,372,941</u>	<u>\$ 16,342,801</u>	<u>\$ 3,030,140</u>

The increase in unassigned general fund balance was due to spending controls implemented by the administration and a slight increase in revenues collected in fiscal year 2016.

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 position of the enterprise funds was \$1,852,032, a decrease of \$177,955. The following table compares enterprise funds' net position with the previous year.

Enterprise Funds - Net Position
As of September 30, 2016 and 2015

	<u>Net Position</u>		<u>Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>	
Airport	\$ 739,254	\$ 869,278	\$ (130,024)
Garbage	(2,645,697)	(2,881,124)	235,427
Golf course	3,790,841	4,092,018	(301,177)
Adjustment to reflect consolidation of Internal Service Fund	<u>(32,366)</u>	<u>(50,185)</u>	<u>17,819</u>
Total Net Position	<u>\$ 1,852,032</u>	<u>\$ 2,029,987</u>	<u>\$ (177,955)</u>

City of Gadsden, Alabama
Management’s Discussion and Analysis (continued)
For the Year Ended September 30, 2016

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 position of the internal service fund was \$150,594, an increase of \$295,028.

Internal Service Fund - Net Position
As of September 30, 2016 and 2015

	<u>Net Assets</u>		<u>Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>	
Unrestricted	\$ 150,594	\$ (144,434)	\$ 295,028
Total Net Position	<u>\$ 150,594</u>	<u>\$ (144,434)</u>	<u>\$ 295,028</u>

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City of Gadsden, Alabama
Management's Discussion and Analysis (continued)
For the Year Ended September 30, 2016

Budgetary Highlights

Differences between the general fund original budget and the final amended budget totaled \$ 1,486,658 . While revenue varied by \$ 2,153,873 due to higher than expected tax receipts, certain budgeted expenses were lower than expected due to spending controls implemented by the administration.

General Budget Fund
As of September 30, 2016 and 2015

	Original Budget	Final Budget	Actual Amounts	Variance From Final Budget
Revenue	\$ 48,940,395	\$ 48,940,395	\$ 51,094,268	\$ 2,153,873
Expenditures	(48,722,127)	(50,208,785)	(46,654,713)	3,554,072
Other sources (uses)	(826,150)	(826,150)	(1,409,415)	(583,265)
Total	<u>\$ (607,882)</u>	<u>\$ (2,094,540)</u>	<u>\$ 3,030,140</u>	<u>\$ 5,124,680</u>

Capital Assets and Debt Administration

Capital Assets
As of September 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 20,767,230	\$ 20,497,286	\$ 2,976,164	\$ 2,976,164	\$ 23,743,394	\$ 23,473,450
Buildings	12,308,476	12,892,439	1,741,256	1,900,928	14,049,732	14,793,367
Improvements other than buildings	12,710,890	13,193,559	2,643,741	2,931,730	15,354,631	16,125,289
Equipment	8,664,334	8,732,082	1,084,425	1,324,051	9,748,759	10,056,133
Infrastructure	18,850,923	19,988,600	-	-	18,850,923	19,988,600
Construction in progress	<u>4,280,928</u>	<u>1,628,195</u>	<u>-</u>	<u>-</u>	<u>4,280,928</u>	<u>1,628,195</u>
Net Total Capital Assets	<u>\$ 77,582,781</u>	<u>\$ 76,932,161</u>	<u>\$ 8,445,586</u>	<u>\$ 9,132,873</u>	<u>\$ 86,028,367</u>	<u>\$ 86,065,034</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.

City of Gadsden, Alabama
Management's Discussion and Analysis (continued)
For the Year Ended September 30, 2016

Debt Outstanding

Outstanding Debt and Long-term Liabilities
As of September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Governmental		
GOW 2014-A	\$ 2,120,000	\$ 2,385,000
GOW 2014-B	7,445,000	7,485,000
GOW 2014-C	2,090,000	2,100,000
GOW 2014-D	1,278,750	1,443,750
GOW 2012-D	6,460,000	7,750,000
GOW 2012-A	15,915,000	16,865,000
GOW 2012-B	2,930,000	3,245,000
GOW 2012-C	6,260,000	6,690,000
GOW 2011	3,570,000	3,875,000
GOW 2006-A	605,000	655,000
Less issuance discounts	(68,560)	(74,736)
Plus issuance premiums	366,036	396,135
HUD Section 108 Loans	750,000	825,000
Capital leases	1,563,867	1,894,216
Compensated absences	2,927,032	2,420,857
Claims and judgments	3,767,064	3,859,772
Net Pension Liability	49,106,429	46,615,491
OPEB Obligation	42,891,932	42,826,711
	<u>149,977,550</u>	<u>151,257,196</u>
Business-Type		
GOW 2005-B	400,000	500,000
Compensated absences	99,409	70,427
Landfill closure and post closure	1,700,747	2,025,983
Net pension liability	2,411,579	2,282,373
OPEB obligation	632,435	628,610
	<u>5,244,170</u>	<u>5,507,393</u>
 Total Long-term Liabilities	 <u>\$ 155,221,720</u>	 <u>\$ 156,764,589</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of its total assessed valuation.

City of Gadsden, Alabama
Management's Discussion and Analysis (continued)
For the Year Ended September 30, 2016

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 taxes.

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 35902.

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City of Gadsden, Alabama
Statement of Net Position
September 30, 2016

	Primary Government			Component Units		
	Governmental Activities	Business- Type Activities	Total	Gadsden Board of Education	Gadsden Airport Authority	Public Building Authority of the City of Gadsden
Assets						
Pooled cash and investments	\$ 29,753,936	\$ 1,320	\$ 29,755,256	\$ 10,803,782	\$ 172,573	\$ 457,236
Receivables, net of allowances for uncollectibles	9,061,718	337,168	9,398,886	9,044,475	140,322	-
Internal balances	1,595,549	(1,595,549)	-	-	-	-
Due from primary government	-	-	-	-	4,070,000	-
Inventories	252,131	29,909	282,040	106,485	-	-
Prepays and other	2,546	-	2,546	16,782	5,342	-
Restricted assets	122,053	-	122,053	-	997,401	-
Due from component units	10,915,091	-	10,915,091	-	-	-
Lease receivable	-	-	-	-	-	6,528,392
Capital assets, net of accumulated depreciation:						
Land	20,767,230	2,976,164	23,743,394	5,644,526	595,244	-
Buildings	12,308,476	1,741,256	14,049,732	37,709,321	58,342	-
Improvements	12,710,890	2,643,741	15,354,631	9,964,556	4,752,291	-
Equipment	8,664,334	1,084,425	9,748,759	500,428	31,464	-
Infrastructure	18,850,923	-	18,850,923	-	1,551,589	-
Construction in progress	4,280,928	-	4,280,928	-	-	-
Total Assets	<u>129,285,805</u>	<u>7,218,434</u>	<u>136,504,239</u>	<u>73,790,355</u>	<u>12,374,568</u>	<u>6,985,628</u>
Deferred Outflows of Resources						
Deferred charges on refundings	1,185,608	-	1,185,608	273,159	-	-
Deferred employer retirement contribution	5,917,682	295,642	6,213,324	6,921,495	-	-
Total Deferred Outflows of Resources	<u>7,103,290</u>	<u>295,642</u>	<u>7,398,932</u>	<u>7,194,654</u>	<u>-</u>	<u>-</u>
Liabilities and Net Position						
Current Liabilities						
Accounts payable and other current liabilities	1,213,555	302,815	1,516,370	3,703,998	4,365	64,718
Accrued payroll and related liabilities	784,719	38,638	823,357	-	-	-
Due to component units	4,742,511	-	4,742,511	-	-	-
Due to primary government	-	-	-	-	689,700	-
Unearned revenue	-	-	-	20,545	-	-
Noncurrent Liabilities						
Due within one year	11,925,397	475,809	12,401,206	1,044,406	4,070,000	380,844
Due in more than one year	138,052,153	4,768,361	142,820,514	61,852,274	-	5,919,985
Total Liabilities	<u>156,718,335</u>	<u>5,585,623</u>	<u>162,303,958</u>	<u>66,621,223</u>	<u>4,764,065</u>	<u>6,365,547</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	-	-	-	7,946,209	-	-
Deferred inflows related to pension	1,577,704	76,421	1,654,125	245,000	-	-
Total Deferred Inflows of Resources	<u>1,577,704</u>	<u>76,421</u>	<u>1,654,125</u>	<u>8,191,209</u>	<u>-</u>	<u>-</u>
Net Position						
Net investment in capital assets	61,245,198	8,045,586	69,290,784	36,437,310	6,988,930	-
Restricted:						
Capital projects	-	-	-	-	-	-
Debt service	156,867	-	156,867	-	253,228	159,749
Economic development	683,858	-	683,858	-	-	-
Public safety	807,247	-	807,247	-	-	-
Recreation and cultural services:						
Expendable	50,642	-	50,642	-	-	-
Nonexpendable	181,217	-	181,217	-	-	-
Child nutrition program	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Other purposes	2,998,904	-	2,998,904	-	-	460,332
Unrestricted	(88,030,877)	(6,193,554)	(94,224,431)	(30,264,733)	368,345	-
Total Net Position	<u>\$ (21,906,944)</u>	<u>\$ 1,852,032</u>	<u>\$ (20,054,912)</u>	<u>\$ 6,172,577</u>	<u>\$ 7,610,503</u>	<u>\$ 620,081</u>

See notes to the financial statements.

City of Gadsden, Alabama
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Program Revenue				Net Revenue (Expense) and Changes in Net Position							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units				
					Governmental Activities	Business-Type Activities	Total	Gadsden Board of Education	Gadsden Airport Authority	Public Building Authority of the City of Gadsden		
Primary Government												
Governmental activities:												
General government	\$ (2,416,177)	\$ 379,244	\$ -	\$ -	\$ (2,036,933)	\$ -	\$ (2,036,933)	\$ -	\$ -	\$ -	\$ -	\$ -
Internal services	(3,331,109)	-	-	-	(3,331,109)	-	(3,331,109)	-	-	-	-	-
Public safety	(23,217,184)	752,625	409,222	-	(22,055,337)	-	(22,055,337)	-	-	-	-	-
Recreation and cultural services	(8,197,657)	1,697,556	214,112	38,466	(6,247,523)	-	(6,247,523)	-	-	-	-	-
Public works services	(6,143,063)	-	570,603	-	(5,572,460)	-	(5,572,460)	-	-	-	-	-
Urban development	(6,355,444)	-	1,161,854	323,008	(4,870,582)	-	(4,870,582)	-	-	-	-	-
Intergovernmental	(3,261,942)	-	-	-	(3,261,942)	-	(3,261,942)	-	-	-	-	-
Nondepartmental	(3,068,824)	-	-	-	(3,068,824)	-	(3,068,824)	-	-	-	-	-
Interest on long-term debt	(1,926,780)	-	-	-	(1,926,780)	-	(1,926,780)	-	-	-	-	-
	<u>(57,918,180)</u>	<u>2,829,425</u>	<u>2,355,791</u>	<u>361,474</u>	<u>(52,371,490)</u>	<u>-</u>	<u>(52,371,490)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:												
Airport	(285,428)	155,404	-	-	-	(130,024)	(130,024)	-	-	-	-	-
Residential garbage	(2,403,472)	1,951,703	-	-	-	(451,769)	(451,769)	-	-	-	-	-
Golf course	(1,262,018)	669,332	-	-	-	(592,686)	(592,686)	-	-	-	-	-
Total Business-Type Activities	<u>(3,950,918)</u>	<u>2,776,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,174,479)</u>	<u>(1,174,479)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ (61,869,098)</u>	<u>\$ 5,605,864</u>	<u>\$ 2,355,791</u>	<u>\$ 361,474</u>	<u>(52,371,490)</u>	<u>(1,174,479)</u>	<u>(53,545,969)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units												
Board of Education	<u>\$ (54,933,498)</u>	<u>\$ 5,288,256</u>	<u>\$ 35,388,663</u>	<u>\$ 1,259,847</u>				<u>(12,996,732)</u>				
Airport Authority	<u>\$ (726,605)</u>	<u>\$ 92,015</u>	<u>\$ 361,321</u>	<u>\$ 142,631</u>					<u>(130,638)</u>			
Public Building Authority	<u>\$ (268,981)</u>	<u>\$ 255,886</u>	<u>\$ -</u>	<u>\$ -</u>							<u>(13,095)</u>	
General Revenue												
Sales and use tax					28,897,543	-	28,897,543	1,691,902	-	-	-	-
Occupational license fee					15,074,346	-	15,074,346	-	-	-	-	-
Licenses and permits					7,247,356	-	7,247,356	-	-	-	-	-
Property tax					4,911,329	-	4,911,329	7,951,022	-	-	-	-
Lodging tax					1,340,933	-	1,340,933	-	-	-	-	-
Rental and lease tax					-	-	-	-	-	-	-	-
Franchise tax					-	-	-	-	-	-	-	-
Gasoline tax					632,611	-	632,611	-	-	-	-	-
Tobacco tax					384,460	-	384,460	-	-	-	-	-
Beer tax					220,058	-	220,058	66,791	-	-	-	-
Wine and liquor tax					217,002	-	217,002	-	-	-	-	-
Financial institution excise tax					144,196	-	144,196	-	-	-	-	-
Unrestricted investment earnings					520,799	-	520,799	25,826	21,158	-	-	-
Other general revenue					544,753	-	544,753	2,310,454	-	-	-	-
Transfers					(996,524)	996,524	-	-	-	-	-	-
Total General Revenue and Transfers					<u>59,138,862</u>	<u>996,524</u>	<u>60,135,386</u>	<u>12,045,995</u>	<u>21,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position					<u>6,767,372</u>	<u>(177,955)</u>	<u>6,589,417</u>	<u>(950,737)</u>	<u>(109,480)</u>	<u>(13,095)</u>	<u>-</u>	<u>-</u>
Net position - beginning, as originally stated					<u>(28,438,516)</u>	<u>2,029,987</u>	<u>(26,408,529)</u>	<u>2,008,622</u>	<u>7,719,983</u>	<u>633,176</u>	<u>-</u>	<u>-</u>
Prior period adjustment					<u>(235,800)</u>	<u>-</u>	<u>(235,800)</u>	<u>5,114,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - beginning, as restated					<u>(28,674,316)</u>	<u>2,029,987</u>	<u>(26,644,329)</u>	<u>7,123,314</u>	<u>7,719,983</u>	<u>633,176</u>	<u>-</u>	<u>-</u>
Net position - ending					<u>\$ (21,906,944)</u>	<u>\$ 1,852,032</u>	<u>\$ (20,054,912)</u>	<u>\$ 6,172,577</u>	<u>\$ 7,610,503</u>	<u>\$ 620,081</u>	<u>-</u>	<u>-</u>

See notes to the financial statements.

City of Gadsden, Alabama
Balance Sheet – Governmental Funds
September 30, 2016

	General Fund	School Ad Valorem Tax Fund	Capital Improvements Fund	Ad Valorem Fire Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 15,591,251	\$ 1,088,361	\$ 1,736,286	\$ 712,726	\$ 7,191,159	\$ 26,319,783
Investments	-	-	-	-	166,924	166,924
Receivables, net of allowances for uncollectibles:						
Interest	-	-	-	-	349	349
Taxes	5,632,141	1,318,532	587,491	1,170,547	104,110	8,812,821
Intergovernmental	-	-	-	-	207,170	207,170
Other	3,706	-	-	-	-	3,706
Due from other funds	1,660,152	-	-	-	-	1,660,152
Due from component units	-	-	10,915,091	-	-	10,915,091
Inventories	252,131	-	-	-	-	252,131
Restricted assets	-	-	-	-	122,053	122,053
Total Assets	\$ 23,139,381	\$ 2,406,893	\$ 13,238,868	\$ 1,883,273	\$ 7,791,765	\$ 48,460,180
Liabilities, Deferred Inflows of Resources and Fund Balances						
Accounts payable and other liabilities	\$ 743,239	\$ -	\$ 58,674	\$ 26,652	\$ 201,679	\$ 1,030,244
Accrued payroll and related liabilities	761,596	-	-	-	20,055	781,651
Due to other funds	-	-	-	-	96,969	96,969
Due to component units	5	658,776	4,083,730	-	-	4,742,511
Total Liabilities	1,504,840	658,776	4,142,404	26,652	318,703	6,651,375
Deferred Inflows of Resources						
Unavailable revenue - property tax	2,261,600	1,277,818	-	1,147,352	-	4,686,770
Fund Balances:						
Nonspendable	255,837	-	7,107,828	-	-	7,363,665
Restricted	-	470,299	-	659,532	3,708,483	4,838,314
Committed	3,428,203	-	1,988,636	49,737	3,773,895	9,240,471
Unassigned	15,688,901	-	-	-	(9,316)	15,679,585
Total Fund Balances	19,372,941	470,299	9,096,464	709,269	7,473,062	37,122,035
Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,139,381	\$ 2,406,893	\$ 13,238,868	\$ 1,883,273	\$ 7,791,765	

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

Capital assets used in governmental activities are not expendable, available financial resources and, therefore, are not reported in the funds.	77,582,781
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 position.	182,960
Certain revenue reported in the statement of activities is not available to pay the liabilities of the current year and, therefore, are deferred in the funds.	4,686,770
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.	(141,481,490)
Net Position of Governmental Activities	<u>\$ (21,906,944)</u>

See notes to the financial statements.

