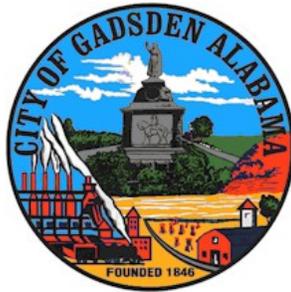


ANNUAL FINANCIAL REPORT



CITY OF GADSDEN, ALABAMA

For the Year Ended September 30, 2012

Prepared by:

**Finance Department
Lisa Rosser, Finance Director**



INTRODUCTORY SECTION

PRINCIPAL CITY OFFICIALS

ORGANIZATIONAL CHART



CITY OF GADSDEN, ALABAMA
PRINCIPAL CITY OFFICIALS

September 30, 2012

MAYOR

Sherman Guyton

CITY COUNCIL

Billy J. Harris, District 1

Deverick Williams, District 2

Robert Avery, District 3

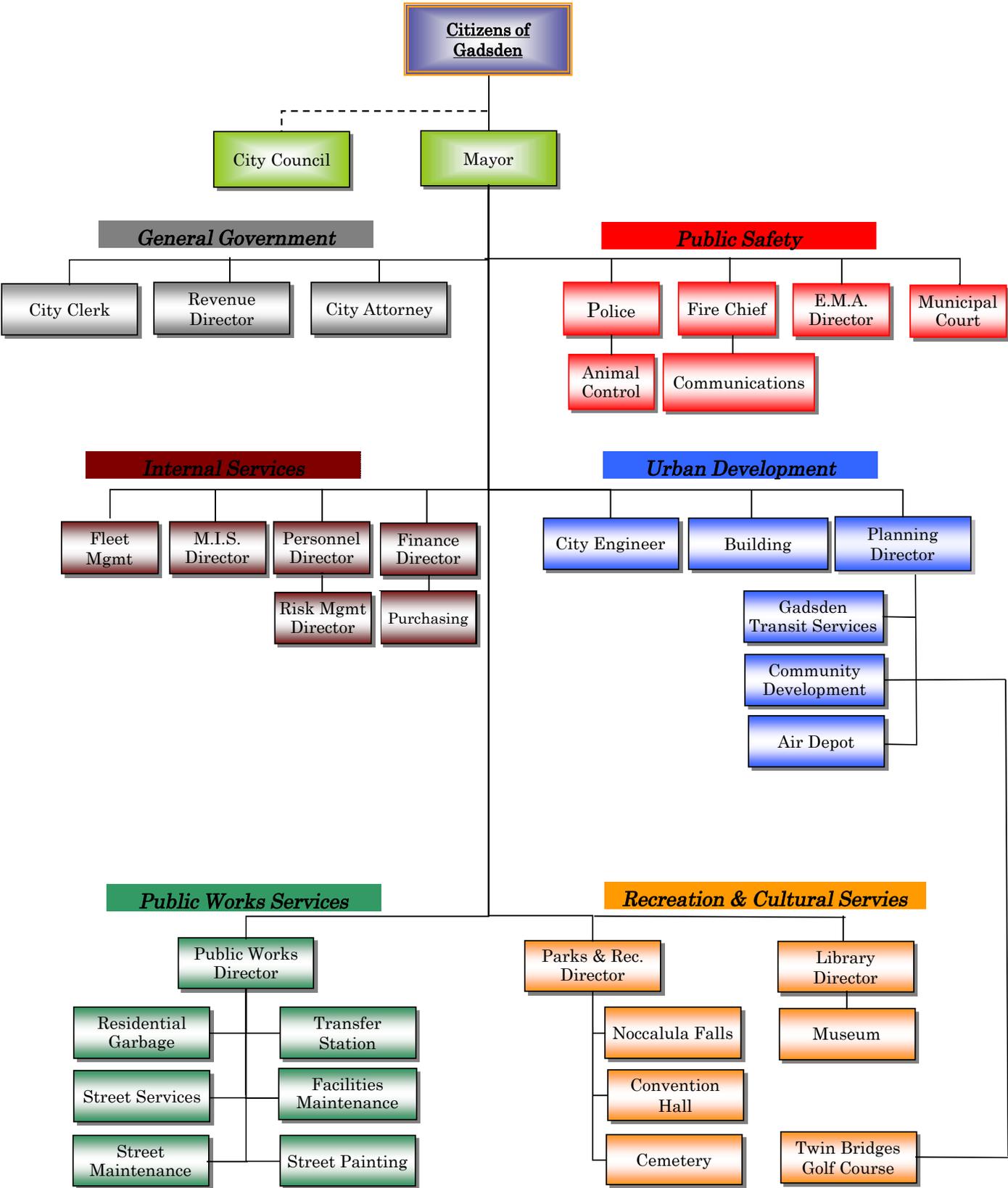
Bob Echols, District 4 (President)

Bill C. Stewart, District 5

Johnny Cannon, District 6 (President Pro Tem)

Ben Reed, District 7

City of Gadsden Organization Chart



CITY OF GADSDEN, ALABAMA
Annual Financial Report
For the Year Ended September 30, 2012

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Independent Auditors' Report

To the City Council
City of Gadsden, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Gadsden City Board of Education or the Gadsden Airport Authority which represent 90%, 99% and 99% of the assets, net assets and revenue of the component unit columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gadsden City Board of Education and the Gadsden Airport Authority, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and schedules of pension plan funding progress on pages 3 through 11 and 55 through 57 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as the combining and individual fund statements and schedules and the statistical section in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 accompanying supplemental data and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in blue ink, appearing to read "Borland Benefield P.C.", is positioned above the typed name.

Borland Benefield, P.C.
Birmingham, Alabama
March 15, 2013

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

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, 2012. 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, 2012, by \$9,993,145 (*net assets*). The portion of net assets that may be used to meet the City's ongoing obligations to citizens and creditors (*unrestricted net assets*) reflects a deficit of \$59,327,698. The deficit is primarily the result of the reporting of the OPEB obligation as required by GASB No. 45, as well as additional long-term debt.
- The City's total net assets increased by \$70,521,049 in fiscal year 2012. The main factor that influenced this increase was a large adjustment to the OPEB obligation estimate due to several ordinances adopted by the City Council.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$27,986,451 an increase of \$535,924 from the prior year. Of this amount, \$7,751,372 or approximately 28% 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 \$7,789,934 or approximately 17% of total General Fund expenditures.
- City's net long-term liabilities decreased by \$72,142,929 or 40%, primarily resulting from a decrease in the City's OPEB obligation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The *statement of activities* presents information focused on functions, and shows how the City's net assets changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of revenue and expenses of various governmental services and/or subsidies to various business-type activities. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2012

charges for services (*business-type activities*). The governmental activities of the City of Gadsden include general government, public safety, public works, urban development, recreation and cultural services, internal services, and non-departmental. The business-type activities of the City of Gadsden reflect private sector type operations and include air depot operations, garbage services, and the City's golf course.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the activities of its *component units*: the Gadsden Board of Education, 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 fund balance sheet and in the governmental fund 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 with the exception of the golf course enterprise fund. A budgetary comparison statement has been provided as required supplementary information for the City's major governmental funds to demonstrate compliance with their budgets.

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

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

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

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2012

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

Government-Wide Financial Analysis

**Condensed Statements of Net Assets
As of September 30, 2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 43,175,713	\$ 42,635,446	\$ (1,966,766)	\$ (2,215,114)	\$ 41,208,947	\$ 40,420,332
Capital assets, net of accumulated depreciation	<u>74,795,468</u>	<u>77,155,555</u>	<u>9,532,877</u>	<u>9,919,717</u>	<u>84,328,345</u>	<u>87,075,272</u>
Total Assets	<u>\$ 117,971,181</u>	<u>\$ 119,791,001</u>	<u>\$ 7,566,111</u>	<u>\$ 7,704,603</u>	<u>\$ 125,537,292</u>	<u>\$ 127,495,604</u>
Current and other liabilities	\$ 16,031,955	\$ 16,783,036	\$ 473,051	\$ 457,605	\$ 16,505,006	\$ 17,240,641
Long-term liabilities, net of current portion	<u>96,395,442</u>	<u>168,288,398</u>	<u>2,643,699</u>	<u>2,494,469</u>	<u>99,039,141</u>	<u>170,782,867</u>
Total Liabilities	<u>\$ 112,427,397</u>	<u>\$ 185,071,434</u>	<u>\$ 3,116,750</u>	<u>\$ 2,952,074</u>	<u>\$ 115,544,147</u>	<u>\$ 188,023,508</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 55,779,328	\$ 57,367,618	\$ 8,692,877	\$ 8,939,717	\$ 64,472,205	\$ 66,307,335
Restricted	4,848,638	4,633,225	-	-	4,848,638	4,633,225
Unrestricted	<u>(55,084,182)</u>	<u>(127,281,274)</u>	<u>(4,243,516)</u>	<u>(4,187,188)</u>	<u>(59,327,698)</u>	<u>(131,468,462)</u>
Total Net Assets	<u>\$ 5,543,784</u>	<u>\$ (65,280,431)</u>	<u>\$ 4,449,361</u>	<u>\$ 4,752,529</u>	<u>\$ 9,993,145</u>	<u>\$ (60,527,902)</u>

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The remaining unrestricted net assets reflect a deficit of \$55,084,182. This deficit is primarily the result of the following:

- Booking the OPEB obligation of \$40,507,615.
- Booking the estimate of accrued leave owed to employees of \$2,542,192.
- Booking additional long term capital equipment lease of \$793,686.

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

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2012

Condensed Statements of Activities
For the Years Ended September 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenue						
Program Revenue						
Charges for services	\$ 2,403,573	\$ 2,324,975	\$ 3,191,477	\$ 3,271,706	\$ 5,595,050	\$ 5,596,681
Operating grants and contributions	3,154,149	3,837,054	-	-	3,154,149	3,837,054
Cap grants and contributions	989,103	2,776,206	-	-	989,103	2,776,206
General Revenue						
Taxes	46,216,893	44,931,898	-	-	46,216,893	44,931,898
Licenses and permits	6,611,198	6,598,373	-	-	6,611,198	6,598,373
Investment earnings	594,955	589,062	-	66	594,955	589,128
Change in OPEB obligation	70,608,057	-	-	-	70,608,057	-
Other general revenue	733,624	1,307,606	66,604	3,366	800,228	1,310,972
Total Revenue	<u>131,311,552</u>	<u>62,365,174</u>	<u>3,258,081</u>	<u>3,275,138</u>	<u>134,569,633</u>	<u>65,640,312</u>
Expenses						
Governmental Activities						
General government	2,208,849	2,465,823	-	-	2,208,849	2,465,823
Internal services	3,316,528	3,727,109	-	-	3,316,528	3,727,109
Public safety	23,143,191	25,946,087	-	-	23,143,191	25,946,087
Recreation and cultural services	7,907,528	9,243,849	-	-	7,907,528	8,851,824
Public works	5,448,974	6,808,393	-	-	5,448,974	6,808,393
Urban development	4,240,075	4,544,444	-	-	4,240,075	4,544,444
Intergovernmental	5,295,262	4,937,687	-	-	5,295,262	4,937,687
Non-departmental	4,393,832	2,102,383	-	-	4,393,832	2,102,383
Interest on long-term debt	3,493,466	2,843,382	-	-	3,493,466	2,843,382
Business-type Activities						
Airport-air depot	-	-	305,722	579,052	305,722	579,052
Garbage	-	-	3,209,486	2,877,744	3,209,486	2,877,744
Golf course	-	-	1,085,671	1,361,131	1,085,671	1,361,131
Total Expenses	<u>59,447,705</u>	<u>62,619,157</u>	<u>4,600,879</u>	<u>4,817,927</u>	<u>64,048,584</u>	<u>67,045,059</u>
Change in Net Assets Before Transfers and Special Items	71,863,847	(253,983)	(1,342,798)	(1,542,789)	70,521,049	(1,404,747)
Transfers	<u>(1,039,630)</u>	<u>(526,698)</u>	<u>1,039,630</u>	<u>526,698</u>	-	-
Change in Net Assets	<u>\$ 70,824,217</u>	<u>\$ (780,681)</u>	<u>\$ (303,168)</u>	<u>\$ (1,016,091)</u>	<u>\$ 70,521,049</u>	<u>\$ (1,404,747)</u>

Governmental Activities – Governmental activities increased the City's net assets by \$70,824,217. Key elements of this increase are as follows: change in OPEB obligation estimate due to Plan amendments.

Business-Type Activities – Business-type activities decreased the City's net assets by \$303,168. Key elements of this decrease are as follows: Expenses exceeding revenues by approximately \$1.3 million, offset by transfers of approximately \$1 million.

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2012

Fund Financial Analysis

Governmental Funds – The *General Fund* is the chief operating fund of the City. The total general fund balance decreased by \$1,491,304 in 2012 to \$10,237,425. It should be noted that beginning at the prior fiscal year end, the City adopted GASB Statement No. 54 which prescribes several new classes of governmental fund balance. At the end of the current fiscal year, the *unassigned fund balance* was \$7,789,934, a decrease of \$2,110,529.

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 17% of total general fund expenditures, while total fund balance represents 23% of the total general fund expenditures.

General Fund - Fund Balances
As of September 30, 2012 and 2011

	Fund Balance		Increase (Decrease)
	2012	2011	
Nonspendable	\$ 381,292	\$ 361,391	\$ 19,901
Committed	2,066,199	1,466,875	599,324
Unassigned	<u>7,789,934</u>	<u>9,900,463</u>	<u>(2,110,529)</u>
Total Fund Balance	<u>\$ 10,237,425</u>	<u>\$ 11,728,729</u>	<u>\$ (1,491,304)</u>

The decrease in unassigned general fund balance was due to one-time voluntary retirement expenses and transfers to proprietary funds exceeding revenues in fiscal year 2012.

Enterprise Funds – The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. The combined net assets of the enterprise funds were \$4,466,998, a decrease of \$320,093. The following table compares enterprise funds' net assets with the previous year.

Enterprise Funds - Net Assets
As of September 30, 2012 and 2011

	Net Assets		Increase (Decrease)
	2012	2011	
Airport	\$ 795,903	\$ 685,776	\$ 110,127
Garbage	(1,551,855)	(1,220,759)	(331,096)
Golf course	<u>5,222,950</u>	<u>5,322,074</u>	<u>(99,124)</u>
Total Net Assets	<u>\$ 4,466,998</u>	<u>\$ 4,787,091</u>	<u>\$ (320,093)</u>

CITY OF GADSDEN, ALABAMA

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
 For the Year Ended September 30, 2012

Internal Service Fund – As previously mentioned, the City utilizes an internal service fund to accumulate and allocate the costs of workers’ compensation and employee health care internally among the City’s various functions. At the end of the current fiscal year, the net assets of the internal service fund were \$643,288, an increase of \$320,241.

Internal Service Fund - Net Assets
As of September 30, 2012 and 2011

	Net Assets		Increase
	2012	2011	(Decrease)
Invested in capital assets	\$ -	\$ -	\$ -
Unrestricted	643,288	323,047	320,241
Total Net Assets	<u>\$ 643,288</u>	<u>\$ 323,047</u>	<u>\$ 320,241</u>

Budgetary Highlights

Differences between the general fund original budget and the final amended budget totaled \$3,038,578. While revenue was off by \$59,673 due to lower than expected tax receipts, certain budgeted expenses were higher in non-departmental because of the Voluntary Retirement Incentive Program.

General Budget Fund
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance From Final Budget
Revenue	\$ 45,556,390	\$ 45,556,390	\$ 45,496,717	\$ (59,673)
Expenditures	43,114,933	47,649,307	44,622,278	3,027,029
Other sources (uses)	<u>(2,427,037)</u>	<u>(2,436,965)</u>	<u>(2,365,743)</u>	<u>71,222</u>
Total	<u>\$ 14,420</u>	<u>\$ (4,529,882)</u>	<u>\$ (1,491,304)</u>	<u>\$ 3,038,578</u>

CITY OF GADSDEN, ALABAMA

**MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
For the Year Ended September 30, 2012**

Capital Asset and Debt Administration

**Capital Assets
As of September 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 15,165,660	\$ 15,139,104	\$ 2,976,164	\$ 2,976,164	\$ 18,141,824	\$ 18,115,268
Buildings	13,952,457	14,585,083	2,435,945	2,630,994	16,388,402	17,216,077
Improvements other than buildings	14,251,537	14,242,421	3,825,667	4,123,646	18,077,204	18,366,067
Equipment	10,062,710	11,250,028	295,101	188,912	10,357,811	11,438,940
Infrastructure	20,288,554	17,648,559	-	-	20,288,554	17,648,559
Construction in progress	<u>1,074,550</u>	<u>4,290,360</u>	<u>-</u>	<u>-</u>	<u>1,074,550</u>	<u>4,290,360</u>
Net Total Capital Assets	<u>\$ 74,795,468</u>	<u>\$ 77,155,555</u>	<u>\$ 9,532,877</u>	<u>\$ 9,919,716</u>	<u>\$ 84,328,345</u>	<u>\$ 87,075,271</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.

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

- Various expenditures for capital equipment - \$1,598,030
- Airport road improvements - \$770,062
- Nocalula Greenway Phase II - \$650,502
- Nocalula Falls playground - \$388,367

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CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2012

Debt Outstanding

Outstanding Debt & Long Term Liabilities		
As of September 30, 2012 and 2011		
	<u>2012</u>	<u>2011</u>
Governmental		
GOW 2012-A	\$ 17,790,000	\$ -
GOW 2012-B	3,920,000	-
GOW 2012-C	7,495,000	-
GOW 2011	4,740,000	5,000,000
GOW 2006-A	785,000	825,000
GOW 2005	10,235,000	11,200,000
GOW 2004-A	225,000	3,905,000
GOW 2003-A	2,275,000	7,060,000
GOW 2003-B	8,095,000	24,845,000
GOW 2002-A	-	625,000
GOW 2002-B	230,000	450,000
Less deferred amounts:		
Issuance discounts	(136,783)	(357,762)
On refunding	(1,937,949)	(507,325)
Plus issuance premiums	546,481	89,747
Note payable (2006-B)	-	2,399,948
Honda assistance	528,582	686,902
HUD Section 108 Loans	1,350,000	1,525,000
Capital leases	2,538,532	3,103,243
Compensated absences	2,542,192	2,704,447
Claims and judgments	2,879,977	2,869,382
OPEB Obligation	<u>40,507,615</u>	<u>110,507,314</u>
	104,608,647	176,930,896
Business-Type		
GOW 2003	40,000	80,000
GOW 2005-B	800,000	900,000
Compensated absences	67,476	73,886
Landfill closure and post closure	1,523,584	892,677
OPEB obligation	<u>474,865</u>	<u>780,042</u>
	<u>2,905,925</u>	<u>2,726,605</u>
Total Long-Term Liabilities	<u>\$ 107,514,572</u>	<u>\$ 179,657,501</u>

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

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.

