

CITY OF ANNISTON, ALABAMA

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018**

CITY OF ANNISTON, ALABAMA

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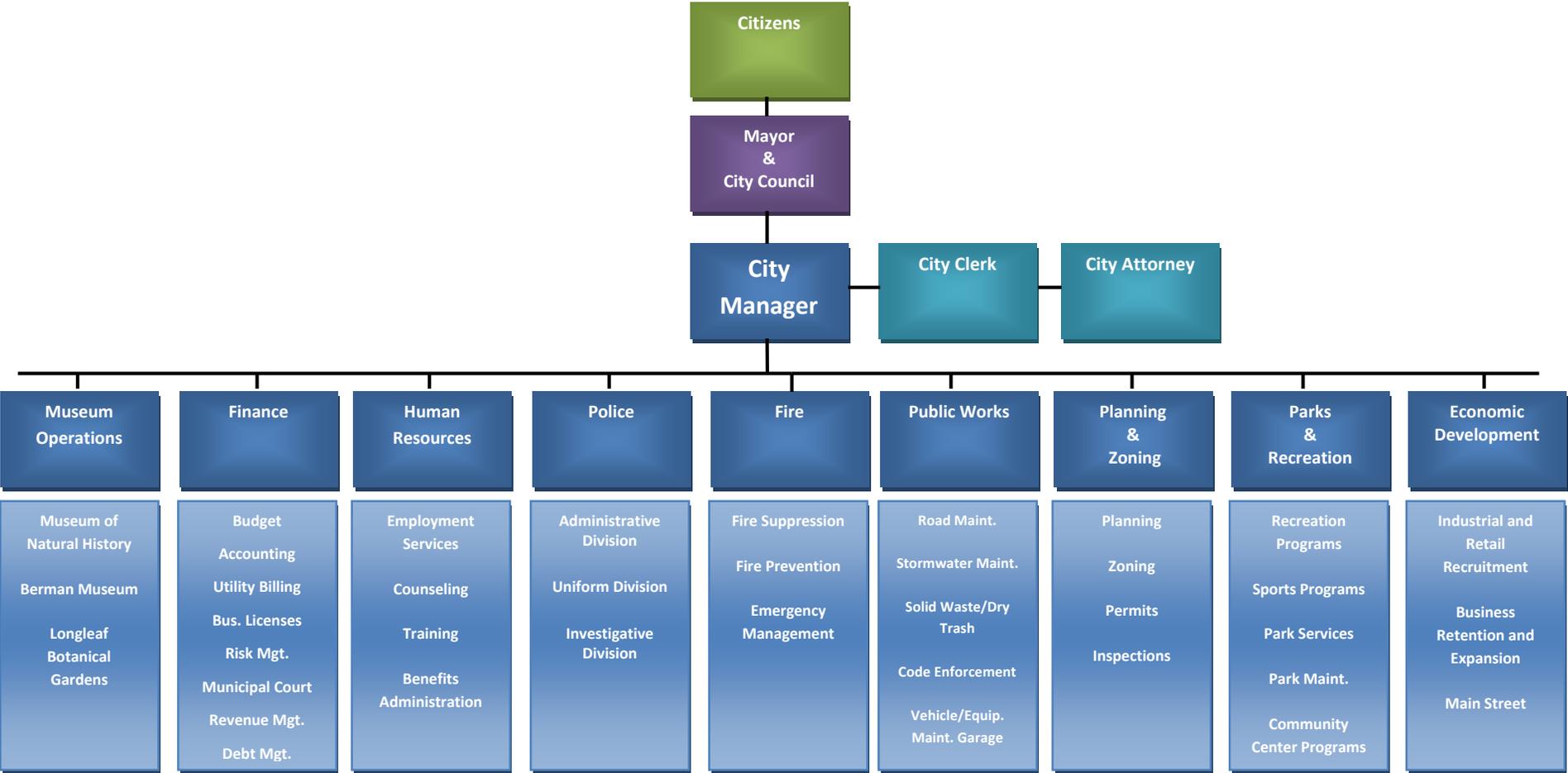
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INTRODUCTORY SECTION

**CITY OF ANNISTON, ALABAMA
ORGANIZATION CHART**



FOR THE YEAR END SEPTEMBER 30, 2018

City Council

Jack Draper – Mayor
Millie Harris
Jay W. Jenkins
Ben Little
David E. Reddick

City Manager

James R. Johnson

Finance Director

Cory Salley

Other City Officials

City Attorney	Bruce J. Downey IV
City Clerk	Skyler Bass
City Judge	James Sims
Fire	Chris Collins, Chief
Human Resources	Bersheba Austin, Director
Museum Operations	Alan Robison, Director
Parks & Recreation	Steven Folks, Director
Planning & Development Services	Toby Bennington, Director
Police	Shane Denham, Chief
Public Works	Darryl Abernathy, Interim Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Anniston, 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 Anniston, Alabama, as of and for the year ended September 30, 2018, 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 Public Library of Anniston/Calhoun County, and Anniston Museum Endowment Corporation, Inc., which represents 33% and 67%, respectively, of the assets and deferred outflows of resources, net position and revenue of the discretely-presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Public Library of Anniston/Calhoun County and Anniston Museum Endowment Corporation, Inc. is based solely 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.

The financial statements of The City of Anniston Board of Education, component unit requiring discrete presentation, has not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely-presented component unit financial statements referred to above do not include amounts for The City of Anniston Board of Education which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the discretely-presented component unit is not reasonably determinable.

Opinions

In our opinion, based on our audit and the reports of other auditors except for the effects of not including the financial statements of The City of Anniston Board of Education as discussed in the preceding paragraph the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information for the City of Anniston, Alabama, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through xii of the Financial Section and the required supplementary information on pages B-1 through B-5 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 and other auditors 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 of Anniston's basic financial statements. The introductory section and combining nonmajor fund financial schedules included as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial schedules 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining nonmajor fund schedules included as other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019, on our consideration of the City of Anniston'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 City of Anniston's internal control over financial reporting and compliance.

Chattanooga, Tennessee
May 13, 2019

Henderson Hutcherson
& McCullough, PLLC

FOR THE YEAR END SEPTEMBER 30, 2018

This section of the City of Anniston's ("City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2018. As management of the City, we encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and other supplementary information, which follow this narrative.

Financial Highlights

- The liabilities and deferred inflow of resources of the City of Anniston (primary government) exceeded its assets and deferred outflow of resources by \$42.7 million for the year ended September 30, 2018. Of the \$42.7 million in primary government deficit net position, unrestricted net position had a deficit of \$105.1 million.
- The City's fiscal year 2017 net position was restated to account for the implementation of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (See Note 14).
- The City's total net position decreased by \$179,946 in fiscal year 2018. The City's net pension liabilities were \$86.2 million as required by GASB 68, which is down from \$94.6 in fiscal year 2017 (See Note 8).
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$11.6 million. The combined governmental funds fund balance increased by \$396,970 compared with the prior year. Of the \$11.6 million in fund balance, \$5.3 million is available for spending at the government's discretion (unassigned fund balance).
- The general fund ended the current year with a fund balance of \$5.7 million, up from \$5.0 million in 2017. The 2018 ending fund balance of the General Fund represents 15.1 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Anniston's basic financial statements. The basic financial statements consist of three components: 1. Government-wide financial statements, 2. Fund financial statements and 3. Notes to the financial statements (see figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Anniston.

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the City are divided into three categories:

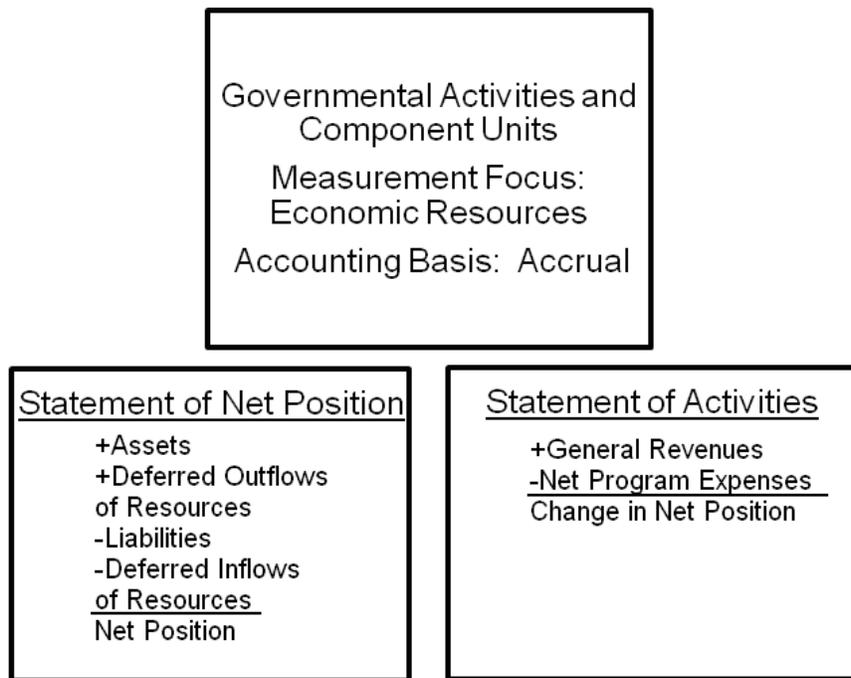
Governmental Activities – Most of the City's basic services are included here such as the police, fire, public works, parks and recreation, and general administration. Sales, use and property taxes; charges for services; and state and federal grants finance most of these activities. The *Governmental Activities* include *Blended Component units*.

FOR THE YEAR END SEPTEMBER 30, 2018

Business-type Activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City’s store at the Anniston Museum of Natural History, stormwater activities, and the activities related to the fire training center are reported here.

Component Units – The City includes other legally separate entities in its report including the Public Library of Anniston/Calhoun County and Anniston Museum Endowment Corporation. The City did not include the Anniston City Board of Education because their financial statements were not available at the time of this report. These entities are discretely presented component units, and the City is financially accountable for these entities. The City provides administrative services for the following blended component units: the Public Building Authority, Anniston Downtown Development Authority and Industrial Development Authority.

Government-wide Financial Statements



The statement of net position includes all of the government’s assets and deferred outflows of resources and liabilities and deferred inflows of resources except fiduciary funds. The statement of activities presents information showing how the government’s net position changed during the most recent fiscal year. 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.

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds – not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by federal or state law while some are required by grant agreements. Other funds are established to control and manage City resources designated for specific purposes.

FOR THE YEAR END SEPTEMBER 30, 2018

The City uses three types of funds:

Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Proprietary Funds – The City charges customers for certain services it provides, whether to outside customers or to other divisions within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City of Anniston maintains two types of proprietary funds: enterprise and internal service funds. The City has three enterprise funds (Museum Store, Stormwater Fees, and Fire Training) to record services for which external customers are charged a fee. Internal service funds are used to record services for which internal customers are charged a fee. The City has three of these fund types: Liability Insurance, Health Insurance, and Workers' Compensation.

Fiduciary Funds – The fiduciary fund statement reflects the financial relationship with the Policemen's and Firemen's Retirement Fund which provides benefits exclusively for certain public safety employees. The City also uses a Municipal Court fiduciary fund to account for monies that is collected on behalf of outside agencies. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance operations.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that should be considered in the evaluation of the City's financial position.

Government-wide Financial Analysis**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Anniston, liabilities and deferred inflow of resources exceeded assets and deferred outflow of resources by \$42.7 million at the close of the most recent fiscal year. Net position related to governmental activities is negative \$43.0 million, and business-type activities make up \$340,890 of the total net position. The deficit net position is primarily a result of implementation of GASB 68, which requires the recording of net pension liabilities (\$86.2 million).

FOR THE YEAR END SEPTEMBER 30, 2018

In accordance with GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City's fiscal year 2017 net position was restated from negative \$39.2 million to negative \$42.6 million.

In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

Condensed Statement of Net Position						
As of September 30, 2018 and 2017						
	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 16,682,252	\$ 14,060,390	\$ 308,224	\$ 204,054	\$ 16,990,476	\$ 14,264,444
Capital assets, net of accumulated depreciation	92,922,962	94,920,602	276,001	328,701	93,198,963	95,249,303
Total assets	109,605,214	108,980,992	584,225	532,755	110,189,439	109,513,747
Deferred outflow of resources	6,002,271	9,840,588	-	-	6,002,271	9,840,588
Current and other liabilities	6,143,861	5,544,404	109,216	68,591	6,253,077	5,612,995
Long-term liabilities, net of current portion*	134,637,911	141,371,889	134,119	177,721	134,772,030	141,549,610
Total liabilities	140,781,772	146,916,293	243,335	246,312	141,025,107	147,162,605
Deferred inflows of resources	17,867,070	14,766,698	-	-	17,867,070	14,766,698
Net position:						
Net investment in capital	56,115,339	56,290,087	97,392	107,444	56,212,731	56,397,531
Restricted	6,129,523	5,396,667	105,582	31,580	6,235,105	5,428,247
Unrestricted	(105,286,219)	(104,548,165)	137,916	147,419	(105,148,303)	(104,400,746)
Total net position	\$(43,041,357)	\$(42,861,411)	\$ 340,890	\$ 286,443	\$(42,700,467)	\$(42,574,968)

The City's investment in capital assets less any related debt still outstanding that was issued to acquire those assets is \$56.2 million. The City of Anniston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Additionally, \$6.2 million represents the balance of total net position that is subject to external or Council placed restrictions on how they may be used.

FOR THE YEAR END SEPTEMBER 30, 2018**Changes in Net Position**

The following table shows the changes in net position for fiscal year 2018:

Condensed Statement of Activities						
For the Years Ended September 30, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenue:						
Charges for services	\$ 2,928,792	\$ 3,621,900	\$ 572,355	\$ 523,166	\$ 3,501,147	\$ 4,145,066
Operating grants and contributions	4,711,352	4,297,647	-	-	4,711,352	4,297,647
Capital grants and contributions	1,052,976	82,499	-	-	1,052,976	82,499
General Revenue:						
Taxes	31,251,243	30,862,275	-	-	31,251,243	30,862,275
Licenses and permits	4,830,819	4,481,524	-	-	4,830,819	4,481,524
Interest earnings	170,624	48,877	-	-	170,624	48,877
Other revenues	227,195	181,521	-	-	227,195	181,521
Transfers	60,000	-	(60,000)	-	-	-
Total revenue	45,233,001	43,576,243	512,355	523,166	45,745,356	44,099,409
Expenses						
General government	11,637,431	12,465,776	-	-	11,637,431	12,465,776
Judicial	506,477	495,946	-	-	506,477	495,946
Public safety	14,470,199	17,646,377	-	-	14,470,199	17,646,377
Public works	9,867,461	9,737,922	-	-	9,867,461	9,737,922
Housing and development	1,599,356	2,084,638	-	-	1,599,356	2,084,638
Public facilities	-	-	-	-	-	-
Economic development	449,377	249,849	-	-	449,377	249,849
Culture and recreation	5,343,144	5,261,176	-	-	5,343,144	5,261,176
Interest	1,589,429	1,978,228	-	-	1,589,429	1,978,228
Museum store	-	-	67,084	69,300	67,084	69,300
Stormwater	-	-	355,689	342,914	355,689	342,914
Fire Training School	-	-	35,135	-	35,135	-
Total expenses	45,462,874	49,919,912	457,908	412,214	45,920,782	50,332,126
Capital contribution from other funds	-	-	-	-	-	-
Capital contribution to other funds	-	-	-	-	-	-
Gain/(Loss) on sale of assets	49,927	193,399	-	-	49,927	193,399
Change in net position	\$ (179,946)	\$ (6,150,270)	\$ 54,447	\$ 110,952	\$ (125,499)	\$ (6,039,318)

Governmental Activities

Revenues for governmental activities totaled \$45.2 million in FY 2018, which represents an increase of 3.7% over FY 2017. Taxes account for \$31.3 million or 69.2% of total revenue in 2018 and reported an increase of \$388,968 compared to FY 2017. Licenses and permits account for \$4.8 million or 10.7% of total revenue. Charges for services accounted for \$2.9 million or 6.5% of total revenue in FY 2018 and reported a decrease of \$693,108 from FY 2017.

Expenses for governmental activities totaled \$45.5 million in FY 2018, which represents a decrease of \$4.5 million, or 8.9%, compared to FY 2017. The decrease was the result of the following: a reduction in the actuarially-determined net pension expense in the Police and Fire Pension Fund, removal of one-time expenses from FY2017, reduction in grant-related expenses, and a reduction in interest expense.

Business-type Activities

Revenues for business-type activities were \$572,355, which represents an increase of 9.4% over FY 2017. This increase can be attributed to the addition of the fire training fund.

FOR THE YEAR END SEPTEMBER 30, 2018

Expenses for business-type activities totaled \$457,908 in FY 2018, which represents an increase of 11.1% compared to FY 2017.

Financial Analysis of the City's Funds

As noted earlier, the City of Anniston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Anniston's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Anniston's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City of Anniston. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5.5 million, compared with \$4.8 million at the end of FY 2017. As a measure of the general fund's liquidity, it represents 14.4% of total general fund expenditures (including transfers out) at the end of FY 2018.

General Fund-Fund Balances			
For the Years Ended September 30, 2018 and 2017			
	2018	2017	Change
Nonspendable	247,719	161,751	85,968
Assigned	-	-	-
Unassigned	5,473,774	4,847,626	626,148
Total Fund Balances	5,721,493	5,009,377	712,116

Proprietary Funds

The City's proprietary funds are made up of enterprise funds and internal service funds. The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has three enterprise funds, the Museum Store, Stormwater Fee Fund, and the Fire Training Fund (initiated in FY 2018). The net position of the enterprise funds was \$340,890, an increase of \$54,447 from FY 2017.

