

CITY OF ANNISTON, ALABAMA

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**



CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ANNISTON, ALABAMA

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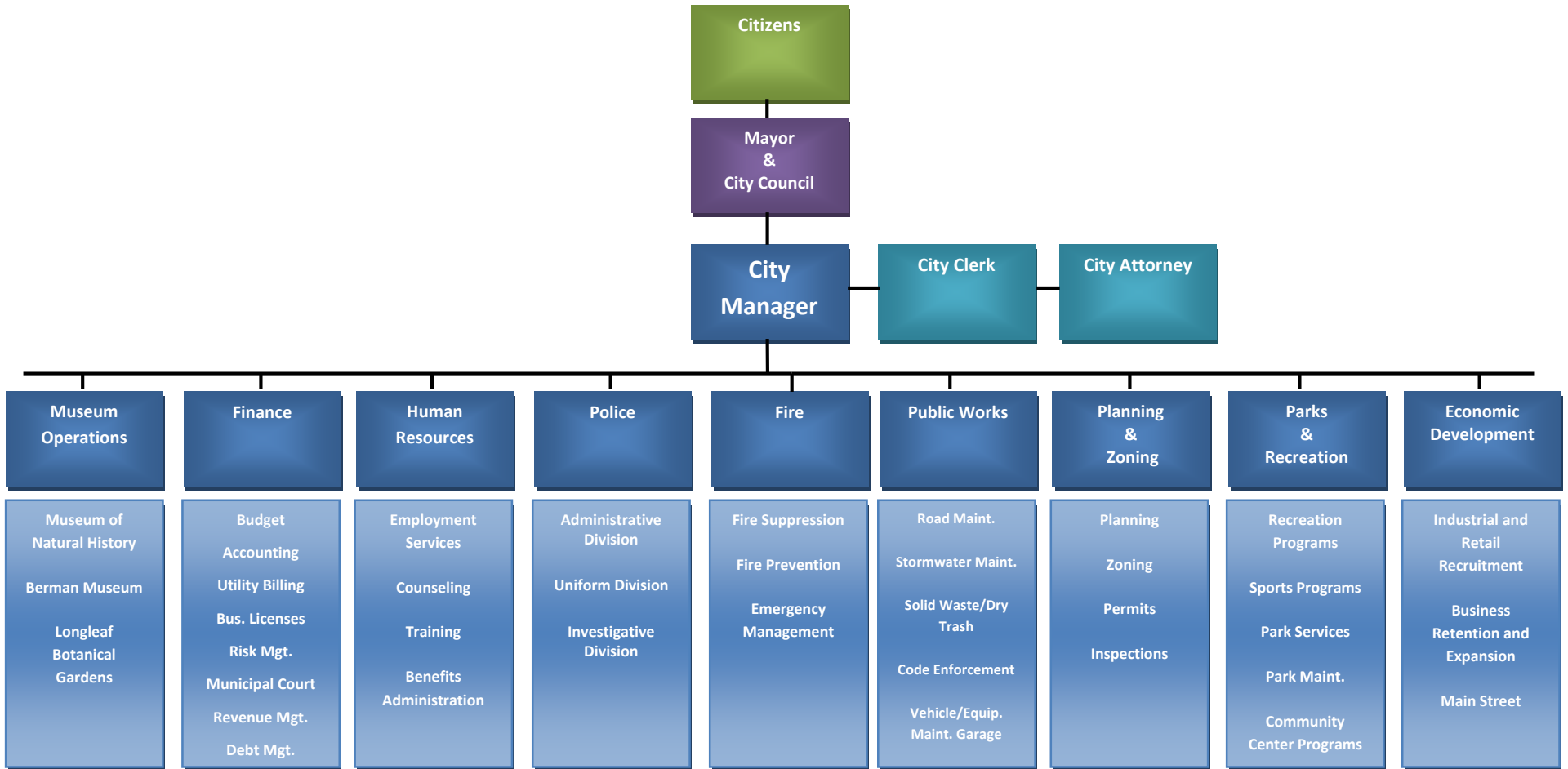
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INTRODUCTORY SECTION

CITY OF ANNISTON, ALABAMA ORGANIZATION CHART



FOR THE YEAR END SEPTEMBER 30, 2017

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

Alan Atkinson

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

Robert Dean, Director

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

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, 2017, 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 31% and 69%, respectively, of the assets and deferred outflows of resources, net position and revenue of the discretely-presented component units. Additionally, we did not audit the financial statements of Policemen's and Firemen's Retirement Fund, which represents 99% and 100%, respectively, of the assets and net position of the fiduciary funds. 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, Anniston Museum Endowment Corporation, Inc., and Policemen's and Firemen's Retirement Fund 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 Anniston Museum League have not been audited, and we were not engaged to audit its financial statements as part of our audit of the City's basic financial statements. Anniston Museum League is included in the City's basic financial statements as a discretely-presented component unit and represent less than 1% of the assets, net position and revenues of the City's aggregate discretely-presented component units.

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 and such adjustments, if any, as might have been determined to be necessary had the Anniston Museum League financial statements been audited, the financial statements referred to previously present fairly, in all material respects, the financial position of the government 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, 2017, 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 xi of the Financial Section and the required supplementary information on pages B-1 through B-6 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, combining nonmajor fund financial schedules included as other supplementary information, and the schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 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 September 18, 2018, 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
September 18, 2018

*Henderson Hutcherson
& McCullough, PLLC*

FOR THE YEAR END SEPTEMBER 30, 2017

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, 2017. 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 \$39.2 million for the year ended September 30, 2017. Of the \$39.2 million in primary government deficit net position, unrestricted net position had a deficit of \$108.7 million.
- The City's total net position decreased by \$6.0 million in fiscal year 2017. Increases in deferred pension inflows are primarily responsible for the decrease in net position. The City's net pension liabilities were \$94.6 million as required by GASB 68, which is down from \$107.4 in fiscal year 2016 (See Note 8).
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$9.7 million. The combined governmental funds fund balance decreased by \$1.5 million compared with the prior year. Of the \$9.7 million in fund balance, \$4.2 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 \$5.0 million, up from \$4.8 million in 2016. The 2017 ending fund balance of the General Fund represents 13.1 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.

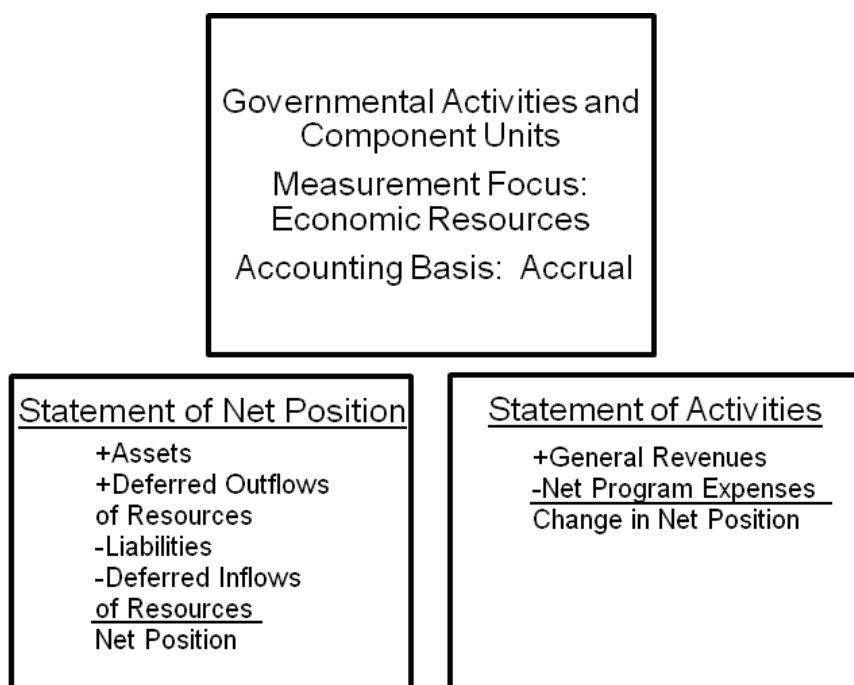
The government-wide financial statements of the City are divided into three categories:

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, 2017

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 and stormwater activities 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, 2017

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 two enterprise funds (Museum Store and Stormwater Fees) 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 \$39.2 million at the close of the most recent fiscal year. Governmental activities comprise (\$39.5 million), and business-type activities make up \$286,443 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 (\$94.6 million).

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

FOR THE YEAR END SEPTEMBER 30, 2017

Condensed Statement of Net Position						
As of September 30, 2017 and 2016						
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 14,060,390	\$ 15,322,343	\$ 204,054	\$ 151,288	\$ 14,264,444	\$ 15,473,631
Capital assets, net of accumulated depreciation	94,920,602	98,781,345	328,701	302,813	95,249,303	99,084,158
Total assets	108,980,992	114,103,688	532,755	454,101	109,513,747	114,557,789
Deferred outflow of resources	9,840,588	10,712,518	-	-	9,840,588	10,712,518
Current and other liabilities	5,544,404	4,598,317	68,591	63,132	5,612,995	4,661,449
Long-term liabilities, net of current portion	138,027,340	150,566,998	177,721	215,478	138,205,061	150,782,476
Total liabilities	143,571,744	155,165,315	246,312	278,610	143,818,056	155,443,925
Deferred inflows of resources	14,766,698	3,017,483	-	-	14,766,698	3,017,483
Net assets:						
Net investment in capital	56,290,087	60,383,528	107,444	38,953	56,397,531	60,422,481
Restricted	13,006,667	6,889,440	31,580	-	13,038,247	6,889,440
Unrestricted	(108,813,616)	(100,639,560)	147,419	136,538	(108,666,197)	(100,503,022)
Total net assets	\$ (39,516,862)	\$ (33,366,592)	\$ 286,443	\$ 175,491	\$ (39,230,419)	\$ (33,191,101)

The City's investment in capital assets less any related debt still outstanding that was issued to acquire those assets is \$56.4 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, \$13.0 million represents the balance of total net position that is subject to external or Council placed restrictions on how they may be used.