City of Gadsden, Alabama
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2016

	School		Capital	Ad Valorem	Other	Total
	General Fund	Ad Valorem Tax Fund	Improvements Fund	Fire Tax Fund	Governmental Funds	Governmental Funds
Revenue						
Taxes	\$ 40,613,971	\$ 1,085,764	\$ 7,160,071	\$ 1,021,159	\$ 1,708,593	\$ 51,589,558
Licenses and permits	7,247,356	-	-	-	-	7,247,356
Intergovernmental	374,157	-	-	-	2,443,958	2,818,115
Charges for services	2,108,519	-	-	-	217,398	2,325,917
Fines and forfeitures	470,480	-	-	-	53,020	523,500
Other revenue	279,785	-	555,877	381	139,811	975,854
Total Revenue	<u>51,094,268</u>	<u>1,085,764</u>	<u>7,715,948</u>	<u>1,021,540</u>	<u>4,562,780</u>	<u>65,480,300</u>
Expenditures						
Current:						
General government	2,374,135	-	-	-	-	2,374,135
Internal services	3,225,661	-	-	-	-	3,225,661
Public safety	20,265,328	-	-	570,609	370,233	21,206,170
Recreation and cultural services	6,486,016	-	-	-	444,857	6,930,873
Public works services	5,447,202	-	-	-	-	5,447,202
Urban development	2,493,720	1,045,051	-	-	4,479	3,543,250
Nondepartmental	3,066,715	-	-	-	-	3,066,715
Intergovernmental	1,889,577	-	-	-	1,372,365	3,261,942
Debt service:						
Principal retirement	-	-	-	-	4,408,730	4,408,730
Interest and fiscal charges	-	-	-	-	1,933,693	1,933,693
Capital outlays	1,406,359	-	3,305,807	39,755	2,590,935	7,342,856
Total Expenditures	<u>46,654,713</u>	<u>1,045,051</u>	<u>3,305,807</u>	<u>610,364</u>	<u>11,125,292</u>	<u>62,741,227</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>4,439,555</u>	<u>40,713</u>	<u>4,410,141</u>	<u>411,176</u>	<u>(6,562,512)</u>	<u>2,739,073</u>
Other Financing Sources (Uses)						
Capital lease	-	-	249,998	-	-	249,998
Proceeds from sale of assets	32,041	-	-	-	8,253	40,294
Transfers	(1,441,456)	-	(4,760,435)	(329,776)	5,535,143	(996,524)
Total Other Financing Sources (Uses)	<u>(1,409,415)</u>	<u>-</u>	<u>(4,510,437)</u>	<u>(329,776)</u>	<u>5,543,396</u>	<u>(706,232)</u>
Net Change in Fund Balances	<u>3,030,140</u>	<u>40,713</u>	<u>(100,296)</u>	<u>81,400</u>	<u>(1,019,116)</u>	<u>2,032,841</u>
Fund Balance, Beginning of Year	16,342,801	429,586	9,432,560	627,869	8,492,178	35,324,994
Prior Period Adjustment	-	-	(235,800)	-	-	(235,800)
Fund Balance, Beginning of Year (restated)	16,342,801	429,586	9,196,760	627,869	8,492,178	35,089,194
Fund Balance, End of Year	<u>\$ 19,372,941</u>	<u>\$ 470,299</u>	<u>\$ 9,096,464</u>	<u>\$ 709,269</u>	<u>\$ 7,473,062</u>	<u>\$ 37,122,035</u>

See notes to the financial statements.

City of Gadsden, Alabama
Reconciliation of the Statement of Revenue, Expenditures and
Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended September 30, 2016

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

Net change in fund balance - total governmental funds	\$ 2,032,841
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Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	650,620
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	4,298,994
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Some expenses reported in the statement of activities differ from amounts reported as expenditures in governmental funds.	604,380
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An internal service fund is used by management to charge the costs of workers' compensation and employee health insurance to individual funds. The net revenue of certain activities of the internal service fund is reported as governmental activities in the statement of activities.	<u>277,209</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 7,864,044</u></u>
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See notes to the financial statements.

City of Gadsden, Alabama
Statement of Net Position
Proprietary Funds
September 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Air Depot	Garbage	Golf	Totals	
Assets					
Current Assets					
Cash and cash equivalents	\$ -	\$ 620	\$ 700	\$ 1,320	\$ 3,267,229
Receivables, net of allowances for uncollectibles:					
Accounts	-	337,168	-	337,168	37,672
Inventories	-	-	29,909	29,909	-
Prepays	-	-	-	-	2,546
Total Current Assets	-	337,788	30,609	368,397	3,307,447
Capital assets, net of accumulated depreciation:					
Land	111,470	267,134	2,597,560	2,976,164	-
Buildings	1,080,471	85,120	575,665	1,741,256	-
Improvements	15,072	255,103	2,373,566	2,643,741	-
Equipment	9,229	961,437	113,759	1,084,425	-
Total Assets	1,216,242	1,906,582	5,691,159	8,813,983	3,307,447
Deferred Outflows of Resources					
Deferred employer retirement contribution	-	231,465	64,177	295,642	34,770
Total Assets and Deferred Outflows of Resources	<u>\$ 1,216,242</u>	<u>\$ 2,138,047</u>	<u>\$ 5,755,336</u>	<u>\$ 9,109,625</u>	<u>\$ 3,342,217</u>
Liabilities					
Current Liabilities					
Accounts payable and other current liabilities	\$ 21,002	\$ 258,691	\$ 23,122	\$ 302,815	\$ 774
Accrued payroll and related liabilities	-	27,520	11,118	38,638	3,068
Compensated absences payable	-	84,240	15,169	99,409	9,529
Claims and adjustments payable	-	-	-	-	2,885,385
Accrued landfill closure and post closure	-	64,400	-	64,400	-
Current portion of general obligation warrants	100,000	-	-	100,000	-
Unearned revenue	-	-	-	-	-
Due to other funds	55,986	382,435	1,124,762	1,563,183	-
Total Current Liabilities	176,988	817,286	1,174,171	2,168,445	2,898,756
Accrued landfill closure and post closure	-	1,636,347	-	1,636,347	-
Net OPEB Obligation	-	408,108	224,327	632,435	-
Net pension liability	-	1,863,580	547,999	2,411,579	283,865
Bonds payable	300,000	-	-	300,000	-
Total Liabilities	476,988	4,725,321	1,946,497	7,148,806	3,182,621
Deferred Inflows of Resources					
Deferred inflows related to pension	-	58,423	17,998	76,421	9,002
Total Liabilities and Deferred Inflows of Resources	<u>\$ 476,988</u>	<u>\$ 4,783,744</u>	<u>\$ 1,964,495</u>	<u>\$ 7,225,227</u>	<u>\$ 3,191,623</u>
Net Position					
Net investment in capital assets	\$ 816,242	\$ 1,568,794	\$ 5,660,550	\$ 8,045,586	\$ -
Unrestricted	(76,988)	(4,214,491)	(1,869,709)	(6,161,188)	150,594
Total Net Position	<u>\$ 739,254</u>	<u>\$ (2,645,697)</u>	<u>\$ 3,790,841</u>	<u>1,884,398</u>	<u>\$ 150,594</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(32,366)	
Net Position of Business-Type Activities				<u>\$ 1,852,032</u>	

See notes to the financial statements.

City of Gadsden, Alabama
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Air Depot	Garbage	Golf	Totals	
Operating Revenue					
Charges for sales and services	\$ 155,404	\$ 1,951,703	\$ 669,332	\$ 2,776,439	\$ 7,619,209
Total Operating Revenue	<u>155,404</u>	<u>1,951,703</u>	<u>669,332</u>	<u>2,776,439</u>	<u>7,619,209</u>
Operating Expenses					
Cost of sales and services	158,133	2,133,489	936,851	3,228,473	7,324,181
Depreciation	<u>97,457</u>	<u>282,787</u>	<u>330,182</u>	<u>710,426</u>	<u>-</u>
Total Operating Expenses	<u>255,590</u>	<u>2,416,276</u>	<u>1,267,033</u>	<u>3,938,899</u>	<u>7,324,181</u>
Operating income (loss)	<u>(100,186)</u>	<u>(464,573)</u>	<u>(597,701)</u>	<u>(1,162,460)</u>	<u>295,028</u>
Nonoperating Revenue (Expenses)					
Interest expense	<u>(29,838)</u>	<u>-</u>	<u>-</u>	<u>(29,838)</u>	<u>-</u>
Net Income (Loss) Before Contributions Transfers and Special Items	<u>(130,024)</u>	<u>(464,573)</u>	<u>(597,701)</u>	<u>(1,192,298)</u>	<u>295,028</u>
Other Financing Sources (Uses)					
Operating transfers in	<u>-</u>	<u>700,000</u>	<u>296,524</u>	<u>996,524</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>700,000</u>	<u>296,524</u>	<u>996,524</u>	<u>-</u>
Change in Net Position	(130,024)	235,427	(301,177)	(195,774)	295,028
Net Position - Beginning of Year	<u>869,278</u>	<u>(2,881,124)</u>	<u>4,092,018</u>		<u>(144,434)</u>
Net Position - End of Year	<u>\$ 739,254</u>	<u>\$ (2,645,697)</u>	<u>\$ 3,790,841</u>		<u>\$ 150,594</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>17,819</u>	
Change in Net Position of Business-Type Activities				<u>\$ (177,955)</u>	

See notes to the financial statements.

City of Gadsden, Alabama
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Air Depot	Garbage	Golf	Totals	
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 155,404	\$ 1,948,081	\$ 669,332	\$ 2,772,817	\$ 7,612,195
Payments to suppliers	(154,890)	(1,318,305)	(517,070)	(1,990,265)	(7,310,757)
Payments to employees	-	(1,078,170)	(450,258)	(1,528,428)	(137,332)
Net Cash Provided (Used) by Operating Activities	<u>514</u>	<u>(448,394)</u>	<u>(297,996)</u>	<u>(745,876)</u>	<u>164,106</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	55,986	448,394	321,135	825,515	-
Net Cash Provided by Noncapital Financing Activities	<u>55,986</u>	<u>448,394</u>	<u>321,135</u>	<u>825,515</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	-	(23,139)	(23,139)	-
Principal paid on capital debt	(100,000)	-	-	(100,000)	-
Interest paid on capital debt	(29,838)	-	-	(29,838)	-
Net Cash Used by Capital and Related Financing Activities	<u>(129,838)</u>	<u>-</u>	<u>(23,139)</u>	<u>(152,977)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(73,338)	-	-	(73,338)	164,106
Cash and Cash Equivalents, Beginning of Year	<u>73,338</u>	<u>620</u>	<u>700</u>	<u>74,658</u>	<u>3,103,123</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 620</u>	<u>\$ 700</u>	<u>\$ 1,320</u>	<u>\$ 3,267,229</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (100,186)	\$ (464,573)	\$ (597,701)	\$ (1,162,460)	\$ 295,028
Depreciation	97,457	282,787	330,182	710,426	-
Change in receivables	-	(3,622)	-	(3,622)	(7,014)
Change in prepaids	-	-	-	-	(74)
Change in inventories	-	-	(3,209)	(3,209)	-
Change in accounts payable and other current liabilities	1,213	36,594	(28,909)	8,898	(3,131)
Change in due to other funds	-	-	-	-	-
Change in accrued payroll and related liabilities	-	(8,385)	(6,494)	(14,879)	(1,484)
Change in accrued compensated absences	-	24,462	4,521	28,983	3,804
Change in accrued landfill closure and post closure	-	(325,237)	-	(325,237)	-
Change in net OPEB obligation	-	2,042	1,783	3,825	-
Change in net pension obligation	-	103,959	25,247	129,206	15,167
Change in claims payable	-	-	-	-	(124,122)
Change in deferred outflows	-	(84,587)	(20,542)	(105,129)	(12,341)
Change in deferred inflows	-	(11,834)	(2,874)	(14,708)	(1,727)
Unearned revenue	2,030	-	-	2,030	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 514</u>	<u>\$ (448,394)</u>	<u>\$ (297,996)</u>	<u>\$ (745,876)</u>	<u>\$ 164,106</u>

See notes to the financial statements.

City of Gadsden, Alabama
Notes to Financial Statements
September 30, 2016

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 three 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 as 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 revenue, receivables and deferred amounts of the City. No eliminations have been made to these amounts.

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

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

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. During the year, the City made appropriations to the Etowah Gadsden Industrial Development Board and the Gadsden Commercial Development Authority in the amounts of \$178,561 and \$130,000 respectively. The City received a payment in lieu of taxes from the Greater Gadsden Housing Authority in the amount of \$86,389.

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if 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 revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. All other revenue is considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- The *general fund* is the primary operating fund of the City. General tax revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures applicable to the general operations of the City are paid from the general fund.
- The *school ad valorem tax fund* accounts for funds received from a three mills 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 *ad valorem fire tax fund* accounts for the funds received from a three mills property tax that is earmarked for public safety purposes.

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

- The City's nonmajor *special revenue funds* are used to account for resources that are legally restricted to expenditure for specific purposes, not including those accounted for in capital projects funds or permanent funds.
- *Debt service funds* account for the payment of principal and interest on long-term debt not being financed by proprietary funds.
- The City's nonmajor *capital projects funds* account for the costs of constructing or acquiring capital assets and major improvements other than those financed by proprietary funds.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

- *Permanent funds* are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs - that is, for the benefit of the City or its citizens.
- An *internal service fund* accounts for the accumulation of funds and the allocation of claims arising from the City's self-insured workers' compensation program and for the accumulation of funds for the payment of employee health care costs.

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

Proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and internal service fund 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 revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

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

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

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

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

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

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

All receivables are shown net of an allowance for uncollectibles.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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 (continued)
September 30, 2016

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for reporting in this category, the deferred charges on refunding, reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources also include pension-related deferred outflows, which result from The City’s Employees’ Pension Plan (Pension Plan). Pension-related deferred outflows represent differences between expected and actual experience, changes in assumptions and amounts resulting from timing differences of contributions made subsequent to the Pension Plan measurement dates but as of the date of the basic financial statements, and are recognized over a closed period and are amortized over the remaining average service life of all participating active and inactive employees.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred inflows of resources also include pension-related deferred inflows, which represent the difference between projected and actual earnings on investments within the Pension Plan, are recognized over a closed period, and are amortized over a 5-year period.

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

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 and discounts are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the unamortized portion of these amounts. Long-term obligations include a net pension liability which represents the portion of the present value of projected benefit payments attributed to past periods of service to be provided through the Pension Plan to current active and inactive employees less the fiduciary net position of the Pension Plan. It represents the City's total pension liability minus the fiduciary net position available to pay that liability. Investments that comprise the fiduciary net position are reported at fair value. Long-term liabilities are not reported in governmental funds.

Lease Obligations – Capital lease obligations are stated at the original fair value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Restricted net position is that whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City or that expire with the passage of time. The government-wide statement of net position reports \$4,878,735 of restricted net position, of which \$1,603,420 is restricted by enabling legislation. Unrestricted net position is not subject to external restrictions but may be designated for specific purposes by the City’s management or the City Council.