Business Activities-Net Position			
For the Years Ended September 30, 2018 and 2017			
	2018	2017	Change
Net Investment in Capital Assests	97,392	107,444	(10,052)
Restricted	105,582	31,580	74,002
Unrestricted	137,916	147,419	(9,503)
Total Net Position	340,890	286,443	54,447

In FY 2015, the City established internal service funds to accumulate and pay the costs of workers' compensation insurance, health insurance and general liability insurance. The net position of the internal service funds was \$17,006 in FY 2018, which represents an increase of \$610,196 from FY2017.

FOR THE YEAR END SEPTEMBER 30, 2018

Internal Service Funds-Net Position			
For the Years Ended September 30, 2018 and 2017			
	2018	2017	Change
Restricted	-	-	-
Unrestricted	17,006	(593,190)	610,196
Total Net Position	17,006	(593,190)	610,196

General Fund Budgetary Highlights

The City of Anniston adopts an annual appropriated budget for its general fund and other funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

General Fund Budget				
For the Years Ended September 30, 2018				
				Variance
	Original	Final	Actual	From Final
	Budget	Budget	Amount	Budget
Revenues	\$37,625,350	\$38,052,750	\$ 38,286,094	\$ 233,344
Expenditures	31,403,950	31,692,750	30,851,437	\$ (841,313)
Other Sources (Uses)	(6,221,400)	(6,360,000)	(6,722,541)	\$ (362,541)
Total	\$ -	\$ -	\$ 712,116	\$ 712,116

Capital Asset and Debt Administration

Capital Assets: The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2018 totals \$92.9 million (net of accumulated depreciation) and for its business-type activities as of September 30, 2018 totals \$276,001 (net of accumulated depreciation). These assets include infrastructure, buildings, land, machinery and equipment, facilities and vehicles, as well as the collection at the Anniston Museum of Natural History.

Additional information about the City's capital assets can be found in Note 6 beginning on page A-29.

Long-term Debt: The long-term liabilities at September 30, 2018 totaled \$134.8 million. Of this amount, \$134.6 million relates to governmental activities and \$134,119 relates to business-type activities. Overall, the City's long-term liabilities decreased from FY2017 by \$6.8 million.

Additional information about the City's long-term debt can be found in Note 7 beginning on page A-31.

FOR THE YEAR END SEPTEMBER 30, 2018

Economic Factors and Next Year's Budget

While Anniston faces challenges to its economy, in recent years, there have been sizable expansions in our industrial sector. For example, New Flyer of America, Inc. (New Flyer), one of the largest transit bus manufacturers in North America, announced a \$25 million project that included a 33,000 square foot expansion to their facility. This project also included the construction of the Vehicle Innovation Center (VIC) which houses a state-of-the-art training facility for zero-emission transit buses. According to New Flyer, the VIC is the first innovation lab in North America dedicated to the advancement of bus and coach technology.

In addition, the construction of the new \$42 million federal courthouse will begin at the end of FY2019. This project will take three years to complete and will employ over 250 people during its construction. According to the economic impact study completed by Jacksonville State University, the total economic impact of this project is \$45.8 million.

Further capitalizing on the unique landscape of Anniston, the Coldwater Mountain Bike Trail is a 4,000 acre tract of land owned by the Alabama State Lands Division of the Department of Conservation and Natural Resources. Once completed, Anniston will be home to one of the premier ride centers in the country offering up to 80 miles of trails with varying levels of difficulty. Riders are already traveling to the area from all over the country with 40 miles already in service.

The City adopted a FY 2019 general fund budget of \$39.5 million. The City is constantly reviewing opportunities to increase revenue, as well as reduce expenditures, by using its assets more efficiently and effectively.

In preparing the FY 2019 budget, the City considered outside factors that affect funding decisions such as state and local economic conditions, federal and state mandates, political and social environment, citizen concerns, and outside agency considerations. The following are a few key factors that were taken into account when building the budget:

- Total revenues were conservatively budgeted with a 2.1% increase from the FY2018 amended budget.
- Mayor and Council did budget to use \$112,000 (difference between budgeted use of fund balance and budgeted amount going to reserves) of fund balance to help offset costs associated with a comprehensive plan and a wage and compensation study.
- Expenditures were projected to increase by 2.9 % compared to the FY 2018 amended budget. Capital outlays and projects, other one-time costs (comprehensive plan and a compensation study), and increase in personnel expenses were the main reasons for the increase.
- Mayor and Council approved a step, or merit, increase for employees effective January 1, 2019.
- Mayor and Council appropriated funds to cover approximately \$1.0 million in capital outlays. Funds from various sources (general fund, bank financing, stormwater, fire tax, etc.) were assigned to pay for these projects which included infrastructure improvements, vehicle replacements, technology upgrades, and facility improvements.

FOR THE YEAR END SEPTEMBER 30, 2018

Questions or Comments

This financial report is designed to provide a general overview of the finances for the City of Anniston, AL.

Any questions or comments about this document should be addressed to Cory Salley, Finance Director, email: csalley@anniston.al.gov or by correspondence to 1128 Gurnee Avenue, Anniston, Alabama 36201.

CITY OF ANNISTON, ALABAMA

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 6,732,210	\$ 235,718	\$ 6,967,928
Investments	1,431,700	-	1,431,700
Receivables, net of allowance for uncollectibles	6,168,840	60,085	6,228,925
Internal balances	60,100	(60,100)	-
Inventories	225,055	72,521	297,576
Other assets	22,984	-	22,984
Net pension asset	-	-	-
Restricted assets:			
Cash and cash equivalents	2,041,363	-	2,041,363
Investments	-	-	-
Capital assets:			
Land and other nondepreciable assets	21,113,929	-	21,113,929
Capital assets, net of accumulated depreciation	<u>71,809,033</u>	<u>276,001</u>	<u>72,085,034</u>
Total assets	<u>109,605,214</u>	<u>584,225</u>	<u>110,189,439</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	4,663,345	-	4,663,345
Deferred OPEB outflows	35,291	-	35,291
Deferred bond insurance cost	94,589	-	94,589
Deferred charges on refunding	<u>1,209,046</u>	<u>-</u>	<u>1,209,046</u>
Total deferred outflows of resources	<u>6,002,271</u>	<u>-</u>	<u>6,002,271</u>
LIABILITIES			
Accounts payable	1,713,656	64,726	1,778,382
Accrued and other payables	2,062,773	-	2,062,773
Unearned revenues	31,492	-	31,492
OPEB obligation	7,924,226	-	7,924,226
Net pension liability	86,159,498	-	86,159,498
Long-term liabilities, due within one year	2,335,940	44,490	2,380,430
Long-term liabilities, due in more than one year	<u>40,554,187</u>	<u>134,119</u>	<u>40,688,306</u>
Total liabilities	<u>140,781,772</u>	<u>243,335</u>	<u>141,025,107</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	16,083,738	-	16,083,738
Unavailable revenue, loans	<u>1,783,332</u>	<u>-</u>	<u>1,783,332</u>
Total deferred inflows of resources	<u>17,867,070</u>	<u>-</u>	<u>17,867,070</u>
NET POSITION			
Net investment in capital assets	56,115,339	97,392	56,212,731
Restricted for:			
Capital projects	2,865,392	-	2,865,392
Debt service	1,896,371	-	1,896,371
Judicial	38,780	-	38,780
Public safety	236,035	-	236,035
Road improvements	350,505	-	350,505
Culture and recreation	119,334	-	119,334
Economic and industrial development	151,800	-	151,800
Housing and development	471,306	-	471,306
Endowment fund	-	-	-
Stormwater service	-	105,582	105,582
Unrestricted (deficit)	<u>(105,286,219)</u>	<u>137,916</u>	<u>(105,148,303)</u>
Total net position (deficit)	<u>\$ (43,041,357)</u>	<u>\$ 340,890</u>	<u>\$ (42,700,467)</u>

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

Component Units	
Public Library of Anniston/ Calhoun County	Anniston Museum Endowment Corporation
\$ 397,976	\$ 58,301
110,989	1,739,433
-	-
-	-
-	120
9,984	-
95,577	-
-	89,700
-	15,289
25,907	19,800
<u>355,727</u>	<u>-</u>
<u>996,160</u>	<u>1,922,643</u>
209,280	-
-	-
-	-
-	-
<u>209,280</u>	<u>-</u>
51,849	-
-	89,700
-	-
-	-
-	-
-	-
-	-
<u>51,849</u>	<u>89,700</u>
242,646	-
-	-
<u>242,646</u>	<u>-</u>
381,634	-
-	-
-	-
-	-
-	-
45,574	1,832,943
-	-
-	-
110,989	-
<u>372,748</u>	<u>-</u>
<u>\$ 910,945</u>	<u>\$ 1,832,943</u>

CITY OF ANNISTON, ALABAMA

STATEMENT OF ACTIVITIES

Year ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities -				
General government	\$ 11,637,431	\$ 1,373,101	\$ 1,950,486	\$ -
Judicial	506,477	307,856	-	-
Public safety	14,470,199	49,021	895,700	-
Public works	9,867,461	11,963	1,147,611	-
Economic development	449,377	48,032	-	1,052,976
Culture and recreation	5,343,144	1,138,819	362,784	-
Housing and development	1,599,356	-	354,771	-
Interest on debt and other expenses	1,589,429	-	-	-
Total governmental activities	<u>45,462,874</u>	<u>2,928,792</u>	<u>4,711,352</u>	<u>1,052,976</u>
Business-type activities -				
Museum store	67,084	67,142	-	-
Stormwater fees	355,689	420,023	-	-
Fire training school	35,135	85,190	-	-
Total business-type activities	<u>457,908</u>	<u>572,355</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 45,920,782</u>	<u>\$ 3,501,147</u>	<u>\$ 4,711,352</u>	<u>\$ 1,052,976</u>
Component units -				
Public library	\$ 1,167,349	\$ 43,330	\$ 196,988	\$ 301,750
Museum endowment	144,662	-	78,691	-
TOTAL COMPONENT UNITS	<u>\$ 1,312,011</u>	<u>\$ 43,330</u>	<u>\$ 275,679</u>	<u>\$ 301,750</u>

General revenues:

- Sales tax
- Property taxes
- Gasoline taxes
- Other taxes
- Licenses and permits
- City and county appropriations
- Unrestricted investment earnings
- Restricted investment earnings
- Miscellaneous
- Gain (loss) on disposal of assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning, *restated*

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Public Library of Anniston/ Calhoun County	Anniston Museum Endowment Corporation
\$ (8,313,844)	\$ -	\$ (8,313,844)	\$ -	\$ -
(198,621)	-	(198,621)	-	-
(13,525,478)	-	(13,525,478)	-	-
(8,707,887)	-	(8,707,887)	-	-
651,631	-	651,631	-	-
(3,841,541)	-	(3,841,541)	-	-
(1,244,585)	-	(1,244,585)	-	-
(1,589,429)	-	(1,589,429)	-	-
<u>(36,769,754)</u>	<u>-</u>	<u>(36,769,754)</u>	<u>-</u>	<u>-</u>
-	58	58	-	-
-	64,334	64,334	-	-
-	50,055	50,055	-	-
-	114,447	114,447	-	-
<u>(36,769,754)</u>	<u>114,447</u>	<u>(36,655,307)</u>	<u>-</u>	<u>-</u>
-	-	-	(625,281)	-
-	-	-	-	(65,971)
-	-	-	<u>(625,281)</u>	<u>(65,971)</u>
22,486,289	-	22,486,289	-	-
4,930,198	-	4,930,198	-	-
702,485	-	702,485	-	-
3,132,271	-	3,132,271	-	-
4,830,819	-	4,830,819	-	-
-	-	-	657,065	-
170,624	-	170,624	6,964	-
-	-	-	3,135	-
227,195	-	227,195	14,066	-
49,927	-	49,927	-	-
60,000	(60,000)	-	-	-
<u>36,589,808</u>	<u>(60,000)</u>	<u>36,529,808</u>	<u>681,230</u>	<u>-</u>
(179,946)	54,447	(125,499)	55,949	(65,971)
<u>(42,861,411)</u>	<u>286,443</u>	<u>(42,574,968)</u>	<u>854,996</u>	<u>1,898,914</u>
<u>\$ (43,041,357)</u>	<u>\$ 340,890</u>	<u>\$ (42,700,467)</u>	<u>\$ 910,945</u>	<u>\$ 1,832,943</u>

CITY OF ANNISTON, ALABAMA

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,015,076
Investments	528,119
Receivables, net of allowance for uncollectibles:	
Taxes	2,068,336
Accounts receivables	560,624
Notes	-
Due from other funds	3,376,545
Due from other governments	267,322
Prepaid expenses	22,664
Inventories	225,055
Restricted cash	-
Total assets	<u>\$ 8,063,741</u>
LIABILITIES	
Accounts payable	\$ 967,864
Accrued liabilities	1,209,729
Other payables	36,199
Due to other funds	96,964
Unearned revenue	31,492
Total liabilities	<u>2,342,248</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue, loans	-
Total deferred inflows of resources	<u>-</u>
FUND BALANCES	
Nonspendable	
Prepaid expenses	22,664
Inventories	225,055
Restricted for:	
Capital projects	-
Debt service	-
Judicial	-
Public safety	-
Road improvements	-
Culture and recreation	-
Economic and industrial development	-
Housing and development	-
Unassigned	5,473,774
Total fund balances	<u>5,721,493</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 8,063,741</u>

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

Public Building Authority	HOME	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 99,133	\$ 2,604,064	\$ 2,710,259	\$ 6,428,532
-	-	-	903,581	1,431,700
-	-	-	-	2,068,336
-	-	-	124,758	685,382
-	1,217,826	-	781,180	1,999,006
-	-	-	667,103	4,043,648
-	48,832	-	1,099,962	1,416,116
-	-	-	320	22,984
-	-	-	-	225,055
2,041,363	-	-	-	2,041,363
<u>\$ 2,041,363</u>	<u>\$ 1,365,791</u>	<u>\$ 2,604,064</u>	<u>\$ 6,287,163</u>	<u>\$ 20,362,122</u>
\$ -	\$ 2,188	\$ -	\$ 423,498	\$ 1,393,550
-	-	-	521	1,210,250
-	-	-	250,237	286,436
161,393	213,664	109,213	3,435,748	4,016,982
-	-	-	-	31,492
<u>161,393</u>	<u>215,852</u>	<u>109,213</u>	<u>4,110,004</u>	<u>6,938,710</u>
-	1,217,826	-	565,506	1,783,332
-	1,217,826	-	565,506	1,783,332
-	-	-	320	22,984
-	-	-	-	225,055
-	-	2,478,450	386,942	2,865,392
1,879,970	-	16,401	-	1,896,371
-	-	-	38,780	38,780
-	-	-	236,035	236,035
-	-	-	350,505	350,505
-	-	-	119,334	119,334
-	-	-	151,800	151,800
-	-	-	471,306	471,306
-	(67,887)	-	(143,369)	5,262,518
<u>1,879,970</u>	<u>(67,887)</u>	<u>2,494,851</u>	<u>1,611,653</u>	<u>11,640,080</u>
<u>\$ 2,041,363</u>	<u>\$ 1,365,791</u>	<u>\$ 2,604,064</u>	<u>\$ 6,287,163</u>	<u>\$ 20,362,122</u>

CITY OF ANNISTON, ALABAMA

**RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2018

Differences in amounts reported for governmental activities in the statement of net position on pages A-1 and A-2:

Fund balances – total governmental funds \$ 11,640,080

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 92,922,962

The internal service fund is used by management to charge the costs of fleet management and risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 17,006

Contributions to pension plans made after the measurement date are recorded as expenditures in governmental funds but must be deferred in the statement of net position in addition to certain other items:

Contribution to pension plans	\$ 601,725	
Experience loss - pension plans	1,668,758	
Assumption change loss - pension plans	2,392,862	
Earnings variance - pension plans	<u>117,587</u>	4,780,932

Certain amounts related to the net pension liabilities are deferred and amortized over time. These are not reported in the funds.

Experience gain - pension plans	(2,177,301)	
Assumption change gain - pension plans	(9,504,818)	
Earnings variance - pension plans	<u>(4,519,206)</u>	(16,201,325)

Certain amounts related to the net pension liabilities are deferred and amortized over time. These are not reported in the funds.

Experience difference between expected and actual - OPEB		35,291
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The City's other post-employment benefit plan has not been fully funded. This OPEB obligation is considered a longterm obligation and is not reported in the funds. (7,924,226)

Net pension liabilities are not due and payable in the current period and are not reported in the funds:

General pension	(7,522,330)	
Police and fire pension	<u>(78,637,168)</u>	(86,159,498)

Long-term liabilities are not due and payable in the current period and are not reported in the funds. All liabilities, both due in one year and due in more than one year, are reported in the statement of net position. These consist of:

General obligation bonds	(39,139,000)	
Add deferred refunding, issue discounts, and insurance	1,224,182	
Capital leases	(598,171)	
Settlement payable	(1,080,425)	
Compensated absences	(1,993,078)	
Accrued interest payable	<u>(566,087)</u>	<u>(42,152,579)</u>

Net position of governmental activities		<u>\$ (43,041,357)</u>
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The notes to basic financial statements are an integral part of this statement.

