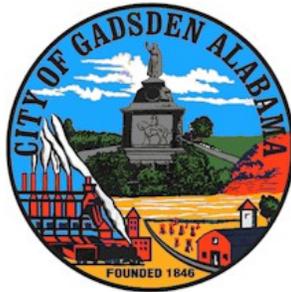


ANNUAL FINANCIAL REPORT

CITY OF GADSDEN, ALABAMA

For the Year Ended September 30, 2013



Prepared by:

**Finance Department
Lisa Rosser, Finance Director**

CITY OF GADSDEN, ALABAMA
Annual Financial Report
For the Year Ended September 30, 2013

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INTRODUCTORY SECTION

PRINCIPAL CITY OFFICIALS

ORGANIZATIONAL CHART



CITY OF GADSDEN, ALABAMA
PRINCIPAL CITY OFFICIALS

September 30, 2013

MAYOR

Sherman Guyton

CITY COUNCIL

Billy J. Harris, District 1

Deverick Williams, District 2

Robert Avery, District 3

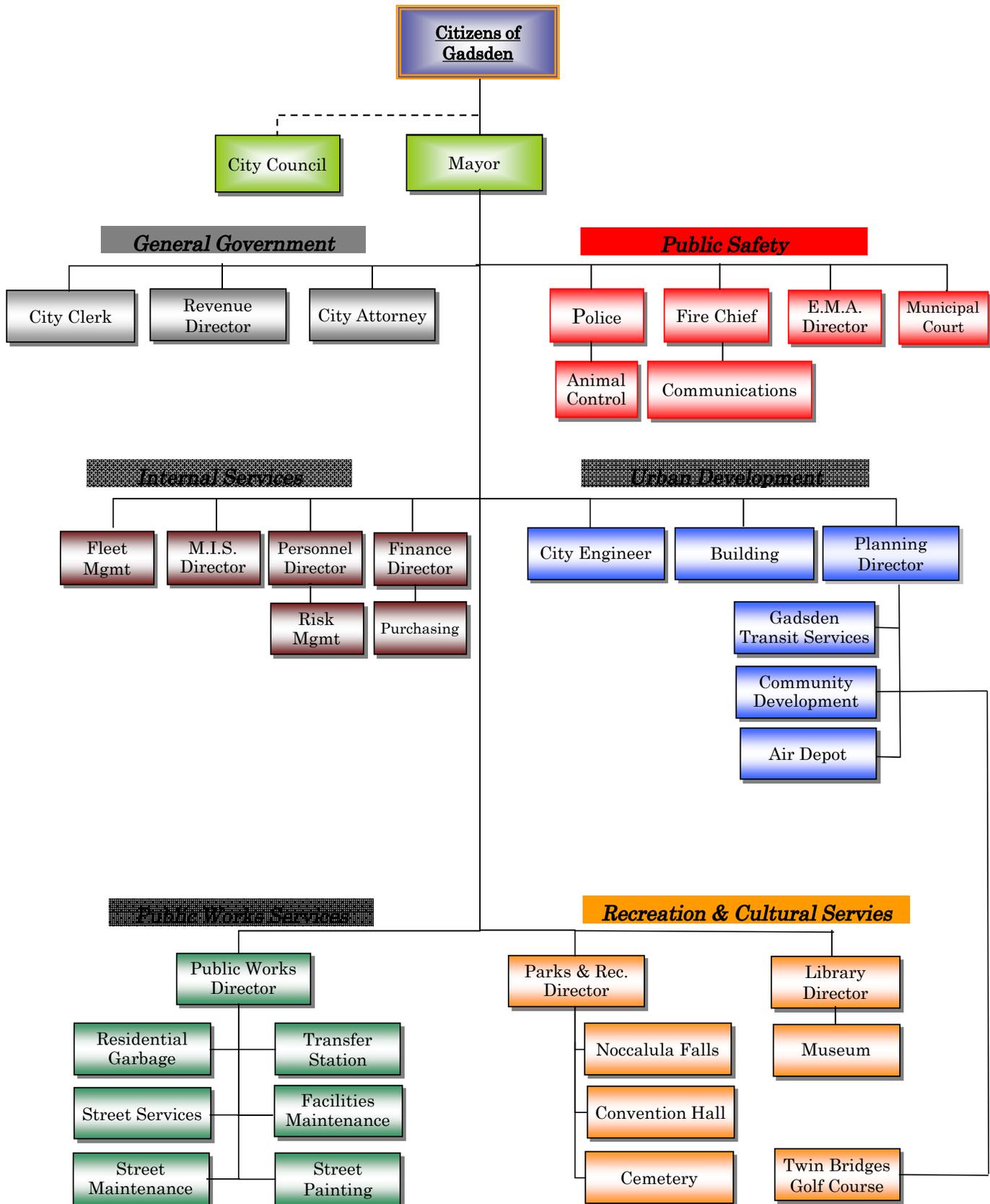
Bob Echols, District 4 (President)

Bill C. Stewart, District 5

Johnny Cannon, District 6 (President Pro Tem)

Ben Reed, District 7

City of Gadsden Organization Chart





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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 position 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 from material misstatement.

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

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

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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of pension funding progress on pages 3-10 and 53-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as the combining and individual fund financial statements and schedules and the statistical section are presented for purposes of additional analysis and are 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 basic financial statements.

The accompanying supplemental data and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Borland Benefield, P.C.
Birmingham, Alabama
March 17, 2014

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2013

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, 2013. 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, 2013, by \$12,413,325 (*net position*). The portion of net position that may be used to meet the City's ongoing obligations to citizens and creditors (*unrestricted net position*) reflects a deficit of \$57,154,914. The deficit is primarily the result of the reporting of the OPEB obligation as required by GASB No. 45.
- The City's total net position increased by \$2,420,180 in fiscal year 2013. The main factor that influenced this increase was a major decrease in the current portion of capital leases and uncompensated absences.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$30,144,406 an increase of \$2,157,955 from the prior year. Of this amount, \$9,893,978 or approximately 33% 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 \$9,945,828 or approximately 23% of total General Fund expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Gadsden that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services (*business-type activities*).

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.

CITY OF GADSDEN, ALABAMA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the Year Ended September 30, 2013**

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.

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

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the Year Ended September 30, 2013

Government-Wide Financial Analysis

Condensed Statements of Net Position
As of September 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 45,117,541	\$ 43,175,713	\$ (1,729,821)	\$ (1,966,766)	\$ 43,387,720	\$ 41,208,947
Capital assets, net of accumulated depreciation	<u>73,523,659</u>	<u>74,795,468</u>	<u>9,107,960</u>	<u>9,532,877</u>	<u>82,631,619</u>	<u>84,328,345</u>
Total Assets	<u>\$ 118,641,200</u>	<u>\$ 117,971,181</u>	<u>\$ 7,378,139</u>	<u>\$ 7,566,111</u>	<u>\$ 126,019,339</u>	<u>\$ 125,537,292</u>
Deferred Outflows of Resources	\$ 1,324,159	\$ -	\$ -	\$ -	\$ 1,324,159	\$ -
Current and other liabilities	\$ 13,333,476	\$ 16,031,955	\$ 451,142	\$ 473,051	\$ 13,784,618	\$ 16,505,006
Long-term liabilities, net of current portion	<u>98,699,511</u>	<u>96,395,442</u>	<u>2,446,044</u>	<u>2,643,699</u>	<u>101,145,555</u>	<u>99,039,141</u>
Total Liabilities	<u>\$ 112,032,987</u>	<u>\$ 112,427,397</u>	<u>\$ 2,897,186</u>	<u>\$ 3,116,750</u>	<u>\$ 114,930,173</u>	<u>\$ 115,544,147</u>
Net Position						
Net investment in capital assets	\$ 56,535,831	\$ 55,779,328	\$ 8,407,960	\$ 8,692,877	\$ 64,943,791	\$ 64,472,205
Restricted	4,624,448	4,848,638	-	-	4,624,448	4,848,638
Unrestricted	<u>(53,227,907)</u>	<u>(55,084,182)</u>	<u>(3,927,007)</u>	<u>(4,243,516)</u>	<u>(57,154,914)</u>	<u>(59,327,698)</u>
Total Net Position	<u>\$ 7,932,372</u>	<u>\$ 5,543,784</u>	<u>\$ 4,480,953</u>	<u>\$ 4,449,361</u>	<u>\$ 12,413,325</u>	<u>\$ 9,993,145</u>

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

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

The remaining unrestricted net position reflects a deficit of \$53,227,907. This deficit is primarily the result of the following:

- Booking the OPEB obligation of \$41,732,100.
- Booking the estimate of accrued leave owed to employees of \$2,450,855.

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

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2013

Condensed Statements of Activities
For the Years Ended September 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenue						
Program Revenue						
Charges for services	\$ 2,396,768	\$ 2,403,573	\$ 3,121,914	\$ 3,191,477	\$ 5,518,682	\$ 5,595,050
Operating grants and contributions	3,219,871	3,154,149	-	-	3,219,871	3,154,149
Cap grants and contributions	318,402	989,103	-	-	318,402	989,103
General Revenue						
Taxes	46,691,159	46,216,893	-	-	46,691,159	46,216,893
Licenses and permits	6,681,451	6,611,198	-	-	6,681,451	6,611,198
Investment earnings	579,430	594,955	-	-	579,430	594,955
Change in OPEB obligation	-	70,608,057	-	-	-	70,608,057
Other general revenue	1,086,955	733,624	-	66,604	1,086,955	800,228
Total Revenue	<u>60,974,036</u>	<u>131,311,552</u>	<u>3,121,914</u>	<u>3,258,081</u>	<u>64,095,950</u>	<u>134,569,633</u>
Expenses						
Governmental Activities						
General government	2,192,665	2,208,849	-	-	2,192,665	2,208,849
Internal services	3,219,291	3,316,528	-	-	3,219,291	3,316,528
Public safety	23,160,263	23,143,191	-	-	23,160,263	23,143,191
Recreation and cultural services	7,713,770	7,907,528	-	-	7,713,770	8,851,824
Public works	5,524,090	5,448,974	-	-	5,524,090	5,448,974
Urban development	4,785,577	4,240,075	-	-	4,785,577	4,240,075
Intergovernmental	4,556,853	5,295,262	-	-	4,556,853	5,295,262
Non-departmental	2,997,459	4,393,832	-	-	2,997,459	4,393,832
Interest on long-term debt	2,748,226	3,493,466	-	-	2,748,226	3,493,466
Business-type Activities						
Airport-air depot	-	-	235,520	305,722	235,520	305,722
Garbage	-	-	2,694,102	3,209,486	2,694,102	3,209,486
Golf course	-	-	1,334,304	1,085,671	1,334,304	1,085,671
Total Expenses	<u>56,898,194</u>	<u>59,447,705</u>	<u>4,263,926</u>	<u>4,600,879</u>	<u>61,162,120</u>	<u>64,992,880</u>
Change in Net Position Before Transfers and Special Items	4,075,842	71,863,847	(1,142,012)	(1,342,798)	2,933,830	69,576,753
Transfers	<u>(1,173,386)</u>	<u>(1,039,630)</u>	<u>1,173,386</u>	<u>1,039,630</u>	-	-
Change in Net Position	<u>\$ 2,902,456</u>	<u>\$ 70,824,217</u>	<u>\$ 31,374</u>	<u>\$ (303,168)</u>	<u>\$ 2,933,830</u>	<u>\$ 69,576,753</u>

Governmental Activities – Governmental activities increased the City's net position by \$2,902,456. Key elements of this increase are as follows: Revenues exceeding governmental expenses, outside of transfers.

Business-Type Activities – Business-type activities increased the City's net position by \$31,374. Key elements of this decrease are as follows: Expenses exceeding revenues by approximately \$1.14 million, offset by transfers of approximately \$1.17 million.

CITY OF GADSDEN, ALABAMA

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
For the Year Ended September 30, 2013

Fund Financial Analysis

Governmental Funds – The *General Fund* is the chief operating fund of the City. The total general fund balance increased by \$2,081,446 in 2013 to \$12,318,871. At the end of the current fiscal year, the *unassigned fund balance* was \$9,945,828, an increase of \$2,155,894.

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 23% of total general fund expenditures, while total fund balance represents 29% of the total general fund expenditures.

General Fund - Fund Balances
As of September 30, 2013 and 2012

	Fund Balance		Increase (Decrease)
	2013	2012	
Nonspendable	\$ 391,280	\$ 381,292	\$ 9,988
Committed	1,981,763	2,066,199	(84,436)
Unassigned	9,945,828	7,789,934	2,155,894
Total Fund Balance	\$ 12,318,871	\$ 10,237,425	\$ 2,081,446

The increase in unassigned general fund balance was due to spending controls implemented by the administration and a slight increase in revenues collected in fiscal year 2013.

Enterprise Funds – The City’s enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. The combined net position of the enterprise funds were \$4,489,178, an increase of \$22,180. The following table compares enterprise funds’ net position with the previous year.

Enterprise Funds - Net Position
As of September 30, 2013 and 2012

	Net Position		Increase (Decrease)
	2013	2012	
Airport	\$ 877,093	\$ 795,903	\$ 81,190
Garbage	(1,505,443)	(1,551,855)	46,412
Golf course	5,117,528	5,222,950	(105,422)
Total Net Position	\$ 4,489,178	\$ 4,466,998	\$ 22,180

Internal Service Fund – As previously mentioned, the City utilizes an internal service fund to accumulate and allocate the costs of workers’ compensation and employee health care internally among the City’s various functions. At the end of the current fiscal year, the net position of the internal service fund were \$822,303, an increase of \$179,015.

Internal Service Fund - Net Position
As of September 30, 2013 and 2012

	Net Assets		Increase (Decrease)
	2013	2012	
Invested in capital assets	\$ -	\$ -	\$ -
Unrestricted	822,303	643,288	179,015
Total Net Position	\$ 822,303	\$ 643,288	\$ 179,015

CITY OF GADSDEN, ALABAMA

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
For the Year Ended September 30, 2013

Budgetary Highlights

Differences between the general fund original budget and the final amended budget totaled \$3,246,824. While revenue was off by \$465,216 due to lower than expected tax receipts, certain budgeted expenses were lower than expected due to spending controls implemented by the administration.