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the Year Ended September 30, 2012

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 267 Broad Street, Gadsden, Alabama 35902.

CITY OF GADSDEN, ALABAMA

STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business Type Activities	Total	Gadsden Board of Education	Gadsden Airport Authority	(Unaudited) Public Building Authority of the City of Gadsden
Assets						
Current Assets						
Cash and cash equivalents	\$ 16,746,905	\$ 70,568	\$ 16,817,473	\$ 9,382,292	\$ 160,101	\$ -
Investments	166,924	-	166,924	-	-	457,187
Receivables, net of allowances for uncollectibles	8,480,488	659,542	9,140,030	8,583,374	5,414,207	-
Internal balances	2,730,426	(2,730,426)	-	-	-	-
Due from primary government	-	-	-	-	-	-
Inventories	227,971	13,497	241,468	93,814	-	-
Prepays and other	470,755	20,053	490,808	17,677	5,342	-
Deferred charges	513,793	-	513,793	-	-	202,162
Restricted assets	1,232,505	-	1,232,505	-	986,492	-
Due from component units	12,605,946	-	12,605,946	-	-	-
Capital Assets, Net of Accumulated Depreciation						
Land	15,165,660	2,976,164	18,141,824	5,644,533	713,321	513,101
Buildings	13,952,455	2,435,945	16,388,400	41,909,993	83,934	7,297,004
Improvements	14,251,537	3,825,667	18,077,204	5,697,963	2,475,219	-
Equipment	10,062,711	295,101	10,357,812	1,827,192	66,035	-
Infrastructure	20,288,555	-	20,288,555	-	2,163,265	-
Construction in progress	1,074,550	-	1,074,550	-	-	-
Total Assets	\$ 117,971,181	\$ 7,566,111	\$ 125,537,292	\$ 73,156,838	\$ 12,067,916	\$ 8,469,454
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and other current liabilities	\$ 1,132,465	\$ 157,660	\$ 1,290,125	\$ 320,292	\$ 3,591	\$ 78,569
Accrued payroll and related liabilities	668,206	31,398	699,604	2,387,148	-	-
Due to component units	6,018,081	-	6,018,081	-	-	-
Due to primary government	-	-	-	-	-	-
Deferred revenue	-	21,767	21,767	7,260,737	-	-
Noncurrent Liabilities						
Due within one year	8,213,203	262,226	8,475,429	1,107,192	5,390,000	325,000
Due in more than one year	96,395,442	2,643,699	99,039,141	18,839,750	927,300	7,364,206
Total Liabilities	112,427,397	3,116,750	115,544,147	29,915,119	6,320,891	7,767,775
Net Assets						
Invested in capital assets, net of related debt	55,779,328	8,692,877	64,472,205	35,132,739	5,501,774	701,679
Restricted						
Debt service	1,280,566	-	1,280,566	-	834	-
Economic development	533,085	-	533,085	-	-	-
Public safety	709,754	-	709,754	-	-	-
Recreation and cultural services						
Expendable	48,038	-	48,038	-	-	-
Nonexpendable	178,236	-	178,236	-	-	-
Other purposes	2,098,959	-	2,098,959	-	-	-
Unrestricted	(55,084,182)	(4,243,516)	(59,327,698)	8,108,980	244,417	-
Total Net Assets	5,543,784	4,449,361	9,993,145	43,241,719	5,747,025	701,679
Total Liabilities and Net Assets	\$ 117,971,181	\$ 7,566,111	\$ 125,537,292	\$ 73,156,838	\$ 12,067,916	\$ 8,469,454

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF ACTIVITIES (continued)
For the Year Ended September 30, 2012

Functions/Programs	Program Revenue				Net Revenue (Expense) and Changes in Net Assets					
	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	(Unaudited) Public Building Authority of the City of Gadsden
Primary Government										
Governmental activities										
General government	\$ (2,208,849)	\$ 74,513	\$ -	\$ -	\$ (2,134,336)	\$ -	\$ (2,134,336)	\$ -	\$ -	\$ -
Internal services	(3,316,528)	-	-	-	(3,316,528)	-	(3,316,528)	-	-	-
Public safety	(23,143,191)	798,538	750,858	52,200	(21,541,595)	-	(21,541,595)	-	-	-
Recreation and cultural services	(7,907,528)	1,208,571	269,385	35,773	(6,393,799)	-	(6,393,799)	-	-	-
Public works services	(5,448,974)	-	559,092	-	(4,889,882)	-	(4,889,882)	-	-	-
Urban development	(4,240,075)	321,951	1,574,814	901,130	(1,442,180)	-	(1,442,180)	-	-	-
Intergovernmental	(5,295,262)	-	-	-	(5,295,262)	-	(5,295,262)	-	-	-
Non-departmental	(4,393,832)	-	-	-	(4,393,832)	-	(4,393,832)	-	-	-
Interest on long-term debt	(3,493,466)	-	-	-	(3,493,466)	-	(3,493,466)	-	-	-
Total Governmental Activities	<u>(59,447,705)</u>	<u>2,403,573</u>	<u>3,154,149</u>	<u>989,103</u>	<u>(52,900,880)</u>	<u>-</u>	<u>(52,900,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities										
Airport	(305,722)	416,944	-	-	-	111,222	111,222	-	-	-
Residential garbage	(3,209,486)	2,240,890	-	-	-	(968,596)	(968,596)	-	-	-
Golf course	(1,085,671)	533,643	-	-	-	(552,028)	(552,028)	-	-	-
Total Business-Type Activities	<u>(4,600,879)</u>	<u>3,191,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,409,402)</u>	<u>(1,409,402)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ (64,048,584)</u>	<u>\$ 5,595,050</u>	<u>\$ 3,154,149</u>	<u>\$ 989,103</u>	<u>\$ (52,900,880)</u>	<u>\$ (1,409,402)</u>	<u>\$ (54,310,282)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Component Units										
Board of Education	<u>\$ (49,300,306)</u>	<u>\$ 4,622,167</u>	<u>\$ 32,177,508</u>	<u>\$ 1,289,332</u>				<u>\$ (11,211,299)</u>		
Airport Authority	<u>\$ (875,969)</u>	<u>\$ 22,436</u>	<u>\$ 344,615</u>	<u>\$ 176,954</u>					<u>\$ (331,964)</u>	
Public Building Authority (Unaudited)	<u>\$ (526,080)</u>	<u>\$ 627,109</u>	<u>\$ -</u>	<u>\$ -</u>						<u>\$ 101,029</u>
General Revenue										
Sales and use tax					\$ 26,366,443	\$ -	\$ 26,366,443	\$ 1,387,958	\$ -	\$ -
Occupational license fee					13,352,824	-	13,352,824	-	-	-
Licenses and permits					6,611,198	-	6,611,198	-	-	-
Property tax					4,453,427	-	4,453,427	7,233,416	-	-
Gasoline tax					566,949	-	566,949	-	-	-
Tobacco tax					406,087	-	406,087	-	-	-
Beer tax					218,932	-	218,932	75,904	-	-
Lodging tax					549,367	-	549,367	-	-	-
Wine and liquor tax					194,595	-	194,595	-	-	-
Financial institution excise tax					108,269	-	108,269	-	-	-
Unrestricted investment earnings					594,955	-	594,955	-	23,824	-
Other general revenue					733,624	66,604	800,228	2,774,146	-	-
Change in OPEB obligation estimate					70,608,057	-	70,608,057	-	-	-
Transfers					<u>(1,039,630)</u>	<u>1,039,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenue and Transfers					<u>123,725,097</u>	<u>1,106,234</u>	<u>124,831,331</u>	<u>11,495,248</u>	<u>-</u>	<u>-</u>
Change in Net Assets					<u>70,824,217</u>	<u>(303,168)</u>	<u>70,521,049</u>	<u>283,949</u>	<u>(331,964)</u>	<u>101,029</u>
Net Assets, Beginning of Year					<u>(65,280,433)</u>	<u>4,752,529</u>	<u>(60,527,904)</u>	<u>42,957,770</u>	<u>6,078,989</u>	<u>600,650</u>
Net Assets, End of Year					<u>\$ 5,543,784</u>	<u>\$ 4,449,361</u>	<u>\$ 9,993,145</u>	<u>\$ 43,241,719</u>	<u>\$ 5,747,025</u>	<u>\$ 701,679</u>

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2012

	<u>General Fund</u>	<u>School Ad Valorem Tax Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 5,425,693	\$ 818,249	\$ 1,230,854	\$ 6,872,445	\$ 14,347,241
Investments	-	-	-	166,924	166,924
Receivables, net of allowances for uncollectibles					
Taxes	4,911,446	1,231,835	515,192	1,183,052	7,841,525
Intergovernmental	-	-	-	454,529	454,529
Notes	112,500	-	-	-	112,500
Other	40,821	-	-	491	41,312
Due from other funds	2,863,073	-	-	-	2,863,073
Due from component units	-	-	12,605,946	-	12,605,946
Inventories	227,971	-	-	-	227,971
Restricted assets	-	-	-	1,232,505	1,232,505
	<u>\$ 13,581,504</u>	<u>\$ 2,050,084</u>	<u>\$ 14,351,992</u>	<u>\$ 9,909,946</u>	<u>\$ 39,893,526</u>
Liabilities and Fund Balances					
Accounts payable and other liabilities	\$ 646,755	\$ -	\$ -	\$ 129,353	\$ 776,108
Accrued payroll and related liabilities	646,274	-	-	19,079	665,353
Due to other funds	-	-	-	150,282	150,282
Due to component units	-	614,351	5,403,730	-	6,018,081
Deferred revenue	2,051,050	1,168,511	-	1,077,690	4,297,251
Total Liabilities	<u>3,344,079</u>	<u>1,782,862</u>	<u>5,403,730</u>	<u>1,376,404</u>	<u>11,907,075</u>
Fund balances					
Nonspendable	381,292	-	7,202,216	-	7,583,508
Restricted	-	267,222	-	4,619,978	4,887,200
Committed	2,066,199	-	1,746,046	3,952,126	7,764,371
Assigned	-	-	-	-	-
Unassigned	7,789,934	-	-	(38,562)	7,751,372
Total Fund Balance	<u>10,237,425</u>	<u>267,222</u>	<u>8,948,262</u>	<u>8,533,542</u>	<u>27,986,451</u>
Total Liabilities and Fund Balance	<u>\$ 13,581,504</u>	<u>\$ 2,050,084</u>	<u>\$ 14,351,992</u>	<u>\$ 9,909,946</u>	<u>\$ 39,893,526</u>
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not expendable, available financial resources and, therefore, are not reported in the funds					\$ 74,795,468
Internal service funds are used by management to charge the costs of workers' compensation and employee health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets					660,924
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					4,297,251
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds					<u>(102,196,310)</u>
Net Assets of Governmental Activities					<u>\$ 5,543,784</u>

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	General Fund	School Ad Valorem Tax Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 36,288,271	\$ 1,063,515	\$ 6,382,826	\$ 2,483,456	\$ 46,218,068
Licenses and permits	6,611,198	-	-	-	6,611,198
Intergovernmental	321,631	-	-	3,956,675	4,278,306
Charges for services	1,475,247	-	-	273,654	1,748,901
Fines and forfeitures	554,527	-	-	93,714	648,241
Other revenue	245,843	-	573,726	431,273	1,250,842
Total Revenue	<u>45,496,717</u>	<u>1,063,515</u>	<u>6,956,552</u>	<u>7,238,772</u>	<u>60,755,556</u>
Current					
General government	2,232,281	-	-	-	2,232,281
Internal services	3,201,720	-	26,839	-	3,228,559
Public safety	19,953,979	-	-	1,346,920	21,300,899
Recreation and cultural services	6,242,541	-	-	437,180	6,679,721
Public works services	5,103,569	-	-	-	5,103,569
Urban development	1,594,691	-	-	4,209	1,598,900
Non-departmental	4,370,737	-	-	-	4,370,737
Intergovernmental	1,444,442	765,681	644,225	1,908,048	4,762,396
Debt service					
Principal retirement	-	-	-	4,918,109	4,918,109
Interest and fiscal charges	4,860	-	-	2,686,466	2,691,326
Capital outlays	473,458	-	1,625,686	2,324,819	4,423,963
Total Expenditures	<u>44,622,278</u>	<u>765,681</u>	<u>2,296,750</u>	<u>13,625,751</u>	<u>61,310,460</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>874,439</u>	<u>297,834</u>	<u>4,659,802</u>	<u>(6,386,979)</u>	<u>(554,904)</u>
Other Financing Sources (Uses)					
Capital lease inception	-	-	793,686	-	793,686
Proceeds from refunding warrants	-	-	-	29,365,551	29,365,551
Premiums on warrants issued	-	-	-	494,361	494,361
Payments to escrow agent	-	-	-	(28,480,056)	(28,480,056)
Issuance costs	-	-	-	(319,897)	(319,897)
Proceeds from sale of assets	60,012	-	-	216,801	276,813
Transfers	(2,425,755)	(239,637)	(4,389,611)	6,015,373	(1,039,630)
Total other financing sources (uses)	<u>(2,365,743)</u>	<u>(239,637)</u>	<u>(3,595,925)</u>	<u>7,292,133</u>	<u>1,090,828</u>
Net Change in Fund Balances	<u>(1,491,304)</u>	<u>58,197</u>	<u>1,063,877</u>	<u>905,154</u>	<u>535,924</u>
Fund Balance, Beginning of Year	<u>11,728,729</u>	<u>209,025</u>	<u>7,884,385</u>	<u>7,628,388</u>	<u>27,450,527</u>
Fund Balance, End of Year	<u>\$ 10,237,425</u>	<u>\$ 267,222</u>	<u>\$ 8,948,262</u>	<u>\$ 8,533,542</u>	<u>\$ 27,986,451</u>

See accompanying notes to 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
September 30, 2012

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

Net change in fund balance - total governmental funds	\$ 535,924
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	(2,360,085)
Revenue is recognized in the governmental funds when they are both measurable and available to pay the liabilities of the current period. Revenues are recognized in the statement of activities when they are earned	(1,175)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	2,207,798
Some expenses reported in the statement of activities differ from amounts reported as expenditures in governmental funds	70,138,440
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>303,315</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 70,824,217</u></u>

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	<u>Air Depot</u>	<u>Garbage</u>	<u>Golf</u>	<u>Totals</u>	
Assets					
Current Assets					
Cash and cash equivalents	\$ 68,207	\$ 1,311	\$ 1,050	\$ 70,568	\$ 2,399,664
Receivables, net of allowances for uncollectibles					
Accounts	5,140	654,402	-	659,542	30,622
Inventories	-	-	13,497	13,497	-
Prepays	-	-	20,053	20,053	470,755
Total Current Assets	<u>73,347</u>	<u>655,713</u>	<u>34,600</u>	<u>763,660</u>	<u>2,901,041</u>
Capital assets, net of accumulated depreciation					
Land	111,470	267,134	2,597,560	2,976,164	-
Buildings	1,440,741	219,309	775,895	2,435,945	-
Improvements	34,078	416,621	3,374,968	3,825,667	-
Equipment	23,995	169,999	101,107	295,101	-
Total Assets	<u>\$ 1,683,631</u>	<u>\$ 1,728,776</u>	<u>\$ 6,884,130</u>	<u>\$ 10,296,537</u>	<u>\$ 2,901,041</u>
Liabilities					
Current Liabilities					
Accounts payable and other current liabilities	\$ 24,973	\$ 98,057	\$ 34,630	\$ 157,660	\$ 4,623
Accrued payroll and related liabilities	988	22,546	7,864	31,398	2,852
Compensated absences payable	-	54,179	13,297	67,476	3,206
Claims and adjustments payable	-	-	-	-	2,247,072
Accrued landfill closure and post closure	-	54,750	-	54,750	-
Current portion of general obligation warrants	140,000	-	-	140,000	-
Deferred revenue	21,767	-	-	21,767	-
Due to other funds	-	1,257,497	1,455,293	2,712,790	-
Total Current Liabilities	<u>187,728</u>	<u>1,487,029</u>	<u>1,511,084</u>	<u>3,185,841</u>	<u>2,257,753</u>
Accrued landfill closure and post closure	-	1,468,834	-	1,468,834	-
Net OPEB Obligation	-	324,768	150,097	474,865	-
General obligation warrants payable	700,000	-	-	700,000	-
Total Liabilities	<u>887,728</u>	<u>3,280,631</u>	<u>1,661,181</u>	<u>5,829,540</u>	<u>2,257,753</u>
Net Assets					
Invested in capital assets, net of related debt	770,284	1,073,063	6,849,530	8,692,877	-
Unrestricted	25,619	(2,624,918)	(1,626,581)	(4,225,880)	643,288
Total Net Assets	<u>\$ 795,903</u>	<u>\$ (1,551,855)</u>	<u>\$ 5,222,949</u>	<u>\$ 4,466,997</u>	<u>\$ 643,288</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				\$ (17,636)	
Net Assets of Business Type Activities				<u>\$ 4,449,361</u>	

