CITY OF ANNISTON, ALABAMA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2005

Hoyt W. Howell, Jr., Mayor
Danny McCullars, Finance Director

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INTRODUCTORY SECTION

CITY OF ANNISTON
P. O. BOX 2168
ANNISTON, ALABAMA 36202

May 29, 2006

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Anniston:

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the City of Anniston for the fiscal year ended September 30, 2005.

This report consists of management's representations concerning the finances of the City of Anniston. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Anniston has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Anniston's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Anniston's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Anniston's financial statements have been audited by Warren, Averett, Kimbrough & Marino, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Anniston for the fiscal year ended September 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Anniston's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Anniston was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements required the independent auditor to report not only the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Anniston's separately issued single audit report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Anniston's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Anniston, incorporated in 1883, is located in the northeast part of Alabama, which is geographically centered between Birmingham, Alabama and Atlanta, Georgia. The region is experiencing significant economic growth. The City of Anniston currently occupies a land area of 46.70 square miles and serves a population of 24,509. The City of Anniston is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Anniston is operating under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The mayor and council are elected on a non-partisan basis. The mayor is elected at-large and the four council members are elected by constituents of geographic wards, modified and reviewed by the Department of Justice following each census.

The City of Anniston provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. The City of Anniston also is financially accountable for a legally separate school district, a library, museums and other legally separate operations, which are reported separately within the City of Anniston's financial statements. Additional information on all of these legally separate entities can be found within the financial statements.

The annual budget serves as the foundation for the City of Anniston's financial planning and control. All agencies and departments of the City of Anniston are required to submit requests for appropriation to the government's manager. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review no later than 35 days prior to September 30. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of Anniston's fiscal year. The appropriated budget is prepared by fund (e.g. general), function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department, with the approval of the manager. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 40 as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Anniston operates.

Local Economy. The City of Anniston currently operates in a relatively stable economic environment. The region has a varied manufacturing and industrial base that adds to the stability of the unemployment rate. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include a military installation with several sub-contractors, and a major automobile manufacturer with related industries. It appears that the Anniston Army Depot has benefited from the 2005 round of base realignments. A major medical facility that provides a large employment base of over 1,000 health care professionals and staff is within City limits. Additionally, Anniston is the seat of Calhoun County with a judicial complex projected to be significantly enhanced by the addition of a regional federal court complex, adding to the professional community.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, and money market arrangements. The maturities of the investments range from one to three years, with an average maturity of 12 months. The average yield on investments increases along with

the federal funds rate. This increased in 2005, but not to the level budgeted. The federal funds rate has risen significantly in recent months and this should enable enhanced return on City investments in 2006.

Risk management. The City of Anniston employs a comprehensive risk management strategy whereby risk factors are mitigated to the extent possible, and various insurance policies are in force for unforeseen circumstances and the welfare of City employees and their dependents. Premiums are paid to the Alabama Municipal Insurance Corporation for the general liability of the City. Additionally, property insurance is in force underwritten by the Philadelphia Insurance Company brokered by Banister-Downing (independent agent) of Anniston. Coverage for workman's compensation claims is purchased from the Municipal Workers Compensation Fund (a venture of the Alabama League of Municipalities). Employee health coverage is funded as incurred by the City. Re-insurance is provided by Symetra Insurance for specific health claims exceeding $100,000 in the measurement year.

Pension and other post-employment benefits. There are two distinct defined benefit pension systems in place for City of Anniston employees. Sworn public safety employees participate in the Police and Firemen's Retirement Fund of the City of Anniston and must contribute ten percent of gross salary. This is matched by the City. This fund is enabled by Alabama statute. A fiduciary fund is included in these financial statements that highlights this fund. The remainder of the full-time employees participate in the Retirement Systems of Alabama, with non-elective contributions amounting to five percent of gross pay. In addition, all employees may elect to defer an additional portion of their salaries through a 457-B plan, currently utilizing the Retirement Systems of Alabama.

Health insurance coverage is made available to retirees through a resolution passed in fiscal year 1998 and the liability for such must be measured and recorded by the year ending 9/30/09 pursuant to new standards issued by the standards board.

Acknowledgements

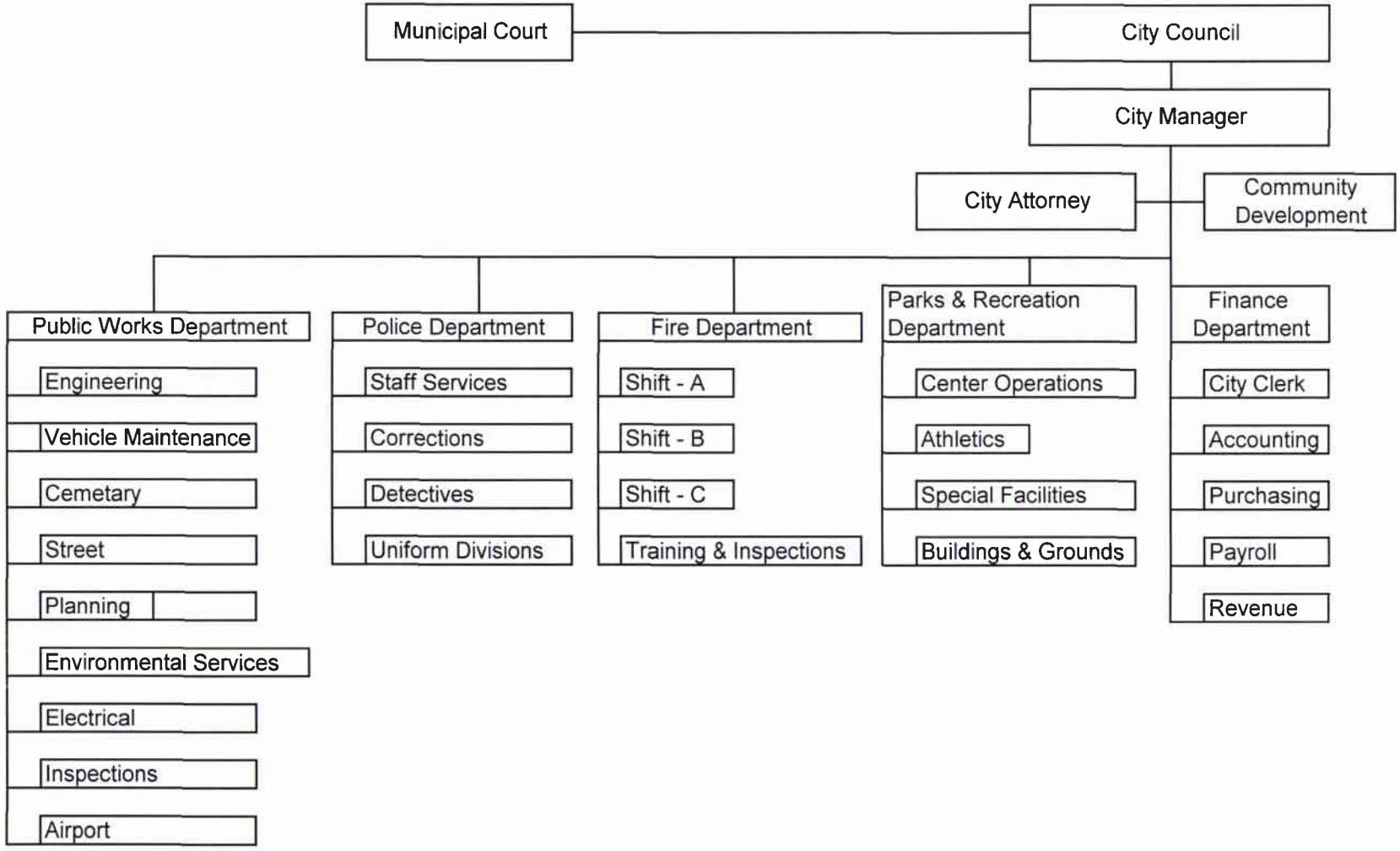
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We would like to express our appreciation to all members of the department who assisted and contributed to this document. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Anniston's finances.

Respectfully submitted,

George Monk
City Manager

Danny McCullars
Finance Director

ORGANIZATIONAL CHART



OFFICIALS OF THE CITY OF ANNISTON

City Council
Hoyt W. "Chip" Howell, Jr., Mayor
Floyd S. Bennett, Jr
Herbert Palmore
Reverend Benjamin Little
Jeff Fink

City Manager
George Monk

Finance Director
Danny McCullars, CPA

Other City Officials

Building	Charles Hill, Superintendent
City Clerk	Alan Atkinson
Environmental Services	David Hill, Superintendent
Fire	William Fincher, Chief
Grounds	Chris Roberts, Superintendent
Municipal Court	Vaughn Stewart, Judge
Municipal Garage	Herb McCarley, Superintendent
Police	John Dryden, Chief
Public Works	Dale Garrett, Director
Purchasing	Gary Barber, Agent
Recreation	Tammy Chapman, Director
Streets	Phil Brown, Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the City of Anniston's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and in the financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Anniston (primary government) exceeded its liabilities at the close of fiscal year 2005 by $47.2 million. The assets of the City's component units exceeded their liabilities by $25.7 million. Of the $47.2 million in primary government net assets, $9.96 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $17.4 million. The combined governmental funds fund balance decreased by $955,945 in comparison with the prior year. Of the $17.4 million in fund balance, $11.26 million is available for spending at the government's discretion (unreserved fund balance).

