CITY OF ANNISTON, ALABAMA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022

HHM

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ANNISTON, ALABAMA

TABLE OF CONTENTS

SEPTEMBER 30, 2022

(Continued)

CITY OF ANNISTON, ALABAMA

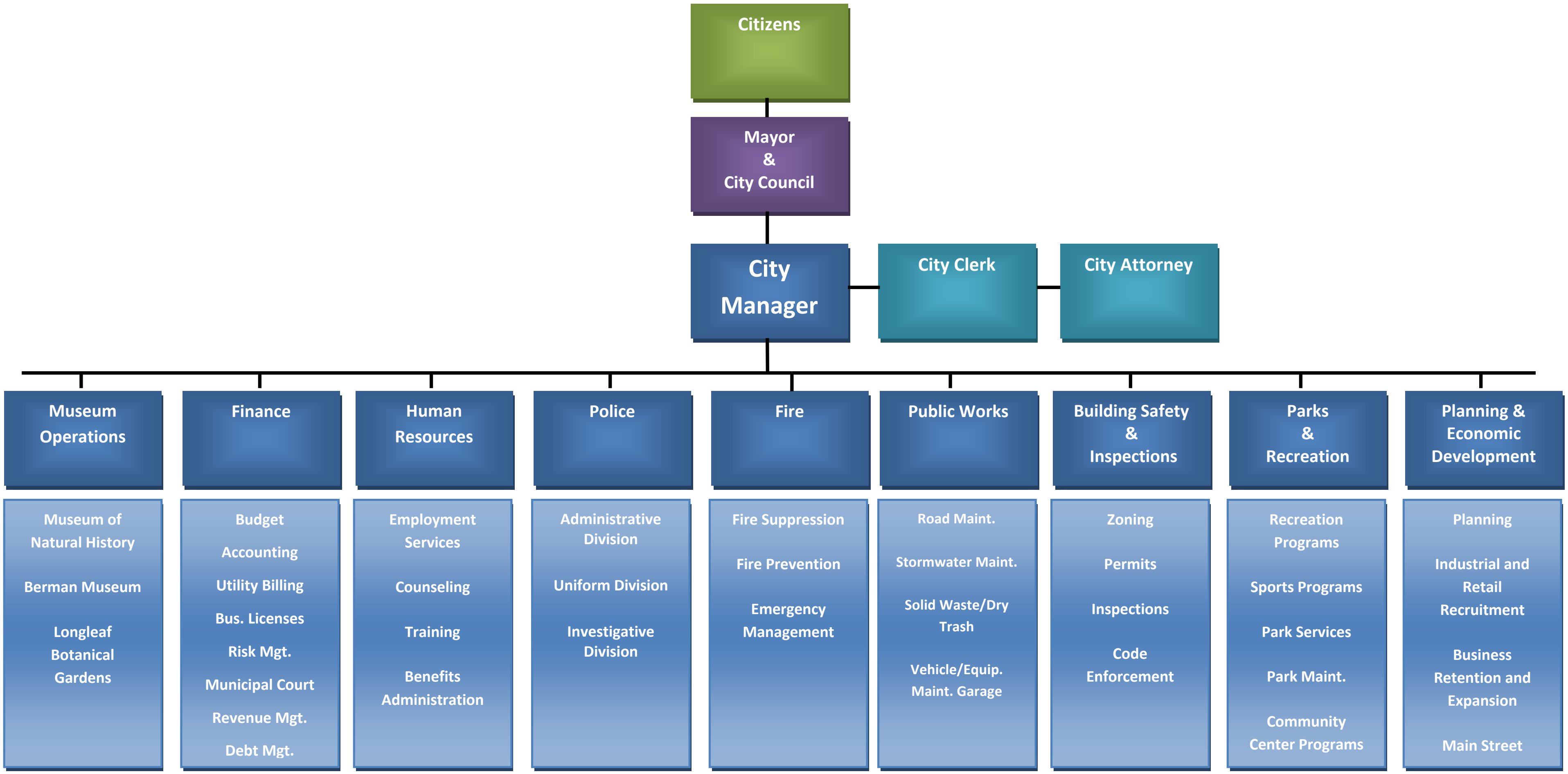
TABLE OF CONTENTS

SEPTEMBER 30, 2022

Required Supplementary Information (unaudited) (Continued)

INTRODUCTORY SECTION

CITY OF ANNISTON, ALABAMA
ORGANIZATION CHART



FOR THE YEAR END SEPTEMBER 30, 2022

City Council
Jack Draper – Mayor
Millie Harris
Jay W. Jenkins
Demetric D. Roberts
Ciara Smith

City Manager
Steven D. Folks

Finance Director
Julie Borrelli

Other City Officials

City Attorney	Bruce J. Downey IV
City Clerk	Skyler Bass
City Judge	James Sims
Fire	Jeff Waldrep, Chief
Human Resources	Bersheba Austin, Director
Museum Operations	Alan Robison, Director
Parks & Recreation	Frazier Burroughs, Director
Economic Development	Toby Bennington, Director
Police	Nick Bowles, Chief
Public Works	David Arnett, Director

FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, budgetary comparison for the general fund, and the aggregate remaining fund information of City of Anniston, Alabama (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of September 30, 2022, or the changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, 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.

We did not audit the financial statements of the Public Library of Anniston/Calhoun County, the discretely presented component unit. The 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 is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller general of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the City of Anniston Board of Education and Anniston Museum Endowment Corporation, Inc., component units requiring discrete presentation, have been excluded from the financials per management's request. Accordingly, the aggregate discretely presented component unit financial statements referred to above do not include amounts for the City of Anniston Board of Education and Anniston Museum Endowment Corporation, Inc. which should be included to confirm with accounting principles generally accepted in the United States of America. The effects on the financial statements of the discretely presented component units are not reasonably determinable but are considered material to the aggregate discretely presented component units.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, issued by the Comptroller General of the United States, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 for 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund schedules included as other supplementary information and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Chattanooga, Tennessee
July 14, 2023

Henderson Hutcherson
& McCullough, PLLC

FOR THE YEAR END SEPTEMBER 30, 2022

This section of the City of Anniston, Alabama's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2022. As management of the City, we encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and other supplementary information, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City (primary government) exceeded its liabilities and deferred inflows of resources by $7.7 million for the year ended September 30, 2022. Of the $7.7 million in primary government net position, unrestricted net position had a deficit of $49.9 million.

- The City's total net position increased by $13.9 million in fiscal year 2022 primarily as a result of an increase in sales tax revenue. The City's sales tax revenue was $29.1 million, which is up from $25.3 million in fiscal year 2021.

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $26.2 million. The combined governmental funds fund balance increased by $11.3 million compared with the prior year. Of the $26.2 million in fund balance, 11.4 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 $12.5 million, up $3.4 million from $9.1 million in 2021. The 2022 ending fund balance of the General Fund represents 33.2 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City'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.

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 the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

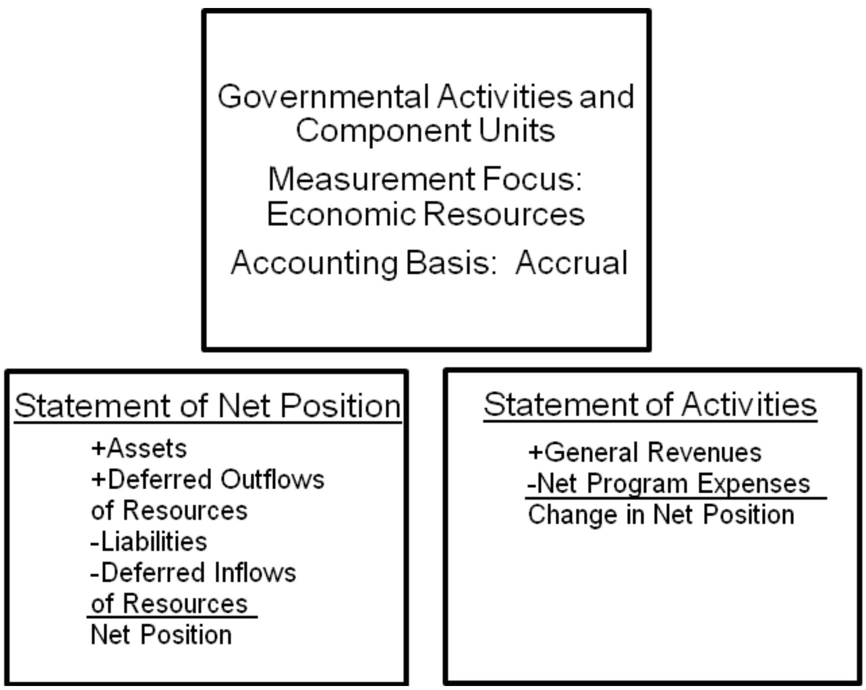
The government-wide financial statements of the City are divided into three categories:

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.*

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

Component Units – The City is required to include other legally separate entities in its report including the Anniston City Board of Education, Public Library of Anniston/Calhoun County and Anniston Museum Endowment Corporation. 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. The financial statements of the City of Anniston Board of Education and Anniston Museum Endowment Corporation, Inc., Component units requiring discrete presentation, have not been made available by other auditors as of the date of this report and therefore were not included in the City's financial statements.

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.

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 maintains two types of proprietary funds: enterprise and interal service funds. The City has three enterprise funds (Museum Store, Stormwater Fees, and Fire Training) to record services for which external customers are charged a fee. Internal service funds are used to record services for which internal customers are charged a fee. The City has three of these fund types: Liability Insurance, Health Insurance, and Workers' Compensation.

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

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $7.7 million at the close of the most recent fiscal year. Net position related to governmental activities is $6.0 million, and business-type activities make up $1.7 million of the total net position.

FOR THE YEAR END SEPTEMBER 30, 2022

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

Condensed Statement of Net Position
As of September 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 42,042,322	$ 26,531,242	$ 2,820,400	$ 822,663	$ 44,862,722	$ 27,353,905
Capital assets, net of accumulated depreciation	83,329,940	83,919,624	1,013,395	1,082,963	84,343,335	85,002,587
Total assets	125,372,262	110,450,866	3,833,795	1,905,626	129,206,057	112,356,492
Deferred outflow of resources	10,548,645	7,566,045	-	-	10,548,645	7,566,045
Current and other liabilities	20,883,688	16,098,490	2,054,793	69,566	22,938,481	16,168,056
Long-term liabilities, net of current portion	101,375,205	94,190,598	91,039	142,047	101,466,244	94,332,645
Total liabilities	122,258,893	110,289,088	2,145,832	211,613	124,404,725	110,500,701
Deferred inflows of resources	7,627,813	15,566,740	-	-	7,627,813	15,566,740
Net position:						
Net investment in capital	41,696,780	47,979,789	869,374	892,137	42,566,154	48,871,926
Restricted	14,462,781	5,051,203	607,846	462,073	15,070,627	5,513,276
Unrestricted	(50,125,360)	(60,869,909)	210,743	339,803	(49,914,617)	(60,530,106)
Total net position	$ 6,034,201	$ (7,838,917)	$ 1,687,963	$ 1,694,013	$ 7,722,164	$ (6,144,904)

The City's investment in capital assets less any related debt still outstanding that was issued to acquire those assets is $42.6 million. The City 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, $15.1 million represents the balance of total net position that is subject to external restrictions on how they may be used.

FOR THE YEAR END SEPTEMBER 30, 2022

Changes in Net Position

The following table shows the changes in net position for fiscal year 2022:

Condensed Statement of Activities
For the Years Ended September 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program Revenue:						
Charges for services	$ 7,486,620	$ 7,092,972	$ 641,423	$ 584,607	$ 8,128,043	$ 7,677,579
Operating grants and contributions	9,393,456	7,281,373	-	-	9,393,456	7,281,373
General Revenue:						
Taxes	38,842,967	35,137,759	-	-	38,842,967	35,137,759
Licenses and permits	5,270,985	4,881,669	-	-	5,270,985	4,881,669
Interest earnings	47,714	11,318	-	-	47,714	11,318
Other revenues	184,011	202,493	-	-	184,011	202,493
Total revenue	61,225,753	54,607,584	641,423	584,607	61,867,176	55,192,191
Expenses						
General government	16,099,116	16,252,083	-	-	16,099,116	16,252,083
Judicial	432,670	427,553	-	-	432,670	427,553
Public safety	3,232,055	3,023,884	-	-	3,232,055	3,023,884
Public works	16,451,512	11,493,518	-	-	16,451,512	11,493,518
Economic development	464,777	259,463	-	-	464,777	259,463
Culture and recreation	6,477,214	4,694,692	-	-	6,477,214	4,694,692
Housing and development	2,769,311	2,963,808	-	-	2,769,311	2,963,808
Interest	1,394,341	1,068,008	-	-	1,394,341	1,068,008
Museum store	-	-	85,769	62,850	85,769	62,850
Stormwater	-	-	470,627	135,044	470,627	135,044
Fire Training School	-	-	73,877	70,542	73,877	70,542
Total expenses	47,320,996	40,183,009	630,273	268,436	47,951,269	40,451,445
Transfers	17,200	22,200	(17,200)	(22,200)	-	-
Capital contribution to other funds	-	-	-	-	-	-
Gain/(Loss) on sale of assets	(48,839)	2,699	-	-	(48,839)	2,699
Change in net position	$ 13,873,118	$ 14,449,474	$ (6,050)	$ 293,971	$ 13,867,068	$ 14,743,445

Governmental Activities

Revenues for governmental activities totaled $61.2 million in FY 2022, which represents an increase of 12.1% over FY 2021. Taxes account for $38.8 million or 63.4% of total revenue in 2022 and reported an increase of $3.7 million compared to FY 2021. Licenses and permits account for $5.3 million or 8.6% of total revenue. Charges for services accounted for $7.5 million or 12.2% of total revenue in FY 2022.