General Budget Fund				
For the Year Ended September 30, 2013				
	Original Budget	Final Budget	Actual Amounts	Variance From Final Budget
Revenue	\$ 46,326,000	\$ 46,326,000	\$ 45,860,784	\$ (465,216)
Expenditures	45,868,047	46,075,747	42,438,221	3,637,526
Other sources (uses)	<u>(1,415,629)</u>	<u>(1,415,629)</u>	<u>(1,341,115)</u>	<u>74,514</u>
Total	<u>\$ (957,676)</u>	<u>\$ (1,165,376)</u>	<u>\$ 2,081,448</u>	<u>\$ 3,246,824</u>

Capital Asset and Debt Administration

Capital Assets						
As of September 30, 2013 and 2012						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 15,604,974	\$ 15,165,660	\$ 2,976,164	\$ 2,976,164	\$ 18,581,138	\$ 18,141,824
Buildings	13,627,898	13,952,457	2,240,896	2,435,945	15,868,794	16,388,402
Improvements other than buildings	14,562,203	14,251,537	3,527,688	3,825,667	18,089,891	18,077,204
Equipment	8,810,324	10,062,710	363,212	295,101	9,173,536	10,357,811
Infrastructure	20,167,515	20,288,554	-	-	20,167,515	20,288,554
Construction in progress	<u>750,745</u>	<u>1,074,550</u>	<u>-</u>	<u>-</u>	<u>750,745</u>	<u>1,074,550</u>
Net Total Capital Assets	<u>\$ 73,523,659</u>	<u>\$ 74,795,468</u>	<u>\$ 9,107,960</u>	<u>\$ 9,532,877</u>	<u>\$ 82,631,619</u>	<u>\$ 84,328,345</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 street resurfacing and improvements - \$2,034,021
- Expenditures for various capital equipment - \$1,272,912
- Weaver Tech building improvements - \$290,108
- Purchase of 25 acres from Airport Authority - \$275,857

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CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2013

Debt Outstanding

Outstanding Debt & Long-term Liabilities		
As of September 30, 2013 and 2012		
	2013	2012
Governmental		
GOW 2012-D	\$ 10,235,000	\$ -
GOW 2012-A	17,790,000	17,790,000
GOW 2012-B	3,855,000	3,920,000
GOW 2012-C	7,305,000	7,495,000
GOW 2011	4,470,000	4,740,000
GOW 2006-A	745,000	785,000
GOW 2005	-	10,235,000
GOW 2004-A	-	225,000
GOW 2003-A	2,070,000	2,275,000
GOW 2003-B	7,390,000	8,095,000
GOW 2002-B	-	230,000
Less issuance discounts	(127,184)	(136,783)
Plus issuance premiums	436,201	546,481
Honda assistance	361,861	528,582
HUD Section 108 Loans	1,175,000	1,350,000
Capital leases	1,277,421	2,538,532
Compensated absences	2,450,855	2,542,192
Claims and judgments	3,025,467	2,879,977
OPEB Obligation	41,732,100	40,507,615
	<u>104,191,721</u>	<u>106,546,596</u>
Business-Type		
GOW 2003	-	40,000
GOW 2005-B	700,000	800,000
Compensated absences	62,881	67,476
Landfill closure and post closure	1,326,818	1,523,584
OPEB obligation	564,126	474,865
	<u>2,653,825</u>	<u>2,905,925</u>
Total Long-term Liabilities	<u>\$ 106,845,546</u>	<u>\$ 109,452,521</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.

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.

CITY OF GADSDEN, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the Year Ended September 30, 2013

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 POSITION
September 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business Type Activities	Total	Gadsden Board of Education	Gadsden Airport Authority	Public Building Authority of the City of Gadsden
Assets						
Current Assets						
Pooled cash and investments	\$ 20,278,547	\$ 363,460	\$ 20,642,007	\$ 8,619,162	\$ 50,190	\$ 457,720
Receivables, net of allowances for uncollectibles	8,368,825	416,813	8,785,638	7,928,178	40,369	-
Internal balances	2,533,789	(2,533,789)	-	-	-	-
Due from primary government	-	-	-	-	5,095,000	-
Inventories	251,269	23,694	274,963	80,533	-	-
Prepays and other	495,310	1	495,311	8,678	5,342	-
Restricted assets	927,760	-	927,760	-	1,099,952	-
Due from component units	12,262,041	-	12,262,041	-	-	-
Capital Assets, Net of Accumulated Depreciation						
Land	15,604,974	2,976,164	18,581,138	5,644,533	595,244	513,101
Buildings	13,627,898	2,240,896	15,868,794	40,829,321	77,411	7,105,816
Improvements	14,562,203	3,527,688	18,089,891	5,581,016	2,476,073	-
Equipment	8,810,324	363,212	9,173,536	1,686,687	50,024	-
Infrastructure	20,167,515	-	20,167,515	-	2,008,801	-
Construction in progress	750,745	-	750,745	-	-	-
Total Assets	118,641,200	7,378,139	126,019,339	70,378,108	11,498,406	8,076,637
Deferred Outflows of Resources						
Deferred charges on refundings	1,324,159	-	1,324,159	-	-	-
Liabilities and Net Position						
Current Liabilities						
Accounts payable and other current liabilities	\$ 1,108,337	\$ 180,043	\$ 1,288,380	\$ 2,638,395	\$ 3,676	\$ 75,319
Accrued payroll and related liabilities	879,140	41,550	920,690	-	-	-
Due to component units	5,853,786	-	5,853,786	-	-	-
Due to primary government	-	-	-	-	874,200	-
Unearned revenue	-	21,767	21,767	7,251,827	-	-
Noncurrent Liabilities						
Due within one year	5,492,213	207,782	5,699,995	976,471	5,095,000	340,000
Due in more than one year	98,699,511	2,446,044	101,145,555	18,000,488	-	7,023,363
Total Liabilities	112,032,987	2,897,186	114,930,173	28,867,181	5,972,876	7,438,682
Net Position						
Net investment in capital assets	56,535,831	8,407,960	64,943,791	34,764,597	5,207,553	255,554
Restricted						
Debt service	967,676	-	967,676	-	168,487	85,005
Economic development	549,538	-	549,538	-	-	-
Public safety	684,676	-	684,676	-	-	-
Recreation and cultural services						
Expendable	175,675	-	175,675	-	-	-
Nonexpendable	44,675	-	44,675	-	-	-
Other purposes	2,202,208	-	2,202,208	-	-	297,396
Unrestricted	(53,227,907)	(3,927,007)	(57,154,914)	6,746,330	149,490	-
Total Net Position	\$ 7,932,372	\$ 4,480,953	\$ 12,413,325	\$ 41,510,927	\$ 5,525,530	\$ 637,955

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Functions/Programs	Program Revenue				Net Revenue (Expense) and Changes in Net Position														
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units											
					Governmental Activities	Business-Type Activities	Total	Gadsden Board of Education	Gadsden Airport Authority	Public Building Authority of the City of Gadsden									
Primary Government																			
Governmental activities																			
General government	\$ (2,192,665)	\$ 71,728	\$ -	\$ -	\$ (2,120,937)	\$ -	\$ (2,120,937)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal services	(3,219,291)	-	-	-	(3,219,291)	-	(3,219,291)	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	(23,160,263)	789,203	265,547	-	(22,105,513)	-	(22,105,513)	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural services	(7,713,770)	1,248,824	231,870	32,534	(6,200,542)	-	(6,200,542)	-	-	-	-	-	-	-	-	-	-	-	-
Public works services	(5,524,090)	-	520,577	-	(5,003,513)	-	(5,003,513)	-	-	-	-	-	-	-	-	-	-	-	-
Urban development	(4,785,577)	287,013	2,201,877	285,868	(2,010,819)	-	(2,010,819)	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	(4,556,853)	-	-	-	(4,556,853)	-	(4,556,853)	-	-	-	-	-	-	-	-	-	-	-	-
Non-departmental	(2,997,459)	-	-	-	(2,997,459)	-	(2,997,459)	-	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	(2,748,226)	-	-	-	(2,748,226)	-	(2,748,226)	-	-	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>(56,898,194)</u>	<u>2,396,768</u>	<u>3,219,871</u>	<u>318,402</u>	<u>(50,963,153)</u>	<u>-</u>	<u>(50,963,153)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities																			
Airport	(235,520)	316,710	-	-	-	81,190	81,190	-	-	-	-	-	-	-	-	-	-	-	-
Residential garbage	(2,694,102)	2,025,408	-	-	-	(668,694)	(668,694)	-	-	-	-	-	-	-	-	-	-	-	-
Golf course	(1,334,304)	779,796	-	-	-	(554,508)	(554,508)	-	-	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	<u>(4,263,926)</u>	<u>3,121,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,142,012)</u>	<u>(1,142,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ (61,162,120)</u>	<u>\$ 5,518,682</u>	<u>\$ 3,219,871</u>	<u>\$ 318,402</u>	<u>\$ (50,963,153)</u>	<u>\$ (1,142,012)</u>	<u>\$ (52,105,165)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Component Units																			
Board of Education	<u>\$ (50,532,125)</u>	<u>\$ 4,655,715</u>	<u>\$ 31,613,625</u>	<u>\$ 1,295,574</u>				<u>\$ (12,967,211)</u>											
Airport Authority	<u>\$ (724,693)</u>	<u>\$ 51,379</u>	<u>\$ 150,301</u>	<u>\$ 118,877</u>									<u>\$ (404,136)</u>						
Public Building Authority	<u>\$ (501,371)</u>	<u>\$ 639,809</u>	<u>\$ -</u>	<u>\$ -</u>														<u>\$ 138,438</u>	
General Revenue																			
Sales and use tax					\$ 27,007,810	\$ -	\$ 27,007,810	\$ 1,379,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupational license fee					13,304,031	-	13,304,031	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits					6,681,451	-	6,681,451	-	-	-	-	-	-	-	-	-	-	-	-
Property tax					4,368,241	-	4,368,241	7,223,587	-	-	-	-	-	-	-	-	-	-	-
Lodging tax					572,798	-	572,798	-	-	-	-	-	-	-	-	-	-	-	-
Gasoline tax					563,648	-	563,648	-	-	-	-	-	-	-	-	-	-	-	-
Tobacco tax					383,111	-	383,111	-	-	-	-	-	-	-	-	-	-	-	-
Beer tax					212,861	-	212,861	-	-	-	-	-	-	-	-	-	-	-	-
Wine and liquor tax					200,762	-	200,762	68,919	-	-	-	-	-	-	-	-	-	-	-
Financial institution excise tax					77,897	-	77,897	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earning					579,430	-	579,430	20,829	25,717	-	-	-	-	-	-	-	-	-	-
Other general revenue					1,086,955	-	1,086,955	2,543,821	156,924	-	-	-	-	-	-	-	-	-	-
Transfers					(1,173,386)	1,173,386	-	-	-	-	-	-	-	-	-	-	-	-	-
Total General Revenue and Transfers					<u>53,865,609</u>	<u>1,173,386</u>	<u>55,038,995</u>	<u>11,236,419</u>	<u>182,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position					<u>2,902,456</u>	<u>31,374</u>	<u>2,933,830</u>	<u>(1,730,792)</u>	<u>(221,495)</u>	<u>138,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of Year, As Restated (See Note 13)					<u>5,029,916</u>	<u>4,449,579</u>	<u>9,479,495</u>	<u>43,241,719</u>	<u>5,747,025</u>	<u>499,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position, End of Year					<u>\$ 7,932,372</u>	<u>\$ 4,480,953</u>	<u>\$ 12,413,325</u>	<u>\$ 41,510,927</u>	<u>\$ 5,525,530</u>	<u>\$ 637,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2013

	<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>
Assets					
Cash and cash equivalents	\$ 7,877,567	\$ 1,012,278	\$ 1,085,087	\$ 7,580,540	\$ 17,555,472
Investments	-	-	-	166,924	166,924
Receivables, net of allowances for uncollectibles					
Taxes	4,904,281	1,249,065	519,984	1,176,031	7,849,361
Intergovernmental	58,599	-	-	290,075	348,674
Notes	112,500	-	-	-	112,500
Other	27,511	-	-	495	28,006
Due from other funds	2,719,067	-	-	-	2,719,067
Due from component units	-	-	12,262,041	-	12,262,041
Inventories	251,269	-	-	-	251,269
Restricted assets	-	-	-	927,760	927,760
Total Assets	<u>\$ 15,950,794</u>	<u>\$ 2,261,343</u>	<u>\$ 13,867,112</u>	<u>\$ 10,141,825</u>	<u>\$ 42,221,074</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Accounts payable and other liabilities	\$ 708,476	\$ -	\$ 25,530	\$ 77,134	\$ 811,140
Accrued payroll and related liabilities	852,808	-	-	22,923	875,731
Due to other funds	-	-	-	193,501	193,501
Due to component units	-	745,056	5,108,730	-	5,853,786
Total Liabilities	<u>1,561,284</u>	<u>745,056</u>	<u>5,134,260</u>	<u>293,558</u>	<u>7,734,158</u>
Deferred Inflows of Resources					
Unavailable revenue - property tax	<u>2,070,639</u>	<u>1,196,501</u>	<u>-</u>	<u>1,075,370</u>	<u>4,342,510</u>
Fund balances					
Nonspendable	391,280	-	7,153,311	-	7,544,591
Restricted	-	319,786	-	4,356,512	4,676,298
Committed	1,981,763	-	1,579,541	4,468,235	8,029,539
Assigned	-	-	-	-	-
Unassigned	9,945,828	-	-	(51,850)	9,893,978
Total Fund Balance	<u>12,318,871</u>	<u>319,786</u>	<u>8,732,852</u>	<u>8,772,897</u>	<u>30,144,406</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,950,794</u>	<u>\$ 2,261,343</u>	<u>\$ 13,867,112</u>	<u>\$ 10,141,825</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not expendable, available financial resources and, therefore, are not reported in the funds.					\$ 73,523,659
Internal service funds are used by management to charge the costs of workers' compensation and employee health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.					830,526
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.					4,342,510
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.					<u>(100,908,729)</u>
Net Assets of Governmental Activities					<u>\$ 7,932,372</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, 2013

	General Fund	School Ad Valorem Tax Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 36,611,628	\$ 1,029,532	\$ 6,537,383	\$ 2,467,357	\$ 46,645,900
Licenses and permits	6,681,450	-	-	-	6,681,450
Intergovernmental	385,599	-	-	3,350,086	3,735,685
Charges for services	1,563,310	-	-	224,332	1,787,642
Fines and forfeitures	519,665	-	-	120,024	639,689
Other revenue	<u>99,132</u>	<u>-</u>	<u>560,595</u>	<u>946,450</u>	<u>1,606,177</u>
Total Revenue	<u>45,860,784</u>	<u>1,029,532</u>	<u>7,097,978</u>	<u>7,108,249</u>	<u>61,096,543</u>
Current					
General government	2,047,775	-	-	-	2,047,775
Internal services	2,980,360	-	47,721	-	3,028,081
Public safety	19,951,005	-	-	952,741	20,903,746
Recreation and cultural services	5,968,095	-	-	376,612	6,344,707
Public works services	5,047,761	-	-	-	5,047,761
Urban development	1,684,632	-	-	4,785	1,689,417
Non-departmental	2,924,116	-	-	-	2,924,116
Intergovernmental	1,475,855	896,386	537,500	1,647,112	4,556,853
Debt service					
Principal retirement	-	-	-	4,519,731	4,519,731
Interest and fiscal charges	-	-	-	2,121,860	2,121,860
Issuance costs	-	-	-	172,050	172,050
Capital outlays	<u>358,622</u>	<u>-</u>	<u>1,738,540</u>	<u>3,300,593</u>	<u>5,397,755</u>
Total Expenditures	<u>42,438,221</u>	<u>896,386</u>	<u>2,323,761</u>	<u>13,095,484</u>	<u>58,753,852</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditures	<u>3,422,563</u>	<u>133,146</u>	<u>4,774,217</u>	<u>(5,987,235)</u>	<u>2,342,691</u>
Other Financing Sources/(Uses)					
Proceeds from refunding warrants	-	-	-	11,275,000	11,275,000
Payments to escrow agent	-	-	-	(10,546,748)	(10,546,748)
Proceeds from sale of assets	82,576	-	-	800	83,376
Transfers	<u>(1,423,691)</u>	<u>(80,582)</u>	<u>(4,989,627)</u>	<u>5,497,611</u>	<u>(996,289)</u>
Total Other Financing Sources (Uses)	<u>(1,341,115)</u>	<u>(80,582)</u>	<u>(4,989,627)</u>	<u>6,226,663</u>	<u>(184,661)</u>
Net Change in Fund Balances	2,081,448	52,564	(215,410)	239,428	2,158,030
Fund Balance, Beginning of Year	<u>10,237,423</u>	<u>267,222</u>	<u>8,948,262</u>	<u>8,533,469</u>	<u>27,986,376</u>
Fund Balance, End of Year	<u>\$ 12,318,871</u>	<u>\$ 319,786</u>	<u>\$ 8,732,852</u>	<u>\$ 8,772,897</u>	<u>\$ 30,144,406</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, 2013