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

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2016 by the City, are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Total</u>
Nonspendable funds:			
Inventories	\$ 252,131	\$ -	\$ 252,131
Noncurrent receivables	3,706	7,107,828	7,111,534
Nonspendable fund balance	<u>\$ 255,837</u>	<u>\$ 7,107,828</u>	<u>\$ 7,363,665</u>

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

	<u>School Ad Valorem Tax Fund</u>	<u>Ad Valorem Fire Tax Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
Restricted for:						
Community development and social services	\$ -	\$ -	\$ 683,858	\$ -	\$ -	\$ 683,858
Other purposes and grants	470,299	-	2,418,797	-	-	2,889,096
Public safety	-	659,532	104,541	-	-	764,073
Recreation and cultural	-	-	163,203	-	181,217	344,420
Debt service reserves	-	-	-	156,867	-	156,867
Restricted fund balance	<u>\$ 470,299</u>	<u>\$ 659,532</u>	<u>\$ 3,370,399</u>	<u>\$ 156,867</u>	<u>\$ 181,217</u>	<u>\$ 4,838,314</u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

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

	General Fund	Capital Projects Funds	Ad Valorem Fire Tax Fund	Other Governmental Funds	Total
Committed for:					
Legal claims	\$ 608,306	\$ -	\$ -	\$ -	\$ 608,306
Compensated absences	510,206	-	-	-	510,206
Encumbrances	2,309,691	-	-	-	2,309,691
Capital improvements	-	1,988,636	49,737	3,773,895	5,812,268
Committed fund balance	<u>\$ 3,428,203</u>	<u>\$ 1,988,636</u>	<u>\$ 49,737</u>	<u>\$ 3,773,895</u>	<u>\$ 9,240,471</u>

- **Unassigned** – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City reports all amounts that meet the Unrestricted General Fund Balance Policy described below as unassigned.

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

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

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

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

The governmental funds balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the statement of net position. One element of that reconciliation explains that 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	\$ (48,673,750)
Deferred charge on refunding (to be amortized as interest expense)	1,185,608
Issuance discounts and premiums (to be amortized as interest expense)	(297,476)
HUD Section 108 loans	(750,000)
Capital leases	(1,563,867)
Accrued interest payable	(182,537)
Compensated absences	(2,917,503)
Claims and judgments	(881,679)
OPEB obligation	(42,891,932)
Net pension liability	(48,822,564)
Deferred outflows - employer retirement contribution	5,882,912
Deferred inflows related to net pension liability	<u>(1,568,702)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (141,481,490)</u></u>

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

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

Outlays capitalized	\$ 7,045,795
Net value of assets disposed or transferred to proprietary funds	(71,438)
Depreciation expense	<u>(6,323,737)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 650,620</u></u>

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City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

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

Proceeds from long-term debt issued	\$ (249,998)
Amortization of long-term debt related premiums, discounts, etc.	73,645
Principal repayments (including refunding proceeds to escrow agent)	<u>4,475,347</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 4,298,994</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	\$ 502,370
Claims and judgments	30,302
OPEB obligation	65,221
Pension liability	(7,454)
Accrued interest	<u>13,941</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 604,380</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 (continued)
September 30, 2016

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 revenue or through a reduction of fund balance. This year’s Operating Budget was amended as needed throughout the year by City Council action, provided adequate funds were available at the time of the amendment.

Excess of Expenditures Over Appropriations – During the fiscal year ended September 30, 2016, there were no expenditures in excess of appropriations in any fund (the legal level of budgetary control).

Deficit Fund Equity – Funds with deficit fund balance or net position are as follows:

Miscellaneous grants	\$	2,753
Corrections fund		6,563

Note 4 – Deposits and Investments

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

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

The City’s deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at September 30, 2016.

At September 30, 2016, the entire bank balance of the City’s component unit, the Gadsden Board of Education, was fully covered by federal depository insurance or the SAFE Program.

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

2005/2012-D G.O. Warrants	\$	106,104
2006-A G.O. Warrants		9,874
2011 G.O. Warrants		5,609
Capital Leases		466
Total	\$	<u>122,053</u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 5 – Receivables

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

	<u>General</u>	<u>School Ad Valorem Tax</u>	<u>Capital Improvements</u>	<u>Ad Valorem Fire Tax</u>
Taxes receivable	\$ 5,632,141	\$ 1,318,532	\$ 587,491	\$ 1,170,547
Accounts receivable	365,153	-	-	-
Intergovernmental receivables	-	-	-	-
Notes, other receivables, and interest	-	-	-	-
Gross receivables	5,997,294	1,318,532	587,491	1,170,547
Allowance for uncollectibles	(361,447)	-	-	-
Net receivables	<u>\$ 5,635,847</u>	<u>\$ 1,318,532</u>	<u>\$ 587,491</u>	<u>\$ 1,170,547</u>

	<u>Garbage</u>	<u>Non-Major and Other</u>	<u>Total</u>
Taxes receivable	\$ -	\$ 104,110	\$ 8,812,821
Accounts receivable	655,110	-	1,020,263
Intergovernmental receivables	-	207,170	207,170
Notes, other receivables, and interest	-	222,639	222,639
Gross receivables	655,110	533,919	10,262,893
Allowance for uncollectibles	(317,942)	(184,618)	(864,007)
Net receivables	<u>\$ 337,168</u>	<u>\$ 349,301</u>	<u>\$ 18,472,750</u>

The City reports revenue net of uncollectible amounts.

Total uncollectible amounts related to revenue of the Residential Garbage Fund for the current year were: \$317,942.

Lease Receivable – In 2009, the City’s component unit, Public Building Authority of the City of Gadsden entered into a lease agreement with the Alabama Department of Human Resources. The lease is classified as a direct financing lease expiring in 2029.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 are as follows:

Years ending September 30:	
2017	\$ 639,420
2018	641,345
2019	642,132
2020	641,484
2021	639,733
2022-2026	3,200,107
2027-2029	1,760,655
Total minimum lease payments	8,164,876
Less: amount representing interest	1,727,381
Present value of minimum lease payments	<u>\$ 6,437,495</u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 6 – Capital Assets

Governmental Activities

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

	Balance Beginning of Year	Additions/ Completions	Retirement Adjustments	Balance September 30, 2016
Capital assets not being depreciated:				
Land	\$ 20,497,286	\$ 269,944	\$ -	\$ 20,767,230
Construction in progress	1,628,195	3,644,766	(992,033)	4,280,928
Total capital assets not being depreciated	<u>22,125,481</u>	<u>3,914,710</u>	<u>(992,033)</u>	<u>25,048,158</u>
Capital assets being depreciated:				
Buildings and capital facilities	45,666,029	333,085	-	45,999,114
Improvements	18,576,617	263,091	-	18,839,708
Equipment	35,498,989	2,555,308	(567,584)	37,486,713
Other infrastructures	50,518,227	971,634	-	51,489,861
Total capital assets being depreciated	<u>150,259,862</u>	<u>4,123,118</u>	<u>(567,584)</u>	<u>153,815,396</u>
Less accumulated depreciation for:				
Buildings and capital facilities	32,773,590	917,048	-	33,690,638
Improvements	5,383,058	745,760	-	6,128,818
Equipment	26,766,907	2,551,618	(496,146)	28,822,379
Other infrastructures	30,529,627	2,109,311	-	32,638,938
Total accumulated depreciation	<u>95,453,182</u>	<u>6,323,737</u>	<u>(496,146)</u>	<u>101,280,773</u>
Total capital assets being depreciated, net	<u>54,806,680</u>	<u>(2,200,619)</u>	<u>(71,438)</u>	<u>52,534,623</u>
Total capital assets, net	<u>\$ 76,932,161</u>	<u>\$ 1,714,091</u>	<u>\$ (1,063,471)</u>	<u>\$ 77,582,781</u>

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City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 6 – Capital Assets (continued)

Business-Type Activities

	Balance Beginning of Year	Additions/ Completions	Retirement Adjustments	Balance September 30, 2016
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 and capital facilities	7,158,278	-	-	7,158,278
Improvements	7,047,625	-	-	7,047,625
Equipment	4,436,530	23,695	(117,554)	4,342,671
Total capital assets being depreciated	<u>18,642,433</u>	<u>23,695</u>	<u>(117,554)</u>	<u>18,548,574</u>
Less accumulated depreciation for:				
Buildings and capital facilities	5,257,350	159,672	-	5,417,022
Improvements	4,115,895	287,989	-	4,403,884
Equipment	3,112,479	263,321	(117,554)	3,258,246
Total accumulated depreciation	<u>12,485,724</u>	<u>710,982</u>	<u>(117,554)</u>	<u>13,079,152</u>
Total capital assets being depreciated, net	<u>6,156,709</u>	<u>(687,287)</u>	<u>-</u>	<u>5,469,422</u>
Total capital assets, net	<u>\$ 9,132,873</u>	<u>\$ (687,287)</u>	<u>\$ -</u>	<u>\$ 8,445,586</u>

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

General government	\$ 38,988
Internal services	84,213
Public safety	1,969,950
Recreation and cultural services	1,153,278
Public works services	315,349
Urban development	2,761,959
Total depreciation expense - Governmental activities	<u>\$ 6,323,737</u>
Airport	\$ 97,457
Garbage	282,787
Golf Course	330,738
Total depreciation expense - Business-type activities	<u>\$ 710,982</u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

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:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Community Center Renovations	\$ 1,210,891	\$ 22,698
E. Meighan Blvd. / 6th St. Turn Lane	202,354	62,814
Riverfront Development	2,113,911	553,670
South 11th Street Widening	50,318	60,390
South 11th Street Bridge	561,538	52,521
Tuscaloosa Ave. Bridge	248,588	37,583
Concession Stand Renovation	22,283	12,500
Vandell Blvd. Resurface	88,713	97,688
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Total	<u>\$ 4,498,596</u>	<u>\$ 899,864</u>

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

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City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 6 – Capital Assets (continued)

Discretely Presented Component Units

	Gadsden Board of Education				Balance September 30, 2016
	Balance Beginning of Year	Adjustments to Prior Year Balance	Additions/ Completions	Retirement Adjustments	
Capital assets not being depreciated:					
Land	\$ 5,644,533	\$ (7)	\$ -	\$ -	\$ 5,644,526
Total capital assets not being depreciated	<u>5,644,533</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>5,644,526</u>
Capital assets being depreciated:					
Buildings	61,774,180	-	-	-	61,774,180
Building improvements	18,484,280	(1,296,905)	-	-	17,187,375
Furniture and equipment	6,522,550	(5,342,570)	92,177	(62,370)	1,209,787
Vehicles	47,940	71,105	-	-	119,045
Total capital assets being depreciated	<u>86,828,950</u>	<u>(6,568,370)</u>	<u>92,177</u>	<u>(62,370)</u>	<u>80,290,387</u>
Less accumulated depreciation for:					
Buildings	23,035,640		1,029,219	-	24,064,859
Building improvements	14,149,632	(7,235,577)	308,764	-	7,222,819
Furniture and equipment	5,242,291	(4,447,492)	94,021	(60,416)	828,404
Total accumulated depreciation	<u>42,427,563</u>	<u>(11,683,069)</u>	<u>1,432,004</u>	<u>(60,416)</u>	<u>32,116,082</u>
Total capital assets being depreciated, net	<u>44,401,387</u>	<u>5,114,699</u>	<u>(1,339,827)</u>	<u>(1,954)</u>	<u>48,174,305</u>
Total capital assets, net	<u>\$ 50,045,920</u>	<u>\$ 5,114,692</u>	<u>\$ (1,339,827)</u>	<u>\$ (1,954)</u>	<u>\$ 53,818,831</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 987,481
Instructional support services	176,618
Operation and maintenance services	20,839
Student transportation	47,594
Food service	169,137
General administrative services	30,335
Total governmental activities depreciation expense	<u>\$ 1,432,004</u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 6 – Capital Assets (continued)

Discretely Presented Component Units

	Gadsden Airport Authority			Balance September 30, 2016
	Balance Beginning of Year	Additions/ Completions	Retirement Adjustments	
Capital assets not being depreciated:				
Land	\$ 595,244	\$ -	\$ -	\$ 595,244
Total capital assets not being depreciated	<u>595,244</u>	<u>-</u>	<u>-</u>	<u>595,244</u>
Capital assets being depreciated:				
Airport runways	7,739,974	-	-	7,739,974
Buildings	195,516	-	-	195,516
Equipment	188,342	-	-	188,342
Improvements, other than building	3,401,859	2,719,514	-	6,121,373
Construction in progress	2,569,219	-	(2,569,219)	-
Total capital assets being depreciated	<u>14,094,910</u>	<u>2,719,514</u>	<u>(2,569,219)</u>	<u>14,245,205</u>
Less accumulated depreciation for:				
Airport runways	6,037,335	150,850	-	6,188,185
Buildings	131,013	6,161	-	137,174
Equipment	146,154	10,724	-	156,878
Improvements, other than building	1,221,515	147,767	-	1,369,282
Total accumulated depreciation	<u>7,536,017</u>	<u>315,502</u>	<u>-</u>	<u>7,851,519</u>
Total capital assets being depreciated, net	<u>6,558,893</u>	<u>2,404,012</u>	<u>(2,569,219)</u>	<u>6,393,686</u>
Total capital assets, net	<u>\$ 7,154,137</u>	<u>\$ 2,404,012</u>	<u>\$ (2,569,219)</u>	<u>\$ 6,988,930</u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 7 – Interfund Receivables, Payables, and Transfers

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due To/From Other Funds:		
General	\$ 1,660,152	\$ -
Air Depot	-	55,986
Airport Authority	-	31,640
Community Development	-	29,092
Emergency Management	-	2,753
Golf Course	-	1,124,762
Residential Garbage	-	382,435
Transportation and Planning	-	33,484
	<hr/>	<hr/>
Total	<u>\$ 1,660,152</u>	<u>\$ 1,660,152</u>

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City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

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

<u>Transfers From General Fund - Transfers To</u>	<u>Purpose</u>	<u>Amount</u>
Aging Program	Operations	\$ 700,000
Corrections	Operations	506,364
Gadsden Transit Grants	Operations	41,869
Golf Course	Operations	82,219
Law Enforcement Grants	Operations	21,735
Residential Garbage	Operations	296,524
Transportation and Planning	Operations	<u>4,045</u>
Total Transfers From General Fund		<u>1,652,756</u>
<u>Transfers From Capital Improvements Fund - Transfers To</u>		
Airport Authority Warrant	Debt Service	405,679
2005/2012-D GOW Debt Service	Debt Service	2,280
2006-A GOW Debt Service	Debt Service	279,939
2011 GOW Debt Service	Debt Service	80,637
2012-A GOW Debt Service	Debt Service	449,761
2012-B GOW Debt Service	Debt Service	210,653
2012-C GOW Debt Service	Debt Service	435,594
2014-A GOW Debt Service	Debt Service	1,548,816
2014-B GOW Debt Service	Debt Service	380,372
2014-D GOW Debt Service	Debt Service	316,019
Capital Lease Obligation	Debt Service	<u>650,685</u>
Total Transfers From Capital Improvements Fund		<u>4,760,435</u>
<u>Transfers From Nonmajor Governmental Funds - Transfers To</u>		
Resurfacing Project 1999	Operations	280,700
General Fund	Operations	211,300
Capital Lease Obligation	Operations	329,776
2005/2012D GOW Debt Service	Debt Service	940,249
Debt Service - 2014-C GOW	Debt Service	<u>85,916</u>
Total Transfers From Nonmajor Governmental Funds		<u>1,847,941</u>
Total Transfers		<u>\$ 8,261,132</u>

In the fund financial statements, total transfers in are different from total transfers out because of the accounting treatment of transfers of capital assets between governmental activities and proprietary activities. No amounts are reported in governmental funds because the amounts do not involve transfers of expendable available financial resources. However, proprietary funds do report the transfers at the net book value of the capital assets transferred.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 8 – Intra-Entity Receivables and Payables

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

Due From Component Units

On December 22, 2003, the City issued warrants for the purpose of financing the costs of acquiring, constructing and equipping a new high school in connection with the consolidation of the Gadsden City Board of Education's existing three high schools. While the City is solely responsible for the debt service on these warrants, the City and the Board of Education executed a Funding Agreement that requires the Board of Education to make monthly payments to the City in the amount of \$75,000. The City refunded the Series 2003 Warrants with Series 2014-B. \$ 10,196,591

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. 718,500

Total Due from Component Units \$ 10,915,091

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 the fiscal year 2009, 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 amount due has been recorded at the current principal balance outstanding on the letter of credit. \$ 4,083,730