Expenses for governmental activities totaled $47.3 million in FY 2022, which represents an increase of $7.1 million, or 17.8%, compared to FY 2021. The increase was primarily the result of an increase in expenses in public works for capital projects.

Business-type Activities

Revenues for business-type activities were $641,423, which represents an increase of 9.7% over FY 2021. Expenses for business-type activities totaled $630,273 in FY 2022, which represents an increase of 134.8% compared to FY 2021. The increase in expenses from FY 2021 is related to capital projects that occurred during FY 2022.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City'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'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. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $12.5 million, compared with $8.8 million at the end of FY 2021. As a measure of the general fund's liquidity, the unassigned fund balance represents 28.3% of total general fund expenditures (including transfers out) at the end of FY 2022.

General Fund-Fund Balances
For the Years Ended September 30, 2022 and 2021

	2022	2021	Change
Nonspendable	$ 292,129	$ 299,235	$ (7,106)
Assigned	-	-	-
Unassigned	12,229,670	8,778,627	3,451,043
Total Fund Balances	**$ 12,521,799**	**$ 9,077,862**	**$ 3,443,937**

Proprietary Funds

The City's proprietary funds are made up of enterprise funds and internal service funds. The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has three enterprise funds, the Museum Store, Stormwater Fee Fund, and the Fire Training Fund. The net position of the enterprise funds was $1.7 million, a decrease of $6,050 from FY 2021.

Business Activities-Net Position
For the Years Ended September 30, 2022 and 2021

	2022	2021	Change
Net Investment in Capital Assets	$ 869,374	$ 892,137	$ (22,763)
Restricted	607,846	657,118	(49,272)
Unrestricted	210,743	144,758	65,985
Total Net Position	**$ 1,687,963**	**$ 1,694,013**	**$ (6,050)**

FOR THE YEAR END SEPTEMBER 30, 2022

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 $415,638 in FY 2022, which represents a decrease of $1,518 from FY 2021.

Internal Service Funds-Net Position
For the Years Ended September 30, 2022 and 2021

	2022	2021	Change
Restricted	$ -	$ -	$ -
Unrestricted	415,638	417,156	(1,518)
Total Net Position	**$ 415,638**	**$ 417,156**	**$ (1,518)**

General Fund Budgetary Highlights

The City 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, 2022

	Original Budget	Final Budget	Actual Amount	Variance From Final Budget
Revenues	$ 41,300,750	$ 42,334,250	$ 45,829,348	$ 3,495,098
Expenditures	37,714,494	37,998,919	37,763,950	234,969
Other Sources (Uses)	(4,173,881)	(4,173,881)	(4,621,461)	(447,580)
Total	$ (587,625)	$ 161,450	$ 3,443,937	$ 3,282,487

Capital Asset and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental activities as of September 30, 2022, totals $41.7 million (net of accumulated depreciation) and for its business-type activities as of September 30, 2022, totals $869,374 (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 debt at September 30, 2022 totaled $46.6 million. Of this amount, $46.5 million relates to governmental activities and $144,021 relates to business-type activities. Overall, the City's long-term debt increased from FY 2021 by $6.5 million as a result of issuance of new bonds during 2022.

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

Economic Factors and Next Year's Budget

The City of Anniston continues to follow our Comprehensive Plan to increase business and sales tax revenue through economic growth. We strive to foster diverse community growth, economic opportunity, and public safety while preserving our citizenry's confidence through transparency.

The City has received $13 million in American Rescue Plan Act Funds. With the appropriated American Rescue Plan Act funds and various other funds, the City plans to implement the following projects to improve infrastructure, aid to tourism travel, and attract tourists to a negative economic impact area:

- Drainage Improvements
- Paving/Patching roads
- Public Safety Improvements
- Parks and Recreation Facilities Upgrades
- Completion of Chief Ladiga Trail
- Anniston Housing Authority collaboration
- Homeless Initiative collaboration
- 11th and Noble Park
- Satcher/St Michaels Health Institute
- City Market
- City Hall Relocation

In preparing the FY 2023 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 are taken into account when building the budget:

- Anniston's sales, use, and lodging taxes increased by $3.6 million in FY 2022; the percentage increase will be considered in next year's budget
- Calculating the average expense of prior years and actual expenses in the current year to determine an accurate amount for next year's budget
- Total revenues are projected to increase by 7% mostly due to transfers in from various funds.
- Total expenditures are projected to increase by 10% due to capital outlays and projects.

Questions or Comments

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

Any questions or comments about this document should be addressed to Jessica Leonard, Finance Director, email: jleonard@annistonal.gov or P. O. Box 2168, Anniston, Alabama 36202.

CITY OF ANNISTON, ALABAMA

STATEMENT OF NET POSITION

September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total Primary Government	Public Library of Anniston/ Calhoun County
ASSETS				
Cash and cash equivalents	$ 18,820,108	$ 658,141	$ 19,478,249	$ 778,535
Investments	19,416,568	-	19,416,568	103,913
Receivables, net of allowance for uncollectibles	3,690,475	17,350	3,707,825	-
Internal balances	(2,123,628)	2,123,628	-	-
Inventories	253,359	21,281	274,640	-
Other assets	41,270	-	41,270	4,718
Net pension asset	-	-	-	663,634
Restricted assets:				
Cash and cash equivalents	1,944,170	-	1,944,170	-
Capital assets:				
Land and other nondepreciable assets	24,562,136	48,000	24,610,136	32,207
Capital assets, net of accumulated depreciation	58,767,804	965,395	59,733,199	468,177
Total assets	125,372,262	3,833,795	129,206,057	2,051,184
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	7,232,958	-	7,232,958	92,332
Deferred OPEB outflows	2,057,056	-	2,057,056	-
Deferred bond insurance cost	77,389	-	77,389	-
Deferred charges on refunding	1,181,242	-	1,181,242	-
Total deferred outflows of resources	10,548,645	-	10,548,645	92,332
LIABILITIES				
Accounts payable	1,715,473	1,811	1,717,284	46,193
Accrued and other payables	1,703,199	-	1,703,199	12,529
Unearned revenues	11,873,845	2,000,000	13,873,845	-
Long-term liabilities, due within one year	5,591,171	52,982	5,644,153	-
Long-term liabilities, due in more than one year	40,859,582	91,039	40,950,621	-
OPEB obligation	7,898,582	-	7,898,582	-
Net pension liability	52,617,041	-	52,617,041	-
Total liabilities	122,258,893	2,145,832	124,404,725	58,722
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	4,832,901	-	4,832,901	494,854
Deferred OPEB inflows	2,258,297	-	2,258,297	-
Deferred revenue	536,615	-	536,615	-
Total deferred inflows of resources	7,627,813	-	7,627,813	494,854
NET POSITION				
Net investment in capital assets	41,696,780	869,374	42,566,154	487,855
Restricted for:				
Capital projects	324,330	-	324,330	-
Debt service	12,181,681	-	12,181,681	-
Judicial	352,308	-	352,308	-
Public safety	1,027,084	-	1,027,084	-
Road improvements	48,397	-	48,397	-
Culture and recreation	514,181	-	514,181	82,355
Economic and industrial development	14,800	-	14,800	-
Endowment fund	-	-	-	103,913
Stormwater service	-	607,846	607,846	-
Unrestricted net position (deficit)	(50,125,360)	210,743	(49,914,617)	915,817
Total net position	$ 6,034,201	$ 1,687,963	$ 7,722,164	$ 1,589,940

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

CITY OF ANNISTON, ALABAMA

STATEMENT OF ACTIVITIES

Year ended September 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities -				
General government	$ 16,147,955	$ 5,441,118	$ 3,015,244	$ -
Judicial	432,670	268,588	-	-
Public safety	3,232,055	18,184	1,094,345	-
Public works	16,451,512	10,287	3,096,037	-
Economic development	464,777	-	-	-
Culture and recreation	6,477,214	1,748,443	599,828	-
Housing and development	2,769,311	-	1,588,002	-
Interest on debt and other expenses	1,394,341	-	-	-
Total governmental activities	47,369,835	7,486,620	9,393,456	-
Business-type activities -				
Museum store	85,769	112,462	-	-
Stormwater fees	470,627	416,963	-	-
Fire training school	73,877	111,998	-	-
Total business-type activities	630,273	641,423	-	-
TOTAL PRIMARY GOVERNMENT	$ 48,000,108	$ 8,128,043	$ 9,393,456	$ -
Component unit -				
Public library	$ 1,243,697	$ 35,851	$ 417,128	$ 301,750

General revenues:
- Sales tax
- Property taxes
- Gasoline taxes
- Other taxes
- Licenses and permits
- City and county appropriations
- Unrestricted investment earnings
- Pension income
- Restricted investment earnings
- Miscellaneous

Transfers

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 Unit
Governmental Activities	Business-type Activities	Total	Public Library of Anniston/ Calhoun County
$ (7,691,593)	$ -	$ (7,691,593)	$ -
(164,082)	-	(164,082)	-
(2,119,526)	-	(2,119,526)	-
(13,345,188)	-	(13,345,188)	-
(464,777)	-	(464,777)	-
(4,128,943)	-	(4,128,943)	-
(1,181,309)	-	(1,181,309)	-
(1,394,341)	-	(1,394,341)	-
(30,489,759)	-	(30,489,759)	-
-	26,693	26,693	-
-	(53,664)	(53,664)	-
-	38,121	38,121	-
-	11,150	11,150	-
(30,489,759)	11,150	(30,478,609)	-
-	-	-	(488,968)
29,077,817	-	29,077,817	-
5,139,679	-	5,139,679	-
728,234	-	728,234	-
3,897,237	-	3,897,237	-
5,270,985	-	5,270,985	-
-	-	-	657,065
47,714	-	47,714	4,811
-	-	-	157,848
-	-	-	(23,494)
184,011	-	184,011	20,740
17,200	(17,200)	-	-
44,362,877	(17,200)	44,345,677	816,970
13,873,118	(6,050)	13,867,068	328,002
(7,838,917)	1,694,013	(6,144,904)	1,261,938
$ 6,034,201	$ 1,687,963	$ 7,722,164	$ 1,589,940

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

CITY OF ANNISTON, ALABAMA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2022

	General	Debt Service
ASSETS		
Cash and cash equivalents	$ 3,314,189	$ 10,103,211
Investments	18,847,299	-
Receivables, net of allowance for uncollectibles:		
Taxes	2,268,365	-
Accounts receivables	28,737	-
Notes	-	-
Due from other funds	4,939,263	298,381
Due from other governments	178,198	-
Prepaid expenses	38,770	2,500
Inventories	253,359	-
Restricted cash	-	-
Total assets	$ 29,868,180	$ 10,404,092
LIABILITIES		
Accounts payable	$ 682,870	$ -
Accrued liabilities	780,603	-
Other payables	460,969	-
Due to other funds	15,391,524	-
Unearned revenue	30,415	-
Total liabilities	17,346,381	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue, loans	-	-
Total deferred inflows of resources	-	-
FUND BALANCES		
Nonspendable		
Prepaid expenses	38,770	2,500
Inventories	253,359	-
Restricted for:		
Capital projects	-	-
Debt service	-	10,401,592
Judicial	-	-
Public safety	-	-
Road improvements	-	-
Culture and recreation	-	-
Economic and industrial development	-	-
Housing and development	-	-
Unassigned	12,229,670	-
Total fund balances	12,521,799	10,404,092
Total liabilities, deferred inflows of resources, fund balances	$ 29,868,180	$ 10,404,092

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

American Rescue Plan Act	Capital Improvement Projects	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 5,399,287	$ 18,816,687
-	-	569,269	19,416,568
-	-	-	2,268,365
-	-	5,938	34,675
-	-	536,615	536,615
11,915,080	277,138	2,900,925	20,330,787
-	-	672,622	850,820
-	-	-	41,270
-	-	-	253,359
-	-	1,944,170	1,944,170
$ 11,915,080	$ 277,138	$ 12,028,826	$ 64,493,316
$ 263,922	$ 227,553	$ 232,888	$ 1,407,233
-	-	-	780,603
-	-	19,485	480,454
-	-	7,783,329	23,174,853
11,651,158	-	192,272	11,873,845
11,915,080	227,553	8,227,974	37,716,988
-	-	536,615	536,615
-	-	536,615	536,615
-	-	-	41,270
-	-	-	253,359
-	49,585	324,330	373,915
-	-	1,780,089	12,181,681
-	-	352,308	352,308
-	-	1,027,084	1,027,084
-	-	48,397	48,397
-	-	514,181	514,181
-	-	14,818	14,818
-	-	-	-
-	-	(796,970)	11,432,700
-	49,585	3,264,237	26,239,713
$ 11,915,080	$ 277,138	$ 12,028,826	$ 64,493,316

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

CITY OF ANNISTON, ALABAMA

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

September 30, 2022

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

Fund balances – total governmental funds		$ 26,239,713
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.		83,329,940
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.		415,638
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, certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.		
Contribution to pension plans - ERS	$ 583,264	
Experience loss - pension plans - ERS	(591,081)	
Assumption change loss - pension plans - ERS	767,815	
Earnings variance - pension plans - ERS	(2,034,944)	(1,274,946)
Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.		
Experience gain - pension plans - P&F	(514,194)	
Assumption change gain - pension plans - P&F	(183,584)	
Earnings variance - pension plans - P&F	4,372,781	3,675,003
Certain amounts related to other post employment benefits are deferred and amortized over time. These are not reported in the funds.		
Experience difference between expected and actual - OPEB		(201,241)
The City's other post-employment benefit plan has not been fully funded. This OPEB obligation is considered a long-term obligation and is not reported in the funds.		(7,898,582)
Net pension liabilities are not due and payable in the current period and are not reported in the funds:		
General pension	(6,493,185)	
Police and fire pension	(46,123,856)	(52,617,041)
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	(40,820,000)	
Unamortized issue discounts (premium)	(1,594,302)	
Add deferred bond insurance cost	77,370	
Add deferred charges on refunding	1,181,242	
Capital leases	(813,160)	
Compensated absences	(3,223,291)	
Accrued interest payable	(442,142)	(45,634,283)
Net position of governmental activities		$ 6,034,201