Changes in Net Position

The following table shows the changes in net position for fiscal year 2017:

FOR THE YEAR END SEPTEMBER 30, 2017

Condensed Statement of Activities							
For the Years Ended September 30, 2017 and 2016							
	Governmental		Business-type				
	Activities		Activities		Total		
	2017	2016	2017	2016	2017	2016	
Revenue							
Program Revenue:							
Charges for services	\$ 3,621,900	\$ 3,811,706	\$ 523,166	\$ 485,188	\$ 4,145,066	\$ 4,296,894	
Operating grants and contributions	4,297,647	4,329,706	-	-	4,297,647	4,329,706	
Capital grants and contributions	82,499	214,714	-	-	82,499	214,714	
General Revenue:							
Taxes	30,862,275	30,433,032	-	-	30,862,275	30,433,032	
Licenses and permits	4,481,524	4,586,138	-	-	4,481,524	4,586,138	
Interest earnings	48,877	8,533	-	-	48,877	8,533	
Other revenues	181,521	130,008	-	-	181,521	130,008	
Total revenue	43,576,243	43,513,837	523,166	485,188	44,099,409	43,999,025	
Expenses							
General government	12,465,776	12,307,120	-	-	12,465,776	12,307,120	
Judicial	495,946	470,060	-	-	495,946	470,060	
Public safety	17,646,377	19,487,595	-	-	17,646,377	19,487,595	
Public works	9,737,922	10,120,741	-	-	9,737,922	10,120,741	
Housing and development	2,084,638	2,235,452	-	-	2,084,638	2,235,452	
Public facilities	-	-	-	-	-	-	
Economic development	249,849	382,193	-	-	249,849	382,193	
Culture and recreation	5,261,176	5,061,615	-	-	5,261,176	5,061,615	
Interest	1,978,228	1,768,278	-	-	1,978,228	1,768,278	
Museum store	-	-	69,300	53,506	69,300	53,506	
Victoria hotel	-	-	-	-	-	-	
Stormwater	-	-	342,914	388,907	342,914	388,907	
Total expenses	49,919,912	51,833,054	412,214	442,413	50,332,126	52,275,467	
Capital contribution from other funds	-	-	-	-	-	-	
Capital contribution to other funds	-	-	-	-	-	-	
Gain/(Loss) on sale of assets	193,399	(533,909)	-	-	193,399	(533,909)	
Change in net position	\$ (6,150,270)	\$ (8,853,126)	\$ 110,952	\$ 42,775	\$ (6,039,318)	\$ (8,810,351)	

Governmental Activities

Revenues for governmental activities totaled \$43.6 million in FY 2017, which represents an increase of 0.14% over FY 2016. Taxes account for \$30.9 million or 70.8% of total revenue in 2017 and reported an increase of \$429,243 compared to FY 2016. Licenses and permits account for \$4.5 million or 10.3 % of total revenue. Charges for services accounted for \$3.6 million or 8.3% of total revenue in FY 2017 and reported a decrease of \$189,806 from FY 2016. A decrease in grant related activities is responsible for this decrease.

Expenses for governmental activities totaled \$49.9 million in FY 2017, which represents a decrease of \$1.9 million, or 3.7%, compared to FY 2016.

Business-type Activities

Revenues for business-type activities were \$523,166, which represents an increase of 7.8% over FY 2016. This increase can be attributed to an increase in sales at the Museum Store and additional stormwater collections.

Expenses for business-type activities totaled \$412,214 in FY 2017, which represents a decrease of 6.8% compared to FY 2016.

FOR THE YEAR END SEPTEMBER 30, 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 \$4.8 million, compared with \$4.6 million at the end of FY 2016. As a measure of the general fund's liquidity, it represents 12.7% of total general fund expenditures (including transfers out) at the end of FY 2017.

General Fund-Fund Balances			
For the Years Ended September 30, 2016 and 2017			
	2017	2016	Change
Nonspendable	161,751	125,061	36,690
Assigned	-	73,000	(73,000)
Unassigned	4,847,626	4,641,676	205,950
Total Fund Balances	5,009,377	4,839,737	169,640

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 two enterprise funds, the Museum Store and Stormwater Fee Fund (initiated in FY 2015). The City also operates the retail store at the Anniston Museum of Natural History. The net position of the enterprise funds was \$286,443, an increase of \$110,952 from FY 2016.

Business Activities-Net Position			
For the Years Ended September 30, 2016 and 2017			
	2017	2016	Change
Net Investment in Capital Assests	107,444	38,953	68,491
Restricted	31,580	(370)	31,950
Unrestricted	147,419	136,908	10,511
Total Net Position	286,443	175,491	110,952

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 (\$593,190) in FY 2017. In accordance with State law, the City had an actuarial analysis performed to determine the unpaid loss liability on the Worker's Compensation Fund. As a result of this study, the City had to record an expense of \$240,352.

FOR THE YEAR END SEPTEMBER 30, 2017

Internal Service Funds-Net Position			
For the Years Ended September 30, 2016 and 2017			
	2017	2016	Change
Restricted	-	-	-
Unrestricted	(593,190)	(221,118)	(372,072)
Total Net Position	(593,190)	(221,118)	(372,072)

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, 2017				
				Variance
	Original	Final	Actual	From Final
	Budget	Budget	Amount	Budget
Revenues	\$ 36,205,400	\$ 37,626,750	\$ 38,029,203	\$ 402,453
Expenditures	30,567,800	31,901,150	31,652,718	\$ (248,432)
Other Sources (Uses)	(5,637,600)	(5,725,600)	(6,206,845)	\$ (481,245)
Total	\$ -	\$ -	\$ 169,640	\$ 169,640

Capital Asset and Debt Administration

Capital Assets: The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2017 totals \$94.9 million (net of accumulated depreciation) and for its business-type activities as of September 30, 2017 totals \$328,701 (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, 2017 totaled \$138.2 million. Of this amount, \$138.0 million relates to governmental activities and \$177,721 relates to business-type activities. Overall, the City's long-term liabilities decreased from FY2016 by \$12.6 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, 2017

Economic Factors and Next Year's Budget

Between October 2015 and December 2017, the City has seen growth in the local economy with announcements of industrial expansions totaling \$32.9 million, an increase in sales and use taxes collected, and a \$10 million hotel development in downtown. In addition, Congress appropriated \$43 million to construct a new federal courthouse in downtown, and in January 2017, President Obama designated the Freedom Riders National Monument in Anniston, which includes the former bus station where a mob attacked the Freedom Riders.

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 68 miles of trails with varying levels of difficulty. Riders are already traveling to the area from all over the country with 25 miles already in service.

The City adopted a FY 2018 general fund budget of \$37.9 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 2018 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:

- Revenues were projected to remain flat from the FY2017 amended budget.
- Mayor and Council made a commitment to increase the fund balance to 17% of budgeted expenditures in five years. A reserve amount of \$250,000 was included in the FY 2018 budget.
- Expenditures were projected to decrease by 3.3% compared to the FY 2016 final amended budget. Removal of one-time expenditures is the main reason for the decrease.
- Mayor and Council approved a step, or merit, increase for employees effective October 27, 2017.
- Public safety was a key concern for Mayor and Council. They approved four (4) new police officers funded by a COPS grant, as well, as additional salary increases for public safety personnel for retention purposes.
- Mayor and Council appropriated funds to cover \$3.64 million in capital outlays. Funds from various sources (general fund, bond issuance, stormwater, fire tax, etc.) were assigned to pay for these projects which included infrastructure improvements, vehicle replacements, technology upgrades, and facility improvements.

Questions or Comments

Any questions or comments about this document should be addressed to Cory Salley, Finance Director, email: csalley@anniston.al.gov.

CITY OF ANNISTON, ALABAMA

STATEMENT OF NET POSITION

September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 4,895,247	\$ 144,074	\$ 5,039,321
Investments	929,427	-	929,427
Receivables, net of allowance for uncollectibles	5,942,819	29,891	5,972,710
Internal balances	42,432	(42,432)	-
Inventories	161,751	72,521	234,272
Other assets	55,320	-	55,320
Restricted assets:			
Cash and cash equivalents	2,033,394	-	2,033,394
Investments	-	-	-
Capital assets:			
Land and other nondepreciable assets	17,609,826	-	17,609,826
Capital assets, net of accumulated depreciation	77,310,776	328,701	77,639,477
Total assets	<u>108,980,992</u>	<u>532,755</u>	<u>109,513,747</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	8,484,184	-	8,484,184
Deferred bond insurance cost	98,889	-	98,889
Deferred charges on refunding	1,257,515	-	1,257,515
Total deferred outflows of resources	<u>9,840,588</u>	<u>-</u>	<u>9,840,588</u>
LIABILITIES			
Accounts payable	1,502,089	25,055	1,527,144
Accrued and other payables	2,268,061	-	2,268,061
Unearned revenues	32,092	-	32,092
OPEB obligation	4,539,188	-	4,539,188
Net pension liability	94,585,346	-	94,585,346
Long-term liabilities, due within one year	1,742,162	43,536	1,785,698
Long-term liabilities, due in more than one year	38,902,806	177,721	39,080,527
Total liabilities	<u>143,571,744</u>	<u>246,312</u>	<u>143,818,056</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	13,072,948	-	13,072,948
Unavailable revenue, loans	1,693,750	-	1,693,750
Total deferred inflows of resources	<u>14,766,698</u>	<u>-</u>	<u>14,766,698</u>
NET POSITION			
Net investment in capital assets	56,290,087	107,444	56,397,531
Restricted for:			
Capital projects	341,431	-	341,431
Debt service	1,944,390	-	1,944,390
Judicial	40,090	-	40,090
Public safety	897,338	-	897,338
Road improvements	1,131,983	-	1,131,983
Culture and recreation	244,912	-	244,912
Economic and industrial development	184,046	-	184,046
Housing and development	612,477	-	612,477
Endowment fund	-	-	-
Stormwater service	-	31,580	31,580
Unrestricted (deficit)	(101,203,616)	147,419	(101,056,197)
Total net position (deficit)	<u>\$ (39,516,862)</u>	<u>\$ 286,443</u>	<u>\$ (39,230,419)</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	
\$ 342,402	\$ 66,942	
107,021	1,797,600	
-	-	
-	-	
-	120	
14,313	-	
-	-	
-	14,452	
25,907	19,800	
333,165	-	
<u>822,808</u>	<u>1,898,914</u>	
298,233	-	
-	-	
-	-	
<u>298,233</u>	<u>-</u>	
41,210	-	
-	-	
-	-	
-	-	
137,134	-	
-	-	
-	-	
<u>178,344</u>	<u>-</u>	
87,701	-	
-	-	
<u>87,701</u>	<u>-</u>	
359,072	-	
-	-	
-	-	
-	-	
-	-	
-	-	
28,138	1,898,914	
-	-	
-	-	
107,021	-	
<u>360,765</u>	<u>-</u>	
<u>\$ 854,996</u>	<u>\$ 1,898,914</u>	

CITY OF ANNISTON, ALABAMA

STATEMENT OF ACTIVITIES

Year ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities -				
General government	\$ 12,465,776	\$ 1,620,477	\$ 1,800,325	\$ -
Judicial	495,946	611,556	-	-
Public safety	17,646,377	17,298	821,461	-
Public works	9,737,922	12,090	601,168	82,499
Economic development	249,849	222,806	-	-
Culture and recreation	5,261,176	1,137,673	255,172	-
Housing and development	2,084,638	-	819,521	-
Interest on debt and other expenses	1,978,228	-	-	-
Total governmental activities	49,919,912	3,621,900	4,297,647	82,499
Business-type activities -				
Museum store	69,300	79,426	-	-
Stormwater fees	342,914	443,740	-	-
Total business-type activities	412,214	523,166	-	-
TOTAL PRIMARY GOVERNMENT	\$ 50,332,126	\$ 4,145,066	\$ 4,297,647	\$ 82,499
Component units -				
Public library	\$ 1,246,138	\$ 47,491	\$ 207,168	\$ 301,750
Museum endowment	56,724	-	94,450	-
TOTAL COMPONENT UNITS	\$ 1,302,862	\$ 47,491	\$ 301,618	\$ 301,750