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

Net change in fund balance - total governmental funds	\$ 2,158,030
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.	(1,271,809)
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.	45,259
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	3,019,723
Some expenses reported in the statement of activities differ from amounts reported as expenditures in governmental funds.	(1,218,349)
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>169,602</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,902,456</u></u>

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	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	\$ 108,709	\$ 254,051	\$ 700	\$ 363,460	\$ 2,556,151
Receivables, net of allowances for uncollectibles					
Accounts	600	416,213	-	416,813	30,284
Inventories	-	-	23,694	23,694	-
Prepays	-	-	1	1	495,310
Total Current Assets	<u>109,309</u>	<u>670,264</u>	<u>24,395</u>	<u>803,968</u>	<u>3,081,745</u>
Capital assets, net of accumulated depreciation					
Land	111,470	267,134	2,597,560	2,976,164	-
Buildings	1,350,523	164,535	725,838	2,240,896	-
Improvements	29,125	373,945	3,124,618	3,527,688	-
Equipment	20,303	213,307	129,602	363,212	-
Total Assets	<u>\$ 1,620,730</u>	<u>\$ 1,689,185</u>	<u>\$ 6,602,013</u>	<u>\$ 9,911,928</u>	<u>\$ 3,081,745</u>
Liabilities					
Current Liabilities					
Accounts payable and other current liabilities	\$ 21,871	\$ 150,589	\$ 7,583	\$ 180,043	\$ 4,257
Accrued payroll and related liabilities	-	25,804	15,746	41,550	3,409
Compensated absences payable	-	48,354	14,528	62,882	4,704
Claims and adjustments payable	-	-	-	-	2,247,072
Accrued landfill closure and post closure	-	44,900	-	44,900	-
Current portion of general obligation warrants	100,000	-	-	100,000	-
Unearned revenue	21,767	-	-	21,767	-
Due to other funds	-	1,257,497	1,268,068	2,525,565	-
Total Current Liabilities	<u>143,638</u>	<u>1,527,144</u>	<u>1,305,925</u>	<u>2,976,707</u>	<u>2,259,442</u>
Accrued landfill closure and post closure	-	1,281,918	-	1,281,918	-
Net OPEB Obligation	-	385,565	178,561	564,126	-
General obligation warrants payable	600,000	-	-	600,000	-
Total Liabilities	<u>743,638</u>	<u>3,194,627</u>	<u>1,484,486</u>	<u>5,422,751</u>	<u>2,259,442</u>
Net Position					
Net investment in capital assets	811,421	1,018,921	6,577,618	8,407,960	-
Unrestricted	65,672	(2,524,364)	(1,460,090)	(3,918,782)	822,303
Total Net Position	<u>\$ 877,093</u>	<u>\$ (1,505,443)</u>	<u>\$ 5,117,528</u>	<u>\$ 4,489,178</u>	<u>\$ 822,303</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				\$ (8,223)	
Net Position of Business Type Activities				<u>\$ 4,480,955</u>	

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

For the Year Ended September 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Air Depot	Garbage	Golf	Totals	
Operating Revenue					
Charges for sales and services	\$ 316,710	\$ 2,025,408	\$ 779,796	\$ 3,121,914	\$ 7,259,855
Total Operating Revenue	<u>316,710</u>	<u>2,025,408</u>	<u>779,796</u>	<u>3,121,914</u>	<u>7,259,855</u>
Operating Expenses					
Cost of sales and services	85,497	2,466,191	1,020,678	3,572,366	7,080,840
Depreciation	-	231,238	319,711	550,949	-
Total Operating Expenses	<u>85,497</u>	<u>2,697,429</u>	<u>1,340,389</u>	<u>4,123,315</u>	<u>7,080,840</u>
Operating income (loss)	<u>231,213</u>	<u>(672,021)</u>	<u>(560,593)</u>	<u>(1,001,401)</u>	<u>179,015</u>
Nonoperating Revenue (Expenses)					
Interest expense	(51,161)	-	-	(51,161)	-
Total Nonoperating Revenue (Expenses)	<u>(51,161)</u>	<u>-</u>	<u>-</u>	<u>(51,161)</u>	<u>-</u>
Net Income (Loss) Before Contributions Transfers and Special Items	<u>180,052</u>	<u>(672,021)</u>	<u>(560,593)</u>	<u>(1,052,562)</u>	<u>179,015</u>
Other Financing Sources/(Uses)					
Operating transfers in	-	718,435	454,951	1,173,386	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>718,435</u>	<u>454,951</u>	<u>1,173,386</u>	<u>179,015</u>
Change in Net Position	180,052	46,414	(105,642)	120,824	179,015
Net Position - Beginning of Year	<u>795,903</u>	<u>(1,551,857)</u>	<u>5,223,170</u>	<u>4,467,215</u>	<u>643,288</u>
Net Position - End of Year	<u>\$ 975,955</u>	<u>\$ (1,505,443)</u>	<u>\$ 5,117,528</u>	<u>\$ 4,588,039</u>	<u>\$ 822,303</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				\$ 9,412	
Change In Net Position of Business-Type Activities				<u>\$ 130,236</u>	

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental
	<u>Air Depot</u>	<u>Garbage</u>	<u>Golf</u>	<u>Totals</u>	Activities - Internal Service Fund
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 321,250	\$ 2,263,597	\$ 768,260	\$ 3,353,107	\$ 7,260,193
Payments to suppliers	(88,599)	(1,309,973)	(616,130)	(2,014,702)	(6,880,971)
Payments to employees	(988)	(1,242,222)	(559,633)	(1,802,843)	(222,734)
Net Cash Provided/(Used) by Operating Activities	<u>231,663</u>	<u>(288,598)</u>	<u>(407,503)</u>	<u>(464,438)</u>	<u>156,488</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	-	541,338	454,951	996,289	-
Other	-	-	-	-	-
Net Cash Flows Provided by Noncapital Financing Activities	<u>-</u>	<u>541,338</u>	<u>454,951</u>	<u>996,289</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	-	(47,798)	(47,798)	-
Principal paid on capital debt	(140,000)	-	-	(140,000)	-
Interest paid on capital debt	(51,161)	-	-	(51,161)	-
Net Cash Flows (Used) by Capital and Related Financing Activities	<u>(191,161)</u>	<u>-</u>	<u>(47,798)</u>	<u>(238,959)</u>	<u>-</u>
Cash Flows From Investing Activities					
Interest received	-	-	-	-	-
Net Increase (Decrease) In Cash and Cash Equivalents	40,502	252,740	(350)	292,892	156,488
Cash and Cash Equivalents, Beginning of Year	<u>68,207</u>	<u>1,311</u>	<u>1,050</u>	<u>70,568</u>	<u>2,399,663</u>
Cash and Cash Equivalents, End of Year	<u>\$ 108,709</u>	<u>\$ 254,051</u>	<u>\$ 700</u>	<u>\$ 363,460</u>	<u>\$ 2,556,151</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities					
Operating income (loss)	\$ 132,351	\$ (672,021)	\$ (560,593)	\$ (1,100,263)	\$ 179,015
Depreciation	98,862	231,238	319,711	649,811	-
Change in receivables	4,540	238,189	-	242,729	338
Change in due from other funds	-	-	(187,226)	(187,226)	-
Change in prepaids	-	-	20,052	20,052	(24,555)
Change in inventories	-	-	(10,197)	(10,197)	-
Change in accounts payable and other current liabilities	(3,102)	52,533	(15,291)	34,140	(365)
Change in due to other funds	-	-	-	-	-
Change in accrued payroll and related liabilities	(988)	3,258	7,882	10,152	557
Change in accrued compensated absences	-	(5,826)	1,231	(4,595)	1,498
Change in accrued landfill closure and post closure	-	(196,766)	-	(196,766)	-
Change in net OPEB obligation	-	60,797	28,464	89,261	-
Accrued liabilities	-	-	-	-	-
Unearned revenue	-	-	(11,536)	(11,536)	-
Net Cash Flows Provided/(Used) by Operating Activities	<u>\$ 231,663</u>	<u>\$ (288,598)</u>	<u>\$ (407,503)</u>	<u>\$ (464,438)</u>	<u>\$ 156,488</u>

See accompanying notes to financial statements.

CITY OF GADSDEN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2013

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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

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

- Gadsden Board of Education – The members of the Board of Education are appointed by the City and the Board of Education as an agency of the State of Alabama under the general supervision and financial jurisdiction of the Alabama State Department of Education. The City is obligated in some manner for the debt of the Board of Education and the City levies a property tax specifically for operations of the Board of Education. Complete financial statements for the Board of Education may be obtained at the following administrative office: Gadsden Board of Education, 1026 Chestnut Street, P.O. Box 184 Gadsden, Alabama 35902.

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

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

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

- Related Organizations – The City is also responsible for appointing a voting majority of the boards of other organizations, but the City’s financial accountability for these organizations does not extend beyond making the appointments, or the financial resources and obligations of these organizations are immaterial. The City appointed a voting majority of the following boards: Gadsden Water Works and Sewer Board, Greater Gadsden Housing Authority, Gadsden Industrial Development Board, the Etowah-Gadsden Industrial Development Authority, the Forrest Cemetery Foundation, and others. These organizations are related organizations, which have not been included in the reporting entity. During the year, the City made appropriations to the Etowah Gadsden Industrial Development Board and the Gadsden Commercial Development Authority in the amounts of \$425,000 and \$112,500 respectively. The City received a payment in lieu of taxes from the Greater Gadsden Housing Authority in the amount of \$71,728.

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, 2013

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.

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

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.

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

Proprietary funds distinguish *operating* revenue and expenses from *non-operating* 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 non-operating revenue and expenses.

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

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

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

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

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

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

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

All receivables are shown net of an allowance for uncollectibles.

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013**

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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 \$2,799,387. 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

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013**

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 Outflows/Inflows of Resources – In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charges on refundings reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

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

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

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 1 – Summary of Significant Accounting Principles (continued)

Restricted net position is that whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City or that expire with the passage of time. The government-wide statement of net position reports \$4,624,448 of restricted net position, of which \$1,169,388 is restricted by enabling legislation. Unrestricted net position is not subject to external restrictions but may be designated for specific purposes by the City’s management or the City council.

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

- 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, 2013 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	\$ 251,269	\$ -	\$ 251,269
Non-current receivables	<u>140,011</u>	<u>7,153,311</u>	<u>7,293,322</u>
Non-spendable Fund Balance	<u>\$ 391,280</u>	<u>\$ 7,153,311</u>	<u>\$ 7,544,591</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	\$ 1,982,276	\$ -	\$ 1,982,276
Other purposes and grants	1,657,720	-	1,657,720
Public safety	152,607	-	152,607
Road repair	20,450	-	20,450
Debt service reserves	<u>-</u>	<u>967,675</u>	<u>967,675</u>
Restricted Fund Balance	<u>\$ 3,813,053</u>	<u>\$ 967,675</u>	<u>\$ 4,780,728</u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 1 – Summary of Significant Accounting Principles (continued)

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

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Total</u>
Committed for			
Legal claims	\$ 608,306	\$ -	\$ 608,306
Comp absences	443,986	-	443,986
Encumbrances	780,795	-	780,795
Community development	148,676	-	148,676
Capitol improvements	<u>-</u>	<u>6,047,776</u>	<u>6,047,776</u>
Committed Fund Balance	<u>\$ 1,981,763</u>	<u>\$ 6,047,776</u>	<u>\$ 8,029,539</u>

- 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, 2013.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City reports all amounts that meet the Unrestricted General Fund Balance Policy described below as unassigned.

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

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

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

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

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

General obligation warrants payable	\$ (53,860,000)
Deferred charge on refunding (to be amortized as interest expense)	1,324,159
Issuance discounts and premiums (to be amortized as interest expense)	(309,017)
Special obligation bonds	(361,861)
HUD Section 108 loans	(1,175,000)
Capital leases	(1,277,421)
Accrued interest payable	(292,941)
Compensated absences	(2,446,151)
Claims and judgments	(778,397)
OPEB Obligation	<u>(41,732,100)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (100,908,729)</u>

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

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

Outlays capitalized	\$ 4,911,103
Net value of assets disposed or transferred to proprietary funds	(216,394)
Depreciation expense	<u>(5,966,518)</u>
Net adjustment to increase net change in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ (1,271,809)</u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

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

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

Debt issued or incurred	
Proceeds from long-term debt issued	\$ (11,275,000)
Amortization of long-term debt related, premiums, discounts, etc.	(513,109)
Principal repayments (including refunding proceeds to escrow agent)	<u>14,807,832</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,019,723</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	\$ 92,835
Claims and judgments	(145,492)
OPEB Obligation	(1,224,485)
Accrued interest	<u>58,793</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,218,349)</u>

Note 3 – Stewardship, Compliance and Accountability

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

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

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013**

Note 3 – Stewardship, Compliance and Accountability (continued)

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

Excess of Expenditures Over Appropriations – During the fiscal year ended September 30, 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, 2013.

At September 30, 2013, the entire bank balance of the City's component unit, the Gadsden Board of Education, was fully covered by federal depository insurance or the SAFE Program.

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

2012-D G.O. Warrants	\$	490,854
2003-B G.O. Warrants		179,631
Airport Authority		173,453
2003-A G.O. Warrants		52,053
2011 G.O. Warrants		17,062
2006-A G.O. Warrants		8,002
2006-B G.O. Warrants		6,451
Honda Project Assistance		<u>254</u>
Total	\$	<u><u>927,760</u></u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

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	\$ 4,904,281	\$ 1,249,065	\$ 519,984	\$ -
Accounts receivable	-	-	-	600
Intergovernmental receivables	58,599	-	-	-
Notes and other receivables	<u>140,011</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross receivables	5,102,891	1,249,065	519,984	600
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 5,102,891</u>	<u>\$ 1,249,065</u>	<u>\$ 519,984</u>	<u>\$ 600</u>

	<u>Garbage</u>	<u>Golf</u>	<u>Non-Major and Other</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ 1,176,031	\$ 7,849,361
Accounts receivable	416,213	-	-	416,813
Intergovernmental receivables	-	-	290,040	348,639
Notes and other receivables	<u>-</u>	<u>-</u>	<u>495</u>	<u>140,506</u>
Net Receivables	<u>\$ 416,213</u>	<u>\$ -</u>	<u>\$ 1,466,566</u>	<u>\$ 8,755,319</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: \$207,564.