School Ad Valorem Taxes receivable from taxpayers which are ultimately due to the Board of Education. 658,776

Total Due to Component Units \$ 4,742,506

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

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 2014-A	\$ 2,385,000	\$ -	\$ (265,000)	\$ 2,120,000	\$ 2,120,000	\$ -
General Obligation Warrants, Series 2014-B	7,485,000	-	(40,000)	7,445,000	40,000	7,405,000
General Obligation Warrants, Series 2014-C	2,100,000	-	(10,000)	2,090,000	10,000	2,080,000
General Obligation Warrants, Series 2014-D	1,443,750	-	(165,000)	1,278,750	165,000	1,113,750
General Obligation Warrants, Series 2012-D	7,750,000	-	(1,290,000)	6,460,000	1,315,000	5,145,000
General Obligation Warrants, Series 2012-A	16,865,000	-	(950,000)	15,915,000	985,000	14,930,000
General Obligation Warrants, Series 2012-B	3,245,000	-	(315,000)	2,930,000	325,000	2,605,000
General Obligation Warrants, Series 2012-C	6,690,000	-	(430,000)	6,260,000	445,000	5,815,000
General Obligation Warrants, Series 2011-A	3,875,000	-	(305,000)	3,570,000	325,000	3,245,000
General Obligation Warrants, Series 2006-A	655,000	-	(50,000)	605,000	50,000	555,000
Less deferred amounts for issuance discounts	(74,736)	-	6,176	(68,560)	-	(68,560)
Plus deferred amounts for issuance premiums	396,135	-	(30,099)	366,036	-	366,036
Total General Obligation Warrants	52,815,149	-	(3,843,923)	48,971,226	5,780,000	43,191,226
Special Obligation Bonds						
HUD Section 108 Loans	825,000	-	(75,000)	750,000	75,000	675,000
Capital leases	1,894,216	249,998	(580,347)	1,563,867	651,375	912,492
Compensated absences	2,420,857	1,104,993	(598,818)	2,927,032	661,022	2,266,010
OPEB liability	42,826,711	65,221	-	42,891,932	-	42,891,932
Net pension liability	46,615,491	10,479,355	(7,988,417)	49,106,429	3,870,000	45,236,429
Claims and adjustments	3,859,772	490,474	(583,182)	3,767,064	888,000	2,879,064
Governmental Activities Long-Term Liabilities	\$ 151,257,196	\$ 12,390,041	\$ (13,669,687)	\$ 149,977,550	\$ 11,925,397	\$ 138,052,153
Business-Type Activities						
Taxable general obligation warrants, Series 2005-B	\$ 500,000	\$ -	\$ (100,000)	\$ 400,000	\$ 100,000	\$ 300,000
Compensated absences	70,427	53,806	(24,824)	99,409	99,409	-
OPEB liability	628,610	3,825	-	632,435	-	632,435
Net pension liability	2,282,373	595,777	(466,571)	2,411,579	212,000	2,199,579
Accrued landfill closure and post closure	2,025,983	-	(325,236)	1,700,747	64,400	1,636,347
Business-Type Activities Long-term liabilities	\$ 5,507,393	\$ 653,408	\$ (916,631)	\$ 5,244,170	\$ 475,809	\$ 4,768,361

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.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 9 – Long-term Liabilities (continued)

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

General Obligation Warrants, Special Obligation Bonds and Notes Payable

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

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City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 9 – Long-term Liabilities (continued)

Governmental Activities

General Obligation Warrants dated January 22, 2014, are due in annual principal installments ranging from \$378,000 to \$2,220,000 starting January 22, 2015 through January 22, 2017, with interest payable per annum from inception at 4.75%.	\$ 2,120,000
General Obligation Warrants dated June 26, 2014, are due in annual principal installments ranging from \$316,000 to \$1,866,000 starting July 10, 2014 through August 1, 2033, with interest payable semi-annually from inception at 2.0% - 3.7%.	7,445,000
General Obligation Warrants dated June 26, 2014, are due in annual principal installments ranging from \$84,000 to \$518,000 starting July 10, 2014 through August 1, 2033, with interest payable semi-annually from inception at 2.0% - 3.7%.	2,090,000
General Obligation Warrants dated June 30, 2014, are due in annual principal installments ranging from \$41,250 to \$165,000 starting June 30, 2014 through June 30, 2024, with interest payable semi-annually from inception at 3.25%.	1,278,750
General Obligation Warrants dated December 21, 2012, are due in annual principal installments ranging from \$795,000 to \$1,365,000 starting March 1, 2013 through March 1, 2022, with interest payable semi-annually from inception at 1.98%.	6,460,000
General Obligation Warrants dated February 2, 2012, are due in annual principal installments ranging from \$925,000 to \$1,490,000 starting August 1, 2015 through August 1, 2029, with interest payable semi-annually from inception at rates varying from 2.75% to 4%.	15,915,000
General Obligation Warrants dated February 2, 2012, are due in annual principal installments ranging from \$30,000 to \$420,000 through August 1, 2024, with interest payable semi-annually at rates varying from 1.51% to 4.45%.	2,930,000
General Obligation Warrants dated February 2, 2012, are due in annual principal installments ranging from \$110,000 to \$570,000 through August 1, 2029, with interest payable semi-annually at rates varying from 2% to 4%.	6,260,000
General Obligation Bank Qualified Warrants dated August 30, 2011, are due in quarterly principal installments ranging from \$65,000 to \$100,000 through December 1, 2021, with interest due monthly at fixed rate of 3.85%. Balance of \$1,810,000 due at end of term.	3,570,000
General Obligation Warrants dated June 12, 2007, are due in annual principal installments ranging from \$30,000 to \$325,000 through November 20, 2025, with variable interest payable semi-annually.	605,000
HUD Section 108 Loans dated October 14, 2007, due in annual principal installments ranging from \$42,745 to \$537,787 through October 14, 2025, with interest payable semi-annually at LIBOR + 20 basis points.	<u>750,000</u>
Total Governmental Activities	<u><u>\$ 49,423,750</u></u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 9 – Long-term Liabilities (continued)

Business-Type Activities:

General Obligation Warrants of 2007 dated April 28, 2005, are due in annual principal installments of \$100,000 beginning May 1, 2007 through May 1, 2020, with interest payable semi-annually at 6.51%.

\$ 400,000

Total Business-Type Activities

\$ 400,000

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City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 9 – Long-term Liabilities (continued)

The following schedules show debt service to maturity for general obligation warrants, special obligation bonds and notes payable outstanding at September 30, 2016:

	Total	2017	2018	2019	2020
Governmental Activities					
GOW Series 2014-A					
Principal	\$ 2,120,000	\$ 2,120,000	\$ -	\$ -	\$ -
Interest	100,700	100,700	-	-	-
Total	2,220,700	2,220,700	-	-	-
GOW Series 2014-B					
Principal	7,445,000	40,000	45,000	45,000	45,000
Interest	4,142,906	274,159	273,359	272,459	271,559
Total	11,587,906	314,159	318,359	317,459	316,559
GOW Series 2014-C					
Principal	2,090,000	10,000	10,000	15,000	15,000
Interest	1,111,923	74,456	74,156	73,856	73,406
Total	3,201,923	84,456	84,156	88,856	88,406
GOW Series 2014-D					
Principal	1,278,750	165,000	165,000	165,000	165,000
Interest	168,546	40,088	34,651	29,214	23,845
Total	1,447,296	205,088	199,651	194,214	188,845
GOW Series 2012-D					
Principal	6,460,000	1,315,000	1,340,000	1,365,000	795,000
Interest	338,483	114,890	88,605	61,826	40,442
Total	6,798,483	1,429,890	1,428,605	1,426,826	835,442
GOW Series 2012-A					
Principal	15,915,000	985,000	1,015,000	1,060,000	1,100,000
Interest	4,182,424	559,756	530,206	489,606	447,206
Total	20,097,424	1,544,756	1,545,206	1,549,606	1,547,206
GOW Series 2012-B					
Principal	2,930,000	325,000	335,000	345,000	355,000
Interest	558,204	111,596	102,431	91,845	79,563
Total	3,488,204	436,596	437,431	436,845	434,563
GOW Series 2012-C					
Principal	6,260,000	445,000	455,000	475,000	495,000
Interest	1,455,482	208,875	195,525	177,325	158,325
Total	7,715,482	653,875	650,525	652,325	653,325
GOW Series 2011					
Principal	3,570,000	325,000	340,000	340,000	370,000
Interest	547,567	132,681	120,024	105,298	93,266
Total	4,117,567	457,681	460,024	445,298	463,266
GOW Series 2006-A					
Principal	605,000	50,000	50,000	60,000	60,000
Interest	131,160	23,730	21,727	19,625	17,222
Total	736,160	73,730	71,727	79,625	77,222
HUD Section 108 Loan					
Principal	750,000	75,000	75,000	75,000	75,000
Interest	223,897	41,723	37,748	33,713	29,625
Total	973,897	116,723	112,748	108,713	104,625
Total Governmental Activities					
Principal	49,423,750	5,855,000	3,830,000	3,945,000	3,475,000
Interest	12,961,292	1,682,654	1,478,432	1,354,767	1,234,459
Total	\$ 62,385,042	\$ 7,537,654	\$ 5,308,432	\$ 5,299,767	\$ 4,709,459

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 9 – Long-term Liabilities (continued)

	<u>2021</u>	<u>2022-2026</u>	<u>2027-2031</u>	<u>2032-2035</u>
Governmental Activities				
GOW Series 2014-B				
Principal	\$ 45,000	\$ 250,000	\$ 3,445,000	\$ 3,530,000
Interest	270,659	1,336,138	1,242,173	202,400
Total	<u>315,659</u>	<u>1,586,138</u>	<u>4,687,173</u>	<u>3,732,400</u>
GOW Series 2014-C				
Principal	15,000	75,000	965,000	985,000
Interest	72,956	357,956	330,056	55,081
Total	<u>87,956</u>	<u>432,956</u>	<u>1,295,056</u>	<u>1,040,081</u>
GOW Series 2014-D				
Principal	165,000	453,750	-	-
Interest	18,341	22,407	-	-
Total	<u>183,341</u>	<u>476,157</u>	<u>-</u>	<u>-</u>
GOW Series 2012-D				
Principal	815,000	830,000	-	-
Interest	24,503	8,217	-	-
Total	<u>839,503</u>	<u>838,217</u>	<u>-</u>	<u>-</u>
GOW Series 2012-A				
Principal	1,140,000	6,300,000	4,315,000	-
Interest	403,206	1,426,807	325,637	-
Total	<u>1,543,206</u>	<u>7,726,807</u>	<u>4,640,637</u>	<u>-</u>
GOW Series 2012-B				
Principal	365,000	1,205,000	-	-
Interest	66,322	106,447	-	-
Total	<u>431,322</u>	<u>1,311,447</u>	<u>-</u>	<u>-</u>
GOW Series 2012-C				
Principal	510,000	2,680,000	1,200,000	-
Interest	143,475	481,313	90,644	-
Total	<u>653,475</u>	<u>3,161,313</u>	<u>1,290,644</u>	<u>-</u>
GOW Series 2011				
Principal	385,000	1,810,000	-	-
Interest	78,877	17,421	-	-
Total	<u>463,877</u>	<u>1,827,421</u>	<u>-</u>	<u>-</u>
GOW Series 2006-A				
Principal	60,000	325,000	-	-
Interest	14,818	34,038	-	-
Total	<u>74,818</u>	<u>359,038</u>	<u>-</u>	<u>-</u>
Special Obligation Bonds - HUD Section 108 Loan				
Principal	75,000	375,000	-	-
Interest	25,493	55,595	-	-
Total	<u>100,493</u>	<u>430,595</u>	<u>-</u>	<u>-</u>
Total Governmental Activities				
Principal	3,575,000	14,303,750	9,925,000	4,515,000
Interest	1,118,650	3,846,339	1,988,510	257,481
Total	<u>\$ 4,693,650</u>	<u>\$ 18,150,089</u>	<u>\$ 11,913,510</u>	<u>\$ 4,772,481</u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 9 – Long-term Liabilities (continued)

	<u>Total</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Business-Type Activities					
GOW, Series 2005-B					
Principal	\$ 400,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Interest	66,023	26,402	19,801	13,201	6,619
Total	<u>\$ 466,023</u>	<u>\$ 126,402</u>	<u>\$ 119,801</u>	<u>\$ 113,201</u>	<u>\$ 106,619</u>
Total Business-Type Activities					
Principal	\$ 400,000	\$ 100,000	\$ -	\$ 100,000	\$ 100,000
Interest	66,023	26,402	-	13,201	6,619
Total	<u>\$ 466,023</u>	<u>\$ 126,402</u>	<u>\$ -</u>	<u>\$ 113,201</u>	<u>\$ 106,619</u>

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City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 9 – Long-term Liabilities (continued)

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	\$ 3,304,356
Less: accumulated depreciation	<u>(1,361,628)</u>
Net Carrying Value	<u><u>\$ 1,942,728</u></u>

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

	Governmental Activities
Years ending September 30,	
2017	\$ 673,529
2018	446,993
2019	285,752
2020	81,965
2021	81,965
Thereafter	<u>40,915</u>
Total minimum lease payments	1,611,119
Less: amounts representing interest	<u>(47,252)</u>
Present value of minimum lease payments	<u><u>\$ 1,563,867</u></u>

Public Building Authority of the City of Gadsden

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
General Obligation						
Warrants - Series 2009	\$ 6,655,000	\$ -	\$ 365,000	\$ 6,290,000	\$ 380,000	\$ 5,910,000
Plus deferred amounts for issuance discount	<u>11,674</u>	<u>-</u>	<u>845</u>	<u>10,829</u>	<u>845</u>	<u>9,984</u>
	<u><u>\$ 6,666,674</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 365,845</u></u>	<u><u>\$ 6,300,829</u></u>	<u><u>\$ 380,845</u></u>	<u><u>\$ 5,919,984</u></u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 9 – Long-term Liabilities (continued)

Future debt service to maturities for general obligation warrants:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 380,000	\$ 236,613	\$ 616,613
2018	395,000	207,325	602,325
2019	410,000	192,231	602,231
2020	425,000	186,394	611,394
2021	440,000	175,475	615,475
2022-2026	2,480,000	625,858	3,105,858
2027-2029	1,760,000	119,195	1,879,195
Total	<u>\$ 6,290,000</u>	<u>\$ 1,743,091</u>	<u>\$ 8,033,091</u>

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% of expected annual claims. The City has also purchased commercial insurance coverage for commercial general liability, automobile and property, public officials and other employee bonds, etc. with varying coverage amounts and deductibles. Settlements have not exceeded coverage in any of the last three fiscal years.

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

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

Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of 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:

	<u>Workers' Compensation and Medical Claims</u>	<u>Legal Claims</u>	<u>Total</u>
Unpaid claims, beginning of year	\$ 3,009,507	\$ 850,265	\$ 3,859,772
Incurred claims (including IBNRs)	459,060	31,414	490,474
Claim payments	(583,182)	-	(583,182)
Unpaid Claims, End of Year	<u>\$ 2,885,385</u>	<u>\$ 881,679</u>	<u>\$ 3,767,064</u>

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

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

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

Landfill Closure and Post Closure Care Costs

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 \$1,700,747 reported as landfill closure and post closure care liability at September 30, 2016, represents the cumulative amount reported to date, based on the use of 74% of the estimated capacity of its Brunsway Drive site and post closure care costs for 16 remaining years at the Noccoalula Falls sites. The City will recognize the remaining estimated cost of closure and post closure care of \$734,747 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 2016. 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, 2016.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

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, the Board of Education and the Airport Authority 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

Plan description. The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established October 1, 1945 pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. Assets of the ERS are pooled for investment purposes. However, separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of its employees only. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 11 – Pension Funds (continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	55,164
Post Drop retired members still in active service	<u>214</u>
Total	<u><u>84,393</u></u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 5% of covered employee payroll for Tier 1 employees and 6% of covered employee payroll for Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 16.74% of covered employee payroll.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 11 – Pension Funds (continued)

The City’s contractually required contribution rate for the year ended September 30, 2016 was 18.62% of pensionable pay for Tier 1 employees, and 17.90% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$330,412 for the year ended September 30, 2016.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability as of September 30, 2014	\$ 115,484,487	\$ 113,588,249
(b) Entry age normal cost for October 1, 2014 – September 30, 2015	1,731,440	1,731,440
(c) Actual benefit payments and refunds for October 1, 2014 – September 30, 2015	<u>(8,945,504)</u>	<u>(8,945,504)</u>
(d) Total pension liability as of September 30, 2015 =[(a) x (1.08)] + (b) – [(c) x (1.04)]	<u>\$ 117,151,362</u>	<u>\$ 115,103,425</u>
(e) Difference between expected and actual experience (gain)/loss		<u>\$ (2,047,937)</u>

Actuarial assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 – 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2016 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an actual experience study for the period October 1, 2005 to September 30, 2010.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 11 – Pension Funds (continued)

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	25.00%	5.00%
Domestic Large Cap Equity	34.00%	9.00%
Domestic Mid Cap Equity	8.00%	12.00%
Domestic Small Cap Equity	3.00%	15.00%
International Developed Equity	15.00%	11.00%
Emerging Market Equity	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	<u>2.00%</u>	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%.