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, 2022

	General	Debt Service
REVENUES		
Taxes	$ 37,516,087	$ -
Licenses and permits	5,275,779	-
Intergovernmental	206,342	-
Charges for services	2,209,615	-
Fines and forfeitures	430,927	-
Contributions and donations	117,450	-
Investment income	8,710	28,605
Other revenue	64,438	-
Total revenues	45,829,348	28,605
EXPENDITURES		
Current		
General government	10,874,861	-
Judicial	432,670	-
Public safety	14,978,660	-
Public works	6,508,895	-
Economic development	439,600	-
Culture and recreation	4,529,264	-
Housing and development	-	-
Capital outlay	-	-
Debt service -		
Principal	-	1,561,472
Interest and fiscal charges	-	930,745
Total expenditures	37,763,950	2,492,217
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,065,398	(2,463,612)
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of assets	2,000	-
Bonds issued	-	7,540,000
Premium on bonds issued	-	567,700
Transfers in	777,281	2,385,331
Transfers out	(5,400,742)	(336,148)
Total financing sources (uses)	(4,621,461)	10,156,883
NET CHANGE IN FUND BALANCES	3,443,937	7,693,271
Fund balance, beginning	9,077,862	2,710,821
Fund balance, ending	$ 12,521,799	$ 10,404,092

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

	American Rescue Plan Act	Capital Improvement Projects	Non-Major Governmental Funds	Total Governmental Funds
	$ -	$ -	$ 1,326,880	$ 38,842,967
	-	-	-	5,275,779
	1,399,516	-	7,151,597	8,757,455
	-	-	296,799	2,506,414
	-	-	32,099	463,026
	-	-	88,477	205,927
	-	-	10,399	47,714
	-	-	469,118	533,556
	1,399,516	-	9,375,369	56,632,838
	-	-	-	10,874,861
	-	-	-	432,670
	-	-	1,640,402	16,619,062
	1,399,516	-	3,219,340	11,127,751
	-	-	267,164	706,764
	-	-	1,420,446	5,949,710
	-	-	1,587,940	1,587,940
	-	2,365,445	-	2,365,445
	-	-	-	1,561,472
	-	-	1,289,113	2,219,858
	1,399,516	2,365,445	9,424,405	53,445,533
	-	(2,365,445)	(49,036)	3,187,305
	-	-	-	2,000
	-	-	-	7,540,000
	-	-	-	567,700
	-	2,284,531	1,017,487	6,464,630
	-	-	(710,540)	(6,447,430)
	-	2,284,531	306,947	8,126,900
	-	(80,914)	257,911	11,314,205
	-	130,499	3,006,326	14,925,508
	$ -	$ 49,585	$ 3,264,237	$ 26,239,713

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

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, 2022

Differences in amounts reported for governmental activities in the statement of activities on pages A-2 and A-3:

Net change in fund balances – total governmental funds		$ 11,314,205
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.		5,219,674
The net effect of various transactions involving capital assets to decrease net position.		(50,839)
Depreciation expense on governmental capital assets are included in the statement of activities.		(5,758,519)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond additions	$ (7,540,000)	
Premium on bond issue	(567,700)	
Net deferred refunding	(61,244)	
Principal repayments	2,366,675	
Notes issued	(520,000)	
Change in accrued interest payable	-	
Amortization	81,539	(6,240,730)
Net income of the internal service fund are reported with governmental activities.		(1,518)
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	(405,304)	
Change in net pension liability and related deferrals - P&F	9,386,932	
Change in net pension liability and related deferrals - ERS	638,125	
Change in OPEB liability and related deferrals	(228,908)	9,390,845
Change in net position of governmental activities		$ 13,873,118

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, 2022

	Budget Amounts			Variance
	Original	Final	Actual	with Final Budget
REVENUES				
Taxes	$ 32,890,000	$ 33,921,000	$ 37,516,087	$ 3,595,087
Licenses and permits	4,960,750	4,960,750	5,275,779	315,029
Intergovernmental	690,500	690,500	206,342	(484,158)
Charges for services	2,366,000	2,368,500	2,209,615	(158,885)
Fines and forfeitures	341,000	341,000	430,927	89,927
Contributions and donations	1,500	1,500	117,450	115,950
Investment income	500	500	8,710	8,210
Other revenue	50,500	50,500	64,438	13,938
Total revenues	41,300,750	42,334,250	45,829,348	3,495,098
EXPENDITURES				
General Government				
Finance	863,650	863,650	902,159	(38,509)
Food service	-	-	(117)	117
General division	534,340	534,340	530,422	3,918
City Council	193,850	193,850	152,090	41,760
Non-departmental	6,929,040	7,560,159	6,845,678	714,481
Outside agencies	2,412,500	2,467,500	2,444,629	22,871
	10,933,380	11,619,499	10,874,861	744,638
Judicial				
Municipal court	406,750	419,750	432,670	(12,920)
Public Safety				
Police administration	8,191,375	7,870,375	8,079,157	(208,782)
Selective traffic enforcement	-	115,800	105,609	10,191
Community traffic safety	-	44,700	40,099	4,601
Police detention	66,000	89,000	94,528	(5,528)
Fire	6,576,795	6,576,795	6,659,267	(82,472)
	14,834,170	14,696,670	14,978,660	(281,990)

(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, 2022

(Continued from previous page)

	Budget Amounts Original	Budget Amounts Final	Actual	Variance with Final Budget
Public Works				
Administration	$ 229,175	$ 229,175	$ 245,173	$ (15,998)
Cemetery	73,045	88,045	88,090	(45)
Engineering	275,000	182,000	204,452	(22,452)
Garage	233,119	235,419	272,178	(36,759)
Environmental services	1,281,215	1,166,215	1,167,356	(1,141)
Street	2,835,200	2,675,200	2,744,138	(68,938)
Anniston metro airport	157,125	113,125	97,616	15,509
Building maintenance	1,163,950	1,235,150	1,312,043	(76,893)
Code enforcement	328,900	375,900	377,849	(1,949)
	6,576,729	6,300,229	6,508,895	(208,666)
Economic development	453,650	452,650	439,600	13,050
Culture and Recreation				
Administration	337,950	345,800	350,962	(5,162)
Publicity	1,000	1,000	805	195
Senior adult	357,900	351,900	335,591	16,309
Special events	28,500	28,500	26,287	2,213
Youth services	117,250	87,250	82,768	4,482
PARD Carver Community	128,950	131,589	125,759	5,830
PARD Hodges Community	167,900	134,900	143,031	(8,131)
PARD South Highland	191,450	138,467	123,081	15,386
PARD Wiggins Community	168,700	148,700	161,111	(12,411)
PARD Carver Pool	7,400	9,400	7,090	2,310
PARD Washington Pool	5,800	9,300	6,495	2,805
PARD Good Choices	10,000	11,500	21,685	(10,185)
PARD The Hill Golf Club	134,974	161,974	134,498	27,476
PARD Motor Pool	-	9,000	8,747	253
PARD Cane Creek	266,750	303,750	256,424	47,326
PARD Course Maintenance	889,475	901,975	982,080	(80,105)
PARD Aquatics Center	602,900	661,450	691,077	(29,627)
The Downtown Market	27,000	23,650	18,273	5,377

(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, 2022

(Continued from previous page)

	Budget Amounts - Original	Budget Amounts - Final	Actual	Variance with Final Budget
Culture and Recreation (Continued)				
Youth Sports Complex	$ 370,866	$ 312,866	$ 321,066	$ (8,200)
Parks	609,050	651,150	659,181	(8,031)
Baseball	12,000	12,000	8,305	3,695
Basketball	21,000	21,000	12,609	8,391
Soccer	41,500	41,500	38,125	3,375
Flag Football	2,000	2,000	2,210	(210)
Football	9,500	9,500	12,004	(2,504)
	4,509,815	4,510,121	4,529,264	(19,143)
Total expenditures	37,714,494	37,998,919	37,763,950	234,969
Excess of revenues over expenditures	3,586,256	4,335,331	8,065,398	3,730,067
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	70,000	70,000	2,000	(68,000)
Transfers in	480,700	480,700	777,281	296,581
Transfers out	(4,724,581)	(4,724,581)	(5,400,742)	(676,161)
Total financing sources (uses)	(4,173,881)	(4,173,881)	(4,621,461)	(447,580)
Net change in fund balances	$ (587,625)	$ 161,450	3,443,937	$ 3,282,487
FUND BALANCES, beginning			9,077,862	
FUND BALANCES, ending			$ 12,521,799	

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 AMERICAN RESCUE PLAN ACT FUND

Year ended September 30, 2022

	Budget Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Intergovernmental	$ -	$ -	$ 1,399,516	$ 1,399,516
Total revenues	-	-	1,399,516	1,399,516
EXPENDITURES				
Public works	-	-	1,399,516	(1,399,516)
Total expenditures	-	-	1,399,516	(1,399,516)
Excess of revenues over expenditures	-	-	-	-
Net change in fund balances	$ -	$ -	-	$ -
FUND BALANCES, beginning			-	
FUND BALANCES, ending			$ -	

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, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities
	Museum Store	Stormwater Fees	Fire Training School	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	$ 215,952	$ 424,989	$ 17,200	$ 658,141	$ 3,439
Accounts receivable	133	-	-	133	-
Inventories	21,281	-	-	21,281	-
Due from other funds	-	184,200	2,030,425	2,214,625	1,071,418
Due from other governments	-	373	16,844	17,217	-
Total current assets	237,366	609,562	2,064,469	2,911,397	1,074,857
Noncurrent assets:					
Nondepreciable capital assets	48,000	-	-	48,000	-
Property and equipment	-	565,140	743,389	1,308,529	-
Less accumulated depreciation	-	(292,423)	(50,711)	(343,134)	-
Net capital assets	48,000	272,717	692,678	1,013,395	-
Total assets	285,366	882,279	2,757,147	3,924,792	1,074,857
LIABILITIES					
Current liabilities:					
Accounts payable	-	1,716	95	1,811	308,239
Due to other funds	90,997	-	-	90,997	350,980
Deferred revenue	-	-	2,000,000	2,000,000	-
Notes payable, current	-	52,982	-	52,982	-
Total liabilities	90,997	54,698	2,000,095	2,145,790	659,219
Long-term liabilities:					
Notes payable, noncurrent	-	91,039	-	91,039	-
Total long-term liabilities	-	91,039	-	91,039	-
Total liabilities	90,997	145,737	2,000,095	2,236,829	659,219
NET POSITION					
Net investment in capital assets	48,000	128,696	692,678	869,374	-
Unrestricted	146,369	607,846	64,374	818,589	415,638
Total net position	$ 194,369	$ 736,542	$ 757,052	$ 1,687,963	$ 415,638

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, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities
	Museum Store	Stormwater Fees	Fire Training School	Total	Internal Service Fund
OPERATING REVENUES					
Charges for goods and services:					
Sales	$ 111,274	$ -	$ -	$ 111,274	$ -
Stormwater fees	-	416,963	-	416,963	-
Fire training school fees	-	-	111,998	111,998	-
Other services	-	-	-	-	4,561,000
Other	1,188	-	-	1,188	29,093
Total operating revenues	112,462	416,963	111,998	641,423	4,590,093
OPERATING EXPENSES					
Salaries and wages	26,364	-	-	26,364	-
Professional and contractual services	-	406,045	45,224	451,269	69,218
Supplies and purchased goods	59,405	-	10,212	69,617	-
Insurance	-	-	-	-	4,522,393
Depreciation	-	51,197	18,371	69,568	-
Other	-	1,385	70	1,455	-
Total operating expenses	85,769	458,627	73,877	618,273	4,591,611
OPERATING INCOME (LOSS)	26,693	(41,664)	38,121	23,150	(1,518)
NONOPERATING (REVENUE) EXPENSES					
Interest expense	-	12,000	-	12,000	-
Total nonoperating (revenue) expenses	-	12,000	-	12,000	-
INCOME (LOSS) BEFORE TRANSFERS	26,693	(53,664)	38,121	11,150	(1,518)
Transfers out	-	-	(17,200)	(17,200)	-
CHANGE IN NET POSITION	26,693	(53,664)	20,921	(6,050)	(1,518)
NET POSITION, beginning	167,676	790,206	736,131	1,694,013	417,156
NET POSITION, ending	$ 194,369	$ 736,542	$ 757,052	$1,687,963	$ 415,638