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013

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, 2013
Capital Assets Not Being Depreciated				
Land	\$ 15,165,659	\$ 439,315	\$ -	\$ 15,604,974
Construction in progress	<u>1,074,550</u>	<u>689,678</u>	<u>(1,013,483)</u>	<u>750,745</u>
Total Capital Assets Not Being Depreciated	<u>16,240,209</u>	<u>1,128,993</u>	<u>(1,013,483)</u>	<u>16,355,719</u>
Capital Assets Being Depreciated				
Buildings and capital facilities	44,034,469	545,661	-	44,580,130
Improvements	17,436,325	1,028,693	-	18,465,018
Equipment	33,378,713	1,340,521	(1,845,344)	32,873,890
Other infrastructures	<u>44,590,111</u>	<u>1,946,469</u>	<u>-</u>	<u>46,536,580</u>
Total Capital Assets Being Depreciated	<u>139,439,618</u>	<u>4,861,344</u>	<u>(1,845,344)</u>	<u>142,455,618</u>
Less Accumulated Depreciation for:				
Buildings and capital facilities	30,082,012	870,221	-	30,952,233
Improvements	3,184,788	718,027	-	3,902,815
Equipment	23,316,002	2,350,058	(1,602,494)	24,063,566
Infrastructure	<u>24,301,556</u>	<u>2,067,508</u>	<u>-</u>	<u>26,369,064</u>
Total Accumulated Depreciation	<u>80,884,358</u>	<u>6,005,814</u>	<u>(1,602,494)</u>	<u>85,287,678</u>
Total Capital Assets Being Depreciated, net	<u>58,555,260</u>	<u>(1,144,470)</u>	<u>(242,850)</u>	<u>57,167,940</u>
Total Capital Assets, net	<u>\$ 74,795,469</u>	<u>\$ (15,477)</u>	<u>\$ (1,256,333)</u>	<u>\$ 73,523,659</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013

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>3,292,794</u>	<u>448,095</u>	<u>(40,518)</u>	<u>3,700,371</u>
Total Capital Assets Being Depreciated	<u>17,498,697</u>	<u>448,095</u>	<u>(40,518)</u>	<u>17,906,274</u>
Less Accumulated Depreciation for:				
Buildings/improvements to buildings	4,722,333	195,049	-	4,917,382
Improvements to buildings	3,221,957	297,979	-	3,519,936
Equipment	<u>2,997,693</u>	<u>379,983</u>	<u>(40,518)</u>	<u>3,337,158</u>
Total Accumulated Depreciation	<u>10,941,983</u>	<u>873,011</u>	<u>(40,518)</u>	<u>11,774,476</u>
Total Capital Assets Being Depreciated, net	<u>6,556,714</u>	<u>(424,916)</u>	<u>-</u>	<u>6,131,798</u>
Total Capital Assets, net	<u>\$ 9,532,877</u>	<u>\$ (424,916)</u>	<u>\$ -</u>	<u>\$ 9,107,961</u>

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

General government	\$ 39,007
Internal services	72,991
Public safety	1,737,813
Recreation and cultural services	1,142,491
Public works services	252,276
Urban development	<u>2,721,940</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,966,518</u>
Airport	\$ 98,862
Garbage	231,238
Golf Course	<u>319,711</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 649,811</u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 6 – Capital Assets (continued)

Construction Commitments

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

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Bridge - 11th Street at Black Creek	\$ 23,275	\$ 101,317
Coosa Riverfront Park	23,850	42,400
Tourism Building	109,504	15,570
Weaver Tech	290,108	164,484
Street Improvements	10,817	596,425
Tusc. Avenue Bridge	70,171	49,804
Drainage	<u>223,020</u>	<u>182,035</u>
Total	<u>\$ 750,745</u>	<u>\$ 1,152,035</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, 2013

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	17,986,052	498,228	-	18,484,280
Furniture and equipment	6,670,793	125,908	(316,837)	6,479,864
Vehicles	<u>-</u>	<u>26,440</u>	<u>-</u>	<u>26,440</u>
Total Capital Assets Being Depreciated	<u>86,431,025</u>	<u>650,576</u>	<u>(316,837)</u>	<u>86,764,764</u>
Less Accumulated Depreciation for:				
Buildings	19,864,186	1,080,673	-	20,944,859
Building improvements	12,288,088	615,175	-	12,903,263
Furniture and equipment	<u>4,843,602</u>	<u>292,853</u>	<u>(316,837)</u>	<u>4,819,618</u>
Total Accumulated Depreciation	<u>36,995,876</u>	<u>1,988,701</u>	<u>(316,837)</u>	<u>38,667,740</u>
Total Capital Assets Being Depreciated, net	<u>49,435,149</u>	<u>(1,338,125)</u>	<u>-</u>	<u>48,097,024</u>
Total Governmental Activities Capital Assets, net	<u>\$ 55,079,682</u>	<u>\$ (1,338,125)</u>	<u>\$ -</u>	<u>\$ 53,741,557</u>
Depreciation Expense was Charged to Governmental Functions as Follows:				
Instructional Services				\$ 1,437,234
Instructional Support Services				244,212
Operation and Maintenance Service				14,519
Student Transportation				54,689
Food Service				194,296
General Administrative Services				<u>43,751</u>
Total Governmental Activities Depreciation Expense				<u>\$ 1,988,701</u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 6 – Capital Assets (continued)

Discretely Presented Component Units

Gadsden Airport Authority

	<u>Beginning</u>		<u>Retirements/</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 713,321	\$ -	\$ (118,077)	\$ 595,244
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>(118,077)</u>	<u>595,244</u>
Other Capital Assets				
Airport runways	7,739,974	-	-	7,739,974
Buildings	195,518	-	-	195,520
Equipment	184,370	-	-	184,370
Improvements, other than building	3,254,922	146,937	-	3,401,859
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Capital Assets, at cost	<u>11,374,784</u>	<u>146,937</u>	<u>-</u>	<u>11,521,721</u>
Less Accumulated Depreciation for:				-
Airport runways	5,576,707	154,466	-	5,731,173
Buildings	111,584	6,523	-	118,107
Equipment	118,335	16,011	-	134,346
Improvements, other than building	<u>779,703</u>	<u>146,081</u>	<u>-</u>	<u>925,784</u>
Total Accumulated Depreciation	<u>6,586,329</u>	<u>323,081</u>	<u>-</u>	<u>6,909,410</u>
Other Capital Assets, net	<u>4,788,455</u>	<u>(176,144)</u>	<u>-</u>	<u>4,612,311</u>
Business-Type Activities Capital Assets, net	<u>\$ 5,501,776</u>	<u>\$ (176,144)</u>	<u>\$ (118,077)</u>	<u>\$ 5,207,555</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

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	\$ 2,719,067	\$ -
Golf Course	-	1,268,068
Residential Garbage	-	1,257,497
Transportation & Planning	-	62,638
State Gas Tax	-	51,932
Community Development	-	26,112
McKinney Shelter Program	-	22,001
Tobacco Tax	-	17,696
Special Auto Tax	-	10,370
Emergency Management	-	2,753
Total	<u>\$ 2,719,067</u>	<u>\$ 2,719,067</u>

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013

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	\$ 541,338
Gadsden Transit Grants	Operations	468,601
Transportation and Planning	Operations	55,418
Aging Program	Operations	97,284
Golf Course	Operations	454,951
Corrections	Operations	10,805
Capital Leases	Debt Service	<u>48,912</u>
Total Transfers From General Fund		<u>1,677,309</u>
 <u>Transfers From School Ad Valorem - Transfers To</u>		
2002B GOW Debt Service	Debt Service	<u>80,582</u>
 <u>Transfers From Capital Improvements Fund - Transfers To</u>		
2003B GOW Debt Service	Debt Service	1,079,888
2005 GOW Debt Service	Debt Service	579,138
Airport Authority Warrant	Debt Service	41,200
2004A GOW Debt Service	Debt Service	236,250
Capital Lease Obligation	Debt Service	1,118,528
Honda Assistance Debt Service	Debt Service	191,823
2006A GOW Debt Service	Debt Service	77,378
2011 GOW Debt Service	Debt Service	448,496
2012A GOW Debt Service	Debt Service	626,566
2012B GOW Debt Service	Debt Service	199,130
2012C GOW Debt Service	Debt Service	<u>429,860</u>
Total Transfers From Capital Improvements Fund		<u>5,028,257</u>
 <u>Transfers From Nonmajor Governmental Funds - Transfers To</u>		
General Fund	Operations	253,618
Capital Improvements Fund	Debt Service	<u>38,630</u>
Total Transfers From Nonmajor Funds		<u>292,248</u>
 Total Transfers		 <u>\$ 7,078,396</u>

During the fiscal year net capital assets previously used in governmental activities were transferred to the Garbage Fund totaling \$177,097.

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.

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013**

Note 8 – Intra-Entity Receivables and Payables

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

Due From Component Units

On December 22, 2003, the City issued warrants for the purpose of financing the costs of acquiring, constructing and equipping a new high school in connection with the consolidation of the Gadsden City Board of Education's existing three high schools. While the City is solely responsible for the debt service on these warrants, the City and the Board of Education executed a Funding Agreement that requires the Board of Education to make monthly payments to the City in the amount of \$75,000. \$ 11,294,241

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. 967,800

Total Due from Component Units \$ 12,262,041

Due To Component Units

The Taxable Airport Revenue Bonds, Series 2004 discussed above are demand bonds which may be tendered for payment by the bondholder in whole or in part on any business day at a purchase price equal to 100% of the principal amount tendered plus accrued interest. During the fiscal year 2009, the bondholder called the outstanding bonds of \$6,360,000 plus \$13,730 in accrued interest. To provide temporary short-term financing for this contingency, the City has obtained an irrevocable letter of credit from a financial institution in the amount of \$6,984,455. The City activated the irrevocable letter of credit, and has performed on all debt service payments. The amount due has been recorded at the current principal balance outstanding on the letter of credit. \$ 5,108,730

School Ad Valorem Taxes receivable from taxpayers which are ultimately due to the Board of Education 745,056

Total Due to Component Units \$ 5,853,786

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013

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-D	\$ -	\$ 11,275,000	\$ (1,040,000)	\$ 10,235,000	\$ 1,230,000	\$ 9,005,000
General Obligation Warrants, Series 2012-A	17,790,000	-	-	17,790,000	-	17,790,000
General Obligation Warrants, Series 2012-B	3,920,000	-	(65,000)	3,855,000	305,000	3,550,000
General Obligation Warrants, Series 2012-C	7,495,000	-	(190,000)	7,305,000	190,000	7,115,000
General Obligation Warrants, Series 2011-A	4,740,000	-	(270,000)	4,470,000	295,000	4,175,000
General Obligation Warrants, Series 2006-A	785,000	-	(40,000)	745,000	40,000	705,000
General Obligation Warrants, Series 2005	10,235,000	-	(10,235,000)	-	-	-
General Obligation Warrants, Series 2004-A	225,000	-	(225,000)	-	-	-
General Obligation Warrants, Series 2003-A	2,275,000	-	(205,000)	2,070,000	215,000	1,855,000
General Obligation Warrants, Series 2003-B	8,095,000	-	(705,000)	7,390,000	730,000	6,660,000
General Obligation Warrants, Series 2002-B	230,000	-	(230,000)	-	-	-
Less deferred amounts						
For issuance discounts	(136,783)	-	9,599	(127,184)	(9,599)	(117,585)
Plus deferred amounts						
For issuance premiums	546,481	-	(110,280)	436,201	29,080	407,121
Total General Obligation Warrants	56,199,698	11,275,000	(13,305,681)	54,169,017	3,024,481	51,144,536
Special obligation bonds						
Honda assistance	528,582	-	(166,721)	361,861	175,121	186,740
HUD Section 108 Loans	1,350,000	-	(175,000)	1,175,000	175,000	1,000,000
Capital leases	2,538,532	-	(1,261,111)	1,277,421	700,724	576,697
Compensated absences	2,542,192	-	(91,337)	2,450,855	718,758	1,732,097
OPEB Liability	40,507,615	1,224,485	-	41,732,100	-	41,732,100
Claims and judgments	2,879,977	837,728	(692,236)	3,025,469	695,000	2,330,469
Governmental Activities Long-term Liabilities	\$ 106,546,596	\$ 13,337,212	\$ (15,692,087)	\$ 104,191,721	\$ 5,489,084	\$ 98,702,637
Business-Type Activities						
General Obligation Warrants, Series 2003	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -	\$ -
Taxable general obligation warrants, Series 2005-B	800,000	-	(100,000)	700,000	100,000	600,000
Compensated absences	67,476	-	(4,595)	62,881	62,881	-
OPEB Liability	474,865	89,261	-	564,126	-	564,126
Accrued landfill closure and post closure	1,523,584	-	(196,766)	1,326,818	44,900	1,281,918
Business-Type Activities Long-term Liabilities	\$ 2,905,925	\$ 89,261	\$ (341,361)	\$ 2,653,825	\$ 207,781	\$ 2,446,044

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.

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 9 – Long-term Liabilities (continued)

General Obligation Warrants, Special Obligation Bonds and Notes Payable

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

Governmental Activities:

General Obligation Warrants dated December 21, 2012 are due in annual principal installments ranging from \$795,000 to \$1,365,000 starting March 1, 2013 through March 1, 2022, with interest payable semi-annually from inception at 1.98 percent.	\$ 10,235,000
General Obligation Warrants dated February 2, 2012 are due in annual principal installments ranging from \$925,000 to \$1,490,000 starting August 1, 2015 through August 1, 2029, with interest payable semi-annually from inception at rates varying from 2.75 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.	3,855,000
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.	7,305,000
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.	4,470,000
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.	745,000
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.	2,070,000
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.	7,390,000
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.	361,861
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.	200,000

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013

Note 9 – Long-term Liabilities (continued)

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. _____ 975,000

Total Governmental Activities \$ 55,396,861

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. \$ _____ 700,000

Total Business-Type Activities \$ 700,000

General Obligation Refundings

In December 2012, the City issued warrants for the purpose of: (i) refunding the City's outstanding 2005 General Obligation Warrants, 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. 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 (\$72,163) and obtained an economic gain (difference between the present value of debt service payments of the refunded and refunding warrants) of approximately \$64,984. The outstanding principal balance of the defeased warrants was called on March 1, 2013.

Due to favorable interest rates, during the year ended September 30, 2012, the City issued \$29,345,000 in general obligations warrants, of which \$28,480,056 was placed in an irrevocable trust for the purpose of generating resources for all future debt service payments for portions of the 2003-A, 2003-B and 2004-A warrant issues. As a result, the refunded warrants were considered to be defeased and the liabilities removed. The outstanding principal balances of these defeased warrants were called on August 1, 2013.