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, each employer's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and a municipal bond rate was not used in determining the discount rate.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 11 – Pension Funds (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2014	\$ 115,484,487	\$ 66,586,623	\$ 48,897,864
Changes for the year:			
Service cost	1,731,440	-	1,731,440
Interest	8,880,939	-	8,880,939
Differences between expected and actual experience	(2,047,937)	-	(2,047,937)
Contributions – employer	-	3,995,134	(3,995,134)
Contributions – employee	-	1,644,309	(1,644,309)
Net investment income	-	767,608	(767,608)
Benefit payments, including refunds of employee contributions	(8,945,504)	(8,945,504)	-
Administrative expense	-	-	-
Transfers among employers	-	(462,753)	462,753
Net changes	(381,062)	(3,001,206)	2,620,144
Balance at September 30, 2015	\$ 115,103,425	\$ 63,585,417	\$ 51,518,008

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City’s net pension liability calculated using the discount rate of 8%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7%) or one percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
City’s net pension liability	\$ 63,421,795	\$ 51,518,008	\$ 41,370,941

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor’s report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 11 – Pension Funds (continued)

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

For the year ended September 30, 2016, the City recognized pension expense of \$259,299. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,654,125
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,062,423	-
Employer contributions subsequent to the measurement date	<u>4,150,901</u>	<u>-</u>
Total	<u>\$ 6,213,324</u>	<u>\$ 1,654,125</u>

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

Year ended September 30:

2017	\$ (213)
2018	(213)
2019	(214)
2020	487,879
2021	(78,767)
Thereafter	-

Note 12 – Post-Employment Benefits

The City 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 those employees who did not elect to participate in the RSA 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.

The City is subsidizing the amount of validated claims for this division at approximately 61% 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% 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 per month for single coverage.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 12 – Post-Employment Benefits (continued)

During the fiscal year ended September 30, 2012, the City adopted several ordinances amending (Plan Amendments) the post-retirement health care benefits for employees. The City Council adopted ordinances that authorized: (1) eliminating the subsidy paid to retired employees, who terminated employment prior to May 1, under a tiered arrangement based on different past arrangements who after October 1, 2012 will receive a \$200 Medicare Part B supplement to be paid to the insurance provider; (2) that those employees who become Medicare eligible after October 1, 2012 will no longer be entitled to the subsidized premium rates available through Local Government Health Insurance Plan (LGHIP); and (3) to provide for health insurance coverage of certain 55 year old retirees who retired prior to January 1, 2013 with spouses that were too young to receive Medicare coverage until they reached age 65 with subsidy amounts of \$485 per month until spouses become Medicare-eligible and thereafter, \$200 per month towards the retirees' Medicare-supplemental policy.

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.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 2,657,525
Interest on net OPEB	1,086,383
Adjustment to ARC	<u>(2,446,066)</u>
Annual OPEB cost	<u>1,297,842</u>
Assumed contributions made	<u>(1,228,796)</u>
OPEB obligation – beginning of year	<u>43,455,321</u>
OPEB obligation – end of year	<u><u>\$ 43,524,367</u></u>

The adjustment to the Net OPEB obligation for the year ending September 30, 2016, is an amount to adjust the Net OPEB obligation as of October 1, 2015, equal to the Actuarial Accrued Liability as of that date. The adjustment primarily reflects the impact of Plan Amendments adopted during the year and is consistent with the City's adopted method of reflecting the full Actuarial Accrued Liability as Net OPEB obligation. The adjustment also reflects actuarial gains and losses and changes in covered participants incurred over past years.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2014
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Ultimate investment rate of return (discount rate)**	8.00%
Projected salary increase**	3.75 – 7.25%

**Includes inflation @ 3%

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 12 – Post-Employment Benefits (continued)

The following table shows the City’s annual OPEB cost and net obligation for the prior three years and estimated amounts for the current year:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
9/30/2013	\$ 2,632,351	\$ 1,118,605	40.00%	\$ 42,493,226
9/30/2014	2,602,561	1,391,584	53.40%	43,507,203
9/30/2015	1,234,997	1,286,879	104.20%	43,455,321
9/30/2016	1,297,842	1,228,796	94.70%	43,524,367

The funded status and progress of the plan as of the most recent actuarial valuation date is as follows (dollar amounts in millions).

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a / b)</u>
9/30/2011	\$ -	\$ 40,344,085	\$ 40,344,085	0.0%
9/30/2015	-	25,661,631	25,661,631	0.0%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Note 13 – Prior Period Adjustment

Net position as of October 1, 2015, has been restated as follows as a result of management’s identification of a receivable in the capital project fund that had not been adjusted to reflect payments received. This was a result of transfers between the general fund and the capital project fund not being made in a timely manner.

This resulted in a restatement of beginning fund balance in the capital project fund of \$235,800 and a restatement of beginning net position of the governmental activity in the government-wide financial statements of \$235,800.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 14 – Accounting Changes and Accounting Standards

GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB 77, Tax Abatement Disclosures. This statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2015.

GASB 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. This Statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2015.

GASB 80, Blending Requirements for Certain Component Units. This Statement clarifies the display requirements in GASB 14 by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2016.

GASB 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2016.

GASB 82, Pension Issues. This Statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2016.

GASB 83, Certain Asset Retirement Obligations. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2018.

City of Gadsden, Alabama
Notes to Financial Statements (continued)
September 30, 2016

Note 14 – Accounting Changes and Accounting Standards (continued)

GASB 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2018.

Note 15 – Subsequent Events

Subsequent to year end, the City issued the 2017-A General Obligation Warrants in the amount of \$2,222,550. Interest on the warrants is due monthly beginning February 11, 2017 at a rate of 3.8125%. Principal payments are due quarterly beginning May 11, 2017, through May 11, 2026. Proceeds of the warrants were used to refund the 2014-A General Obligation Warrants.

REQUIRED SUPPLEMENTARY INFORMATION

City of Gadsden, Alabama
General Fund
Statement of Revenue, Expenditures and Changes in
Fund Balances – Budget and Actual
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance from
	Original	Final		Final Budget - Positive (Negative)
Revenue				
Taxes	\$ 39,187,600	\$ 39,187,600	\$ 40,613,971	\$ 1,426,371
Licenses and permits	6,978,200	6,978,200	7,247,356	269,156
Intergovernmental	360,795	360,795	374,157	13,362
Charges for services	1,772,500	1,772,500	2,108,519	336,019
Fines and forfeitures	552,000	552,000	470,480	(81,520)
Other revenue	89,300	89,300	279,785	190,485
Total Revenue	<u>48,940,395</u>	<u>48,940,395</u>	<u>51,094,268</u>	<u>2,153,873</u>
Expenditures				
Current:				
General government	2,288,851	2,290,016	2,374,135	84,119
Internal services	3,549,293	3,544,754	3,225,661	(319,093)
Public safety	20,834,886	20,832,728	20,265,328	(567,400)
Recreation and cultural services	6,635,279	6,738,355	6,486,016	(252,339)
Public works services	5,784,324	5,719,276	5,447,202	(272,074)
Urban development	2,802,616	3,076,069	2,493,720	(582,349)
Nondepartmental	3,257,575	3,252,992	3,066,715	(186,277)
Intergovernmental	1,884,500	1,881,500	1,889,577	8,077
Capital outlay	1,684,803	2,873,095	1,406,359	(1,466,736)
Total Expenditures	<u>48,722,127</u>	<u>50,208,785</u>	<u>46,654,713</u>	<u>(3,554,072)</u>
Excess (Deficiency) of Revenue				
Over (Under) Expenditures	<u>218,268</u>	<u>(1,268,390)</u>	<u>4,439,555</u>	<u>5,707,945</u>
Other Financing Sources (Uses)				
Proceeds from the sale of assets	40,000	40,000	32,041	(7,959)
Transfers	(866,150)	(866,150)	(1,441,456)	(575,306)
Total Other Financing Sources (Uses)	<u>(826,150)</u>	<u>(826,150)</u>	<u>(1,409,415)</u>	<u>(583,265)</u>
Net Change in Fund Balances	(607,882)	(2,094,540)	3,030,140	5,124,680
Fund Balances - Beginning of Year	<u>16,342,801</u>	<u>16,342,801</u>	<u>16,342,801</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 15,734,919</u>	<u>\$ 14,248,261</u>	<u>\$ 19,372,941</u>	<u>\$ 5,124,680</u>

City of Gadsden, Alabama
School Ad Valorem Tax Fund
Statement of Revenue, Expenditures and Changes in
Fund Balances – Budget and Actual
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance from
	Original	Final		Final Budget - Positive (Negative)
Revenue				
Taxes	\$ 1,050,000	\$ 1,050,000	\$ 1,085,764	\$ 35,764
Total Revenue	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,085,764</u>	<u>35,764</u>
Expenditures				
Urban development	1,050,000	1,050,000	1,045,051	4,949
Total Expenditures	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,045,051</u>	<u>4,949</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>40,713</u>	<u>30,815</u>
Net Change in Fund Balances	-	-	40,713	30,815
Fund Balances - Beginning of Year	429,586	429,586	429,586	-
Fund Balances - End of Year	<u>\$ 429,586</u>	<u>\$ 429,586</u>	<u>\$ 470,299</u>	<u>\$ 30,815</u>

City of Gadsden, Alabama
Capital Improvements Fund
Statement of Revenue, Expenditures and Changes in
Fund Balances – Budget and Actual
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
Revenue				
Taxes	\$ 6,750,000	\$ 7,000,000	\$ 7,160,071	\$ 160,071
Other	-	-	555,877	555,877
Total Revenue	<u>6,750,000</u>	<u>7,000,000</u>	<u>7,715,948</u>	<u>715,948</u>
Expenditures				
Capital Outlay	2,670,362	3,689,047	3,305,807	383,240
Total Expenditures	<u>2,670,362</u>	<u>3,689,047</u>	<u>3,305,807</u>	<u>383,240</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>4,079,638</u>	<u>3,310,953</u>	<u>4,410,141</u>	<u>332,708</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	249,998	(249,998)
Transfers	(4,979,638)	(5,110,953)	(4,760,435)	(350,518)
Total Other Financing Sources (Uses)	<u>(4,979,638)</u>	<u>(5,110,953)</u>	<u>(4,510,437)</u>	<u>(600,516)</u>
Net Change in Fund Balances	<u>(900,000)</u>	<u>(1,800,000)</u>	<u>(100,296)</u>	<u>(267,808)</u>
Fund Balances - Beginning of Year	9,432,560	9,432,560	9,432,560	-
Prior Period Adjustment	-	-	(235,800)	235,800
Fund Balances - Beginning of Year (restated)	<u>9,432,560</u>	<u>9,432,560</u>	<u>9,196,760</u>	<u>235,800</u>
Fund Balances - End of Year	<u>\$ 8,532,560</u>	<u>\$ 7,632,560</u>	<u>\$ 9,096,464</u>	<u>\$ (32,008)</u>

City of Gadsden, Alabama
Schedule of Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2016

<u>Year Ended *</u>	<u>Total Pension Liability (Asset)</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>	<u>Actual Covered Employee Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>
09/30/14	\$115,484,487	\$ 66,586,632	\$ 48,897,864	57.66%	\$ 19,806,420	246.88%
09/30/15	115,103,425	63,585,417	51,518,008	55.24%	20,305,580	253.71%

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

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

City of Gadsden, Alabama
Schedule of Employer Contributions to the City's
Employees' Pension Plan
For the Year Ended September 30, 2016

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contributions Excess / (Deficiency)</u>	<u>Actual Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
09/30/15	\$ 3,706,876	\$ 4,081,582	\$ 374,706	\$ 19,806,420	20.6%
09/30/16	4,161,168	4,161,168	-	20,305,580	20.5%

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

City of Gadsden, Alabama
Employees' Medical Insurance Plan of the City of Gadsden, Alabama
Schedule of Funding Progress
For the Year Ended September 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liability (AAL)⁽¹⁾	Unfunded AAL (UAAL)⁽²⁾	Covered Payroll	UAAL as a Percentage of Covered Payroll	Funded Ratio
10/01/09	\$ -	2.50%	\$80,750,037	\$80,750,037	\$ -	0.0%	0.0%
10/01/11	-	2.50%	40,344,085	40,344,085	12,308,998	327.8%	0.0%
10/01/15	-	2.50%	25,661,631	25,661,631	19,806,420	0.0%	0.0%

(1) Actuarial Accrued Liability determined under the projected unit credit cost method.

(2) Actuarial accrued liability less actuarial value of assets

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

City of Gadsden, Alabama
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Total Nonmajor Funds	Special Revenue Funds									
		Special Auto Tax	State Gas Tax	Lodging Tax	Community Development	Library Grants	Tobacco Tax	Drug Task Force	Summer Food Service	Aging Program	Transportation and Planning
Assets											
Cash and cash equivalents	\$ 7,191,159	\$ 10,366	\$ 22,692	\$ 511,976	\$ 50,474	\$ 55,959	\$ 45,414	\$ 34,382	\$ 18,195	\$ 3,588	\$ -
Investments	166,924	-	-	-	-	-	-	-	-	-	-
Receivables:											
Interest	349	-	-	-	-	-	-	-	-	-	-
Taxes	104,110	10,522	23,567	21,670	-	-	-	-	-	-	-
Intergovernmental	207,170	-	-	-	33,932	-	-	-	-	1,213	37,503
Restricted cash	122,053	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 7,791,765	\$ 20,888	\$ 46,259	\$ 533,646	\$ 84,406	\$ 55,959	\$ 45,414	\$ 34,382	\$ 18,195	\$ 4,801	\$ 37,503
Liabilities, Deferred Inflows of Resources, and Fund Balances											
Liabilities											
Accounts payable and other liabilities	\$ 201,679	\$ -	\$ -	\$ -	\$ 9,454	\$ 4,742	\$ -	\$ -	\$ -	\$ 834	\$ 363
Accrued payroll and related liabilities	20,055	-	-	-	1,830	575	-	-	-	1,534	2,848
Due to other funds	96,969	-	-	-	29,092	-	-	-	-	-	33,484
Total Liabilities	318,703	-	-	-	40,376	5,317	-	-	-	2,368	36,695
Deferred Inflows of Resources											
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Fund Balances											
Restricted	3,708,483	20,888	46,259	533,646	44,030	50,642	45,414	34,382	18,195	2,433	808
Committed	3,773,895	-	-	-	-	-	-	-	-	-	-
Unassigned	(9,316)	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	7,473,062	20,888	46,259	533,646	44,030	50,642	45,414	34,382	18,195	2,433	808
Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,791,765	\$ 20,888	\$ 46,259	\$ 533,646	\$ 84,406	\$ 55,959	\$ 45,414	\$ 34,382	\$ 18,195	\$ 4,801	\$ 37,503

City of Gadsden, Alabama
Nonmajor Governmental Funds
Combining Balance Sheet (continued)
September 30, 2016