- The general fund closed with a fund balance of $10.93 million, up from $9.54 million in 2004. The 2005 ending general fund balance represents 39.8 percent of total general fund operating expenditures, compared with the ending general fund balance amounting to 37.6 percent of total operating expenditures in 2004 and 39.4 percent of total operating expenses in 2003.

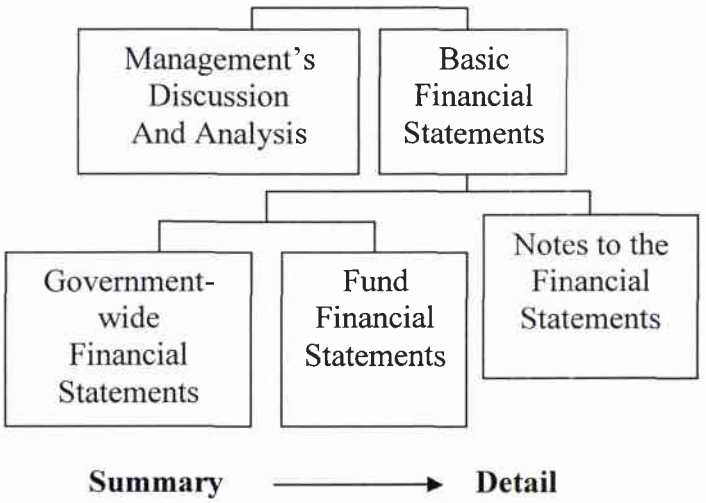
- In the fiscal year 2005, the City of Anniston realized an excess of operational revenues over expenditures in the general fund of $2,912,619. However, the general fund balance increased by only $1,390,963 due to significant net transfers from the general fund to capital projects and debt service. Included in the capital transfers is $164,459 to fund the electronics drive project, $87,298 to complete improvements to the youth sports complex, and $1,755,987 to service the debt of the City.

Overview of the Financial Statements

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

financial condition of the City of Anniston. The following diagram shows how the required components of this annual report are arranged and relate to one another.

Required Components of Annual Financial Report (Figure 1)



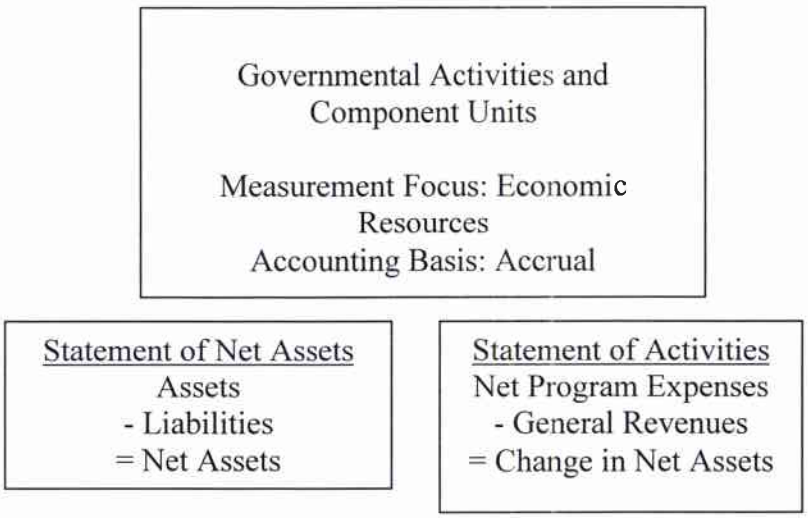
Government-wide financial statements

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 assets* includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid.

The government-wide financial statements of Anniston are divided into two 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.
- *Discretely Presented Component units* – The City includes other legally separate entities in its report including the board of education, the museum complex, the public library, Spirit of Anniston, an industrial development board, and a school support entity. The City is financially accountable for these entities.

Government-wide Financial Statements



The *statement of net assets* includes all of the government's assets and liabilities except fiduciary funds. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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 two types of funds:

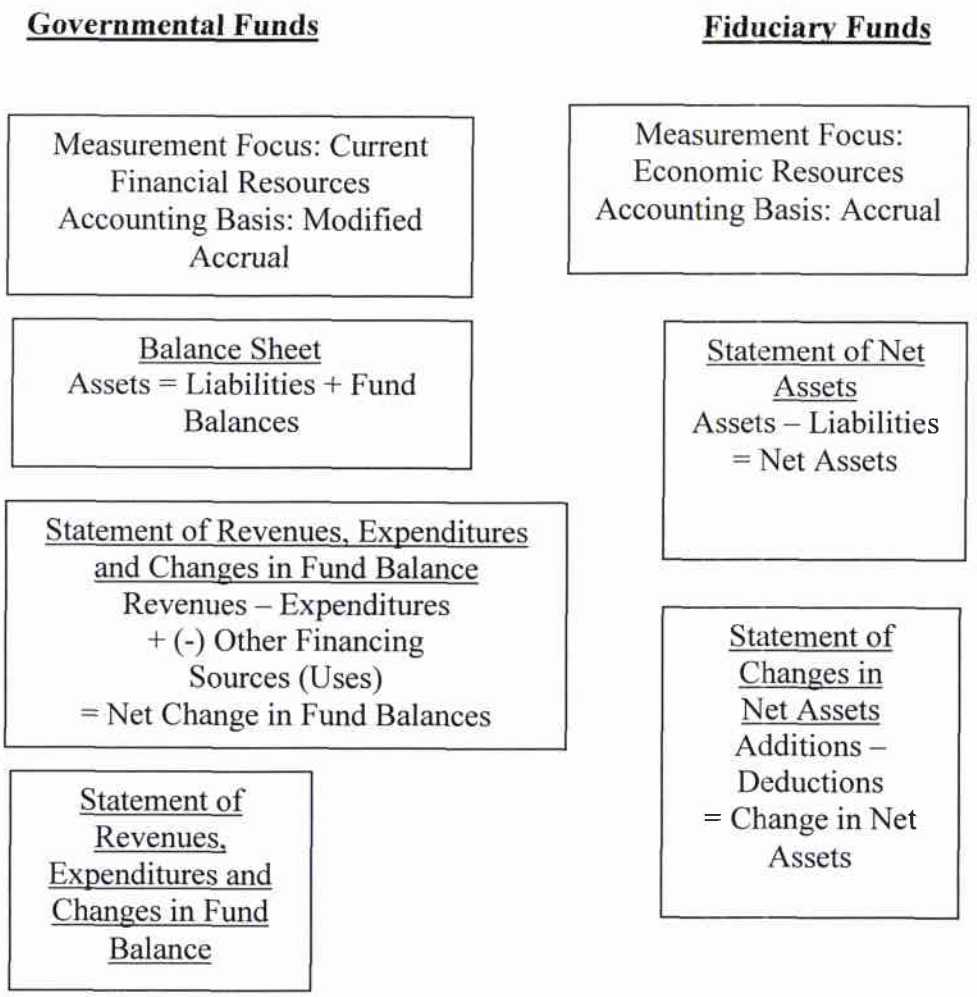
Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus of 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.

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

Fiduciary fund – The fiduciary fund statement reflects the financial relationship with the Anniston Police and Firefighters Retirement Fund which provides benefits exclusively for certain public safety employees. This fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance operations.

The following diagram presents the major features of the fund financial statements including the types of information contained therein.

Fund Financial Statements



Notes to the Financial Statements

The notes provide additional information that is essential to 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

The government-wide financial statement for the fiscal year ended September 30, 2003, was the first of a new format of reports for the City. The accounting year 2004 and subsequent years follow this format. The changes in the financial statements are in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34. The City has not accounted for all infrastructure assets. The timeline for this presentation is no later than the fiscal year ended September 30, 2007. This deferral is allowable by GASB 34 due to the practical considerations of inventorying and valuing infrastructure.

Statement of Net Assets

	Governmental Activities	Component Units
ASSETS		
Cash and investments	$15,370,211	$4,507,666
Receivables net	3,075,184	51,358
Due from other governments	1,211,062	3,430,427
Inventories	23,365	17,525
Other assets	231,862	118,298
Collections	-	8,142,578
Net capital assets	38,338,849	16,911,454
Total assets	$58,250,533	$33,179,306

LIABILITIES		
Accounts payable and accruals	$1,157,204	$1,174,164
Deferred revenue	595,199	2,906,465
Due to other funds	-	-
Accrued interest	67,864	-
Non-current liabilities:		
Bonds and warrants payable	1,050,000	-
Notes payable	203,690	112,665
Compensated absences	561,180	157,209
Due in more than one year		
Bonds and warrants payable	4,710,000	-
Notes payable	1,257,944	3,129,586
Compensated absences	1,427,280	-
Total liabilities	11,030,361	7,480,089
NET ASSETS		
Invested in capital assets, net of debt	22,906,832	21,724,338
Restricted for:		
Capital Projects	508,957	2,115,884
Special Revenues	5,629,048	-
Unrestricted	9,964,952	1,858,995
Total net assets	47,220,172	25,699,217
Total Liabilities and Net Assets	$58,250,533	$33,179,306

The assets of the City of Anniston *(primary government)* exceeded it's liabilities by $47.2 million as of September 30, 2005. However, the largest portion (48.5 percent) reflects the City's investment in capital assets, less any related debt still outstanding that was issued to acquire those assets. It is of particular note that the debt outstanding includes school bonds, whose corresponding assets are not reflected in the $47.2 million. The City of Anniston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional total of $6.14 million represents net assets that are subject to external or Council placed restrictions on how they may be used. The remaining balance of $9.96 million is unrestricted.