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CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013

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, 2013:

	<u>Total</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities					
GOW Series 2012-D					
Principal	\$ 10,235,000	\$ 1,230,000	\$ 1,255,000	\$ 1,290,000	\$ 1,315,000
Interest	835,511	190,476	165,875	140,679	114,890
Total	<u>11,070,511</u>	<u>1,420,476</u>	<u>1,420,875</u>	<u>1,430,679</u>	<u>1,429,890</u>
GOW Series 2012-A					
Principal	17,790,000	-	925,000	950,000	985,000
Interest	6,031,194	625,506	625,506	597,756	559,756
Total	<u>23,821,194</u>	<u>625,506</u>	<u>1,550,506</u>	<u>1,547,756</u>	<u>1,544,756</u>
GOW Series 2012-B					
Principal	3,855,000	305,000	305,000	315,000	325,000
Interest	935,960	131,978	126,244	119,534	111,596
Total	<u>4,790,960</u>	<u>436,978</u>	<u>431,244</u>	<u>434,534</u>	<u>436,596</u>
GOW Series 2012-C					
Principal	7,305,000	190,000	425,000	430,000	445,000
Interest	2,140,356	235,000	230,250	219,625	208,875
Total	<u>9,445,356</u>	<u>425,000</u>	<u>655,250</u>	<u>649,625</u>	<u>653,875</u>
GOW Series 2011					
Principal	4,470,000	295,000	300,000	305,000	325,000
Interest	1,016,430	167,668	156,436	144,760	132,681
Total	<u>5,486,430</u>	<u>462,668</u>	<u>456,436</u>	<u>449,760</u>	<u>457,681</u>
GOW Series 2006					
Principal	745,000	40,000	50,000	50,000	50,000
Interest	214,064	29,437	27,735	25,732	23,730
Total	<u>959,064</u>	<u>69,437</u>	<u>77,735</u>	<u>75,732</u>	<u>73,730</u>
GOW Series 2003-A					
Principal	2,070,000	215,000	-	-	-
Interest	1,660,677	97,317	89,040	89,040	89,040
Total	<u>3,730,677</u>	<u>312,317</u>	<u>89,040</u>	<u>89,040</u>	<u>89,040</u>
GOW Series 2003-B					
Principal	7,390,000	730,000	-	-	-
Interest	5,960,905	347,785	319,680	319,680	319,680
Total	<u>13,350,905</u>	<u>1,077,785</u>	<u>319,680</u>	<u>319,680</u>	<u>319,680</u>
Special Obligation Bonds -					
Honda Assistance					
Principal	361,861	175,121	186,740	-	-
Interest	29,329	19,349	9,980	-	-
Total	<u>391,190</u>	<u>194,470</u>	<u>196,720</u>	<u>-</u>	<u>-</u>
HUD Section 108 Loan					
Principal	200,000	100,000	100,000	-	-
Interest	15,250	10,160	5,090	-	-
Total	<u>215,250</u>	<u>110,160</u>	<u>105,090</u>	<u>-</u>	<u>-</u>
HUD Section 108 Loan					
Principal	975,000	75,000	75,000	75,000	75,000
Interest	371,999	53,175	49,373	45,555	41,723
Total	<u>1,346,999</u>	<u>128,175</u>	<u>124,373</u>	<u>120,555</u>	<u>116,723</u>
Total Governmental Activities					
Principal	55,396,861	3,355,121	3,621,740	3,415,000	3,520,000
Interest	19,211,675	1,907,851	1,805,209	1,702,361	1,601,971
Total	<u>\$ 74,608,536</u>	<u>\$ 5,262,972</u>	<u>\$ 5,426,949</u>	<u>\$ 5,117,361</u>	<u>\$ 5,121,971</u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

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>	<u>-</u>	<u>-</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>	<u>-</u>	<u>-</u>	<u>-</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>	<u>-</u>	<u>-</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>	<u>-</u>	<u>-</u>	<u>-</u>
GOW Series 2006					
Principal	280,000	325,000	-	-	-
Interest	97,122	34,038	-	-	-
Total	<u>377,122</u>	<u>359,038</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>-</u>	<u>-</u>	<u>-</u>
GOW Series 2004-A					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>	<u>-</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>	<u>-</u>
GOW Series 2002-B					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Obligation Bonds -					
Honda Assistance					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
HUD Section 108 Loan					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
HUD Section 108 Loan					
Principal	375,000	375,000	-	-	-
Interest	168,301	55,595	-	-	-
Total	<u>543,301</u>	<u>430,595</u>	<u>-</u>	<u>-</u>	<u>-</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>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 9 – Long-term Liabilities (continued)

	<u>Total</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Business-Type Activities					
GOW, Series 2003					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total	-	-	-	-	-
GOW, Series 2005-B					
Principal	700,000	100,000	100,000	100,000	100,000
Interest	184,922	46,203	39,603	33,093	26,402
Total	884,922	146,203	139,603	133,093	126,402
Total Business-Type Activities					
Principal	700,000	100,000	100,000	100,000	100,000
Interest	184,922	46,203	39,603	33,093	26,402
Total	\$ 884,922	\$ 146,203	\$ 139,603	\$ 133,093	\$ 126,402
	<u>2018-2022</u>	<u>2023-2027</u>	<u>2028-2032</u>	<u>2033-2037</u>	<u>2038-2039</u>
Business-Type Activities					
GOW, Series 2003					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total	-	-	-	-	-
GOW, Series 2005-B					
Principal	300,000	-	-	-	-
Interest	39,621	-	-	-	-
Total	339,621	-	-	-	-
Total Business-Type Activities					
Principal	300,000	-	-	-	-
Interest	39,621	-	-	-	-
Total	\$ 339,621	\$ -	\$ -	\$ -	\$ -

Capital Leases

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

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

Governmental Activities	
Equipment	\$ 11,969,006
Less: accumulated depreciation	<u>(6,627,897)</u>
Net Carrying Value	<u>\$ 5,341,109</u>

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013**

Note 9 – Long-term Liabilities (continued)

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,	
2014	\$ 733,990
2015	90,117
2016	81,965
2017	81,965
2018	81,965
Thereafter	<u>286,878</u>
Total minimum lease payments	1,356,880
Less: amounts representing interest	<u>(79,459)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,277,421</u>

Subsequent to year end, the City entered into a lease agreement with Regions Bank to finance the purchase of two fire trucks for a principal amount totaling \$879,744. The lease agreement calls for 16 quarterly payments of \$56,634 beginning in December 2013 and ending in September 2017. These payments are not included in the schedule immediately above. In addition, in December 2013 the City issued a \$2,650,000 three year general obligation warrant bearing interest at 4.75% due December 2016 to finance a land purchase and entered into a financing agreement with a financial institution for approximately \$1,600,000 in February 2014 to finance equipment purchases.

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%.

	Beginning Balance	Issues	Maturities	Ending Balance	Due Within One Year	Due in More Than One Year
General Obligation Warrants Series 2009	<u>\$ 7,675,000</u>	<u>\$ -</u>	<u>\$ 325,000.00</u>	<u>\$ 7,350,000</u>	<u>\$ 340,000</u>	<u>\$ 7,010,000</u>

See independent auditors’ report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 9 – Long-term Liabilities (continued)

Future debt service to maturities for general obligation warrant:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	395,000	-	395,000
2019 - 2023	2,205,000	793,379	2,998,379
2024 - 2029	<u>3,310,000</u>	<u>237,115</u>	<u>3,547,115</u>
Total	<u>\$ 7,350,000</u>	<u>\$ 2,821,704</u>	<u>\$ 10,171,704</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 position includes all liabilities for claims and judgments as part of long-term liabilities.

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

Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liabilities also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liabilities estimate. Changes in the balances of claims liabilities during the fiscal year were:

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 9 – Long-term Liabilities (continued)

	Workers'		Legal	
	Compensation		Claims	Total
	<u>and Medical Claims</u>			
Unpaid claims, beginning of year	\$ 2,247,072	\$ 632,905	\$ 2,879,977	
Incurred claims (including IBNRs)	586,728	251,000	837,728	
Claim payments	(586,728)	(105,508)	(692,236)	
Liability estimate reduction	<u>-</u>	<u>-</u>	<u>-</u>	
Unpaid Claims, End of Year	<u>\$ 2,247,072</u>	<u>\$ 778,397</u>	<u>\$ 3,025,469</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.

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.

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013**

Note 9 – Long-term Liabilities (continued)

The \$1,326,818 reported as landfill closure and post closure care liability at September 30, 2013, 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 18 remaining years at the Noccalula Falls sites. The City will recognize the remaining estimated cost of closure and post closure care of \$518,618 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 2013. 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, 2013.

Note 10 – Contingencies

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

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

Note 11 – Pension Funds

Employees' Retirement System of Alabama

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

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

The RSA was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the RSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama.

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

See independent auditors' report.

CITY OF GADSDEN, ALABAMA

**NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013**

Note 11 – Pension Funds (continued)

Funding Policy – The employee contribution rate is 6% of annual compensation for full-time 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 20.76% 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, 2012. The City’s annual pension cost for the year ended September 30, 2013, of \$3,978,245 was equal to the City’s required and actual contributions. The required contribution was determined as part of the September 30, 2012, actuarial valuation.

Actuarial Valuation Information –

Valuation date	9/30/2012
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	24 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

**The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

Trend Information -

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
9/30/2010	4,777,843	100%
9/30/2011	4,915,586	100%
9/30/2012	3,978,245	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.

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.

See independent auditors’ report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

Note 11 – Pension Funds (continued)

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.

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.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2013

Note 12 – Post-Employment Benefits (continued)

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	1,024,562
Adjustment to ARC	<u>(2,109,846)</u>
Annual OPEB cost	2,632,351
Assumed contributions made	<u>(1,118,605)</u>
Change in net OPEB obligation	1,513,746
OPEB obligation – beginning of year	\$ 40,982,480
OPEB obligation – end of year	<u>\$ 42,496,226</u>

The adjustment to the Net OPEB obligation for the year ending September 30, 2013 is an amount to adjust the Net OPEB obligation as of October 1, 2012 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 three years and estimated amounts for the current year:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
9/30/2011	4,953,651	896,017	15.0%	\$ 111,287,356
9/30/2012	2,597,330	1,958,935	75.4%	\$ 40,982,480
9/30/2013	2,632,351	1,118,605	40.0%	\$ 42,496,226

See independent auditors’ report.

CITY OF GADSDEN, ALABAMA

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2013

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):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL) (b – a)</u>	<u>Funded Ratio (a / b)</u>
10/1/2009	\$ -	\$ 80,750,037	\$ 80,750,037	0.0%
10/1/2010	-	N/A	N/A	0.0%
10/1/2011	-	40,344,085	40,344,085	0.0%
10/1/2012	-	N/A	N/A	0.0%

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

Note 13 – Accounting Changes and Accounting Standards

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65 “Items Previously Reported as Assets and Liabilities”*. Statement No. 63 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. The objective of Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement No. 65 resulted in the reclassification of beginning net position of the governmental activities in the government-wide financial statements. The deferred charges for issuance costs were reclassified as an expense of prior periods and resulted in the adjustment below.

Net position at September 30, 2012	\$ 5,543,784
Change in reporting for deferred charges for debt issuance costs	<u>(513,868)</u>
Net position at September 30, 2012, restated	<u>\$ 5,029,916</u>

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement will become effective for the City in fiscal year 2015. Management has not yet determined the impact of this Statement on the financial statements.

Note 14 – Subsequent Events

The City has evaluated subsequent events through March 17, 2014, the date the financial statements were available to be issued.

See independent auditors’ report.

CITY OF GADSDEN, ALABAMA

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 37,175,000	\$ 37,175,000	\$ 36,611,628	\$ (563,372)
Licenses and permits	6,660,000	6,660,000	6,681,450	21,450
Intergovernmental	250,000	250,000	385,599	135,599
Charges for services	1,325,000	1,325,000	1,563,310	238,310
Fines and forfeitures	575,000	575,000	519,665	(55,335)
Other revenue	341,000	341,000	99,132	(241,868)
Total Revenue	<u>46,326,000</u>	<u>46,326,000</u>	<u>45,860,784</u>	<u>(465,216)</u>
Expenditures				
Current				
General government	2,064,504	2,085,748	2,047,775	37,973
Internal services	3,473,380	3,473,380	2,980,360	493,020
Public safety	20,813,928	20,813,928	19,951,005	862,923
Recreation and cultural services	6,369,095	6,460,551	5,968,095	492,456
Public works services	5,498,492	5,498,492	5,047,761	450,731
Urban development	2,157,642	2,157,642	1,684,632	473,010
Non-departmental	3,232,235	3,232,235	2,924,116	308,119
Intergovernmental	1,486,500	1,486,500	1,471,510	14,990
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	772,271	867,271	358,622	508,649
Total Expenditures	<u>45,868,047</u>	<u>46,075,747</u>	<u>42,433,876</u>	<u>3,641,871</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>457,953</u>	<u>250,253</u>	<u>3,426,908</u>	<u>3,176,655</u>
Other Financing Sources (Uses)				
Proceeds from the sale of assets	-	-	82,576	82,576
Transfers	(1,415,629)	(1,415,629)	(1,428,036)	(12,407)
Total Other Financing Sources (Uses)	<u>(1,415,629)</u>	<u>(1,415,629)</u>	<u>(1,345,460)</u>	<u>70,169</u>
Net Change in Fund Balances	(957,676)	(1,165,376)	2,081,448	3,246,824
Fund Balance - Beginning of Year	<u>10,237,423</u>	<u>10,237,423</u>	<u>10,237,423</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 9,279,747</u>	<u>\$ 9,072,047</u>	<u>\$ 12,318,871</u>	<u>\$ 3,246,824</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, 2013**

	<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	\$ 1,029,532	\$ 29,532
Other	-	-	-	-
Total Revenue	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,029,532</u>	<u>29,532</u>
Expenditures				
Intergovernmental	<u>765,055</u>	<u>765,055</u>	<u>896,386</u>	<u>(131,331)</u>
Total Expenditures	<u>765,055</u>	<u>765,055</u>	<u>896,386</u>	<u>(131,331)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>234,945</u>	<u>234,945</u>	<u>133,146</u>	<u>160,863</u>
Other Financing Sources (Uses)				
Transfers	<u>(234,945)</u>	<u>(176,209)</u>	<u>(80,582)</u>	<u>95,627</u>
Total Other Financing Sources (Uses)	<u>(234,945)</u>	<u>(176,209)</u>	<u>(80,582)</u>	<u>95,627</u>
Net Change in Fund Balances	-	58,736	52,564	256,490
Fund Balance - Beginning of Year	<u>267,222</u>	<u>267,222</u>	<u>267,222</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 267,222</u>	<u>\$ 325,958</u>	<u>\$ 319,786</u>	<u>\$ (6,172)</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 6,800,000	\$ 6,800,000	\$ 6,537,383	\$ (262,617)
Other	<u>1,000</u>	<u>1,000</u>	<u>560,595</u>	<u>559,595</u>
Total Revenue	<u>6,801,000</u>	<u>6,801,000</u>	<u>7,097,978</u>	<u>296,978</u>
Expenditures				
Internal services	50,000	50,000	47,721	2,279
Intergovernmental	537,500	537,500	537,500	-
Capital outlay	<u>2,699,366</u>	<u>2,699,366</u>	<u>1,738,540</u>	<u>960,826</u>
Total Expenditures	<u>3,286,866</u>	<u>3,286,866</u>	<u>2,323,761</u>	<u>963,105</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>3,514,134</u>	<u>3,514,134</u>	<u>4,774,217</u>	<u>(666,127)</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	-	-
Transfers	<u>(5,319,060)</u>	<u>(5,319,060)</u>	<u>(4,989,627)</u>	<u>329,433</u>
Total Other Financing Sources (Uses)	<u>(5,319,060)</u>	<u>(5,319,060)</u>	<u>(4,989,627)</u>	<u>329,433</u>
Net Change in Fund Balances	(1,804,926)	(1,804,926)	(215,410)	(336,694)
Fund Balance - Beginning of Year	<u>8,948,262</u>	<u>8,948,262</u>	<u>8,948,262</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 7,143,336</u>	<u>\$ 7,143,336</u>	<u>\$ 8,732,852</u>	<u>\$ 1,589,516</u>

CITY OF GADSDEN, ALABAMA

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

For the Year Ended September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
9/30/1999	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	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 (2)	60,357,641	107,555,356	47,197,715	56.1%	19,650,152	240.2%
9/30/2011 (3), (4)	59,587,745	110,449,513	50,861,768	54.0%	20,091,963	253.1%
9/30/2012 (3), (5)	57,430,367	105,113,590	47,683,223	54.6%	17,544,638	271.8%

- (1) Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- (2) Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
- (3) 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.
- (4) Reflects changes in actuarial assumptions.
- (5) Reflects changes to interest smoothing methodology.

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 had a UALL in excess of \$30,000,000. In addition, the employees formerly covered by that plan are now covered by RSA, which explains the sharp increase in covered payroll during 2002.