	Special Revenue Funds								Total Special Revenue Funds
	Gadsden Transit Service	Cost Allocation Fund	Corrections Fund	Economic Development	Law Enforcement	Other Restricted Funds	Miscellaneous Grants	Judicial Adm Fund	
Assets									
Cash and cash equivalents	\$ 423,501	\$ -	\$ -	\$ 57,831	\$ 6,211	\$ 1,984,950	\$ -	\$ 63,377	\$ 3,288,916
Investments	-	-	-	-	-	-	-	-	-
Receivables:									
Interest	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	48,351	-	-	-	-	104,110
Intergovernmental	51,953	-	-	-	571	-	-	-	125,172
Restricted cash	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 475,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,182</u>	<u>\$ 6,782</u>	<u>\$ 1,984,950</u>	<u>\$ -</u>	<u>\$ 63,377</u>	<u>\$ 3,518,198</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances									
Liabilities									
Accounts payable and other liabilities	\$ 7,849	\$ -	\$ 6,563	\$ -	\$ -	\$ 41,926	\$ -	\$ -	\$ 71,731
Accrued payroll and related liabilities	13,268	-	-	-	-	-	-	-	20,055
Due to other funds	-	-	-	-	-	-	2,753	-	65,329
Total Liabilities	<u>21,117</u>	<u>-</u>	<u>6,563</u>	<u>-</u>	<u>-</u>	<u>41,926</u>	<u>2,753</u>	<u>-</u>	<u>157,115</u>
Deferred Inflows of Resources									
Unavailable revenue - property tax	-	-	-	-	-	-	-	-	-
Fund Balances									
Restricted	454,337	-	-	106,182	6,782	1,943,024	-	63,377	3,370,399
Committed	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(6,563)	-	-	-	(2,753)	-	(9,316)
Total Fund Balances	<u>454,337</u>	<u>-</u>	<u>(6,563)</u>	<u>106,182</u>	<u>6,782</u>	<u>1,943,024</u>	<u>(2,753)</u>	<u>63,377</u>	<u>3,361,083</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 475,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,182</u>	<u>\$ 6,782</u>	<u>\$ 1,984,950</u>	<u>\$ -</u>	<u>\$ 63,377</u>	<u>\$ 3,518,198</u>

City of Gadsden, Alabama
Nonmajor Governmental Funds
Combining Balance Sheet (continued)
September 30, 2016

	Debt Service Funds													Capital Leases	Total Debt Service Funds	
	Honda Assistance	Airport Authority	2012-D Debt Service	2006-A Debt Service	2006-B Debt Service	2011 Debt Service	2012-A Debt Service	2012-B Debt Service	2012-C Debt Service	2014-A Debt Service	2014-B Debt Service	2014-C Debt Service	2014-D Debt Service			
Assets																
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 122	\$ -	\$ 123	
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Receivables:																
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Intergovernmental	-	67,675	-	-	-	-	-	-	-	-	-	-	-	-	67,675	
Restricted cash	-	-	106,104	9,874	-	5,609	-	-	-	-	-	-	-	466	122,053	
Total Assets	<u>\$ -</u>	<u>\$ 67,675</u>	<u>\$ 106,104</u>	<u>\$ 9,874</u>	<u>\$ -</u>	<u>\$ 5,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 466</u>	<u>\$ 189,851</u>	
Liabilities, Deferred Inflows of Resources, and Fund Balances																
Liabilities																
Accounts payable and other liabilities	\$ -	\$ 1,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 1,344	
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to other funds	-	31,640	-	-	-	-	-	-	-	-	-	-	-	-	31,640	
Total Liabilities	<u>-</u>	<u>32,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>32,984</u>	
Deferred Inflows of Resources																
Unavailable revenue - property tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fund Balances																
Restricted	-	34,694	106,104	9,874	-	5,609	-	-	-	1	-	-	122	463	156,867	
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Fund Balances	<u>-</u>	<u>34,694</u>	<u>106,104</u>	<u>9,874</u>	<u>-</u>	<u>5,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>122</u>	<u>463</u>	<u>156,867</u>	
Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 67,675</u>	<u>\$ 106,104</u>	<u>\$ 9,874</u>	<u>\$ -</u>	<u>\$ 5,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 466</u>	<u>\$ 189,851</u>	

City of Gadsden, Alabama
Nonmajor Governmental Funds
Combining Balance Sheet (continued)
September 30, 2016

	Capital Projects Funds							Permanent Funds			
	Municipal Capital Improvements Funds	Capital Project Funds	Resurfacing Project 1999	2011-A Capital Project	2012-A, B, C Capital Project	2012-D Capital Project	2014-B&C Capital Project	Total Capital Project Funds	Nell Thomas Library	Library Endowment	Total Permanent Funds
	Assets										
Cash and cash equivalents	\$ 1,920,195	\$ 707,968	\$ 465,054	\$ 515,026	\$ -	\$ -	\$ 279,933	\$ 3,888,176	\$ 12,932	\$ 1,012	\$ 13,944
Investments	-	-	-	-	-	-	-	-	142,174	24,750	166,924
Receivables:											
Interest	-	-	-	-	-	-	-	-	222	127	349
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	14,323	-	-	-	-	-	14,323	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 1,920,195	\$ 722,291	\$ 465,054	\$ 515,026	\$ -	\$ -	\$ 279,933	\$ 3,902,499	\$ 155,328	\$ 25,889	\$ 181,217
Liabilities, Deferred Inflows of Resources, and Fund Balances											
Liabilities											
Accounts payable and other liabilities	\$ -	\$ 6,240	\$ -	\$ -	\$ -	\$ -	\$ 122,364	\$ 128,604	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>6,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,364</u>	<u>128,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources											
Unavailable revenue - property tax	-	-	-	-	-	-	-	-	-	-	-
Fund Balances											
Restricted	-	-	-	-	-	-	-	-	155,328	25,889	181,217
Committed	1,920,195	716,051	465,054	515,026	-	-	157,569	3,773,895	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>1,920,195</u>	<u>716,051</u>	<u>465,054</u>	<u>515,026</u>	<u>-</u>	<u>-</u>	<u>157,569</u>	<u>3,773,895</u>	<u>155,328</u>	<u>25,889</u>	<u>181,217</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,920,195	\$ 722,291	\$ 465,054	\$ 515,026	\$ -	\$ -	\$ 279,933	\$ 3,902,499	\$ 155,328	\$ 25,889	\$ 181,217

City of Gadsden, Alabama
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
For the Year Ended September 30, 2016

	Total Nonmajor Funds	Special Revenue Funds								
		Special Auto Tax	State Gas Tax	Lodging Tax	Community Development	Library Grants	Tobacco Tax	Drug Task Force	Summer Food Service	Aging Program
Revenue										
Taxes	\$ 1,708,593	\$ -	\$ -	\$ 275,878	\$ -	\$ -	\$ 384,460	\$ -	\$ -	\$ -
Intergovernmental	2,443,958	122,701	447,903	-	383,500	80,586	-	-	119,725	13,801
Charges for services	217,398	-	-	-	50,013	-	-	-	-	-
Fines and forfeitures	53,020	-	-	-	-	-	-	-	-	-
Other	139,811	-	-	-	-	-	-	1,099	-	-
Total Revenue	<u>4,562,780</u>	<u>122,701</u>	<u>447,903</u>	<u>275,878</u>	<u>433,513</u>	<u>80,586</u>	<u>384,460</u>	<u>1,099</u>	<u>119,725</u>	<u>13,801</u>
Expenditures										
Current:										
Intergovernmental	1,325,775	-	-	-	302,251	-	-	-	-	-
Public safety	370,233	-	250,000	-	-	-	-	46	-	-
Recreation and cultural services	444,857	-	-	-	-	93,368	-	-	118,195	106,747
Urban development	4,479	-	-	-	4,479	-	-	-	-	-
Intergovernmental	46,590	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	4,408,730	-	-	-	75,000	-	-	-	-	-
Interest and fiscal charges	1,933,693	-	-	-	45,555	-	-	-	-	-
Capital outlays	2,590,935	-	-	-	6,227	-	-	-	-	-
Total Expenditures	<u>11,125,292</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>433,512</u>	<u>93,368</u>	<u>-</u>	<u>46</u>	<u>118,195</u>	<u>106,747</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(6,562,512)</u>	<u>122,701</u>	<u>197,903</u>	<u>275,878</u>	<u>1</u>	<u>(12,782)</u>	<u>384,460</u>	<u>1,053</u>	<u>1,530</u>	<u>(92,946)</u>
Other Financing Sources (Uses)										
Proceeds from sale of assets	8,253	-	-	-	-	-	-	-	-	-
Transfers	5,535,143	(110,000)	(170,700)	(200,000)	-	-	(400,000)	-	-	82,219
Total Other Financing Sources (Uses)	<u>5,543,396</u>	<u>(110,000)</u>	<u>(170,700)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>82,219</u>
Net Change in Fund Balances	<u>(1,019,116)</u>	<u>12,701</u>	<u>27,203</u>	<u>75,878</u>	<u>1</u>	<u>(12,782)</u>	<u>(15,540)</u>	<u>1,053</u>	<u>1,530</u>	<u>(10,727)</u>
Fund Balances - Beginning of Year	<u>8,492,178</u>	<u>8,187</u>	<u>19,056</u>	<u>457,768</u>	<u>44,029</u>	<u>63,424</u>	<u>60,954</u>	<u>33,329</u>	<u>16,665</u>	<u>13,160</u>
Fund Balances - End of Year	<u>\$ 7,473,062</u>	<u>\$ 20,888</u>	<u>\$ 46,259</u>	<u>\$ 533,646</u>	<u>\$ 44,030</u>	<u>\$ 50,642</u>	<u>\$ 45,414</u>	<u>\$ 34,382</u>	<u>\$ 18,195</u>	<u>\$ 2,433</u>

City of Gadsden, Alabama
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances (continued)
For the Year Ended September 30, 2016

	Special Revenue Funds									Total Special Revenue Funds
	Transportation and Planning	Gadsden Transit Grants	Cost Allocation Fund	Corrections Fund	Economic Development	Law Enforcement	Other Restricted Funds	Miscellaneous Grants	Judicial Adm Fund	
Revenue										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 648,294	\$ -	\$ 399,961	\$ -	\$ -	\$ 1,708,593
Intergovernmental	122,091	633,981	-	-	-	32,702	-	38,466	-	1,995,456
Charges for services	-	70,828	-	-	-	-	61,460	-	35,097	217,398
Fines and forfeitures	-	-	-	48,130	-	-	4,890	-	-	53,020
Other	-	-	-	-	7,500	-	128,227	-	-	136,826
Total Revenue	<u>122,091</u>	<u>704,809</u>	<u>-</u>	<u>48,130</u>	<u>655,794</u>	<u>32,702</u>	<u>594,538</u>	<u>38,466</u>	<u>35,097</u>	<u>4,111,293</u>
Expenditures										
Current:										
Intergovernmental	152,614	887,975	51	-	-	-	(17,116)	-	-	1,325,775
Public safety	-	-	-	62,448	-	14,438	14,100	29,097	104	370,233
Recreation and cultural services	-	-	-	-	-	-	126,547	-	-	444,857
Urban development	-	-	-	-	-	-	-	-	-	4,479
Intergovernmental	-	-	-	-	-	-	46,590	-	-	46,590
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	75,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	45,555
Capital outlays	-	251,911	-	8,302	41,010	36,528	147,957	9,369	-	501,304
Total Expenditures	<u>152,614</u>	<u>1,139,886</u>	<u>51</u>	<u>70,750</u>	<u>41,010</u>	<u>50,966</u>	<u>318,078</u>	<u>38,466</u>	<u>104</u>	<u>2,813,793</u>
Excess (Deficiency) of Revenue										
Over (Under) Expenditures	<u>(30,523)</u>	<u>(435,077)</u>	<u>(51)</u>	<u>(22,620)</u>	<u>614,784</u>	<u>(18,264)</u>	<u>276,460</u>	<u>-</u>	<u>34,993</u>	<u>1,297,500</u>
Other Financing Sources (Uses)										
Proceeds from sale of assets	-	-	-	-	8,253	-	-	-	-	8,253
Transfers	30,569	506,364	-	4,045	(626,165)	21,735	-	-	-	(861,933)
Total Other Financing Sources (Uses)	<u>30,569</u>	<u>506,364</u>	<u>-</u>	<u>4,045</u>	<u>(617,912)</u>	<u>21,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(853,680)</u>
Net Change in Fund Balances	46	71,287	(51)	(18,575)	(3,128)	3,471	276,460	-	34,993	443,820
Fund Balances - Beginning of Year	762	383,050	51	12,012	109,310	3,311	1,666,564	(2,753)	28,384	2,917,263
Fund Balances - End of Year	<u>\$ 808</u>	<u>\$ 454,337</u>	<u>\$ -</u>	<u>\$ (6,563)</u>	<u>\$ 106,182</u>	<u>\$ 6,782</u>	<u>\$ 1,943,024</u>	<u>\$ (2,753)</u>	<u>\$ 63,377</u>	<u>\$ 3,361,083</u>

City of Gadsden, Alabama
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances (continued)
For the Year Ended September 30, 2016

	Debt Service Funds														Total Debt Service Funds	
	Honda Assistance	Airport Authority	2012-D GOW Debt Service	2006-A GOW Debt Service	2006-B GOW Debt Service	2011 GOW Debt Service	2012-A GOW Debt Service	2012-B GOW Debt Service	2012-C GOW Debt Service	2014-A GOW Debt Service	2014-B GOW Debt Service	2014-C GOW Debt Service	2014-D GOW Debt Service	Capital Leases		
Revenue																
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures																
Current:																
Internal services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Urban development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:																
Principal	-	(66,600)	1,290,000	50,000	-	305,000	950,000	315,000	430,000	265,000	40,000	10,000	165,000	580,330	4,333,730	
Interest and fiscal charges	256	84,602	140,679	29,968	6,451	143,781	598,816	120,594	220,685	115,371	276,019	75,916	45,618	29,382	1,888,138	
Capital outlays	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	256	18,002	1,430,679	79,968	6,451	448,781	1,548,816	435,594	650,685	380,371	316,019	85,916	210,618	609,712	6,221,868	
Excess (Deficiency) of Revenue Over (Under) Expenditures	(256)	(18,002)	(1,430,679)	(79,968)	(6,451)	(448,781)	(1,548,816)	(435,594)	(650,685)	(380,371)	(316,019)	(85,916)	(210,618)	(609,712)	(6,221,868)	
Other Financing Sources (Uses)																
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	2,280	1,345,928	80,637	-	449,761	1,548,816	435,594	650,685	380,372	316,019	85,916	210,653	609,715	6,116,376	
Total Other Financing Sources (Uses)	-	2,280	1,345,928	80,637	-	449,761	1,548,816	435,594	650,685	380,372	316,019	85,916	210,653	609,715	6,116,376	
Net Change in Fund Balances	(256)	(15,722)	(84,751)	669	(6,451)	980	-	-	-	1	-	-	35	3	(105,492)	
Fund Balances - Beginning of Year	256	50,416	190,855	9,205	6,451	4,629	-	-	-	-	-	-	87	460	262,359	
Fund Balances - End of Year	\$ -	\$ 34,694	\$ 106,104	\$ 9,874	\$ -	\$ 5,609	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 122	\$ 463	\$ 156,867	

City of Gadsden, Alabama
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances (continued)
For the Year Ended September 30, 2016

	Capital Projects Funds							Permanent Funds			
	Municipal Capital Improvements Funds	Capital Project Funds	Resurfacing Project 1999	2011-A GOW Capital Project	2012-A, B, C GOW Capital Project	2012-D GOW Capital Project	2014-B&C GOW Capital Project	Total Capital Projects Funds	Nell Thomas Library	Library Endowment	Total Permanent Funds
Revenue											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	323,009	125,493	-	-	-	-	-	448,502	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-
Other	-	2,000	-	-	-	-	-	2,000	848	137	985
Total Revenue	<u>323,009</u>	<u>127,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,502</u>	<u>848</u>	<u>137</u>	<u>985</u>
Expenditures											
Current:											
Internal services	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural services	-	-	-	-	-	-	-	-	-	-	-
Urban development	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	127,493	-	-	809,489	657,582	495,067	2,089,631	-	-	-
Total Expenditures	<u>-</u>	<u>127,493</u>	<u>-</u>	<u>-</u>	<u>809,489</u>	<u>657,582</u>	<u>495,067</u>	<u>2,089,631</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenue											
Over (Under) Expenditures	<u>323,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(809,489)</u>	<u>(657,582)</u>	<u>(495,067)</u>	<u>(1,639,129)</u>	<u>848</u>	<u>137</u>	<u>985</u>
Other Financing Sources (Uses)											
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	280,700	-	-	-	-	280,700	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>280,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>323,009</u>	<u>-</u>	<u>280,700</u>	<u>-</u>	<u>(809,489)</u>	<u>(657,582)</u>	<u>(495,067)</u>	<u>(1,358,429)</u>	<u>848</u>	<u>137</u>	<u>985</u>
Fund Balances - Beginning of Year	<u>1,597,186</u>	<u>716,051</u>	<u>184,354</u>	<u>515,026</u>	<u>809,489</u>	<u>657,582</u>	<u>652,636</u>	<u>5,132,324</u>	<u>154,480</u>	<u>25,752</u>	<u>180,232</u>
Fund Balances - End of Year	<u>\$ 1,920,195</u>	<u>\$ 716,051</u>	<u>\$ 465,054</u>	<u>\$ 515,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,569</u>	<u>\$ 3,773,895</u>	<u>\$ 155,328</u>	<u>\$ 25,889</u>	<u>\$ 181,217</u>