Changes in Net Assets

Functions/Projects	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants for Contributions	Changes in Net Assets: Primary Government Governmental Activities	Changes in Net Assets: Component Units
Primary government:						
Governmental activities:						
General government	$11,073,143	$1,405,662	$1,476,412	$612,782	$(7,578,287)	$(4,855,816)
Public safety	10,426,494	572,661	310,000	7,230	(9,536,603)	
Public Works	5,194,610	922,593			(4,272,017)	
Culture and recreation	3,541,834	1,121,853			(2,419,981)	(861,402)
Total	$30,236,081	$4,022,769	$1,786,412	$620,012	$(23,806,888)	$(5,717,218)
General Revenues:						
Taxes: Sales, property, and other for general purposes					23,680,356	3,072,378
Miscellaneous income					1,095,046	1,452,301
General business licenses and permits					3,347,209	0
Grants and contributions not restricted to specific programs					-	878,699
Unrestricted investment earnings					289,105	122,100
Total Revenues					28,411,716	5,525,478
Change in net assets					4,604,828	(191,740)
Net asset - beginning					42,615,344	25,890,957
Adjustment for Capital Asset Valuation					-	-
Net asset - ending					$47,220,172	$25,699,217

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Anniston's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Anniston's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Anniston. At the end of the current fiscal year, unreserved fund balance of the general fund was $10,929,400, compared with $9,538,437 at the end of 2004. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 39.8 percent of total general fund expenditures at the end of 2005, compared with 37.6 percent at September 30, 2004. The increase is attributable, in part, to the reduction in funding of capital projects related to construction of the youth sports complex and re-working Bill Robison Parkway. Greater than expected operational revenues in 2005 improved this liquidity measure.

General Fund Budgetary Highlights

Revenues for the year were $374,895 above the budgeted amount. The primary source for the excess is greater than anticipated sales tax collections.

All general categories realized a favorable variance in budgeted to actual expenditures.

The operational excess for the City's general fund totaled $2,912,619, before internal transfers to or from capital, law enforcement, and debt service funds.

Capital Asset and Debt Administration

Capital Assets: The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2005 totals $38,338,849 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, facilities and vehicles, as well as the collection at the Anniston Museum. This capital asset total does not include infrastructure assets in service before the adoption of GASB-34. The City is utilizing the compliance relief granted in GASB-34 for reporting of infrastructure including roads, bridges, drainage systems, tunnels, lighting systems, and sewer systems. Infrastructure assets must be retroactively included in the fiscal year that ends September 30, 2007.

Additional information about the City of Anniston's fixed assets can be found in the notes to the financial statements.

Long-term Debt: As of September 30, 2005, the City of Anniston had bonded debt outstanding of $ 5,760,000. These are entirely general obligation bonds. In addition, the City is participating in regional economic development that specifically funded certain infrastructure at Honda Manufacturing of Alabama's plant in Lincoln, Alabama. The amount outstanding for this commitment is $1,116,634. Additionally, the City has certain unsecured notes payable that total $ 345,000 that purchased the Cane Creek Golf Course facility.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The regional economy remains strong. The region and City of Anniston in particular fared very well in the latest round of Base Closure and Realignment Commission recommendations with the potential for hundreds of jobs transferred to the Anniston Army Depot. The Depot is a central facility in building and refurbishment of mechanized vehicles used in Iraq and elsewhere. A commitment remains to complete the eastern by-pass that will efficiently connect the growing developments at the former Fort McClellan with interstate 20, approximately two miles south of Anniston.

As a result of strong economic activity, sales taxes and business licenses were above projections in 2005 and the trend is continuing in 2006. Additionally, the budget year 2006 will yield a projected general fund property tax increase of approximately $240,000.

There are no major unfunded Council projects projected for fiscal year 2006. This should enable the general fund balance to continue replacement of the deficits facilitated by significant capital projects funded in 2003 and 2004.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

April 20, 2006

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Anniston, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based on the report of other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Anniston as of September 30, 2005, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2006, on our consideration of the City of Anniston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws,

report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vii through xv and 41 through 43, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anniston's basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Anniston. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BASIC FINANCIAL STATEMENTS

CITY OF ANNISTON
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Primary Government		
	Governmental Activities	Total	Component Units
ASSETS			
Cash and cash equivalents	$ 8,334,583	$ 8,334,583	$ 3,819,212
Investments	7,035,628	7,035,628	688,454
Receivables net	3,075,184	3,075,184	51,358
Due from other governments	1,211,062	1,211,062	3,430,427
Inventories	23,365	23,365	17,525
Other assets	231,862	231,862	118,298
Net capital assets	38,338,849	38,338,849	25,054,032
Total Assets	$ 58,250,533	$ 58,250,533	$ 33,179,306
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,157,204	$ 1,157,204	$ 1,174,164
Deferred revenue	595,199	595,199	2,906,465
Accrued interest	67,864	67,864	-
Noncurrent liabilities:			
Due within one year			
Bonds and warrants payable	1,050,000	1,050,000	-
Notes payable	203,690	203,690	112,665
Compensated absences	561,180	561,180	157,209
Due in more than one year:			
Bonds and warrants payable	4,710,000	4,710,000	-
Notes payable	1,257,944	1,257,944	3,129,586
Compensated absences	1,427,280	1,427,280	-
Total Liabilities	11,030,361	11,030,361	7,480,089
NET ASSETS			
Invested in capital assets, net of debt	22,906,832	22,906,832	13,581,760
Invested in capital assets, Museum collections	8,210,383	8,210,383	8,142,578
Restricted for:			
Capital projects	508,957	508,957	-
Special revenues	5,507,284	5,507,284	2,115,884
Anniston Museum	121,764	121,764	-
Unrestricted	9,964,952	9,964,952	1,858,995
Total Net Assets	47,220,172	47,220,172	25,699,217
Total Liabilities and Net Assets	$ 58,250,533	$ 58,250,533	$ 33,179,306

See notes to financial statements.

CITY OF ANNISTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Total
Activities:						
Governmental:	$ 2,468,170	$ 1,227,647	$ 1,476,412	$ -	$ 235,889	$ 235,889
Public protection:						
Police	5,505,405	572,661	310,000	7,230	(4,615,514)	(4,615,514)
Fire	4,360,590	-	-	-	(4,360,590)	(4,360,590)
Other	560,499	-	-	-	(560,499)	(560,499)
Public works	5,194,610	922,593	-	-	(4,272,017)	(4,272,017)
Recreational	3,541,834	1,121,853	-	-	(2,419,981)	(2,419,981)
Nondepartmental	3,688,066	-	-	-	(3,688,066)	(3,688,066)
Other boards and agencies	4,661,746	-	-	-	(4,661,746)	(4,661,746)
Capital	-	126,318	-	612,782	739,100	739,100
Interest and fiscal charges	251,536	-	-	-	(251,536)	(251,536)
Miscellaneous	3,625	51,697	-	-	48,072	48,072
Total Governmental Activities	30,236,081	4,022,769	1,786,412	620,012	(23,806,888)	(23,806,888)
Total City	$ 30,236,081	$ 4,022,769	$ 1,786,412	$ 620,012		
General Revenues:						
Taxes:						
Sales, property, other for general purposes					23,296,414	23,296,414
General business licenses and permits					3,347,209	3,347,209
Other general state shared revenues					383,942	383,942
Miscellaneous income					1,095,046	1,095,046
Bond and loan proceeds					-	-
Interest income					289,105	289,105
Total General Revenues					28,411,716	28,411,716
Change in Net Assets					4,604,828	4,604,828
Net Assets, Beginning of Year					42,615,344	42,615,344
Net Assets, End of Year					$ 47,220,172	$ 47,220,172

See notes to financial statements.

CITY OF ANNISTON
BALANCE SHEETS
SEPTEMBER 30, 2005

	General Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 4,454,419	$ 105	$ 3,880,059	$ 8,334,583
Investments	4,621,000	-	2,414,628	7,035,628
Receivables, net	2,182,460	-	892,724	3,075,184
Due from other funds	3,714,103	1,759,399	166,746	5,640,248
Due from other governments	217,434	804,487	189,141	1,211,062
Inventories	23,365	-	-	23,365
Other assets	850	-	31,755	32,605
Total Assets	$ 15,213,631	$ 2,563,991	$ 7,575,053	$ 25,352,675
LIABILITIES				
Accounts payable and accrued liabilities	$ 989,890	$ 100,899	$ 66,415	$ 1,157,204
Deferred revenue	134,123	-	461,076	595,199
Due to other funds	2,668,500	1,954,135	1,017,613	5,640,248
Compensated absences	491,718	-	69,462	561,180
Total Liabilities	4,284,231	2,055,034	1,614,566	7,953,831
FUND BALANCES				
Reserved for:				
Special revenue funds	-	-	5,507,284	5,507,284
Future capital projects	-	508,957	-	508,957
Anniston Museum fund	-	-	121,764	121,764
Unreserved, reported in:				
General funds	10,929,400	-	-	10,929,400
Debt service funds	-	-	37	37
Anniston Museum fund	-	-	331,402	331,402
Total Fund Balances	10,929,400	508,957	5,960,487	17,398,844
Total Liabilities and Fund Balances	$ 15,213,631	$ 2,563,991	$ 7,575,053	$ 25,352,675

See notes to financial statements.