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	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	Transportation and Planning
Assets												
Cash and cash equivalents	\$ 7,580,540	\$ -	\$ -	\$ 351,228	\$ 47,166	\$ 532,676	\$ 45,814	\$ -	\$ 51,561	\$ 9,057	\$ 25,474	\$ -
Investments	166,924	-	-	-	-	-	-	-	-	-	-	-
Receivables												
Interest	495	-	-	-	-	-	-	-	-	-	-	-
Taxes	1,176,032	8,875	22,027	15,401	-	1,087,109	-	-	-	-	-	-
Intergovernmental	290,074	-	-	-	44,754	-	-	-	-	-	2,578	69,092
Restricted cash	927,760	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 10,141,825	\$ 8,875	\$ 22,027	\$ 366,629	\$ 91,920	\$ 1,619,785	\$ 45,814	\$ -	\$ 51,561	\$ 9,057	\$ 28,052	\$ 69,092
Liabilities, Deferred Inflows of Resources and Fund Balances												
Liabilities												
Accounts payable and other liabilities	\$ 77,133	\$ -	\$ -	\$ -	\$ 18,082	\$ 12,345	\$ 570	\$ -	\$ -	\$ -	\$ 889	\$ 196
Accrued payroll and related liabilities	22,924	-	-	-	3,697	-	570	-	-	-	2,092	3,164
Due to other funds	193,503	10,371	51,932	-	26,112	-	-	17,696	-	-	-	62,638
Total Liabilities	293,560	10,371	51,932	-	47,891	12,345	1,140	17,696	-	-	2,981	65,998
Deferred Inflows of Resources												
Unavailable revenue - property taxes	1,075,370	-	-	-	-	1,075,370	-	-	-	-	-	-
Fund Balances												
Restricted	4,356,510	-	-	366,629	44,029	532,070	44,674	-	51,561	9,057	25,071	3,094
Committed	4,468,235	-	-	-	-	-	-	-	-	-	-	-
Unassigned	(51,850)	(1,496)	(29,905)	-	-	-	-	(17,696)	-	-	-	-
Total Fund Balances	8,772,895	(1,496)	(29,905)	366,629	44,029	532,070	44,674	(17,696)	51,561	9,057	25,071	3,094
Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,141,825	\$ 8,875	\$ 22,027	\$ 366,629	\$ 91,920	\$ 1,619,785	\$ 45,814	\$ -	\$ 51,561	\$ 9,057	\$ 28,052	\$ 69,092

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (continued)
 September 30, 2013

	Special Revenue Funds									Total Special Revenue Funds
	Gadsden Transit Service	McKinney Shelter	Chemical Stockpile	Corrections Fund	Economic Development	Law Enforcement	Other Restricted Funds	Miscellaneous Grants	City Judge Fees	
Assets										
Cash and cash equivalents	\$ 197,046	\$ -	\$ -	\$ 63,262	\$ 96,259	\$ 2,879	\$ 1,660,673	\$ -	\$ 34,904	\$ 2,055,023
Investments	-	-	-	-	-	-	-	-	-	-
Receivables										
Interest	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	42,620	-	-	-	-	42,620
Intergovernmental	63,961	32,130	-	-	-	-	-	-	-	96,091
Due from component Units	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 261,007</u>	<u>\$ 32,130</u>	<u>\$ -</u>	<u>\$ 63,262</u>	<u>\$ 138,879</u>	<u>\$ 2,879</u>	<u>\$ 1,660,673</u>	<u>\$ -</u>	<u>\$ 34,904</u>	<u>\$ 2,193,734</u>
Liabilities, Deferred Inflows of Resources and Fund Balances										
Liabilities										
Accounts payable and other liabilities	\$ 11,028	\$ 10,129	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 21,357
Accrued payroll and related liabilities	13,401	-	-	-	-	-	-	-	-	13,401
Due to other funds	-	22,001	-	-	-	-	-	2,753	-	24,754
Total Liabilities	<u>24,429</u>	<u>32,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>2,753</u>	<u>-</u>	<u>59,512</u>
Deferred Inflows of Resources										
Unavailable revenue - property tax	-	-	-	-	-	-	-	-	-	-
Fund Balances										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	236,578	-	-	63,262	138,879	2,879	1,660,473	-	34,904	2,136,975
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(2,753)	-	(2,753)
Total Fund Balances	<u>236,578</u>	<u>-</u>	<u>-</u>	<u>63,262</u>	<u>138,879</u>	<u>2,879</u>	<u>1,660,473</u>	<u>(2,753)</u>	<u>34,904</u>	<u>2,134,222</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 261,007</u>	<u>\$ 32,130</u>	<u>\$ -</u>	<u>\$ 63,262</u>	<u>\$ 138,879</u>	<u>\$ 2,879</u>	<u>\$ 1,660,673</u>	<u>\$ -</u>	<u>\$ 34,904</u>	<u>\$ 2,193,734</u>

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (continued)
 September 30, 2013

	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	2005/2012D 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	-	-	-	-	-	-	57,619	-	-	-	-	-	-	-	-	
Due from component Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restricted cash	254	-	-	52,053	179,631	-	173,453	490,854	8,002	6,451	17,060	-	-	-	2	
Total Assets	\$ 254	\$ -	\$ -	\$ 52,053	\$ 179,631	\$ -	\$ 231,072	\$ 490,854	\$ 8,002	\$ 6,451	\$ 17,060	\$ -	\$ -	\$ -	\$ 2	\$ 985,379
Liabilities, Deferred Inflows of Resources and Fund Balances																
Liabilities																
Accounts payable and other liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,363	\$ -	\$ -	\$ -	\$ 14,341	\$ -	\$ -	\$ -	\$ -	\$ 17,704
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities	-	-	-	-	-	-	3,363	-	-	-	14,341	-	-	-	-	17,704
Deferred Inflows of Resources																
Unavailable revenue - property tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balances																
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	254	-	-	52,053	179,631	-	227,709	490,854	8,002	6,451	2,719	-	-	-	2	967,675
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	254	-	-	52,053	179,631	-	227,709	490,854	8,002	6,451	2,719	-	-	-	2	967,675
Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 254	\$ -	\$ -	\$ 52,053	\$ 179,631	\$ -	\$ 231,072	\$ 490,854	\$ 8,002	\$ 6,451	\$ 17,060	\$ -	\$ -	\$ -	\$ 2	\$ 985,379

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (continued)
 September 30, 2013

	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	2012-D Capital Project	Total Capital Project Funds	Nell Thomas Library	Library Endowment	Allison B. Rains	Total Permanent Funds
Assets												
Cash and cash equivalents	\$ 968,668	\$ 698,011	\$ 146,138	\$ -	\$ 1,103,552	\$ 880,219	\$ 657,582	\$ 4,454,170	\$ 7,648	\$ 723	\$ -	\$ 8,371
Investments	-	-	-	-	-	-	-	-	142,174	24,750	-	166,924
Receivables												
Interest	-	-	-	-	-	-	-	-	492	3	-	495
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	19,940	-	-	-	-	-	19,940	-	-	-	-
Due from component Units	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 968,668</u>	<u>\$ 717,951</u>	<u>\$ 146,138</u>	<u>\$ -</u>	<u>\$ 1,103,552</u>	<u>\$ 880,219</u>	<u>\$ 657,582</u>	<u>\$ 4,474,110</u>	<u>\$ 150,314</u>	<u>\$ 25,476</u>	<u>\$ -</u>	<u>\$ 175,790</u>
Liabilities, Deferred Inflows of Resources and Fund Balances												
Liabilities												
Accounts payable and other liabilities	\$ -	\$ 1,900	\$ -	\$ -	\$ -	\$ 3,975	\$ -	\$ 5,875	\$ -	\$ 115	\$ -	\$ 115
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,975</u>	<u>-</u>	<u>5,875</u>	<u>-</u>	<u>115</u>	<u>-</u>	<u>115</u>
Deferred Inflows of Resources												
Unavailable revenue - property tax	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balances												
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-	-	-
Committed	968,668	716,051	146,138	-	1,103,552	876,244	657,582	4,468,235	150,314	25,361	-	175,675
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>968,668</u>	<u>716,051</u>	<u>146,138</u>	<u>-</u>	<u>1,103,552</u>	<u>876,244</u>	<u>657,582</u>	<u>4,468,235</u>	<u>150,314</u>	<u>25,361</u>	<u>-</u>	<u>175,675</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 968,668</u>	<u>\$ 717,951</u>	<u>\$ 146,138</u>	<u>\$ -</u>	<u>\$ 1,103,552</u>	<u>\$ 880,219</u>	<u>\$ 657,582</u>	<u>\$ 4,474,110</u>	<u>\$ 150,314</u>	<u>\$ 25,476</u>	<u>\$ -</u>	<u>\$ 175,790</u>

CITY OF GADSDEN, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2013

	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	\$ 2,467,356	\$ -	\$ -	\$ 226,802	\$ -	\$ 964,461	\$ -	\$ 383,110	\$ -	\$ -	\$ -
Intergovernmental	3,350,087	104,873	415,704	-	1,084,908	-	118,784	-	-	96,630	16,456
Charges for services	257,021	-	-	-	62,271	-	-	-	-	-	-
Fines and forfeitures	120,026	-	-	-	-	-	-	-	-	-	-
Other	946,449	-	-	-	-	248	-	-	23,250	-	-
Total Revenue	7,140,939	104,873	415,704	226,802	1,147,179	964,709	118,784	383,110	23,250	96,630	16,456
Expenditures											
Current											
Intergovernmental	1,647,112	-	-	-	343,554	-	-	-	-	-	-
Public safety	952,742	-	250,000	-	-	521,386	-	-	620	-	-
Recreation and cultural services	62,829	-	-	-	-	-	118,048	-	-	92,711	103,050
Urban development	4,785	-	-	-	4,785	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Debt service											
Principal	4,519,732	-	-	-	175,000	-	-	-	-	-	-
Interest and fiscal charges	2,121,863	-	-	-	72,173	-	-	-	-	-	-
Capital outlays	3,300,593	-	-	109,504	551,667	256,980	4,100	-	-	-	-
Total Expenditures	12,642,343	-	250,000	109,504	1,147,179	778,366	122,148	-	620	92,711	103,050
Excess (Deficiency) of Revenue Over (Under) Expenditures	(5,501,404)	104,873	165,704	117,298	-	186,343	(3,364)	383,110	22,630	3,919	(86,594)
Other Financing Sources (Uses)											
Proceeds from refunding warrants issued	11,275,000	-	-	-	-	-	-	-	-	-	-
Payments to refunding escrow agent	(10,546,748)	-	-	-	-	-	-	-	-	-	-
Issuance costs	(172,050)	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of assets	800	-	-	-	-	-	-	-	-	-	-
Transfers	5,497,610	(110,000)	(159,800)	(200,000)	-	(156,334)	-	(450,000)	-	-	97,284
Total Other Financing Sources (Uses)	6,054,612	(110,000)	(159,800)	(200,000)	-	(156,334)	-	(450,000)	-	-	97,284
Special Items											
Transfers to component units	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	239,425	(5,127)	5,904	(82,702)	-	30,009	(3,364)	(66,890)	22,630	3,919	10,690
Fund Balances - Beginning of Year	8,533,470	3,631	(35,809)	449,331	44,029	502,061	48,038	49,194	28,931	5,138	14,381
Fund Balances - End of Year	\$ 8,772,895	\$ (1,496)	\$ (29,905)	\$ 366,629	\$ 44,029	\$ 532,070	\$ 44,674	\$ (17,696)	\$ 51,561	\$ 9,057	\$ 25,071

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES (continued)
 For the Year Ended September 30, 2013

	Special Revenue Funds										
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 577,799	\$ -	\$ 315,184	\$ -	\$ -	\$ 892,983
Intergovernmental	212,349	759,920	141,622	-	-	-	44,384	-	185,753	-	1,344,028
Charges for services	-	79,240	-	-	-	-	-	115,510	-	-	194,750
Fines and forfeitures	-	-	-	-	61,381	-	-	5,881	-	52,764	120,026
Other	-	-	-	-	-	-	-	74,349	-	-	74,349
Total Revenue	<u>212,349</u>	<u>839,160</u>	<u>141,622</u>	<u>-</u>	<u>61,381</u>	<u>577,799</u>	<u>44,384</u>	<u>510,924</u>	<u>185,753</u>	<u>52,764</u>	<u>2,626,136</u>
Expenditures											
Current											
Intergovernmental	265,436	896,500	141,622	-	-	-	-	-	-	-	1,303,558
Public safety	-	-	-	-	1,761	-	30,561	1,779	146,635	-	180,736
Recreation and cultural services	-	-	-	-	-	-	-	60,310	-	-	60,310
Public works services	-	-	-	-	-	-	-	-	-	32,687	32,687
Urban development	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Debt service											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	406,990	-	-	115,108	5,400	16,934	349,629	39,118	-	933,179
Total Expenditures	<u>265,436</u>	<u>1,303,490</u>	<u>141,622</u>	<u>-</u>	<u>116,869</u>	<u>5,400</u>	<u>47,495</u>	<u>411,718</u>	<u>185,753</u>	<u>32,687</u>	<u>2,510,470</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(53,087)</u>	<u>(464,330)</u>	<u>-</u>	<u>-</u>	<u>(55,488)</u>	<u>572,399</u>	<u>(3,111)</u>	<u>99,206</u>	<u>-</u>	<u>20,077</u>	<u>115,666</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	-	-	-	-	-	800	-	-	-	-	800
Transfers	55,418	464,983	-	-	(39,195)	(474,046)	-	-	-	-	7,160
Total Other Financing Sources (Uses)	<u>55,418</u>	<u>464,983</u>	<u>-</u>	<u>-</u>	<u>(39,195)</u>	<u>(473,246)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,960</u>
Net Change in Fund Balances	2,331	653	-	-	(94,683)	99,153	(3,111)	99,206	-	20,077	123,626
Fund Balances - Beginning of Year	<u>763</u>	<u>235,925</u>	<u>-</u>	<u>-</u>	<u>157,945</u>	<u>39,726</u>	<u>5,990</u>	<u>1,561,267</u>	<u>(2,753)</u>	<u>14,827</u>	<u>2,013,690</u>
Fund Balances - End of Year	<u>\$ 3,094</u>	<u>\$ 236,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,262</u>	<u>\$ 138,879</u>	<u>\$ 2,879</u>	<u>\$ 1,660,473</u>	<u>\$ (2,753)</u>	<u>\$ 34,904</u>	<u>\$ 2,137,316</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, 2013