City of Gadsden, Alabama
Statistical Section
For the Year Ended September 30, 2016

This part of the City of Gadsden's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents

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Financial Trends

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

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Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

79-84

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

85-88

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

89-91

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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Sources

Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

City of Gadsden, Alabama
Schedule 1
Net Position by Component
Last Five Years

	Fiscal Years				
	2012	2013	2014	2015	2016
Governmental Activities					
Invested in capital assets, net of related debt	\$ 55,779,328	\$ 56,535,831	\$ 55,526,421	\$ 58,221,381	\$ 61,245,198
Restricted	4,848,638	4,624,448	4,408,649	4,391,557	4,878,735
Unrestricted	<u>(55,084,182)</u>	<u>(53,227,907)</u>	<u>(49,929,922)</u>	<u>(91,051,454)</u>	<u>(88,030,877)</u>
Total Governmental Activities Net Position	<u>\$ 5,543,784</u>	<u>\$ 7,932,372</u>	<u>\$ 10,005,148</u>	<u>\$ (28,438,516)</u>	<u>\$ (21,906,944)</u>
Business-Type Activities					
Invested in capital assets, net of related debt	\$ 8,692,877	\$ 8,407,960	\$ 8,632,873	\$ 8,632,873	\$ 8,045,586
Unrestricted	<u>(4,243,516)</u>	<u>(3,927,007)</u>	<u>(4,485,436)</u>	<u>(6,602,886)</u>	<u>(6,193,554)</u>
Total Business-Type Activities Net Position	<u>\$ 4,449,361</u>	<u>\$ 4,480,953</u>	<u>\$ 4,147,437</u>	<u>\$ 2,029,987</u>	<u>\$ 1,852,032</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 64,472,205	\$ 64,943,791	\$ 64,159,294	\$ 66,854,254	\$ 69,290,784
Restricted	4,848,638	4,624,448	4,408,649	4,391,557	4,878,735
Unrestricted	<u>(59,327,698)</u>	<u>(57,154,914)</u>	<u>(54,415,358)</u>	<u>(97,654,340)</u>	<u>(94,224,431)</u>
Total Primary Government Activities Net Position	<u>\$ 9,993,145</u>	<u>\$ 12,413,325</u>	<u>\$ 14,152,585</u>	<u>\$ (26,408,529)</u>	<u>\$ (20,054,912)</u>

City of Gadsden, Alabama
Schedule 2
Changes in Net Position
Last Five Years

	Fiscal Years				
	2012	2013	2014	2015	2016
Expenses					
Governmental Activities:					
General government	\$ 2,208,849	\$ 2,192,665	\$ 2,178,689	\$ 2,191,507	\$ 2,416,177
Internal services	3,316,528	3,219,291	3,775,416	3,222,613	3,331,109
Public safety	23,143,191	23,160,263	23,764,469	22,868,749	23,217,184
Recreation and cultural services	7,907,528	7,713,770	7,821,845	6,888,842	8,197,657
Public works services	5,448,974	5,524,090	5,727,620	6,468,979	6,143,063
Urban development	4,240,075	4,785,577	6,509,182	6,382,086	6,355,444
Intergovernmental	5,295,262	4,556,853	3,277,880	3,399,928	3,261,942
Nondepartmental	4,393,832	2,997,459	2,885,965	3,051,515	3,068,824
Interest on long-term debt	3,493,466	2,748,226	2,035,902	1,993,652	1,926,780
Bond issuance cost	-	-	200,213	-	-
Total Governmental Activities Expenses	<u>59,447,705</u>	<u>56,898,194</u>	<u>58,177,181</u>	<u>56,467,871</u>	<u>57,918,180</u>
Business-Type Activities:					
Airport	305,722	235,520	233,734	227,127	285,428
Residential garbage	3,209,486	2,694,102	2,767,199	2,757,333	2,403,472
Golf course	1,085,671	1,334,304	1,351,328	1,298,132	1,262,018
Total Business-Type Activities Expenses	<u>4,600,879</u>	<u>4,263,926</u>	<u>4,352,261</u>	<u>4,282,592</u>	<u>3,950,918</u>
Total Primary Government Expenses	<u>\$ 64,048,584</u>	<u>\$ 61,162,120</u>	<u>\$ 62,529,442</u>	<u>\$ 60,750,463</u>	<u>\$ 61,869,098</u>
Program Revenue					
Governmental Activities:					
Charges for services	\$ 2,403,573	\$ 2,396,768	\$ 2,412,131	\$ 2,530,128	\$ 2,829,425
Operating grants and contributions	3,154,149	3,219,871	2,649,701	3,511,925	2,355,791
Capital grants and contributions	989,103	318,402	387,338	338,767	361,474
Total Governmental Activities Program Revenue	<u>6,546,825</u>	<u>5,935,041</u>	<u>5,449,170</u>	<u>6,380,820</u>	<u>5,546,690</u>
Business-Type Activities:					
Charges for services	3,191,477	3,121,914	2,927,749	2,831,689	2,776,439
Total Business-Type Activities Program Revenue	<u>3,191,477</u>	<u>3,121,914</u>	<u>2,927,749</u>	<u>2,831,689</u>	<u>2,776,439</u>
Total Primary Government Program Revenue	<u>\$ 9,738,302</u>	<u>\$ 9,056,955</u>	<u>\$ 8,376,919</u>	<u>\$ 9,212,509</u>	<u>\$ 8,323,129</u>
Net Revenue (Expenses)					
Governmental activities	\$ (52,900,880)	\$ (50,963,153)	\$ (52,728,011)	\$ (50,087,051)	\$ (52,371,490)
Business-type activities	(1,409,402)	(1,142,012)	(1,424,512)	(1,450,903)	(1,174,479)
Total Primary Government Activities, Net Expense	<u>\$ (54,310,282)</u>	<u>\$ (52,105,165)</u>	<u>\$ (54,152,523)</u>	<u>\$ (51,537,954)</u>	<u>\$ (53,545,969)</u>
General Revenue and Other Changes in Net Assets					
Governmental Activities:					
Taxes	\$ 46,216,893	\$ 46,691,159	\$ 48,028,690	\$ 49,998,590	\$ 51,822,478
Licenses and permits	6,611,198	6,681,451	6,735,035	7,055,204	7,247,356
Investment earning	594,955	579,430	552,642	536,644	520,799
Gain on disposal of assets	-	-	-	-	-
Change in OPEB obligation estimate	70,608,057	-	-	-	-
Other general revenue	733,624	1,086,955	581,875	518,192	544,753
Total Governmental Activities	<u>124,764,727</u>	<u>55,038,995</u>	<u>55,898,242</u>	<u>58,108,630</u>	<u>60,135,386</u>
Business-Type Activities:					
Investment and other income	66,604	-	-	-	-
Total Business-Type Activities	<u>66,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 124,831,331</u>	<u>\$ 55,038,995</u>	<u>\$ 55,898,242</u>	<u>\$ 58,108,630</u>	<u>\$ 60,135,386</u>

City of Gadsden, Alabama
Schedule 3
Fund Balance, Governmental Funds
Last Three Years

	Fiscal Years		
	2014	2015	2016
General Fund			
Nonspendable	\$ 377,042	\$ 387,613	\$ 255,837
Committed	1,721,328	2,111,396	3,428,203
Unassigned	12,304,385	13,843,792	15,688,901
Total General Fund	<u>\$ 14,402,755</u>	<u>\$ 16,342,801</u>	<u>\$ 19,372,941</u>
All Other Governmental Funds			
Nonspendable	\$ 7,685,802	\$ 6,452,779	\$ 7,107,828
Restricted	4,595,397	4,419,205	4,178,782
Committed	6,757,757	8,131,683	5,762,531
Unassigned	54,704	(21,474)	(9,316)
Total All Other Governmental Funds	<u>\$ 19,093,660</u>	<u>\$ 18,982,193</u>	<u>\$ 17,039,825</u>

City of Gadsden, Alabama
Schedule 4
Changes in Fund Balance, Governmental Funds
Last Five Years

	Fiscal Years				
	2012	2013	2014	2015	2016
Revenue					
Taxes	\$ 46,218,068	\$ 46,645,900	\$ 48,104,490	\$ 49,998,590	\$ 51,589,558
Licenses and permits	6,611,198	6,681,450	6,735,035	7,055,204	7,247,356
Intergovernmental	4,278,306	3,735,685	2,804,797	3,935,225	2,818,115
Charges for services	1,748,901	1,787,642	1,926,757	1,997,487	2,325,917
Fines and forfeitures	648,241	639,689	624,981	565,628	523,500
Other revenue	1,250,842	1,606,177	1,131,457	848,365	975,854
Total Revenue	<u>60,755,556</u>	<u>61,096,543</u>	<u>61,327,517</u>	<u>64,400,499</u>	<u>65,480,300</u>
Expenditures					
Current:					
General government	2,232,281	2,047,775	2,089,518	2,138,249	2,374,135
Internal services	3,228,559	3,028,081	3,076,267	3,112,755	3,225,661
Public safety	21,300,899	20,903,746	21,384,397	20,803,156	21,206,170
Recreation and cultural services	6,679,721	6,344,707	6,441,657	6,455,618	6,930,873
Public works services	5,103,569	5,047,761	5,273,963	5,180,750	5,447,202
Urban development	1,598,900	1,689,417	3,678,963	3,540,909	3,543,250
Nondepartmental	4,370,737	2,924,116	2,878,594	3,042,746	3,066,715
Intergovernmental	4,762,396	4,556,853	3,277,880	3,399,928	3,261,942
Debt service:					
Principal retirement	4,918,109	4,519,731	4,602,241	4,577,283	4,408,730
Interest and fiscal charges	2,691,326	2,121,860	2,130,521	2,072,359	1,933,693
Issuance costs	-	172,050	-	-	-
Capital outlays	4,423,963	5,397,755	9,745,865	6,880,145	7,342,856
Total Expenditures	<u>61,310,460</u>	<u>58,753,852</u>	<u>64,579,866</u>	<u>61,203,898</u>	<u>62,741,227</u>
Excess (Deficiency) of Revenue Over (Under)					
Expenditures	<u>(554,904)</u>	<u>2,342,691</u>	<u>(3,252,349)</u>	<u>3,196,601</u>	<u>2,739,073</u>
Other Financing Sources (Uses)					
Capital lease	-	-	2,220,050	259,694	249,998
Proceeds from long-term debt	29,859,912	11,275,000	9,615,000	-	-
Issuance of bonds	-	-	4,300,000	-	-
Payments to escrow agent and issuance costs	(28,799,953)	(10,546,748)	(8,524,083)	-	-
Capital leases entered into	793,686	-	-	-	-
Proceeds from sale of assets	276,813	83,376	97,511	110,428	40,294
Issuance costs	-	-	(200,213)	-	-
Discount on bonds	-	-	(41,595)	-	-
Premium on bonds	-	-	19,368	-	-
Transfers	(1,039,630)	(996,289)	(881,678)	(1,738,144)	(996,524)
Total Other Financing Sources (Uses)	<u>1,090,828</u>	<u>(184,661)</u>	<u>6,604,360</u>	<u>(1,368,022)</u>	<u>(706,232)</u>
Net Change in Fund Balances	<u>\$ 535,924</u>	<u>\$ 2,158,030</u>	<u>\$ 3,352,011</u>	<u>\$ 1,828,579</u>	<u>\$ 2,032,841</u>
Debt service as a percentage of noncapital expenditures	15%	14%	14%	14%	10%

City of Gadsden, Alabama
Schedule 5
Assessed Value and Estimated Actual Value of Taxable Property
Last Five Years

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property and Abatements	Total Taxable Assessed Value	Total Direct Tax Rate
2012	\$ 75,757,260	\$ 326,001,820	\$ 30,154,160	\$ 108,309,380	\$ 323,603,860	6.00%
2013	74,456,280	331,438,720	31,723,400	115,877,300	321,741,100	6.00%
2014	75,039,680	330,875,500	32,877,840	117,794,980	320,998,040	6.00%
2015	73,358,900	348,125,940	33,372,860	119,031,080	335,826,620	6.00%
2016	71,241,760	362,821,080	32,285,140	121,723,180	347,805,040	6.00%

Source: Etowah County Revenue Commissioner

City of Gadsden, Alabama
Schedule 5A
Top Ten Tax Receipts by Category
Last Five Years

Taxable Sales by Category

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Warehouse clubs and supercenters	\$ 3,553,359	\$ 3,563,637	\$ 3,583,315	\$ 3,585,394	\$ 3,576,489
Department stores (except discount department stores)	1,527,704	1,272,040	1,166,648	-	-
Limited service restaurants	1,877,682	1,939,712	1,965,202	1,954,274	1,911,520
Supermarkets and other grocery (except convenience stores)	1,500,081	1,661,612	1,649,349	1,786,792	1,852,185
Home centers	1,300,357	1,271,442	1,289,847	1,351,931	1,409,529
Full service restaurants	1,418,034	1,424,836	1,418,296	1,472,865	1,623,684
Sporting goods stores	905,169	923,265	865,064	-	-
New car dealers	826,663	997,233	1,080,005	-	-
Medical, dental, and hospital equipment and supplies merchant wholesalers	1,166,999	1,157,003	1,001,259	-	-
All other miscellaneous store retailers	640,774	641,922	651,245	-	-
Total	<u><u>\$ 14,716,822</u></u>	<u><u>\$ 14,852,702</u></u>	<u><u>\$ 14,670,230</u></u>	<u><u>\$ 10,151,256</u></u>	<u><u>\$ 10,373,407</u></u>
City direct sales tax rate	4%	4%	4%	4%	4%

Source: RDS

City of Gadsden, Alabama
Schedule 6
Direct and Overlapping Property Tax Rates
(rate per \$1,000 of assessed value)
Last Five Years

<u>Fiscal Year</u>	<u>City Direct Rates</u>					<u>Overlapping Rates</u>				
	<u>Basic Rate</u>	<u>General Fund</u>	<u>School Debt Service</u>	<u>Fire Protection</u>	<u>Total Direct</u>	<u>Fire Protection</u>	<u>County School District</u>	<u>City School District</u>	<u>State</u>	<u>County</u>
2012	12	6	3	3	12	3	10	6	6.5	11.5
2013	12	6	3	3	12	3	10	6	6.5	11.5
2014	12	6	3	3	12	3	10	6	6.5	11.5
2015	12	6	3	3	12	3	10	6	6.5	11.5
2016	12	6	3	3	12	3	10	6	6.5	11.5