CITY OF ANNISTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Total fund balances for governmental funds		$ 17,398,844
Total net assets reported for governmental activities in the statement of net assets is different because:		
Prepaid expenses		199,257
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Governmental capital assets	57,019,578	
Less: Accumulated depreciation	(18,680,729)	
Total Capital Assets		38,338,849
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net assets.		
Accrued interest	(67,864)	
Bonds and warrants payable	(5,760,000)	
Notes payable	(1,461,634)	
Compensated absences	(1,427,280)	
		(8,716,778)
Net assets of governmental activities		$ 47,220,172

See notes to financial statements.

CITY OF ANNISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 22,509,849	$ -	$ 1,170,507	$ 23,680,356
Licenses and permits	3,347,209	-	-	3,347,209
Charges for services	2,454,076	-	1,568,693	4,022,769
Federal and state grants	204,080	612,782	1,589,562	2,406,424
Interest	281,305	7,800	-	289,105
Other	178,015	324,927	592,104	1,095,046
Total Revenues	28,974,534	945,509	4,920,866	34,840,909
Expenditures				
General government	1,985,612	1,101,995	1,097,265	4,184,872
Public safety	9,677,808	-	350,924	10,028,732
Public works	5,018,322	-	-	5,018,322
Recreation	3,479,758	-	-	3,479,758
Other boards and agencies	1,956,748	-	2,704,998	4,661,746
Nondepartmental	3,688,066	-	-	3,688,066
Capital Expenditures	255,601	2,723,770	-	2,979,371
Debt Service				
Principal	-	-	1,500,826	1,500,826
Interest and fees	-	-	251,536	251,536
Miscellaneous	-	-	3,625	3,625
Total Expenditures	26,061,915	3,825,765	5,909,174	35,796,854
Excess Revenues over (under) Expenditures	2,912,619	(2,880,256)	(988,308)	(955,945)
Other financing sources (uses)				
Operating transfers in	1,196,481	388,370	2,500,846	4,085,697
Operating transfers out	(2,718,137)	(42,451)	(1,325,109)	(4,085,697)
Total Other Financing Sources (Uses)	(1,521,656)	345,919	1,175,737	-
Net change in fund balance	1,390,963	(2,534,337)	187,429	(955,945)
Fund Balance, Beginning of Year	9,538,437	3,043,294	5,773,058	18,354,789
Fund Balance, End of Year	$ 10,929,400	$ 508,957	$ 5,960,487	$ 17,398,844

See notes to financial statements.

CITY OF ANNISTON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances total governmental funds		$ (955,945)
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives.		
Expenditures for capital assets	4,716,726	
Less: Current year depreciation	(845,096)	
		3,871,630
Bond proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Net Change in Long-Term Debt from Bond Proceeds, payment of principal, and refunding of debt		1,500,517
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest	5,949	
Change in long-term compensated absences	(16,580)	
Prepaid expenses not recorded on fund statements	199,257	
		188,626
Change in net assets of governmental activities		$ 4,604,828

See notes to financial statements.

CITY OF ANNISTON
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2005

ASSETS

Investments, at Fair Value:	
U.S. Government Obligations and Corporate Bonds	$ 8,216,713
Equity Securities	16,055,532
	24,272,245
Cash and Cash Equivalents	1,005,853
Total Assets	25,278,098

LIABILITIES

Liabilities	574,652
Total Liabilities	574,652
Net Assets held in trust for retirement benefits	$ 24,703,446

See notes to financial statements.

CITY OF ANNISTON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

ADDITIONS TO NET ASSETS	
Investment Income:	
Net appreciation in fair value of investments	$ 1,990,944
Interest	469,797
Dividends	182,778
	2,643,519
Less: investment expenses	(96,903)
	2,546,616
Contributions	
Employer	657,328
Employees	657,328
Public Utilities	346,508
	1,661,164
Total Additons to Net Assets	4,207,780
DEDUCTIONS FROM NET ASSETS	
Benefits paid directly to participants	2,932,397
Administrative expenses	95,170
Total Deductions From Net Assets	3,027,567
Net Increase	1,180,213
Net Assets Held in Trust for Retirement Benefits	
Beginning of Year	23,523,233
End of Year	$ 24,703,446

See notes to financial statements.

CITY OF ANNISTON
STATEMENT OF NET ASSETS - COMPONENT UNITS
SEPTEMBER 30, 2005

	Anniston City School Board	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board
ASSETS			
Cash and cash equivalents	$ 3,318,627	$ 212,133	$ 142,784
Investments	367,085	-	321,369
Inventories	16,421	-	-
Other assets	109,347	2,428	6,523
Receivables, net	35,436	15,922	-
Due from other governments	3,430,427	-	-
Collections	-	-	-
Capital assets (net)	16,069,043	257,648	-
Total Assets	$ 23,346,386	$ 488,131	$ 470,676
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,166,328	$ -	$ -
Deferred revenue	2,906,465	-	-
Due within one year			
Compensated absences	108,453	27,989	-
Notes payable	35,141	-	-
Due after one year			
Compensated absences	-	-	-
Notes payable	2,949,586	-	-
Total Liabilities	7,165,973	27,989	-
NET ASSETS			
Invested in Capital Assets	13,170,982	257,648	-
Restricted	1,842,449	70,378	21,369
Unrestricted	1,166,982	132,116	449,307
Total Net Assets	16,180,413	460,142	470,676
Total Liabilities and Net Assets	$ 23,346,386	$ 488,131	$ 470,676

CITY OF ANNISTON
STATEMENT OF NET ASSETS - COMPONENT UNITS - Continued
SEPTEMBER 30, 2005

	Farley L. Berman Foundation Inc.	Anniston City Schools Foundation	Spirit of Anniston	Total
ASSETS				
Cash and cash equivalents	$ 104,406	$ 22,368	$ 18,894	$ 3,819,212
Investments	-	-	-	688,454
Inventories	1,104	-	-	17,525
Other assets	-	-	-	118,298
Receivables, net	-	-	-	51,358
Due from other governments	-	-	-	3,430,427
Collections	8,142,578	-	-	8,142,578
Capital assets (net)	153,130	-	431,633	16,911,454
Total Assets	$ 8,401,218	$ 22,368	$ 450,527	$ 33,179,306
LIABILITIES				
Accounts payable and accrued liabilities	$ 4,935	$ -	$ 2,901	$ 1,174,164
Deferred revenue	-	-	-	2,906,465
Due within one year				-
Compensated absences	16,373	-	4,394	157,209
Notes payable	-	-	77,524	112,665
Due after one year				
Compensated absences	-	-	-	-
Notes payable	-	-	180,000	3,129,586
Total Liabilities	21,308	-	264,819	7,480,089
NET ASSETS				-
Invested in capital assets	8,295,708	-	-	21,724,338
Restricted	188	-	181,500	2,115,884
Unrestricted	84,014	22,368	4,208	1,858,995
Total Net Assets	8,379,910	22,368	185,708	25,699,217
Total Liabilities and Net Assets	$ 8,401,218	$ 22,368	$ 450,527	$ 33,179,306

CITY OF ANNISTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Anniston City School Board	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board	Farley L. Berman Foundation	Anniston City Schools Foundation	Spirit of Anniston	Totals
Anniston City School Board											
Educational	$ 20,653,338	$ 1,573,420	$ 14,123,399	$ 425,586	$ (4,530,933)	$	$	$	$	$	$ (4,530,933)
Total Anniston City School Board	20,653,338	1,573,420	14,123,399	425,586	(4,530,933)						
Public Library of Anniston/Calhoun County											
Culture and Recreation	832,639	39,695	119,072	12,500		(661,372)					(661,372)
Total Public Library of Anniston	832,639	39,695	119,072	12,500		(661,372)					
Anniston Industrial Development Board											
Community Development	22,956	-					(22,956)				(22,956)
Total Industrial Development Board	22,956	-					(22,956)				
Farley L. Berman Foundation, Inc.											
Culture and recreation	235,639	33,809	1,800					(200,030)			(200,030)
Total Farley L. Berman Foundation	235,639	33,809	1,800					(200,030)			
Anniston City Schools Foundation											
Educational	250,277	-	142,475						(107,802)		(107,802)
Total Anniston City Schools Foundation	250,277	-	142,475						(107,802)		
Spirit of Anniston											
Community Development	291,830	92,861	4,844							(194,125)	(194,125)
Total Spirit of Anniston	291,830	92,861	4,844							(194,125)	
Total Component Units					(4,530,933)	(661,372)	(22,956)	(200,030)	(107,802)	(194,125)	(5,717,218)
General Revenues:											
Property taxes for general, debt, capital purposes					3,072,378	-	-	-	-	-	3,072,378
Payment from City of Anniston						525,000	-	125,004	60,000	190,000	900,004
Payment from Calhoun County						105,000	-	20,000	-	-	125,000
Grants, entitlements and contributions not restricted to specific programs					715,680	5,685	-	157,334	-	-	878,699
Interest Income					105,303	4,483	10,171	1,761	375	7	122,100
Miscellaneous					333,107	9,826	37,100	12,866	33,427	971	427,297
Total General Revenues					4,226,468	649,994	47,271	316,965	93,802	190,978	5,525,478
Change in net assets					(304,465)	(11,378)	24,315	116,935	(14,000)	(3,147)	(191,740)
Net Assets, Beginning of Year					16,484,878	471,520	446,361	8,262,975	36,368	188,855	25,890,957
Net Assets, End of Year					$ 16,180,413	$ 460,142	$ 470,676	$ 8,379,910	$ 22,368	$ 185,708	$ 25,699,217

NOTE A - ORGANIZATION AND REPORTING ENTITY

Organization

The City of Anniston, Alabama, was incorporated in 1883 under the laws of the State of Alabama. The City operates 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.