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
 Total general revenues and transfers

Change in net position

Net position, beginning

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
\$ (9,044,974)	\$ -	\$ (9,044,974)	\$ -	\$ -
115,610	-	115,610	-	-
(16,807,618)	-	(16,807,618)	-	-
(9,042,165)	-	(9,042,165)	-	-
(27,043)	-	(27,043)	-	-
(3,868,331)	-	(3,868,331)	-	-
(1,265,117)	-	(1,265,117)	-	-
(1,978,228)	-	(1,978,228)	-	-
(41,917,866)	-	(41,917,866)	-	-
-	10,126	10,126	-	-
-	100,826	100,826	-	-
-	110,952	110,952	-	-
(41,917,866)	110,952	(41,806,914)	-	-
-	-	-	(689,729)	-
-	-	-	-	37,726
-	-	-	(689,729)	37,726
22,265,010	-	22,265,010	-	-
4,852,929	-	4,852,929	-	-
658,726	-	658,726	-	-
3,085,610	-	3,085,610	-	-
4,481,524	-	4,481,524	-	-
-	-	-	657,065	-
48,877	-	48,877	3,747	-
-	-	-	10,112	-
181,521	-	181,521	17,393	-
193,399	-	193,399	-	-
35,767,596	-	35,767,596	688,317	-
(6,150,270)	110,952	(6,039,318)	(1,412)	37,726
(33,366,592)	175,491	(33,191,101)	856,408	1,861,188
<u>\$ (39,516,862)</u>	<u>\$ 286,443</u>	<u>\$ (39,230,419)</u>	<u>\$ 854,996</u>	<u>\$ 1,898,914</u>

CITY OF ANNISTON, ALABAMA

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2017

	General	Fire Tax District	Public Building Authority
ASSETS			
Cash and cash equivalents	\$ 779,999	\$ 226,017	\$ -
Investments	27,966	556,273	-
Receivables, net of allowance for uncollectibles:			
Taxes	2,068,442	-	-
Accounts receivables	484,683	-	-
Notes	-	-	-
Due from other funds	3,542,710	-	-
Due from other governments	526,651	23,299	-
Prepaid expenses	-	320	-
Inventories	161,751	-	-
Restricted cash	-	-	2,033,394
Total assets	<u>\$ 7,592,202</u>	<u>\$ 805,909</u>	<u>\$ 2,033,394</u>
LIABILITIES			
Accounts payable	\$ 850,596	\$ 90,099	\$ -
Accrued liabilities	1,422,495	-	-
Other payables	36,199	-	-
Due to other funds	241,443	574,611	158,706
Unearned revenue	<u>32,092</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,582,825</u>	<u>664,710</u>	<u>158,706</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, loans	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Prepaid expenses	-	320	-
Inventories	161,751	-	-
Restricted for:			
Capital projects	-	-	-
Debt service	-	-	1,874,688
Judicial	-	-	-
Public safety	-	140,879	-
Road improvements	-	-	-
Culture and recreation	-	-	-
Economic and industrial development	-	-	-
Housing and development	-	-	-
Unassigned	<u>4,847,626</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,009,377</u>	<u>141,199</u>	<u>1,874,688</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 7,592,202</u>	<u>\$ 805,909</u>	<u>\$ 2,033,394</u>

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

<u>HOME</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 48,878	\$ 16,401	\$ 3,524,575	\$ 4,595,870
-	-	345,188	929,427
-	-	-	2,068,442
-	-	17,479	502,162
1,258,179	-	967,687	2,225,866
-	-	510,774	4,053,484
-	-	596,399	1,146,349
-	-	-	320
-	-	-	161,751
-	-	-	2,033,394
<u>\$ 1,307,057</u>	<u>\$ 16,401</u>	<u>\$ 5,962,102</u>	<u>\$ 17,717,065</u>
\$ 2,708	\$ -	\$ 226,723	\$ 1,170,126
-	-	521	1,423,016
-	-	242,759	278,958
152,022	-	2,268,666	3,395,448
-	-	-	32,092
<u>154,730</u>	<u>-</u>	<u>2,738,669</u>	<u>6,299,640</u>
<u>1,272,421</u>	<u>-</u>	<u>421,329</u>	<u>1,693,750</u>
<u>1,272,421</u>	<u>-</u>	<u>421,329</u>	<u>1,693,750</u>
-	-	-	320
-	-	-	161,751
-	16,401	325,030	341,431
-	-	69,702	1,944,390
-	-	40,090	40,090
-	-	756,459	897,338
-	-	1,131,983	1,131,983
-	-	244,912	244,912
-	-	184,046	184,046
-	-	612,477	612,477
(120,094)	-	(562,595)	4,164,937
<u>(120,094)</u>	<u>16,401</u>	<u>2,802,104</u>	<u>9,723,675</u>
<u>\$ 1,307,057</u>	<u>\$ 16,401</u>	<u>\$ 5,962,102</u>	<u>\$ 17,717,065</u>

CITY OF ANNISTON, ALABAMA

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

September 30, 2017

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 \$ 9,723,675

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. 94,920,602

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. (593,190)

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	\$ 638,906	
Experience loss - pension plans	2,396,052	
Assumption change loss - pension plans	5,020,237	
Earnings variance - pension plans	<u>428,989</u>	8,484,184

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	(1,392,133)	
Assumption change gain - pension plans	(8,639,738)	
Earnings variance - pension plans	<u>(3,041,077)</u>	(13,072,948)

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. (4,539,188)

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

General pension	(9,819,127)	
Police and fire pension	<u>(84,766,219)</u>	(94,585,346)

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	(37,251,587)	
Add deferred refunding, issue discounts, and insurance	953,460	
Capital leases	(975,986)	
Compensated absences	(2,014,451)	
Accrued interest payable	<u>(566,087)</u>	(39,854,651)

Net position of governmental activities \$ (39,516,862)

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, 2017

	General	Fire Tax District	Public Building Authority
REVENUES			
Taxes	\$ 29,832,187	\$ 886,850	\$ -
Licenses and permits	4,680,395	-	-
Intergovernmental	356,239	-	1,290,245
Charges for services	2,348,994	-	-
Fines and forfeitures	563,631	-	-
Contributions and donations	90,110	-	-
Investment income	749	6,472	5,525
Other revenue	156,898	54,232	-
Total revenues	<u>38,029,203</u>	<u>947,554</u>	<u>1,295,770</u>
EXPENDITURES			
Current			
General government	7,316,482	-	-
Judicial	347,998	-	-
Public safety	13,722,424	2,421,443	-
Public works	6,355,284	-	-
Economic development	167,531	-	-
Culture and recreation	3,742,999	-	-
Housing and development	-	-	-
Capital outlay	-	-	-
Debt service -			
Principal	-	-	830,335
Interest and fiscal charges	-	-	1,024,898
Total expenditures	<u>31,652,718</u>	<u>2,421,443</u>	<u>1,855,233</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,376,485</u>	<u>(1,473,889)</u>	<u>(559,463)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	140,919	-	-
Capital lease issued	-	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Payments to refunded bonds escrow agent	-	-	-
Transfers in	295,500	-	561,395
Transfers out	(6,643,264)	-	(32,000)
Total financing sources (uses)	<u>(6,206,845)</u>	<u>-</u>	<u>529,395</u>
NET CHANGE IN FUND BALANCES	169,640	(1,473,889)	(30,068)
Fund balance, beginning	<u>4,839,737</u>	<u>1,615,088</u>	<u>1,904,756</u>
Fund balance, ending	<u>\$ 5,009,377</u>	<u>\$ 141,199</u>	<u>\$ 1,874,688</u>

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

HOME	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 143,238	\$ 30,862,275
-	-	-	4,680,395
208,106	-	2,408,938	4,263,528
-	-	266,118	2,615,112
-	-	55,517	619,148
-	-	84,003	174,113
1,658	20	35,857	50,281
-	-	70,184	281,314
<u>209,764</u>	<u>20</u>	<u>3,063,855</u>	<u>43,546,166</u>
-	-	-	7,316,482
-	-	147,948	495,946
-	-	852,416	16,996,283
-	-	348,036	6,703,320
-	-	82,318	249,849
-	-	1,127,539	4,870,538
329,547	-	523,409	852,956
-	-	1,210,564	1,210,564
-	287,830	389,000	1,507,165
-	425,377	366,896	1,817,171
<u>329,547</u>	<u>713,207</u>	<u>5,048,126</u>	<u>42,020,274</u>
<u>(119,783)</u>	<u>(713,187)</u>	<u>(1,984,271)</u>	<u>1,525,892</u>
-	-	-	140,919
-	-	380,000	380,000
-	9,200,000	-	9,200,000
-	398,352	-	398,352
-	(8,869,598)	-	(8,869,598)
114,675	628,031	2,542,998	4,142,599
-	(627,197)	(1,135,138)	(8,437,599)
<u>114,675</u>	<u>729,588</u>	<u>1,787,860</u>	<u>(3,045,327)</u>
(5,108)	16,401	(196,411)	(1,519,435)
<u>(114,986)</u>	<u>-</u>	<u>2,998,515</u>	<u>11,243,110</u>
<u>\$ (120,094)</u>	<u>\$ 16,401</u>	<u>\$ 2,802,104</u>	<u>\$ 9,723,675</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, 2017

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	\$ (1,519,435)
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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.	1,956,787
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Depreciation expense on governmental capital assets are included in the statement of activities.	(5,700,010)
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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.

Capital lease additions	\$ (380,000)	
Bond additions	(9,200,000)	
Premium on bond issue	(398,352)	
Net deferred refunding	1,303,097	
Principal repayments	1,507,165	
Refunding of bonds	7,610,000	
Amortization	(57,361)	
Change in accrued interest payable	<u>(147,195)</u>	237,354

Net income of the internal service fund are reported with governmental activities.	(372,072)
--	-----------

The net effect of various transactions involving capital assets is to decrease net position.	(120,520)
--	-----------

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	303,225	
Change in net pension liability and related deferrals - police and fire	(482,928)	
Change in net pension liability and related deferrals - general	(551,274)	
Change in OPEB liability	<u>98,603</u>	<u>(632,374)</u>

Change in net position of governmental activities	<u>\$ (6,150,270)</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 - BUDGET AND ACTUAL GENERAL FUND