**City of Gadsden, Alabama
Schedule 7
Principal Property Tax Payers
Last Five Years**

Taxpayer	2012			2013			2014			2015			2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Alabama Power Co.	\$ 21,636,180	1	6.69%	\$ 25,012,920	1	7.77%	\$ 26,409,420	1	8.23%	\$ 27,194,680	1	8.10%	\$ 27,493,460	1	7.90%
QHG of Gadsden Inc.	11,446,940	2	3.54%	9,559,580	3	2.97%	9,712,100	3	3.03%	9,754,420	3	2.90%	9,895,820	3	2.85%
Goodyear Tire & Rubber Co.	10,035,240	3	3.10%	12,342,280	2	3.84%	10,885,680	2	3.39%	10,595,740	2	3.16%	16,672,600	2	4.79%
Riverview Regional Medical	6,254,360	4	1.93%	5,976,340	4	1.86%	6,151,080	4	1.92%	6,021,620	4	1.79%	6,127,040	4	1.76%
Bellsouth / AT&T Alabama	4,191,900	6	1.30%	4,199,200	7	1.31%	3,954,800	6	1.23%	3,870,900	6	1.15%	2,943,100	9	0.85%
Gadsden Regional Medical Center	3,760,560	8	1.16%	4,230,060	6	1.31%	3,778,240	7	1.18%	3,483,300	8	1.04%	3,197,840	8	0.92%
Preit Gadsden Mall, LLC	4,392,520	5	1.36%	4,392,620	5	1.37%	4,488,560	5	1.40%	4,526,880	5	1.35%	4,550,940	5	1.31%
Inteva Products, LLC	-	-	-	-	-	-	-	-	-	-	-	-	4,411,100	6	1.27%
Comcast of Alabama, Inc.	-	-	-	2,291,560	10	0.71%	2,467,640	10	0.77%	-	-	-	-	-	-
Keystone Foods	-	-	-	-	-	-	-	-	-	2,409,160	9	0.72%	-	-	0.00%
Koch Foods / Tyson Foods	2,830,360	10	0.87%	-	-	-	-	-	-	-	-	-	2,829,040	10	0.81%
Riverview Regional Medical Center	-	-	-	-	-	-	-	-	-	2,395,080	10	0.71%	-	-	0.00%
State of Alabama	4,483,940	7	1.39%	4,497,360	8	1.40%	4,550,520	8	1.42%	2,961,000	7	0.88%	3,251,060	7	0.93%
General Electric Capital Corp.	3,114,960	9	0.96%	3,123,940	9	0.97%	2,610,360	9	0.81%	-	-	-	-	-	-
Total	<u>\$ 72,146,960</u>			<u>\$ 75,625,860</u>			<u>\$ 75,008,400</u>			<u>\$ 73,212,780</u>			<u>\$ 81,372,000</u>		
Total City Taxable Assessed Value	<u>\$ 323,603,860</u>			<u>\$ 321,741,100</u>			<u>\$ 320,998,040</u>			<u>\$ 335,826,620</u>			<u>\$ 347,805,040</u>		

Source: Etowah County Revenue Commissioner

City of Gadsden, Alabama
Schedule 8
Property Tax Levies and Collections
Last Five Years

	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 4,498,382	\$ -	\$ -	\$ 4,053,057	\$ 4,053,057	90.10%
2013	4,101,109	-	-	3,746,237	3,746,237	91.35%
2014	4,074,439	-	-	3,474,117	3,474,117	85.27%
2015	4,237,155	-	-	3,619,149	3,619,149	85.41%
2016	4,380,236	-	-	3,674,824	3,674,824	83.90%

City of Gadsden, Alabama
Schedule 9
Ratios of Outstanding Debt by Type
Last Five Years

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government
	General Obligation Bonds	Other Obligations	Special Obligation Bonds	Obligation Bonds	
2012	\$ 54,261,749	\$ 3,888,532	\$ 528,582	\$ 840,000	\$ 59,518,863
2013	54,169,017	2,452,421	361,861	700,000	57,683,299
2014	56,559,072	3,453,345	186,740	600,000	60,799,157
2015	52,815,149	2,719,216	-	500,000	60,799,157
2016	48,971,226	2,313,867	-	400,000	51,685,093

City of Gadsden, Alabama
Schedule 10
Ratios of General Bonded Debt Outstanding
Last Five Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Special Obligation Bonds	Total		
2012	\$ 54,261,749	\$ 361,861	\$ 54,623,610	17%	\$ 1,461
2013	54,169,017	361,861	54,530,878	17%	1,454
2014	56,559,072	186,740	56,745,812	18%	1,513
2015	52,815,149	-	52,815,149	16%	1,408
2016	48,971,226	-	48,971,226	14%	1,349

City of Gadsden, Alabama
Schedule 11
Direct and Overlapping Governmental Activities Debt
September 30, 2016

	<u>Total Debt Outstanding</u>	<u>Estimated Percent Applicable</u>	<u>Amount Applicable to City of Gadsden</u>
Direct Debt			
City of Gadsden	\$ 55,457,617	100%	\$ 55,457,617
Total Direct Debt	<u>55,457,617</u>	100%	<u>55,457,617</u>
Overlapping Debt			
Etowah County	<u>30,281,553</u>	23%	<u>6,964,757</u>
Total Overlapping Debt	<u>30,281,553</u>	23%	<u>6,964,757</u>
Total Direct and Overlapping Debt	<u>\$ 85,739,170</u>		<u>\$ 62,422,374</u>

City of Gadsden, Alabama
Schedule 12
Legal Debt Margin Information
Last Five Years

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 469,528,220 ⁽¹⁾
Debt limit, 20% of assessed value	93,905,644
Debt applicable to limit:	
Outstanding and obligation warrants, installment purchases, etc.	\$ 55,457,617
Less: exempt amounts	<u>(24,923,867)</u>
Total Net Debt Applicable to Limit	<u>\$ 30,533,750</u>
Legal Debt Margin	<u>\$ 63,371,894</u>

	Fiscal Years				
	2012	2013	2014	2015	2016
Debt limit	<u>\$ 86,382,648</u>	<u>\$ 87,545,276</u>	<u>\$ 87,758,604</u>	<u>\$ 90,971,540</u>	<u>\$ 93,905,644</u>
Total net debt applicable to limit	<u>\$ 38,364,514</u>	<u>\$ 36,614,573</u>	<u>\$ 37,480,490</u>	<u>\$ 33,908,750</u>	<u>\$ 30,533,750</u>
Legal debt margin	<u>\$ 48,018,134</u>	<u>\$ 50,930,703</u>	<u>\$ 50,278,114</u>	<u>\$ 57,062,790</u>	<u>\$ 63,371,894</u>
Total net debt applicable to the limit as a percentage of debt limit	44%	42%	43%	37%	33%

Note: Section 225, as amended, Constitution of State of Alabama, limits debt of the City of Gadsden to 20% 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
Schedule 13
Demographic and Economic Statistics
Last Five Fiscal Years

Year	*Population	*Personal Income	*Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2012	36,816	\$ 581,172	\$ 18,610	40	N/A	5,371	8.20%
2013	36,674	635,002	18,481	38	N/A	5,398	5.50%
2014	36,674	588,982	17,933	38	N/A	5,326	5.30%
2015	36,295	626,296	17,981	41	N/A	5,188	6.70%
2016	36,295	680,493	18,090	39	N/A	5,066	6.70%

Sources: U.S. Bureau of the Census, Gadsden BOE, Gadsden Times and the Industrial Development Authority.

City of Gadsden, Alabama
Schedule 14
Principal Employers
Last Five Fiscal Years

Employer	2012		2013		2014		2015		2016	
	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank
Goodyear Tire & Rubber Company	1,730	1	1,500	1	1,500	1	1,605	1	1,605	1
Gadsden Regional Medical Center	1,200	2	1,300	2	1,200	2	1,200	3	1,200	3
Etowah County Board of Education	1,080	3	1,080	3	1,054	3	1,515	2	1,515	2
Riverview Regional Medical Center	850	4	850	4	850	4	850	4	850	4
Gadsden City Schools	694	7	694	7	628	7	624	7	624	8
City of Gadsden	520	9	520	9	500	9	500	9	500	9
Koch Foods	565	8	565	8	500	8	576	8	624	7
Gadsden State Community College	697	6	697	6	727	6	722	6	722	6
Wal-Mart	721	5	721	5	737	5	737	5	737	5
Keystone Foods	490	10	490	10	460	10	466	10	466	-

Source: Gadsden Industrial Development Authority

City of Gadsden, Alabama
Schedule 15
Full-Time Equivalent City Governmental Employees by Function/Program
Last Five Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government					
Mayor's Office	5	6	6	5	5
Revenue	4	4	4	4	4
City Clerk	3	5	3	3	3
Public Safety					
Police Department:					
Officers	102	102	102	104	101
Civilian	30	30	30	28	31
Fire Department:					
Firefighters	116	114	114	114	114
Officers	7	8	8	8	8
Civilians	2	2	2	2	2
Judicial	6	3	2	6	6
Animal Control	3	3	3	3	3
Civil Defense	3	3	3	3	3
Communications	3	3	3	3	3
Public Works					
Maintenance	18	19	19	19	19
Street painting	5	5	5	5	4
Street cleaning	10	10	10	10	10
Street maintenance	38	38	39	38	38
Internal Service					
Finance	6	6	6	6	6
M.I.S.	3	3	3	3	3
Purchasing	1	1	1	1	1
Personnel	3	3	3	3	3
Legal	1	2	2	2	3
Fleet	20	20	19	19	20
Recreation and Cultural					
Parks and Recreation	44	41	43	43	43
Convention Hall	2	2	2	2	2
Cemetery	6	6	6	6	6
Library	18	18	18	18	18
Museum of Arts	3	3	3	3	3
Golf Course	6	6	6	6	6
Urban Development					
Engineering	7	7	7	7	6
Building	6	6	6	7	7
Planning	6	6	6	6	6
Total	<u>487</u>	<u>485</u>	<u>484</u>	<u>487</u>	<u>487</u>

Source: City Budget

City of Gadsden, Alabama
Schedule 16
Operating Indicators by Function/Program
Last Five Fiscal Years

Function/Program	2012	2013	2014	2015	2016
Police					
Physical arrests	2,911	2,906	2,820	2,296	2,296
Parking violations	564	306	343	96	149
Traffic violations	5,359	4,889	7,176	4,103	5,774
Fire					
Emergency responses	6,876	6,936	7,258	7,940	8,284
Fires extinguished	275	202	296	236	299
Inspections	1,775	1,971	1,970	1,970	1,310
Public Works					
Potholes repaired	7,450	7,800	8,200	9,500	8,600
Parks and Recreation					
Community center admissions	328,755	301,560	312,155	359,680	449,530
Library					
Volumes in collection	100,542	105,581	106,384	102,741	106,013
Total volumes borrowed	189,472	181,028	180,225	167,100	194,174

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

Source: Various City Departments

City of Gadsden, Alabama
Schedule 17
Capital Asset Statistics by Function/Program
Last Five Fiscal Years

Function/Program	2012	2013	2014	2015	2016
Police					
Stations	1	1	2	2	2
Patrol units	43	49	49	50	47
Fire Stations	8	8	8	8	8
Other Public Works					
Street (miles)	372	372	372	372	372
Highways (miles)	35	35	35	35	35
Streetlights	4,011	4,015	4,020	4,024	4,034
Traffic signals	138	139	139	139	139
Parks and Recreation					
Acreage	546	566	686	686	694
Playgrounds	16	16	16	16	16
Baseball/Softball diamonds	19	19	19	19	19
Soccer/Football fields	14	14	14	14	14
Community centers	9	9	9	9	9

Source: Various City Departments

SINGLE AUDIT SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2017. Our report includes a reference to other auditors who audited the financial statements of Gadsden City Board of Education and the Gadsden Airport Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. [2016-001]

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. [2016-002]

Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

Montgomery, Alabama
March 10, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Gadsden's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2016. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Gadsden City Board of Education which received \$9,504,779 in federal awards, which is not included in the schedule of expenditures of federal awards, during the year ended September 30, 2016. Our audit, described below, did not include the operations of the Gadsden City Board of Education because it was required to have a separate audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Warren Averett, LLC

Montgomery, Alabama
March 10, 2017

CITY OF GADSDEN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Total Expended</u>	<u>Sub-Awardee Expenditures</u>
Federal Awards:				
Department of Housing & Urban Development:				
<u>Direct Programs:</u>				
Community Development Block Grant	14.218	B-14-MC-010004	\$ 43,367	\$ 15,526
Community Development Block Grant	14.218	B-15-MC-010004	191,136	63,247
Community Development Block Grant	14.218	B-16-MC-010004	148,997	17,439
Total Department of Housing & Urban Development			<u>383,500</u>	<u>96,212</u>
Department of Justice				
<u>Direct Programs:</u>				
Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0023	38,466	
Bulletproof Vest Partnership Grant	16.607		18,264	
Total Department of Justice			<u>56,730</u>	
Department of Health & Human Services				
<u>Passed Through Alabama Commission on Aging:</u>				
Special Program for Aging Title III B	93.044	04-16-03-16	5,386	
Special Program for Aging Title III C	93.045	04-16-03-16	8,415	
Total Department of Health & Human Services			<u>13,801</u>	
Department of Agriculture				
<u>Passed Through Alabama Department of Education:</u>				
Summer Food Service Program for Children	10.559	AEZ-0000	118,195	
Department of Homeland Security				
<u>Passed Through Alabama Emergency Management Agency:</u>				
Emergency Management State & Local Assistance	97.042	16-EMPG-31	51,132	
Department of Transportation:				
<u>Direct Programs:</u>				
Federal Transit Formula Grant	20.507	AL-90-4239	78,180	
Federal Transit Formula Grant	20.507	AL-90-0239	49,001	
Federal Transit Formula Grant	20.507	AL-90-0245	215,960	
Federal Transit Formula Grant	20.507	AL-90-4245	260,019	
Federal Transit Formula Grant	20.507	AL-90-4222	30,516	
<u>Passed Through Alabama Department of Transportation:</u>				
Highway Planning and Construction Grant	20.205	PL-45M-100-064-738	122,091	
Total Department of Transportation			<u>755,767</u>	
Total Federal Awards			<u>\$ 1,379,125</u>	<u>\$ 96,212</u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Total Expended</u>	<u>Sub-Awardee Expenditures</u>
State Awards:				
Alabama Public Library Service:				
Library Grant		SA-00-03	\$ 52,586	
Emergency Management Performance Grant		CERT04	418	
Emergency Management Performance Grant		16EMA	3,198	
Alabama Department of Environmental Management		ARF15-21-116	<u>103,210</u>	
Total State Awards			<u>\$ 159,412</u>	<u>\$ -</u>
Total Federal and State Awards			<u>\$ 1,538,537</u>	<u>\$ 96,212</u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards (the Schedule) summarizes the expenditures of the City of Gadsden, Alabama (the City) under direct contracts and subcontracts of the government for the year ended September 30, 2016. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, results of operations, changes in net position, and cash flows of the City.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the City, the agencies and departments of the federal government, and all subawards to the City by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The information in the Schedule is presented in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been appropriately identified in the Schedule. CFDA numbers for applicable programs have been appropriately listed by those programs. Certain contracts and grants are not assigned CFDA numbers and, therefore, CFDA numbers are not listed by these programs.

For purposes of the Schedule, expenditures of federal awards programs are recognized on the accrual basis of accounting.

2. INDIRECT COST RATES

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

**CITY OF GADSDEN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statement Section

Type of auditors’ report issued:	Unmodified	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?	X	
Significant deficiencies identified that are not considered to be material weaknesses?	X	
Noncompliance material to financial statements noted?		X

Federal Awards Section

	<u>Yes</u>	<u>No</u>
Internal control over major programs:		
Material weakness(es) identified?		X
Significant deficiencies identified that are not considered to be material weaknesses?		None reported
Type of auditors’ report on compliance for major programs:	Unmodified	
	<u>Yes</u>	<u>No</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?		X

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to determine Type A programs:	\$ 750,000	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	X	

**CITY OF GADSDEN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS SECTION

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

Material Weakness

2016-001 Reconciliation of Intra-Entity Receivables and Payables

Observation: Management identified a receivable from a component unit in the capital project fund that had not been adjusted to reflect payments received. This was a result of transfers between the general fund and the capital project fund not being made in a timely manner. It was also noted that the City did not reconcile the receivables/payables from the various component units with the amount reported by the component units.

This resulted in a restatement of beginning fund balance in the capital project fund of \$235,800 and a restatement of beginning net position of the governmental activity in the government-wide financial statements of \$235,800.

Recommendation: We recommend that as payments are received, they are examined to determine if any transfers are required. In addition, any related receivables should be properly adjusted and reconciled on a regular basis. All component unit accounts should be reconciled with the component unit on an annual basis. It is further recommended that the City evaluate all balances and determine which items represent actual receivables/payables from the various Component Units.

Management's Response: Management has addressed all matters related to the receipt procedures and the circumstances giving rise to the material weakness have been fully and adequately addressed by management.

Significant Deficiency

2016-002 Capital Lease Recognition

Observation: It was noted that the City did not properly record a capital lease obligation in the amount of \$249,998 during the year.

Recommendation: All fixed asset acquisitions should be examined to determine if a liability has been incurred. Any liability requiring accrual, should be recorded in a timely manner.

Management's Response: Management has addressed all matters related to liability accrual procedures and the circumstances giving rise to the significant deficiency have been fully and adequately addressed by management.

**CITY OF GADSDEN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by the Uniform Guidance.

None noted

SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None noted