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, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities
	Museum Store	Stormwater Fees	Fire Training School	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 135,084	$ 412,452	$ 89,910	$ 637,446	$ 4,569,033
Payments to employees	(26,364)	-	-	(26,364)	-
Payments for goods and services	(55,884)	(424,337)	(55,510)	(535,731)	(4,569,033)
Net cash from operating activities	52,836	(11,885)	34,400	75,351	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out to other funds	-	-	(17,200)	(17,200)	-
Net cash from noncapital financing activities	-	-	(17,200)	(17,200)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on notes payable obligations	-	(46,805)	-	(46,805)	-
Interest paid on notes payable obligations	-	(12,000)	-	(12,000)	-
Net cash flows used on capital and related financing activities	-	(58,805)	-	(58,805)	-
Net increase (decrease) in cash and cash equivalents	52,836	(70,690)	17,200	(654)	-
Cash and cash equivalents, beginning of year	163,116	495,679	-	658,795	3,439
Cash and cash equivalents, end of year	$ 215,952	$ 424,989	$ 17,200	$ 658,141	$ 3,439
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
OPERATING INCOME (LOSS)	$ 26,693	$ (41,664)	$ 38,121	$ 23,150	$ (1,518)
ADJUSTMENTS NOT AFFECTING CASH					
Depreciation expense	-	51,197	18,371	69,568	-
(Increase) decrease in:					
Accounts receivable	(10)	-	-	(10)	-
Inventories	5,586	-	-	5,586	-
Due from other funds	-	(4,455)	(2,018,577)	(2,023,032)	934,086
Due from other governments	-	(56)	(3,511)	(3,567)	-
Increase (decrease) in:					
Accounts payable	(2,065)	(16,907)	(4)	(18,976)	22,578
Deferred revenue	-	-	2,000,000	2,000,000	-
Due to other funds	22,632	-	-	22,632	(955,146)
Total adjustments	26,143	29,779	(3,721)	52,201	1,518
Net cash from operating activities	$ 52,836	$ (11,885)	$ 34,400	$ 75,351	$ -

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, 2022

	Custodial Fund	
	Municipal Court	Policemen's and Fireman's Retirement Fund
ASSETS		
Cash and cash equivalents	$ 140,460	$ 1,293,074
Receivables		
Contribution receivable	-	353,380
Accounts receivable	-	61,490
Investments at fair value:		
U.S. Government obligations	-	5,470,670
Municipal obligations	-	340,592
Corporate bonds	-	3,895,848
International obligations	-	35,775
Domestic equity securities	-	13,332,865
International equity securities	-	354,523
Collective investment fund	-	5,959,568
Farmland	-	2,050,580
Real estate	-	2,288,482
Total assets	140,460	35,436,847
LIABILITIES		
Accounts payable	24,301	47,585
Due to other governments	116,159	-
Deferred revenue	-	198,769
Total liabilities	140,460	246,354
NET POSITION		
Net position restricted for pension benefits	$ -	$ 35,190,493

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

CITY OF ANNISTON, ALABAMA

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

Year ended September 30, 2022

	Custodial Fund	
	Municipal Court	Policeman's and Fireman's Retirement fund
ADDITIONS		
Contributions:		
Employer contributions	$ -	$ 4,647,601
Employee contributions	-	1,034,158
Total contributions	-	5,681,759
Investment earnings:		
Interest	-	238,130
Dividends	-	332,455
Miscellaneous	-	68,544
Net appreciation (depreciation) in fair value of investments	-	(5,843,406)
Less: investment expenses	-	(217,922)
Net investment earnings	-	(5,422,199)
Total additions	-	259,560
DEDUCTIONS		
Administrative expenses	-	224,957
Benefits paid directly to participants	-	6,303,594
Total deductions	-	6,528,551
NET DECREASE IN NET POSITION	-	(6,268,991)
Net position, beginning	-	41,459,484
Net position, ending	$ -	$ 35,190,493

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

CITY OF ANNISTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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 include all the funds and the account groups relevant to the operations of the City.

Discretely Presented Component Units

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.

Blended Component Units

The Anniston Public Building Authority

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units (Continued)

The Anniston Downtown Development Authority

The Anniston Downtown Development Authority was established to promote the economic development of the City's downtown area. The Anniston Downtown Development Authority's Board of Directors is appointed by the City Council. The City provides administrative services for the Anniston Downtown Development 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 was established to assist the City in promoting economic development for the City. The Industrial Development Authority's Board of Directors is appointed by the City Council. The City provides administrative services for the Industrial Development 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 consist 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, judicial, public safety (police and fire), public works, economic development, culture and recreation, housing and development 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. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The *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 *American Rescue Plan Act Fund* accounts for grant funds provided to aid in public transportation.

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

Additionally, the City reports the following other fund types:

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

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

The City reports the following major enterprise funds:

The *Museum Store Fund* is used to account for funds received and spent related to the museum store operations.

The *Stormwater Fees Fund* is used to account for funds received and spent related to stormwater operations.

The *Fire Training School Fund* is used to account for the City's fire training school operations.

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

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' column.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (municipal court 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.

New Accounting Standards Adopted

During fiscal year 2022, the County implemented GASB Statement No. 87, *Leases*, which requires governments to improve accounting and financial reporting for leases by governments. The new standard requires the City to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The new lease standard did not have a material effect on the financial statements.

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 fund's lapse at the end of the year.

As of September 30, 2022, General Fund expenditures exceeded budgeted appropriations within the judicial function by $12,920, the public safety function by $281,990, the public works function by $208,666 and the culture and recreation function by $19,143.

Cash and Cash Equivalents

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

Internal Balances

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

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., primary, and secondary roads, drainage) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life greater than two years. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives is not capitalized.

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

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Net Position

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report. 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 participate 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

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, 2022, all of the deposits of the City were fully collateralized in accordance with the state statutes.

As of September 30, 2022, the primary government's investments consisted of money market accounts which totaled $19,416,568.

Police and Fire Trust Fund Investments

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

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

The fair value and classification of the investments at September 30, 2022, is as follows:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
Police and Fire Pension Trust Fund:				
Equities	$ 13,687,388	$ 13,687,388	$ -	$ -
U.S. Government Securities	5,470,670	-	5,470,670	-
Municipal bonds	340,592	-	340,592	-
Corporate bonds and debentures	3,895,848	-	3,895,848	-
Foreign bonds and debentures	35,775	-	35,775	-
Collective investment pools	5,959,568	-	5,959,568	-
Real estate	2,288,482	-	-	2,288,482
Farmland	2,050,580	-	-	2,050,580
Total	$ 33,728,903	$ 13,687,388	$ 15,702,453	$ 4,339,062

NOTE 4 – RECEIVABLES

Receivables at September 30, 2022, consist of the following:

Governmental Activities Funds

	General	Nonmajor Governmental Funds	Total
Taxes	$ 2,268,365	$ -	$ 2,268,365
Accounts	1,929,045	5,938	1,934,983
Notes	-	536,615	536,615
Intergovernmental	178,198	672,622	850,820
Gross receivables	4,375,608	1,215,175	5,590,783
Less: Allowance for Uncollectible	(1,900,308)	-	(1,900,308)
Net receivables	$ 2,475,300	$ 1,215,175	$ 3,690,475

Business-Type Activities

	Museum Store	Stormwater Fees	Fire Training School	Total
Accounts	$ 133	$ -	$ -	$ 133
Intergovernmental	-	373	16,844	17,217
Gross receivables	133	373	16,844	17,350
Less: Allowance for uncollectible	-	-	-	-
Net receivables	$ 133	$ 373	$ 16,844	$ 17,350

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. The following is the schedule of interfund payables/receivables by fund at September 30, 2022:

	Receivable Fund							
	General Fund	American Rescue Plan Act Fund	Debt Service Fund	Capital Improvement Projects Fund	Non-Major Governmental Funds	Proprietary Funds	Internal Service Fund	Total
Payable Fund:								
General Fund	$ -	$11,915,080	$ 298,381	$ 277,138	$ 2,900,925	$ -	$ -	$ 15,391,524
Non-Major Governmental	4,939,263	-	-	-	-	2,123,628	720,438	7,783,329
Proprietary Funds	-	-	-	-	-	90,997	-	90,997
Total	$4,939,263	$11,915,080	$ 298,381	$ 277,138	$ 2,900,925	$ 2,214,625	$ 720,438	$ 23,265,850

(Continued)

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (Continued)

Interfund Transfers

Transfers within the City are substantially for the purpose of subsidizing operating functions and transferring cash receipt collections on utility accounts. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Interfund transfers are transactions between transferring funds out of one fund to support the operations of another fund. The following is a schedule of transfers between funds for the year ended September 30, 2022:

	Transfers in:				
	General Fund	Capital Improvement Projects	Debt Service	Nonmajor Governmental Funds	Total
Transfers out:					
General Fund	$ -	$2,243,311	$ 2,385,331	$ 772,100	$ 5,400,742
Debt Service	294,928	41,220	-	-	336,148
Nonmajor Governmental Funds	465,153	-	-	245,387	710,540
Enterprise Funds	17,200	-	-	-	17,200
Total	$ 777,281	$2,284,531	$ 2,385,331	$ 1,017,487	$ 6,464,630

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	$ 10,008,566	$ 345,012	$ -	$ 10,353,578
Collections	8,430,077	-	-	8,430,077
Construction in progress	3,161,645	2,616,836	-	5,778,481
Total non-depreciable assets	21,600,288	2,961,848	-	24,562,136
Depreciable capital assets:				
Buildings and improvements	66,177,113	338,111	-	66,515,224
Machinery and equipment	17,082,202	1,680,465	391,099	18,371,568
Improvements other than buildings	5,513,513	209,643	-	5,723,156
Infrastructure	108,398,400	29,607	-	108,428,007
	197,171,228	2,257,826	391,099	199,037,955
Less accumulated depreciation:				
Buildings and improvements	31,019,259	1,620,628	-	32,639,887
Machinery and equipment	12,740,813	1,168,704	340,260	13,569,257
Improvements other than buildings	2,423,729	297,084	-	2,720,813
Infrastructure	88,668,091	2,672,103	-	91,340,194
	134,851,892	5,758,519	340,260	140,270,151
Total depreciable assets, net	62,319,336	(3,500,693)	50,839	58,767,804
Total capital assets, net	$ 83,919,624	$ (538,845)	$ 50,839	$ 83,329,940

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

Governmental Activities (Continued)

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

General government	$ 394,552
Public safety	699,599
Public works	2,963,892
Housing and development	1,181,311
Culture and recreation	519,165
Total	$ 5,758,519

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Business-type Activities				
Non-depreciable capital assets:				
Collections	$ 48,000	$ -	$ -	$ 48,000
Total non-depreciable assets	48,000	-	-	48,000
Depreciable capital assets:				
Buildings and improvements	743,389	-	-	743,389
Furniture, fixtures, and equipment	565,140	-	-	565,140
	1,308,529	-	-	1,308,529
Less accumulated depreciation:				
Buildings and improvements	32,197	18,371	-	50,568
Furniture, fixtures, and equipment	241,369	51,197	-	292,566
	273,566	69,568	-	343,134
Total depreciable assets, net	1,034,963	(69,568)	-	965,395
Total capital assets, net	$ 1,082,963	$ (69,568)	$ -	$ 1,013,395
Component Units				
Non-depreciable capital assets:				
Collections	$ 30,907	$ 1,300	$ -	$ 32,207
Total non-depreciable assets	30,907	1,300	-	32,207
Depreciable capital assets:				
Collections	1,227,656	77,386	-	1,305,042
Bookmobile	129,262	-	-	129,262
Building improvements	433,890	-	-	433,890
Machinery & equipment	228,230	129,282	88,680	268,832
	2,019,038	206,668	88,680	2,137,026
Less accumulated depreciation:				
Collections	1,045,239	61,499	-	1,106,738
Bookmobile	129,262	-	-	129,262
Building improvements	277,018	32,159	-	309,177
Machinery & equipment	183,267	28,956	88,551	123,672
	1,634,786	122,614	88,551	1,668,849
Total depreciable assets, net	384,252	84,054	129	468,177
Total capital assets, net	$ 415,159	$ 85,354	$ 129	$ 500,384

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Debt related to governmental activities at September 30, 2022, 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, 2022
Building Revenue Bonds, Series 2011	$ 16,170,000	2.00% - 5.50%	05/01/33	$ 10,555,000
General Obligation Warrants, Series 2016	9,200,000	4.00%	03/01/43	8,880,000
General Obligation Warrants, Series 2020A	9,715,000	2.20% - 5.00%	03/01/35	8,465,000
General Obligation Warrants, Series 2020B	6,010,000	.449% - 2.23%	03/01/35	5,380,000
General Obligation Warrants, Series 2022	7,540,000	3.00% - 4.00%	03/01/42	7,540,000
Total	$ 48,635,000			$ 40,820,000

Notes Payable

During fiscal year 2022, the City adopted GASB 87 which required analysis of all leases in effect beginning July 1, 2021. Based on the transfer of ownership at termination, the majority of the City's lessee leases in effect were reclassified to notes payable. The following six notes payable are a result of capital leases converted to finance purchase disclosures.

On February 25, 2019, the City entered into an agreement with BB&T to purchase and refinance equipment. The City is obligated under the agreement to repay the lease in installments consisting of principal repayments and interest payable annually for a 3-year term in certain amounts and on certain dates as specified in the agreement. The economic substance of the agreement is that the City is financing the equipment through the lease in the amount of $475,000 at an interest rate of 3.05% maturing on February 25, 2022. As of September 30, 2022, the loan was fully paid off.

On August 15, 2020, the City entered into an agreement with Wells Fargo Financial Leasing, Inc. to purchase and refinance various equipment. The City is obligated under the agreement to repay the lease in installments consisting of principal repayments and interest payable monthly for a 5-year term in certain amounts and on certain dates as specified in the agreement. The economic substance of the agreement is that the City is financing the equipment through the lease in the amount of $266,990 at an interest rate of 4.00% maturing on August 15, 2025. As of September 30, 2022, the outstanding balance on lease was $157,269.

On January 15, 2020, the City entered into an agreement with BB&T to purchase and refinance various equipment. The City is obligated under the agreement to repay the lease in installments consisting of principal repayments and interest payable yearly for a 3-year term in certain amounts and on certain dates as specified in the agreement. The economic substance of the agreement is that the City is financing the equipment through the lease in the amount of $485,000 at an interest rate of 2.14% maturing on January 15, 2023. As of September 30, 2022, the outstanding balance on lease was $161,892.