Year ended September 30, 2017

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 28,467,500	\$ 29,680,500	\$ 29,832,187	\$ 151,687
Licenses and permits	4,727,850	4,722,850	4,680,395	(42,455)
Intergovernmental	235,500	355,700	356,239	539
Charges for services	2,301,150	2,337,900	2,348,994	11,094
Fines and forfeitures	329,500	329,500	563,631	234,131
Contributions and donations	98,000	77,000	90,110	13,110
Investment income	500	500	749	249
Other revenue	45,400	122,800	156,898	34,098
Total revenues	<u>36,205,400</u>	<u>37,626,750</u>	<u>38,029,203</u>	<u>402,453</u>
EXPENDITURES				
General Government				
Finance	987,525	990,425	979,227	11,198
Food service	567,000	560,000	548,365	11,635
General division	567,600	607,000	573,279	33,721
City Council	182,165	182,165	163,175	18,990
Planning	313,200	315,200	305,657	9,543
Non-departmental	1,877,000	2,381,000	2,539,811	(158,811)
Outside agencies	2,192,500	2,192,500	2,206,968	(14,468)
	<u>6,686,990</u>	<u>7,228,290</u>	<u>7,316,482</u>	<u>(88,192)</u>
Judicial				
Municipal court	339,450	339,450	347,998	(8,548)
Public Safety				
Police administration	7,300,300	7,583,300	7,499,019	84,281
Selective traffic enforcement	55,000	55,000	66,730	(11,730)
Community traffic safety	20,000	60,000	74,767	(14,767)
Police detention	530,200	527,200	505,083	22,117
Fire	5,639,000	5,622,925	5,576,825	46,100
	<u>13,544,500</u>	<u>13,848,425</u>	<u>13,722,424</u>	<u>126,001</u>

(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, 2017

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
(Continued from previous page)				
Public Works				
Administration	212,950	212,700	207,690	5,010
Cemetery	79,185	80,185	79,424	761
Engineering	274,700	274,700	306,074	(31,374)
Garage	209,850	244,850	240,091	4,759
Environmental services	1,161,000	1,206,000	1,168,106	37,894
Street	2,543,500	2,635,000	2,682,789	(47,789)
Anniston metro airport	111,375	109,375	109,083	292
Building maintenance	1,451,000	1,464,000	1,437,711	26,289
Code enforcement	130,250	130,250	124,316	5,934
	<u>6,173,810</u>	<u>6,357,060</u>	<u>6,355,284</u>	<u>1,776</u>
Economic development				
Economic development	<u>225,250</u>	<u>182,900</u>	<u>167,531</u>	<u>15,369</u>
Culture and Recreation				
Administration	327,800	331,300	315,847	15,453
Publicity	8,000	8,000	7,930	70
Senior adult	287,000	299,300	293,352	5,948
Special events	24,250	24,250	24,366	(116)
Youth services	101,250	101,750	96,492	5,258
PARC Carver Community	139,850	142,850	143,202	(352)
PARC Hodges Community	93,650	106,450	107,303	(853)
PARC South Highland	120,500	123,400	116,067	7,333
PARC Wiggins Community	89,550	115,600	113,098	2,502
PARC Carver Pool	10,100	12,600	15,180	(2,580)
PARC Washington Pool	9,450	20,000	22,560	(2,560)
PARC Good Choices	12,000	16,000	16,825	(825)
PARC The Hill Golf Club	99,650	111,925	115,473	(3,548)
PARC Motor Pool	7,000	10,000	11,139	(1,139)
PARC Cane Creek	243,500	264,200	271,848	(7,648)
PARC Course Maintenance	311,400	311,400	319,028	(7,628)
PARC Aquatics Center	641,450	762,600	766,910	(4,310)
PARC Truman Gym	-	-	1,902	(1,902)
The Downtown Market	29,900	22,400	23,921	(1,521)

(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, 2017

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
(Continued from previous page)				
Youth Sports Complex	366,100	379,000	354,563	24,437
Parks	488,400	515,000	523,778	(8,778)
Baseball	6,500	6,500	5,294	1,206
Basketball	21,000	21,000	20,439	561
Soccer	40,000	40,000	36,465	3,535
Flag Football	1,000	1,000	1,098	(98)
Football	8,500	8,500	10,224	(1,724)
Softball - Woodland	-	-	8,695	(8,695)
	<u>3,487,800</u>	<u>3,755,025</u>	<u>3,742,999</u>	<u>12,026</u>
Total expenditures	<u>30,457,800</u>	<u>31,711,150</u>	<u>31,652,718</u>	<u>58,432</u>
Excess of revenues over expenditures	<u>5,747,600</u>	<u>5,915,600</u>	<u>6,376,485</u>	<u>460,885</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	15,000	140,000	140,919	919
Transfers in	185,500	195,500	295,500	100,000
Transfers out	<u>(5,948,100)</u>	<u>(6,251,100)</u>	<u>(6,643,264)</u>	<u>(392,164)</u>
Total financing sources (uses)	<u>(5,747,600)</u>	<u>(5,915,600)</u>	<u>(6,206,845)</u>	<u>(291,245)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	169,640	<u>\$ 169,640</u>
FUND BALANCES, beginning			<u>4,839,737</u>	
FUND BALANCES, ending			<u>\$ 5,009,377</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, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Museum Store	Stormwater Fees	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 119,667	\$ 24,407	\$ 144,074	299,377
Accounts receivable	495	-	495	-
Inventories	72,521	-	72,521	-
Due from other governments	-	29,396	29,396	-
Prepaid expenses	-	-	-	55,000
Total current assets	<u>192,683</u>	<u>53,803</u>	<u>246,486</u>	<u>354,377</u>
Noncurrent assets:				
Property and equipment	58,808	448,046	506,854	-
Less accumulated depreciation	<u>(49,157)</u>	<u>(128,996)</u>	<u>(178,153)</u>	<u>-</u>
Net capital assets	<u>9,651</u>	<u>319,050</u>	<u>328,701</u>	<u>-</u>
Total assets	<u>202,334</u>	<u>372,853</u>	<u>575,187</u>	<u>354,377</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,353	20,702	25,055	331,963
Due to other funds	40,911	1,521	42,432	615,604
Capital leases payable, current	-	43,536	43,536	-
Total liabilities	<u>45,264</u>	<u>65,759</u>	<u>111,023</u>	<u>947,567</u>
Long-term liabilities:				
Capital leases payable, noncurrent	-	177,721	177,721	-
Total long-term liabilities	<u>-</u>	<u>177,721</u>	<u>177,721</u>	<u>-</u>
Total liabilities	<u>45,264</u>	<u>243,480</u>	<u>288,744</u>	<u>947,567</u>
NET POSITION				
Net investment in capital assets	9,651	97,793	107,444	-
Restricted for stormwater service	-	31,580	31,580	-
Unrestricted	<u>147,419</u>	<u>-</u>	<u>147,419</u>	<u>(593,190)</u>
Total net position	<u>\$ 157,070</u>	<u>\$ 129,373</u>	<u>\$ 286,443</u>	<u>\$ (593,190)</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, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Museum Store	Stormwater Fees	Total	Internal Service Fund
OPERATING REVENUES				
Sales	\$ 75,892	\$ -	\$ 75,892	\$ -
Stormwater fees	-	443,740	443,740	-
Other	3,534	-	3,534	15,872
Total operating revenues	79,426	443,740	523,166	15,872
OPERATING EXPENSES				
Salaries and wages	22,581	190,000	212,581	-
Professional and contractual services	5,872	45,513	51,385	170,920
Supplies and purchased goods	38,149	-	38,149	625
Insurance	-	-	-	4,511,399
Depreciation	385	80,995	81,380	-
Other	2,313	21,497	23,810	-
Total operating expenses	69,300	338,005	407,305	4,682,944
OPERATING INCOME (LOSS)	10,126	105,735	115,861	(4,667,072)
NONOPERATING EXPENSES				
Interest expense	-	4,909	4,909	-
INCOME (LOSS) BEFORE TRANSFERS	10,126	100,826	110,952	(4,667,072)
Transfers in	-	-	-	4,295,000
CHANGE IN NET POSITION	10,126	100,826	110,952	(372,072)
NET POSITION, beginning	146,944	28,547	175,491	(221,118)
NET POSITION, ending	\$ 157,070	\$ 129,373	\$ 286,443	\$ (593,190)

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, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Museum Store	Stormwater Fees	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 105,251	\$ 414,377	\$ 519,628	\$ 441,704
Payments to employees	(22,581)	(190,000)	(212,581)	-
Payments for goods and services	(47,165)	(58,087)	(105,252)	(4,437,327)
Net cash from operating activities	<u>35,505</u>	<u>166,290</u>	<u>201,795</u>	<u>(3,995,623)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	-	-	-	4,295,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital lease obligations	-	(42,603)	(42,603)	-
Interest paid on capital lease obligations	-	(4,909)	(4,909)	-
Acquisition of capital assets	-	(107,268)	(107,268)	-
Net cash flows used on capital and related financing activities	-	(154,780)	(154,780)	-
Net increase (decrease) in cash and cash equivalents	<u>35,505</u>	<u>11,510</u>	<u>47,015</u>	<u>299,377</u>
Cash and cash equivalents, beginning of year	<u>84,162</u>	<u>12,897</u>	<u>97,059</u>	-
Cash and cash equivalents, end of year	<u>\$ 119,667</u>	<u>\$ 24,407</u>	<u>\$ 144,074</u>	<u>\$ 299,377</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ 10,126	\$ 105,735	\$ 115,861	\$ (4,667,072)
ADJUSTMENTS NOT AFFECTING CASH				
Depreciation expense	385	80,995	81,380	-
(Increase) decrease in:				
Accounts receivable	(384)	-	(384)	-
Inventories	(2,213)	-	(2,213)	-
Due from other funds	-	-	-	6,056
Due from other governments	-	71,846	71,846	-
Prepaid expenses	-	-	-	(55,000)
Increase (decrease) in:				
Accounts payable	1,382	8,923	10,305	300,617
Due to other funds	<u>26,209</u>	<u>(101,209)</u>	<u>(75,000)</u>	<u>419,776</u>
Total adjustments	<u>25,379</u>	<u>60,555</u>	<u>85,934</u>	<u>671,449</u>
Net cash from operating activities	<u>\$ 35,505</u>	<u>\$ 166,290</u>	<u>\$ 201,795</u>	<u>\$ (3,995,623)</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, 2017

	Municipal Court	Policemen's and Fireman's Retirement Fund
ASSETS		
Cash and cash equivalents	\$ 323,346	\$ 572,984
Receivables		
Contribution receivable	-	548,152
Accounts receivable	-	45,880
Investments at fair value:		
U.S. Government obligations	-	3,975,414
Municipal obligations	-	142,938
Corporate bonds	-	3,407,965
International obligations	-	113,965
Domestic equity securities	-	15,530,735
International equity securities	-	800,944
Collective investment fund	-	3,774,832
Timber	-	974,364
Real estate	-	1,449,560
Total assets	<u>323,346</u>	<u>31,337,733</u>
LIABILITIES		
Accounts payable	85	53,342
Due to other governments	<u>323,261</u>	<u>-</u>
Total liabilities	<u>323,346</u>	<u>53,342</u>
NET POSITION		
Net position restricted for pension benefits	<u>\$ -</u>	<u>\$ 31,284,391</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, 2017

	Policeman's and Fireman's Retirement fund
ADDITIONS	
Contributions:	
Employer contributions	\$ 3,821,164
Employee contributions	<u>1,058,117</u>
Total contributions	<u>4,879,281</u>
Investment earnings	
Interest	223,574
Dividends	290,319
Miscellaneous	942
Net appreciation in fair value of investments	3,338,610
Less: investment expenses	<u>(94,882)</u>
Net investment earnings	<u>3,758,563</u>
Total additions	<u>8,637,844</u>
DEDUCTIONS	
Administrative expenses	167,287
Benefits paid directly to participants	<u>5,243,975</u>
Total deductions	5,411,262
NET INCREASE IN NET POSITION	3,226,582
Net position, beginning	<u>28,057,809</u>
Net position, ending	<u><u>\$ 31,284,391</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, 2017

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CITY OF ANNISTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017. The Corporation’s sole mission is to support the Anniston Museum of Natural History. These audited financial statements are located at Anniston City Hall.