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	<u>Air Depot</u>	<u>Garbage</u>	<u>Golf</u>	<u>Totals</u>	
Operating Revenue					
Charges for sales and services	\$ 416,944	\$ 2,240,890	\$ 533,643	\$ 3,191,477	\$ 7,615,086
Total Operating Revenue	<u>416,944</u>	<u>2,240,890</u>	<u>533,643</u>	<u>3,191,477</u>	<u>7,615,086</u>
Operating Expenses					
Cost of sales and services	149,535	3,021,111	786,341	3,956,987	7,294,845
Depreciation	<u>97,016</u>	<u>193,633</u>	<u>309,902</u>	<u>600,551</u>	<u>-</u>
Total Operating Expenses	<u>246,551</u>	<u>3,214,744</u>	<u>1,096,243</u>	<u>4,557,538</u>	<u>7,294,845</u>
Operating income (loss)	<u>170,393</u>	<u>(973,854)</u>	<u>(562,600)</u>	<u>(1,366,061)</u>	<u>320,241</u>
Nonoperating Revenue (Expenses)					
Other	-	64,833	-	64,833	-
Gain on sale of assets	-	1,771	-	1,771	-
Interest expense	<u>(60,266)</u>	<u>-</u>	<u>-</u>	<u>(60,266)</u>	<u>-</u>
Total Nonoperating Revenue (Expenses)	<u>(60,266)</u>	<u>66,604</u>	<u>-</u>	<u>6,338</u>	<u>-</u>
Net Income (Loss) Before Contributions Transfers and Special Items	<u>110,127</u>	<u>(907,250)</u>	<u>(562,600)</u>	<u>(1,359,723)</u>	<u>320,241</u>
Other Financing Sources (Uses)					
Operating transfers in	-	576,154	463,476	1,039,630	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>576,154</u>	<u>463,476</u>	<u>1,039,630</u>	<u>320,241</u>
Change in Net Assets	110,127	(331,096)	(99,124)	(320,093)	320,241
Net Assets - Beginning of Year	<u>685,776</u>	<u>(1,220,759)</u>	<u>5,322,074</u>	<u>4,787,090</u>	<u>323,047</u>
Net Assets - End of Year	<u>\$ 795,903</u>	<u>\$ (1,551,855)</u>	<u>\$ 5,222,950</u>	<u>\$ 4,466,997</u>	<u>\$ 643,288</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>\$ 16,925</u>	
Change In Net Assets of Business-Type Activities				<u>\$ (303,168)</u>	

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental
	Air Depot	Garbage	Golf	Totals	Activities - Internal Service Fund
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 412,821	\$ 1,997,749	\$ 531,852	\$ 2,942,422	\$ 7,584,464
Payments to suppliers	(99,490)	(1,416,725)	(470,775)	(1,986,990)	(7,076,201)
Payments to employees	(152,814)	(1,226,169)	(530,297)	(1,909,280)	(160,321)
Net Cash Provided/(Used) by Operating Activities	<u>160,517</u>	<u>(645,145)</u>	<u>(469,220)</u>	<u>(953,848)</u>	<u>347,942</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	-	576,154	463,476	1,039,630	-
Other	-	64,833	-	64,833	-
Net Cash Flows Provided/(Used) by Noncapital Financing Activities	<u>-</u>	<u>640,987</u>	<u>463,476</u>	<u>1,104,463</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Proceeds from warrant issue	-	-	-	-	-
Proceeds from sale of capital assets	-	3,366	-	3,366	-
Acquisition and construction of capital assets	(25,841)	(82,693)	(104,450)	(212,984)	-
Principal paid on capital debt	(140,000)	-	-	(140,000)	-
Interest paid on capital debt	(60,266)	-	-	(60,266)	-
Net Cash Flows Provided/(Used) by Capital and Related Financing Activities	<u>(226,107)</u>	<u>(79,327)</u>	<u>(104,450)</u>	<u>(409,884)</u>	<u>-</u>
Cash Flows From Investing Activities					
Interest received	-	-	-	-	-
Net Increase (Decrease) In Cash and Cash Equivalents	<u>(65,590)</u>	<u>(83,485)</u>	<u>(110,194)</u>	<u>(259,269)</u>	<u>347,942</u>
Cash and Cash Equivalents, Beginning of Year	<u>133,797</u>	<u>84,796</u>	<u>111,244</u>	<u>329,837</u>	<u>2,051,722</u>
Cash and Cash Equivalents, End of Year	<u>\$ 68,207</u>	<u>\$ 1,311</u>	<u>\$ 1,050</u>	<u>\$ 70,568</u>	<u>\$ 2,399,664</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities					
Operating income (loss)	\$ 170,393	\$ (973,854)	\$ (562,600)	\$ (1,366,061)	\$ 320,241
Depreciation	97,016	193,633	309,902	600,551	-
Change in receivables	(4,224)	(243,141)	-	(247,365)	(30,622)
Change in due from other funds	-	-	-	-	-
Change in prepaids	-	-	-	-	56,430
Change in inventories	-	-	-	-	-
Change in accounts payable and other current liabilities	(11,969)	(8,503)	15,574	(4,898)	2,458
Change in due to other funds	-	(77,402)	(165,924)	(243,326)	-
Change in accrued payroll and related liabilities	(2,256)	(2,727)	(5,398)	(10,381)	34
Change in accrued compensated absences	(14,578)	(5,128)	13,296	(6,410)	(599)
Change in accrued landfill closure and post closure	-	630,908	-	630,908	-
Change in net OPEB obligation	(73,966)	(158,931)	(72,280)	(305,177)	-
Accrued liabilities	-	-	-	-	-
Deferred revenue	101	-	(1,790)	(1,689)	-
Net Cash Flows Provided/(Used) by Operating Activities	<u>\$ 160,517</u>	<u>\$ (645,145)</u>	<u>\$ (469,220)</u>	<u>\$ (953,848)</u>	<u>\$ 347,942</u>

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

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 revenues of the City. No eliminations have been made to these amounts.

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

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

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. The City made appropriations to the Etowah Gadsden Industrial Development Board and the Gadsden Commercial Development Authority in the amounts of \$450,000 and \$120,500 respectively. The received a payment in lieu of taxes from the Greater Gadsden Housing Authority in the amount of \$74,512.

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. Non-major funds of each type are summarized into a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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)
For the Year Ended September 30, 2012

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 they are 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 they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales and use taxes, beer taxes, occupational taxes, lodging taxes, rental and leasing taxes, payments in lieu of taxes, intergovernmental 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 \$6 million property tax that is earmarked for educational purposes.
- The *capital improvements fund* accounts for the proceeds of certain capital debt and for the portion of sales and use taxes that are earmarked for capital purposes.

The City reports the following major proprietary funds:

- The *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.
- *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.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Proprietary funds distinguish *operating* 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.

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

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

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.

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012**

Note 1 – Summary of Significant Accounting Policies (continued)

All receivables are shown net of an allowance for uncollectibles.

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

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

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

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

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

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

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

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

Interest incurred during the construction phase of major capital projects is included in the capitalized cost of assets in business-type activities. The total interest expense incurred by the City during the current fiscal year was \$3,553,732. None of this amount was included as part of construction cost.

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

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

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012**

Note 1 – Summary of Significant Accounting Principles (continued)

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

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

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

Compensated Absences – City employees earn sick leave at the rate of one day per month of service. Each employee can accumulate 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, discounts, and deferred amounts on refunding transactions are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the unamortized portion of these amounts. Long-term obligations are not reported in governmental funds.

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

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

Restricted net assets are those whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City or that expire with the passage of time. The government-wide statement of net assets reports \$4,848,638 of restricted net assets, of which \$1,235,630 is restricted by enabling legislation. Unrestricted net assets are not subject to external restrictions but may be designated for specific purposes by the City’s management or the City council.

Fund Balance – Governmental Funds – The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 1 – Summary of Significant Accounting Principles (continued)

- Non-spendable – 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 non-spendable at September 30, 2012 by the City, are non-spendable 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>
Non-spendable Funds			
Inventories	\$ 227,971	\$ -	\$ 227,971
Non-current receivables	<u>153,321</u>	<u>7,202,216</u>	<u>7,355,537</u>
Non-spendable Fund Balance	<u>\$ 381,292</u>	<u>\$ 7,202,216</u>	<u>\$ 7,583,508</u>

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

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Restricted for			
Community development and social services	\$ 1,834,044	\$ -	\$ 1,834,044
Other purposes and grants	1,558,513	-	1,558,513
Public safety	207,693	-	207,693
Road repair	6,384	-	6,384
Debt service reserves	<u>-</u>	<u>1,280,566</u>	<u>1,280,566</u>
Restricted Fund Balance	<u>\$ 3,606,634</u>	<u>\$ 1,280,566</u>	<u>\$ 4,887,200</u>

- 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.

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Total</u>
Committed for			
Legal claims	\$ 608,306	\$ -	\$ 608,306
Comp absences	366,660	-	366,660
Encumbrances	892,557	-	892,557
Community development	198,676	-	198,676
Capitol improvements	<u>-</u>	<u>5,698,172</u>	<u>5,698,172</u>
Committed Fund Balance	<u>\$ 2,066,199</u>	<u>\$ 5,698,172</u>	<u>\$ 7,764,371</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 1 – Summary of Significant Accounting Principles (continued)

- Assigned – includes amounts that The City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Finance Director or other City management. The City had no assigned fund balances at September 30, 2012.
- 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.
- Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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.

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

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

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

General obligation warrants payable	\$ (55,790,000)
Deferred charge on refunding (to be amortized as interest expense)	136,783
Deferred charge for issuance costs (to be amortized over the life of the debt)	(546,481)
Issuance discounts and premiums (to be amortized as interest expense)	1,937,949
Bond issue costs	513,793
Special obligation bonds	(528,582)
HUD Section 108 loans	(1,350,000)
Capital leases	(2,538,532)
Accrued interest payable	(351,734)
Compensated absences	(2,538,986)
Claims and judgments	(632,905)
OPEB Obligation	<u>(40,507,615)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (102,196,310)</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 2 – Reconciliation of Government-Wide and Fund Balance Statements (continued)

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 assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Outlays capitalized	\$ 3,987,967
Net value of assets disposed or transferred to proprietary funds	(358,021)
Depreciation expense	<u>(5,990,031)</u>
Net adjustment to increase net change in fund balances - total government funds to arrive at changes in net assets of governmental activities	<u>\$ (2,360,085)</u>

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Debt issued or incurred	
Capital lease inceptions	\$ (793,686)
Proceeds from long-term debt issued	(29,345,000)
Amortization of long-term debt issuance costs, premiums, discounts, etc.	(789,819)
Principal repayments (including refunding proceeds to escrow agent)	<u>33,136,303</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,207,798</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	\$ 161,656
Claims and judgments	(10,595)
OPEB Obligation	69,999,699
Accrued interest	<u>(12,320)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 70,138,440</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.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 3 – Stewardship, Compliance, and Accountability (continued)

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.
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, 2012, there were no expenditures in excess of appropriations in any fund (the legal level of budgetary control).

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, 2012.

At September 30, 2012, 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.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012

Note 4 – Deposits and Investments (continued)

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

2005 G.O. Warrants	\$ 619,900
2003-B G.O. Warrants	179,812
2002-B G.O. Warrants	154,982
Airport Authority	168,244
2003-A G.O. Warrants	51,650
2004 G.O. Warrants	39,375
2006-A G.O. Warrants	6,984
2006-B G.O. Warrants	6,451
Honda Project Assistance	3,254
2010 G.O. Warrants	1,852
Capital Leases	<u>1</u>
Total	<u>\$ 1,232,505</u>

Note 5 – Receivables

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

	<u>General</u>	<u>School Ad Valorem</u>	<u>Capital Improvements</u>	<u>Air Depot</u>
Taxes receivable	\$ 4,911,446	\$ 1,231,835	\$ 515,192	\$ -
Accounts receivable	-	-	-	5,140
Intergovernmental receivables	-	-	-	-
Notes and other receivables	<u>153,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross receivables	5,064,767	1,231,835	515,192	5,140
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 5,064,767</u>	<u>\$ 1,231,835</u>	<u>\$ 515,192</u>	<u>\$ 5,140</u>

	<u>Garbage</u>	<u>Golf</u>	<u>Non-Major and Other</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ 1,183,052	\$ 7,841,525
Accounts receivable	654,402	-	-	659,542
Intergovernmental receivables	-	-	454,529	454,529
Notes and other receivables	<u>-</u>	<u>-</u>	<u>491</u>	<u>153,812</u>
Net Receivables	<u>\$ 654,402</u>	<u>\$ -</u>	<u>\$ 1,638,072</u>	<u>\$ 9,109,408</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: \$96,578.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 6 – Capital Assets

Governmental Activities

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

	Balance Beginning of Year	Additions/ Completions	Retirements Adjustments	Balance September 30, 2012
Capital Assets Not Being Depreciated				
Land	\$ 15,139,104	\$ 26,556	\$ -	\$ 15,165,660
Construction in progress	<u>4,290,360</u>	<u>950,723</u>	<u>(4,166,533)</u>	<u>1,074,550</u>
Total Capital Assets Not Being Depreciated	<u>19,429,464</u>	<u>977,278</u>	<u>(4,166,533)</u>	<u>16,240,210</u>
Capital Assets Being Depreciated				
Buildings and capital facilities	43,794,002	240,467	-	44,034,469
Improvements	16,743,611	692,714	-	17,436,325
Equipment	33,082,573	1,637,689	(1,341,549)	33,378,713
Other infrastructures	<u>39,967,493</u>	<u>4,622,617</u>	<u>-</u>	<u>44,590,111</u>
Total Capital Assets Being Depreciated	<u>133,587,679</u>	<u>7,193,488</u>	<u>(1,341,549)</u>	<u>139,439,618</u>
Less Accumulated Depreciation for:				
Buildings and capital facilities	29,208,919	873,093	-	30,082,012
Improvements	2,501,190	683,599	-	3,184,788
Equipment	21,832,545	2,475,981	(992,523)	23,316,002
Infrastructure	<u>22,318,934</u>	<u>1,982,622</u>	<u>-</u>	<u>24,301,556</u>
Total Accumulated Depreciation	<u>75,861,588</u>	<u>6,015,295</u>	<u>(992,523)</u>	<u>80,884,359</u>
Total Capital Assets Being Depreciated, net	<u>57,726,091</u>	<u>1,178,193</u>	<u>(349,026)</u>	<u>58,555,259</u>
Total Capital Assets, net	<u>\$ 77,155,555</u>	<u>\$ 2,155,472</u>	<u>\$ (4,515,558)</u>	<u>\$ 74,795,468</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 6 – Capital Assets (continued)

Business-Type Activities

	Adjusted Balance Beginning of Year	Additions/ Completions	Retirements Adjustments	Balance September 30, 2012
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/improvements to buildings	7,158,278	-	-	7,158,278
Improvements other than buildings	7,047,624	-	-	7,047,624
Equipment	<u>3,476,576</u>	<u>260,425</u>	<u>(444,207)</u>	<u>3,292,794</u>
Total Capital Assets Being Depreciated	<u>17,682,478</u>	<u>260,425</u>	<u>(444,207)</u>	<u>17,498,696</u>
Less Accumulated Depreciation for:				
Buildings/improvements to buildings	4,527,285	195,048	-	4,722,333
Improvements to buildings	2,923,978	297,979	-	3,221,957
Equipment	<u>3,287,664</u>	<u>154,119</u>	<u>(444,090)</u>	<u>2,997,693</u>
Total Accumulated Depreciation	<u>10,738,926</u>	<u>647,146</u>	<u>(444,090)</u>	<u>10,941,983</u>
Total Capital Assets Being Depreciated, net	<u>6,943,552</u>	<u>(386,721)</u>	<u>(117)</u>	<u>6,556,714</u>
Total Capital Assets, net	<u>\$ 9,919,716</u>	<u>\$ (386,721)</u>	<u>\$ (117)</u>	<u>\$ 9,532,877</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012

Note 6 – Capital Assets (continued)

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

General government	\$ 35,854
Internal services	72,678
Public safety	1,763,635
Recreation and cultural services	1,185,988
Public works services	310,287
Urban development	<u>2,621,889</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,990,331</u>
Airport	\$ 97,016
Garbage	193,633
Golf Course	<u>309,902</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 600,551</u>

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>
Bridge - 11th Street at Black Creek	\$ 18,249	\$ 204,295
East Broad / Hood Avenue Turn Lane	62,191	60,689
General Forrest School	222,514	38,850
Fire Department Classroom - Airport	12,277	175,000
Noccalula Greenway	650,502	99,161
East Gadsden Access Road	109,983	4,400
Tusc. Avenue Bridge	43,137	200,000
Drainage	<u>1,582</u>	<u>556,364</u>
Total	<u>\$ 1,120,435</u>	<u>\$ 1,338,759</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)
For the Year Ended September 30, 2012

Note 6 – Capital Assets (continued)

Discretely Presented Component Units

Gadsden Board of Education

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 5,644,533	\$ -	\$ -	\$ 5,644,533
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>5,644,533</u>	<u>-</u>	<u>-</u>	<u>5,644,533</u>
Other Capital Assets				
Buildings	61,774,180	-	-	61,774,180
Building improvements	17,986,051	-	-	17,986,051
Furniture and equipment	6,759,305	27,587	(116,099)	6,670,794
Vehicles	<u>35,168</u>	<u>-</u>	<u>(35,168)</u>	<u>-</u>
Total Capital Assets Being Depreciated	<u>86,554,704</u>	<u>27,587</u>	<u>(151,267)</u>	<u>86,431,025</u>
Less Accumulated Depreciation for:				
Buildings	18,773,228	1,090,958	-	19,864,186
Building improvements	11,675,687	612,402	-	12,288,089
Furniture and equipment	<u>4,697,134</u>	<u>297,734</u>	<u>(151,267)</u>	<u>4,843,601</u>
Total Accumulated Depreciation	<u>35,146,049</u>	<u>2,001,094</u>	<u>(151,267)</u>	<u>36,995,876</u>
Total Capital Assets Being Depreciated, net	<u>51,408,656</u>	<u>(1,973,507)</u>	<u>-</u>	<u>49,435,149</u>
Total Governmental Activities Capital Assets, net	<u>\$ 57,053,188</u>	<u>\$ (1,973,507)</u>	<u>\$ -</u>	<u>\$ 55,079,682</u>
Depreciation Expense was Charged to Governmental Functions as Follows:				
Instructional Services				\$ 1,446,191
Instructional Support Services				245,734
Operation and Maintenance Service				14,608
Student Transportation				55,018
Food Service				195,519
General Administrative Services				<u>44,024</u>
Total Governmental Activities Depreciation Expense				<u>\$ 2,001,094</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 6 – Capital Assets (continued)