Reporting Entity

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. This Statement was developed to make annual reports easier to understand and more useful to the people who use government financial information to make decisions.

As required by the accounting principles in the United States, these financial statements present the primary government ("the City") and it's discretely presented component units, entities for which the government is considered financially accountable. Because the City appoints the Boards of Directors for these entities and there is a financial burden or benefit from the entities, they are considered governmental fund type and component units and are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit has a September 30 fiscal year-end.

NOTE A - ORGANIZATION AND REPORTING ENTITY - Continued

Component Unit	Included in the *Reporting Entity* Because	Separate Financial Statements
The **Anniston City School Board** is the governing board for the City School System. Eligible voters in the City elect the members of the Board. The City schools are fiscally dependent upon the City since the school board cannot issue bonded debt directly.	The bonded debt must be issued through the City, which the Council must approve.	These financial statements are located at Anniston City Hall.
The **Public Library of Anniston and Calhoun County** 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 the Calhoun County Commission.	These financial statements are located at Anniston City Hall.
The **Anniston Industrial Development Board** is fiscally dependent upon City support to carry out its mission.	The members of the board are appointed by City Council.	These financial statements are located at Anniston City Hall.
The **Farley L. Berman Foundation**, Inc. is fiscally dependent upon the City for its operational support; however, the City does not approve the Foundation's capital budgets or operations.	The City fiscally supports the entity.	These financial statements are located at Anniston City Hall.
The **Anniston City Schools Foundation** is fiscally dependent upon the City for its funding; however, the City does not approve its capital budgets or operations.	The City fiscally supports the entity.	These financial statements are located at Anniston City Hall.
The **Spirit of Anniston** is fiscally dependent upon the City since the majority of its funding comes from the City. The City does not approve its capital budgets or its funding.	The City fiscally supports the entity.	These financial statements are located at Anniston City Hall.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant of the government's accounting policies are described below.

Basis of Presentation- Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is either on the City as a whole or it's major individual funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public works, public safety, etc.), which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with a function or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the governmental fund statements to the government-wide statements' governmental column.

The focus of this reporting model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type activities, as well as the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation- Government-wide and Fund Accounting - Continued

In the fund financial statements, the City's accounting records are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on the specific activities or attaining certain objectives, in accordance with special regulations, restrictions or limitations.

The types of funds used in accounting for the financial operations of the City and their nature and purpose are as follows:

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental funds:

General Fund - The General Fund is the general operating fund of the City and is considered a major governmental fund. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds, are paid from the General Fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation- Government-wide and Fund Accounting - Continued

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Funds are considered non-major governmental funds.

Debt Service Funds – The Debt Service Funds are non-major governmental funds used to account for the repayment of principal and interest on the City's outstanding bond issues and other debt obligations of the City. Debt service funds used by the City are as follows:

1. 2003 General Obligation Warrants- This bond was used to refinance the 1994 General Obligation Warrants and the 1996 School Warrants.
2. Honda Funding Agreement- This agreement is an obligation of the City to pledge an amount to fund certain improvements to the Honda plant in Lincoln, Alabama.
3. Compass Bank Loan- This loan was used to borrow money to purchase a biomass incinerator unit.
4. Regions Bank Loan- This loan was used to borrow money to purchase Cane Creek Golf Course.
5. 1996 Garage Warrants- This loan was used for capital improvements to the garage building.
6. 1998 Warrants- This bond was used to refund other warrants.

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources for the acquisition or construction major capital facilities. Capital Projects Funds used by the City are as follows:

1. Youth Sports Complex
2. Electronics Drive
3. Noble Street
4. Roberts Drive
5. Apron Taxiway
6. Airport Grant
7. Henry Road
8. Bill Robison Parkway
9. Blue Mountain Depot
10. West 10th Street
11. American Station
12. Constantine / Lincoln Parks
13. Quintard Traffic Signals
14. Cane Creek Subdivision
15. FEMA Buyout

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation- Government-wide and Fund Accounting - Continued

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The Police and Fireman's Pension fund is a pension trust fund which accounts for the assets of the defined contribution benefit plan.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Government-wide Financial Statements

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both "measurable and available" to finance current expenditures. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities (the City considers revenue available if it is collected with 60 days after year end). Gross receipts and selective sales and use taxes are considered available and measurable when the underlying exchange has occurred (i.e., September gross receipts taxes are recorded as revenue in September even though the taxpayers remit taxes in October) and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Property taxes are recognized as revenue when the enforceable legal claim has occurred. Grant revenues are recognized when all eligibility requirements have been met.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures (including capital outlay) are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt are exceptions to this rule and are recognized when due. Also, expenditures related to insurance claims, employee pension liability, compensated absences and the sinking fund are recognized when payable from expendable available financial resources in future years.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data presented in the accompanying financial statements:

1. Prior to October 1, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing October 1.

2. Public hearings are conducted at City Hall to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted through the passage of a resolution.

4. The City Manager is authorized to transfer budgeted amounts within departments of any fund; however, any revisions to the total expenditures of any fund must be approved by the City Council.

5. Formal budgetary integration is employed as a management control device during the year for all governmental funds.

6. All unencumbered appropriations lapse automatically at September 30.

7. State law prohibits any municipality from making expenditures in excess of budgeted amounts unless the actual revenue is more than the budgeted amounts.

8. Budgets for all funds are prepared in accordance with the modified accrual basis for accounting.

Budgeted amounts are as originally adopted by the City Council on October 1, 2004.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

Ad valorem taxes are assessed on property valuations and statutory liens are attached to such properties as of October 1st each year. These taxes are due October 1st, but do not be come delinquent until January 1st, after which penalties are levied.

Other material revenue which is susceptible to accrual includes gross receipts, interest income and state-share revenue. Revenue which is not both available and measurable is thus not susceptible to accrual includes property and franchise taxes and business licenses.

Deferred Revenue

The fund financial statements include both unearned revenue and revenue that is not considered available to finance current expenditures. The government-wide financial statements include only unearned revenue.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and Capital Projects Funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures. Amounts encumbered roll over into the new year and the budgetary amounts are increased in the year the expenditure is recorded. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year-end. Encumbrances have been recorded in the General Fund and Capital Projects Fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Pooled Cash and Investments

Pooled cash and investments consist of cash, government securities, certificates of deposit, and repurchase agreements. Cash balances and the requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled cash and investments is recorded as General Fund revenue and allocated between funds based upon balances (Note C). In accordance with Governmental Accounting Standards Board No. 31, Accounting for Financial Reporting for certain investments and for External Investment Pools, the City reports its money market investments and investments in short term debt securities that have remaining maturities of one year or less at amortized cost.

Inventories

All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories held by the General Fund consist principally of traffic engineering, municipal garage, public buildings, and electrical department supplies. Inventories are stated at cost.

Interfund Transfers

On fund financial statements, receivables and payables resulting from outstanding balances are classified as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The government-wide statements eliminate interfund transfers and receivables/payables as reported within the segregated governmental and business activities column. Only transfers and receivables/payables between the two columns appear in this statement, which zero in total.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

In the government-wide financial statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair market value on the date donated. The City capitalizes assets with a cost of $5,000 or more as purchase and construction outlays occur.

Prior to October 1, 2001, government funds' infrastructure assets were not capitalized. In accordance with GASB Statement No. 34, infrastructure has been capitalized for additions since October 1, 2001. Pre-existing infrastructure will be included on the City's financial statements starting September 30, 2006.

Depreciation is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements	40 years
Machinery and Equipment	5-10 years
Automotive Equipment	5 years
Office Equipment	5-10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Bond Discounts, Premiums and Issuance Costs

In the governmental funds, bond discounts, premiums and issuance costs are treated as period costs of the year of issue.

In the government-wide financial statements, bond discounts, premiums and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts/premiums are presented as a reduction/addition to the face amount of the bonds payable; whereas, issuance costs are recorded as other assets.

Compensated Absences

The City follows Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, which requires that accrued liabilities for future vacations and sick leave be recorded to the extent the future leaves (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements, amounts that would normally be paid with expendable available financial resources are recorded in the General Fund, and the amounts considered non-current are held in the long-term debt account group. Amounts paid or payable within sixty days are deemed to be payable from expendable financial resources.

Equity Classifications

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds and mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Equity Classifications -Continued

2. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.

3. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. Fund balance is further classified as reserved or unreserved.

NOTE C - CASH, EQUITY IN POOLED CASH AND INVESTMENTS

Deposits

Cash balances available for investment by most City funds are maintained in pooled cash and investment accounts to improve investment opportunities. The equity in pooled cash and investment balances in the accompanying combined balance sheet represents the undivided interest of each respective fund in pooled accounts.

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.

NOTE C - CASH, EQUITY IN POOLED CASH AND INVESTMENTS - Continued

Primary Government

The City's primary government deposits, including certificates of deposit were fully insured or collateralized at September 30, 2005. At year-end, the carrying amount of the City's deposits was $8,334,583. Investments consist of certificates of deposit and U. S. Treasury Notes totaling $7,035,628. 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.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels are as follows:

Category 1 Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 Deposits which are not collateralized or insured.