On February 4, 2019, the City entered into an agreement with Musco Finance, LLC to purchase and refinance various equipment. The City is obligated under the agreement to repay the lease in installments consisting of principal repayments and interest payable yearly for a 5-year term in certain amounts and on certain dates as specified in the agreement. The economic substance of the agreement is that the City is financing the equipment through the lease in the amount of $172,670 at an interest rate of 3.95% maturing on February 4, 2024. As of September 30, 2022, the outstanding balance on lease was $73,179.

(Continued)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

Notes Payable (Continued)

On October 1, 2021, the City entered into an agreement with Government Capital Corporation to purchase and refinance various equipment. The City is obligated under the agreement to repay the lease in installments consisting of principal repayments and interest payable yearly for a 5-year term in certain amounts and on certain dates as specified in the agreement. The economic substance of the agreement is that the City is financing the equipment through the lease in the amount of $520,000 at an interest rate of 2.47% maturing on October 1, 2026. As of September 30, 2022, the outstanding balance on lease was $420,820.

Debt service requirements of general long-term liabilities are as follows:

	Bonds and Warrants		Notes Payable		Total	
For the Year Ending September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 2,015,000	$ 1,310,115	$ 352,881	$ 22,109	$ 2,367,881	$ 1,332,224
2024	4,640,000	1,259,595	197,115	12,517	4,837,115	1,272,112
2025	4,585,000	1,201,867	154,827	6,197	4,739,827	1,208,064
2026	5,110,000	1,136,031	108,337	2,676	5,218,337	1,138,707
2027	1,650,000	1,066,940	-	-	1,650,000	1,066,940
2028-2032	7,950,000	4,108,586	-	-	7,950,000	4,108,586
2033-2037	7,160,000	1,955,530	-	-	7,160,000	1,955,530
2038-2042	6,790,000	703,725	-	-	6,790,000	703,725
2043-2045	920,000	14,950	-	-	920,000	14,950
	$40,820,000	$12,757,339	$ 813,160	$ 43,499	$41,633,160	$12,800,838

Business-Type Activities

Debt related to business-type activities at September 30, 2022, consisted of the following:

Notes Payable

On December 26, 2018, the City entered into an agreement with BancorpSouth Equipment Finance to purchase and refinance various equipment. The City is obligated under the agreement to repay the lease in installments consisting of principal repayments and interest payable yearly for a 5-year term in certain amounts and on certain dates as specified in the agreement. The economic substance of the agreement is that the City is financing the equipment through the lease in the amount of $284,435 at an interest rate of 4.14% maturing on December 26, 2023. As of September 30, 2022, the outstanding balance on lease was $144,021.

Debt service requirements of general long-term liabilities related to business-type activities are as follows:

	Notes Payable	
For the Year Ending September 30,	Principal	Interest
2023	$ 52,982	$ 5,823
2024	91,039	299
	$ 144,021	$ 6,122

(Continued)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities for the fiscal year ended September 30, 2022, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Primary Government					
Governmental Activities:					
Bonds and warrants	$ 35,140,000	$ 7,540,000	$ 1,860,000	$ 40,820,000	$ 2,015,000
(Discount) Premium	1,112,460	567,700	85,858	1,594,302	-
Total bonds and warrants	36,252,460	8,107,700	1,945,858	42,414,302	2,015,000
Notes payable	799,835	520,000	506,675	813,160	352,880
Compensated absences	2,817,987	3,223,291	2,817,987	3,223,291	3,223,291
	$ 39,870,282	$ 11,850,991	$ 5,270,520	$ 46,450,753	$ 5,591,171
Business-type Activities:					
Notes payable	$ 190,826	$ -	$ 46,805	$ 144,021	$ 52,982

NOTE 8 – EMPLOYEE BENEFIT PLANS

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

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. Assets of the ERS are pooled for investment purposes. However, separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of its employees only. The responsibility for the general administration and operation of the ERS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

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

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.50% of earnable compensation for regular employees and 8.50% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants.

As of September 30, 2021, membership consisted of:

	Anniston	**State**
Retirees and beneficiaries currently receiving benefits	133	29,727
Terminated employees entitled to but not yet receiving benefits	8	2,130
Terminated employees not entitled to a benefit	47	16,415
Active members	150	56,184
Post-DROP Participants who are still in active service	-	54
	338	104,510

Contributions. Covered members of the ERS contributed 5.00% 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 6.00% 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 10.00% of earnable compensation.

ERS local participating employers are not required by statute to increase contribution rates for their members.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

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 7.00% of earnable compensation. Tier 2 State Police members of the ERS contribute 10.00% 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, 2022, the City's active employee contribution rate was 8.30% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 128.60% percent of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2022 was 7.71% of pensionable pay for Tier 1 employees, and 7.72% of pensionable pay for Tier 2 employees.

These required contribution rates are based upon the actuarial valuation dated September 30, 2019, 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 $583,264 for the year ended September 30, 2022.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2020 rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the following table:

(a) Total Pension Liability as of September 30, 2020	$ 34,079,778
(b) Entry Age Normal Cost for the period October 1, 2020 – September 30, 2021	500,904
Transfers Among Employers	(181,299)
(c) Actual Benefit Payments for the period October 1, 2020 – September 30, 2021	(2,357,721)
Total Pension Liability as of September 30, 2021 = [(a) x (1.0745)] + (b) - [(c) x (1.03725)]	$ 34,547,110
Difference between Expected and Actual	$ (1,122,867)
Less: Liability transferred	(181,299)
Experience (Gain)/Loss	(941,568)

Actuarial assumptions. The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected Salary increases	3.25% - 6.00% for State and Local Employees 4.00% - 7.75% for State Police, including inflation
Investment rate of return	7.45% (net of pension plan investment expense), including inflation

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019.

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:

Asset Class	Long-Term Expected Rate of Return	Target Allocation
Fixed Income	2.8%	15.0%
U.S. Large Stocks	8.0%	32.0%
U.S. Mid Stocks	10.0%	9.0%
U.S. Small Stocks	11.0%	4.0%
International Developed Market Stocks	9.5%	12.0%
International Emerging Market Stocks	11.0%	3.0%
Alternatives	9.0%	10.0%
Real Estate	6.5%	10.0%
Cash Equivalents	1.5%	5.0%
		100.0%

*Includes assumed rate of inflation of 2.00%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

Changes on Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 9/30/2020	$ 34,079,778	$ 24,378,916	$ 9,700,862
Changes for the year:			
Service cost	500,904	-	500,904
Interest	2,533,371	-	2,533,371
Change of assumptions	913,645	-	913,645
Differences between expected and actual experience	(941,568)	-	(941,568)
Contributions – employer	-	529,850	(529,850)
Contributions – employees	-	444,224	(444,224)
Net investment income	-	5,239,955	(5,239,955)
Benefits payments, including refunds of employee contributions	(2,357,721)	(2,357,721)	-
Transfers among employers	(181,299)	(181,299)	-
Net changes	467,332	3,675,009	(3,207,677)
Balances at 9/30/2021	$ 34,547,110	$ 28,053,925	$ 6,493,185

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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Net pension liability	$ 10,206,067	$ 6,493,185	$ 3,338,899

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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report 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)

Employees' 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, 2022, the City recognized pension expense of $1,021,796. At September 30, 2022, 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	$ 334,111	$ 925,192
Changes in assumptions	767,815	-
Net difference between projected and actual earnings on pension plan investments	-	2,034,944
Contributions subsequent to the measurement date of September 30, 2021	583,264	-
Total	$ 1,685,190	$ 2,960,136

$583,264 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2023	$ (427,691)
2024	(231,051)
2025	(510,208)
2026	(689,260)
	$ (1,858,210)

Anniston's Policemen's and Firemen's Retirement Plan

Organization - The Plan is a single-employer benefit pension plan established by the State of Alabama and administered by a board of trustees. The Plan 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.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

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

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

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

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

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

<u>Participant</u> - An individual becomes a Participant immediately upon hire by the City as a sworn police officer or a sworn firefighter.

<u>Credited Service</u> - 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.

Military Service	Return to Work after Discharge
< 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).

<u>Vesting</u> - 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 or the complete discontinuance of contributions to the Trust.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

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.

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:

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

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

Effective October 1, 2012, normal retirement eligibility is defined as 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 reduction applies if at least 10 years are not earned at retirement. 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 defines normal retirement at age 65, a member becomes eligible to retire at age 65 and is fully vested, but early retirement reductions applies if at least 10 years are not earned at retirement.

<u>Normal Retirement Benefit</u> - 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

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% x 3-year average monthly compensation x full years beginning on or after October 1, 2012 plus 3.0% x 3-year average monthly compensation x 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% x 3-year average monthly compensation x credited service on or after age 60 plus 3.0% x 3-year average monthly compensation x credited service before age 60

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

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

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

> 2.5% x 5-year average monthly compensation x credited service not more than 30 years

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

<u>Early Retirement Eligibility</u> - 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.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

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.

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

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

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

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

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

Off-Duty Survivor Benefit - 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.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

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.

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: 7.8% per year (net of investment and administrative expenses)

(Continued)

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

Plan Expenses: The normal cost in this October 1, 2022 valuation includes a load of the administrative expenses from the fiscal year ending September 30, 2021. No normal cost load was included in the prior valuation as both administrative and investment expenses were assumed to be paid through the investment return.

Inflation: 2.0% per year

Salary Increase – Total Payroll: 2.0% per year.

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

Mortality: The mortality assumption is the following sex distinct tables with fully generational mortality improvements using sex distinct Scale MP-2019.

Active: Male, PubS.H-2010 male employee; Female, PubS.H-2010 female employee
Healthy Retiree: Male, PubS.H-2010 male healthy retiree; Female, PubS.H-2010 female healthy retiree
Beneficiaries: Male, PubS.H-2010 male healthy retiree; Female, PubS.H-2010 female healthy retiree
Disabled Retiree: Male, PubS.H-2010 male disabled retiree; Female, PubS.H-2010 female disable retiree

Juvenile rates are used for ages 15-17. The active tables reference the healthy retiree rates, above, at ages 81+. The healthy retiree tables reference the active mortality rates, above, before age 44.

Retirement: For participants hired prior to January 1, 2016, unisex rates of retirement are as follows:

	Service					
Age	< 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:

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

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

Disability: Unisex rates, as follows:

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

50% of disabilities are assumed to be service connected.

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

Post-Decrement Mortality Assumptions: 5% of active death is assumed in the line of duty. 95% of active death is assumed not in the line of duty.

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.

Plan Membership Statistics
Valuation as of October 1, 2022

Inactive currently receiving benefits	197
Active members	170
	367

Net Pension Liability
The total pension liability under GASB 67 and 68 is based on the October 1, 2022 actuarial valuation which used the following actuarial assumptions applied to all periods included in the measurement.

Salary increases	5.50%
Single discount rate	7.80%
Mortality	PubS.H-2010 with fully generational mortality improvement using Scale MP-2019

Other 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.

The discount rate was 7.80% as of September 30, 2022. Further information regarding the calculation of the discount rate is found in the following section entitled "Calculation of the Discount Rate".

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

The components of the net pension liability at September 30, 2022, were as follows:

Total pension liability	$ 81,314,349
Plan fiduciary net position	(35,190,493)
Net pension liability	$ 46,123,856

Plan fiduciary net position as a percentage of the total pension liability 43.28 %

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

	1% Decrease (6.80%)	Current Discount Rate (7.80%)	1% Increase (8.80%)
Net pension liability (asset)	$ 55,088,062	$ 46,123,856	$ 38,632,473

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. 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
All Cap	10%	8.3%	0.8%
Large Cap	25	8.1	2.0
Mid Cap	17	8.9	1.5
International Equity	8	5.2	0.4
Real Assets	10	5.8	0.6
Fixed Income	30	0.6	0.2
	100%		5.5%

*For illustrative purposes, historical long-term average returns have been used as a reasonable expectation of returns by the investment monitor. The expected rate of inflation is 2.6%. The long term real annualized return weighted by target allocation plus the expected rate of inflation is 8.1%.

Note, however, that long-term expected net rates of return for actuarial valuations should be compared to geometric returns.

The funding valuation of the Plan assumes the plan will earn 7.8% per year (net of investment and administrative expenses but including inflation). The discount rate used to measure the total pension liability was 7.8%. This is the single rate that reflects the long-term expected rate of return on pension plan investments expected to be used to finance the payment of benefits. A projection of cash flows used to determine the discount rate assumed the plan member contributions are made at the current contribution rate and that the City contributions will be made equal to the difference between the actuarily determined contribution and the member contributions. Based on those assumptions, the pension plan's fiduciary net position is 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 is applied to all periods of projected benefit payments to determine the total pension liability. For purposes of this determination, we understand pension plan assets are expected to be invested using a strategy to achieve the discount rate.

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

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

Changes on Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 9/30/2021	$ 81,046,121	$ 41,459,484	$ 39,586,637
Changes for the year:			
Service cost	1,062,293	-	1,062,293
Interest expense	6,127,057	-	6,127,057
Differences between expected and actual experience	(617,528)	-	(617,528)
Contributions – employer	-	4,647,601	(4,647,601)
Contributions – employees	-	1,034,158	(1,034,158)
Net investment income	-	(5,422,199)	5,422,199
Benefits payments, including refunds of employee contributions	(6,303,594)	(6,303,594)	-
Administrative expenses	-	(224,957)	224,957
Net changes	268,228	(6,268,991)	6,537,219
Balances at 9/30/2022	$ 81,314,349	$ 35,190,493	$ 46,123,856

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2022, the City recognized pension expense of $4,739,331. At September 30, 2022, 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	$ 363,779	$ 877,973
Changes in assumptions	811,208	994,792
Net difference between projected and actual earnings on pension plan investments	4,372,781	-
Total	$ 5,547,768	$ 1,872,765

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:	
2023	$ 139,529
2024	1,077,009
2025	763,271
2026	1,695,194
2027	-
	$ 3,675,003

(Continued)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

Discretely-Presented Component Unit – Public Library of Anniston/Calhoun County Pension Plan

General Information about the Pension Plan

Plan Description. The Employees' Retirement System of Alabama, an agent multiple employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. Assets of the ERS are pooled for investment purposes. However, separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of its employees only. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6.*
    d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6.*
    e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

The ERS membership includes approximately 104,510 participants from 879 participating employers.