Discretely Presented Component Units

Gadsden Airport Authority

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 713,321	\$ -	\$ -	\$ 713,321
Land and land development costs - held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>713,321</u>	<u>-</u>	<u>-</u>	<u>713,321</u>
Other Capital Assets				
Airport runways	7,739,974	-	-	7,739,974
Buildings	181,066	14,450	-	195,518
Equipment	141,927	42,443	-	184,370
Improvements, other than building	3,056,544	198,378	-	3,254,922
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Capital Assets, at cost	<u>11,119,511</u>	<u>255,271</u>	<u>-</u>	<u>11,374,782</u>
Less Accumulated Depreciation for:				
Airport runways	5,422,241	154,466	-	5,576,707
Buildings	103,610	7,974	-	111,584
Equipment	97,716	20,619	-	118,335
Improvements, other than building	<u>642,673</u>	<u>137,030</u>	<u>-</u>	<u>779,703</u>
Total Accumulated Depreciation	<u>6,266,240</u>	<u>320,089</u>	<u>-</u>	<u>6,586,329</u>
Other Capital Assets, net	<u>4,853,271</u>	<u>(64,818)</u>	<u>-</u>	<u>4,788,453</u>
Business-Type Activities Capital Assets, net	<u>\$ 5,566,592</u>	<u>\$ (64,818)</u>	<u>\$ -</u>	<u>\$ 5,501,774</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 7 – Interfund Receivables, Payables and Transfers

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Due To/From Other Funds		
General	\$ 2,863,073	\$ -
Golf Course	-	1,455,293
Residential Garbage	-	1,257,497
Community Development	-	37,898
Special Auto Tax	-	5,529
Emergency Management	-	7,510
Transportation & Planning	-	35,549
State Gas Tax	-	60,294
Economic Development	-	3,503
	<u> </u>	<u> </u>
Total	<u>\$ 2,863,073</u>	<u>\$ 2,863,073</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

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

	<u>Purpose</u>	<u>Amount</u>
<u>Transfers From General Fund - Transfers To</u>		
Residential Garbage	Operations	\$ 554,914
Gadsden Transit Grants	Operations	582,332
Transportation and Planning	Operations	42,582
Aging Program	Operations	101,516
Golf Course	Operations	463,476
Law Enforcement Grants	Operations	11,235
2011 GOW Debt Service	Debt Service	449,281
2002A GOW Debt Service	Debt Service	478,208
Capital Leases	Debt Service	<u>48,912</u>
Total Transfers From General Fund		<u>2,732,456</u>
<u>Transfers From School Ad Valorem - Transfers To</u>		
2002B GOW Debt Service	Debt Service	<u>239,637</u>
<u>Transfers From Capital Improvements Fund - Transfers To</u>		
2003B GOW Debt Service	Debt Service	1,739,065
2005 GOW Debt Service	Debt Service	857,175
Airport Authority Warrant	Debt Service	12,900
2004A GOW Debt Service	Debt Service	407,114
Capital Lease Obligation	Debt Service	1,118,527
Honda Assistance Debt Service	Debt Service	194,575
2006B GOW Debt Service	Debt Service	74,840
2006A GOW Debt Service	Debt Service	78,786
2012A GOW Debt Service	Debt Service	311,016
2012B GOW Debt Service	Debt Service	<u>96,391</u>
Total Transfers From Capital Improvements Fund		<u>4,890,388</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

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

<u>Transfers From Nonmajor Governmental Funds - Transfers To</u>			
Street Maintenance	Capital Projects		308,200
General Fund	Operations		256,827
Miscellaneous Grants	Operations		5,800
2002B GOW Debt Service	Debt Service		239,637
Capital Lease Obligation	Debt Service		227,905
2005 GOW Debt Service	Debt Service		580,903
2012C GOW Debt Service	Debt Service		229,831
2004A GOW Debt Service	Debt Service		59,737
2012 Capital Projects	Capital Projects	1,060,594	
2002A GOW Debt Service	Debt Service		<u>173,042</u>
Total Transfers From Nonmajor Governmental Funds			<u>3,142,475</u>
Total Transfers			<u>\$ 11,004,956</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.

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

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 assets.

Due From Component Units

On December 22, 2003, the City issued its \$29,560,000 General Obligation Warrants, Series 2003-B. These warrants were issued for the purpose of financing the costs of acquiring, constructing and equipping a new high school in connection with the consolidation of the Gadsden City Board of Education's existing three high schools. While the City is solely responsible for the debt service on these warrants, the City and the Board of Education executed a Funding Agreement that requires the Board of Education to make monthly payments to the City in the amount of \$75,000. \$ 11,633,646

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. 972,300

Total Due From Component Units \$ 12,605,946

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 Remarketing Agent remarketed all tendered bonds successfully in January 2009. The amount due has been recorded at the current principal balance outstanding on the letter of credit. \$ 5,403,730

School Ad Valorem Taxes receivable from taxpayers which are ultimately due to the Board of Education 614,351

Total Due to Component Units \$ 6,018,081

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012

Note 9 – Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Governmental Activities						
General Obligation Warrants, Series 2012-A	\$ -	\$ 17,790,000	\$ -	\$ 17,790,000	\$ -	\$ 17,790,000
General Obligation Warrants, Series 2012-B	-	3,950,000	(30,000)	3,920,000	65,000	3,855,000
General Obligation Warrants, Series 2012-C	-	7,605,000	(110,000)	7,495,000	190,000	7,305,000
General Obligation Warrants, Series 2011-A	5,000,000	-	(260,000)	4,740,000	270,000	4,470,000
General Obligation Warrants, Series 2006-A	825,000	-	(40,000)	785,000	40,000	745,000
General Obligation Warrants, Series 2005	11,200,000	-	(965,000)	10,235,000	1,000,000	9,235,000
General Obligation Warrants, Series 2004-A	3,905,000	-	(3,680,000)	225,000	225,000	-
General Obligation Warrants, Series 2003-A	7,060,000	-	(4,785,000)	2,275,000	205,000	2,070,000
General Obligation Warrants, Series 2003-B	24,845,000	-	(16,750,000)	8,095,000	705,000	7,390,000
General Obligation Warrants, Series 2002-A	625,000	-	(625,000)	-	-	-
General Obligation Warrants, Series 2002-B	450,000	-	(220,000)	230,000	230,000	-
Less deferred amounts						
For issuance discounts	(357,762)	-	220,979	(136,783)	(6,470)	(130,313)
On refunding	(507,325)	(1,594,052)	163,428	(1,937,949)	148,485	(2,086,434)
Plus deferred amounts						
For issuance premiums	89,747	494,361	(37,627)	546,481	37,627	508,854
Total General Obligation Warrants	53,134,660	28,245,309	(27,118,220)	54,261,749	3,109,642	51,152,107
Note payable	2,399,948	-	(2,399,948)	-	-	-
Special obligation bonds						
Honda assistance	686,902	-	(158,320)	528,582	166,721	361,861
HUD Section 108 Loans	1,525,000	-	(175,000)	1,350,000	175,000	1,175,000
Capital leases	3,103,243	739,000	(1,303,711)	2,538,532	1,261,111	1,277,421
Compensated absences	2,704,447	-	(162,255)	2,542,192	620,752	1,921,440
OPEB Liability	110,507,314	608,358	(70,608,057)	40,507,615	-	40,507,615
Claims and judgments	2,869,382	634,866	(624,271)	2,879,977	2,869,382	10,595
Governmental Activities Long-term Liabilities	\$ 176,930,896	\$ 30,227,532	\$ (102,549,783)	\$ 104,608,645	\$ 8,202,608	\$ 96,406,037
Business-Type Activities						
General Obligation Warrants, Series 2003	\$ 80,000	\$ -	\$ (40,000)	\$ 40,000	\$ 40,000	\$ -
Taxable general obligation warrants, Series 2005-B	900,000	-	(100,000)	800,000	100,000	700,000
Compensated absences	73,886	-	(6,410)	67,476	67,476	-
OPEB Liability	780,042	30,037	(335,214)	474,865	-	474,865
Accrued landfill closure and post closure	892,677	630,907	-	1,523,584	54,750	1,468,834
Business-Type Activities Long-term Liabilities	\$ 2,726,605	\$ 660,944	\$ (481,624)	\$ 2,905,925	\$ 262,226	\$ 2,643,699

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 9 – Long-term Liabilities (continued)

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

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

General Obligation Warrants, Special Obligation Bonds and Notes Payable

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

Governmental Activities:

General Obligation Warrants dated 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 percent to 4 percent.	\$ 17,790,000
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 percent to 4.45 percent.	3,920,000
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 percent to 4 percent.	7,495,000
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 a fixed rate of 3.85%. Balance of \$1,810,000 due at end of term	4,740,000
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	785,000
General Obligation Warrants dated June 1, 2005, are due in annual principal installments ranging from \$690,000 to \$1,285,000 through March 1, 2022, with interest payable semi-annually at rates varying from 2.65 percent to 5.00 percent	10,235,000
Taxable General Obligation Warrants dated January 21, 2005, are due in annual principal installments ranging from \$160,000 to \$415,000 through August 1, 2024, with interest payable semi-annually at rates varying from 4.00 percent to 6.00 percent	225,000
General Obligation Warrants dated December 22, 2003, are due in annual principal installments ranging from \$170,000 to \$495,000 through August 1, 2033, with interest payable semi-annually at rates varying from 1.50 percent to 4.80 percent	2,275,000
General Obligation Warrants dated December 22, 2003, are due in annual principal installments ranging from \$455,000 to \$1,785,000 through August 1, 2033, with interest payable semi-annually at rates varying from 1.10 percent to 5.125 percent	8,095,000

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 9 – Long-term Liabilities (continued)

General Obligation Refunding Warrants dated June 1, 2002, are due in annual principal installments ranging from \$25,000 to \$230,000 through February 1, 2013, with interest payable semi-annually at rates varying from 2.90 percent to 4.30 percent	230,000
Special Obligation Bonds dated July 1, 2000, issued by the East Central Alabama Industrial Development Authority of which the City is liable for approximately \$2,000,000, are due in annual principal installments ranging from \$118,255 to \$184,814, through February 1, 2015, with interest payable semi-annually at rates varying from 4.5 percent to 5.5 percent	528,582
HUD Section 108 Loans dated October 14, 2007, due in annual principal installments ranging from \$25,647 to \$322,672 through October 14, 2025, with interest payable semi-annually at LIBOR + 20 basis points	300,000
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>1,050,000</u>
Total Governmental Activities	<u>\$ 57,668,582</u>

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 percent	\$ 800,000
General Obligation Airport Warrants of 2003 are due in annual principal installments of \$40,000 beginning June 23, 2003 through June 23, 2013, with interest payable annually at 6.22 percent	<u>40,000</u>
Total Business-Type Activities	<u>\$ 840,000</u>

Subsequent Event

In December of 2012, the City issued warrants for the purpose of: (i) refunding the majority of the City's outstanding 2005 General Obligation Warrants, originally issued in the aggregate principal amount of \$16,315,000 and outstanding in the aggregate principal amount of \$10,235,000, (ii) providing a portion of the cost of capital improvements, and (iii) paying the issuance costs of the Warrants.

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

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, 2012:

	<u>Total</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities					
GOW Series 2012-A					
Principal	\$ 17,790,000	\$ -	\$ -	\$ 925,000	\$ 950,000
Interest	6,656,700	625,506	625,506	625,506	597,756
Total	<u>24,446,700</u>	<u>625,506</u>	<u>625,506</u>	<u>1,550,506</u>	<u>1,547,756</u>
GOW Series 2012-B					
Principal	3,920,000	65,000	305,000	305,000	315,000
Interest	1,069,030	133,070	131,978	126,244	119,534
Total	<u>4,989,030</u>	<u>198,070</u>	<u>436,978</u>	<u>431,244</u>	<u>434,534</u>
GOW Series 2012-C					
Principal	7,495,000	190,000	190,000	425,000	430,000
Interest	2,379,156	238,800	235,000	230,250	219,625
Total	<u>9,874,156</u>	<u>428,800</u>	<u>425,000</u>	<u>655,250</u>	<u>649,625</u>
GOW Series 2011					
Principal	4,740,000	270,000	295,000	300,000	305,000
Interest	1,194,926	178,496	167,668	156,436	144,760
Total	<u>5,934,926</u>	<u>448,496</u>	<u>462,668</u>	<u>456,436</u>	<u>449,760</u>
GOW Series 2006					
Principal	785,000	40,000	40,000	50,000	50,000
Interest	245,103	31,039	29,437	27,735	25,732
Total	<u>1,030,103</u>	<u>71,039</u>	<u>69,437</u>	<u>77,735</u>	<u>75,732</u>
GOW Series 2005					
Principal	10,235,000	1,000,000	1,030,000	1,065,000	1,110,000
Interest	2,175,818	422,295	388,285	352,138	305,750
Total	<u>12,410,818</u>	<u>1,422,295</u>	<u>1,418,285</u>	<u>1,417,138</u>	<u>1,415,750</u>
GOW Series 2004-A					
Principal	225,000	225,000	-	-	-
Interest	214,030	214,030	-	-	-
Total	<u>439,030</u>	<u>439,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
GOW Series 2003-A					
Principal	2,275,000	205,000	215,000	-	-
Interest	1,765,580	104,903	97,317	89,040	89,040
Total	<u>4,040,580</u>	<u>309,903</u>	<u>312,317</u>	<u>89,040</u>	<u>89,040</u>
GOW Series 2003-B					
Principal	8,095,000	705,000	730,000	-	-
Interest	6,334,775	373,870	347,785	319,680	319,680
Total	<u>14,429,775</u>	<u>1,078,870</u>	<u>1,077,785</u>	<u>319,680</u>	<u>319,680</u>
GOW Series 2002-B					
Principal	230,000	230,000	-	-	-
Interest	4,945	4,945	-	-	-
Total	<u>234,945</u>	<u>234,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Obligation Bonds -					
Honda Assistance					
Principal	528,582	166,721	175,121	186,740	-
Interest	57,431	28,102	19,349	9,980	-
Total	<u>586,013</u>	<u>194,823</u>	<u>194,470</u>	<u>196,720</u>	<u>-</u>
HUD Section 108 Loan					
Principal	300,000	100,000	100,000	100,000	-
Interest	30,460	15,210	10,160	5,090	-
Total	<u>330,460</u>	<u>115,210</u>	<u>110,160</u>	<u>105,090</u>	<u>-</u>
HUD Section 108 Loan					
Principal	1,050,000	75,000	75,000	75,000	75,000
Interest	428,962	56,963	53,175	49,373	45,555
Total	<u>1,478,962</u>	<u>131,963</u>	<u>128,175</u>	<u>124,373</u>	<u>120,555</u>
Total Governmental Activities					
Principal	57,668,582	3,271,721	3,155,121	3,431,740	3,235,000
Interest	22,556,916	2,427,229	2,105,660	1,991,472	1,867,432
Total	<u>\$ 80,225,498</u>	<u>\$ 5,698,950</u>	<u>\$ 5,260,781</u>	<u>\$ 5,423,212</u>	<u>\$ 5,102,432</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 9 – Long-term Liabilities (continued)

	<u>2017-2021</u>	<u>2022-2026</u>	<u>2027-2031</u>	<u>2032-2036</u>	<u>2037-2039</u>
Governmental Activities					
GOW Series 2012-A					
Principal	\$ 5,300,000	\$ 6,300,000	\$ 4,315,000	\$ -	\$ -
Interest	2,429,981	1,426,807	325,637	-	-
Total	<u>7,729,981</u>	<u>7,726,807</u>	<u>4,640,637</u>	-	-
GOW Series 2012-B					
Principal	1,725,000	1,205,000	-	-	-
Interest	451,757	106,447	-	-	-
Total	<u>2,176,757</u>	<u>1,311,447</u>	-	-	-
GOW Series 2012-C					
Principal	2,380,000	2,680,000	1,200,000	-	-
Interest	883,525	481,313	90,644	-	-
Total	<u>3,263,525</u>	<u>3,161,313</u>	<u>1,290,644</u>	-	-
GOW Series 2011					
Principal	1,760,000	1,810,000	-	-	-
Interest	530,145	17,421	-	-	-
Total	<u>2,290,145</u>	<u>1,827,421</u>	-	-	-
GOW Series 2006					
Principal	280,000	325,000	-	-	-
Interest	97,122	34,038	-	-	-
Total	<u>377,122</u>	<u>359,038</u>	-	-	-
GOW Series 2005					
Principal	5,215,000	815,000	-	-	-
Interest	691,050	16,300	-	-	-
Total	<u>5,906,050</u>	<u>831,300</u>	-	-	-
GOW Series 2004-A					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	-	-	-	-	-
GOW Series 2003-A					
Principal	-	-	885,000	970,000	-
Interest	445,200	445,200	424,560	70,320	-
Total	<u>445,200</u>	<u>445,200</u>	<u>1,309,560</u>	<u>1,040,320</u>	-
GOW Series 2003-B					
Principal	-	-	3,175,000	3,485,000	-
Interest	1,598,400	1,598,400	1,524,000	252,960	-
Total	<u>1,598,400</u>	<u>1,598,400</u>	<u>4,699,000</u>	<u>3,737,960</u>	-
GOW Series 2002-B					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	-	-	-	-	-
Special Obligation Bonds -					
Honda Assistance					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	-	-	-	-	-
HUD Section 108 Loan					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	-	-	-	-	-
HUD Section 108 Loan					
Principal	375,000	375,000	-	-	-
Interest	168,301	55,595	-	-	-
Total	<u>543,301</u>	<u>430,595</u>	-	-	-
Total Governmental Activities					
Principal	17,035,000	13,510,000	9,575,000	4,455,000	-
Interest	7,295,481	4,181,521	2,364,841	323,280	-
Total	<u>\$ 24,330,481</u>	<u>\$ 17,691,521</u>	<u>\$ 11,939,841</u>	<u>\$ 4,778,280</u>	<u>\$ -</u>

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012**

Note 9 – Long-term Liabilities (continued)

	<u>Total</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Business-Type Activities					
GOW, Series 2003					
Principal	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ -
Interest	2,488	2,488	-	-	-
Total	42,488	42,488	-	-	-
GOW, Series 2005-B					
Principal	800,000	100,000	100,000	100,000	100,000
Interest	237,725	52,803	46,203	39,603	33,093
Total	1,037,725	152,803	146,203	139,603	133,093
Total Business-Type Activities					
Principal	840,000	140,000	100,000	100,000	100,000
Interest	240,213	55,291	46,203	39,603	33,093
Total	\$ 1,080,213	\$ 195,291	\$ 146,203	\$ 139,603	\$ 133,093
	<u>2017-2021</u>	<u>2022-2026</u>	<u>2027-2031</u>	<u>2032-2036</u>	<u>2037-2039</u>
Business-Type Activities					
GOW, Series 2003					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total	-	-	-	-	-
GOW, Series 2005-B					
Principal	400,000	-	-	-	-
Interest	66,023	-	-	-	-
Total	466,023	-	-	-	-
Total Business-Type Activities					
Principal	400,000	-	-	-	-
Interest	66,023	-	-	-	-
Total	\$ 466,023	\$ -	\$ -	\$ -	\$ -

General Obligation Refunding

In January 2012, the City issued warrants for the purpose of: (i) refunding the majority of the City's outstanding 2003-A, 2003-B, 2004-A and 2006-B General Obligation Warrants, issued in the aggregate principal amount of \$43,040,000 and outstanding in the aggregate principal amount of \$35,810,000, (ii) providing a portion of the cost of capital improvements, and (iii) paying the issuance costs of the Warrants. As a result, the portions of the refunded warrants are considered to be defeased and the liabilities have been removed. This refunding produced a cash difference of approximately (\$902,463) and obtained an economic gain (difference between the present value of debt service payments of the refunded and refunding warrants) of approximately \$675,768. The outstanding principal balance of the defeased warrants as of September 30, 2012 was \$24,120,000.