Based on the three levels of risk, the City's cash deposits are classified as Category 1 deposits.

NOTE D - RECEIVABLES

Receivables at September 30, 2005, consist of the following:

	Governmental Activities
Receivables	
Taxes	$ 1,683,161
Customers and other	1,392,023
Other Governmental units	1,211,062
Gross Receivables	4,286,246
Net receivables	$ 4,286,246

NOTE E - ACCOUNTS PAYABLE

Payables at September 30, 2005, were as follows:

	Vendors	Salaries and Benefits	Compensated Absences	Other Liabilities	Total Accounts Payable
Governmental Activities:					
General Fund	$ 524,333	$ -	$ 491,718	$ 465,557	$ 1,481,608
Capital Projects	100,899	-	-	-	100,899
Other Governmental	63,357	3,058	69,462	-	135,877
Total Governmental Activities	$ 688,589	$ 3,058	$ 561,180	$ 465,557	$ 1,718,384

NOTE F - INTERFUND TRANSFERS

Transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

Interfund transfers for the year ended September 30, 2005, are as follows:

	Transfers In	Transfers Out
General Fund		
Debt Service Funds	$ -	$ 1,755,987
Special Revenue Funds		
Alabama Trust Fund	422,176	-
Brownfield Project	16,854	-
Municipal Court	715,000	-
Drug Task Force	-	47,993
LLEBG 2003	-	610
Byrne Justice Fund	-	42
LLEBG 2004	-	137
Capital Projects		
Apron Taxiway	42,451	-
FEMA Buyout	-	18,916
Noble Street	-	35,287
Roberts Drive	-	17,461

NOTE F - INTERFUND TRANSFERS - Continued

	Transfers In	Transfers Out
Henry Road	-	49,055
Electronics Drive	-	164,459
Youth Sports Complex	-	87,297
Constantine / Lincoln Park	-	532
Airport Grant	-	15,361
Anniston Museum	-	525,000
Total General Fund	1,196,481	2,718,137
Debt Service Funds		
Regions Bank Fund		
General Fund	1,755,987	-
Total Debt Service Fund	1,755,987	-
Anniston Museum	525,000	-
Total Anniston Museum	525,000	-
Special Revenue Funds		
Gasoline Tax Fund	-	128,030
7 Cent Gas Tax Fund	128,030	-
Alabama Trust Fund	-	422,176
Brownfield Project	-	16,856
Municipal Court	-	715,000
Drug Task Force Fund	91,040	-
Drug Task Force Office	-	43,047
LLEBG 2003	610	-
Byrne Justice Fund	42	-
LLEBG 2004	137	-
Total Special Revenue Funds	219,859	1,325,109
Capital Projects Fund		
Apron Taxiway	-	42,451
Airport Improvement	15,361	-
Henry Road	49,056	-
Constantine / Lincoln Park	532	-
FEMA Buyout	18,916	-
Sports Complex	87,298	-
Electronics Drive	164,459	-
Noble Street	35,287	-
Roberts Drive	17,461	-
Total Capital Projects Fund	388,370	42,451
Total Interfund Transfers	$ 4,085,697	$ 4,085,697

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as "due to/from other funds" include subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Interfund receivables and payables at September 30, 2005, are as follows:

	Interfund Payables	Interfund Receivables
Major Governmental Funds		
General Fund		
Capital Improvements Fund	$ 1,759,399	$ 1,954,135
Other Governmental Funds	909,101	1,759,968
Total General Fund	2,668,500	3,714,103
Capital Improvements Fund		
General Fund	1,954,135	1,759,399
Total Capital Improvements Fund	1,954,135	1,759,399
Other Governmental Funds		
General Fund	1,017,613	166,746
Total Other Governmental Funds	1,017,613	166,746
	$ 5,640,248	$ 5,640,248

NOTE H - CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets for the year ended September 30, 2005:

Capital Assets	Capital Assets Not Depreciated		Capital Assets Depreciated			
	Land	Collections	Buildings and Improvements	Infrastructure	Machinery and Equipment	TOTAL
Balance, October 1, 2004	$ 6,537,778	$ 8,198,908	$ 25,718,852	$ 2,555,197	$ 9,292,117	$ 52,302,852
Additions	11,500	11,475	2,204,516	1,630,257	1,546,707	5,404,455
Deletions	-	-	-	-	(687,729)	(687,729)
Balance, September 30, 2005	6,549,278	8,210,383	27,923,368	4,185,454	10,151,095	57,019,578
Accumulated Depreciation						
Balance, October 1, 2004	-	-	(11,217,301)	-	(6,618,332)	(17,835,633)
Additions	-	-	(741,142)	(140,909)	(650,774)	(1,532,825)
Deletions	-	-		-	687,729	687,729
Balance, September 30, 2005	-	-	(11,958,443)	(140,909)	(6,581,377)	(18,680,729)
Capital Assets, Net	$ 6,549,278	$ 8,210,383	$ 15,964,925	$ 4,044,545	$ 3,569,718	$ 38,338,849

NOTE I - LONG-TERM DEBT

The general and limited obligation bonds/warrants and notes of the City include the following at September 30, 2005:

$6,415,000; 2003 Series General Obligation Warrants; due annually at rates ranging from 1.5% - 2.15% annum; maturing March 1, 2011.	$	4,580,000
$1,800,000; 1998 Series General Obligation Warrants; due semi-annually at rates ranging from 3.60% - 4.75% per annum; maturing November 15, 2013.		1,180,000
$180,000; 1996 Garage Building Warrants, annual principal payments of $12,296 with a rate 5.5% per annum.		-0-
Total bonds, warrants, and other notes payable	$	5,760,000
$575,000; note payable to Regions Bank, annual principal payments of $115,000 plus a variable interest rate, which is 3 month- LIBOR plus 210 basis points, currently 2.22%.	$	345,000
$1,500,000; Honda Funding Agreement, First Commercial Bank, annual payments of $145,984. Matures in February 2015.		1,116,634
$300,000; note payable to Compass Bank, annual principal and interest payments of $54,600, with a fixed interest rate of 7.18%.		-0-
Total Notes Payable	$	1,461,634

NOTE I - LONG-TERM DEBT - Continued

The principal and maturities and related interest requirements for the bonds, warrants and notes payable for the next five fiscal years and thereafter are as follows:

Bonds/Warrants/Other Notes Payable

Fiscal Year Ending September 30,	Principal	Interest	Total
2006	$ 1,050,000	$ 154,938	$ 1,204,938
2007	1,080,000	131,240	1,211,240
2008	1,105,000	103,418	1,208,418
2009	1,140,000	71,430	1,211,430
2010	465,000	46,280	511,280
2011 - 2013	920,000	39,394	959,394
Total	$ 5,760,000	$ 546,700	$ 6,306,700

Notes Payable

Fiscal Year Ending September 30,	Principal	Interest	Total
2006	$ 203,690	$ 63,890	$ 267,580
2007	208,053	57,080	265,133
2008	212,899	50,016	262,915
2009	102,746	48,519	151,265
2010	107,592	38,331	145,923
2011-2015	626,654	103,004	729,658
Total	$ 1,461,634	$ 360,840	$ 1,822,474

NOTE J - RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS

The City participates in two pension plans, which cover substantially all employees. Both of these plans are established by state law and are administered by outside trustees. The Retirement Systems of Alabama's accounts are not included in the accompanying financial statements; however, the accounts from the police and fireman's pension fund are included as a fiduciary fund.

City employees, who elect to be included, are covered by the Retirement System of Alabama. This plan is funded by contributions from employees and the City. This plan is a multi-employer state retirement system. The contribution rate is 5% for employees. Effective, January 1, 2001, the member contribution rate for certified full-time firefighters and certified full-time law enforcement officers increased to 6% of employee's compensation. The employer's rate is determined annually by the actuary for the Retirement Systems of Alabama. The employer's rate was determined to be 6.06% for September 30, 2005. The rate is composed of normal cost of 4.10% pre-retirement death benefit of .15%; administrative expenses of .18%; and accrued liability of 1.63%. The total combined payroll for the year ended September 30, 2005, was $5,917,545. Both the employers' contribution of $358,568 and the employee's contribution of $295,845 have been made. The following schedule is based on the actual valuation as of September 30, 2004 (most recent information available) as provided by the Employer's Retirement System of Alabama.

Summary of Employee Census Data

Number of Members – Active	235
Number of Members – Retired	83
Annual Compensation – Active	$7,096,260
Annual Allowance – Retired Members	$946,050

NOTE J - RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS - Continued

Accounting Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)[1]	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c)]
9/30/1999	$15,114,565	$13,884,961	($1,229,604)	108.9%	$5,185,549	(23.7%)
9/30/2000	$15,990,233	$15,343,131	($647,102)	104.2%	$5,900,297	(11.0%)
9/30/2001[2]	$16,571,618	$16,529,645	($41,973)	100.3%	$6,762,334	(0.6%)
9/30/2002[3]	$16,683,307	$17,319,318	$636,011	96.3%	$6,588,264	9.70%
9/30/2003[4]	$16,961,666	$18,435,404	$1,473,738	92.0%	$6,822,762	21.6%
9/30/2004[5]	$17,447,094	$18,952,761	$1,505,667	92.1%	$7,096,260	21.2%

1. Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
2. Reflects changes in actuarial assumptions (as of September 30, 2001). Also reflects effect of DROP if unit elected to enroll.
3. Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.
4. Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.
5. Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

Valuation date	9/30/2004
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return	8%
Projected salary increases	4.61% - 7.75%
Includes inflation at	4.50%
Cost of living adjustments	None

NOTE J - RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS - Continued

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Obligation (NPO)
9/30/2002	$282,589	100.00%	$0
9/30/2003	$309,767	100.00%	$0
9/30/2004	$357,784	100.00%	$0

Actuarial valuations are normally made on an annual basis by the State Retirement System. Contributions to the plan, expressed as a percentage of active number payrolls, should remain approximately level from year to year.