The Museum League

The Museum League (League) 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 League’s sole mission is to support the Anniston Museum of Natural History. During fiscal year 2017, the board of the League voted to dissolve the 501(c) (3) and become a department of the Museum Endowment Corporation. Membership sales were transferred back to the responsibility of the City. There are no financial statements available as all funds were transferred to the Anniston Museum Endowment Corporation.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The *Fire Tax Fund* accounts for the collection of special tax and revenues that are restricted for fire safety expenditures.

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.

The City reports the following major enterprise funds:

The *Museum Store Fund* accounts for the operations of retail stores located within the City's public museums.

The *Stormwater Fees Fund* accounts for stormwater and drainage services provided to the residents 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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

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, 2017, General Fund expenditures exceeded budgeted appropriations within the general government and judicial functions by \$88,192 and \$8,548, respectively.

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.

Investments

Investments consist of government securities and certificates of deposit. In accordance with Governmental Accounting Standards Board No. 31, Accounting for Financial Reporting for Certain Investments and for External Investment Pools, the City reports its money market investments and investments in short term debt securities that have remaining maturities of one year or less at amortized cost. All other investments are stated at fair value based on quoted market prices.

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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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.

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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations (Continued)

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.”

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New GASB Standards

GASB Statement No. 77, establishes general principles for disclosing tax abatements. This standard establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

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.

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, 2017, all of the deposits of the City were fully collateralized in accordance with the state statutes.

As of September 30, 2017, the primary government's investments consisted of money market accounts which totaled \$929,427.

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.

(Continued)

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)**Police and Fire Trust Fund Investments** (Continued)

The fair value and classification of the investments at September 30, 2017 is as follows:

		Fair Value Measurements Using:			
	Fair Value		Level 1	Level 2	Level 3
Police and Fire Pension Trust Fund:					
U.S. Government Securities					
U.S. Treasury	\$ 1,819,391	\$	1,819,391	\$ -	\$ -
Government agencies and other	2,156,023		2,156,023	-	-
Equities					
Financial services	2,633,998		2,633,998	-	-
Healthcare	1,785,491		1,785,491	-	-
Industrial	2,645,709		2,645,709	-	-
Information technology	4,669,990		4,669,990	-	-
Consumer discretionary	3,316,056		3,316,056	-	-
Other	1,280,435		1,280,435	-	-
Municipal bonds	142,938		-	142,938	-
Corporate bonds and debentures	3,407,965		-	3,407,965	-
Foreign bonds and debentures	113,965		-	113,965	-
Collective investment pools	3,774,832		-	3,774,832	-
Real estate	1,449,560		-	-	1,449,560
Timber	974,364		-	-	974,364
Total					
	\$ 30,170,717	\$	20,307,093	\$ 7,439,700	\$ 2,423,924

NOTE 4 – RECEIVABLES

Receivables at September 30, 2017, consist of the following:

Governmental Activities Funds

	General	Fire Tax District	Special Revenue Funds (HOME)	Nonmajor Governmental Funds	Total
Taxes	\$ 2,068,442	\$ -	\$ -	\$ -	\$ 2,068,442
Accounts	999,135	-	-	17,479	1,016,614
Notes	-	-	1,258,179	1,088,817	2,346,996
Intergovernmental	<u>526,651</u>	<u>23,299</u>	<u>-</u>	<u>596,399</u>	<u>1,146,349</u>
Gross receivables	3,594,228	23,299	1,258,179	1,702,695	6,578,401
Less: Allowance for Uncollectible	<u>(514,452)</u>	<u>-</u>	<u>-</u>	<u>(121,130)</u>	<u>(635,582)</u>
Net receivables	<u>\$ 3,079,776</u>	<u>\$ 23,299</u>	<u>\$ 1,258,179</u>	<u>\$ 1,581,565</u>	<u>\$ 5,942,819</u>

Business-Type Activities

	Museum Store	Stormwater Fees	Total
Accounts	\$ 495	\$ -	\$ 495
Intergovernmental	<u>-</u>	<u>29,396</u>	<u>29,396</u>
Gross receivables	495	29,396	29,891
Less: Allowance for uncollectible	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 495</u>	<u>\$ 29,396</u>	<u>\$ 29,891</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		
	General Fund	Nonmajor Governmental Funds	Total
<u>Payable Fund</u>			
General Fund	\$ -	\$ 241,443	\$ 241,443
Fire Tax District	574,611	-	574,611
Public Building Authority	158,706	-	158,706
HOME	152,022	-	152,022
Nonmajor Governmental Funds	1,999,335	269,331	2,268,666
Proprietary Funds	42,432	-	42,432
Internal Service Fund	615,604	-	615,604
Total	<u>\$ 3,542,710</u>	<u>\$ 510,774</u>	<u>\$ 4,053,484</u>

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:				
	General Fund	Public Building Authority	Debt Service	Nonmajor Governmental Funds	Total
<u>Transfers in:</u>					
General Fund	\$ -	\$ -	\$ -	\$ 295,500	\$ 295,500
Public Building Authority	561,395	-	-	-	561,395
HOME	114,675	-	-	-	114,675
Debt Service	177,232	-	-	450,799	628,031
Nonmajor Governmental Funds	1,494,962	32,000	627,197	388,839	2,542,998
Internal Service Fund	4,295,000	-	-	-	4,295,000
Total	<u>\$ 6,643,264</u>	<u>\$ 32,000</u>	<u>\$ 627,197</u>	<u>\$ 1,135,138</u>	<u>\$ 8,437,599</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	\$ -	\$ -	\$ 8,966,561
Collections	8,414,642	15,435	-	8,430,077
Construction in progress	253,255	136,796	(176,863)	213,188
Total non-depreciable assets	<u>17,634,458</u>	<u>152,231</u>	<u>(176,863)</u>	<u>17,609,826</u>

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Depreciable capital assets:				
Buildings and improvements	64,748,407	178,277	176,863	65,103,547
Machinery and equipment	13,440,385	1,626,279	(632,387)	14,434,277
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>189,323,418</u>	<u>1,804,556</u>	<u>(455,524)</u>	<u>190,672,450</u>
Less accumulated depreciation:				
Buildings and improvements	22,554,581	1,690,387	-	24,244,968
Machinery and equipment	9,785,355	1,044,284	(514,867)	10,314,772
Improvements other than buildings	759,713	249,532	-	1,009,245
Infrastructure	<u>75,076,882</u>	<u>2,715,807</u>	<u>-</u>	<u>77,792,689</u>
	<u>108,176,531</u>	<u>5,700,010</u>	<u>(514,867)</u>	<u>113,361,674</u>
Total depreciable assets, net	<u>81,146,887</u>	<u>(3,895,454)</u>	<u>59,343</u>	<u>77,310,776</u>
Total capital assets, net	<u>\$ 98,781,345</u>	<u>\$ (3,743,223)</u>	<u>\$ (117,520)</u>	<u>\$ 94,920,602</u>

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

General government	\$ 317,529
Public safety	668,306
Public works	2,996,618
Housing and development	1,231,682
Culture and recreation	<u>485,875</u>
Total	<u>\$ 5,700,010</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>380,656</u>	<u>107,268</u>	<u>-</u>	<u>487,924</u>
	<u>399,586</u>	<u>107,268</u>	<u>-</u>	<u>506,854</u>
Less accumulated depreciation:				
Buildings and improvements	8,477	385	-	8,862
Furniture, fixtures, and equipment	<u>88,296</u>	<u>80,995</u>	<u>-</u>	<u>169,291</u>
	<u>96,773</u>	<u>81,380</u>	<u>-</u>	<u>178,153</u>
Total capital assets, net	<u>\$ 302,813</u>	<u>\$ 25,888</u>	<u>\$ -</u>	<u>\$ 328,701</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	896,395	50,838	-	947,233
Building improvements	334,863	-	-	334,863
Machinery & equipment	<u>355,064</u>	<u>36,116</u>	<u>64,689</u>	<u>326,491</u>
	<u>1,586,322</u>	<u>86,954</u>	<u>64,689</u>	<u>1,608,587</u>
Less accumulated depreciation:				
Collections	839,787	28,547	-	868,334
Building improvements	145,570	22,377	-	167,947
Machinery & equipment	<u>287,442</u>	<u>13,950</u>	<u>62,251</u>	<u>239,141</u>
	<u>1,272,799</u>	<u>64,874</u>	<u>62,251</u>	<u>1,275,422</u>
Total depreciable assets, net	<u>313,523</u>	<u>22,080</u>	<u>2,438</u>	<u>333,165</u>
Total capital assets, net	<u>\$ 359,230</u>	<u>\$ 22,080</u>	<u>\$ 2,438</u>	<u>\$ 378,872</u>

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Debt related to governmental activities at September 30, 2017, 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, 2017
General Obligations Refunding Bonds and Warrants				
Series 2010A and 2010B	\$ 7,440,000	4.20% - 5.30%	03/01/35	\$ 5,935,000
Building Revenue Bonds, Series 2011	16,170,000	2.00% - 5.50%	05/01/33	13,860,000
Building Revenue Bonds, Series 2011	15,000,000	2.20% - 5.00%	03/01/43	6,334,665
General Obligation Warrants, Series 2014 A	2,650,000	3.48%	01/31/29	2,278,000
General Obligation Warrants, Series 2016	<u>9,200,000</u>	4.00%	03/01/43	<u>9,165,000</u>
Total	<u>\$ 50,460,000</u>			<u>\$ 37,572,665</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, 2017:

Maturities of general long-term liabilities are as follows:

For the Year Ending September 30,	Bonds and Warrants	Capital Lease Obligations	Total
2018	\$ 1,369,000	\$ 373,162	\$ 1,742,162
2019	1,404,000	373,423	1,777,423
2020	1,439,000	215,705	1,654,705
2021	1,779,000	13,695	1,792,695
2022	1,839,000	-	1,839,000
2023-2027	17,925,000	-	17,925,000
2028-2032	3,233,000	-	3,233,000
2033-2037	3,504,665	-	3,504,665
2038-2042	4,160,000	-	4,160,000
2043-2044	<u>920,000</u>	<u>-</u>	<u>920,000</u>
	<u>\$ 37,572,665</u>	<u>\$ 975,985</u>	<u>\$ 38,548,650</u>

Business-type Activities

Debt related to business-type activities at September 30, 2017, 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, 2017:

Maturities of general long-term liabilities are as follows:

For the Year Ending September 30,	Capital Lease Obligations
2018	\$ 43,536
2019	44,490
2020	<u>133,231</u>
	<u>\$ 221,257</u>

Refunding

During fiscal year 2017, 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, 2017, the remaining liabilities for the bonds refunded were as follows:

<u>Year Refunded</u>	<u>Primary Government</u>
2011	\$ 230,335

Changes in Long-term Liabilities

Changes in long-term liabilities for the fiscal year ended September 30, 2017, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Primary Government					
Governmental Activities:					
Bonds and warrants	\$ 37,237,000	\$ 9,200,000	\$ 8,864,335	\$ 37,572,665	\$ 1,369,000
(Discount) Premium	<u>(321,078)</u>	<u>398,352</u>	<u>(4,592)</u>	<u>81,866</u>	<u>-</u>
Total bonds and warrants	36,915,922	9,598,352	8,859,743	37,654,531	1,369,000
Capital lease payable	848,816	380,000	252,830	975,986	373,162
Compensated absences	<u>2,317,676</u>	<u>-</u>	<u>303,225</u>	<u>2,014,451</u>	<u>-</u>
	<u>\$ 40,082,414</u>	<u>\$ 9,978,352</u>	<u>\$ 9,415,798</u>	<u>\$ 40,644,968</u>	<u>\$ 1,742,162</u>
Business-type Activities:					
Capital lease payable	<u>\$ 263,860</u>	<u>\$ -</u>	<u>\$ 42,603</u>	<u>\$ 221,257</u>	<u>\$ 43,536</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 plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for 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). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

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

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

Members are eligible for disability retirement if they have 10 years of 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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)**Employee Retirement System of Alabama (ERS) – Anniston, Alabama City Employees (Continued)**

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants.