(Continued)

Discretely-Presented Component Unit – Public Library of Anniston/Calhoun County Pension Plan (Continued)

Pension Benefits

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 Tier 1 ERS members vest after 10 years of creditable service. State employees who retire after age 60 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, Tier 1 members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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 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.

As of September 30, 2021, the Library's membership consisted of:

Retired Members or their beneficiaries currently receiving benefits	12
Non-vested Inactive Members	10
Active Members	16
Total	38

Member and Employer Contributions

Tier 1 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, Tier 1 covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members. The Library elected not to increase the employee contribution rate as provided by Act 2011-676. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. These contribution rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2022, the Library's active employee contribution rate was 6% of covered payroll, and the Library's average contribution rate to fund the normal and accrued liability costs was .32% of pensionable payroll.

(Continued)

NOTE 8 -RETIREMENT PLAN (Continued)

Discretely-Presented Component Unit – Public Library of Anniston/Calhoun County Pension Plan (Continued)

The Library's contractually required contribution rate for the year ended September 30, 2022 was .37% of pensionable pay for Tier 1 employees, and .37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, 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 $1,573 for the year ended September 30, 2022.

Net Pension Liability

The Library's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2020 rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132
(a) TPL as of 9/30/20	$ 2,651,982	$ 2,623,888	$ 2,623,888
(b) Discount rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for October 1, 2020 – September 30, 2021	30,328	30,328	30,328
(d) Transfers Among Employers	-	-	-
(e) Actual Benefit Payments and Refunds for October 1, 2020 – September 30, 2021	(226,681)	(226,681)	(226,681)
(f) Total Pension Liability as of 9/30/21 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	$ 2,651,104	$ 2,620,847	$ 2,620,847
(g) Difference between Expected and Actual		$ (30,257)	
(h) Less Liability Transferred for Immediate Recognition:		-	
(i) Experience (Gain)/Loss		$ (30,257)	

Actuarial Assumptions

The total pension liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% - 6.00%
Investment rate of return*	7.45%

* Net of pension plan investment expense

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019.

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

(Continued)

NOTE 8 -RETIREMENT PLAN (Continued)

Discretely-Presented Component Unit – Public Library of Anniston/Calhoun County Pension Plan (Continued)

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

	Long-Term Expected Real Rate of Return	Target Allocation
Fixed Income	2.80%	15.00%
U.S. Large Stocks	8.00%	32.00%
U.S. Mid Stocks	10.00%	9.00%
U.S. Small Stocks	11.00%	4.00%
International Developed Market Stocks	9.50%	12.00%
International Emerging Market Stocks	11.00%	3.00%
Alternatives	9.00%	10.00%
Real Estate	6.50%	10.00%
Cash	1.50%	5.00%
		100.00%

*Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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 benefit payments of current plan member. 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 in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 9/30/2020	$ 2,651,982	$ 2,956,367	$ (304,385)
Changes for the year:			
Service cost	30,328	-	30,328
Interest expense	195,475	-	195,475
Changes in assumptions	103,409	-	103,409
Differences between expected and actual experience	(30,257)	-	(30,257)
Contributions – employees	-	24,181	(24,181)
Net investment income	-	634,023	(634,023)
Benefits payments, including refunds of employee contributions	(226,681)	(226,681)	-
Net changes	72,274	431,523	(359,249)
Balances at 9/30/2021	$ 2,724,256	$ 3,387,890	$ (663,634)

(Continued)

NOTE 8 -RETIREMENT PLAN (Continued)

Discretely-Presented Component Unit – Public Library of Anniston/Calhoun County Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the Library's net pension liability calculated using the discount rate of 7.45%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Library's net pension asset	$ (435,603)	$ (663,634)	$ (860,496)

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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report dated October 28, 2022, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2022, the Library recognized pension revenue of $156,275. At September 30, 2022, the Library 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	$ -	$ 250,054
Changes in assumptions	90,759	-
Net difference between projected and actual earnings on pension plan investments	-	244,800
Employer contributions subsequent to the measurement date	1,573	-
Total	$ 92,332	$ 494,854

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:	
2023	$ (128,170)
2024	(107,412)
2025	(110,862)
2026	(70,843)
2027	11,992
Thereafter	1,200
	$ (404,095)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

City of Anniston OPEB Health Care Plan – Primary Government

General Information about the OPEB Plan

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

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

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

Employees covered by benefit terms. At the measurement date of September 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	114
Active employees	313
	427

Contributions. The City contributed $720,236 to the OPEB Health Care Plan in fiscal year 2022. The annual required contribution amount is determined using actuarial methods and assumptions approved by the Commission. The Council establishes and may amend the funding policy for the OPEB Health Care Plan.

Total OPEB Liability

The City's total OPEB liability of $7,898,582 was measured as of September 30, 2022, and was determined by an actuarial valuation as of October 1, 2021.

Actuarial assumptions and other inputs. The total OPEB liability as of September 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent annually
Salary increases	3.50 percent annually
Discount rate	4.00 percent
Healthcare cost trend rates	5.00 percent
Retirees' share of benefit related costs	80 percent of projected health insurance premiums for retirees up to $375 per month and up to $296 per month for retirees' spouse. Retirees are eligible with 25 years of creditable service or at age 60 with 10 years of service until they are Medicare eligible.

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

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

(Continued)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balances at September 30, 2021	$ 10,118,298
Changes for the year:	
Service cost	224,143
Interest	305,766
Differences between expected and actual experience	(2,258,297)
Benefits payments,	(491,328)
Net changes	(2,219,716)
Balances at September 30, 2022	$ 7,898,582

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

	1% Decrease (3.0%)	Discount Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	$ 8,539,447	$ 7,898,582	$ 7,319,602

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City calculated using the healthcare cost trend rate of 5.0 percent, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (4.0%)	Healthcare Cost Trend Rates (5.0%)	1% Increase (6.0%)
Total OPEB liability	$ 7,025,122	$ 7,898,582	$ 8,901,996

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

OPEB Expense. For the year ended September 30, 2022, the City recognized OPEB expense of $720,236.

(Continued)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Deferred outflows of resources and deferred inflows of resources. At September 30, 2022, The City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 2,057,056	$ 2,258,297
Total	$ 2,057,056	$ 2,258,297

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

Year Ended September 30:	
2023	$ 13,724
2024	13,724
2025	13,724
2026	13,724
2027	13,724
Thereafter	132,621
	$ 201,241

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

Payable to the OPEB Plan

At September 30, 2022, no amounts were payable to the OPEB plan by the City.

NOTE 10 – TAX ABATEMENTS

The City 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 $246,744 and sales and use tax revenues were not reduced during the reporting period.

In addition to the above program, the City 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 $332,222. 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.

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 July 14, 2023 (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any other items requiring recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNISTON, ALABAMA

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	$ 500,904	$ 533,144	$ 548,512	$ 604,304	$ 601,019	$ 620,626	$ 644,393	$ 645,593
Interest	2,533,371	2,424,983	2,363,578	2,352,725	2,382,153	2,435,109	2,203,091	2,129,802
Differences between expected and actual experience	(941,568)	581,601	(16,384)	(172,561)	(1,387,885)	(1,521,044)	1,980,336	-
Changes of assumptions	913,645	-	-	163,213	-	634,226	-	-
Benefit payments, including refund of member contributions	(2,357,721)	(2,124,378)	(2,078,502)	(2,188,123)	(1,832,157)	(1,918,926)	(1,936,258)	(1,782,300)
Transfers among employers	(181,299)	108,959	3,194	(476,287)	35,139	5,214	-	-
Net change in total pension liability	467,332	1,524,309	820,398	283,271	(201,731)	255,205	2,891,562	993,095
Total pension liability - beginning	34,079,778	32,555,469	31,735,071	31,451,800	31,653,531	31,398,326	28,506,764	27,513,669
Total pension liability - ending (a)	$ 34,547,110	$ 34,079,778	$ 32,555,469	$ 31,735,071	$ 31,451,800	$ 31,653,531	$ 31,398,326	$ 28,506,764
Plan fiduciary net position								
Contributions - employer	$ 529,850	$ 485,268	$ 591,130	$ 575,719	$ 611,421	$ 532,219	$ 517,085	$ 541,741
Contributions - member	444,224	460,694	493,128	495,292	527,129	515,557	538,724	564,320
Net investment income	5,239,955	1,346,682	615,797	2,140,873	2,753,534	2,058,134	250,689	2,377,530
Benefit payments, including refund of member contributions	(2,357,721)	(2,124,378)	(2,078,502)	(2,188,123)	(1,832,157)	(1,918,926)	(1,936,258)	(1,782,300)
Transfers among employers	(181,299)	108,959	3,194	(476,287)	35,139	5,214	(597,870)	30,637
Net change in plan fiduciary net position	3,675,009	277,225	(375,253)	547,474	2,095,066	1,192,198	(1,227,630)	1,731,928
Plan fiduciary net position - beginning	24,378,916	24,101,691	24,476,944	23,929,470	21,834,404	20,642,206	21,869,836	20,137,908
Plan fiduciary net position - ending (b)	$ 28,053,925	$ 24,378,916	$ 24,101,691	$ 24,476,944	$ 23,929,470	$ 21,834,404	$ 20,642,206	$ 21,869,836
Net pension liability - ending (a) - (b)	$ 6,493,185	$ 9,700,862	$ 8,453,778	$ 7,258,127	$ 7,522,330	$ 9,819,127	$ 10,756,120	$ 6,636,928
Plan fiduciary net position as a percentage of the total pension liability	81.20%	71.53%	74.03%	77.13%	76.08%	68.98%	65.74%	76.72%
Covered employee payroll	$ 6,974,763	$ 6,413,606	$ 7,096,189	$ 7,029,793	$ 7,431,288	$ 7,482,303	$ 7,258,581	$ 7,231,287
Net pension liability as a percentage of covered employee payroll	93.10%	151.25%	119.13%	103.25%	101.23%	131.23%	148.18%	91.78%

This schedule will present 10 years as information is available.

CITY OF ANNISTON, ALABAMA

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	$ 1,062,293	$ 1,126,875	$ 1,229,659	$ 2,346,623	$ 2,595,590	$ 3,112,523	$ 2,886,593	$ 2,864,088	$ 1,105,270
Interest	6,127,057	5,910,193	5,942,117	4,917,971	4,436,023	3,851,444	4,081,057	4,037,240	5,054,431
Changes of benefit terms	-	-	-	-	-	-	-	51,201	131,764
Differences between expected and actual experience	(617,528)	584,620	(1,280,637)	1,840,755	200,597	1,268,849	(295,284)	769,346	248,886
Changes of assumptions	-	1,487,214	(310,481)	(36,736,139)	(5,125,733)	(11,618,958)	7,957,056	2,091,185	43,617,061
Benefit payments, including refund of member contributions	(6,303,594)	(6,491,619)	(6,021,780)	(5,923,325)	(5,733,012)	(5,243,975)	(5,091,540)	(4,688,577)	(4,428,334)
Net change in total pension liability	268,228	2,617,283	(441,122)	(33,554,115)	(3,626,535)	(8,630,117)	9,537,882	5,124,483	45,729,078
Total pension liability - beginning	81,046,121	78,428,838	78,869,960	112,424,075	116,050,610	124,680,727	115,142,845	110,018,362	64,289,284
Total pension liability - ending (a)	$ 81,314,349	$ 81,046,121	$ 78,428,838	$ 78,869,960	$ 112,424,075	$ 116,050,610	$ 124,680,727	$ 115,142,845	$ 110,018,362
Plan fiduciary net position									
Contributions - employer	$ 4,647,601	$ 4,288,349	$ 4,290,280	$ 4,101,272	$ 3,936,409	$ 3,821,164	$ 3,431,035	$ 3,332,850	$ 3,067,464
Contributions - member	1,034,158	1,076,399	1,030,127	1,085,496	1,116,605	1,058,117	1,048,607	1,063,270	1,122,594
Net investment income	(5,422,199)	7,896,427	1,903,887	1,017,730	3,404,855	3,591,276	2,551,226	564,957	2,720,956
Benefit payments, including refund of member contributions	(6,303,594)	(6,491,619)	(6,021,780)	(5,923,325)	(5,733,012)	(5,243,975)	(5,091,540)	(4,688,577)	(4,428,334)
Administrative expense	(224,957)	(205,292)	(181,745)	(193,629)	(222,341)	-	(199,247)	(195,238)	(132,727)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(6,268,991)	6,564,264	1,020,769	87,544	2,502,516	3,226,582	1,740,081	77,262	2,349,953
Plan fiduciary net position - beginning	41,459,484	34,895,220	33,874,451	33,786,907	31,284,391	28,057,809	26,317,728	26,240,466	23,890,513
Plan fiduciary net position - ending (b)	$ 35,190,493	$ 41,459,484	$ 34,895,220	$ 33,874,451	$ 33,786,907	$ 31,284,391	$ 28,057,809	$ 26,317,728	$ 26,240,466
Net pension liability - ending (a) - (b)	$ 46,123,856	$ 39,586,637	$ 43,533,618	$ 44,995,509	$ 78,637,168	$ 84,766,219	$ 96,622,918	$ 88,825,117	$ 83,777,896
Plan fiduciary net position as a percentage of the total pension liability	43.3%	51.2%	44.5%	42.9%	30.1%	27.0%	22.5%	22.9%	23.9%
Covered employee payroll	$ 7,386,843	$ 7,688,564	$ 7,358,050	$ 7,753,543	$ 7,975,750	$ 7,557,979	$ 7,490,050	$ 7,594,786	$ 8,018,529
Net pension liability as a percentage of covered employee payroll	624.4%	514.9%	591.6%	580.3%	986.0%	1121.5%	1290.0%	1169.6%	1044.8%