The Police and Fireman's Pension Fund is funded by contributions from employees, the City and a tax on certain utilities revenue. The plan covers all sworn members of the Police and Fire Departments of the City. Retirement benefits are paid to those members having continuous service for twenty (20) years if employed before June 1, 1979, and 25 continuous years of service if employed thereafter. An actuarial valuation of the plan is made biannually; however, contribution amounts are prescribed by state law and do not vary with the actuarial valuation. These contribution rates are as follows:

City contribution	10% of employee gross pay
Employees contribution	10% of employee gross pay
Certain public utilities	.5% of gross revenue

The most recent actuarial valuation was performed as of September 30, 2003, and contains the following information:

Accounting Information

Retirees and beneficiaries receiving benefits	150
Active plan members	189
Actuarial value of assets	$ 25,704,942
Actuarial accrued liability	$ 39,873,805
Covered payroll	$ 5,565,899
Unfunded accrued liability as a percentage of covered payroll	254.57%

NOTE J - RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS - Continued

Contributions for 2005 fiscal year as follows:		
Employee contribution	$	657,328
City contribution	$	657,328
Public utility tax	$	321,460

Development of the Fund through September 30, 2004

Year Ended September 30	Employee Contributions	Employer Contributions	Public Utility Tax	Net Investment Return	Benefit Payments	Actuarial Value of Assets at End of Year
2004	$ 662,792	$ 662,793	$ 321,460	$ 2,209,301	$ 2,776,021	$ ***
2003	656,790	656,790	319,261	2,543,082	2,545,898	25,704,942
2002	638,550	638,550	329,501	2,308,281	2,396,883	***
2001	498,593	498,593	306,520	1,363,149	2,223,006	26,642,838
2000	518,756	518,756	277,334	2,187,279	2,115,144	26,198,989
1999	479,268	479,268	282,686	1,360,707	2,172,888	24,812,508
1998	500,147	500,147	281,198	1,286,393	1,639,513	24,383,467
1997	451,057	451,057	278,312	1,462,866	1,722,185	23,455,095
1996	484,606	484,606	265,725	1,319,208	1,644,434	22,533,988
1995	473,032	473,032	262,493	1,518,419	1,547,317	21,624,277
1994	405,448	405,448	268,745	1,429,842	1,524,440	20,444,618
1993	361,563	361,563	258,975	1,442,285	1,312,694	19,459,575
1992	304,103	304,103	257,923	1,837,120	1,088,110	18,347,883

***This information is unavailable due to actuarial report being issued every two years, the last report dated October 1, 2003.

Notes on Police and Fireman's Pension Fund

Valuation Date	9/30/03
Actuarial cost method	Projected unit credit Actuarial Cost Method
Asset valuation method	Market value less Unrecognized returns
Investment Rate of Return	8%
Projected salary increases	4.5% per year

NOTE K - COMMITMENTS AND CONTINGENCIES

The City is a defendant in various litigations of which legal counsel and City management is 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 the $5,000 insurance deductible for claims. No accrual has been included in these financial statements for this matter.

NOTE L - RISK MANAGEMENT

The City is self-insured for employee's medical coverage for claims up to an expected level in aggregate. A specific and aggregate stop loss agreement is in effect with an outside insurance company. This will cover claims exceeding $100,000 per eligible employee per year with an outside company.

As of September 30, 2005, a liability for future claims is not recorded.

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 expense.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNISTON
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Sales and use	$ 16,050,000	$ 16,050,000	$ 16,316,081	$ 266,081
General property taxes	4,091,200	4,091,200	4,010,863	(80,337)
Beverage taxes	139,500	139,500	149,244	9,744
Anniston Housing Authority	12,200	12,200	-	(12,200)
Water utility fees	435,000	435,000	442,882	7,882
Cigarette and tobacco	260,000	260,000	314,559	54,559
Gasoline	400,000	400,000	423,509	23,509
Bingo	112,000	112,000	114,686	2,686
Lodging	145,000	145,000	146,889	1,889
Rental	179,000	179,000	207,194	28,194
Total Taxes	21,823,900	21,823,900	22,125,907	302,007
Licenses and Permits				
Business licenses	2,390,000	2,390,000	2,508,866	118,866
Other licenses and penalties	808,685	808,685	838,343	29,658
Total Licenses and Permits	3,198,685	3,198,685	3,347,209	148,524
State Shared Revenues				
ABC Board	500	500	44,099	43,599
Financial Institution tax	45,000	45,000	122,346	77,346
Shares tax	111,800	111,800	111,837	37
Motor vehicles	86,000	86,000	105,660	19,660
Total State Shared Revenues	243,300	243,300	383,942	140,642
Charges for Services				
Garbage fees	683,539	683,539	686,233	2,694
Airport revenues	56,500	56,500	35,300	(21,200)
Rental income	28,000	28,000	5,749	(22,251)
Recreation Department fees	1,258,900	1,258,900	1,121,853	(137,047)
Public works receipts	36,400	36,400	236,360	199,960
Public safety receipts	815,415	825,415	572,661	(242,754)
Total Charges for Services	2,878,754	2,888,754	2,658,156	(220,598)
Recovery of Assets				
Sales of equipment	25,000	25,000	122,289	97,289
Sale of land	40,000	40,000	-	(40,000)
Insurance claims/refunds	600	600	4,029	3,429
Total Recovery of Assets	65,600	65,600	126,318	60,718

CITY OF ANNISTON
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous Revenue	64,400	64,400	51,697	(12,703)
Interest Income	325,000	325,000	281,305	(43,695)
Total Revenues	$ 28,599,639	$ 28,609,639	$ 28,974,534	$ 374,895
EXPENDITURES				
General Government				
Finance division	$ 919,321	$ 919,961	$ 879,006	$ 40,955
General division	149,788	149,788	176,273	(26,485)
City Council	169,427	169,427	167,356	2,071
Building maintenance	824,742	824,758	762,977	61,781
Total General Government	2,063,278	2,063,934	1,985,612	78,322
Public Safety				
Police	4,994,824	5,004,767	4,951,445	53,322
Municipal Court	252,180	252,180	255,996	(3,816)
Detention facilities	421,160	421,473	398,171	23,302
Fire	4,218,808	4,218,820	4,072,196	146,624
Total Public Safety	9,886,972	9,897,240	9,677,808	219,432
Public Works				
General	284,605	241,904	169,967	71,937
Cemetery	110,837	118,837	125,809	(6,972)
Electrical	633,814	635,441	634,900	541
Engineering	258,260	259,560	218,222	41,338
Garage	108,470	109,305	149,177	(39,872)
Environmental services	902,458	903,158	918,341	(15,183)
Street Department	2,496,103	2,528,301	2,518,462	9,839
Airport	39,250	39,250	50,495	(11,245)
Planning	272,282	272,266	232,949	39,317
Total Public Works	5,106,079	5,108,022	5,018,322	89,700
Recreational				
Administration	1,478,699	1,478,555	1,453,990	24,565
Parks, facilities, and utilities	1,185,789	1,185,963	1,198,545	(12,582)
PARD programs	381,266	381,292	375,493	5,799
Park maintenance	449,738	451,349	451,730	(381)
Total Recreational	3,495,492	3,497,159	3,479,758	17,401

CITY OF ANNISTON
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Non-Departmental				
Professional services	101,000	101,000	159,232	(58,232)
Utilities	38,874	38,874	38,730	144
Projects	100,000	100,000	9,700	90,300
Workmans compensation insurance	610,000	610,000	531,007	78,993
BlueCross Blue Shield insurance	1,910,770	1,910,770	1,807,880	102,890
Other insurances	471,062	471,062	467,360	3,702
Miscellaneous	721,203	770,722	674,157	96,565
Total Non-Departmental	3,952,909	4,002,428	3,688,066	314,362
Capital Outlay	233,000	233,000	255,601	(22,601)
Other Board and Agencies				
Anniston Calhoun County Library	525,000	525,000	525,000	-
AHS Scholarship Program	100,000	100,000	47,419	52,581
Anniston City Board of Education	700,000	700,000	699,996	4
Anniston City Schools Foundation	60,000	60,000	100,588	(40,588)
Berman Museum	125,000	125,000	125,004	(4)
Calhoun County Health Dept	10,000	10,000	10,000	-
Calhoun County Humane Society	36,000	36,000	36,000	-
Calhoun County Juvenile Court	-	-	12,893	(12,893)
Children's Services	3,500	3,500	3,504	(4)
Civil Defense	-	-	41	(41)
Civil Service Board	35,286	35,286	36,124	(838)
Community Enabler Developer	10,000	10,000	10,000	-
East Alabama Regional Planning	22,626	22,626	3,375	19,251
Human Resources Department	1,200	1,200	1,200	-
Museum of Natural History	525,000	525,000	525,000	-
Calhoun/Cleburne Mental Health	50,000	50,000	50,000	-
Alabama Coop Extension	2,000	2,000	2,004	(4)
Boys & Girls Clubs	6,000	6,000	6,000	-
Coosa Valley Juvenile Center	88,100	88,100	88,100	-
Agency for Substance Abuse	3,000	3,000	3,000	-
Retired Senior Volunteer Program	3,500	3,500	3,504	(4)
Salvation Army	2,500	2,500	2,496	4
Spirit of Anniston/Mainstreet USA	190,000	190,000	190,000	-
West Anniston - CDC	-	-	500	(500)
Total Board and Agencies	2,498,712	2,498,712	2,481,748	16,964
				-
Total Expenditures	$ 27,236,442	$ 27,300,495	$ 26,586,915	$ 713,580
				-