CITY OF ANNISTON, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

Year end September 30, 2018

	<u>General</u>
REVENUES	
Taxes	\$ 30,211,226
Licenses and permits	4,830,819
Intergovernmental	478,204
Charges for services	2,313,749
Fines and forfeitures	297,523
Contributions and donations	75,367
Investment income	437
Other revenue	<u>78,769</u>
Total revenues	<u>38,286,094</u>
EXPENDITURES	
Current	
General government	6,186,387
Judicial	354,255
Public safety	13,848,850
Public works	6,495,211
Economic development	282,249
Culture and recreation	3,684,485
Housing and development	-
Capital outlay	-
Debt service -	
Principal	-
Interest and fiscal charges	<u>-</u>
Total expenditures	<u>30,851,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,434,657</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of assets	26,295
Capital lease issued	-
Bonds issued	-
Premium on bonds issued	-
Payments to refunded bonds escrow agent	-
Transfers in	285,500
Transfers out	<u>(7,034,336)</u>
Total financing sources (uses)	<u>(6,722,541)</u>
NET CHANGE IN FUND BALANCES	712,116
Fund balance, beginning	<u>5,009,377</u>
Fund balance, ending	<u>\$ 5,721,493</u>

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

Public Building Authority	HOME	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,040,017	\$ 31,251,243
-	-	-	-	4,830,819
1,287,585	103,427	-	2,523,567	4,392,783
-	-	-	267,973	2,581,722
-	-	-	48,750	346,273
-	-	-	243,999	319,366
21,642	9,980	14	138,551	170,624
-	-	-	44,783	123,552
<u>1,309,227</u>	<u>113,407</u>	<u>14</u>	<u>4,307,640</u>	<u>44,016,382</u>
-	-	-	-	6,186,387
-	-	-	152,222	506,477
-	-	-	1,456,549	15,305,399
-	-	-	2,328,189	8,823,400
-	-	-	167,128	449,377
-	-	-	1,483,027	5,167,512
-	115,088	-	263,573	378,661
-	-	-	443,507	443,507
979,665	-	432,815	399,000	1,811,480
869,599	-	369,925	299,549	1,539,073
<u>1,849,264</u>	<u>115,088</u>	<u>802,740</u>	<u>6,992,744</u>	<u>40,611,273</u>
<u>(540,037)</u>	<u>(1,681)</u>	<u>(802,726)</u>	<u>(2,685,104)</u>	<u>3,405,109</u>
-	-	-	25,000	51,295
-	-	-	-	-
-	-	3,000,000	-	3,000,000
-	-	-	-	-
-	-	-	-	-
545,319	53,888	785,735	2,981,628	4,652,070
-	-	(504,559)	(1,653,175)	(9,192,070)
<u>545,319</u>	<u>53,888</u>	<u>3,281,176</u>	<u>1,353,453</u>	<u>(1,488,705)</u>
5,282	52,207	2,478,450	(1,331,651)	1,916,404
<u>1,874,688</u>	<u>(120,094)</u>	<u>16,401</u>	<u>2,943,304</u>	<u>9,723,676</u>
<u>\$ 1,879,970</u>	<u>\$ (67,887)</u>	<u>\$ 2,494,851</u>	<u>\$ 1,611,653</u>	<u>\$ 11,640,080</u>

CITY OF ANNISTON, ALABAMA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year ended September 30, 2018

Differences in amounts reported for governmental activities in the statement of activities on page A-3 and A-4:

Net change in fund balances – total governmental funds \$ 1,916,404

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

Capital outlay reported as expenditures in the governmental funds, that meet the capitalization threshold are shown as capital assets in the statement of net position. 3,772,647

Depreciation expense on governmental capital assets are included in the statement of activities. (5,768,919)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond additions	\$ (3,000,000)	
Principal repayments	1,811,480	
Settlement expense	(1,080,425)	
Amortization	(50,356)	
Change in accrued interest payable	<u>-</u>	(2,319,301)

Net income of the internal service fund are reported with governmental activities. 610,196

The net effect of various transactions involving capital assets is to decrease net position. (1,368)

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.

This item consists of:

Change in compensated absences	21,373	
Change in net pension liability and related deferrals - police and fire	1,579,683	
Change in net pension liability and related deferrals - general	14,536	
Change in OPEB liability and related deferrals	<u>(5,197)</u>	<u>1,610,395</u>

Change in net position of governmental activities \$ (179,946)

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

CITY OF ANNISTON, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

Year ended September 30, 2018

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 29,675,500	\$ 30,139,000	\$ 30,211,226	\$ 72,226
Licenses and permits	4,717,850	4,730,850	4,830,819	99,969
Intergovernmental	469,000	468,000	478,204	10,204
Charges for services	2,313,700	2,270,600	2,313,749	43,149
Fines and forfeitures	329,500	314,500	297,523	(16,977)
Contributions and donations	74,000	74,000	75,367	1,367
Investment income	500	500	437	(63)
Other revenue	45,300	55,300	78,769	23,469
Total revenues	<u>37,625,350</u>	<u>38,052,750</u>	<u>38,286,094</u>	<u>233,344</u>
EXPENDITURES				
General Government				
Finance	992,300	999,550	973,791	25,759
Food service	560,500	565,010	567,825	(2,815)
General division	524,000	436,710	416,768	19,942
City Council	172,050	172,700	156,279	16,421
Planning	-	-	-	-
Non-departmental	2,120,000	2,336,000	1,865,865	470,135
Outside agencies	2,207,500	2,262,500	2,205,859	56,641
	<u>6,576,350</u>	<u>6,772,470</u>	<u>6,186,387</u>	<u>586,083</u>
Judicial				
Municipal court	343,350	343,350	354,255	(10,905)
Public Safety				
Police administration	7,714,000	7,641,000	7,564,719	76,281
Selective traffic enforcement	31,250	31,250	58,056	(26,806)
Community traffic safety	18,750	18,750	87,214	(68,464)
Police detention	523,300	399,800	360,488	39,312
Fire	5,775,000	5,895,000	5,778,373	116,627
	<u>14,062,300</u>	<u>13,985,800</u>	<u>13,848,850</u>	<u>136,950</u>

(Continued on next page)

CITY OF ANNISTON, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

Year ended September 30, 2018

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
(Continued from previous page)				
Public Works				
Administration	218,100	162,300	125,816	36,484
Cemetery	80,550	83,050	89,139	(6,089)
Engineering	274,700	302,500	308,030	(5,530)
Garage	222,350	252,850	263,142	(10,292)
Environmental services	1,181,000	1,181,000	1,160,036	20,964
Street	2,602,000	2,696,100	2,621,122	74,978
Anniston metro airport	113,400	117,225	125,071	(7,846)
Building maintenance	1,469,600	1,515,100	1,524,563	(9,463)
Code enforcement	269,800	277,300	278,292	(992)
	<u>6,431,500</u>	<u>6,587,425</u>	<u>6,495,211</u>	<u>92,214</u>
Economic development				
Economic development	<u>314,650</u>	<u>299,000</u>	<u>282,249</u>	<u>16,751</u>
Culture and Recreation				
Administration	261,200	261,400	261,658	(258)
Publicity	8,000	8,000	7,540	460
Senior adult	306,000	303,550	292,590	10,960
Special events	26,500	24,500	26,052	(1,552)
Youth services	105,000	105,000	94,210	10,790
PARC Carver Community	148,650	154,500	157,822	(3,322)
PARC Hodges Community	109,750	110,700	106,358	4,342
PARC South Highland	125,900	148,105	146,934	1,171
PARC Wiggins Community	107,800	105,000	111,443	(6,443)
PARC Carver Pool	19,050	19,050	9,554	9,496
PARC Washington Pool	16,700	16,700	22,594	(5,894)
PARC Good Choices	15,000	17,000	23,554	(6,554)
PARC The Hill Golf Club	98,700	124,350	126,927	(2,577)
PARC Motor Pool	10,000	10,000	7,738	2,262
PARC Cane Creek	212,050	220,000	221,183	(1,183)
PARC Course Maintenance	288,450	321,250	327,957	(6,707)
PARC Aquatics Center	765,750	766,800	774,187	(7,387)
PARC Truman Gym	-	-	-	-
The Downtown Market	22,400	22,400	21,242	1,158

(Continued on next page)

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

CITY OF ANNISTON, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

Year ended September 30, 2018

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
(Continued from previous page)				
Youth Sports Complex	390,000	361,500	348,418	13,082
Parks	563,900	530,900	527,667	3,233
Baseball	6,000	6,000	6,324	(324)
Basketball	21,000	21,500	21,446	54
Soccer	38,000	36,500	32,014	4,486
Flag Football	1,500	1,500	1,000	500
Football	8,500	8,500	8,073	427
Softball - Woodland	-	-	-	-
	<u>3,675,800</u>	<u>3,704,705</u>	<u>3,684,485</u>	<u>20,220</u>
Total expenditures	<u>31,403,950</u>	<u>31,692,750</u>	<u>30,851,437</u>	<u>841,313</u>
Excess of revenues over expenditures	<u>6,221,400</u>	<u>6,360,000</u>	<u>7,434,657</u>	<u>1,074,657</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	50,000	50,000	26,295	(23,705)
Transfers in	195,500	277,500	285,500	8,000
Transfers out	<u>(6,466,900)</u>	<u>(6,687,500)</u>	<u>(7,034,336)</u>	<u>(346,836)</u>
Total financing sources (uses)	<u>(6,221,400)</u>	<u>(6,360,000)</u>	<u>(6,722,541)</u>	<u>(362,541)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	712,116	<u>\$ 712,116</u>
FUND BALANCES, beginning			<u>5,009,377</u>	
FUND BALANCES, ending			<u>\$ 5,721,493</u>	

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

CITY OF ANNISTON, ALABAMA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

September 30, 2018

	Business-type Activities - Enterprise Funds				Governmental
	Museum Store	Stormwater Fees	Fire Training School	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 100,137	\$ 135,581	\$ -	\$ 235,718	303,678
Accounts receivable	1,228	-	-	1,228	-
Inventories	72,521	-	-	72,521	-
Due from other funds	-	-	-	-	33,434
Due from other governments	-	32,633	26,224	58,857	-
Prepaid expenses	-	-	-	-	-
Total current assets	<u>173,886</u>	<u>168,214</u>	<u>26,224</u>	<u>368,324</u>	<u>337,112</u>
Noncurrent assets:					
Property and equipment	58,808	477,891	-	536,699	-
Less accumulated depreciation	<u>(49,541)</u>	<u>(211,157)</u>	<u>-</u>	<u>(260,698)</u>	<u>-</u>
Net capital assets	<u>9,267</u>	<u>266,734</u>	<u>-</u>	<u>276,001</u>	<u>-</u>
Total assets	<u>183,153</u>	<u>434,948</u>	<u>26,224</u>	<u>644,325</u>	<u>337,112</u>
LIABILITIES					
Current liabilities:					
Accounts payable	3,066	60,023	1,637	64,726	320,106
Due to other funds	42,959	2,609	14,532	60,100	-
Capital leases payable, current	-	44,490	-	44,490	-
Total liabilities	<u>46,025</u>	<u>107,122</u>	<u>16,169</u>	<u>169,316</u>	<u>320,106</u>
Long-term liabilities:					
Capital leases payable, noncurrent	-	134,119	-	134,119	-
Total long-term liabilities	<u>-</u>	<u>134,119</u>	<u>-</u>	<u>134,119</u>	<u>-</u>
Total liabilities	<u>46,025</u>	<u>241,241</u>	<u>16,169</u>	<u>303,435</u>	<u>320,106</u>
NET POSITION					
Net investment in capital assets	9,267	88,125	-	97,392	-
Restricted for stormwater service	-	105,582	-	105,582	-
Unrestricted	<u>127,861</u>	<u>-</u>	<u>10,055</u>	<u>137,916</u>	<u>17,006</u>
Total net position	<u>\$ 137,128</u>	<u>\$ 193,707</u>	<u>\$ 10,055</u>	<u>\$ 340,890</u>	<u>\$ 17,006</u>

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

CITY OF ANNISTON, ALABAMA

**STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

Year ended September 30, 2018

	Business-type Activities - Enterprise Funds				Governmental
	Museum Store	Stormwater Fees	Fire Training School	Total	Internal Service Fund
OPERATING REVENUES					
Sales	\$ 64,515	\$ -	\$ 85,190	\$ 149,705	\$ -
Stormwater fees	-	420,023	-	420,023	-
Other	<u>2,627</u>	<u>-</u>	<u>-</u>	<u>2,627</u>	<u>103,642</u>
Total operating revenues	<u>67,142</u>	<u>420,023</u>	<u>85,190</u>	<u>572,355</u>	<u>103,642</u>
OPERATING EXPENSES					
Salaries and wages	25,192	190,000	-	215,192	-
Professional and contractual services	2,750	54,021	31,047	87,818	193,541
Supplies and purchased goods	37,715	-	2,468	40,183	700
Insurance	-	-	-	-	3,899,205
Depreciation	384	82,161	-	82,545	-
Other	<u>1,043</u>	<u>24,642</u>	<u>1,620</u>	<u>27,305</u>	<u>-</u>
Total operating expenses	<u>67,084</u>	<u>350,824</u>	<u>35,135</u>	<u>453,043</u>	<u>4,093,446</u>
OPERATING INCOME (LOSS)	58	69,199	50,055	119,312	(3,989,804)
NONOPERATING EXPENSES					
Interest expense	<u>-</u>	<u>4,865</u>	<u>-</u>	<u>4,865</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	58	64,334	50,055	114,447	(3,989,804)
Transfers in	-	-	-	-	4,600,000
Transfers out	<u>(20,000)</u>	<u>-</u>	<u>(40,000)</u>	<u>(60,000)</u>	<u>-</u>
CHANGE IN NET POSITION	(19,942)	64,334	10,055	54,447	610,196
NET POSITION, beginning	<u>157,070</u>	<u>129,373</u>	<u>-</u>	<u>286,443</u>	<u>(593,190)</u>
NET POSITION, ending	<u>\$ 137,128</u>	<u>\$ 193,707</u>	<u>\$ 10,055</u>	<u>\$ 340,890</u>	<u>\$ 17,006</u>

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

CITY OF ANNISTON, ALABAMA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Year ended September 30, 2018

	Business-type Activities - Enterprise Funds				Governmental
	Museum Store	Stormwater Fees	Fire Training School	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 68,457	\$ 417,874	\$ 73,498	\$ 559,829	\$ (545,396)
Payments to employees	(25,192)	(190,000)	-	(215,192)	-
Payments for goods and services	(42,795)	(39,342)	(33,498)	(115,635)	(4,050,303)
Net cash from operating activities	<u>470</u>	<u>188,532</u>	<u>40,000</u>	<u>229,002</u>	<u>(4,595,699)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	-	-	-	4,600,000
Transfers out to other funds	(20,000)	-	(40,000)	(60,000)	-
Net cash from noncapital financing activities	<u>(20,000)</u>	<u>-</u>	<u>(40,000)</u>	<u>(60,000)</u>	<u>4,600,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital lease obligations	-	(42,648)	-	(42,648)	-
Interest paid on capital lease obligations	-	(4,865)	-	(4,865)	-
Acquisition of capital assets	-	(29,845)	-	(29,845)	-
Net cash flows used on capital and related financing activities	<u>-</u>	<u>(77,358)</u>	<u>-</u>	<u>(77,358)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(19,530)</u>	<u>111,174</u>	<u>-</u>	<u>91,644</u>	<u>4,301</u>
Cash and cash equivalents, beginning of year	<u>119,667</u>	<u>24,407</u>	<u>-</u>	<u>144,074</u>	<u>299,377</u>
Cash and cash equivalents, end of year	<u>\$ 100,137</u>	<u>\$ 135,581</u>	<u>\$ -</u>	<u>\$ 235,718</u>	<u>\$ 303,678</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
OPERATING INCOME (LOSS)	\$ 58	\$ 69,199	\$ 50,055	\$ 119,312	\$ (3,989,804)
ADJUSTMENTS NOT AFFECTING CASH					
Depreciation expense	384	82,161	-	82,545	-
(Increase) decrease in:					
Accounts receivable	(733)	-	-	(733)	-
Due from other funds	-	-	-	-	(33,434)
Due from other governments	-	(3,237)	(26,224)	(29,461)	-
Prepaid expenses	-	-	-	-	55,000
Increase (decrease) in:					
Accounts payable	(1,287)	39,321	1,637	39,671	(11,857)
Due to other funds	<u>2,048</u>	<u>1,088</u>	<u>14,532</u>	<u>17,668</u>	<u>(615,604)</u>
Total adjustments	<u>412</u>	<u>119,333</u>	<u>(10,055)</u>	<u>109,690</u>	<u>(605,895)</u>
Net cash from operating activities	<u>\$ 470</u>	<u>\$ 188,532</u>	<u>\$ 40,000</u>	<u>\$ 229,002</u>	<u>\$ (4,595,699)</u>

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

CITY OF ANNISTON, ALABAMA

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS**

September 30, 2018

	<u>Municipal Court</u>	<u>Policemen's and Fireman's Retirement Fund</u>
ASSETS		
Cash and cash equivalents	\$ 71,130	\$ 1,415,709
Receivables		
Contribution receivable	-	419,305
Accounts receivable	-	72,740
Investments at fair value:		
U.S. Government obligations	-	4,548,931
Municipal obligations	-	180,061
Corporate bonds	-	3,507,014
International obligations	-	156,674
Domestic equity securities	-	17,933,138
International equity securities	-	296,278
Collective investment fund	-	3,703,376
Timber	-	35,370
Real estate	-	1,570,455
Total assets	<u>71,130</u>	<u>33,839,051</u>
LIABILITIES		
Accounts payable	-	52,144
Due to other governments	<u>71,130</u>	<u>-</u>
Total liabilities	<u>71,130</u>	<u>52,144</u>
NET POSITION		
Net position restricted for pension benefits	<u>\$ -</u>	<u>\$ 33,786,907</u>

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

CITY OF ANNISTON, ALABAMA

**STATEMENT OF CHANGES OF NET POSITION
FIDUCIARY FUND**

Year ended September 30, 2018

	<u>Policeman's and Fireman's Retirement fund</u>
ADDITIONS	
Contributions:	
Employer contributions	\$ 3,936,409
Employee contributions	<u>1,116,605</u>
Total contributions	<u>5,053,014</u>
Investment earnings	
Interest	255,506
Dividends	296,227
Miscellaneous	4,588
Net appreciation in fair value of investments	2,948,039
Less: investment expenses	<u>(99,505)</u>
Net investment earnings	<u>3,404,855</u>
Total additions	<u>8,457,869</u>
DEDUCTIONS	
Administrative expenses	222,341
Benefits paid directly to participants	<u>5,733,012</u>
Total deductions	5,955,353
NET INCREASE IN NET POSITION	2,502,516
Net position, beginning	<u>31,284,391</u>
Net position, ending	<u><u>\$ 33,786,907</u></u>

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

CITY OF ANNISTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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CITY OF ANNISTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The City of Anniston, Alabama (the “City”) was incorporated in 1883 under Alabama law. The City is governed under the Council / Manager form of government with a City Council consisting of five council members elected for concurrent terms of four years. One council member is elected at large by the qualified voters of the City and has the title of Mayor. The City Manager is appointed by the Council and has full administrative authority for the operations of the City. The City provides services to its citizens including police and fire protection, public works, parks and recreation facilities, and general administrative services.