Notes to Schedule:

The total pension liability is determined using PubS.H-2010 with fully generational mortality improvements using Scale MP-2019 effective October 1, 2021 and using RP-00 blue collar mortality with fully generational mortality improvements using Scale AA effective October 1, 2018. Prior to that the total pension liability included mortality improvements to the valuation year. Effective October 1, 2021, the total pension liability is determined based on a discount rate assumed to be net of investment expenses. Prior to that the discount rate was assumed net of investment and administrative expenses. 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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
DISCRETELY PRESENTED COMPONENT UNIT
PUBLIC LIBRARY OF ANNISTON AND CALHOUN COUNTY
Last 10 Fiscal Years ending September 30

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	$ 30,328	$ 27,927	$ 36,337	$ 35,136	$ 29,239	$ 29,896	$ 30,894	$ 30,011
Interest	195,475	209,723	217,864	216,252	219,095	197,670	196,677	189,872
Differences between expected and actual experience	(30,257)	(219,845)	(153,342)	(9,061)	(108,288)	(57,177)	(73,090)	-
Changes of assumptions	103,409	-	-	11,190	-	336,116	-	-
Benefit payments, including refund of member contributions	(226,681)	(176,586)	(236,583)	(192,344)	(165,915)	(143,030)	(141,109)	(128,509)
Transfers among employers	-	(1,202)	-	-	2,395	4,120	-	-
Net change in total pension liability	72,274	(159,983)	(135,724)	61,173	(23,474)	367,595	13,372	91,374
Total pension liability - beginning	2,651,982	2,811,965	2,947,689	2,886,516	2,909,990	2,542,395	2,529,023	2,437,649
Total pension liability - ending (a)	$ 2,724,256	$ 2,651,982	$ 2,811,965	$ 2,947,689	$ 2,886,516	$ 2,909,990	$ 2,542,395	$ 2,529,023
Plan fiduciary net position								
Contributions - employer	$ -	$ 1,203	$ -	$ 1	$ 1,500	$ 6,106	$ 11,037	$ 11,549
Contributions - member	24,181	23,608	23,668	23,974	24,992	23,360	22,581	22,642
Net investment income	634,023	163,937	76,404	268,194	346,265	261,348	31,360	293,995
Benefit payments, including refund of member contributions	(226,681)	(176,586)	(236,583)	(192,344)	(165,915)	(143,030)	(141,109)	(128,509)
Transfers among employers	-	(1,202)	-	-	2,395	4,120	-	-
Net change in plan fiduciary net position	431,523	10,960	(136,511)	99,825	209,237	151,904	(76,131)	199,677
Plan fiduciary net position - beginning	2,956,367	2,945,407	3,081,918	2,982,093	2,772,856	2,620,952	2,697,083	2,497,406
Plan fiduciary net position - ending (b)	$ 3,387,890	$ 2,956,367	$ 2,945,407	$ 3,081,918	$ 2,982,093	$ 2,772,856	$ 2,620,952	$ 2,697,083
Net pension liability - ending (a) - (b)	$ (663,634)	$ (304,385)	$ (133,442)	$ (134,229)	$ (95,577)	$ 137,134	$ (78,557)	$ (168,060)
Plan fiduciary net position as a percentage of the total pension liability	124.36%	111.48%	104.75%	104.55%	103.31%	95.29%	103.09%	106.65%
Covered employee payroll	$ 489,764	$ 479,627	$ 479,627	$ 440,011	$ 440,011	$ 440,011	$ 440,011	$ 459,102
Net pension liability as a percentage of covered employee payroll	-135.50%	-63.46%	-27.82%	-30.51%	-21.72%	31.17%	-17.85%	-36.61%

This schedule will present 10 years as information is available.

CITY OF ANNISTON, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
Last 10 Calendar Years

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 583,264	$ 553,728	$ 494,659	$ 615,120	$ 601,725	$ 638,906	$ 558,928	$ 542,490
Contributions in relation to the actuarially determined contribution	583,264	553,728	494,659	615,120	601,725	638,906	558,928	542,490
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 7,031,133	$ 6,974,763	$ 6,413,606	$ 7,096,189	$ 7,029,793	$ 7,431,288	$ 7,482,303	$ 7,258,581
Contributions as a percentage of covered-employee payroll	8.30%	7.94%	7.71%	8.67%	8.56%	8.60%	7.47%	7.47%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	26.7 years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, 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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 8,062,966	$ 8,245,921	$ 8,750,826	$ 9,026,029	$ 9,291,821	$ 9,572,933	$ 9,641,839	$ 9,811,904	$ 9,930,690	$ 9,738,007
Contributions in relation to the actuarially determined contribution	4,647,601	4,288,349	4,290,280	4,101,272	3,936,409	3,821,164	3,431,035	3,332,850	3,067,464	2,738,006
Contribution deficiency (excess)	$ 3,415,365	$ 3,957,572	$ 4,460,546	$ 4,924,757	$ 5,355,412	$ 5,751,769	$ 6,210,804	$ 6,479,054	$ 6,863,226	$ 7,000,001
Covered employee payroll	$ 7,386,843	$ 7,688,564	$ 7,358,050	$ 7,753,543	$ 7,975,750	$ 7,557,979	$ 7,490,050	$ 7,594,786	$ 8,018,529	$ 7,729,129
Actuarially determined contribution as a percentage of covered-employee payroll	109.2%	107.2%	118.9%	116.4%	116.5%	126.7%	128.7%	129.2%	123.8%	126.0%
Actual Contributions as a percentage of covered-employee payroll	62.9%	55.8%	58.3%	52.9%	49.4%	50.6%	45.8%	43.9%	38.3%	35.4%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Effective October 1, 2016, a level percent of payroll assuming 2% annual total payroll increases. An assumption of 2.5% was used as October 1, 2015 and an assumption of 3.0% was used as of October 1, 2014.
Remaining amortization period	Effective October 1, 2016, 25 years for each new base. Prior to this change a 30-year amortization period was used.
Asset valuation method	5-year smoothed market
Inflation	2.0%
Salary increases	5.5%, including inflation
Investment rate of return	Effective October 1, 2021, 7.8% net of investment and administrative expenses, including inflation. Effective October 1, 2019, 7.8% net of investment and administrative expenses, including inflation. Effective October 1, 2017 7.9% net of investment and administrative expenses, including inflation. Prior to October 1, 2017, 8.0% net of investment and administrative expenses, including inflation.
Retirement age	See "Description of Assumptions and Methods" for the assumed retirement age assumption
Mortality	Effective October 1, 2021 the mortality assumption uses sex distinct tables with fully generational mortality improvements using sex distinct Scale MP-2019. Effective October 1, 2018, mortality is assumed under the RP 2000 Blue Collar Mortality Table (set forward 10 years for disabled members) with fully generational mortality improvements assumed using Scale AA. Effective October 1, 2017, mortality improvements were projected from 2000 to the valuation year.

CITY OF ANNISTON, ALABAMA

DISCRETELY PRESENTED COMPONENT UNIT - PUBLIC LIBRARY OF ANNISTON/CALHOUN COUNTY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PUBLIC LIBRARY OF ANNISTON/CALHOUN COUNTY
Last 10 Calendar Years

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 1,573	$ 1,661	$ 2,895	$ 1	$ 1	$ 1,500	$ 6,106	$ 11,037
Contributions in relation to the actuarially determined contribution	1,573	1,661	2,895	1	1	1,500	6,106	11,037
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 489,764	$ 490,088	$ 479,627	$ 440,011	$ 440,011	$ 440,011	$ 440,011	$ 440,011
Contributions as a percentage of covered-employee payroll	0.32%	0.34%	0.60%	0.00%	0.00%	0.34%	1.39%	2.51%

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	N/A Years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation expense, including inflation

This schedule will present 10 years as information is available.

CITY OF ANNISTON, ALABAMA

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

Last Fiscal Year Ending September 30

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 224,143	$ 216,132	$ 174,744	$ 201,813	$ 166,827
Interest	305,766	396,703	351,142	340,177	312,630
Differences between actual and expected experience	(2,258,297)	1,135,708	240,385	1,026,112	35,291
Benefit payments, including refunds of employee contributions	(491,328)	(598,220)	(656,864)	(633,760)	(474,259)
Net change in total OPEB liability	(2,219,716)	1,150,323	109,407	934,342	40,489
Total OPEB liability - beginning	10,118,298	8,967,975	8,858,568	7,924,226	7,883,737
Total OPEB liability - ending (a)	$ 7,898,582	$ 10,118,298	$ 8,967,975	$ 8,858,568	$ 7,924,226

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF ANNISTON, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

September 30, 2022

	Special Revenue						
	Anniston Museum of Natural History	Berman Museum of World History	Longleaf Botanical Gardens	Corrections	Fire Tax District	Federal Seized Assets	State Seized Assets
ASSETS							
Cash and cash equivalents	$ 951,339	$ 200	$ -	$ 403,437	$ 2,569,863	$ 26,983	$ 1,781
Investments	-	-	-	-	569,269	-	-
Receivables, net of allowance:							
Accounts receivables	1,488	861	187	2,938	-	-	-
Notes	-	-	-	-	-	-	-
Due from other funds	12,609	52,251	150,970	-	332,966	-	-
Due from other governments	-	-	-	-	13,858	-	-
Restricted cash	-	-	-	-	-	-	-
Total assets	$ 965,436	$ 53,312	$ 151,157	$ 406,375	$ 3,485,956	$ 26,983	$ 1,781
LIABILITIES							
Accounts payable	$ 20,813	$ 8,219	$ 4,786	$ -	$ 26,760	$ -	$ -
Other payables	-	-	-	-	-	-	-
Due to other funds	621,906	-	-	358,278	2,560,958	7,782	19,232
Due to other governments	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	642,719	8,219	4,786	358,278	2,587,718	7,782	19,232
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - loans	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
FUND BALANCES							
Restricted for:							
Capital projects	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	898,238	19,201	-
Road improvements	-	-	-	-	-	-	-
Culture and recreation	322,717	45,093	146,371	-	-	-	-
Economic and industrial development	-	-	-	-	-	-	-
Unassigned	-	-	-	48,097	-	-	(17,451)
Total fund balances	322,717	45,093	146,371	48,097	898,238	19,201	(17,451)
Total liabilities, deferred inflows of resources, fund balances	$ 965,436	$ 53,312	$ 151,157	$ 406,375	$ 3,485,956	$ 26,983	$ 1,781

	Special Revenue							
	Alabama Trust Fund	Chief of Police Fee	Bulletproof Vest Grant	Airport Grants	Gasoline Tax	Seven Cents Gasoline Tax	McClellan Compact Construction	Multiple Grants
	$ 299,891	$ -	$ -	$ -	$ 43,396	$ 55,941	$ -	$ -
	-	-	-	-	-	-	-	-
							-	
	-	132	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	24,439	25,807	4,707	12,698	539	1,634	20,386	1,034,793
	-	-	1,866	-	5,215	6,555	-	315,643
	-	-	-	-	-	-	-	-
	$ 324,330	$ 25,939	$ 6,573	$ 12,698	$ 49,150	$ 64,130	$ 20,386	$ 1,350,436
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,640
	-	-	-	-	-	-	-	-
	-	-	17,004	288,676	36,635	48,634	-	1,502,549
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	17,004	288,676	36,635	48,634	-	1,532,189
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	324,330	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	25,939	-	-	-	-	-	-
	-	-	-	-	12,515	15,496	20,386	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	(10,431)	(275,978)	-	-	-	(181,753)
	324,330	25,939	(10,431)	(275,978)	12,515	15,496	20,386	(181,753)
	$ 324,330	$ 25,939	$ 6,573	$ 12,698	$ 49,150	$ 64,130	$ 20,386	$ 1,350,436

CITY OF ANNISTON, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

September 30, 2022

	Special Revenue						
	HOME	JAG 2015 Grant	JAG 2016 Grant	City Court Operations	Rebuild AL Gas Tax	Special Drug Task Force	Special Drug Task Force Office
ASSETS							
Cash and cash equivalents	$ 18,557	$ 100	$ 25,141	$ 84,071	$ 265,384	$ -	$ 424,803
Investments	-	-	-	-	-	-	-
Receivables, net of allowance							
Accounts receivables	-	-	-	332	-	-	-
Notes	409,172	-	-	-	-	-	-
Due from other funds	23,787	40,507	-	6,926	-	583,210	-
Due from other governments	52,146	-	-	-	15,080	141,700	-
Restricted cash	-	-	-	-	-	-	-
Total assets	$ 503,662	$ 40,607	$ 25,141	$ 91,329	$ 280,464	$ 724,910	$ 424,803
LIABILITIES							
Accounts payable	$ 18,620	$ -	$ -	$ -	$ -	$ 44,560	$ -
Other payables	-	-	-	19,485	-	-	-
Due to other funds	226,832	-	25,141	-	-	644,924	583,210
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	245,452	-	25,141	19,485	-	689,484	583,210
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - loans	409,172	-	-	-	-	-	-
Total deferred inflows of resources	409,172	-	-	-	-	-	-
FUND BALANCES							
Restricted for:							
Capital projects	-	-	-	-	-	-	-
Debt service	-	-	-	-	-		-
Judicial	-	-	-	71,844	280,464	-	-
Public safety	-	40,607	-	-	-	35,426	-
Road improvements	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic and industrial development	-	-	-	-	-	-	-
Unassigned	(150,962)	-	-	-	-	-	(158,407)
Total fund balances	(150,962)	40,607	-	71,844	280,464	35,426	(158,407)
Total liabilities, deferred inflows of resources, fund balances	$ 503,662	$ 40,607	$ 25,141	$ 91,329	$ 280,464	$ 724,910	$ 424,803