As of September 30, 2016, membership consisted of:

	Anniston	State
Retirees and beneficiaries currently receiving benefits	110	23,007
Terminated employees entitled to but not yet receiving benefits	9	1,155
Terminated employees not entitled to a benefit	23	6,654
Active members	<u>197</u>	<u>55,058</u>
	<u>339</u>	<u>85,874</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, 2017, 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, 2017 was 8.80% of pensionable pay for Tier 1 employees, and 8.06% 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 \$532,219 for the year ended September 30, 2017.

(Continued)

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

(a) Total Pension Liability as of September 30, 2015	\$ 30,672,445
(b) Entry Age Normal Cost for the period October 1, 2015 – September 30, 2016	592,042
(c) Transfers Among Employers	5,214
(d) Actual Benefit Payments and Refunds for the period October 1, 2015 – September 30, 2016	(1,918,926)
(e) Total Pension Liability as of September 30, 2016 = [(a) x (1.0775)] + (b) + (c) + [(d) x (1.03875)]	31,653,531
(f) Difference between Expected and Actual Experience (Gain)/Loss	(1,521,044)

Actuarial assumptions. The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. 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, 2015 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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%
	100.00%	

*Includes assumed rate of inflation of 2.50%

(Continued)

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 9/30/2015	\$ 31,398,326	\$ 20,642,206	\$ 10,756,120
Changes for the year:			
Service cost	620,626	-	620,626
Interest expense	2,435,109	-	2,435,109
Changes of assumptions	634,226	-	634,226
Differences between expected and actual experience	(1,521,044)	-	(1,521,044)
Contributions – employer	-	532,219	(532,219)
Contributions – employees	-	515,557	(515,557)
Net investment income	-	2,058,134	(2,058,134)
Benefits payments, including refunds of employee contributions	(1,918,926)	(1,918,926)	-
Administrative expense	-	-	-
Transfers among employers	5,214	5,214	-
Net changes	255,205	1,192,198	(936,993)
Balances at 9/30/2016	\$ 31,653,531	\$ 21,834,404	\$ 9,819,127

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	\$ 13,233,853	\$ 9,819,127	\$ 6,921,847

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 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.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)**Employee Retirement System of Alabama (ERS) – Anniston, Alabama City Employees (Continued)**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, the City recognized pension expense of \$1,163,471. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,260,214	\$ 1,244,491
Changes in assumptions	518,912	-
Net difference between projected and actual earnings on pension plan investments	193,814	-
Contributions subsequent to the measurement date of September 30, 2016	<u>638,906</u>	<u>-</u>
Total	<u>\$ 2,611,846</u>	<u>\$ 1,244,491</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:	
2018	\$ 240,032
2019	240,031
2020	398,496
2021	(69,487)
2022	<u>(80,623)</u>
	<u>\$ 728,449</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).

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

The Plan was amended and restated effective as of October 1, 2015 to incorporate an amendment revising benefits payable for hires on and after January 1, 2016.

Amendment One was adopted effective 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.

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.

(Continued)

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

(Continued)

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 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.

(Continued)

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:

$3\% \times 3\text{-year average monthly compensation} \times 30 \text{ years of credited service} \times \text{disability percentage}$

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:

$40\% \times \text{monthly compensation at disability or } 100\% \text{ of the accrued benefit at disability (disregarding 20-year eligibility requirement)}$

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:

$3\% \times 3\text{-year average monthly compensation} \times 25 \text{ years of credited service} \times \text{disability percentage}$

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.

(Continued)

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:

$$3\% \times 3\text{-year average monthly compensation} \times 30 \text{ years of credited service}$$

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. 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)

Optional Forms of Benefit (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: 3.0% per year.

Salary Increase – Total Payroll: 2.0% per year.

Salary Increase – Individual: 5.5% per year.

Mortality: Mortality is 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. 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)****Actuarial Assumptions and Methods (Continued)**

Retirement: For participants hired prior to January 1, 2016, 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, 2016, 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:

<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
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:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
<=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, 2017

Inactive currently receiving benefits	197
Active members	<u>158</u>
	<u>355</u>

Net Pension Liability

The total pension liability under GASB 67 and 68 is based on the October 1, 2017 actuarial valuation which used the following actuarial assumptions applied to all periods included in the measurement.

Salary increases	5.50%
Single discount rate	3.85%
Mortality	RP-00 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

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, 2017 actuarial valuation an assumption has been set to increase the three-year final average earnings for hires before January 1, 2016 by 2.1% to account for accrued leave payouts at retirement.

The discount rate was revised from 3.09% as of October 1, 2016 to 3.85% as of October 1, 2017. 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, 2017 were as follows:

Total pension liability	\$ 116,050,610
Plan fiduciary net position	<u>(31,284,391)</u>
Net pension liability	<u>\$ 84,766,219</u>

Plan fiduciary net position as a percentage of the total pension liability	27.0 %
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Sensitivity of the net position liability to changes in the discount rate is as follows:

	1% Decrease (6.90%)	Current Discount Rate (7.90%)	1% Increase (8.90%)
Net pension liability (asset)	<u>\$ 101,969,252</u>	<u>\$ 84,766,219</u>	<u>\$ 70,877,806</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)****Calculation of the Discount Rate (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%	5.3%	1.6%
Small Cap	20	7.0	1.4
International Equity	10	2.8	0.3
Real Assets	10	5.6	0.6
Fixed Income	30	2.2	0.6
	<u>100%</u>		<u>4.5%</u>

*For illustrative purposes, historical long term average returns have been used as a reasonable expectation of returns. The expected rate of inflation is 3%. The long term real annualized return weighted by target allocation plus the expected rate of inflation is 7.5%.

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 board should review this assumption since the above information provided by the investment monitor appears to indicate this assumption is not achievable. The discount rate used to measure the total pension liability was 3.85%. This is the single rate that reflects the long-term 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 2.8% per year in years where assets are not sufficient to pay for projected benefit payments. The 2.8% rate was supplied by the investment monitor. It is the rate as of September 30, 2017, 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 9/30/2016	\$ 124,680,727	\$ 28,057,809	\$ 96,622,918
Changes for the year:			
Service cost	3,112,523	-	3,112,523
Interest expense	3,851,444	-	3,851,444
Differences between expected and actual experience	1,268,849	-	1,268,849
Changes in assumptions	(11,618,958)	-	(11,618,958)
Contributions – employer	-	3,821,164	(3,821,164)
Contributions – employees	-	1,058,117	(1,058,117)
Net investment income	-	3,591,276	(3,591,276)
Benefits payments, including refunds of employee contributions	(5,243,975)	(5,243,975)	-
Net changes	(8,630,117)	3,226,582	(11,856,699)
Balances at 9/30/2017	<u>\$ 116,050,610</u>	<u>\$ 31,284,391</u>	<u>\$ 84,766,219</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, 2017, the City recognized pension expense of \$4,307,092. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,135,838	\$ 147,642
Changes in assumptions	4,501,325	8,639,738
Net difference between projected and actual earnings on pension plan investments	<u>235,175</u>	<u>3,041,077</u>
Total	<u>\$ 5,872,338</u>	<u>\$ 11,828,457</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:	
2018	\$ (737,408)
2019	(1,452,541)
2020	(3,220,185)
2021	(545,985)
2022	<u>-</u>
	<u>\$ (5,956,119)</u>

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**City of Anniston OPEB Health Care Plan – Primary Government**

Description. Effective October 1, 2007, the City adopted the provisions of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. 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 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.

Funding Policy. 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.

Contributions. The City contributed \$729,570 to the OPEB Health Care Plan in fiscal year 2017. 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.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

(Continued)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**City of Anniston OPEB Health Care Plan – Primary Government (Continued)**

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

Annual required contribution	\$ 868,932
Interest on net OPEB obligation	163,120
Net OPEB obligation adjustment	<u>(401,085)</u>
Annual OPEB cost	630,967
Employer contributions	<u>(729,570)</u>
Decrease in net OPEB obligation	(98,603)
Net OPEB obligation, September 30, 2016	<u>4,637,791</u>
Net OPEB obligation, September 30, 2017	<u>\$ 4,539,188</u>

Membership. The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of October 1, 2016:

Active members	386
Retired members	<u>136</u>
Total	<u><u>522</u></u>

The City's Annual OPEB Cost, percentage of OPEB Cost contributed, and Net OPEB obligation for the current year and each of the preceding years were as follows:

Fiscal Year Ended September 30,	Annual OPEB Cost	Actual OPEB Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	1,079,900	815,153	75.48%	4,783,974
2016	421,777	567,960	134.66%	4,637,791
2017	630,967	729,570	115.63%	4,539,188

Funding Status and Funding Progress

As of October 1, 2016, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Funded Ratio (1)/ (2)	Unfunded (1) - (2)	Annual Covered Payroll	Percentage of Covered Payroll
10/1/2013	-	\$ 11,827,100	0.0%	\$ (11,827,100)	\$ -	0.0%
10/1/2015	-	5,515,010	0.0%	(5,515,019)	14,954,209	36.88%
10/1/2016	-	7,308,980	0.0%	(7,308,980)	13,598,210	53.75%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the plan in effect at October 1, 2016.

(Continued)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The assumptions used in the October 1, 2016 actuarial valuation are as follows:

Actuarial Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Market Value of Assets
Assumed Rate of Return on Investments	4.00%
Medical Cost Trend Rate	5.00%
Ultimate Medical Cost Trend Rate	5.00%
Salary increases	3.50%
Year of Ultimate Trend Rate	2018
Amortization Method	Level dollar, closed
Remaining Amortization Period	15 years
Inflation Rate	2.50%

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 \$278,811 during the reporting period as a result of these agreements while the City’s sales and use tax revenues were reduced by \$280,563 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 \$391,897. 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.