As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements includes all the funds and the account groups relevant to the operations of the City.

Discretely Presented Component Units

The Anniston City Board of Education

The Anniston City Board of Education (Board) is the governing board for the City School System. Eligible voters in the City elect the members of the Board. The City schools are fiscally dependent upon the City since the Board cannot issue bonded debt directly. The bonded debt must be issued through the City which the Council must approve. The financial statements of The Anniston City Board of Education were not available from other auditors in time for inclusion in this report.

Although required by GAAP, the financial statements of The Anniston City Board of Education were not available in time for inclusion, as previously mentioned. Complete financial statements of The Anniston City Board of Education can be obtained from their administrative offices at 4804 McClellan Blvd., Anniston, Alabama 36206.

The Public Library of Anniston and Calhoun County

The Public Library of Anniston and Calhoun County (Library) receives a substantial amount of financial support from the City; however, they do not approve the Library’s operations and capital budgets. The members of the governing board are appointed by the City of Anniston and Calhoun County Commission. These audited financial statements are located at Anniston City Hall.

The Anniston Museum Endowment Corporation

The Anniston Museum Endowment Corporation (Corporation) exists due to its relationship with the Anniston Museum of Natural History, which is a department of the City; however, the City does not fiscally support its operations or capital budgets. The entity’s year end is June 30, 2018. The Corporation’s sole mission is to support the Anniston Museum of Natural History. These audited financial statements are located at Anniston City Hall.

Blended Component Units

The Anniston Public Building Authority

The Anniston Public Building Authority (Authority) was established to account for the construction and ongoing maintenance of City buildings. The Authority is fiscally dependent upon the City since the Authority cannot issue bonded debt directly. The bonded debt must be issued through the City which the Council must approve. Separate financial statements are not prepared, as the blended component unit is recorded as a special revenue fund.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units (Continued)

The Anniston Downtown Development Authority

The Anniston Downtown Development Authority (Authority) was established to promote the economic development of the City’s downtown area. The Authority’s Board of Directors is appointed by the City Council. The City provides administrative services for the Authority. Separate financial statements are not prepared, as the blended component unit is recorded as a special revenue fund.

The Industrial Development Authority

The Industrial Development Authority (Authority) was established to assist the City in promoting economic development for the City. The Authority’s Board of Directors is appointed by the City Council. The City provides administrative services for the Authority. Separate financial statements are not prepared, as the blended component unit is recorded as a special revenue fund.

Basic Financial Statements

The **Basic Financial Statements** consists of the following:

- 1) Government-wide financial statements;
- 2) Fund financial statements;
- 3) Notes to the basic financial statements.

Government-wide Financial Statements

The Government-wide Financial Statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the Primary Government (governmental activities and business-type activities). The City reports capital assets in the government-wide statement of net position and reports depreciation expense – the cost of “using up” capital assets – in the statement of activities.

Governmental activities are normally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety (police and fire), public works, public welfare, culture and recreation and general administrative support services.

The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City’s functions, e.g., public safety, public works, etc. The expense of individual functions is compared to the revenue generated directly by the function. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three specific categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the government’s funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The *Public Building Authority Fund* facilitates the construction and financing of major facilities for lease to the City funded by building revenue bonds.

The *HOME Consortium Fund* (HOME) accounts for the collection of federal grant money and revenues that are restricted for housing and development purposes within the City.

The Debt Service Fund accounts for the repayment of principal and interest on the City's outstanding bond issues and other debt obligations of the City.

Additionally, the City reports the following other fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purpose.

Enterprise Funds account for the activities of business-type activities where charges for services are collected and expected to cover the related operational expenses of the fund.

The *Internal Service Fund* is used to account for the City's insurance costs, including employee health, worker's compensation and general liability.

The *Capital Improvement Fund* accounts for the acquisition and construction of major facilities funded by City operations.

Fiduciary Fund Type:

The *Agency Fund* is used to account for the collection and disbursement of monies by the City Municipal Court, such as traffic fines.

The *Policemen's and Firemen's Retirement Fund* accounts for assets held by the City as an agent or trustee to be invested and expended in accordance with the conditions of the trustee capacity. The City uses this fund to account for the assets of the defined benefit plan.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included in internal balances in the governmental activities columns.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, although the agency fund has no measurement focus. Under the accrual basis, revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. 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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Property taxes, state and local sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current fiscal period are considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

Proprietary, agency, and the pension trust funds are reported using the economic resources measurements focus and the accrual basis of accounting.

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Formal budgets are adopted by the Mayor and City Council as a management control device during the year for the general fund. Other governmental funds contain restricted resources, which are mandated by third parties. Therefore, management has not established formal budgets for the special revenue and capital projects funds.

Expenditures may not legally exceed budgeted appropriations at the fund level. Budgetary integration is employed as a management tool during the fiscal year, and the budget is amended, as necessary, to meet changing needs. Council approves departmental budgets. Transfers between departments and any revisions in the total appropriation must be approved by the Mayor and City Council. Unused appropriations for any of the annual funds lapse at the end of the year.

At September 30, 2018, General Fund expenditures exceeded budgeted appropriations within the judicial function by \$10,905.

Cash and Cash Equivalents

For purposes of reporting cash flows, the City considers demand deposits and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Internal Balances

Residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an asset at the time the individual item is purchased. Inventories reported in the governmental funds are equally offset by a fund balance reserve, which indicates that they do not constitute “available, spendable resources” even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future reporting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., primary and secondary roads, drainage) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than two years. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market 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 assets’ lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following useful lives:

	Useful Life
Buildings and improvements	20-40 years
Improvements other than buildings	25-40 years
Machinery and equipment	5-10 years
Infrastructure	25-75 years

Museum collections are held, cared for and used for public exhibition and scholarly study only. Museum staff are specially trained to protect and care for these objects. If any museum collection items are sold or disposed of, proceeds from the sale are restricted to replacing collection items. Using proceeds outside the restricted purposes is prohibited.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow or resources (as either an expense or expenditure) until that period. The City has the following deferred outflow to report. Deferred charges on refunding’s reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred contributions for the pension plan were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period. Deferred contributions for the pension plans were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has program income and other income earned in future periods.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

The City also has deferred inflows and/or outflows of resources related to pension amounts based on GASB Statement No. 68 guidelines. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions and difference between expected and actual investment experience are deferred and amortized over the expected remaining service lives of employees.

The City also has deferred inflows and/or outflows of resources related to other post-employment benefit amounts based on GASB Statement No. 75 guidelines. Differences between actual and expected experience related to other-post-employment benefits are deferred and amortized over ten years.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report for each category of fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets is intended to reflect the position of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Position represents net position that has third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Position represents net position that is not restricted for any project or other purpose. While management may have categorized and segmented portions for various purposes, the City has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Committed Fund Balance – represents amounts that can only be used for specific purposes as pursuant to official action by City Council prior to the end of the reporting period. Committed resources cannot be used for any other purposes unless the City Council removes or changes the specified use by resolution.

Assigned Fund Balance – represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. Assignment of amounts to a specific purpose as part of the annual budget ordinance may be made by resolution or motion of the City Council.

Unassigned Fund Balance – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

Compensated Absences

A portion of accumulated sick pay benefits has not been recorded as a liability. Upon leaving, employees who have sick leave or frozen sick leave are entitled to 50% of the value up to 600 hours of wages along with 100% of accumulated annual leave, PTO and comp time.

Governmental funds report the compensated absence liability at the fund reporting level only “when due.”

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities statement of net position. Similarly, long-term debt and other obligations of the City are recorded as liabilities in the appropriate fund. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Tax Information

Property taxes are assessed by the Calhoun County Tax Assessor and collected by the Calhoun County Tax Collector. The Calhoun County property tax calendar specifies the following action 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

Property taxes are recognized when they become available. Available includes those property taxes receivable, which are expected to be collected within 60 days after year-end.

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.”

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The City's employees (except policemen and firemen) participate in an agent multiple-employer plan administered by the Retirement Systems of Alabama. The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama. Net pension liability represents the portion of the present value of projected benefit payments attributed to past periods of service to be provided through the Pension Plan to current active and inactive employees less the fiduciary net position of the Pension Plan. It represents the City's total pension liability minus the fiduciary net position available to pay that liability. Investments that comprise the fiduciary net position are reported at fair value. The City is required to measure and disclose amounts relating to net pension liability, deferred outflows of resources and deferred inflows of resources, pension expense, and the fiduciary net position of the Pension Plan. Actuarially determined periodic contributions are made by the City in order to maintain sufficient assets to pay benefits when due.

The City's policemen and firemen participates in the Policemen's and Firemen's Retirement Fund, a Pension Trust Fund for the City of Anniston, Alabama (Fund). Participants should refer to Act No. 2002-298, 2002 Regular Session and its amendments for a more complete description of the Fund's provisions. The Fund was substantially amended by the State of Alabama with Act No. 2012-484, effective October 1, 2012. Effective October 1, 2012, the number of trustees was increased from 3 trustees to 5 trustees.

New GASB Standards

GASB Statement No. 75, establishes general principles for accounting and financial reporting for postemployment benefits other than pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, all investments are reviewed on a monthly basis for interest rate fluctuations and appropriate actions are taken to minimize this risk. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

(Continued)

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The City is restricted by State statute to investments in U.S. Government Treasury and Agency securities, certificates of deposit and money market accounts, repurchase agreements and reverse repurchase agreements, banker's acceptances and commercial paper. Each of the banks holding the City's deposits, as well as those of the component units, is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury. Cash deposits and savings held at local banks are insured by the FDIC or collateralized by assets administered by the state treasurer's office in accordance with the "SAFE" program.

At September 30, 2018, all of the deposits of the City were fully collateralized in accordance with the state statutes.

As of September 30, 2018, the primary government's investments consisted of money market accounts which totaled \$1,431,700.

Police and Fire Trust Fund Investments

The Police and Fire Pension Trust Fund is managed by a separate pension Board. The Fund is managed with long-term objectives that include maximizing total investment earnings. State statutes and City policies allow the Pension Trust and Other Postemployment Benefit Trust Funds a broader range of investments than other City investments. The City's Pension Trust funds have no investments in any one issuer that represent 5 percent or more of plan net position. The credit risk of investments of the Permanent, Pension Trust and Other Postemployment Benefit Trust Funds is summarized as follows:

Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

The fair value and classification of the investments at September 30, 2018 is as follows:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Police and Fire Pension Trust Fund:				
U.S. Government Securities				
U.S. Treasury	\$ 1,874,633	\$ 1,874,633	\$ -	\$ -
Government agencies and other	2,674,298	2,674,298	-	-
Equities				
Communication services	54,832	54,832	-	-
Consumer discretionary	2,609,400	2,609,400	-	-
Consumer staples	1,148,306	1,148,306	-	-
Energy	730,673	730,673	-	-
Financial services	2,736,305	2,736,305	-	-
Healthcare	1,638,101	1,638,101	-	-
Industrial	2,648,135	2,648,135	-	-
Information technology	5,852,629	5,852,629	-	-
Materials	664,004	664,004	-	-
Real estate	147,031	147,031	-	-
Municipal bonds	180,061	-	180,061	-
Corporate bonds and debentures	3,507,014	-	3,507,014	-
Foreign bonds and debentures	156,674	-	156,674	-
Collective investment pools	3,703,376	-	3,703,376	-
Real estate	1,570,455	-	-	1,570,455
Timber	35,370	-	-	35,370
Total	<u>\$ 31,931,297</u>	<u>\$ 22,778,347</u>	<u>\$ 7,547,125</u>	<u>\$ 1,605,825</u>

NOTE 4 – RECEIVABLES

Receivables at September 30, 2018, consist of the following:

Governmental Activities Funds

	General	Special Revenue Funds (HOME)	Nonmajor Governmental Funds	Total
Taxes	\$ 2,068,336	\$ -	\$ -	\$ 2,068,336
Accounts	1,125,076	-	124,758	1,249,834
Notes	-	1,217,826	902,310	2,120,136
Intergovernmental	<u>267,322</u>	<u>48,832</u>	<u>1,099,962</u>	<u>1,416,116</u>
Gross receivables	3,460,734	1,266,658	2,127,030	6,854,422
Less: Allowance for Uncollectible	<u>(564,452)</u>	<u>-</u>	<u>(121,130)</u>	<u>(685,582)</u>
Net receivables	<u>\$ 2,896,282</u>	<u>\$ 1,266,658</u>	<u>\$ 2,005,900</u>	<u>\$ 6,168,840</u>

Business-Type Activities

	Museum Store	Stormwater Fees	Total
Accounts	\$ 1,228	\$ -	\$ 1,228
Intergovernmental	<u>-</u>	<u>32,633</u>	<u>32,633</u>
Gross receivables	1,228	32,633	33,861
Less: Allowance for uncollectible	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 1,228</u>	<u>\$ 32,633</u>	<u>\$ 33,861</u>

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Interfund balances are a result of the timing difference between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

	Receivable Fund			
	Internal Service Fund	General Fund	Nonmajor Governmental Funds	Total
<u>Payable Fund</u>				
General Fund	\$ 33,434	\$ -	\$ 63,530	\$ 96,964
Public Building Authority	-	161,393	-	161,393
HOME	-	213,664	-	213,664
Debt	-	109,213	-	109,213
Nonmajor Governmental Funds	-	2,832,175	603,573	3,435,748
Proprietary Fund	-	60,100	-	60,100
Total	<u>\$ 33,434</u>	<u>\$ 3,376,545</u>	<u>\$ 667,103</u>	<u>\$ 4,077,082</u>

(Continued)

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (Continued)

Interfund Transfers

Transfers within the City are substantially for the purpose of subsidizing operating functions and transferring cash receipt collections on utility accounts. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Interfund transfers are transactions between transferring funds out of one fund to support the operations of another fund.