Special Revenue							
Police Equipment	Strategies in Police Innovation Grant	Community Development Block Grant	UDAG Revolving Loan	Public Building Authority	Anniston Industrial Development Authority	Anniston Downtown Development Authority	Total
$ -	$ -	$ 213,582	$ -	$ -	$ 14,818	$ -	$ 5,399,287
-	-	-	-	-	-	-	569,269
-	-	-	-	-	-	-	5,938
-	-	127,443	-	-	-	-	536,615
172,098	195,844	204,754	-	-	-	-	2,900,925
-	-	120,559	-	-	-	-	672,622
-	-	-	-	1,944,170	-	-	1,944,170
$ 172,098	$ 195,844	$ 666,338	$ -	$ 1,944,170	$ 14,818	$ -	$ 12,028,826
$ -	$ -	$ 79,490	$ -	$ -	$ -	$ -	$ 232,888
-	-	-	-	-	-	-	19,485
172,098	188,171	317,218	-	164,081	-	-	7,783,329
-	-	192,272	-	-	-	-	192,272
172,098	188,171	588,980	-	164,081	-	-	8,227,974
-	-	127,443	-	-	-	-	536,615
-	-	127,443	-	-	-	-	536,615
-	-	-	-	-	-	-	324,330
-	-	-	-	1,780,089	-	-	1,780,089
-	-	-	-	-	-	-	352,308
-	7,673	-	-	-	-	-	1,027,084
-	-	-	-	-	-	-	48,397
-	-	-	-	-	-	-	514,181
-	-	-	-	-	14,818	-	14,818
-	-	(50,085)	-	-	-	-	(796,970)
-	7,673	(50,085)	-	1,780,089	14,818	-	3,264,237
$ 172,098	$ 195,844	$ 666,338	$ -	$ 1,944,170	$ 14,818	$ -	$ 12,028,826

CITY OF ANNISTON, ALABAMA

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

Year ended September 30, 2022

	Special Revenue					
	Anniston Museum of Natural History	Berman Museum of World History	Longleaf Botanical Gardens	Corrections	Fire Tax District	Federal Seized Assets
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ 1,033,902	$ -
Intergovernmental	240,883	13,965	-	177,952	-	866
Charges for services	189,870	66,913	29,729	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Contributions and donations	70,267	17,256	954	-	-	-
Investment income	-	-	-	-	1,433	-
Other revenue	376,804	234	36,984	-	50,911	-
Total revenues	877,824	98,368	67,667	177,952	1,086,246	866
EXPENDITURES						
Current						
Public safety	-	-	-	65	839,035	1,217
Public works	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	954,304	224,888	241,194	-	-	-
Housing and development	-	-	-	-	-	-
Debt service -						
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	954,304	224,888	241,194	65	839,035	1,217
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(76,480)	(126,520)	(173,527)	177,887	247,211	(351)
OTHER FINANCING SOURCES (USES)						
Transfers in	360,400	164,500	157,200	-	-	-
Transfers out	-	-	-	-	-	-
Total financing sources (uses)	360,400	164,500	157,200	-	-	-
NET CHANGE IN FUND BALANCES	283,920	37,980	(16,327)	177,887	247,211	(351)
Fund balance, beginning	38,797	7,113	162,698	(129,790)	651,027	19,552
Fund balance, ending	$ 322,717	$ 45,093	$ 146,371	$ 48,097	$ 898,238	$ 19,201

Special Revenue								
State Seized Assets	Alabama Trust Fund	Chief of Police Fee	Bulletproof Vest Grant	Airport Grants	Gasoline Tax	Seven Cents Gasoline Tax	McClellan Compact Construction	Multiple Grants
$ -	$ -	$ -	$ -	$ -	$ 59,048	$ 64,358	$ -	$ -
-	198,792	5,120	4,197	2,308,994	-	-	-	593,828
-	-	-	-	-	-	10,287	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	198,792	5,120	4,197	2,308,994	59,048	74,645	-	593,828
-	-	4,287	8,526	-	-	-	-	-
-	-	-	-	2,484,049	-	-	5,577	729,714
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	4,287	8,526	2,484,049	-	-	5,577	729,714
-	198,792	833	(4,329)	(175,055)	59,048	74,645	(5,577)	(135,886)
-	-	-	-	-	-	-	-	-
-	(150,000)	-	-	-	(64,000)	(81,500)	-	-
-	(150,000)	-	-	-	(64,000)	(81,500)	-	-
-	48,792	833	(4,329)	(175,055)	(4,952)	(6,855)	(5,577)	(135,886)
(17,451)	275,538	25,106	(6,102)	(100,923)	17,467	22,351	25,963	(45,867)
$ (17,451)	$ 324,330	$ 25,939	$ (10,431)	$ (275,978)	$ 12,515	$ 15,496	$ 20,386	$ (181,753)

CITY OF ANNISTON, ALABAMA

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

Year ended September 30, 2022

	Special Revenue						
	HOME	JAG 2015 Grant	JAG 2016 Grant	City Court Operations	Rebuild AL Gas Tax	Special Drug Task Force	Special Drug Task Force Office
REVENUES							
Taxes	$ -	$ -	$ -	$ -	$ 169,572	$ -	$ -
Intergovernmental	605,984	42,018	-	-	-	202,561	417,105
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	32,099	-	-	-
Contributions and donations	-	-	-	-	-	-	-
Investment income	956	-	-	-	-	-	791
Other revenue	-	-	-	-	-	-	-
Total revenues	606,940	42,018	-	32,099	169,572	202,561	417,896
EXPENDITURES							
Current							
Public safety	-	42,042	-	-	-	546,671	137,309
Public works	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Housing and development	605,983	-	-	-	-	-	-
Debt service -							
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	605,983	42,042	-	-	-	546,671	137,309
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	957	(24)	-	32,099	169,572	(344,110)	280,587
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	335,387	-
Transfers out	-	-	-	(50,000)	(118,000)	-	(247,040)
Total financing sources (uses)	-	-	-	(50,000)	(118,000)	335,387	(247,040)
NET CHANGE IN FUND BALANCES	957	(24)	-	(17,901)	51,572	(8,723)	33,547
Fund balance, beginning	(151,919)	40,631	-	89,745	228,892	44,149	(191,954)
Fund balance, ending	$ (150,962)	$ 40,607	$ -	$ 71,844	$ 280,464	$ 35,426	$ (158,407)

Special Revenue							
Police Equipment	Strategies in Police Innovation Grant	Community Development Block Grant	UDAG Revolving Loan	Public Building Authority	Anniston Industrial Development Authority	Anniston Downtown Development Authority	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,326,880
-	68,672	982,018	-	1,288,642	-	-	7,151,597
-	-	-	-	-	-	-	296,799
-	-	-	-	-	-	-	32,099
-	-	-	-	-	-	-	88,477
-	-	1,279	-	5,868	61	11	10,399
-	-	4,185	-	-	-	-	469,118
-	68,672	987,482	-	1,294,510	61	11	9,375,369
-	61,250	-	-	-	-	-	1,640,402
-	-	-	-	-	-	-	3,219,340
-	-	-	116,579	-	39	150,546	267,164
-	-	60	-	-	-	-	1,420,446
-	-	981,957	-	-	-	-	1,587,940
-	-	-	-	1,289,113	-	-	1,289,113
-	61,250	982,017	116,579	1,289,113	39	150,546	9,424,405
-	7,422	5,465	(116,579)	5,397	22	(150,535)	(49,036)
-	-	-	-	-	-	-	1,017,487
-	-	-	-	-	-	-	(710,540)
-	-	-	-	-	-	-	306,947
-	7,422	5,465	(116,579)	5,397	22	(150,535)	257,911
-	251	(55,550)	116,579	1,774,692	14,796	150,535	3,006,326
$ -	$ 7,673	$ (50,085)	$ -	$ 1,780,089	$ 14,818	$ -	$ 3,264,237

COMPLIANCE SECTION

CITY OF ANNISTON, ALABAMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
CDBG - Entitlement Grants Cluster	14.218	N/A	$ 982,018
HOME Investment Partnerships Program	14.239	N/A	605,984
Total U.S. Department of Housing and Urban Development			1,588,002
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607	N/A	4,263
FY 19 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019WYBX0007	61,250
FY 20 Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA21GG01119JAGX	42,042
Total U.S. Department of Justice			107,555
U.S. DEPARTMENT OF TRANSPORTATION			
Alabama Department of Transportation			
Airport Improvement Program	20.106	3-01-0008-035-2020	2,224,648
Airport Improvement Program	20.106	3-01-0008-037-2021	12,217
Highway Planning and Construction Cluster			
Chief Ladiga Trail - Anniston Segment	20.205	STPOA-NR13(938) 100060694	276,770
Chief Ladiga Trail - Anniston Segment	20.205	STPOA-NR13(938) 100063266	35,088
Sidewalks and Streetscape Improvements Along W. 15th Street and Project Dr.	20.205	TAPAA-TA21(901)	48,179
Total Highway Planning and Construction Cluster			360,037
Total U.S. Department of Transportation			2,596,902
U.S. DEPARTMENT OF TREASURY			
American Rescue Plan Act	21.027	N/A	1,399,516
Shuttered Venue Operators Grant	59.075	N/A	156,017
Total U.S. Department of Treasury			1,555,533
U.S. DEPARTMENT OF THE INTERIOR			
2016 HPF AACR - City of Anniston	15.904	P17AP00033	274,765
Total U.S. Department of the Interior			274,765
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
Institute of Museums and Library Services	45.312	ARPML-250717-OMLS-22	32,080
Total National Foundation on the Arts and the Humanities			32,080
Total Expenditures of Federal Awards - Primary Government			$ 6,154,837

CITY OF ANNISTON, ALABAMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2022

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, 2022. 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

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 14, 2023. Our report includes a reference to other auditors who audited the financial statements of the Public Library of Anniston-Calhoun County, 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.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

1200 Market Street, Chattanooga, TN 37402 | T 423.756.7771 | F 423.265.8125

Report on 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 financial statements. 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the federal award findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
July 14, 2023

Henderson Hutcherson
& McCullough, PLLC

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

Opinion on Each Major Federal Program

We have audited the City of Anniston, Alabama's compliance with the types of compliance requirements identified as subject to audit in the 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, 2022. 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.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, On a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control\ over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Chattanooga, Tennessee
July 14, 2023

Henderson Hutcherson
& McCullough, PLLC

CITY OF ANNISTON, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2022

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	_x_no
• Significant deficiencies identified that are not considered to be material weaknesses?	___yes	_x_ none reported
Noncompliance material to financial statements noted?	__yes	_x_no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified:	___yes	_x_no
• Significant deficiencies identified that are not considered to be material weaknesses?	_x_yes	__ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed under the Uniform Guidance?	__x_yes	___no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
21.027	U.S. Department of Treasury American Rescue Plan Act
15.904	U.S. Department of the Interior 2016 HPF AACR – City of Anniston
20.106	U.S. Department of Transportation Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	____yes	__x__no

CITY OF ANNISTON, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2022-001: 2016 HPF AACR – Reporting
Assistance Listing Title: 2016 HPF AACR – City of Anniston
Assistance Listing Number: 15.904
Federal Award Year: 2018
Federal Agency: Department of Interior
Type of Finding: Significant Deficiency
Category of Finding: Reporting
Questioned Costs: $0

Condition: The City did not submit required grant reports within the required timeframe.

Cause: The City was behind in spending grant funds within the allowed timeframe which led to them falling behind in filing the applicable reports in the required timeframe.

Criteria: Following of compliance requirements.

Effect: Reporting compliance requirements were not met for one of the City's federal grants.

Recommendation: Before undergoing any future federal grant activities the City should have a plan in place to ensure all required compliance requirements will be met in the required timeframe allowed under the federal grant guidelines.

Views of the Responsible Officials: The officials concur with the finding.

Corrective Action Plan: See letter provided by management.

CITY OF ANNISTON, ALABAMA

SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2022

No findings for fiscal year ended September 30, 2021

City of Anniston
The Model City

ANNISTON CITY COUNCIL

JACK DRAPER
MAYOR

JAY JENKINS
COUNCILMAN WARD 1

DEMETRIC "D.D." ROBERTS
COUNCILMAN WARD 2

CIARA SMITH
COUNCILWOMAN WARD 3

MILLIE HARRIS
COUNCILWOMAN WARD 4

MANAGEMENT'S CORRECTIVE ACTION PLAN

Federal Award Finding:

2022-001: Federal Grant Reporting Requirements

Recommendation: Before undergoing any future federal grant activities the City should have a plan in place to ensure all required compliance requirements will be met in the required timeframe allowed under the federal grant guidelines.

Action Taken: City Manager, Economic Development Director, and Finance Director have been made aware of finding. Moving forward, Finance Director will oversee all grant requirements to ensure that reporting is completed in a timely manner.

Name of Contact Person: Jessica Leonard, Finance Director
Anticipated Completion Date: Immediate

Jessica H Leonard

Jessica H Leonard, Finance Director

P.O. Box 2168 • Anniston, Alabama 36202