Prior to November 1, 2015, the City retained insurance coverage under the following brokers and providers: Municipal Workers Compensation Fund, Inc. (MCWF) for workers' compensation insurance, Alabama Municipal Insurance Corporation (AMIC) for liability insurance, and Insurance Planning Services (IPS) for property insurance.

Effective November 1, 2014, the City of Anniston was granted authorization by the State of Alabama Department of Labor to operate as a self-insurer under the Alabama Workers' Compensation Law and terminated coverage with MCWF on March 15, 2015.

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 – 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. Management has not identified any items requiring recognition or disclosure.

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

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 3,112,523	\$ 2,886,593	\$ 2,864,088	\$ 1,105,270
Interest	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	1,268,849	(295,284)	769,346	248,886
Changes of assumptions	(11,618,958)	7,957,056	2,091,185	43,617,061
Benefit payments, including refund of member contributions	(5,243,975)	(5,091,540)	(4,688,577)	(4,428,334)
Net change in total pension liability	(8,630,117)	9,537,882	5,124,483	45,729,078
Total pension liability - beginning	124,680,727	115,142,845	110,018,362	64,289,284
Total pension liability - ending (a)	\$ 116,050,610	\$ 124,680,727	\$ 115,142,845	\$ 110,018,362
Plan fiduciary net position				
Contributions - employer	\$ 3,821,164	\$ 3,431,035	\$ 3,332,850	\$ 3,067,464
Contributions - member	1,058,117	1,048,607	1,063,270	1,122,594
Net investment income	3,591,276	2,551,226	564,957	2,720,956
Benefit payments, including refund of member contributions	(5,243,975)	(5,091,540)	(4,688,577)	(4,428,334)
Administrative expense		(199,247)	(195,238)	(132,727)
Other	-	-	-	-
Net change in plan fiduciary net position	3,226,582	1,740,081	77,262	2,349,953
Plan fiduciary net position - beginning	28,057,809	26,317,728	26,240,466	23,890,513
Plan fiduciary net position - ending (b)	\$ 31,284,391	\$ 28,057,809	\$ 26,317,728	\$ 26,240,466
Net pension liability - ending (a) - (b)	\$ 84,766,219	\$ 96,622,918	\$ 88,825,117	\$ 83,777,896
Plan fiduciary net position as a percentage of the total pension liability	27.0%	22.5%	22.9%	23.9%
Covered employee payroll	\$ 7,557,979	\$ 7,490,050	\$ 7,594,786	\$ 8,018,529
Net pension liability as a percentage of covered employee payroll	1121.5%	1290.0%	1169.6%	1044.8%

Notes to Schedule:

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 and 2017 is determined using the 3.67%, 3.55%, 3.09% and 3.85% 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>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 638,906	\$ 558,928	\$ 542,490
Contributions in relation to the actuarially determined contribution	<u>638,906</u>	<u>558,928</u>	<u>542,490</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,191,103	\$ 7,482,303	\$ 7,258,581
Contributions as a percentage of covered-employee payroll	7.80%	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	29 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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 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	\$ 1,917,333
Contributions in relation to the actuarially determined contribution	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	1,099,448
Contribution deficiency (excess)	<u>\$ 5,751,769</u>	<u>\$ 6,210,804</u>	<u>\$ 6,479,054</u>	<u>\$ 6,863,226</u>	<u>\$ 7,000,001</u>	<u>\$ 7,612,862</u>	<u>\$ 6,852,890</u>	<u>\$ 4,649,890</u>	<u>\$ 2,911,383</u>	<u>\$ 817,885</u>
Covered employee payroll	\$ 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	\$ 6,775,030
Actuarially determined contribution as a percentage of covered-employee payroll	126.7%	128.7%	129.2%	123.8%	126.0%	115.0%	105.2%	75.2%	54.4%	28.3%
Actual Contributions as a percentage of covered-employee payroll	50.6%	45.8%	43.9%	38.3%	35.4%	15.5%	15.8%	15.8%	16.0%	16.2%

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	Level dollar, closed
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	3.0%
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	Mortality is assumed under the RP 200 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.

CITY OF ANNISTON, ALABAMA

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ANNISTON OPEB HEALTH CARE PLAN
SCHEDULE OF FUNDING PROGRESS**

September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Liability (UAL) (c)	Normal Cost (d)	Funded Ratio (a)/(b)	Covered Payroll (d)	UAL % of Payroll [(b)- (a)/(d)]
Other Postemployment Benefit Plan							
October 1, 2011	\$ -	\$ 13,679,400	\$ 13,679,400	\$ 649,800	0%	\$ -	0%
October 1, 2013	-	11,827,100	11,827,100	535,600	0%	-	0%
October 1, 2015	-	5,515,010	5,515,010	173,751	0%	14,954,209	36.88%
October 1, 2016	-	7,308,980	7,308,980	219,964	0%	13,598,210	53.75%

CITY OF ANNISTON, ALABAMA

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ANNISTON OPEB HEALTH CARE PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

September 30, 2017

Post-employment Benefits				
FYE September 30,	Actuarial Valuation Date	Annual OPEB Cost	Employer Contribution	% Contributed
2012	10/1/2011	\$ 1,232,200	\$ 397,917	32.3%
2013	10/1/2011	1,296,400	512,332	39.5%
2014	10/1/2013	1,038,700	735,624	70.8%
2015	10/1/2013	1,079,900	815,153	75.5%
2016	10/1/2015	421,777	567,960	134.7%
2017	10/1/2016	630,967	729,570	115.6%

Note: See assumptions used for these schedules disclosed in the notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ANNISTON, ALABAMA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

September 30, 2017

	Special Revenue				
	Anniston Museum of Natural History	Berman Museum of World History	Lingleaf Botanical Gardens	Corrections	Federal Seized Assets
ASSETS					
Cash and cash equivalents	\$ 348,256	\$ -	\$ -	\$ 274,318	\$ 21,038
Investments	76,248	-	-	268,940	-
Receivables, net of allowance:					
Accounts receivables	11,625	453	3,890	1,232	-
Notes	-	-	-	-	-
Due from other funds	40,677	7,642	12,866	-	-
Due from other governments	19,490	-	-	-	-
Total assets	<u>\$ 496,296</u>	<u>\$ 8,095</u>	<u>\$ 16,756</u>	<u>\$ 544,490</u>	<u>\$ 21,038</u>
LIABILITIES					
Accounts payable	\$ 12,446	\$ 7,128	\$ -	\$ -	\$ 2,284
Accrued liabilities	-	-	-	-	-
Other payables	-	-	-	-	-
Due to other funds	263,912	-	25,660	202,113	5,498
Total liabilities	<u>276,358</u>	<u>7,128</u>	<u>25,660</u>	<u>202,113</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>
FUND BALANCES					
Restricted for:					
Capital projects	-	-	-	-	-
Judicial	-	-	-	-	-
Public safety	-	-	-	342,377	13,256
Road improvements	-	-	-	-	-
Culture and recreation	219,938	967	-	-	-
Economic and industrial development	-	-	-	-	-
Housing and development	-	-	-	-	-
Unassigned	-	-	(8,904)	-	-
Total fund balances	<u>219,938</u>	<u>967</u>	<u>(8,904)</u>	<u>342,377</u>	<u>13,256</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 496,296</u>	<u>\$ 8,095</u>	<u>\$ 16,756</u>	<u>\$ 544,490</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
\$ 3,412	\$ 67,121	\$ -	\$ -	\$ -	\$ 33,690	\$ 44,755	\$ -
-	-	-	-	-	-	-	-
-	-	21	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	35,727	-	-	-	-	-
-	-	-	8,968	60,800	6,237	7,933	379,322
<u>\$ 3,412</u>	<u>\$ 67,121</u>	<u>\$ 35,748</u>	<u>\$ 8,968</u>	<u>\$ 60,800</u>	<u>\$ 39,927</u>	<u>\$ 52,688</u>	<u>\$ 379,322</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,177
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,415	25,561	-	12,185	36,793	35,788	47,000	483,259
<u>18,415</u>	<u>25,561</u>	<u>-</u>	<u>12,185</u>	<u>36,793</u>	<u>35,788</u>	<u>47,000</u>	<u>484,436</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	41,560	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	35,748	-	-	-	-	-
-	-	-	-	-	4,139	5,688	-
-	-	-	-	24,007	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(15,003)	-	-	(3,217)	-	-	-	(105,114)
<u>(15,003)</u>	<u>41,560</u>	<u>35,748</u>	<u>(3,217)</u>	<u>24,007</u>	<u>4,139</u>	<u>5,688</u>	<u>(105,114)</u>
<u>\$ 3,412</u>	<u>\$ 67,121</u>	<u>\$ 35,748</u>	<u>\$ 8,968</u>	<u>\$ 60,800</u>	<u>\$ 39,927</u>	<u>\$ 52,688</u>	<u>\$ 379,322</u>

CITY OF ANNISTON, ALABAMA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

September 30, 2017

	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	\$ 4,372	\$ 15,304	\$ 153,528	\$ -	\$ 752,277
Investments	-	-	-	-	-
Receivables, net of allowance					
Accounts receivables	-	-	258	-	-
Notes	-	-	-	-	-
Due from other funds	15,673	-	-	239,037	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 20,045</u>	<u>\$ 15,304</u>	<u>\$ 153,786</u>	<u>\$ 239,037</u>	<u>\$ 752,277</u>
LIABILITIES					
Accounts payable	\$ -	\$ 13,502	\$ -	\$ 1,099	\$ -
Accrued liabilities	-	-	-	-	-
Other payables	-	-	74,552	-	168,207
Due to other funds	-	12,828	39,144	657,131	239,037
Total liabilities	<u>-</u>	<u>26,330</u>	<u>113,696</u>	<u>658,230</u>	<u>407,244</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - loans	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Capital projects	-	-	-	-	-
Judicial	-	-	40,090	-	-
Public safety	20,045	-	-	-	345,033
Road improvements	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic and industrial development	-	-	-	-	-
Housing and development	-	-	-	-	-
Unassigned	-	(11,026)	-	(419,193)	-
Total fund balances	<u>20,045</u>	<u>(11,026)</u>	<u>40,090</u>	<u>(419,193)</u>	<u>345,033</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 20,045</u>	<u>\$ 15,304</u>	<u>\$ 153,786</u>	<u>\$ 239,037</u>	<u>\$ 752,277</u>