	Transfers out:				Total
	General Fund	Enterprise Funds	Debt Service	Nonmajor Governmental Funds	
<u>Transfers in:</u>					
General Fund	\$ -	\$ 60,000	\$ -	\$ 225,500	\$ 285,500
Public Building Authority	545,319	-	-	-	545,319
HOME	53,888	-	-	-	53,888
Debt Service	785,735	-	-	-	785,735
Nonmajor Governmental Funds	1,049,394	-	504,559	1,427,675	2,981,628
Internal Service Fund	<u>4,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,600,000</u>
Total	<u>\$ 7,034,336</u>	<u>\$ 60,000</u>	<u>\$ 504,559</u>	<u>\$ 1,653,175</u>	<u>\$ 9,252,070</u>

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation:

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 8,966,561	\$ 1,052,976	\$ -	\$ 10,019,537
Collections	8,430,077	-	-	8,430,077
Construction in progress	<u>213,188</u>	<u>2,451,127</u>	<u>-</u>	<u>2,664,315</u>
Total non-depreciable assets	<u>17,609,826</u>	<u>3,504,103</u>	<u>-</u>	<u>21,113,929</u>
Depreciable capital assets:				
Buildings and improvements	65,103,547	36,582	-	65,140,129
Machinery and equipment	14,434,277	231,962	(252,870)	14,413,369
Improvements other than buildings	4,729,292	-	-	4,729,292
Infrastructure	<u>106,405,334</u>	<u>-</u>	<u>-</u>	<u>106,405,334</u>
	<u>190,672,450</u>	<u>268,544</u>	<u>(252,870)</u>	<u>190,688,124</u>
Less accumulated depreciation:				
Buildings and improvements	24,244,968	1,703,994	-	25,948,962
Machinery and equipment	10,314,772	1,108,231	(251,502)	11,171,501
Improvements other than buildings	1,009,245	249,532	-	1,258,777
Infrastructure	<u>77,792,689</u>	<u>2,707,162</u>	<u>-</u>	<u>80,499,851</u>
	<u>113,361,674</u>	<u>5,768,919</u>	<u>(251,502)</u>	<u>118,879,091</u>
Total depreciable assets, net	<u>77,310,776</u>	<u>(5,500,375)</u>	<u>(1,368)</u>	<u>71,809,033</u>
Total capital assets, net	<u>\$ 94,920,602</u>	<u>\$ (1,996,272)</u>	<u>\$ (1,368)</u>	<u>\$ 92,922,962</u>

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

Governmental Activities (Continued)

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

General government	\$	307,884			
Public safety		744,483			
Public works		2,992,607			
Housing and development		1,220,695			
Culture and recreation		<u>503,250</u>			
Total	\$	<u>5,768,919</u>			
		Beginning Balance	Additions	Adjustments/Retirements	Ending Balance
Business-type Activities					
Depreciable capital assets:					
Buildings and improvements	\$	18,930	\$ -	\$ -	\$ 18,930
Furniture, fixtures, and equipment		<u>487,924</u>	<u>29,845</u>	<u>-</u>	<u>517,769</u>
		<u>506,854</u>	<u>29,845</u>	<u>-</u>	<u>536,699</u>
Less accumulated depreciation:					
Buildings and improvements		8,862	800	-	9,662
Furniture, fixtures, and equipment		<u>169,291</u>	<u>81,743</u>	<u>-</u>	<u>251,034</u>
		<u>178,153</u>	<u>82,543</u>	<u>-</u>	<u>260,696</u>
Total capital assets, net	\$	<u>328,701</u>	\$ <u>(52,698)</u>	\$ <u>-</u>	\$ <u>276,003</u>
Component Units					
Non-depreciable capital assets:					
Land	\$	19,800	\$ -	\$ -	\$ 19,800
Collections		<u>25,907</u>	<u>-</u>	<u>-</u>	<u>25,907</u>
Total non-depreciable assets		<u>45,707</u>	<u>-</u>	<u>-</u>	<u>45,707</u>
Depreciable capital assets:					
Collections		947,233	79,332	-	1,026,565
Building improvements		334,863	10,910	-	345,773
Machinery & equipment		<u>326,491</u>	<u>-</u>	<u>6,913</u>	<u>319,578</u>
		<u>1,608,587</u>	<u>90,242</u>	<u>6,913</u>	<u>1,691,916</u>
Less accumulated depreciation:					
Collections		868,334	27,942	-	896,276
Building improvements		167,947	23,924	-	191,871
Machinery & equipment		<u>239,141</u>	<u>11,753</u>	<u>2,852</u>	<u>248,042</u>
		<u>1,275,422</u>	<u>63,619</u>	<u>2,852</u>	<u>1,336,189</u>
Total depreciable assets, net		<u>333,165</u>	<u>26,623</u>	<u>4,061</u>	<u>355,727</u>
Total capital assets, net	\$	<u>378,872</u>	\$ <u>26,623</u>	\$ <u>4,061</u>	\$ <u>401,434</u>

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Debt related to governmental activities at September 30, 2018, consisted of the following:

General Obligation Bonds and Warrants

The City periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations and are backed by the full faith and credit of the City. Certain bonds are subject to federal arbitrage regulations. These bonds are generally issued as 15 to 20-year serial bonds.

General obligation bonds are summarized by issue as follows:

Series	Original Principal	Interest Rates	Final Maturity	Principal Sept. 30, 2018
General Obligations Refunding Bonds and Warrants				
Series 2010A and 2010B	\$ 7,440,000	4.20% - 5.30%	03/01/35	\$ 5,660,000
Building Revenue Bonds, Series 2011	16,170,000	2.00% - 5.50%	05/01/33	13,245,000
Building Revenue Bonds, Series 2011	15,000,000	2.20% - 5.00%	03/01/43	5,970,000
General Obligation Warrants, Series 2014 A	2,650,000	3.48%	01/31/29	2,154,000
General Obligation Warrants, Series 2016	9,200,000	4.00%	03/01/43	9,110,000
General Obligation Warrants, Series 2018	<u>3,000,000</u>	3.16%	02/01/33	<u>3,000,000</u>
Total	<u>\$ 53,460,000</u>			<u>\$ 39,139,000</u>

Capital Leases

The City has entered into capital lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of leased assets under capital leases as of September 30, 2018:

Maturities of general long-term liabilities are as follows:

For the Year Ending September 30,	Bonds and Warrants	Capital Lease Obligations	Total
2019	\$ 1,604,000	\$ 371,798	\$ 1,975,798
2020	1,639,000	215,705	1,854,705
2021	1,979,000	10,667	1,989,667
2022	2,039,000	-	2,039,000
2023	2,227,000	-	2,227,000
2024-2028	17,640,000	-	17,640,000
2029-2033	4,121,000	-	4,121,000
2034-2038	3,590,000	-	3,590,000
2039-2043	<u>4,300,000</u>	<u>-</u>	<u>4,300,000</u>
	<u>\$ 39,139,000</u>	<u>\$ 598,170</u>	<u>\$ 39,737,170</u>

Business-Type Activities

Debt related to business-type activities at September 30, 2018, consisted of the following:

Capital Leases

The City has entered into a capital lease agreement as lessee for financing the acquisition of stormwater equipment. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease terms) and therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

(Continued)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Capital Leases (Continued)

The following is an analysis of the leased asset under the capital lease as of September 30, 2018:

Maturities of general long-term liabilities are as follows:

For the Year Ending September 30,	Capital Lease Obligations
2019	\$ 44,490
2020	<u>134,119</u>
	<u>\$ 178,609</u>

Settlement Payable

Settlement payable is related to a refund of sales tax for \$1,080,425 to be paid in equal installments of \$360,142 over the next three years. The first payment was made in February 2019.

Refunding

During fiscal year 2018, the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the refunded bonds are not included in the City’s financial statements. At September 30, 2018, the remaining liabilities for the bonds refunded were as follows:

<u>Year Refunded</u>	<u>Primary Government</u>
2011	\$ 2,604,064

Changes in Long-term Liabilities

Changes in long-term liabilities for the fiscal year ended September 30, 2018, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Primary Government					
Governmental Activities:					
Bonds and warrants	\$ 37,572,665	\$ 3,000,000	\$ 1,433,665	\$ 39,139,000	\$ 1,604,000
(Discount) Premium	<u>81,866</u>	<u>-</u>	<u>2,413</u>	<u>79,453</u>	<u>-</u>
Total bonds and warrants	37,654,531	3,000,000	1,436,078	39,218,453	1,604,000
Capital lease payable	975,986	-	377,815	598,171	371,798
Settlement payable	-	1,080,425	-	1,080,425	360,142
Compensated absences	<u>2,014,451</u>	<u>1,993,078</u>	<u>2,014,451</u>	<u>1,993,078</u>	<u>-</u>
	<u>\$ 40,644,968</u>	<u>\$ 6,073,503</u>	<u>\$ 3,828,344</u>	<u>\$ 42,890,127</u>	<u>\$ 2,335,940</u>
Business-type Activities:					
Capital lease payable	<u>\$ 221,257</u>	<u>\$ -</u>	<u>\$ 42,648</u>	<u>\$ 178,609</u>	<u>\$ 44,490</u>

NOTE 8 – EMPLOYEE BENEFIT PLANS

Employee Retirement System of Alabama (ERS) – Anniston, Alabama City Employees

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama, an agency multiple-employer public employee retirement plan, was established October 1, 1945 pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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

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

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Employee Retirement System of Alabama (ERS) – Anniston, Alabama City Employees (Continued)

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants.

As of September 30, 2017, membership consisted of:

	Anniston	State
Retirees and beneficiaries currently receiving benefits	112	23,853
Terminated employees entitled to but not yet receiving benefits	10	1,401
Terminated employees not entitled to a benefit	25	7,154
Active members	198	55,941
Post-DROP Participants who are still in active service	<u>-</u>	<u>168</u>
	<u>345</u>	<u>88,517</u>

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018, the City's active employee contribution rate was 8.57% (Tier 1) and 8.54% (Tier 2) of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 131.23 percent of covered employee payroll.

City's contractually required contribution rate for the year ended September 30, 2018 was 8.57% of pensionable pay for Tier 1 employees, and 8.54% of pensionable pay for Tier 2 employees.

These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$601,725 for the year ended September 30, 2018.

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Employee Retirement System of Alabama (ERS) – Anniston, Alabama City Employees (Continued)

Net Pension Liability. The City’s net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

(a) Total Pension Liability as of September 30, 2016	\$ 30,365,471
(b) Entry Age Normal Cost for the period October 1, 2016 – September 30, 2017	601,019
(c) Transfers Among Employers	35,139
(d) Actual Benefit Payments and Refunds for the period October 1, 2016 – September 30, 2017	(1,832,157)
(e) Total Pension Liability as of September 30, 2017 = [(a) x (1.0775)] + (b) + (c) + [(d) x (1.03875)]	31,451,800
(f) Difference between Expected and Actual Experience (Gain)/Loss	(1,387,885)

Actuarial assumptions. The total pension liability as of September 30, 2017, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.75% (Net of pension plan investment expense)

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2016 valuation was based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.00%	10.1%
Real Estate	10.00%	7.5%
Cash Equivalents	3.00%	1.5%
	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Employee Retirement System of Alabama (ERS) – Anniston, Alabama City Employees (Continued)

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes on Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 9/30/2016	\$ 31,653,531	\$ 21,834,404	\$ 9,819,127
Changes for the year:			
Service cost	601,019	-	601,019
Interest expense	2,382,153	-	2,382,153
Differences between expected and actual experience	(1,387,885)	-	(1,387,885)
Contributions – employer	-	611,421	(611,421)
Contributions – employees	-	527,129	(527,129)
Net investment income	-	2,753,534	(2,753,534)
Benefits payments, including refunds of employee contributions	(1,832,157)	(1,832,157)	-
Administrative expense	-	-	-
Transfers among employers	35,139	35,139	-
Net changes	<u>(201,731)</u>	<u>2,095,066</u>	<u>(2,296,797)</u>
Balances at 9/30/2017	<u>\$ 31,451,800</u>	<u>\$ 23,929,470</u>	<u>\$ 7,522,330</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City’s net pension liability calculated using the discount rate of 7.75%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	<u>\$ 10,993,316</u>	<u>\$ 7,522,330</u>	<u>\$ 4,581,039</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor’s report dated August 31, 2018 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2018, the City recognized pension expense of \$559,704. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Employee Retirement System of Alabama (ERS) – Anniston, Alabama City Employees (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 900,153	\$ 2,103,480
Changes in assumptions	403,598	-
Net difference between projected and actual earnings on pension plan investments	-	716,902
Contributions subsequent to the measurement date of September 30, 2017	<u>601,725</u>	<u>-</u>
Total	<u>\$ 1,905,476</u>	<u>\$ 2,820,382</u>

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

Year Ended September 30:	
2019	\$ (229,689)
2020	(71,224)
2021	(539,207)
2022	(550,341)
2023	<u>(126,170)</u>
	<u>\$ (1,516,631)</u>

Anniston’s Policemen’s and Firemen’s Retirement Fund

Organization - The Fund is a single-employer benefit pension plan established by the State of Alabama and administered by a board of trustees. The Fund provides retirement, disability, and death benefits to police and firefighters of the City of Anniston, Alabama, and their beneficiaries.

Plan Administrator and Board Composition - The Board of Trustees administers the plan. The Board is composed of five members. One member is elected by the retirees and surviving spouses of retirees of the Plan. One member is a member of the City of Anniston Fire Department elected by members of the Fire Department. One member is a member of the City of Anniston Police Department elected by members of the Police Department. One member is the City of Anniston Finance Director. One member is appointed by the City Council of the City of Anniston who is a qualified elector in the City of Anniston, who is not a member, or the spouse, child, parent, sibling, or in-law of a member currently represented on the Board of Trustees.

Funding Requirements - Employer contributions are actuarially determined. Employee contributions are as described below and may be amended by ordinance.

Effective Date - The Plan was established in 1951 through the enactment of Act No. 608 of the Alabama Legislature. The Plan was amended and restated effective October 1, 2012 with Act No. 2012-484.

Amendment one was adopted August 1, 2013. Upon the amendment and restatement effective October 1, 2012, a participant’s monthly benefit was defined to not exceed 75% of “monthly compensation” provided if the Accrued Benefit equals or exceeds 75% of “monthly compensation” as of October 1, 2012, the monthly benefit cannot exceed the Participant’s Accrued Benefit calculated as of the end of the first full year of continuous service beginning on or after October 1, 2012. Amendment One clarified that “monthly compensation” for this purpose means the average of the Participant’s monthly compensation for the last three years preceding retirement (i.e., Average Monthly Compensation).

The Plan was amended and restated effective as of October 1, 2016 to incorporate an amendment revising benefits payable for hires on and after January 1, 2017.

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Amendment One was adopted May 4, 2017 to amend Section 13(e) to add language stating that for a member who dies while performing qualified military service the member’s beneficiary is entitled to benefits as if the member has resumed employment then terminated due to death.

Amendment Two was adopted August 2, 2018 effective January 1, 2018 to clarify that although the “Normal Retirement Age” is age 65 for retirements on and after October 1, 2012, early retirement reductions still apply at age 65 and older if at least 10 years are not earned at retirement.

Plan Year - The 12-month period from October 1st to the following September 30th.

Participant - An individual becomes a Participant immediately upon hire by the City of Anniston as a sworn police officer or a sworn firefighter.

Description of Plan

Credited Service - The continuous period beginning on the first day of employment as a sworn police officer or sworn firefighter and ending on the earliest of the date of retirement, termination, or death. Credited Service is computed in completed years. No credit is given for partial years. Participants who terminate prior to becoming eligible to retire lose the service credited under the Plan.

Continuous service is credited in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) for a Participant who is an employee immediately prior to the commencement of qualified military service (and who gives advance written notice of the qualified military service) for a period of not more than five years (consecutive or individual years) has separated from qualified military service under conditions other than a disqualifying or dishonorable discharge, and returns to work or applies for reemployment within the period specified below, if Employee Contributions are made for the period of absence.

<u>Military Service</u>	<u>Return to Work after Discharge</u>
< 31 days	One day
< 30 and < 181 days	14 days
>180 days	90 days

If a participant is hospitalized for or recovering from an illness or injury that was incurred or aggravated during qualified military service, USERRA requires the Participant return to work or apply for reemployment upon recovery (recovery being no more 2 years).

Vesting - Prior to October 1, 2012, 100% upon the earlier of earning 20 years of Credited Service and age 60.

Effective October 1, 2012, the retirement benefit earned by a Participant is fully vested no later than retirement eligibility. Benefits of affected Participants also shall become vested, to the extent funded, upon the termination or partial termination of the Trust of the complete discontinuance of contributions to the Trust.

Compensation – For participants hired prior to January 1, 2016, compensation includes regular salary, including accumulated vacation pay, overtime pay, longevity pay, comp pay, and any differential wage payment as defined in Code Section 3401(h)(2), generally relating to military pay. Bonuses and paid accumulated sick leave, expense allowances, and other non-regular forms of compensation are excluded.

For participants hired on or after January 1, 2016, Compensation only includes regular salary. Accumulated vacation pay, overtime pay, longevity pay, comp pay, any differential wage payment as defined in Code Section 3401(h)(2) (generally relating to military pay), bonuses and paid accumulated sick leave, expenses allowances, and other non-regular forms of compensation are all excluded.

Employee Contributions - Prior to October 1, 2012, 10% of Compensation was contributed by Participants (on a pre-tax basis effective October 1, 2002). Effective on and after October 1, 2012, 14% of Compensation is contributed by Participants on a pre-tax basis.

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Employee contributions made for a period of qualified military service are made either in a lump sum payment or over a period equal to the lesser of (1) 3 x qualified military service for (2) 5 years.

A member who terminates non-vested, or before becoming eligible for a benefit from the Plan, is entitled to a refund of accumulated employee contributions without interest and has no further claim to benefits from this Plan. Non-vested terminations who subsequently return to employment are treated as a new employee and accrual of benefits begin as of the date of reemployment.

Other Contributions - Prior to October 1, 2012, the City contributed 10% of compensation. Effective on and after October 1, 2012, the City contributes amounts that are sufficient to meet the normal cost of the Plan and to amortize the Plan’s unfunded liability over 30 years.

In addition, prior to October 1, 2012, each public utility, qualified to do business under the laws of Alabama and selling electricity, electric current, natural gas, intra-city bus transportation, local exchange telephone service, or telegraph service in Anniston, annually paid into the fund a sum equal to 0.5% of gross revenues of such utilities into the fund. Effective October 1, 2012, public utilities no longer contribute to the Plan.

Also, effective October 1, 2012, if the City of Anniston’s contributions equal or exceed three times or are less than two times the employee contributions, the board may amend or modify employee contributions, the City of Anniston’s contribution, or both. Benefits may also be revised by board resolution.

Average Monthly Compensation - For members hired prior to January 1, 2016, the average of monthly compensation for the last three years preceding retirement. For members hired on or after January 1, 2016, the average of monthly compensation for the last five years preceding retirement.

Normal Retirement Eligibility - Prior to October 1, 2012, normal retirement eligibility was defined as the earlier of age 60 regardless of credited service, or the following credited service requirements regardless of age:

<u>Hire Date</u>	<u>Service Required For Normal Retirement</u>
< 5/29/1979	20 years
> = 5/29/1979	25 years

Effective October 1, 2012, normal retirement eligibility is defined having earned 25 years credited service. However, participants actively employed on September 30, 2012 who reach age 60 prior to earning 20 years of credited service are eligible for normal retirement at age 60. While section 15 of the Plan document refers to age 65 normal retirement, a member becomes eligible to retire at age 65 and is fully vested, but early retirement reductions still apply. This is the normal retirement eligibility applicable to participants hired prior to January 1, 2016.