Due to favorable interest rates, during the year ended September 30, 2005, the City issued \$16,315,000 in general obligation warrants, of which \$16,123,400 was placed in an irrevocable trust for the purpose of generating resources for all future debt service payments through 2022 of series 1999 and 2000 bond issues. As a result, the refunded warrants are considered to be defeased and the liability has been removed. The outstanding principal balance of the defeased warrants as of September 30, 2012 was \$10,630,000.

Capital Leases

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

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012**

Note 9 – Long-term Liabilities (continued)

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

Governmental Activities	
Equipment	\$ 12,157,779
Less: accumulated depreciation	<u>(5,506,914)</u>
Net Carrying Value	<u>\$ 6,650,865</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,	
2013	\$ 1,323,772
2014	733,990
2015	90,117
2016	81,965
2017	81,965
Thereafter	<u>368,844</u>
Total minimum lease payments	2,680,653
Less: amounts representing interest	<u>(142,121)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,538,532</u>

Interest Rate Swap

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

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%.

	<u>Beginning Balance</u>	<u>Issues</u>	<u>Maturities</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
General Obligation Warrants						
Series 2009	<u>\$ 7,990,000</u>	<u>\$ -</u>	<u>\$ 315,000.00</u>	<u>\$ 7,675,000</u>	<u>\$ 325,000</u>	<u>\$ 7,350,000</u>

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 9 – Long-term Liabilities (continued)

Future debt service to maturities for general obligation warrant:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 325,000	\$ 311,026	\$ 636,026
2014	340,000	297,876	637,876
2015	355,000	284,126	639,126
2016	365,000	1,209,208	1,574,208
2017	380,000	-	380,000
2018 - 2022	2,125,000	-	2,125,000
2023 - 2027	2,585,000	237,115	2,822,115
2028 - 2029	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Total	<u>\$ 7,675,000</u>	<u>\$ 2,339,351</u>	<u>\$ 10,014,351</u>

Claims and Judgments

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

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

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CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012**

Note 9 – Long-term Liabilities (continued)

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	\$ 2,247,072	\$ 622,310	\$ 2,869,382
Incurred claims (including IBNRs)	397,069	237,797	634,866
Claim payments	(397,069)	(227,202)	(624,271)
Liability estimate reduction	<u>-</u>	<u>-</u>	<u>-</u>
Unpaid Claims, End of Year	<u>\$ 2,247,072</u>	<u>\$ 632,905</u>	<u>\$ 2,879,977</u>

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

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

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

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2012**

Note 9 – Long-term Liabilities (continued)

Landfill Closure and Post Closure Care Cost

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

The \$1,523,584 reported as landfill closure and post closure care liability at September 30, 2012, represents the cumulative amount reported to date, based on the use of 62 percent of the estimated capacity of its Brunsway Drive site and post closure care costs for 19 remaining years at the Noccalula Falls sites. The City will recognize the remaining estimated cost of closure and post closure care of \$483,334 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 2012. 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, 2012.

Note 10 – Contingencies

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

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

Note 11 – Pension Funds

Employees' Retirement System of Alabama

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

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

The RSA was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the RSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 11 – Pension Funds (continued)

1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama.

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

Funding Policy – The employee contribution rate is 6% of annual compensation for full-time fire firefighters and full time law enforcement officers. All other City employees are required to contribute 5% of their annual compensation to the system. The City is required to contribute at an actuarially determined rate, which is currently 24.54% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by the ERSA Board of Control.

Annual Pension Cost – The actuarial valuation is made annually one year in arrears. The most recent valuation was made as of September 30, 2010. The City’s annual pension cost for the year ended September 30, 2011, of \$4,478,038 was equal to the City’s required and actual contributions. The required contribution was determined as part of the September 30, 2010, actuarial valuation.

Actuarial Valuation Information –

Valuation date	9/30/2011
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increases *	3.75% – 7.25%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

Trend Information -

<u>Ended</u>	<u>Cost (APC)</u>	<u>APC Contributed</u>
9/30/2009	4,893,468	100%
9/30/2010	4,777,843	100%
9/30/2011	4,915,586	100%

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

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

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 11 – Pension Funds (continued)

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

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

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 percent for medical and hospitalization cost for eligible retirees and their dependents. This includes secondary payments of approved charges not paid by Medicare for those retirees and dependents covered by Medicare.

During the fiscal year ended September 30, 1991, the City adopted an ordinance that limits post-retirement health care benefits for all employees retiring after October 1, 1991. This ordinance specifically requires that any employee retiring before age 55 will pay 100 percent of the applicable premiums. Employees retiring due to medical disability or retiring between the ages of 55 and 65 will have their premiums subsidized by the City at \$150 per month for family coverage and \$65 per month for single coverage.

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.

The City also authorized a one-time Voluntary Retirement Incentive Program (VRIP) during the 2012 fiscal year. The VRIP was available to full-time employees with 25 years of creditable service or 10 years of creditable service and also 60 years old or older in the lump sum amount of 2 weeks of pay for each year of creditable service. A total of 26 employees participated at a cost to the City of \$1,214,618.

Expenditures for post-retirement health care benefits are recognized as retirees report claims. As of September 30, 2012, there were 161 former employees that were receiving benefits. The City finances the plan on a pay-as-you-go basis.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 12 – Post-Employment Benefits (continued)

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)	\$ 3,717,635
Interest on net OPEB	1,008,602
Adjustment to ARC	<u>(2,128,907)</u>
Annual OPEB cost	2,597,330
Assumed contributions made	<u>(1,958,935)</u>
Change in net OPEB obligation	638,395
OPEB obligation – end of prior year	111,287,356
Adjustment due to amendments	<u>(70,943,271)</u>
OPEB obligation – beginning of year	\$ 40,344,085
OPEB obligation – end of year	<u>\$ 40,982,480</u>

The adjustment to the Net OPEB obligation for the year ending September 30, 2012 is an amount to adjust the Net OPEB obligation as of October 1, 2011 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 consist 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, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level
Remaining amortization period	26 years
Actuarial assumptions:	
Investment rate of return	2.50%

The following table shows the City’s annual OPEB cost and net obligation for the prior two 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>
9/30/2010	\$ 5,048,766	\$ 1,226,850	24.3%	\$ 107,229,722
9/30/2011	4,953,651	896,017	15.0%	\$ 111,287,356
9/30/2012	2,597,330	1,958,935	75.4%	\$ 40,982,480

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 12 – Post-Employment Benefits (continued)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)
10/1/2009	\$ -0-	\$ 80,750,037	\$ 80,750,037	0.0%
10/1/2010	-0-	N/A	N/A	0.0%
10/1/2011	-0-	40,344,085	40,344,085	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 12 – Recently Issued Accounting Standards

The following recently issued accounting standards have been or will be adopted by the City in the fiscal period stated:

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. GASB 57 is effective for the City’s fiscal year ending September 30, 2012, and its adoption did not expected to have a material effect on the City’s basic financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending improve the focus of a financial reporting on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic. GASB 61 is effective for the City’s fiscal year ending September 30, 2012, and its adoption did not expected to have a material effect on the City’s basic financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements in this Statement will improve financial reporting by contributing to the GASB’s efforts to codify all sources of *Generally Accepted Accounting Principles* for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2012

Note 12 – Recently Issued Accounting Standards (continued)

modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. GASB 62 is effective for the City's fiscal year ending September 30, 2013, and its adoption is not expected to have a material effect on the City's basic financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. GASB 63 is effective for the City's fiscal year ending September 30, 2013, and its adoption is not expected to have a material effect on the City's basic financial statements.

Note 13 – Subsequent Events

The City has evaluated subsequent events through March 15, 2013, the date the financial statements were available to be issued.

CITY OF GADSDEN, ALABAMA

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 36,475,000	\$ 36,475,000	\$ 36,288,271	\$ (186,729)
Licenses and permits	6,625,000	6,625,000	6,611,198	(13,802)
Intergovernmental	335,800	335,800	321,631	(14,169)
Charges for services	1,250,000	1,250,000	1,475,247	225,247
Fines and forfeitures	600,000	600,000	554,527	(45,473)
Other revenue	270,590	270,590	245,843	(24,747)
Total Revenue	<u>45,556,390</u>	<u>45,556,390</u>	<u>45,496,717</u>	<u>(59,673)</u>
Expenditures				
Current				
General government	2,150,717	2,195,577	2,232,281	(36,704)
Internal services	3,324,841	3,356,932	3,201,720	155,212
Public safety	20,735,459	20,777,083	19,953,979	823,104
Recreation and cultural services	6,431,135	6,478,574	6,242,541	236,033
Public works services	5,665,470	5,667,198	5,103,569	563,629
Urban development	1,924,383	1,941,415	1,594,691	346,724
Non-departmental	835,528	4,557,014	4,370,737	186,277
Intergovernmental	1,444,500	1,454,500	1,444,442	10,058
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	4,860	4,860	-
Capital outlay	602,900	1,216,154	473,458	742,696
Total Expenditures	<u>43,114,933</u>	<u>47,649,307</u>	<u>44,622,278</u>	<u>3,027,029</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>2,441,457</u>	<u>(2,092,917)</u>	<u>874,439</u>	<u>2,967,356</u>
Other Financing Sources (Uses)				
Proceeds from the sale of assets	-	-	60,012	60,012
Transfers	(2,427,037)	(2,436,965)	(2,425,755)	11,210
Total Other Financing Sources (Uses)	<u>(2,427,037)</u>	<u>(2,436,965)</u>	<u>(2,365,743)</u>	<u>71,222</u>
Net Change in Fund Balances	14,420	(4,529,882)	(1,491,304)	3,038,578
Fund Balance - Beginning of Year	<u>11,728,729</u>	<u>11,728,729</u>	<u>11,728,729</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 11,743,149</u>	<u>\$ 7,198,847</u>	<u>\$ 10,237,425</u>	<u>\$ 3,038,578</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,063,515	\$ 63,515
Other	-	-	-	-
Total Revenue	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,063,515</u>	<u>63,515</u>
Expenditures				
Intergovernmental	<u>765,490</u>	<u>765,490</u>	<u>765,681</u>	<u>(191)</u>
Total Expenditures	<u>765,490</u>	<u>765,490</u>	<u>765,681</u>	<u>(191)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>234,510</u>	<u>234,510</u>	<u>297,834</u>	<u>63,706</u>
Other Financing Sources (Uses)				
Transfers	<u>(234,510)</u>	<u>(234,510)</u>	<u>(239,637)</u>	<u>(5,127)</u>
Total Other Financing Sources (Uses)	<u>(234,510)</u>	<u>(234,510)</u>	<u>(239,637)</u>	<u>(5,127)</u>
Net Change in Fund Balances	-	-	58,197	58,579
Fund Balance - Beginning of Year	<u>209,025</u>	<u>209,025</u>	<u>209,025</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 209,025</u>	<u>\$ 209,025</u>	<u>\$ 267,222</u>	<u>\$ 58,197</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 6,200,000	\$ 6,200,000	\$ 6,382,826	\$ 182,826
Other	<u>1,000</u>	<u>1,000</u>	<u>573,726</u>	<u>572,726</u>
Total Revenue	<u>6,201,000</u>	<u>6,201,000</u>	<u>6,956,552</u>	<u>755,552</u>
Expenditures				
Internal services	25,000	27,681	26,839	842
Intergovernmental	279,225	644,225	644,225	-
Non-departmental	49,902	315,347	-	315,347
Capital outlay	<u>1,637,470</u>	<u>4,531,992</u>	<u>1,625,686</u>	<u>2,906,306</u>
Total Expenditures	<u>1,991,597</u>	<u>5,519,245</u>	<u>2,296,750</u>	<u>3,222,495</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>4,209,403</u>	<u>681,755</u>	<u>4,659,802</u>	<u>(2,466,943)</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	793,686	793,686
Transfers	<u>(5,109,403)</u>	<u>(4,250,052)</u>	<u>(4,389,611)</u>	<u>(139,559)</u>
Total Other Financing Sources (Uses)	<u>(5,109,403)</u>	<u>(4,250,052)</u>	<u>(3,595,925)</u>	<u>654,127</u>
Net Change in Fund Balances	(900,000)	(3,568,297)	1,063,877	(1,812,816)
Fund Balance - Beginning of Year	<u>7,884,385</u>	<u>7,884,385</u>	<u>7,884,385</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 6,984,385</u>	<u>\$ 4,316,088</u>	<u>\$ 8,948,262</u>	<u>\$ 4,632,174</u>

CITY OF GADSDEN, ALABAMA

**SCHEDULE OF PENSION PLAN FUNDING PROGRESS
For the Year Ended September 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) (1)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
9/30/1999	29,921,618	29,260,670	(660,948)	102.3%	9,208,542	-7.2%
9/30/2000	31,540,596	30,853,684	(686,912)	102.2%	9,233,860	-7.4%
9/30/2001	32,401,858	32,404,526	2,668	100.0%	9,374,545	0.0%
9/30/2002	40,491,874	72,026,746	31,534,872	56.2%	17,354,447	181.7%
9/30/2003	43,842,694	76,321,773	32,479,079	54.4%	18,719,676	172.5%
9/30/2004	46,642,962	76,353,027	29,710,065	61.1%	18,283,540	162.5%
9/30/2005	49,780,583	88,970,788	39,190,205	56.0%	18,966,254	206.6%
9/30/2006 (2)	53,680,624	95,791,410	42,110,786	56.0%	19,335,171	217.8%
9/30/2007	58,738,491	100,928,163	42,189,672	58.2%	19,464,294	216.8%
9/30/2008	61,241,644	103,930,759	42,689,115	58.9%	19,737,065	216.3%
9/30/2009	61,205,652	106,969,328	45,763,676	57.2%	19,846,284	230.6%
9/30/2010 (3)	60,357,641	107,555,356	47,197,715	56.1%	19,650,152	240.2%
9/30/2010 (3), (4)	60,357,641	107,759,328	47,401,687	56.0%	19,650,152	241.2%
9/30/2011 (4), (5)	59,587,745	110,449,513	50,861,768	54.0%	20,091,963	253.1%

- (1) Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- (2) Reflects changes in actuarial assumptions.
- (3) Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
- (4) Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% October 1, 2012.
- (5) Reflects changes in actuarial assumptions.