Special Revenue							
Probation Office	Community Development Block Grant	UDAG Revolving Loan	Anniston Industrial Development Authority	Anniston Downtown Development Authority	Capital Improvement Projects	McCellan Compact Construction	Total
\$ (90)	\$ 165	\$ 17,545	\$ 14,570	\$ 169,476	621,107	\$ 983,731	\$ 3,524,575
-	-	-	-	-	-	-	345,188
-	-	-	-	-	-	-	17,479
-	421,329	546,358	-	-	-	-	967,687
(48)	27,193	-	-	-	2,382	129,625	510,774
-	35,147	-	-	-	-	78,502	596,399
<u>\$ (138)</u>	<u>\$ 483,834</u>	<u>\$ 563,903</u>	<u>\$ 14,570</u>	<u>\$ 169,476</u>	<u>\$ 623,489</u>	<u>\$ 1,191,858</u>	<u>\$ 5,962,102</u>
\$ -	\$ 13,046	\$ -	\$ -	\$ -	176,041	\$ -	\$ 226,723
-	521	-	-	-	-	-	521
-	-	-	-	-	-	-	242,759
-	22	342	-	-	163,978	-	2,268,666
<u>-</u>	<u>13,589</u>	<u>342</u>	<u>-</u>	<u>-</u>	<u>340,019</u>	<u>-</u>	<u>2,738,669</u>
-	421,329	-	-	-	-	-	421,329
-	421,329	-	-	-	-	-	421,329
-	-	-	-	-	283,470	-	325,030
-	-	-	-	-	-	-	40,090
-	-	-	-	-	-	-	756,459
-	-	-	-	-	-	1,122,156	1,131,983
-	-	-	-	-	-	-	244,912
-	-	-	14,570	169,476	-	-	184,046
-	48,916	563,561	-	-	-	-	612,477
(138)	-	-	-	-	-	-	(562,595)
<u>(138)</u>	<u>48,916</u>	<u>563,561</u>	<u>14,570</u>	<u>169,476</u>	<u>283,470</u>	<u>1,191,858</u>	<u>2,802,104</u>
<u>\$ (138)</u>	<u>\$ 483,834</u>	<u>\$ 563,903</u>	<u>\$ 14,570</u>	<u>\$ 169,476</u>	<u>\$ 623,489</u>	<u>\$ 1,191,858</u>	<u>\$ 5,962,102</u>

CITY OF ANNISTON, ALABAMA

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

Year ended September 30, 2017

	Special Revenue				
	Anniston Museum of Natural History	Berman Museum of World History	Lingleaf Botanical Gardens	Corrections	Federal Seized Assets
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	59,585	13,965	-	265,980	-
Charges for services	172,427	48,544	23,351	-	-
Fines and forfeitures	-	-	-	-	-
Contributions and donations	41,939	401	41,663	-	-
Investment income	31,248	-	-	1,395	-
Other revenue	-	18,736	21,838	-	-
Total revenues	<u>305,199</u>	<u>81,646</u>	<u>86,852</u>	<u>267,375</u>	<u>-</u>
EXPENDITURES					
Current					
Judicial	-	-	-	-	-
Public safety	-	-	-	86	7,782
Public works	-	-	-	-	-
Economic development	-	-	-	-	-
Culture and recreation	699,784	214,552	157,359	-	-
Housing and development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service -					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>699,784</u>	<u>214,552</u>	<u>157,359</u>	<u>86</u>	<u>7,782</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(394,585)</u>	<u>(132,906)</u>	<u>(70,507)</u>	<u>267,289</u>	<u>(7,782)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-	-
Transfers in	411,658	147,335	70,507	-	-
Transfers out	-	-	-	(607,880)	-
Total financing sources (uses)	<u>411,658</u>	<u>147,335</u>	<u>70,507</u>	<u>(607,880)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	17,073	14,429	-	(340,591)	(7,782)
Fund balance, beginning	<u>202,865</u>	<u>(13,462)</u>	<u>(8,904)</u>	<u>682,968</u>	<u>21,038</u>
Fund balance, ending	<u>\$ 219,938</u>	<u>\$ 967</u>	<u>\$ (8,904)</u>	<u>\$ 342,377</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,046	\$ 75,192	\$ -
2,133	197,892	7,976	8,625	49,298	-	-	196,071
-	-	-	-	-	-	12,090	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,133</u>	<u>197,892</u>	<u>7,976</u>	<u>8,625</u>	<u>49,298</u>	<u>68,046</u>	<u>87,282</u>	<u>196,071</u>
-	-	-	-	-	-	-	-
18,941	-	-	17,250	-	-	-	-
-	-	-	-	51,893	-	-	284,750
-	-	-	-	-	-	-	-
-	55,844	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>18,941</u>	<u>55,844</u>	<u>-</u>	<u>17,250</u>	<u>51,893</u>	<u>-</u>	<u>-</u>	<u>284,750</u>
<u>(16,808)</u>	<u>142,048</u>	<u>7,976</u>	<u>(8,625)</u>	<u>(2,595)</u>	<u>68,046</u>	<u>87,282</u>	<u>(88,679)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	8,625	2,595	-	-	-
-	(100,000)	-	-	-	(8,000)	(137,500)	-
-	(100,000)	-	8,625	2,595	(8,000)	(137,500)	-
(16,808)	42,048	7,976	-	-	60,046	(50,218)	(88,679)
<u>1,805</u>	<u>(488)</u>	<u>27,772</u>	<u>(3,217)</u>	<u>24,007</u>	<u>(55,907)</u>	<u>55,906</u>	<u>(16,435)</u>
<u>\$ (15,003)</u>	<u>\$ 41,560</u>	<u>\$ 35,748</u>	<u>\$ (3,217)</u>	<u>\$ 24,007</u>	<u>\$ 4,139</u>	<u>\$ 5,688</u>	<u>\$ (105,114)</u>

CITY OF ANNISTON, ALABAMA

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

Year ended September 30, 2017

	Special Revenue				
	JAG 2015 Grant	JAG 2016 Grant	City Court Operations	Special Drug Task Force	Special Drug Task Force Office
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,338	45,312	-	139,400	317,918
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	55,517	-	-
Contributions and donations	-	-	-	-	-
Investment income	-	-	-	-	29
Other revenue	-	-	-	-	-
Total revenues	<u>6,338</u>	<u>45,312</u>	<u>55,517</u>	<u>139,400</u>	<u>317,947</u>
EXPENDITURES					
Current					
Judicial	-	-	56	-	-
Public safety	4,272	56,360	-	633,593	114,132
Public works	-	-	-	-	-
Economic development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service -					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>4,272</u>	<u>56,360</u>	<u>56</u>	<u>633,593</u>	<u>114,132</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,066</u>	<u>(11,048)</u>	<u>55,461</u>	<u>(494,193)</u>	<u>203,815</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-	-
Transfers in	-	-	-	306,758	-
Transfers out	-	-	(50,000)	-	(231,758)
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>306,758</u>	<u>(231,758)</u>
NET CHANGE IN FUND BALANCES	2,066	(11,048)	5,461	(187,435)	(27,943)
Fund balance, beginning	<u>17,979</u>	<u>22</u>	<u>34,629</u>	<u>(231,758)</u>	<u>372,976</u>
Fund balance, ending	<u>\$ 20,045</u>	<u>\$ (11,026)</u>	<u>\$ 40,090</u>	<u>\$ (419,193)</u>	<u>\$ 345,033</u>

Special Revenue							
Probation Office	Community Development Block Grant	UDAG Revolving Loan	Anniston Industrial Development Authority	Anniston Downtown Development Authority	Capital Improvement Projects	McCellan Compact Construction	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,238
-	608,540	-	-	-	408,810	81,095	2,408,938
9,706	-	-	-	-	-	-	266,118
-	-	-	-	-	-	-	55,517
-	-	-	-	-	-	-	84,003
-	1,682	80	-	19	1,404	-	35,857
-	2,875	-	1,385	25,350	-	-	70,184
<u>9,706</u>	<u>613,097</u>	<u>80</u>	<u>1,385</u>	<u>25,369</u>	<u>410,214</u>	<u>81,095</u>	<u>3,063,855</u>
147,892	-	-	-	-	-	-	147,948
-	-	-	-	-	-	-	852,416
-	-	-	-	-	-	11,393	348,036
-	-	-	8,036	74,282	-	-	82,318
-	-	-	-	-	-	-	1,127,539
-	523,409	-	-	-	-	-	523,409
-	-	-	-	-	1,210,564	-	1,210,564
-	-	-	-	-	265,000	124,000	389,000
-	-	-	-	-	284,315	82,581	366,896
<u>147,892</u>	<u>523,409</u>	<u>-</u>	<u>8,036</u>	<u>74,282</u>	<u>1,759,879</u>	<u>217,974</u>	<u>5,048,126</u>
<u>(138,186)</u>	<u>89,688</u>	<u>80</u>	<u>(6,651)</u>	<u>(48,913)</u>	<u>(1,349,665)</u>	<u>(136,879)</u>	<u>(1,984,271)</u>
-	-	-	-	-	380,000	-	380,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
138,186	-	-	-	-	1,250,753	206,581	2,542,998
-	-	-	-	-	-	-	(1,135,138)
<u>138,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,630,753</u>	<u>206,581</u>	<u>1,787,860</u>
-	89,688	80	(6,651)	(48,913)	281,088	69,702	(196,411)
<u>(138)</u>	<u>(40,772)</u>	<u>563,481</u>	<u>21,221</u>	<u>218,389</u>	<u>2,382</u>	<u>1,122,156</u>	<u>2,998,515</u>
<u>\$ (138)</u>	<u>\$ 48,916</u>	<u>\$ 563,561</u>	<u>\$ 14,570</u>	<u>\$ 169,476</u>	<u>\$ 283,470</u>	<u>\$ 1,191,858</u>	<u>\$ 2,802,104</u>

COMPLIANCE SECTION

CITY OF ANNISTON, ALABAMA**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****Year ended September 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Farmer's Market Promotion Program	10.168	N/A	<u>\$ 22,841</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant	14.218	N/A	523,409
HOME Investment Partnerships Program	14.239	N/A	<u>214,547</u>
Total U.S. Department of Housing and Urban Development			<u>737,956</u>
U.S. DEPARTMENT OF JUSTICE			
Justice Assistance Grant 2016	16.738	N/A	47,129
Bulletproof Vest Partnership Program	16.607	N/A	17,251
Project Safe Neighborhoods	16.609	N/A	<u>6,809</u>
Total U.S. Department of Justice			<u>71,189</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Alabama Department of Transportation			
Airport Improvement Program	20.106	14 RT 54 04	<u>51,893</u>
Total U.S. Department of Transportation			<u>51,893</u>
DEPARTMENT OF HOMELAND SECURITY			
Assistance to Firefighters Grant	97.044	N/A	<u>353,978</u>
Total Expenditures of Federal Awards - Primary Government			<u>\$ 1,237,857</u>

CITY OF ANNISTON, ALABAMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Anniston, Alabama (the "City") under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 18, 2018. 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
September 18, 2018

Henderson Hutcherson
& McCullough, PLLC



CERTIFIED PUBLIC ACCOUNTANTS
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Anniston, Alabama's (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. The City's basic financial statements does not include the operations of Anniston Board of Education, which may have expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended September 30, 2017. Our compliance audit, described below, did not include the operations of this entity because the entity engages another auditor to perform audits in accordance with the Uniform Guidance. The Anniston Board of Education report was not available from other auditors as of the date of this report.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Chattanooga, Tennessee
September 18, 2018

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF ANNISTON, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2017

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified: ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified: ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed under the Uniform Guidance? ☐ yes ☒ no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

14.218

U.S. Department of Housing and Urban Development
Community Development Block Grant

97.044

U.S. Department of Homeland Security
Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

CITY OF ANNISTON, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

CITY OF ANNISTON, ALABAMA

SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2017

None reported