For participants hired on and after January 1, 2016, normal retirement eligibility is defined as the earlier of age 60 with ten years of service and age 56 with 25 years of credited service. While section 15 of the Plan document refers to age 65 normal retirement, a member becomes eligible to retire at age 65 and is fully vested, but early retirement reductions still apply.

Normal Retirement Benefit - Prior to October 1, 2012, the benefit payable upon reaching normal retirement eligibility was the following:

3% x 3-year average monthly compensation x credited service not more than 30 years

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Effective October 1, 2012, the normal retirement benefit for members hired on and after May 29, 1979 (and hired prior to January 1, 2016 is calculated in accordance with the following formula where total credited service may not exceed 30 years:

$2.5\% \times 3\text{-year average monthly compensation} \times \text{full years beginning on or after October 1, 2012} + 3.0\% \times 3\text{-year average monthly compensation} \times \text{years of service at 3.0\% multiplier}^*$

*The years of service at the 3.0% multiplier equal completed years of service at retirement minus full years of service beginning on or after October 1, 2012.

Note all active members as of October 1, 2012, were hired after May 29, 1979.

However, the normal retirement benefit for participants actively employed on September 30, 2012 who reach age 60 prior to earning 20 years of credited service is as follows where total credited service may not exceed 30 years:

$2.5\% \times 3\text{-year average monthly compensation} \times \text{credited service on or after age 60} + 3.0\% \times 3\text{-year average monthly compensation} \times \text{credited service before age 60}$

Note only one active member as of October 1, 2012, reached age 60 prior to earning 20 years of credited service. This individual retired May 30, 2013. No other member will have benefits payable under this benefit definition in the future.

Effective October 1, 2012, the monthly benefit payable may not exceed 75% of 3-year average monthly compensation except for those where the accrued benefit exceeds 75% of 3-year average monthly compensation as of October 1, 2012. For these members, the monthly benefit payable may not exceed the participant’s accrued benefit calculated as of the end of the first full year of continuous service beginning on or after October 1, 2012.

For participants hired on or after January 1, 2016 the normal retirement benefit is calculated as the following:

$2.5\% \times 5\text{-year average monthly compensation} \times \text{credited service not more than 30 years}$

The normal form of payment is an unreduced 50% joint & survivor annuity.

Early Retirement Eligibility - Participants hired before January 1, 2016 become eligible for Early Retirement upon earning at least 20 years of Credited Service, regardless of age. They are also eligible for early retirement upon reaching age 65, regardless of service.

For participants hired on and after January 1, 2016, Early Retirement Eligibility is defined as the earlier of age 55 with 10 years of Credited Service and age 50 with 25 years of Credited Service. They are also eligible for early retirement upon reaching age 65, regardless of service.

Early Retirement Benefit - For participants hired before January 1, 2016, the Normal Retirement Benefit reduced by 4% for each year Credited Service is less than 25 years, even if you are age 65 at retirement. Prior to October 1, 2012, the Normal Retirement Benefit was not reduced for Credited Service less than 25 years for Participants who were age 60 at retirement. Effective October 1, 2012, the Normal Retirement benefit is not reduced for Credited Service less than 25 years. In addition, the Normal Retirement Benefit is not reduced for Participants who were actively employed on September 30, 2012 and reach age 60 prior to earning 20 years of Credited Service.

For participants hired on and after January 1, 2016, the Normal Retirement benefit is reduced actuarially using assumptions as adopted by the Board of Trustees for each full month of age at retirement earlier than Normal Retirement Eligibility for members who have earned at least 10 years of service. For members who have less than 10 years of service but are at least age 65, the early retirement reduction is 4% for each year service is less than 10 years.

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Line-of-Duty Disability Benefits - Prior to October 1, 2012, participants became eligible for line-of-duty disability benefits immediately upon hire. Participants who became permanently physically or mentally disabled as a result of injuries received in the line-of-duty were entitled to a monthly Disability Benefit as if 30 years of Credited Service had been worked, as follows:

3% x 3-year average monthly compensation x 30 years of credited service x disability percentage

For participants who had less than 3 years of service, average monthly compensation is the average of compensation over the entire period of employment.

For participants hired before July 1, 2002, the disability percentage is 100%. For participants hired on or after July 1, 2002, if the participant is determined to be 50% or more physically disabled, the disability percentage is 100%. If the participant is deemed to be less than 50% disabled, the disability percentage is the percent of physical disability as described below.

Effective October 1, 2012, participants continue to become eligible for line-of-duty disability benefits immediately upon hire. A participant who becomes physically or mentally disabled as a result of bodily injury, disease, or mental disorder received in the line-of-duty, which renders the participant incapable of continuing employment as a sworn police officer or sworn firefighter performing the same duties and having the same responsibilities as those immediately prior to the time of the disability, is entitled to receive a monthly disability benefit equal to the greater of:

40% x monthly compensation at disability or 100% of the accrued benefit at disability (disregarding 20-year eligibility requirement)

In lieu of this monthly benefit a participant may elect instead to receive employee contributions without interest.

Off-Duty Disability Benefits - Prior to October 1, 2012, effective July 1, 2002 participants became eligible for off-duty disability benefits after completion of at least 5 years of credited service. Once the participant had been physically or mentally disabled from any cause other than from injuries received in the line-of-duty for at least 3 months, a monthly disability benefit was payable if 25 years of credited service have been worked, as follows:

3% x 3-year average monthly compensation x 25 years of credited service x disability percentage

Effective October 1, 2012, the plan does not provide a disability benefit to a participant who becomes physically or mentally disabled, other than as a result of injuries received in the line-of-duty. However, the participant may make a request to the retirement board for the payment of employee contributions without interest.

Disability Percentage - The participant may be sent to a physician selected by the retirement board for examination to determine the extent of the participant’s disability. The American Medical Association’s guidelines for the evaluation of permanent impairment is used to determine the percentage of disability suffered by the participant. If the retirement board determines that the participant is no longer disabled to the degree previously approved for, the retirement board shall order that the benefits to the participant be adjusted or discontinued as applicable.

Life Insurance

Prior to October 1, 2012, if any participant dies and left a surviving spouse, a \$1,500 single lump sum life insurance benefit was payable. If there was no surviving spouse, \$1,500 was split amongst any surviving children under the age of 18 years old. No life insurance is payable to any participant after October 1, 2012.

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NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Line-Of-Duty Survivor Benefits

Prior to October 1, 2012, the surviving spouse of a participant who died as a result of injuries received in the line-of-duty was entitled to a monthly survivor benefit which was the actuarial equivalent 100% joint & survivor form payable based on a monthly benefit calculated as if 30 years of credited service had been worked, as follows:

3% x 3-year average monthly compensation x 30 years of credited service

If there was no surviving spouse or if the surviving spouse was to die, 50% of this amount is split amongst any surviving children under the age of 18 years. In the event an active participant died without having a surviving spouse or surviving children under the age of 18 years, an amount equal to the accumulated employee contributions without interest was payable.

Effective October 1, 2012, the surviving spouse of a participant who dies as a result of injuries received in the line-of-duty is entitled to a monthly survivor benefit equal to 62.5% of the participant’s monthly accrued benefit calculated as if 25 years of credited service had been worked. This monthly benefit is discontinued upon the remarriage of the surviving spouse. If there is no surviving spouse or if the surviving spouse should die, this benefit is split amongst any surviving children under the age of 18 years. In the event an active participant dies without having a surviving spouse or surviving children under the age of 18 years, an amount equal to the accumulated employee contributions without interest is payable.

The surviving spouse of a participant who retired prior to January 1, 1989 receives 50% of the monthly amount that was in payment to the participant at the time of death. If there is no surviving spouse, 25% of the monthly amount that was in payment is split amongst any surviving children under the age of 18 years.

Off-Duty Survivor Benefits

Prior to October 1, 2012, the surviving spouse of a participant who earned at least 20 years of credited service and who died not as a result of injuries received in the line-of-duty was entitled to a monthly survivor benefit which is the actuarially equivalent 100% joint & survivor form of the benefit defined for normal retirement, unreduced for commencement prior to normal retirement eligibility. If there was no surviving spouse or if the surviving spouse should die, 50% of this amount was split amongst any surviving children under the age of 18 years.

In the event an active participant died without having a surviving spouse or surviving children under the age of 18 years, an amount equal to the accumulated employee contributions without interest is payable. The survivor of a participant who died off-duty with less than 20 years of credited service is due a refund of employee contributions without interest.

Effective October 1, 2012, the plan does not provide a survivor benefit for deaths not as a result of injuries received in the line-of-duty. However, the surviving spouse or children under the age of 18 years may make a request to the retirement board for the payment of employee contributions without interest. The surviving spouse of a participant who retired prior to January 1, 1989, receives 50% of the monthly amount that was in payment to the participant at the time of death. If there is no surviving spouse, 25% of the monthly amount that was in payment is split amongst any surviving children under the age of 18 years.

Optional Forms of Benefit

Members entitled to a normal retirement benefit or an early retirement benefit may elect to receive a 50% joint & survivor annuity (option A), an actuarially equivalent 100% joint & survivor annuity (option B) or an actuarially equivalent life only annuity (option C).

A participant having elected a 50% Joint & Survivor Annuity (option A) will receive the benefit described under normal retirement or early retirement. Upon the death of such participant who leaves a surviving spouse, 50% of the amount being paid to the participant at the time of death is payable to the surviving spouse. If the participant does not leave a surviving spouse but leaves surviving children under the age of 18, 25% of the monthly amount that was in payment is split amongst any surviving children under the age of 18 years. Effective for retirements occurring on and after October 1, 2012, if the deceased participant’s spouse remarries, monthly pension benefits cease.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

A participant having elected a 100% Joint & Survivor Annuity (option B) will receive a monthly benefit in an amount which is the actuarial equivalent which would have been payable had the participant elected option A. This monthly amount is payable to the participant during his or her lifetime and then upon his or her death to the spouse, without reduction. Upon the death of the surviving spouse, 50% of the monthly amount that was in payment is split amongst any surviving children under the age of 18 years. Effective for retirements occurring on and after October 1, 2012, if the deceased participant’s spouse remarries, monthly pension benefits cease.

A participant having elected a Life Only Annuity (option C) will receive a monthly benefit which is the actuarial equivalent of the amount which would have been paid if the participant had elected option A. No death benefits are payable to any survivor or dependents of the participant who selects this form of payment.

Actuarial Equivalence

Based on the 1971 group annuity mortality table and an interest rate of 7%. In practice, participant mortality is as under the 1971 group annuity mortality table for males and spouse mortality is as under the 1971 group annuity mortality for males set forward 7 years. The computation of the life only annuity for unmarried members assumes an actuarial increase from the normal 50% joint & survivor form assuming a spouse who is three years younger.

Partial Lump Sum Option

Prior to October 1, 2012, participants were allowed to elect to receive a monthly retirement benefit on a reduced basis in return for the payment of a lump sum amount, in cash, at the time the monthly retirement benefit is first payable. The participant could elect to receive the lump sum, based on the monthly normal or early retirement benefit payable as a life only annuity.

The monthly life only retirement benefit after deducting for the partial lump sum payment is monthly life only retirement benefit prior to reduction times the reduction factor. The monthly retirement benefit after deducting for the partial lump sum payment is then reduced appropriately for optional forms which provide survivor benefit continuance.

Effective October 1, 2012, the plan does not provide a partial lump sum option.

Thirteenth-Checks

When the actuary certifies that the necessary funds are available, the board may increase the benefits provided retirees by passing a resolution which declares that the monthly benefit paid to each retiree, surviving spouse, or other beneficiary of the retiree shall be increased by a flat dollar amount per month, increased by a flat dollar amount per year of active service per month, or be increased to a minimum monthly amount. Additionally, the board may pass a resolution to issue 13th checks.

Actuarial Assumptions and Methods

Assumed Rate of Investment Return: 7.9% per year (net of investment and administrative expenses)

Inflation: 2.0% per year (revised from 3.0% stated in the prior valuation)

Salary Increase – Total Payroll: 2.0% per year.

Salary Increase – Individual: 5.5% per year. In addition, three-year final average earnings are increased 2.1% for hires before January 1, 2016 to account for accrued leave payouts at retirement. There is no load for accrued leave payouts for hires after January 1, 2016 since their benefit is based solely on base pay.

Mortality: In the prior valuation mortality was assumed under the RP 2000 Blue Collar Mortality Table (set forward 10 years for disabled members) with mortality improvements assumed using Scale AA projected from 2000 to the valuation year. Effective with the October 1, 2018 actuarial valuation mortality improvements are fully generational using Scale AA. 95% of active death is assumed not in the line of duty.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Retirement: For participants hired prior to January 1, 2017, unisex rates of retirement are as follows:

Age	Service					
	< 20	20	21 - 24	25	26 - 29	>=30
<=39	0%	0%	0%	0%	0%	0%
40 - 64	0%	25%	10%	50%	10%	100%
>=65	100%	100%	100%	100%	100%	100%

For participants hired on and after January 1, 2017, retirement is assumed at a rate of 100% at the earlier of age 65 regardless of service, age 60 with 10 years of Credited Service, and age 56 with 25 years of Credited Service. We have assumed that the basis for actuarial reduction of the monthly benefit for early retirement at the earlier of age 55 with 10 years of Credited Service and age 50 with 25 years of Credited Service are the valuation assumptions.

Termination: Unisex rates of termination are as follows:

Service	Rate	Service	Rate	Service	Rate
0-4	15%	8	7%	12	3%
5	10%	9	6%	13-19	2%
6	9%	10	5%	20+	0%
7	8%	11	4%		

Disability: Unisex rates, as follows:

Age	Rate	Age	Rate	Age	Rate	Age	Rate
<=19	0.0000%	31	0.2318%	43	0.5866%	55	2.0178%
20	0.1204%	32	0.2448%	44	0.6488%	56	2.2266%
21	0.1312%	33	0.2594%	45	0.7190%	57	2.4534%
22	0.1416%	34	0.2760%	46	0.7974%	58	2.6996%
23	0.1516%	35	0.2948%	47	0.8852%	59	2.9660%
24	0.1614%	36	0.3166%	48	0.9830%	60	3.2538%
25	0.1708%	37	0.3414%	49	1.0916%	61	3.5640%
26	0.1802%	38	0.3700%	50	1.2118%	62	3.8980%
27	0.1896%	39	0.4028%	51	1.3446%	63	4.2570%
28	0.1992%	40	0.4402%	52	1.4906%	64	4.6420%
29	0.2092%	41	0.4830%	53	1.6508%	65+	0.0000%
30	0.2200%	42	0.5316%	54	1.8262%		

50% of disabilities are assumed to be service connected.

Plan Expenses: Administrative and investment expenses are assumed to be paid through the investment return.

Marital Assumption: Husbands are assumed to be three years older than wives. 75% of active service related deaths are assumed to be married.

Funding Method: Entry Age (level percent of salary).

Actuarial Value of Assets: The market value of assets is adjusted to recognize gains and losses over a five-year period. The Actuarial Value of Assets shall not be more than 120% or less than 80% of the market value of assets.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Plan Membership Statistics

Valuation as of October 1, 2018

Inactive currently receiving benefits	200
Active members	<u>159</u>
	<u>359</u>

Net Pension Liability

The total pension liability under GASB 67 and 68 is based on the October 1, 2018 actuarial valuation which used the following actuarial assumptions applied to all periods included in the measurement.

Salary increases	5.50%
Single discount rate	4.42%
Mortality	RP-00 Blue Collar Mortality Table (set forward 10 years for disabled members) with mortality improvements assumed using Scale AA

Assumptions are based on the assumptions used by the prior actuary supplemented with changed retirement expectations resulting from Plan changes that became effective October 1, 2012 and January 1, 2016. Effective for the October 1, 2018 actuarial valuation mortality improvements are fully generational.

The discount rate was revised from 3.85% as of October 1, 2017 to 4.42% as of October 1, 2018. Further information regarding the calculation of the discount rate is found in the following section entitled “Calculation of the Discount Rate”.

The components of the net pension liability at September 30, 2018 were as follows:

Total pension liability	\$ 112,424,075
Plan fiduciary net position	<u>(33,786,907)</u>
Net pension liability	<u>\$ 78,637,168</u>

Plan fiduciary net position as a percentage of the total pension liability 30.05 %

Sensitivity of the net position liability to changes in the discount rate is as follows:

	1% Decrease <u>(3.42%)</u>	Current Discount Rate <u>(4.42%)</u>	1% Increase <u>(5.42%)</u>
Net pension liability (asset)	<u>\$ 94,994,094</u>	<u>\$ 78,637,168</u>	<u>\$ 65,434,679</u>

Calculation of the Discount Rate

The long-term expected net rate of return on investments was determined using a building-block method. Best-estimate ranges of expected future real rates of return (expected returns net of investment and administrative expenses and inflation) are developed for each major asset class. The long-term expected net rate of return on investments is the best-estimate ranges weighted by the asset allocation plus expected inflation.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Best estimates of arithmetic real rates of return for each major asset class as provided by the investment monitor are shown in the following table:

Investment Category	Allocation	Long-Term Real Annualized Return*	Weighted by Target Allocation
Large Cap	30%	5.7%	1.7%
Smid Cap	20	8.7	1.7
International Equity	10	5.0	0.5
Real Assets	10	5.5	0.6
Fixed Income	30	1.6	0.5
	<u>100%</u>		<u>5.0%</u>

*For illustrative purposes, historical long-term average returns have been used as a reasonable expectation of returns by the investment monitor. The expected rate of inflation is 3%. The long term real annualized return weighted by target allocation plus the expected rate of inflation is 8.0%.