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

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

September 30, 2012

	<u>Special Revenue Funds</u>											
	<u>Total Nonmajor Funds</u>	<u>Special Auto Tax</u>	<u>State Gas Tax</u>	<u>Lodging Tax</u>	<u>Community Development</u>	<u>Ad Valorem Fire Tax</u>	<u>Library Grants</u>	<u>Tobacco Tax</u>	<u>Drug Task Force</u>	<u>Summer Food Service</u>	<u>Aging Program</u>	<u>Transportation and Planning</u>
Assets												
Cash and cash equivalents	\$ 6,872,445	\$ -	\$ -	\$432,000	\$ 50,577	\$ 532,561	\$ 52,495	\$ 49,194	\$28,944	\$5,138	\$ 14,259	\$ -
Investments	166,924	-	-	-	-	-	-	-	-	-	-	-
Receivables												
Interest	491	-	-	-	-	-	-	-	-	-	-	-
Taxes	1,183,052	9,160	24,484	17,331	-	1,088,849	-	-	-	-	-	-
Intergovernmental	454,529	-	-	-	46,945	-	-	-	-	-	3,002	52,236
Restricted cash	1,232,505	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 9,909,946	\$ 9,160	\$24,484	\$449,331	\$ 97,522	\$1,621,410	\$ 52,495	\$ 49,194	\$28,944	\$5,138	\$ 17,261	\$ 52,236
Liabilities and Fund Balances												
Liabilities												
Accounts payable and other liabilities	\$ 129,353	\$ -	\$ -	\$ -	\$ 12,517	\$ 41,659	\$ 4,246	\$ -	\$ 13	\$ -	\$ 1,060	\$ 13,279
Accrued payroll and related liabilities	19,079	-	-	-	3,078	-	211	-	-	-	1,820	2,645
Due to other funds	150,282	5,529	60,293	-	37,898	-	-	-	-	-	-	35,549
Deferred revenue	1,077,690	-	-	-	-	1,077,690	-	-	-	-	-	-
Total Liabilities	1,376,404	5,529	60,293	-	53,493	1,119,349	4,457	-	13	-	2,880	51,473
Fund Balances												
Restricted	4,619,978	3,631	-	449,331	44,029	502,061	48,038	49,194	28,931	5,138	14,381	763
Committed	3,952,126	-	-	-	-	-	-	-	-	-	-	-
Unassigned	(38,562)	-	(35,809)	-	-	-	-	-	-	-	-	-
Total Fund Balances	8,533,542	3,631	(35,809)	449,331	44,029	502,061	48,038	49,194	28,931	5,138	14,381	763
Total Liabilities and Fund Balances	\$ 9,909,946	\$ 9,160	\$24,484	\$449,331	\$ 97,522	\$1,621,410	\$ 52,495	\$ 49,194	\$28,944	\$5,138	\$ 17,261	\$ 52,236

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (continued)
 September 30, 2012

	Special Revenue Funds									
	Gadsden Transit Service	McKinney Shelter	Chemical Stockpile	Corrections Fund	Economic Development	Law Enforcement	Other Restricted Funds	Miscellaneous Grants	City Judge Fees	Total Special Revenue Funds
Assets										
Cash and cash equivalents	\$ 206,721	\$ -	\$ -	\$ 157,945	\$ -	\$ -	\$ 1,561,267	\$ -	\$ 14,827	\$ 1,940,760
Investments	-	-	-	-	-	-	-	-	-	-
Receivables										-
Interest	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	43,228	-	-	-	-	43,228
Intergovernmental	48,722	-	-	-	-	5,990	-	4,757	-	59,469
Due from component Units	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 255,443	\$ -	\$ -	\$ 157,945	\$ 43,228	\$ 5,990	\$ 1,561,267	\$ 4,757	\$ 14,827	\$ 2,043,457
Liabilities and Fund Balances										
Liabilities										
Accounts payable and other liabilities	\$ 8,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,193
Accrued payroll and related liabilities	11,325	-	-	-	-	-	-	-	-	11,325
Due to other funds	-	-	-	-	3,503	-	-	7,510	-	11,013
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>19,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,503</u>	<u>-</u>	<u>-</u>	<u>7,510</u>	<u>-</u>	<u>30,531</u>
Fund Balances										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	235,925	-	-	157,945	39,725	5,990	1,561,267	-	14,827	2,015,679
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(2,753)	-	(2,753)
Total Fund Balances	<u>235,925</u>	<u>-</u>	<u>-</u>	<u>157,945</u>	<u>39,725</u>	<u>5,990</u>	<u>1,561,267</u>	<u>(2,753)</u>	<u>14,827</u>	<u>2,012,926</u>
Total Liabilities and Fund Balances	\$ 255,443	\$ -	\$ -	\$ 157,945	\$ 43,228	\$ 5,990	\$ 1,561,267	\$ 4,757	\$ 14,827	\$ 2,043,457

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (continued)
 September 30, 2012

	Debt Service Funds													Total Debt Service Funds		
	Honda Assistance	2002-A Debt Service	2002-B Debt Service	2003-A Debt Service	2003-B Debt Service	2004-A Debt Service	Airport Authority	2005 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	Capital Leases
Assets																
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables																
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	49,812	-	-	-	-	-	-	-	-	49,812
Due from component Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	3,254	-	154,982	51,650	179,812	39,375	168,244	619,900	6,984	6,451	1,852	-	-	-	1	1,232,505
Total Assets	<u>\$ 3,254</u>	<u>\$ -</u>	<u>\$ 154,982</u>	<u>\$ 51,650</u>	<u>\$ 179,812</u>	<u>\$ 39,375</u>	<u>\$ 218,056</u>	<u>\$ 619,900</u>	<u>\$ 6,984</u>	<u>\$ 6,451</u>	<u>\$ 1,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,282,317</u>
Liabilities and Fund Balances																
Liabilities																
Accounts payable and other liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,751
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	1,751	-	-	-	-	-	-	-	-	1,751
Fund Balances																
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	3,254	-	154,982	51,650	179,812	39,375	216,305	619,900	6,984	6,451	1,852	-	-	-	1	1,280,566
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>3,254</u>	<u>-</u>	<u>154,982</u>	<u>51,650</u>	<u>179,812</u>	<u>39,375</u>	<u>216,305</u>	<u>619,900</u>	<u>6,984</u>	<u>6,451</u>	<u>1,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1,280,566</u>
Total Liabilities and Fund Balances	<u>\$ 3,254</u>	<u>\$ -</u>	<u>\$ 154,982</u>	<u>\$ 51,650</u>	<u>\$ 179,812</u>	<u>\$ 39,375</u>	<u>\$ 218,056</u>	<u>\$ 619,900</u>	<u>\$ 6,984</u>	<u>\$ 6,451</u>	<u>\$ 1,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,282,317</u>

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (continued)
 September 30, 2012

	Capital Projects Funds						Permanent Funds				
	Municipal Capital Improvements Funds	Capital Project Funds	Resurfacing Project 1999	2004-A Capital Project	2008-A Capital Project	2012-A Capital Project	Total Capital Project Funds	Nell Thomas Library	Library Endowment	Allison B. Rains	Total Permanent Funds
Assets											
Cash and cash equivalents	\$ 138,092	\$ 488,666	\$ 601,001	\$ 4,207	\$ 1,623,636	\$ 900,094	\$ 3,755,696	\$ 7,688	\$ 3,060	\$ 73	\$ 10,821
Investments	-	-	-	-	-	-	-	142,174	24,750	-	166,924
Receivables											
Interest	-	-	-	-	-	-	-	486	5	-	491
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	243,065	-	-	-	-	243,065	-	-	-	-
Due from component Units	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 138,092</u>	<u>\$ 731,731</u>	<u>\$ 601,001</u>	<u>\$ 4,207</u>	<u>\$ 1,623,636</u>	<u>\$ 900,094</u>	<u>\$ 3,998,761</u>	<u>\$ 150,348</u>	<u>\$ 27,815</u>	<u>\$ 73</u>	<u>\$ 178,236</u>
Liabilities and Fund Balances											
Liabilities											
Accounts payable and other liabilities	\$ -	\$ 3,498	\$ -	\$ -	\$ 43,137	\$ -	\$ 46,635	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>3,498</u>	<u>-</u>	<u>-</u>	<u>43,137</u>	<u>-</u>	<u>46,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	150,348	27,815	73	178,236
Committed	138,092	728,233	601,001	4,207	1,580,499	900,094	3,952,126	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>138,092</u>	<u>728,233</u>	<u>601,001</u>	<u>4,207</u>	<u>1,580,499</u>	<u>900,094</u>	<u>3,952,126</u>	<u>150,348</u>	<u>27,815</u>	<u>73</u>	<u>178,236</u>
Total Liabilities and Fund Balances	<u>\$ 138,092</u>	<u>\$ 731,731</u>	<u>\$ 601,001</u>	<u>\$ 4,207</u>	<u>\$ 1,623,636</u>	<u>\$ 900,094</u>	<u>\$ 3,998,761</u>	<u>\$ 150,348</u>	<u>\$ 27,815</u>	<u>\$ 73</u>	<u>\$ 178,236</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2012

	Special Revenue Funds										
	Total Nonmajor Funds	Special Auto Tax	State Gas Tax	Lodging Tax	Community Development	Ad Valorem Fire Tax	Library Grants	Tobacco Tax	Drug Task Force	Summer Food Service	Aging Program
Revenue											
Taxes	\$ 2,483,456	\$ -	\$ -	\$ 219,747	\$ -	\$ 952,644	\$ -	\$ 406,087	\$ -	\$ -	\$ -
Intergovernmental	3,956,675	112,453	446,638	-	778,793	-	158,413	-	-	95,293	15,678
Charges for services	273,654	-	-	-	105,280	-	-	-	-	-	-
Fines and forfeitures	93,714	-	-	-	-	-	-	-	-	-	-
Other	431,273	-	-	-	-	661	-	-	14,370	-	-
Total Revenue	<u>7,238,772</u>	<u>112,453</u>	<u>446,638</u>	<u>219,747</u>	<u>884,073</u>	<u>953,305</u>	<u>158,413</u>	<u>406,087</u>	<u>14,370</u>	<u>95,293</u>	<u>15,678</u>
Expenditures											
Current											
Intergovernmental	1,747,548	-	-	9,900	433,731	-	-	-	-	-	-
Public safety	1,346,920	-	300,000	-	-	460,739	-	-	1,457	-	-
Recreation and cultural services	94,128	-	-	-	-	-	152,479	-	-	88,611	101,988
Urban development	4,209	-	-	-	4,209	-	-	-	-	-	-
Intergovernmental	160,500	-	-	-	-	-	-	-	-	-	-
Debt service											
Principal	4,918,109	-	-	-	175,000	-	-	-	-	-	-
Interest and fiscal charges	2,686,466	-	-	-	80,975	-	-	-	-	-	-
Capital outlays	2,324,819	-	-	-	190,158	332,556	31,455	-	-	-	-
Total Expenditures	<u>13,282,699</u>	<u>-</u>	<u>300,000</u>	<u>9,900</u>	<u>884,073</u>	<u>793,295</u>	<u>183,934</u>	<u>-</u>	<u>1,457</u>	<u>88,611</u>	<u>101,988</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(6,043,927)</u>	<u>112,453</u>	<u>146,638</u>	<u>209,847</u>	<u>-</u>	<u>160,010</u>	<u>(25,521)</u>	<u>406,087</u>	<u>12,913</u>	<u>6,682</u>	<u>(86,310)</u>
Other Financing Sources (Uses)											
Proceeds from refunding warrants issued	29,365,551	-	-	-	-	-	-	-	-	-	-
Premiums on refunding warrants issued	494,361	-	-	-	-	-	-	-	-	-	-
Payments to refunding escrow agent	(28,480,056)	-	-	-	-	-	-	-	-	-	-
Issuance costs	(319,897)	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of assets	216,801	-	-	-	-	1,000	-	-	-	-	-
Transfers	6,015,373	(108,200)	(200,000)	(200,000)	(283)	(233,705)	-	(425,000)	-	-	101,516
Total Other Financing Sources (Uses)	<u>7,292,133</u>	<u>(108,200)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(283)</u>	<u>(232,705)</u>	<u>-</u>	<u>(425,000)</u>	<u>-</u>	<u>-</u>	<u>101,516</u>
Special Items											
Transfers to component units	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	905,154	4,253	(53,362)	9,847	(283)	(72,695)	(25,521)	(18,913)	12,913	6,682	15,206
Fund Balances - Beginning of Year	<u>7,628,388</u>	<u>(622)</u>	<u>17,553</u>	<u>439,484</u>	<u>44,312</u>	<u>574,756</u>	<u>73,559</u>	<u>68,107</u>	<u>16,018</u>	<u>(1,544)</u>	<u>(825)</u>
Fund Balances - End of Year	<u>\$ 8,533,542</u>	<u>\$ 3,631</u>	<u>\$ (35,809)</u>	<u>\$ 449,331</u>	<u>\$ 44,029</u>	<u>\$ 502,061</u>	<u>\$ 48,038</u>	<u>\$ 49,194</u>	<u>\$ 28,931</u>	<u>\$ 5,138</u>	<u>\$ 14,381</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, 2012

	Special Revenue Funds										Total
	Transportation and Planning	Gadsden Transit Grants	McKinney Shelter	Chemical Stockpile	Corrections Fund	Economic Development	Law Enforcement	Other Restricted Funds	Miscellaneous Grants	City Judge Fees	Total Special Revenue Funds
Revenue											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 594,738	\$ -	\$ 310,240	\$ -	\$ -	\$ 904,978
Intergovernmental	150,322	512,970	130,263	343,498	-	-	25,038	-	375,923	-	1,538,014
Charges for services	-	84,024	-	-	-	-	-	84,350	-	-	168,374
Fines and forfeitures	-	-	-	-	71,790	-	-	7,097	-	14,827	93,714
Other	-	-	-	-	-	-	-	84,904	-	-	84,904
Total Revenue	<u>150,322</u>	<u>596,994</u>	<u>130,263</u>	<u>343,498</u>	<u>71,790</u>	<u>594,738</u>	<u>25,038</u>	<u>486,591</u>	<u>375,923</u>	<u>14,827</u>	<u>2,789,984</u>
Expenditures											
Current											
Intergovernmental	187,903	985,751	130,263	-	-	-	-	-	-	-	1,303,917
Public safety	-	-	-	266,697	936	-	31,029	18,389	267,673	-	584,724
Recreation and cultural services	-	-	-	-	-	-	-	87,430	-	-	87,430
Public works services	-	-	-	-	-	-	-	-	-	-	-
Urban development	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Debt service											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	33,000	-	76,801	1,775	134,019	-	1,165	114,050	-	360,810
Total Expenditures	<u>187,903</u>	<u>1,018,751</u>	<u>130,263</u>	<u>343,498</u>	<u>2,711</u>	<u>134,019</u>	<u>31,029</u>	<u>106,984</u>	<u>381,723</u>	<u>-</u>	<u>2,336,881</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(37,581)</u>	<u>(421,757)</u>	<u>-</u>	<u>-</u>	<u>69,079</u>	<u>460,719</u>	<u>(5,991)</u>	<u>379,607</u>	<u>(5,800)</u>	<u>14,827</u>	<u>453,103</u>
Other Financing Sources (Uses)											
Proceeds from refunding warrants issued	-	-	-	-	-	-	-	-	-	-	-
Premiums on refunding warrants issued	-	-	-	-	-	-	-	-	-	-	-
Payments to refunding escrow agent	-	-	-	-	-	-	-	-	-	-	-
Issuance costs	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	215,801	-	-	-	-	215,801
Transfers	37,581	582,332	-	(1,825)	(50,000)	(771,880)	11,235	-	5,800	-	(186,757)
Total Other Financing Sources (Uses)	<u>37,581</u>	<u>582,332</u>	<u>-</u>	<u>(1,825)</u>	<u>(50,000)</u>	<u>(556,079)</u>	<u>11,235</u>	<u>-</u>	<u>5,800</u>	<u>-</u>	<u>29,044</u>
Net Change in Fund Balances	<u>-</u>	<u>160,575</u>	<u>-</u>	<u>(1,825)</u>	<u>19,079</u>	<u>(95,360)</u>	<u>5,244</u>	<u>379,607</u>	<u>-</u>	<u>14,827</u>	<u>482,147</u>
Fund Balances - Beginning of Year	<u>763</u>	<u>75,350</u>	<u>-</u>	<u>1,825</u>	<u>138,866</u>	<u>135,085</u>	<u>746</u>	<u>1,181,660</u>	<u>(2,753)</u>	<u>-</u>	<u>1,531,542</u>
Fund Balances - End of Year	<u>\$ 763</u>	<u>\$ 235,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,945</u>	<u>\$ 39,725</u>	<u>\$ 5,990</u>	<u>\$ 1,561,267</u>	<u>\$ (2,753)</u>	<u>\$ 14,827</u>	<u>\$ 2,013,689</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, 2012

	Debt Service Funds															Total Debt Service Funds
	Honda Assistance	2002A GOW Debt Service	2002B GOW Debt Service	2003A GOW Debt Service	2003B GOW Debt Service	2004A GOW Debt Service	Airport Authority	2005 GOW Debt Service	2006A GOW Debt Service	2006B GOW Debt Service	2011 GOW Debt Service	2012A GOW Debt Service	2012B GOW Debt Service	2012C GOW Debt Service	Capital Leases	
Revenue																
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	11,662	3,320	2,506	-	17,488
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	11,662	3,320	2,506	-	17,488
Expenditures																
Current																
Internal services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Urban development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service																
Principal	158,320	625,000	220,000	200,000	680,000	215,000	(93,600)	965,000	40,000	29,678	260,000	-	30,000	110,000	1,303,711	4,743,109
Interest and fiscal charges	36,255	26,541	14,510	218,043	795,145	124,689	77,113	455,234	38,252	43,409	187,429	311,016	66,391	119,831	91,633	2,605,491
Capital outlays	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>194,575</u>	<u>651,541</u>	<u>234,510</u>	<u>418,043</u>	<u>1,475,145</u>	<u>339,689</u>	<u>(16,487)</u>	<u>1,420,234</u>	<u>78,252</u>	<u>73,087</u>	<u>447,429</u>	<u>311,016</u>	<u>96,391</u>	<u>229,831</u>	<u>1,395,344</u>	<u>7,348,600</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(194,575)</u>	<u>(651,541)</u>	<u>(234,510)</u>	<u>(418,043)</u>	<u>(1,475,145)</u>	<u>(339,689)</u>	<u>16,487</u>	<u>(1,420,234)</u>	<u>(78,252)</u>	<u>(73,087)</u>	<u>(447,429)</u>	<u>(299,354)</u>	<u>(93,071)</u>	<u>(227,325)</u>	<u>(1,395,344)</u>	<u>(7,331,112)</u>
Other Financing Sources (Uses)																
Proceeds from refunding warrants issued	-	-	-	5,225,603	17,790,000	3,950,000	-	-	-	2,399,948	-	-	-	-	-	29,365,551
Premiums on refunding warrants issued	-	-	-	94,511	399,850	-	-	-	-	-	-	-	-	-	-	494,361
Payments to refunding escrow agent	-	-	-	(4,935,328)	(17,383,203)	(3,761,577)	-	-	-	(2,399,948)	-	-	-	-	-	(28,480,056)
Issuance costs	-	-	-	(81,736)	(194,651)	(43,510)	-	-	-	-	-	-	-	-	-	(319,897)
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	194,575	597,271	239,637	79,645	731,132	160,811	12,900	1,438,078	78,786	74,840	449,281	299,354	93,071	227,325	1,395,344	6,072,050
Total Other Financing Sources (Uses)	<u>194,575</u>	<u>597,271</u>	<u>239,637</u>	<u>382,695</u>	<u>1,343,128</u>	<u>305,724</u>	<u>12,900</u>	<u>1,438,078</u>	<u>78,786</u>	<u>74,840</u>	<u>449,281</u>	<u>299,354</u>	<u>93,071</u>	<u>227,325</u>	<u>1,395,344</u>	<u>7,132,009</u>
Net Change in Fund Balances	-	(54,270)	5,127	(35,348)	(132,017)	(33,965)	29,387	17,844	534	1,753	1,852	-	-	-	-	(199,103)
Fund Balances - Beginning of Year	<u>3,254</u>	<u>54,270</u>	<u>149,855</u>	<u>86,998</u>	<u>311,829</u>	<u>73,340</u>	<u>186,918</u>	<u>602,056</u>	<u>6,450</u>	<u>4,698</u>	-	-	-	-	<u>1</u>	<u>1,479,669</u>
Fund Balances - End of Year	<u>\$ 3,254</u>	<u>\$ -</u>	<u>\$ 154,982</u>	<u>\$ 51,650</u>	<u>\$ 179,812</u>	<u>\$ 39,375</u>	<u>\$ 216,305</u>	<u>\$ 619,900</u>	<u>\$ 6,984</u>	<u>\$ 6,451</u>	<u>\$ 1,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,280,566</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, 2012