	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	2005/2012D 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	-	-	-	-	-	-	-	-	-	-	-	12,013	3,414	2,594	-	18,021
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	12,013	3,414	2,594	-	18,021
Expenditures																
Current																
Internal services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Urban development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service																
Principal	166,721	-	230,000	205,000	705,000	225,000	(53,100)	1,040,000	40,000	-	270,000	-	65,000	190,000	1,261,111	4,344,732
Interest and fiscal charges	28,102	-	5,563	106,102	375,069	11,995	82,896	144,735	36,360	-	177,629	638,580	137,544	242,454	62,661	2,049,690
Capital outlays	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	194,823	-	235,563	311,102	1,080,069	236,995	29,796	1,184,735	76,360	-	447,629	638,580	202,544	432,454	1,323,772	6,394,422
Excess (Deficiency) of Revenue Over (Under) Expenditures	(194,823)	-	(235,563)	(311,102)	(1,080,069)	(236,995)	(29,796)	(1,184,735)	(76,360)	-	(447,629)	(626,567)	(199,130)	(429,860)	(1,323,772)	(6,376,401)
Other Financing Sources (Uses)																
Proceeds from refunding warrants issued	-	-	-	-	-	-	-	11,275,000	-	-	-	-	-	-	-	11,275,000
Premiums on refunding warrants issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments to refunding escrow agent	-	-	-	-	-	-	-	(10,546,748)	-	-	-	-	-	-	-	(10,546,748)
Issuance costs	-	-	-	-	-	-	-	(172,050)	-	-	-	-	-	-	-	(172,050)
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	191,823	-	80,581	311,505	1,079,888	197,620	41,200	499,487	77,378	-	448,496	626,567	199,130	429,860	1,323,773	5,507,308
Total Other Financing Sources (Uses)	191,823	-	80,581	311,505	1,079,888	197,620	41,200	1,055,689	77,378	-	448,496	626,567	199,130	429,860	1,323,773	6,063,510
Net Change in Fund Balances	(3,000)	-	(154,982)	403	(181)	(39,375)	11,404	(129,046)	1,018	-	867	-	-	-	1	(312,891)
Fund Balances - Beginning of Year	3,254	-	154,982	51,650	179,812	39,375	216,305	619,900	6,984	6,451	1,852	-	-	-	1	1,280,566
Fund Balances - End of Year	\$ 254	\$ -	\$ -	\$ 52,053	\$ 179,631	\$ -	\$ 227,709	\$ 490,854	\$ 8,002	\$ 6,451	\$ 2,719	\$ -	\$ -	\$ -	\$ 2	\$ 967,675

CITY OF GADSDEN, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES (continued)
 For the Year Ended September 30, 2013

	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	2012D GOW Capital Project	Total Capital Project Funds	Nell Thomas Library	Library Endowment	Allison B. Rains	Total Permanent Funds
Revenue												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	168,704	-	-	-	-	-	168,704	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Other	830,576	-	-	-	-	-	-	830,576	6	(1)	-	5
Total Revenue	<u>830,576</u>	<u>168,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>999,280</u>	<u>6</u>	<u>(1)</u>	<u>-</u>	<u>5</u>
Expenditures												
Current												
Internal services	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Recreation and cultural services	-	-	-	-	-	-	-	-	40	2,453	-	2,493
Public works services	-	-	-	-	-	-	-	-	-	-	-	-
Urban development	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-
Debt service												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	180,886	724,663	4,207	476,947	23,850	34,610	1,445,163	-	-	-	-
Total Expenditures	<u>-</u>	<u>180,886</u>	<u>724,663</u>	<u>4,207</u>	<u>476,947</u>	<u>23,850</u>	<u>34,610</u>	<u>1,445,163</u>	<u>40</u>	<u>2,453</u>	<u>-</u>	<u>2,493</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>830,576</u>	<u>(12,182)</u>	<u>(724,663)</u>	<u>(4,207)</u>	<u>(476,947)</u>	<u>(23,850)</u>	<u>(34,610)</u>	<u>(445,883)</u>	<u>(34)</u>	<u>(2,454)</u>	<u>-</u>	<u>(2,488)</u>
Other Financing Sources (Uses)												
Proceeds from refunding warrants issued	-	-	-	-	-	-	-	-	-	-	-	-
Payments to refunding escrow agent	-	-	-	-	-	-	-	-	-	-	-	-
Issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	269,800	-	-	-	692,192	961,992	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>269,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>692,192</u>	<u>961,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>830,576</u>	<u>(12,182)</u>	<u>(454,863)</u>	<u>(4,207)</u>	<u>(476,947)</u>	<u>(23,850)</u>	<u>657,582</u>	<u>516,109</u>	<u>(34)</u>	<u>(2,454)</u>	<u>-</u>	<u>(2,488)</u>
Fund Balances - Beginning 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>-</u>	<u>3,952,126</u>	<u>150,348</u>	<u>27,815</u>	<u>-</u>	<u>178,163</u>
Fund Balances - End of Year	<u>\$ 968,668</u>	<u>\$ 716,051</u>	<u>\$ 146,138</u>	<u>\$ -</u>	<u>\$ 1,103,552</u>	<u>\$ 876,244</u>	<u>\$ 657,582</u>	<u>\$ 4,468,235</u>	<u>\$ 150,314</u>	<u>\$ 25,361</u>	<u>\$ -</u>	<u>\$ 175,675</u>

CITY OF GADSDEN, ALABAMA

**STATISTICAL SECTION
For the Year Ended 9/30/2013**

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	68-71
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	72-76
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	77-80
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	81-82
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	83-85
Sources Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.	

CITY OF GADSDEN
SCHEDULE 1
NET POSITION BY COMPONENT
LAST FIVE FISCAL YEARS

	Fiscal Years				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 46,150,673	\$ 57,048,986	\$ 57,367,617	\$ 55,779,328	\$ 56,535,831
Restricted	15,975,184	14,622,257	4,633,225	4,848,638	4,624,448
Unrestricted	<u>(136,232,537)</u>	<u>(136,170,782)</u>	<u>(127,281,275)</u>	<u>(55,084,182)</u>	<u>(53,227,907)</u>
Total Governmental Activities Net Position	<u>\$ (74,106,680)</u>	<u>\$ (64,499,539)</u>	<u>\$ (65,280,433)</u>	<u>\$ 5,543,784</u>	<u>\$ 7,932,372</u>
Business-Type Activities					
Invested in capital assets, net of related debt	\$ 9,559,313	\$ 9,034,942	\$ 8,939,717	\$ 8,692,877	\$ 8,407,960
Unrestricted	<u>(2,823,673)</u>	<u>(3,266,324)</u>	<u>(4,187,188)</u>	<u>(4,243,516)</u>	<u>(3,927,007)</u>
Total Business-Type Activities Net Position	<u>\$ 6,735,640</u>	<u>\$ 5,768,618</u>	<u>\$ 4,752,529</u>	<u>\$ 4,449,361</u>	<u>\$ 4,480,953</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 55,709,986	\$ 66,083,928	\$ 66,307,334	\$ 64,472,205	\$ 64,943,791
Restricted	15,975,184	14,622,257	4,633,225	4,848,638	4,624,448
Unrestricted	<u>(139,056,210)</u>	<u>(139,437,106)</u>	<u>(131,468,463)</u>	<u>(59,327,698)</u>	<u>(57,154,914)</u>
Total Primary Government Activities Net Position	<u>\$ (67,371,040)</u>	<u>\$ (58,730,921)</u>	<u>\$ (60,527,904)</u>	<u>\$ 9,993,145</u>	<u>\$ 12,413,325</u>

CITY OF GADSDEN
SCHEDULE 2
CHANGES IN NET POSITION
LAST FIVE FISCAL YEARS

	Fiscal Years				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities					
General government	\$ 2,483,815	\$ 2,297,923	\$ 2,465,823	\$ 2,208,849	\$ 2,192,665
Internal services	4,167,529	3,784,628	3,727,109	3,316,528	3,219,291
Public safety	24,722,833	24,579,219	25,946,087	23,143,191	23,160,263
Recreation and cultural services	9,917,736	8,851,824	9,243,849	7,907,528	7,713,770
Public works services	6,721,432	6,813,996	6,808,393	5,448,974	5,524,090
Urban development	6,481,941	6,229,357	4,544,444	4,240,075	4,785,577
Intergovernmental	-	-	4,937,687	5,295,262	4,556,853
Non-departmental	5,450,477	4,572,219	2,102,383	4,393,832	2,997,459
Interest on long-term debt	3,224,834	3,101,872	2,843,382	3,493,466	2,748,226
Total Governmental Activities Expenses	<u>63,170,597</u>	<u>60,231,038</u>	<u>62,619,157</u>	<u>59,447,705</u>	<u>56,898,194</u>
Business-type activities					
Airport	694,922	851,451	579,052	305,722	235,520
Residential garbage	2,991,627	2,703,624	2,877,744	3,209,486	2,694,102
Golf course	1,416,100	1,303,516	1,361,131	1,085,671	1,334,304
Total Business-Type Activities Expenses	<u>5,102,649</u>	<u>4,858,591</u>	<u>4,817,927</u>	<u>4,600,879</u>	<u>4,263,926</u>
Total Primary Government Expenses	<u>\$ 68,273,246</u>	<u>\$ 65,089,629</u>	<u>\$ 67,437,084</u>	<u>\$ 64,048,584</u>	<u>\$ 61,162,120</u>
Program Revenue					
Governmental activities					
Charges for services	\$ 2,415,058	\$ 2,422,006	\$ 2,324,975	\$ 2,403,573	\$ 2,396,768
Operating grants and contributions	2,808,132	3,476,451	3,837,054	3,154,149	3,219,871
Capital grants and contributions	1,793,688	12,471,009	2,776,206	989,103	318,402
Total Governmental Activities Program Revenue	<u>7,016,878</u>	<u>18,369,466</u>	<u>8,938,235</u>	<u>6,546,825</u>	<u>5,935,041</u>
Business-type activities					
Charges for services	5,990,503	3,398,678	3,271,706	3,191,477	3,121,914
Capital grants and contributions	-	-	-	-	-
Total Business-Type Activities Program Revenue	<u>5,990,503</u>	<u>3,398,678</u>	<u>3,271,706</u>	<u>3,191,477</u>	<u>3,121,914</u>
Total Primary Government Program Revenue	<u>\$ 13,007,381</u>	<u>\$ 21,768,144</u>	<u>\$ 12,209,941</u>	<u>\$ 9,738,302</u>	<u>\$ 9,056,955</u>
Net Revenue (Expenses)					
Governmental activities	\$ (56,153,719)	\$ (41,861,572)	\$ (53,680,922)	\$ (52,900,880)	\$ (50,963,153)
Business-type activities	887,854	(1,459,913)	(1,546,221)	(1,409,402)	(1,142,012)
Total Primary Government Activities, Net Expense	<u>\$ (55,265,865)</u>	<u>\$ (43,321,485)</u>	<u>\$ (55,227,143)</u>	<u>\$ (54,310,282)</u>	<u>\$ (52,105,165)</u>
General Revenue and Other Changes in Net Assets					
Governmental activities					
Taxes	\$ 44,040,763	\$ 43,787,160	\$ 44,931,898	\$ 46,216,893	\$ 46,691,159
Licenses and permits	6,408,364	6,428,153	6,598,373	6,611,198	6,681,451
Unrestricted grants	-	-	-	-	-
Investment earning	640,781	619,744	589,062	594,955	579,430
Gain on disposal of assets	107,779	49,073	84,429	-	-
Transfer to component units	(515,563)	-	-	-	-
Change in OPEB Obligation estimate	-	-	-	70,608,057	-
Other general revenue	823,889	1,071,850	1,223,177	733,624	1,086,955
Total Governmental Activities	<u>51,506,013</u>	<u>51,955,980</u>	<u>53,426,939</u>	<u>124,764,727</u>	<u>55,038,995</u>
Business-type activities					
Investment and other income	3,792	5,624	3,432	66,604	-
Total Business-Type Activities	<u>3,792</u>	<u>5,624</u>	<u>3,432</u>	<u>66,604</u>	<u>-</u>
Total Primary Government	<u>\$ 51,509,805</u>	<u>\$ 51,961,604</u>	<u>\$ 53,430,371</u>	<u>\$ 124,831,331</u>	<u>\$ 55,038,995</u>

CITY OF GADSDEN

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

	Fiscal Years		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund			
Nonspendable	\$ 361,391	\$ 381,292	\$ 391,280
Restricted	-	-	-
Committed	1,466,875	2,066,199	1,981,763
Assigned	-	-	-
Unassigned	<u>9,900,463</u>	<u>7,789,934</u>	<u>9,945,828</u>
Total General Fund	<u>\$ 11,728,729</u>	<u>\$ 10,237,425</u>	<u>\$ 12,318,871</u>
All Other Governmental Funds			
Nonspendable	\$ 7,263,189	\$ 7,202,216	\$ 7,153,311
Restricted	4,638,970	4,887,200	4,676,298
Committed	3,825,385	5,697,182	6,047,776
Assigned	-	-	-
Unassigned	<u>(5,745)</u>	<u>(38,562)</u>	<u>(51,850)</u>
Total All Other Governmental Funds	<u>\$ 15,721,799</u>	<u>\$ 17,748,036</u>	<u>\$ 17,825,535</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				
	2009	2010	2011	2012	2013
Revenue					
Taxes	\$ 44,101,012	\$ 43,586,851	\$ 45,023,347	\$ 46,218,068	\$ 46,645,900
Licenses and permits	6,408,364	6,428,153	6,598,373	6,611,198	6,681,450
Intergovernmental	4,580,937	7,400,268	7,210,759	4,278,306	3,735,685
Charges for services	1,684,258	1,698,414	1,635,578	1,748,901	1,787,642
Fines and forfeitures	730,801	716,692	681,941	648,241	639,689
Other revenue	1,645,694	1,698,494	1,222,196	1,250,842	1,606,177
Total Revenue	59,151,066	61,528,872	62,372,194	60,755,556	61,096,543
Expenditures					
Current					
General government	2,268,878	2,125,621	2,289,075	2,232,281	2,047,775
Internal services	3,531,913	3,566,519	3,439,533	3,228,559	3,028,081
Public safety	19,814,363	21,648,637	22,363,516	21,300,899	20,903,746
Recreation and cultural services	7,182,677	7,272,963	7,542,786	6,679,721	6,344,707
Public works services	5,680,169	6,039,037	6,177,763	5,103,569	5,047,761
Urban development	3,219,315	3,372,484	1,717,412	1,598,900	1,689,417
Non-departmental	698,972	918,794	858,437	4,370,737	2,924,116
Intergovernmental	4,712,290	3,636,926	4,937,687	4,762,396	4,556,853
Debt service					
Principal retirement	3,534,776	3,988,870	4,587,497	4,918,109	4,519,731
Interest and fiscal charges	3,117,205	3,000,319	2,821,872	2,691,326	2,121,860
Issuance costs	-	-	-	-	172,050
Capital outlays	5,907,769	10,714,011	8,561,400	4,423,963	5,397,755
Total Expenditures	59,668,327	66,284,181	65,296,978	61,310,460	58,753,852
Excess (Deficiency) of Revenue Over (Under) Expenditures	(517,261)	(4,755,309)	(2,924,784)	(554,904)	2,342,691
Other Financing Sources (Uses)					
Proceeds from long term debt	2,004,673	1,007,023	1,960,389	29,859,912	11,275,000
Payments to escrow agent and issuance costs	-	-	-	(28,799,953)	(10,546,748)
Capital leases entered into	-	3,173,798	1,445,314	793,686	-
Proceeds from sale of assets	158,063	72,232	84,427	276,813	83,376
Transfers	(378,298)	(487,743)	(526,698)	(1,039,630)	(996,289)
Total Other Financing Sources (Uses)	1,784,438	3,765,310	2,963,432	1,090,828	(184,661)
Special Items					
Transfers to component units	2,462	-	-	-	-
Total Special Items	2,462	-	-	-	-
Net Change in Fund Balances	\$ 1,264,715	\$ (989,999)	\$ 38,648	\$ 535,924	\$ 2,158,030
Debt service as a percentage of noncapital expenditures	14%	14%	15%	15%	14%

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
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
2013	74,456,280	331,438,720	31,723,400	115,877,300	321,741,100	6.00