Note, however, that long-term expected net rates of return for actuarial valuations should be compared to geometric returns. It is unclear if the above information is being produced net of administrative expenses. In addition, we expect inflation at 2.0% whereas the investment monitor expects inflation at 3.0%.

The funding valuation of the Plan assumes the fund will earn 7.9% per year (net of investment and administrative expenses but including inflation). The discount rate used to measure the total pension liability was 4.42%. This is the single rate that reflects the long-term expected rate of return on pension plan investments expected to be used to finance the payment of benefits based on the 7.9% per year funding assumption used in years where assets were sufficient to pay for projected benefit payments and a rate of 3.27% per year in years where assets are not sufficient to pay for projected benefit payments. The 3.27% rate was supplied by the investment monitor. It is the rate as of September 30, 2018 for the Bloomberg Barclays 20-year Muni Bond index with average quality AA3/A1. We have found that the fiduciary net position is projected to not be sufficient to make projected benefit payments.

Changes on Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 9/30/2017	\$ 116,050,610	\$ 31,284,391	\$ 84,766,219
Changes for the year:			
Service cost	2,595,590	-	2,595,590
Interest expense	4,436,023	-	4,436,023
Differences between expected and actual experience	200,597	-	200,597
Changes in assumptions	(5,125,733)	-	(5,125,733)
Contributions – employer	-	3,936,409	(3,936,409)
Contributions – employees	-	1,116,605	(1,116,605)
Net investment income	-	3,182,514	(3,182,514)
Benefits payments, including refunds of employee contributions	(5,733,012)	(5,733,012)	-
Net changes	<u>(3,626,535)</u>	<u>2,502,516</u>	<u>(6,129,051)</u>
Balances at 9/30/2018	<u>\$ 112,424,075</u>	<u>\$ 33,786,907</u>	<u>\$ 78,637,168</u>

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Anniston’s Policemen’s and Firemen’s Retirement Fund (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2018, the City recognized pension expense of \$2,356,726. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 768,605	\$ 73,821
Changes in assumptions	1,989,264	9,504,818
Net difference between projected and actual earnings on pension plan investments	<u>117,587</u>	<u>3,802,304</u>
Total	<u>\$ 2,875,456</u>	<u>\$ 13,380,943</u>

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

Year Ended September 30:	
2019	\$ (3,082,056)
2020	(4,849,700)
2021	(2,175,500)
2022	(398,231)
2023	<u>-</u>
	<u>\$ (10,505,487)</u>

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

City of Anniston OPEB Health Care Plan – Primary Government

General Information about the OPEB Plan

Plan description. The City, through its substantive commitment to provide other postemployment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all former employees.

The City pays for postemployment healthcare benefits on a pay-as-you-go basis. The City is studying the establishment of trusts that would be used to accumulate and invest assets necessary to pay for the accumulated liability. These financial statements assume that pay-as-you-go funding will continue.

Benefits provided. Former employees who have 25 years of continuous service, regardless of age, or who have 10 years of continuous service and are age 60. Such benefits are available to spouses or dependents of retiree until the spouse and / or other dependent attains Medicare eligibility.

Employees covered by benefit terms. At the measurement date of September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	136
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>280</u>
	<u>416</u>

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

City of Anniston OPEB Health Care Plan – Primary Government (Continued)

Contributions. The City contributed \$479,457 to the OPEB Health Care Plan in fiscal year 2018. The annual required contribution amount is determined using actuarial methods and assumptions approved by the Commission. The Council establishes and may amend the funding policy for the OPEB Health Care Plan.

Total OPEB Liability

The City’s total OPEB liability of \$7,924,226 was measured as of September 30, 2018, and was determined by an actuarial valuation as of October 1, 2018.

Actuarial assumptions and other inputs. The total OPEB liability as of September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent annually
Salary increase	3.50 percent annually
Discount rate	4.00 percent
Healthcare cost trend rates	5.00 percent
Retirees’ share of benefit related costs	100 percent of projected health insurance premiums for retirees. Retirees with 30 years of creditable service are reimbursed \$2,000 for 5 years or until they are Medicare eligible, if earlier or one lump sum payment of \$10,000.

The discount rate was based on the S&P 500 Taxable Municipal Bond Index.

Mortality rates are from the RPU-2014 Blue Collar without projection

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balances at September 30, 2017	\$ 7,883,737
Changes for the year:	
Service cost	166,827
Interest	312,630
Change in benefit terms	-
Differences between expected and actual experience	35,291
Benefits payments,	(474,259)
Net changes	<u>40,489</u>
Balances at September 30, 2018	<u>\$ 7,924,226</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City calculated using the discount rate of 4.0 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate:

	1% Decrease (3.0%)	Discount Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	\$ 8,363,184	\$ 7,924,226	\$ 7,337,272

(Continued)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

City of Anniston OPEB Health Care Plan – Primary Government (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	<u>(4.0%)</u>	<u>(5.0%)</u>	<u>(6.0%)</u>
Total OPEB liability	<u>\$ 6,986,333</u>	<u>\$ 7,924,226</u>	<u>\$ 9,012,198</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense. For the year ended September 30, 2018, the City recognized OPEB expense of \$479,457.

Deferred outflows of resources and deferred inflows of resources. At September 30, 2018, The City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	<u>\$ 35,291</u>	<u>\$ -</u>
Total	<u>\$ 35,291</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30:	
2019	\$ 3,059
2020	3,059
2021	3,059
2022	3,059
2023	3,059
Thereafter	<u>19,996</u>
	<u>\$ 35,291</u>

*In the table shown above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Payable to the OPEB Plan

At September 30, 2018, no amounts were payable to the OPEB plan by the City.

NOTE 10 – TAX ABATEMENTS

The City of Anniston and the City of Anniston Industrial Development Authority offers abatements of certain state, county, and municipal ad-valorem taxes (non-educational portion), sales and use taxes (non-educational portion), and mortgage and recording taxes with respect to projects pursuant to the provisions of Act No. 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975) (herein called the “Tax Abatement Act”).

To qualify for these abatements, an entity must commit to a new project or major addition to an existing facility that equals the lesser of \$2 million or 30% of the original cost and only certain NAICS codes qualify. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. Property taxes are abated by applying a reduced millage rate to the assessed value to determine the adjusted property tax due. Sales and use taxes are abated by applying reduced sales and use tax rate to the materials and/or equipment purchased. The City abates 5% of general sales and use taxes and 0.5% of machinery in manufacturing sales and use taxes.

The City’s property tax revenues were reduced by \$271,831 during the reporting period as a result of these agreements while the City’s sales and use tax revenues were reduced by \$107,000 during the reporting period.

In addition to the above program, the City of Anniston utilizes Amendment 772 to the Constitution of Alabama of 1901 to offer economic incentives to entities that are bringing new businesses to the City or expanding current ones. During the reporting period, the City rebated sales and use taxes totaling \$422,586. The City’s sales and use tax revenues were not reduced by this amount because the rebates were recorded as expenditures. The amount of sales and use taxes rebated depends on the scope of the project.

NOTE 11 – RESTRICTIONS AND CONTINGENCIES

Grant Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

Other Contingencies

The City is a defendant in various litigations of which legal counsel and City management are of the opinion that none will have a material adverse effect on the financial statements of the City. These actions include both asserted and unasserted claims. The City’s legal counsel has advised that damages on any asserted claims, should an unfavorable judgment be reached, will be within the limits of the City’s insurance coverage and therefore should not impact upon municipal assets. The City’s maximum liability is estimated to be from \$10,000 up to \$100,000 insurance deductible for claims. No accrual has been included in these financial statements for this matter.

NOTE 12 – RISK MANAGEMENT AND LITIGATION

The City is exposed to various risks of loss related to torts, theft, errors and omissions, job-related illnesses and injuries, and natural disasters. Risk management is the process of managing the City’s activities to minimize the adverse effects of certain types of losses and to obtain finances to provide for or restore the economic damages of those losses. The liability, if any, for this contingency is measured in accordance with Financial Accounting Standards Boards (FASB) Statement No. 5. Expenses are recognized when incurred and offsetting revenues are recorded as a reduction against the applicable expenditure. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Effective February 2019, a settlement was reached with an organization regarding a refund of sales tax. The resulting liability was \$1,080,425 to be paid over the next three years.

The City of Anniston operates as a self-insurer under the Alabama Workers’ Compensation Law which was granted authorization by the State of Alabama Department of Labor.

NOTE 13 – DEFERRED COMPENSATION PLAN

Employees are also eligible to participate in the PEIRAF Deferred Compensation Plan of the Retirement Systems of Alabama. Employees may defer a portion of their pre-tax compensation into this plan and are eligible to remove the proceeds at retirement. The City does not contribute to this plan.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In accordance with implementation of this statement, prior period adjustments are required in the governmental activities to properly state OPEB liabilities to their actuarial value. The cumulative effects of these changes are as follows:

	<u>Governmental Activities</u>
Net position, <i>as previously reported</i>	\$ (39,516,862)
Change in accounting principle	<u>(3,344,549)</u>
Net position, <i>as restated</i>	<u>\$ (42,861,411)</u>

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Except as noted below, management has not identified any items requiring recognition or disclosure.

Effective February 2019, the City reached a settlement with an organization related to a sales tax refund. A liability and general government expense of \$1,080,425 is included in the government-wide financial statements for the year ended September 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNISTON, ALABAMA

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYMENT RETIREMENT SYSTEM OF ALABAMA
Last 10 Fiscal Years ending September 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 601,019	\$ 620,626	\$ 644,393	\$ 645,593
Interest	2,382,153	2,435,109	2,203,091	2,129,802
Differences between expected and actual experience	(1,387,885)	(1,521,044)	1,980,336	-
Changes of assumptions	-	634,226	-	-
Benefit payments, including refund of member contributions	(1,832,157)	(1,918,926)	(1,936,258)	(1,782,300)
Transfers among employers	35,139	5,214	-	-
Net change in total pension liability	<u>(201,731)</u>	<u>255,205</u>	<u>2,891,562</u>	<u>993,095</u>
Total pension liability - beginning	<u>31,653,531</u>	<u>31,398,326</u>	<u>28,506,764</u>	<u>27,513,669</u>
Total pension liability - ending (a)	<u><u>\$31,451,800</u></u>	<u><u>\$31,653,531</u></u>	<u><u>\$31,398,326</u></u>	<u><u>\$28,506,764</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 611,421	\$ 532,219	\$ 517,085	\$ 541,741
Contributions - member	527,129	515,557	538,724	564,320
Net investment income	2,753,534	2,058,134	250,689	2,377,530
Benefit payments, including refund of member contributions	(1,832,157)	(1,918,926)	(1,936,258)	(1,782,300)
Transfers among employers	35,139	5,214	(597,870)	30,637
Net change in plan fiduciary net position	<u>2,095,066</u>	<u>1,192,198</u>	<u>(1,227,630)</u>	<u>1,731,928</u>
Plan fiduciary net position - beginning	<u>21,834,404</u>	<u>20,642,206</u>	<u>21,869,836</u>	<u>20,137,908</u>
Plan fiduciary net position - ending (b)	<u><u>\$23,929,470</u></u>	<u><u>\$21,834,404</u></u>	<u><u>\$20,642,206</u></u>	<u><u>\$21,869,836</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 7,522,330</u></u>	<u><u>\$ 9,819,127</u></u>	<u><u>\$10,756,120</u></u>	<u><u>\$ 6,636,928</u></u>
Plan fiduciary net position as a percentage of the total pension liability	76.08%	68.98%	65.74%	76.72%
Covered employee payroll	\$ 7,431,288	\$ 7,482,303	\$ 7,258,581	\$ 7,231,287
Net pension liability as a percentage of covered employee payroll	101.23%	131.23%	148.18%	91.78%

This schedule will present 10 years as information is available.

CITY OF ANNISTON, ALABAMA

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
POLICEMEN AND FIREMEN'S RETIREMENT FUND
Last 10 Fiscal Years**

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 2,595,590	\$ 3,112,523	\$ 2,886,593	\$ 2,864,088	\$ 1,105,270
Interest	4,436,023	3,851,444	4,081,057	4,037,240	5,054,431
Changes of benefit terms	-	-	-	51,201	131,764
Differences between expected and actual experience	200,597	1,268,849	(295,284)	769,346	248,886
Changes of assumptions	(5,125,733)	(11,618,958)	7,957,056	2,091,185	43,617,061
Benefit payments, including refund of member contributions	(5,733,012)	(5,243,975)	(5,091,540)	(4,688,577)	(4,428,334)
Net change in total pension liability	(3,626,535)	(8,630,117)	9,537,882	5,124,483	45,729,078
Total pension liability - beginning	116,050,610	124,680,727	115,142,845	110,018,362	64,289,284
Total pension liability - ending (a)	\$ 112,424,075	\$ 116,050,610	\$ 124,680,727	\$ 115,142,845	\$ 110,018,362
Plan fiduciary net position					
Contributions - employer	\$ 3,936,409	\$ 3,821,164	\$ 3,431,035	\$ 3,332,850	\$ 3,067,464
Contributions - member	1,116,605	1,058,117	1,048,607	1,063,270	1,122,594
Net investment income	3,404,855	3,591,276	2,551,226	564,957	2,720,956
Benefit payments, including refund of member contributions	(5,733,012)	(5,243,975)	(5,091,540)	(4,688,577)	(4,428,334)
Administrative expense	(222,341)	-	(199,247)	(195,238)	(132,727)
Other	-	-	-	-	-
Net change in plan fiduciary net position	2,502,516	3,226,582	1,740,081	77,262	2,349,953
Plan fiduciary net position - beginning	31,284,391	28,057,809	26,317,728	26,240,466	23,890,513
Plan fiduciary net position - ending (b)	\$ 33,786,907	\$ 31,284,391	\$ 28,057,809	\$ 26,317,728	\$ 26,240,466
Net pension liability - ending (a) - (b)	\$ 78,637,168	\$ 84,766,219	\$ 96,622,918	\$ 88,825,117	\$ 83,777,896
Plan fiduciary net position as a percentage of the total pension liability	30.1%	27.0%	22.5%	22.9%	23.9%
Covered employee payroll	\$ 7,975,750	\$ 7,557,979	\$ 7,490,050	\$ 7,594,786	\$ 8,018,529
Net pension liability as a percentage of covered employee payroll	986.0%	1121.5%	1290.0%	1169.6%	1044.8%

Notes to Schedule:

Effective October 1, 2018 total pension liability employs fully generational mortality. Prior to that the total pension liability includes mortality improvements to the valuation year. The total pension liability as of October 1, 2013 is determined using the assumed rate of investment return of 8.0% per year (net of investment and administrative expenses). The total pension liability as of October 1, 2014, 2015, 2016, 2017 and 2018 is determined using the 3.67%, 3.55%, 3.09%, 3.85% and 4.42% single discount rate described in GASB 67. Effective October 1, 2017 a load was applied to final average salary to approximate the effect of accrued leave payouts at retirement.

This schedule will present 10 years as information is available.

CITY OF ANNISTON, ALABAMA

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYMENT RETIREMENT SYSTEM OF ALABAMA
Last 10 Calendar Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 601,725	\$ 638,906	\$ 558,928	\$ 542,490
Contributions in relation to the actuarially determined contribution	<u>601,725</u>	<u>638,906</u>	<u>558,928</u>	<u>542,490</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,029,793	\$ 7,431,288	\$ 7,482,303	\$ 7,258,581
Contributions as a percentage of covered-employee payroll	8.56%	8.60%	7.47%	7.47%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	28.6 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

This schedule will present 10 years as information is available.

CITY OF ANNISTON, ALABAMA

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICEMEN AND FIREMEN'S RETIREMENT FUND
Last 10 Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 9,291,821	\$ 9,572,933	\$ 9,641,839	\$ 9,811,904	\$ 9,930,690	\$ 9,738,007	\$ 8,797,577	\$ 8,065,253	\$ 5,883,520	\$ 4,119,320
Contributions in relation to the actuarially determined contribution	3,936,409	3,821,164	3,431,035	3,332,850	3,067,464	2,738,006	1,184,715	1,212,363	1,233,630	1,207,937
Contribution deficiency (excess)	\$ 5,355,412	\$ 5,751,769	\$ 6,210,804	\$ 6,479,054	\$ 6,863,226	\$ 7,000,001	\$ 7,612,862	\$ 6,852,890	\$ 4,649,890	\$ 2,911,383
Covered employee payroll	\$ 7,975,750	\$ 7,557,979	\$ 7,490,050	\$ 7,594,786	\$ 8,018,529	\$ 7,729,129	\$ 7,652,450	\$ 7,666,590	\$ 7,823,830	\$ 7,572,280
Actuarially determined contribution as a percentage of covered-employee payroll	116.5%	126.7%	128.7%	129.2%	123.8%	126.0%	115.0%	105.2%	75.2%	54.4%
Actual Contributions as a percentage of covered-employee payroll	49.4%	50.6%	45.8%	43.9%	38.3%	35.4%	15.5%	15.8%	15.8%	16.0%

Notes to Schedule:

The actuarially determined contribution includes the total funding deficiency in each year. Each year's contribution deficiency includes the non-payment of deficiency in prior years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Effective October 1, 2016, a level percent of payroll assuming 2% annual total payroll increases. An assumption of 2.5% was used as October 1, 2015 and an assumption of 3.0% was used as of October 1, 2014.
Remaining amortization period	Effective October 1, 2016, 25 years for each new base. Prior to this change a 30-year amortization period was used.
Asset valuation method	5-year smoothed market
Inflation	2.0%
Salary increases	5.5%, including inflation
Investment rate of return	Effective October 1, 2017, 7.9% net of investment and administrative expenses, including inflation. Prior to October 1, 2016, 8.0% net of investment and administrative expenses, including inflation
Retirement age	See "Description of Assumptions and Methods" for the assumed retirement age assumption
Mortality	Effective October 1, 2018, mortality is assumed under the RP 2000 Blue Collar Mortality Table (set forward 10 years for disabled members) with fully generational mortality improvements assumed using Scale AA. Effective October 1, 2017, mortality improvements were projected from 2000 to the valuation year.