	Capital Projects Funds						Permanent Funds				
	Municipal Capital Improvements Funds	Capital Project Funds	Resurfacing Project 1999	2004A GOW Capital Project	2008A GOW Capital Project	2012A GOW Capital Project	Total Capital Project Funds	Nell Thomas Library	Library Endowment	Allison B. Rains	Total Permanent Funds
Revenue											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	811,393	-	-	-	-	811,393	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-
Other	311,134	-	-	-	-	-	311,134	2,171	545	-	2,716
Total Revenue	<u>311,134</u>	<u>811,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,122,527</u>	<u>2,171</u>	<u>545</u>	<u>-</u>	<u>2,716</u>
Expenditures											
Current											
Internal services	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural services	-	-	-	-	-	-	-	3,996	2,676	-	6,672
Public works services	-	-	-	-	-	-	-	-	-	-	-
Urban development	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	160,500	160,500	-	-	-	-
Debt service											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	811,274	-	6,236	592,330	-	1,409,840	-	-	-	-
Total Expenditures	<u>-</u>	<u>811,274</u>	<u>-</u>	<u>6,236</u>	<u>592,330</u>	<u>160,500</u>	<u>1,570,340</u>	<u>3,996</u>	<u>2,676</u>	<u>-</u>	<u>6,672</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>311,134</u>	<u>119</u>	<u>-</u>	<u>(6,236)</u>	<u>(592,330)</u>	<u>(160,500)</u>	<u>(447,813)</u>	<u>(1,825)</u>	<u>(2,131)</u>	<u>-</u>	<u>(3,956)</u>
Other Financing Sources (Uses)											
Proceeds from refunding warrants issued	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Transfers	(173,042)	-	308,200	-	-	1,060,594	1,195,752	-	-	-	-
Total Other Financing Sources (Uses)	<u>(173,042)</u>	<u>-</u>	<u>308,200</u>	<u>-</u>	<u>-</u>	<u>1,060,594</u>	<u>1,195,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	138,092	119	308,200	(6,236)	(592,330)	900,094	747,939	(1,825)	(2,131)	-	(3,956)
Fund Balances - Beginning of Year	<u>-</u>	<u>728,114</u>	<u>292,801</u>	<u>10,443</u>	<u>2,172,829</u>	<u>-</u>	<u>3,204,187</u>	<u>152,173</u>	<u>29,946</u>	<u>73</u>	<u>182,192</u>
Fund Balances - End of Year	<u>\$ 138,092</u>	<u>\$ 728,233</u>	<u>\$ 601,001</u>	<u>\$ 4,207</u>	<u>\$ 1,580,499</u>	<u>\$ 900,094</u>	<u>\$ 3,952,126</u>	<u>\$ 150,348</u>	<u>\$ 27,815</u>	<u>\$ 73</u>	<u>\$ 178,236</u>

CITY OF GADSDEN, ALABAMA

**STATISTICAL SECTION
For the Year Ended 9/30/2012**

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

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	68-71
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	72-76
Debt Capacity <i>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.</i>	77-80
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	81-82
Operating Information <i>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.</i>	83-85
Sources <i>Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004, schedules presenting government-wide information include information beginning in that year.</i>	

CITY OF GADSDEN

**SCHEDULE 1
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS**

	Fiscal Years				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 47,450,873	\$ 46,150,673	\$ 57,048,986	\$ 57,367,617	\$ 55,779,328
Restricted	15,442,566	15,975,184	14,622,257	4,633,225	4,848,638
Unrestricted	<u>(34,240,556)</u>	<u>(136,232,537)</u>	<u>(136,170,782)</u>	<u>(127,281,275)</u>	<u>(55,084,182)</u>
Total Governmental Activities Net Assets	<u>\$ 28,652,883</u>	<u>\$ (74,106,680)</u>	<u>\$ (64,499,539)</u>	<u>\$ (65,280,433)</u>	<u>\$ 5,543,784</u>
Business-Type Activities					
Invested in capital assets, net of related debt	\$ 10,138,068	\$ 9,559,313	\$ 9,034,942	\$ 8,939,717	\$ 8,692,877
Unrestricted	<u>(2,257,314)</u>	<u>(2,823,673)</u>	<u>(3,266,324)</u>	<u>(4,187,188)</u>	<u>(4,243,516)</u>
Total Business-Type Activities Net assets	<u>\$ 7,880,754</u>	<u>\$ 6,735,640</u>	<u>\$ 5,768,618</u>	<u>\$ 4,752,529</u>	<u>\$ 4,449,361</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 57,588,941	\$ 55,709,986	\$ 66,083,928	\$ 66,307,334	\$ 64,472,205
Restricted	15,442,566	15,975,184	14,622,257	4,633,225	4,848,638
Unrestricted	<u>(36,497,870)</u>	<u>(139,056,210)</u>	<u>(139,437,106)</u>	<u>(131,468,463)</u>	<u>(59,327,698)</u>
Total Primary Government Activities Net Assets	<u>\$ 36,533,637</u>	<u>\$ (67,371,040)</u>	<u>\$ (58,730,921)</u>	<u>\$ (60,527,904)</u>	<u>\$ 9,993,145</u>

CITY OF GADSDEN

**SCHEDULE 2
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS**

	Fiscal Years				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses					
Governmental activities					
General government	\$ 2,538,170	\$ 2,483,815	\$ 2,297,923	\$ 2,465,823	\$ 2,208,849
Internal services	3,577,867	4,167,529	3,784,628	3,727,109	3,316,528
Public safety	20,907,931	24,722,833	24,579,219	25,946,087	23,143,191
Recreation and cultural services	7,953,830	9,917,736	8,851,824	9,243,849	7,907,528
Public works services	6,404,959	6,721,432	6,813,996	6,808,393	5,448,974
Urban development	5,560,958	6,481,941	6,229,357	4,544,444	4,240,075
Intergovernmental	-	-	-	4,937,687	5,295,262
Non-departmental	4,179,588	5,450,477	4,572,219	2,102,383	4,393,832
Interest on long-term debt	3,335,548	3,224,834	3,101,872	2,843,382	3,493,466
Total Governmental Activities Expenses	<u>54,458,851</u>	<u>63,170,597</u>	<u>60,231,038</u>	<u>62,619,157</u>	<u>59,447,705</u>
Business-type activities					
Airport	619,460	694,922	851,451	579,052	305,722
Residential garbage	2,803,454	2,991,627	2,703,624	2,877,744	3,209,486
Golf course	1,355,295	1,416,100	1,303,516	1,361,131	1,085,671
Total Business-Type Activities Expenses	<u>4,778,209</u>	<u>5,102,649</u>	<u>4,858,591</u>	<u>4,817,927</u>	<u>4,600,879</u>
Total Primary Government Expenses	<u>\$ 59,237,060</u>	<u>\$ 68,273,246</u>	<u>\$ 65,089,629</u>	<u>\$ 67,437,084</u>	<u>\$ 64,048,584</u>
Program Revenue					
Governmental activities					
Charges for services	\$ 2,433,064	\$ 2,415,058	\$ 2,422,006	\$ 2,324,975	\$ 2,403,573
Operating grants and contributions	2,021,904	2,808,132	3,476,451	3,837,054	3,154,149
Capital grants and contributions	3,134,323	1,793,688	12,471,009	2,776,206	989,103
Total Governmental Activities Program Revenue	<u>7,589,291</u>	<u>7,016,878</u>	<u>18,369,466</u>	<u>8,938,235</u>	<u>6,546,825</u>
Business-type activities					
Charges for services	3,848,725	5,990,503	3,398,678	3,271,706	3,191,477
Capital grants and contributions	-	-	-	-	-
Total Business-Type Activities Program Revenue	<u>3,848,725</u>	<u>5,990,503</u>	<u>3,398,678</u>	<u>3,271,706</u>	<u>3,191,477</u>
Total Primary Government Program Revenue	<u>\$ 11,438,016</u>	<u>\$ 13,007,381</u>	<u>\$ 21,768,144</u>	<u>\$ 12,209,941</u>	<u>\$ 9,738,302</u>
Net Revenue (Expenses)					
Governmental activities	\$ (46,869,560)	\$ (56,153,719)	\$ (41,861,572)	\$ (53,680,922)	\$ (52,900,880)
Business-type activities	(929,484)	887,854	(1,459,913)	(1,546,221)	(1,409,402)
Total Primary Government Activities, Net Expense	<u>\$ (47,799,044)</u>	<u>\$ (55,265,865)</u>	<u>\$ (43,321,485)</u>	<u>\$ (55,227,143)</u>	<u>\$ (54,310,282)</u>
General Revenue and Other Changes in Net Assets					
Governmental activities					
Taxes	\$ 45,936,304	\$ 44,040,763	\$ 43,787,160	\$ 44,931,898	\$ 46,216,893
Licenses and permits	6,519,107	6,408,364	6,428,153	6,598,373	6,611,198
Unrestricted grants	-	-	-	-	-
Investment earning	943,408	640,781	619,744	589,062	594,955
Gain on disposal of assets	787,336	107,779	49,073	84,429	-
Transfer to component units	-	(515,563)	-	-	-
Change in OPEB Obligation estimate	-	-	-	-	70,608,057
Other general revenue	1,234,047	823,889	1,071,850	1,223,177	733,624
Total Governmental Activities	<u>55,420,202</u>	<u>51,506,013</u>	<u>51,955,980</u>	<u>53,426,939</u>	<u>124,764,727</u>
Business-type activities					
Investment and other income	155,866	3,792	5,624	3,432	66,604
Total Business-Type Activities	<u>155,866</u>	<u>3,792</u>	<u>5,624</u>	<u>3,432</u>	<u>66,604</u>
Total Primary Government	<u>\$ 55,576,068</u>	<u>\$ 51,509,805</u>	<u>\$ 51,961,604</u>	<u>\$ 53,430,371</u>	<u>\$ 124,831,331</u>

CITY OF GADSDEN

**SCHEDULE 3
FUND BALANCE, GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS**

	Fiscal Years		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund			
Nonspendable	\$ 342,399	\$ 361,391	\$ 381,292
Restricted	-	-	-
Committed	1,484,081	1,466,875	2,066,199
Assigned	-	-	-
Unassigned	<u>10,950,197</u>	<u>9,900,463</u>	<u>7,789,934</u>
Total General Fund	<u>\$ 12,776,677</u>	<u>\$ 11,728,729</u>	<u>\$ 10,237,425</u>
All Other Governmental Funds			
Nonspendable	\$ 7,373,919	\$ 7,263,186	\$ 7,202,216
Restricted	4,446,684	4,638,970	4,887,200
Committed	2,827,386	3,825,385	5,698,172
Assigned	-	-	-
Unassigned	<u>(12,785)</u>	<u>(5,745)</u>	<u>(38,562)</u>
Total All Other Governmental Funds	<u>\$ 14,635,204</u>	<u>\$ 15,721,796</u>	<u>\$ 17,749,026</u>

GASB No. 54 implemented in fiscal period 2011

CITY OF GADSDEN

SCHEDULE 4
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS

	Fiscal Years				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue					
Taxes	\$ 45,878,553	\$ 44,101,012	\$ 43,586,851	\$ 45,023,347	\$ 46,218,068
Licenses and permits	6,519,107	6,408,364	6,428,153	6,598,373	6,611,198
Intergovernmental	5,383,907	4,580,937	7,400,268	7,210,759	4,278,306
Charges for services	1,589,052	1,684,258	1,698,414	1,635,578	1,748,901
Fines and forfeitures	795,848	730,801	716,692	681,941	648,241
Other revenue	<u>1,981,236</u>	<u>1,645,694</u>	<u>1,698,494</u>	<u>1,222,196</u>	<u>1,250,842</u>
Total Revenue	<u>62,147,703</u>	<u>59,151,066</u>	<u>61,528,872</u>	<u>62,372,194</u>	<u>60,755,556</u>
Expenditures					
Current					
General government	2,304,471	2,268,878	2,125,621	2,289,075	2,232,281
Internal services	3,419,840	3,531,913	3,566,519	3,439,533	3,228,559
Public safety	19,322,010	19,814,363	21,648,637	22,363,516	21,300,899
Recreation and cultural services	6,977,010	7,182,677	7,272,963	7,542,786	6,679,721
Public works services	5,798,441	5,680,169	6,039,037	6,177,763	5,103,569
Urban development	3,378,445	3,219,315	3,372,484	1,717,412	1,598,900
Non-departmental	831,643	698,972	918,794	858,437	4,370,737
Intergovernmental	2,917,151	4,712,290	3,636,926	4,937,687	4,762,396
Debt service					
Principal retirement	3,622,165	3,534,776	3,988,870	4,587,497	4,918,109
Interest and fiscal charges	3,232,821	3,117,205	3,000,319	2,821,872	2,691,326
Capital outlays	<u>6,404,804</u>	<u>5,907,769</u>	<u>10,714,011</u>	<u>8,561,400</u>	<u>4,423,963</u>
Total Expenditures	<u>58,208,801</u>	<u>59,668,327</u>	<u>66,284,181</u>	<u>65,296,978</u>	<u>61,310,460</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>3,938,902</u>	<u>(517,261)</u>	<u>(4,755,309)</u>	<u>(2,924,784)</u>	<u>(554,904)</u>
Other Financing Sources (Uses)					
Proceeds from long term debt	26,702	2,004,673	1,007,023	1,960,389	29,859,912
Payments to escrow agent and issuance costs	-	-	-	-	(28,799,953)
Capital leases entered into	188,772	-	3,173,798	1,445,314	793,686
Proceeds from sale of assets	883,828	158,063	72,232	84,427	276,813
Transfers	<u>(220,000)</u>	<u>(378,298)</u>	<u>(487,743)</u>	<u>(526,698)</u>	<u>(1,039,630)</u>
Total Other Financing Sources (Uses)	<u>879,302</u>	<u>1,784,438</u>	<u>3,765,310</u>	<u>2,963,432</u>	<u>1,090,828</u>
Special Items					
Transfers to component units	-	2,462	-	-	-
Total Special Items	-	2,462	-	-	-
Net Change in Fund Balances	<u>\$ 4,818,204</u>	<u>\$ 1,264,715</u>	<u>\$ (989,999)</u>	<u>\$ 38,648</u>	<u>\$ 535,924</u>
Debt service as a percentage of noncapital expenditures	15%	14%	14%	15%	15%

CITY OF GADSDEN

**SCHEDULE 5
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST FIVE FISCAL YEARS**

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property & Abatements	Total Taxable Assessed Value	Total Direct Tax Rate
2008	\$ 70,508,900	\$ 289,043,480	\$ 29,417,880	\$ 60,202,960	\$ 328,767,300	6.00
2009	72,223,200	298,203,920	29,513,780	50,813,960	349,126,940	6.00
2010	77,997,140	321,770,080	29,564,700	103,249,140	326,082,780	6.00
2011	76,713,940	318,643,860	28,433,320	101,153,000	322,638,120	6.00
2012	75,757,260	325,857,200	30,154,160	108,309,380	323,459,240	6.00

Source: Etowah County Revenue Commissioner

CITY OF GADSDEN

**SCHEDULE 5A
TOP TEN TAX RECEIPTS BY CATEGORY
LAST FIVE FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Warehouse, clubs and super centers	\$ 3,352,055	\$ 3,405,098	\$ 3,485,006	\$ 3,506,932	\$ 3,553,359
Department stores (except discount department stores)	905,480	1,534,671	1,592,422	1,636,878	1,527,704
Limited service restaurants	1,606,521	1,423,784	1,526,644	1,480,106	1,877,682
Supermarkets & other grocery stores (except convenience)	1,649,892	1,545,522	1,436,355	1,416,769	1,500,081
Home centers	1,354,722	1,224,721	1,231,272	1,228,061	1,300,357
Full service restaurants	1,362,916	1,480,570	1,158,686	1,269,300	1,418,034
Sporting goods stores	-	-	800,090	848,694	905,169
New car dealers	1,005,795	777,332	742,431	801,139	826,663
Medical, dental and hospital equipment, and supplies and merchant wholesalers	923,754	280,602	725,643	812,128	1,166,999
Family clothing stores	-	-	609,896	610,687	640,774
Discount department stores	<u>782,101</u>	<u>579,003</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,943,236</u>	<u>\$ 12,251,303</u>	<u>\$ 13,308,445</u>	<u>\$ 13,610,694</u>	<u>\$ 14,716,822</u>
City direct sales tax rate	4%	4%	4%	4%	4%

Sources: Ala Tax

CITY OF GADSDEN

**SCHEDULE 6
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(rate per \$1,000 of assessed value)
LAST FIVE FISCAL YEARS**

<u>City Direct Rates</u>						<u>Overlapping Rates</u>				
<u>Fiscal Year</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>
2008	12	6	3	3	12	3	10	6	6.5	11.5
2009	12	6	3	3	12	3	10	6	6.5	11.5
2010	12	6	3	3	12	3	10	6	6.5	11.5
2011	12	6	3	3	12	3	10	6	6.5	11.5
2012	12	6	3	3	12	3	10	6	6.5	11.5