Source: Etowah County Revenue Commissioner

CITY OF GADSDEN

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Warehouse, clubs and super centers	\$ 3,405,098	\$ 3,485,006	\$ 3,506,932	\$ 3,553,359	\$ 3,563,637
Department stores (except discount department stores)	1,534,671	1,592,422	1,636,878	1,527,704	1,272,040
Limited service restaurants	1,423,784	1,526,644	1,480,106	1,877,682	1,939,712
Supermarkets & other grocery stores (except convenience)	1,545,522	1,436,355	1,416,769	1,500,081	1,661,612
Home centers	1,224,721	1,231,272	1,228,061	1,300,357	1,271,442
Full service restaurants	1,480,570	1,158,686	1,269,300	1,418,034	1,424,836
Sporting goods stores	-	800,090	848,694	905,169	923,265
New car dealers	777,332	742,431	801,139	826,663	997,233
Medical, dental and hospital equipment, and supplies and merchant wholesalers	280,602	725,643	812,128	1,166,999	1,157,003
Discount department stores	579,003	-	-	-	-
All other miscellaneous store retailers (except tobacco stores)	<u>-</u>	<u>609,896</u>	<u>610,687</u>	<u>640,774</u>	<u>641,922</u>
Total	<u>\$ 12,251,303</u>	<u>\$ 13,308,445</u>	<u>\$ 13,610,694</u>	<u>\$ 14,716,822</u>	<u>\$ 14,852,702</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>
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
2013	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	2009			2010			2011			2012			2013		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value		Value		Value		Value		Value		Value		Value
Alabama Power Co.	\$ 21,453,780	1	6.80%	\$ 22,151,000	1	6.79%	\$ 22,108,220	1	6.85%	\$ 21,636,180	1	6.69%	\$ 25,012,920	1	7.77%
QHC of Gadsden, Inc.	7,601,560	3	2.41%	11,446,940	2	3.51%	11,446,940	2	3.54%	11,446,940	2	3.54%	9,559,580	3	2.97%
Goodyear Tire & Rubber Company	13,207,340	2	4.18%	10,558,160	3	3.24%	10,191,300	3	3.16%	10,035,240	3	3.10%	12,342,280	2	3.84%
Riverview Regional Medical	6,490,840	4	2.06%	6,254,360	4	1.92%	6,254,360	4	1.94%	6,254,360	4	1.93%	5,976,340	4	1.86%
BellSouth / AT&T Alabama	6,023,500	5	1.91%	5,355,900	5	1.64%	4,154,300	5	1.29%	4,191,900	7	1.30%	4,199,200	7	1.31%
Gadsden Regional Medical Center	4,243,080	7	1.34%	4,810,680	6	1.48%	3,905,640	6	1.21%	3,760,560	8	1.16%	4,230,060	6	1.31%
Preit Gadsden Mall, LLC	5,046,400	6	1.60%	4,458,700	7	1.37%	4,458,700	7	1.38%	4,392,520	6	1.36%	4,392,620	5	1.37%
General Electric Capital Corp	-			-			3,280,540	9	1.02%	3,114,960	9	0.96%	3,123,940	9	0.97%
Comcast of Alabama, Inc.	-			3,232,920	8	0.99%	-		-	-		-	2,291,560	10	0.71%
Koch Foods of Gadsden LLC	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	-			-			-		-	-		-	-		
Dixie Pacific Manufacturing Company	-			-			-		-	-		-	-		
State of Alabama	-			-			4,647,740	8	1.44%	4,483,940	5	1.39%	4,497,360	8	1.40%
Gestamp, Alabama, Inc.	-			-			-		-	-		-	-		
Total	<u>\$ 73,147,430</u>			<u>\$ 73,432,600</u>			<u>\$ 73,333,320</u>			<u>\$ 72,146,960</u>			<u>\$ 75,625,860</u>		
Total City Taxable Assessed Value	<u>\$ 349,717,440</u>			<u>\$ 326,082,780</u>			<u>\$ 322,907,940</u>			<u>\$ 323,603,860</u>			<u>\$ 321,741,100</u>		

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</u> <u>Fiscal Year of the Levy</u>			<u>Total Collections to Date</u>		
	<u>Taxes Levied</u> <u>For the</u> <u>Fiscal Year</u>	<u>Amount</u>	<u>Percentage of</u> <u>Levy</u>	<u>Collections in</u> <u>Subsequent</u> <u>Years</u>	<u>Amount</u>	<u>Percentage of</u> <u>Levy</u>
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	-	-	4,053,057	4,053,057	90.10%
2013	4,510,392	-	-	3,165,854	3,165,854	70.19% (a)

(a) As of report date

CITY OF GADSDEN

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

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government
	General Obligation Bonds	Other Obligations	Special Obligation Bonds	General Obligation Bonds	
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
2013	54,169,017	2,452,421	361,861	700,000	57,683,299

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>		
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
2013	54,169,017	361,861	54,530,878	17%	1,454

CITY OF GADSDEN

**SCHEDULE 11
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2013**

	Total Debt <u>Outstanding</u>	Estimated Percent <u>Applicable</u>	Amount Applicable to City of <u>Gadsden</u>
Direct Debt			
City of Gadsden	<u>\$ 62,092,027</u>	100%	<u>\$ 62,092,027</u>
Total Direct Debt	<u>62,092,027</u>	100%	<u>62,092,027</u>
Overlapping Debt			
Etowah County	<u>21,946,423</u> (1)	23%	<u>5,047,677</u>
Total Overlapping Debt	<u>21,946,423</u>	23%	<u>5,047,677</u>
Total Direct and Overlapping Debt	<u>\$ 84,038,450</u>		<u>\$ 67,139,704</u>

(1) - Balance per the 9-30-2012 audit report performed by the Alabama Department of Examiners of Public Accounts. 9-30-2012 financial statements was the most recent data available as of the report date.

CITY OF GADSDEN
SCHEDULE 12
LEGAL DEBT MARGIN INFORMATION
LAST FIVE FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 437,726,380 ⁽¹⁾
Debt limit, 20 percent of assessed value	87,545,276
Debt applicable to limit:	
Outstanding and obligation warrants, installment purchases, etc.	62,483,012
Less: exempt amounts	<u>(25,868,439)</u>
Total Net Debt Applicable to Limit	<u>\$ 36,614,573</u>

Legal Debt Margin \$ 50,930,703

	Fiscal Years				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	<u>\$ 80,106,280</u>	<u>\$ 85,866,384</u>	<u>\$ 84,758,224</u>	<u>\$ 86,382,648</u>	<u>\$ 87,545,276</u>
Total net debt applicable to limit	<u>\$ 37,856,591</u>	<u>\$ 36,532,432</u>	<u>\$ 36,069,959</u>	<u>\$ 38,364,514</u>	<u>\$ 36,614,573</u>
Legal debt margin	<u>\$ 42,249,689</u>	<u>\$ 49,333,952</u>	<u>\$ 48,688,265</u>	<u>\$ 48,018,134</u>	<u>\$ 50,930,703</u>
Total net debt applicable to the limit as a percentage of debt limit	47%	43%	43%	44%	42%

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>
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%
2013	36,674	635,002	18,481	38	N/A	5,398	5.50%

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

CITY OF GADSDEN
 SCHEDULE 14
 PRINCIPAL EMPLOYERS
 LAST FIVE FISCAL YEARS

<u>Employer</u>	<u>2009</u>			<u>2010</u>			<u>2011</u>			<u>2012</u>			<u>2013</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Goodyear Tire & Rubber	1,430	1		1,530	1		1,650	1		1,730	1		1,500	1	
Gadsden Regional Medical Center	1,200	2		1,200	2		1,200	2		1,200	2		1,300	2	
Etowah County Board of Education	1,000	3		1,000	3		1,000	3		1,080	3		1,080	3	
Riverview Regional Medical Center	800	4		800	4		800	4		850	4		850	4	
Gadsden City Schools	650	5		650	5		650	7		694	7		694	7	
City of Gadsden	513	6		513	6		513	8		520	9		520	9	
Equity Group	500	7		500	7		500	9		-	-		-	-	
Mid-South Industries	440	8		440	8		440	10		-	-		-	-	
Koch Foods	390	9		390	9		-	-		565	8		565	8	
Gadsden State Community College	373	10		373	10		796	5		697	6		697	6	
Wal-Mart	-	-		-	-		720	6		721	5		721	5	
Keystone Foods	-	-		-	-		-	-		490	10		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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government					
Mayor's Office	5	5	5	5	6
City Council	-	-	-	-	-
Revenue	6	6	4	4	4
City Clerk	3	3	3	3	5
Public Safety					
Police Department					
Officers	98	98	98	102	102
Civilian	30	30	30	30	30
Fire Department					
Firefighters	114	114	115	116	114
Officers	7	7	7	7	8
Civilians	3	3	2	2	2
Judicial	6	6	6	6	3
Animal Control	3	3	3	3	3
Civil Defense	4	4	4	3	3
Communications	2	3	3	3	3
Public Works					
Maintenance	11	11	11	18	19
Street Painting	5	5	5	5	5
Street Cleaning	12	12	12	10	10
Street Maintenance	41	41	41	38	38
Internal Service					
Finance	6	6	6	6	6
M.I.S.	6	4	4	3	3
Purchasing	1	1	1	1	1
Personnel	3	3	3	3	3
Civil Service	-	-	-	-	-
Legal	3	3	3	1	2
Fleet	20	20	20	20	20
Recreation and Culture					
Parks and Recreation	45	45	46	44	41
Noccalula Falls	-	-	-	-	-
Convention Hall	1	1	2	2	2
Cemetery	6	6	6	6	6
Library	19	18	18	18	18
Museum of Arts	3	3	2	3	3
Tourism	-	-	-	-	-
Golf Course	-	-	-	6	6
Urban Development					
Engineering	8	8	7	7	7
Building	7	7	6	6	6
Planning	8	8	6	6	6
Total	<u>486</u>	<u>484</u>	<u>479</u>	<u>487</u>	<u>485</u>

Source: City Budget

CITY OF GADSDEN

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

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police					
Physical Arrests	2,992	2,792	2,669	2,911	2,906
Parking Violations	-	586	67	564	306
Traffic Violations	4,136	4,120	4,636	5,359	4,889
Fire					
Emergency Responses	6,543	6,795	7,058	6,876	6,936
Fires extinguished	222	232	314	275	202
Inspections	1,918	1,597	1,926	1,775	1,971
Public Works					
Street resurfacing (miles)	17	18	-	-	-
Potholes repaired	7,500	6,855	7,446	7,450	7,800
Parks and Recreation					
Athletic field permits issued	-	-	-	-	-
Community center admissions	261,853	290,194	303,538	328,755	301,560
Library					
Volumes in collection	184,105	198,085	193,645	100,542	105,581
Total volumes borrowed	151,471	206,486	192,809	189,472	181,028

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police					
Stations	1	1	1	1	1
Zone offices	-	-	-	-	-
Patrol units	40	40	43	43	49
Fire Stations	7	8	8	8	8
Other Public Works					
Street (miles)	372	372	372	372	372
Highways (miles)	35	35	35	35	35
Streetlights	4,005	4,006	4,006	4,011	4,015
Traffic signals	134	135	138	138	139
Parks and Recreation					
Acreage	545	546	546	546	566
Playgrounds	16	16	16	16	16
Baseball/Softball diamonds	19	19	19	19	19
Soccer/Football fields	13	13	14	14	14
Community centers	8	9	9	9	9

Source: Various City Departments

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gadsden, Alabama (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2014. Our report includes a reference to other auditors who audited the financial statements of the Gadsden City Board of Education and the Gadsden Airport Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Borland Benefield, P.C.
Birmingham, Alabama
March 17, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR
A-133**

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

The City's basic financial statements include the operations of the Gadsden City Board of Education, which received \$7,222,013 in federal awards which is not included in the schedule during the year ended September 30, 2013. Our audit, described below, did not include the operations of the Gadsden City Board of Education because it was required to have a separate audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of

expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Borland Benefield, P.C.
Birmingham, Alabama
March 17, 2014

CITY OF GADSDEN, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2013

<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-11-MC-010004	\$ 635,271
Community Development Block Grant	14.218	B-12-MC-010004	417,214
Homeless Management Information Systems	14.235	AL0061B4C051103	21,083
Homeless Management Information Systems	14.235	AL0061B4C051104	11,315
<u>Passed Through Alabama Department of Economic and Community Affairs:</u>			
Emergency Shelter Grant	14.231	ESG-12-003	131,493
Total Department of Housing & Urban Development			<u>1,216,376</u>
U.S. Department of Justice			
<u>Direct Programs:</u>			
Byrne Memorial Justice Assistance Grant	16.738	2009-SB-B9-0700	13,711
Bulletproof Vest Partnership Grant	16.607		3,111
Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0258	28,284
Juvenile Justice and Delinquency Prevention (FSC)	16.540	2010-JL-FX-0380	87,351
Justice Assistance Grant	16.738	2010-DJ-BX-1202	26,929
Total U.S. Department of Justice			<u>159,386</u>
Department of Health & Human Services			
<u>Passed Through Alabama Commission on Aging:</u>			
Special Program for Aging Title III B	93.044	04-13-03-16	5,954
Special Program for Aging Title III C	93.045	04-13-03-16	9,302
Total Department of Health & Human Services			<u>15,256</u>
Department of Agriculture			
<u>Passed Through Alabama Department of Education:</u>			
Summer Food Service Program for Children	10.559	AEZ-K000	96,630
Total Department of Agriculture			<u>96,630</u>
Department of Homeland Security			
<u>Passed Through Alabama Emergency Management Agency:</u>			
Emergency Management State & Local Assistance	97.042	13-EMPG-31	61,678
Hazard Mitigation Grant Program	97.039	HMGP-DR-1971	116,830
Total Department of Homeland Security			<u>178,508</u>
Department of Transportation			
<u>Direct Programs:</u>			
Federal Transit Formula Grant	20.507	AL-90-0222	374,128
Federal Transit Formula Grant	20.507	AL-90-0005	4,515
Federal Transit Formula Grant	20.507	AL-90-4330	91,396
Federal Transit Formula Grant	20.507	AL-90-0215	18,315
Federal Transit Formula Grant	20.507	AL-90-4222	274,941
<u>Passed Through Alabama Department of Transportation:</u>			
Highway Planning and Construction Grant	20.205	PL-N8E-100-058-985	212,349
Motor Vehicles by Intoxicated Persons		13-SP-PT-005	21,195
Total Alabama Department of Transportation			<u>996,839</u>
Department of Education:			
<u>Passed Through Alabama Department of Education:</u>			
State Library Program	45.310	13-12-2	14,630
Total Federal Awards			<u>\$ 2,677,625</u>

CITY OF GADSDEN, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2013

State Awards:

Atlanta Public Library Service			
Library Grant		SA-00-03	68,154
Alabama Dept. of Economic & Community Affairs			
Juvenile Justice & Delinquency Prevention	16,541	10-AH-LO-003	<u>20,078</u>
Total State Awards			<u>\$ 88,232</u>
Total Federal and State Awards			<u>\$ 2,765,857</u>

CITY OF GADSDEN, ALABAMA

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013**

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, 2013.

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. CFDA #20.507 - Federal Transit Formula Grant

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, 2013**

A. Summary of Audit Results

Financial Statements

Type of auditors' report issued:		<u>Unmodified</u>		
Internal control over financial reporting:				
<ul style="list-style-type: none"> • Material weakness(es) identified? • 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:				
<ul style="list-style-type: none"> • Material weakness(es) identified? • 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>Unmodified</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 #20.507 – Federal Transit Formula Grant				
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

D. Summary of Prior Year Findings

None Reported