CITY OF ANNISTON, ALABAMA

SCHEDULE OF CHANGES IN CITY OF ANNISTON'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Fiscal Year Ending September 30

	2018
Total OPEB Liability	
Service cost	\$ 166,827
Interest	312,630
Changes in benefit terms	-
Differences between actual and expected experience	35,291
Change in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(474,259)</u>
Net change in total OPEB liability	40,489
Total OPEB liability - beginning	<u>7,883,737</u>
Total OPEB liability - ending (a)	<u><u>\$ 7,924,226</u></u>
Covered - employee payroll	N/A
Total OPEB liability as a percentage of covered-employee payroll	N/A

**GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ANNISTON, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

September 30, 2018

	Special Revenue					
	Anniston		Longleaf Botanical Gardens	Corrections	Fire Tax District	Federal Seized Assets
	Museum of Natural History	Berman Museum of World History				
ASSETS						
Cash and cash equivalents	\$ 217,129	\$ -	\$ -	\$ 227,083	\$ 495,488	\$ 21,038
Investments	76,248	-	-	269,640	557,693	-
Receivables, net of allowance:						
Taxes	-	-	-	-	-	-
Accounts receivables	124,396	288	74	-	-	-
Notes	-	-	-	-	-	-
Due from other funds	-	11,586	8,777	-	-	-
Due from other governments	25,000	-	-	-	20,998	-
Prepaid expenses	-	-	-	-	320	-
Total assets	<u>\$ 442,773</u>	<u>\$ 11,874</u>	<u>\$ 8,851</u>	<u>\$ 496,723</u>	<u>\$ 1,074,499</u>	<u>\$ 21,038</u>
LIABILITIES						
Accounts payable	\$ 150,086	\$ 5,894	\$ 1,728	\$ -	\$ 119,013	\$ -
Accrued liabilities	-	-	-	-	-	-
Other payables	-	-	-	-	-	-
Due to other funds	179,333	-	-	529,035	675,644	7,782
Total liabilities	<u>329,419</u>	<u>5,894</u>	<u>1,728</u>	<u>529,035</u>	<u>794,657</u>	<u>7,782</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - loans	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable						
Prepaid expenses	-	-	-	-	320	-
Inventories	-	-	-	-	-	-
Restricted for:						
Capital projects	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	(32,312)	279,522	13,256
Road improvements	-	-	-	-	-	-
Culture and recreation	113,354	5,980	-	-	-	-
Economic and industrial development	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Unassigned	-	-	7,123	-	-	-
Total fund balances	<u>113,354</u>	<u>5,980</u>	<u>7,123</u>	<u>(32,312)</u>	<u>279,842</u>	<u>13,256</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 442,773</u>	<u>\$ 11,874</u>	<u>\$ 8,851</u>	<u>\$ 496,723</u>	<u>\$ 1,074,499</u>	<u>\$ 21,038</u>

Special Revenue

State Seized Assets	Alabama Trust Fund	Chief of Police Fee	Bulletproof Vest Grant	Airport Grants	Gasoline Tax	Seven Cents Gasoline Tax	Multiple Grants
\$ 4,329	\$ 205,336	\$ -	\$ -	\$ -	\$ 37,743	\$ 50,025	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	42,584	-	-	-	-	-
-	-	-	3,969	43,356	6,311	7,971	156,359
-	-	-	-	-	-	-	-
<u>\$ 4,329</u>	<u>\$ 205,336</u>	<u>\$ 42,584</u>	<u>\$ 3,969</u>	<u>\$ 43,356</u>	<u>\$ 44,054</u>	<u>\$ 57,996</u>	<u>\$ 156,359</u>
\$ 197	\$ -	\$ -	\$ 1,180	\$ 4,579	\$ -	\$ -	\$ 7,692
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,595	25,561	-	3,969	38,777	35,788	47,000	281,549
<u>19,792</u>	<u>25,561</u>	<u>-</u>	<u>5,149</u>	<u>43,356</u>	<u>35,788</u>	<u>47,000</u>	<u>289,241</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	179,775	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	42,584	-	-	-	-	-
-	-	-	-	-	8,266	10,996	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(15,463)	-	-	(1,180)	-	-	-	(132,882)
<u>(15,463)</u>	<u>179,775</u>	<u>42,584</u>	<u>(1,180)</u>	<u>-</u>	<u>8,266</u>	<u>10,996</u>	<u>(132,882)</u>
<u>\$ 4,329</u>	<u>\$ 205,336</u>	<u>\$ 42,584</u>	<u>\$ 3,969</u>	<u>\$ 43,356</u>	<u>\$ 44,054</u>	<u>\$ 57,996</u>	<u>\$ 156,359</u>

CITY OF ANNISTON, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

September 30, 2018

	Special Revenue				
	JAG 2015 Grant	JAG 2016 Grant	City Court Operations	Special Drug Task Force	Special Drug Task Force Office
ASSETS					
Cash and cash equivalents	\$ 31,256	\$ 1	\$ 160,259	\$ -	\$ 675,383
Investments	-	-	-	-	-
Receivables, net of allowance					
Accounts receivables	-	-	-	-	-
Notes	-	-	-	-	-
Due from other funds	-	-	-	583,210	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 31,256</u>	<u>\$ 1</u>	<u>\$ 160,259</u>	<u>\$ 583,210</u>	<u>\$ 675,383</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 877	\$ -
Accrued liabilities	-	-	-	-	-
Other payables	-	-	82,030	-	168,207
Due to other funds	<u>22,237</u>	<u>1</u>	<u>39,449</u>	<u>583,210</u>	<u>583,210</u>
Total liabilities	<u>22,237</u>	<u>1</u>	<u>121,479</u>	<u>584,087</u>	<u>751,417</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - loans	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
FUND BALANCES					
Nonspendable					
Prepaid expenses	-	-	-	-	-
Inventories	-	-	-	-	-
Restricted for:					
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Judicial	-	-	38,780	-	-
Public safety	9,019	-	-	-	(76,034)
Road improvements	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic and industrial development	-	-	-	-	-
Housing and development	-	-	-	-	-
Unassigned	-	-	-	(877)	-
Total fund balances	<u>9,019</u>	<u>-</u>	<u>38,780</u>	<u>(877)</u>	<u>(76,034)</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 31,256</u>	<u>\$ 1</u>	<u>\$ 160,259</u>	<u>\$ 583,210</u>	<u>\$ 675,383</u>

Probation Office	Special Revenue				Capital Projects		Total
	Community Development Block Grant	UDAG Revolving Loan	Anniston Industrial Development Authority	Anniston Downtown Development Authority	Capital Improvement Projects	McCellan Compact Construction	
\$ (90)	\$ 191,224	\$ 24,196	\$ 14,868	\$ 136,932	218,059	\$ -	\$ 2,710,259
-	-	-	-	-	-	-	903,581
-	-	-	-	-	-	-	124,758
-	375,505	405,675	-	-	-	-	781,180
-	18,564	-	-	-	2,382	-	667,103
-	24,819	-	-	-	49,132	762,047	1,099,962
<u>\$ (90)</u>	<u>\$ 610,112</u>	<u>\$ 429,871</u>	<u>\$ 14,868</u>	<u>\$ 136,932</u>	<u>\$ 269,573</u>	<u>\$ 762,047</u>	<u>\$ 6,287,163</u>
\$ -	\$ 2,650	\$ -	\$ -	\$ -	\$ -	\$ 129,602	\$ 423,498
-	521	-	-	-	-	-	521
-	-	-	-	-	-	-	250,237
-	-	-	-	-	62,406	301,202	3,435,748
-	3,171	-	-	-	62,406	430,804	4,110,004
-	565,506	-	-	-	-	-	565,506
-	565,506	-	-	-	-	-	565,506
-	-	-	-	-	-	-	320
-	-	-	-	-	-	-	-
-	-	-	-	-	207,167	-	386,942
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	38,780
-	-	-	-	-	-	-	236,035
-	-	-	-	-	-	331,243	350,505
-	-	-	-	-	-	-	119,334
-	-	-	14,868	136,932	-	-	151,800
-	41,435	429,871	-	-	-	-	471,306
(90)	-	-	-	-	-	-	(143,369)
(90)	41,435	429,871	14,868	136,932	207,167	331,243	1,611,653
<u>\$ (90)</u>	<u>\$ 610,112</u>	<u>\$ 429,871</u>	<u>\$ 14,868</u>	<u>\$ 136,932</u>	<u>\$ 269,573</u>	<u>\$ 762,047</u>	<u>\$ 6,287,163</u>

CITY OF ANNISTON, ALABAMA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

Year ended September 30, 2018

	Special Revenue					
	Anniston Museum of Natural History	Berman Museum of World History	Longleaf Botanical Gardens	Corrections	Fire Tax District	Federal Seized Assets
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 897,045	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	57,585	13,965	-	221,926	-	-
Charges for services	152,104	50,979	42,323	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Contributions and donations	235,895	1,394	6,710	-	-	-
Investment income	130,766	-	-	700	1,421	-
Other revenue	-	9,500	30,762	-	287	-
Total revenues	<u>576,350</u>	<u>75,838</u>	<u>79,795</u>	<u>222,626</u>	<u>898,753</u>	<u>-</u>
EXPENDITURES						
Current						
Judicial	-	-	-	-	-	-
Public safety	-	-	-	88	749,038	-
Public works	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	1,060,384	240,225	172,418	-	-	-
Housing and development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service -						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>1,060,384</u>	<u>240,225</u>	<u>172,418</u>	<u>88</u>	<u>749,038</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(484,034)</u>	<u>(164,387)</u>	<u>(92,623)</u>	<u>222,538</u>	<u>149,715</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	-	-	-	-	25,000	-
Bonds issued	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-	-	-
Transfers in	377,450	169,400	108,650	-	-	-
Transfers out	-	-	-	(597,227)	(36,072)	-
Total financing sources (uses)	<u>377,450</u>	<u>169,400</u>	<u>108,650</u>	<u>(597,227)</u>	<u>(11,072)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(106,584)</u>	<u>5,013</u>	<u>16,027</u>	<u>(374,689)</u>	<u>138,643</u>	<u>-</u>
Fund balance, beginning	<u>219,938</u>	<u>967</u>	<u>(8,904)</u>	<u>342,377</u>	<u>141,199</u>	<u>13,256</u>
Fund balance, ending	<u>\$ 113,354</u>	<u>\$ 5,980</u>	<u>\$ 7,123</u>	<u>\$ (32,312)</u>	<u>\$ 279,842</u>	<u>\$ 13,256</u>

Special Revenue

State Seized Assets	Alabama Trust Fund	Chief of Police Fee	Bulletproof Vest Grant	Airport Grants	Gasoline Tax	Seven Cents Gasoline Tax	Multiple Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,127	\$ 74,845	\$ -
-	-	-	-	-	-	-	-
2,706	198,215	6,836	(507)	43,357	-	-	48,032
-	-	-	-	-	-	11,963	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,706</u>	<u>198,215</u>	<u>6,836</u>	<u>(507)</u>	<u>43,357</u>	<u>68,127</u>	<u>86,808</u>	<u>48,032</u>
-	-	-	-	-	-	-	-
3,166	-	-	10,840	-	-	-	-
-	-	-	-	103,916	-	-	75,800
-	-	-	-	-	-	-	-
-	10,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,166</u>	<u>10,000</u>	<u>-</u>	<u>10,840</u>	<u>103,916</u>	<u>-</u>	<u>-</u>	<u>75,800</u>
<u>(460)</u>	<u>188,215</u>	<u>6,836</u>	<u>(11,347)</u>	<u>(60,559)</u>	<u>68,127</u>	<u>86,808</u>	<u>(27,768)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	13,384	36,552	-	-	-
-	(50,000)	-	-	-	(64,000)	(81,500)	-
-	(50,000)	-	13,384	36,552	(64,000)	(81,500)	-
(460)	138,215	6,836	2,037	(24,007)	4,127	5,308	(27,768)
(15,003)	41,560	35,748	(3,217)	24,007	4,139	5,688	(105,114)
<u>\$ (15,463)</u>	<u>\$ 179,775</u>	<u>\$ 42,584</u>	<u>\$ (1,180)</u>	<u>\$ -</u>	<u>\$ 8,266</u>	<u>\$ 10,996</u>	<u>\$ (132,882)</u>

CITY OF ANNISTON, ALABAMA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

Year ended September 30, 2018

	Special Revenue				
	JAG 2015 Grant	JAG 2016 Grant	City Court Operations	Special Drug Task Force	Special Drug Task Force Office
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	31,157	-	-	139,400	445,050
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	48,750	-	-
Contributions and donations	-	-	-	-	-
Investment income	-	-	-	-	59
Other revenue	-	-	-	-	-
Total revenues	<u>31,157</u>	<u>-</u>	<u>48,750</u>	<u>139,400</u>	<u>445,109</u>
EXPENDITURES					
Current					
Judicial	-	-	60	-	-
Public safety	31,157	-	-	559,434	102,826
Public works	-	-	-	-	-
Economic development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service -					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>31,157</u>	<u>-</u>	<u>60</u>	<u>559,434</u>	<u>102,826</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>-</u>	<u>-</u>	<u>48,690</u>	<u>(420,034)</u>	<u>342,283</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-	-
Transfers in	-	11,026	-	838,350	-
Transfers out	(11,026)	-	(50,000)	-	(763,350)
Total financing sources (uses)	<u>(11,026)</u>	<u>11,026</u>	<u>(50,000)</u>	<u>838,350</u>	<u>(763,350)</u>
NET CHANGE IN FUND BALANCES					
	(11,026)	11,026	(1,310)	418,316	(421,067)
Fund balance, beginning	<u>20,045</u>	<u>(11,026)</u>	<u>40,090</u>	<u>(419,193)</u>	<u>345,033</u>
Fund balance, ending	<u>\$ 9,019</u>	<u>\$ -</u>	<u>\$ 38,780</u>	<u>\$ (877)</u>	<u>\$ (76,034)</u>

Special Revenue					Capital Projects		
Probation Office	Community Development Block Grant	UDAG Revolving Loan	Anniston Industrial Development Authority	Anniston Downtown Development Authority	Capital Improvement Projects	McCellan Compact Construction	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,040,017
-	-	-	-	-	-	-	-
-	251,344	-	-	-	158,462	906,039	2,523,567
10,604	-	-	-	-	-	-	267,973
-	-	-	-	-	-	-	48,750
-	-	-	-	-	-	-	243,999
-	1,326	-	-	15	4,264	-	138,551
-	3,400	-	334	500	-	-	44,783
<u>10,604</u>	<u>256,070</u>	<u>-</u>	<u>334</u>	<u>515</u>	<u>162,726</u>	<u>906,039</u>	<u>4,307,640</u>
152,162	-	-	-	-	-	-	152,222
-	-	-	-	-	-	-	1,456,549
-	-	-	-	-	-	2,148,473	2,328,189
-	-	134,032	36	33,060	-	-	167,128
-	-	-	-	-	-	-	1,483,027
-	263,573	-	-	-	-	-	263,573
-	-	-	-	-	443,507	-	443,507
-	-	-	-	-	275,000	124,000	399,000
-	-	-	-	-	221,342	78,207	299,549
<u>152,162</u>	<u>263,573</u>	<u>134,032</u>	<u>36</u>	<u>33,060</u>	<u>939,849</u>	<u>2,350,680</u>	<u>6,992,744</u>
<u>(141,558)</u>	<u>(7,503)</u>	<u>(134,032)</u>	<u>298</u>	<u>(32,545)</u>	<u>(777,123)</u>	<u>(1,444,641)</u>	<u>(2,685,104)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
141,606	22	342	-	-	700,820	584,026	2,981,628
-	-	-	-	-	-	-	(1,653,175)
<u>141,606</u>	<u>22</u>	<u>342</u>	<u>-</u>	<u>-</u>	<u>700,820</u>	<u>584,026</u>	<u>1,353,453</u>
48	(7,481)	(133,690)	298	(32,545)	(76,303)	(860,615)	(1,331,651)
<u>(138)</u>	<u>48,916</u>	<u>563,561</u>	<u>14,570</u>	<u>169,477</u>	<u>283,470</u>	<u>1,191,858</u>	<u>2,943,304</u>
<u>\$ (90)</u>	<u>\$ 41,435</u>	<u>\$ 429,871</u>	<u>\$ 14,868</u>	<u>\$ 136,932</u>	<u>\$ 207,167</u>	<u>\$ 331,243</u>	<u>\$ 1,611,653</u>

COMPLIANCE SECTION

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

To the Honorable Mayor
and Members of the City Council
City of Anniston, 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, business-type activities, the aggregate discretely-presented component units, each major fund and the aggregate remaining fund information of the City of Anniston, Alabama (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated **May 13, 2019**. Our report includes a reference to other auditors who audited the financial statements of Anniston Board of Education, the Public Library of Anniston-Calhoun County, and the Anniston Museum Endowment Corporation, Inc., 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. The Anniston Board of Education report was not available from other auditors as of the date of this report.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Anniston, Alabama'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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.

Chattanooga, Tennessee
May 13, 2019

*Henderson Hutcherson
& McCullough, PLLC*