CITY OF GADSDEN
 SCHEDULE 7
 PRINCIPAL PROPERTY TAX PAYERS
 LAST FIVE FISCAL YEARS

Taxpayer	2008			2009			2010			2011			2012		
	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.	\$ 20,716,980	1	6.30%	\$ 21,453,780	1	6.80%	\$ 22,151,000	1	6.79%	\$ 22,108,220	1	6.85%	\$ 21,636,180	1	6.69%
QHC of Gadsden, Inc.	7,620,380	3	2.32%	7,601,560	3	2.41%	11,446,940	2	3.51%	11,446,940	2	3.54%	11,446,940	2	3.54%
Goodyear Tire & Rubber Company	14,027,480	2	4.27%	13,207,340	2	4.18%	10,558,160	3	3.24%	10,191,300	3	3.16%	10,035,240	3	3.10%
Riverview Regional Medical	6,490,840	4	1.97%	6,490,840	4	2.06%	6,254,360	4	1.92%	6,254,360	4	1.94%	6,254,360	4	1.93%
BellSouth / AT&T Alabama	6,369,700	5	1.94%	6,023,500	5	1.91%	5,355,900	5	1.64%	4,154,300	6	1.29%	4,191,900	6	1.30%
Gadsden Regional Medical Center	4,858,520	7	1.48%	4,243,080	7	1.34%	4,810,680	6	1.48%	3,905,640	7	1.21%	3,760,560	8	1.16%
Preit Gadsden Mall, LLC	4,904,780	6	1.49%	5,046,400	6	1.60%	4,458,700	7	1.37%	4,458,700	5	1.38%	4,392,520	5	1.36%
General Electric Capital Corp	-	-	-	-	-	-	-	-	-	3,280,540	9	1.02%	3,114,960	9	0.96%
Comcast of Alabama, Inc.	-	-	-	-	-	-	3,232,920	8	0.99%	-	-	-	-	-	-
Koch Foods of Gadsden LLC	2,759,720	10	0.84%	2,733,240	9	0.87%	2,960,080	9	0.91%	2,885,580	10	0.89%	2,830,360	10	0.87%
Riverview Regional Medical Center	-	-	-	2,314,370	10	0.73%	2,203,860	10	0.68%	-	-	-	-	-	-
Prince Metal Stamping USA, Inc.	-	-	-	4,033,320	8	1.28%	-	-	-	-	-	-	-	-	-
Delphi Automotive Systems, LLC	3,264,960	8	0.99%	-	-	-	-	-	-	-	-	-	-	-	-
Dixie Pacific Manufacturing Company	2,863,020	9	0.87%	-	-	-	-	-	-	-	-	-	-	-	-
State of Alabama	-	-	-	-	-	-	-	-	-	4,647,740	8	1.44%	4,483,940	7	1.39%
Gestamp, Alabama, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 73,876,380			\$ 73,147,430			\$ 73,432,600			\$ 73,333,320			\$ 72,146,960		
Total City Taxable Assessed Value	\$ 328,767,300			\$ 349,717,440			\$ 326,082,780			\$ 322,907,940			\$ 323,603,860		

Source: Etowah County Revenue Commissioner ***Gestamp Alabama, Inc. **Advance Stores Co., Inc.

CITY OF GADSDEN
SCHEDULE 8
PROPERTY TAX LEVIES AND COLLECTIONS
LAST FIVE FISCAL YEARS

	<u>Collected within the Fiscal Year of the Levy</u>			<u>Total Collections to Date</u>		
	<u>Taxes Levied For the Fiscal Year</u>	<u>Amount</u>	<u>Percentage of Levy</u>	<u>Collections in Subsequent Years</u>	<u>Amount</u>	<u>Percentage of Levy</u>
2008	\$ 4,467,074	\$ -	\$ -	\$ 4,228,960	\$ 4,228,960	94.67%
2009	4,355,492	-	-	4,200,026	4,200,026	96.43%
2010	4,485,544	-	-	4,168,857	4,168,857	94.97%
2011	4,441,042	-	-	4,143,192	4,143,192	96.39%
2012	4,498,382	-	-	1,642,934	1,642,934	38.23%

CITY OF GADSDEN

**SCHEDULE 9
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FIVE FISCAL YEARS**

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>	<u>Total Primary Government</u>
	<u>General Obligation Bonds</u>	<u>Other Obligations</u>	<u>Special Obligation Bonds</u>	<u>General Obligation Bonds</u>	
2008	\$ 56,134,231	\$ 5,845,448	\$ 1,115,994	\$ 1,400,000	\$ 64,495,673
2009	53,556,041	7,102,339	978,999	1,260,000	62,897,379
2010	50,902,851	10,180,821	837,467	1,120,000	63,041,139
2011	53,134,660	7,028,191	686,902	980,000	61,829,753
2012	54,261,749	3,888,532	528,582	840,000	59,518,863

CITY OF GADSDEN

SCHEDULE 10
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST FIVE FISCAL YEARS

<u>General Bonded Debt Outstanding</u>				Percentage of Actual Taxable Value of Property (a)	Per Capita (b)
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Special Obligation Bonds</u>	<u>Total</u>		
2008	\$ 57,534,231	\$ 1,115,994	\$ 58,650,225	18%	\$ 1,505
2009	54,826,041	978,999	55,805,040	16%	1,496
2010	52,022,851	837,467	52,860,318	16%	1,418
2011	53,134,660	686,902	53,821,562	17%	1,435
2012	54,261,749	528,582	54,790,331	17%	1,461

CITY OF GADSDEN

SCHEDULE 11
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2012

	Total Debt <u>Outstanding</u>	Estimated Percent <u>Applicable</u>	Amount Applicable to City of Gadsden
Direct Debt			
City of Gadsden	<u>\$ 64,082,591</u>	100%	<u>\$ 64,082,591</u>
Total Direct Debt	<u>64,082,591</u>	100%	<u>64,082,591</u>
Overlapping Debt			
Etowah County	<u>25,402,492</u>	23%	<u>5,842,573</u>
Total Overlapping Debt	<u>25,402,492</u>	23%	<u>5,842,573</u>
Total Direct and Overlapping Debt	<u>\$ 89,485,083</u>		<u>\$ 69,925,164</u>

CITY OF GADSDEN

**SCHEDULE 12
LEGAL DEBT MARGIN INFORMATION
LAST FIVE FISCAL YEARS**

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 431,913,240 ⁽¹⁾
Debt limit, 20 percent of assessed value	86,382,648
Debt applicable to limit:	
Outstanding and obligation warrants, installment purchases, etc.	66,450,844
Less: exempt amounts	<u>(28,086,330)</u>
Total Net Debt Applicable to Limit	<u>\$ 38,364,514</u>
 Legal Debt Margin	 <u>\$ 48,018,134</u>

	Fiscal Years				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	<u>\$ 77,794,052</u>	<u>\$ 80,106,280</u>	<u>\$ 85,866,384</u>	<u>\$ 84,758,224</u>	<u>\$ 86,382,648</u>
Total net debt applicable to limit	<u>\$ 38,102,064</u>	<u>\$ 37,856,591</u>	<u>\$ 36,532,432</u>	<u>\$ 36,069,959</u>	<u>\$ 38,364,514</u>
Legal debt margin	<u>\$ 39,691,988</u>	<u>\$ 42,249,689</u>	<u>\$ 49,333,952</u>	<u>\$ 48,688,265</u>	<u>\$ 48,018,134</u>
Total net debt applicable to the limit as a percentage of debt limit	49%	47%	43%	43%	44%

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

⁽¹⁾ Source: Etowah County Tax Assessor

CITY OF GADSDEN

**SCHEDULE 13
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST FIVE FISCAL YEARS**

<u>Year</u>	<u>*Population</u>	<u>*Personal Income</u>	<u>*Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2008	38,978	\$ 687,377	\$ 17,635	39	N/A	5,306	5.80%
2009	37,291	582,113	15,610	41	N/A	6,476	10.60%
2010	37,291	582,133	15,610	41	N/A	5,367	10.50%
2011	36,816	555,634	18,056	38	N/A	5,446	9.80%
2012	36,816	581,172	18,610	40	N/A	5,371	8.20%

Sources: U.S. Bureau of the Census, Gadsden BOE, Gadsden Times & the Industrial Development Autho

CITY OF GADSDEN

SCHEDULE 14
PRINCIPAL EMPLOYERS
LAST FIVE FISCAL YEARS

Employer	2008			2009			2010			2011			2012		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Goodyear Tire & Rubber	1,430	1		1,430	1		1,530	1		1,650	1		1,730	1	
Gadsden Regional Medical	1,200	2		1,200	2		1,200	2		1,200	2		1,200	2	
Etowah County Board of Ed	-	-		1,000	3		1,000	3		1,000	3		1,080	3	
Riverview Regional Medica	800	3		800	4		800	4		800	4		850	4	
Gadsden City Schools	650	4		650	5		650	5		650	7		694	7	
City of Gadsden	513	5		513	6		513	6		513	8		520	9	
Equity Group	500	6		500	7		500	7		500	9		-	-	
Mid-South Industries	440	7		440	8		440	8		440	10		-	-	
Koch Foods	390	8		390	9		390	9		-	-		565	8	
Gadsden State Community C	373	9		373	10		373	10		796	5		697	6	
Wal-Mart	350	10		-	-		-	-		720	6		721	5	
Keystone Foods	-	-		-	-		-	-		-	-		490	10	

Source: Gadsden Industrial Development Authority

CITY OF GADSDEN

**SCHEDULE 15
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government					
Mayor's Office	5	5	5	5	5
City Council	-	-	-	-	-
Revenue	6	6	6	4	4
City Clerk	3	3	3	3	3
Public Safety					
Police Department					
Officers	101	98	98	98	102
Civilian	30	30	30	30	30
Fire Department					
Firefighters	114	114	114	115	116
Officers	8	7	7	7	7
Civilians	2	3	3	2	2
Judicial	6	6	6	6	6
Animal Control	3	3	3	3	-
Civil Defense	4	4	4	4	3
Communications	2	2	3	3	3
Public Works					
Maintenance	18	11	11	11	18
Street Painting	5	5	5	5	5
Street Cleaning	12	12	12	12	10
Street Maintenance	41	41	41	41	38
Internal Service					
Finance	7	6	6	6	6
M.I.S.	5	6	4	4	3
Purchasing	1	1	1	1	1
Personnel	3	3	3	3	3
Civil Service	-	-	-	-	-
Legal	3	3	3	3	1
Fleet	21	20	20	20	20
Recreation and Culture					
Parks and Recreation	44	45	45	46	44
Noccalula Falls	-	-	-	-	-
Convention Hall	1	1	1	2	2
Cemetery	6	6	6	6	6
Library	20	19	18	18	18
Museum of Arts	3	3	3	2	3
Tourism	-	-	-	-	-
Golf Course	-	-	-	-	6
Urban Development					
Engineering	8	8	8	7	7
Building	7	7	7	6	6
Planning	8	8	8	6	6
Total	<u>497</u>	<u>486</u>	<u>484</u>	<u>479</u>	<u>484</u>

Source: City Budget

CITY OF GADSDEN

**SCHEDULE 16
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police					
Physical Arrests	3,037	2,992	2,792	2,669	2,911
Parking Violations	-	-	586	67	564
Traffic Violations	4,221	4,136	4,120	4,636	5,359
Fire					
Emergency Responses	5,026	6,543	6,795	7,058	6,876
Fires extinguished	234	222	232	314	275
Inspections	1,583	1,918	1,597	1,926	1,775
Public Works					
Street resurfacing (miles)	17	17	18	-	-
Potholes repaired	7,500	7,500	6,855	7,446	7,450
Parks and Recreation					
Athletic field permits issued	-	-	-	-	-
Community center admissions	203,139	261,853	290,194	303,538	328,755
Library					
Volumes in collection	221,284	184,105	198,085	193,645	100,542
Total volumes borrowed	189,609	151,471	206,486	192,809	189,472

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

Source: Various City Departments

CITY OF GADSDEN

**SCHEDULE 17
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police					
Stations	1	1	1	1	1
Zone offices	-	-	-	-	-
Patrol units	40	40	40	43	43
Fire Stations	6	7	8	8	8
Other Public Works					
Street (miles)	372	372	372	372	372
Highways (miles)	35	35	35	35	35
Streetlights	4,005	4,005	4,006	4,006	4,011
Traffic signals	134	134	135	138	138
Parks and Recreation					
Acreage	166	545	546	546	546
Playgrounds	16	16	16	16	16
Baseball/Softball diamonds	19	19	19	19	19
Soccer/Football fields	13	13	13	14	14
Community centers	8	8	9	9	9

Source: Various City Departments

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 Member of the City Council
of the City of Gadsden, Alabama

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 15, 2013. We did not audit the financial statements of the Gadsden City Board of Education, or the Gadsden Airport Authority, which represent 90%, 99%, and 99% of the respective assets, net assets, and revenues of the component unit columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Gadsden City Board of Education and the Gadsden Airport Authority, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated March 15, 2013.

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

A handwritten signature in blue ink that reads "Borland Benfield P.C.".

Borland Benfield, P.C.
Birmingham, Alabama
March 15, 2013



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Independent Auditors' Report on Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the City of Gadsden, Alabama's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Gadsden Board of Education which expended approximately \$36 million in federal awards which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2012. Our audit, described below, did not include the operations of the Gadsden Board of Education because it was required to have a separate audit in accordance with OMB Circular A-133.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Borland Benefield P.C.".

Borland Benefield, P.C.
Birmingham, Alabama
March 15, 2013

CITY OF GADSDEN, ALABAMA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Total Expended</u>
Federal Awards:			
Department of Housing & Urban Development:			
<u>Direct Programs:</u>			
Community Development Block Grant	14.218	B-10-MC-010004	\$ 348,892
Community Development Block Grant	14.218	B-11-MC-010004	416,973
Homeless Management Information Systems	14.235	AL0061B4C050802	6,178
Homeless Management Information Systems	14.235	AL0061B4C051003	6,750
<u>Passed Through Alabama Department of Economic and Community Affairs:</u>			
Emergency Shelter Grant	14.231	ESG-10-009	<u>130,263</u>
Total Department of Housing & Urban Development			<u>909,056</u>
U.S. Department of Justice			
<u>Direct Programs:</u>			
Community Oriented Policing Services Technology Program Grant II	16.710	2009-CK-WX-0027	4,035
Community Oriented Policing Services Technology Program Grant III	16.710	2010-CK-WX-0464	5,635
Byrne Memorial Justice Assistance Grant	16.738	2009-SB-B9-0700	83,771
Bulletproof Vest Partnership Grant	16.607		5,990
Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2818	27,576
Juvenile Justice and Delinquency Prevention	16.541	2010-JL-FX-0380	<u>64,119</u>
Total U.S. Department of Justice			<u>191,126</u>
Department of Health & Human Services			
<u>Passed Through Alabama Commission on Aging:</u>			
Special Program for Aging Title III B	93.044	04-12-03-16	5,985
Special Program for Aging Title III C	93.045	04-12-03-16	<u>9,304</u>
Total Department of Health & Human Services			<u>15,289</u>
Department of Agriculture			
<u>Passed Through Alabama Department of Education:</u>			
Summer Food Service Program for Children	10.559	AEZ-K000	<u>95,293</u>
Total Department of Agriculture			<u>95,293</u>
Department of Homeland Security			
<u>Passed Through Alabama Emergency Management Agency:</u>			
Emergency Management State & Local Assistance	97.042	12-EMPG-31	58,599
Chemical Stockpile Emergency Preparedness Program	97.040	10-ETO-O&M	83,991
Chemical Stockpile Emergency Preparedness Program	97.040	11-ETO-O&M	259,507
Hazard Mitigation Grant Program	97.039	HMGP-DR-1971	202,706
FEMA-Assistant to Firefighters Grant	97.044	EMW-2011-FO-00746	<u>52,200</u>
Total Department of Homeland Security			<u>657,003</u>

CITY OF GADSDEN, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2012

Department of Transportation

Direct Programs:

Federal Transit Formula Grant	20.507	AL-90-0222	64,529
Federal Transit Formula Grant	20.507	AL-96-0005	34,520
Federal Transit Formula Grant	20.507	AL-90-0215	9,239
Federal Transit Formula Grant	20.507	AL-90-4222	403,024

Passed Through Alabama Department of Transportation:

Highway Planning and Construction Grant	20.205	FT-ATE-100-057-37	150,322
Highway Planning and Construction Grant		STPTE-TE09	454,848
Motor Vehicles by Intoxicated Persons		12-SP-PT-005	19,049

Total Alabama Department of Transportation 1,135,531

Department of Education:

Passed Through Alabama Department of Education:

State Library Program	45.310	12-7-2	60,000
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Department of Commerce:

Direct Program:

EDA-Public Work and Development Facilities	11.300	04-79-73000.01	211,770
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Total Federal Awards \$ 3,275,068

State Awards:

Alabama Public Library Service Library Grant		SA-00-03	67,113
Alabama Dept. of Transportation		IAR-028-000-002	4,469

Total State Awards \$ 71,582

Total Federal and State Awards \$ 3,346,650

CITY OF GADSDEN, ALABAMA

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of the City of Gadsden, Alabama (the City) under programs of the federal government for the year ended September 30, 2012.

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

1. Community Block Development Grant
2. Chemical Stockpile Emergency Preparedness Program

Note 2 - Summary of Significant Accounting Policies

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

CITY OF GADSDEN, ALABAMA

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012**

A. Summary of Audit Results

Financial Statements

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

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	_____	Yes	<u> X </u> No
• Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	<u> X </u> No
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A133?	_____	Yes	<u> X </u> No
Identification of major programs:			
CFDA #14.218 – Community Development Block Grant			
CFDA #97.040 – Chemical Stockpile Emergency Preparedness Program			
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>		
Auditee qualified as low-risk auditee?	<u> X </u>	Yes	_____ No

B. Findings - Financial Statements Audit

None Reported

C. Findings – Major Federal Award Programs

None Reported