CITY OF ANNISTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2005

Grantor Agency/ Pass-through Grantor/	Program Title	CFDA Number	Grant Number	Expenditures
Department of Transportation				
Alabama Department of Transportation	Electronics Drive	20.205	IAR-008-000-004 and IAR-008-000-005	$ 78,509
Alabama Department of Transportation	Henry Road	20.205	STPOA-7403	187,860
Federal Aviation Adminstration	Apron Taxiway Improvement	20.106	3-01-0008-1700	127,766
Total Department of Transportation				394,135
Department of Housing and Urban Development				
Direct Grants	CDBG Grants	14.218	B-03/04-MC-01-0001	1,071,956
Total Department of Housing and Urban Development				1,071,956
Department of Justice				
	Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0325	2,974
	Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0174	19,460
	Edward Byrne Memorial Justice Assistance Grant	16.738	2005-F1830-AL-DJ	75
Total Department of Justice				22,509

CITY OF ANNISTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2005

Institute of Museum and Library Services				
Direct Grants	General Operating Support		IG-00-02-0725-02	17,300
Total Institute of Museum and Library Services				17,300
Enviromental Protection Agency				
Direct Grant	Brownfields Cooperative		BP-97433901	21,975
Total Enviromental Protection Agency				21,975
Department of Health and Human Services				
East Alabama Regional Planning and Development Commission	Grants for Supportive Services and Senior Centers	93.044		29,414
Total Department of Health and Human Services				29,414
Federal Emergency Management Agency				
Direct Grant	Disaster Assistance		FEMA-1549-DR-AL	238,531
Alabama Emergency Management	FEMA Buyout		DR-1466-010	146,275
FEMA Hazmat		83.549	EMA2002-CA-5029	48,208
Total Federal Emergency Management Agency				433,014
Total Federal Financial Assistance				$ 1,990,303

CITY OF ANNISTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2005

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Anniston and is presented on the modified accrual method of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

This is the same method used to prepare the financial statements for the City of Anniston.

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*

Honorable Mayor and City Council
City of Anniston, Alabama

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Anniston, Alabama as of and for the year ended September 30, 2005, which collectively comprise the City of Anniston, Alabama's basic financial statements and have issued our report thereon dated April 20, 2006. We conducted our audit in accordance with accepted auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Anniston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anniston, Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements,

noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain other matters that we reported to management of the City of Anniston in a separate letter dated April 20, 2006.

This report is intended solely for the information and use of the audit committee, management, and other agencies named in the report, federal awarding agencies and pass-through entities and not intended to be and should not be used by anyone other than these specific parties.

Anniston, Alabama
April 20, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Anniston with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. The City of Anniston's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Anniston's management. Our responsibility is to express an opinion on the City of Anniston's compliance based on our audit.

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

In our opinion, the City of Anniston complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and other agencies named in the report, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anniston, Alabama
April 20, 2006

CITY OF ANNISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2005

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Anniston.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the City of Anniston.
3. No instances of noncompliance material to the financial statements of the City of Anniston, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in accordance with OMB Circular A-133. The condition is not reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for City of Anniston expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The threshold used for distinguishing between Type A and B programs was $300,000.
8. City of Anniston did not qualify as a low-risk auditee.

Identification of major programs:

CFDA Number	Name of Federal Program
14.218	Community Development Block Grant
20.205	Highway Planning and Construction
97.040	Chemical Stockpile Emergency Preparedness Program

FINANCIAL STATEMENT FINDINGS

There are no audit findings required to be reported by Circular A-133.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Current Year Findings:

No current year findings.

Prior Year Findings:

2004-01 **Community Development Block Grant, CFDA# 14.218, Sub-recipient monitoring.** Monitoring requirements for sub-recipients requires the identification of the source of federal funds to the sub-recipients. The contracts issued by the City of Anniston to the sub-recipients did not include the required disclosures concerning the source of the funding, i.e. the proper CFDA numbers. **Implemented**

2004-02 **Highway Planning and Construction, CFDA# 20.205, Allowable costs/Cost principles**. The requirements for costs under the grant require the administrators of the grant to review Circular A-87 to determine if costs charged to the program are allowable costs. The administration for the program was unaware of this requirement and could not produce a copy of Circular A-87. **Implemented**

COMBINING FINANCIAL STATEMENTS

CITY OF ANNISTON
CAPITAL PROJECTS - COMBINING BALANCE SHEETS
SEPTEMBER 30, 2005

	Sports Complex	Electronics Drive	Noble Street	Roberts Drive
ASSETS				
Cash	$ 5	$ -	$ -	$ -
Due from other funds	97,894	-	-	-
Due from other governments	-	-	-	-
Total Assets	$ 97,899	$ -	$ -	$ -
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	$ 97,899	$ -	$ -	$ -
Due to other funds	-	-	-	-
Total Liabilities	97,899	-	-	-
Fund balances				
Reserve for future projects	-	-	-	-
Total Liabilities and Fund Balances	$ 97,899	$ -	$ -	$ -

CITY OF ANNISTON
CAPITAL PROJECTS - COMBINING BALANCE SHEETS (Continued)
SEPTEMBER 30, 2005

	Apron Taxiway	Airport	Henry Road	Bill Robison
ASSETS				
Cash	$ -	$ 100	$ -	$ -
Due from other funds	-	-	-	1,189,496
Due from other governments	1,297	-	282,071	-
Total Assets	$ 1,297	$ 100	$ 282,071	$ 1,189,496
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -
Due to other funds	-	100	282,071	1,120,651
Deferred revenue				
Total Liabilities	-	100	282,071	1,120,651
Fund balances				
Reserve for future projects	1,297	-	-	68,845
Total Liabilities and Fund Balances	$ 1,297	$ 100	$ 282,071	$ 1,189,496

CITY OF ANNISTON
CAPITAL PROJECTS - COMBINING BALANCE SHEETS (Continued)
SEPTEMBER 30, 2005

	Blue Mountain Depot	West 10th Street	American Station	Constantine/ Lincoln Park
ASSETS				
Cash	$ -	$ -	$ -	$ -
Due from other funds	11,308	-	50,000	-
Due from other governments	-	-	309,619	73,000
Total Assets	$ 11,308	$ -	$ 359,619	$ 73,000
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 3,000
Due to other funds	2,438	3,948	345,695	70,000
Total Liabilities	2,438	3,948	345,695	73,000
Fund balances				
Reserve for future projects	8,870	(3,948)	13,924	-
Total Liabilities and Fund Balances	$ 11,308	$ -	$ 359,619	$ 73,000

CITY OF ANNISTON
CAPITAL PROJECTS - COMBINING BALANCE SHEETS (Continued)
SEPTEMBER 30, 2005

	Quintard Traffic Signal	Cane Creek Subdivision	FEMA Buyout	Total Capital Projects
ASSETS				
Cash	$ -	$ -	$ -	$ 105
Due from other funds	-	410,701	-	1,759,399
Due from other governments	-	-	138,500	804,487
Total Assets	$ -	$ 410,701	$ 138,500	$ 2,563,991
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 100,899
Due to other funds	1,873	-	127,359	1,954,135
Total Liabilities	1,873	-	127,359	2,055,034
Fund balances				
Reserve for future projects	(1,873)	410,701	11,141	508,957
Total Liabilities and Fund Balances	$ -	$ 410,701	$ 138,500	$ 2,563,991

CITY OF ANNISTON
CAPITAL PROJECTS - COMBINING SCHEDULES OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2005

	Sports Complex	Electronics Drive	Noble Street	Roberts Drive
REVENUES				
Intergovernmental Revenues				
Federal and state grants	$ -	$ 78,509	$ -	$ -
State taxes	-	-	-	-
Other Operating Revenues	-	-	-	-
Fees, fines, and charges for services	-	-	-	-
Interest on investments	7,800	-	-	-
Other	4,000	-	-	-
Total Revenues	11,800	78,509	-	-
EXPENDITURES				
General government	911,412	23,233	726	3,156
Public safety	-	-	-	-
Public works	-	-	-	-
Total Current Operations	911,412	23,233	726	3,156
Projects	479,853	219,735	46,982	14,305
Total Expenditures	1,391,265	242,968	47,708	17,461
Excess (Deficiency) of Revenues over Expenditures	(1,379,465)	(164,459)	(47,708)	(17,461)
Other Financing Sources (Uses)				
Transfers in (out)	87,298	164,459	35,287	17,461
Excess (deficiency) of Revenues over Expenditures and other Financing Sources	(1,292,167)	-	(12,421)	-
Fund Balance Beginning of Year	1,292,167	-	12,421	-
Fund Balance End of Year	$ -	$ -	$ -	$ -

CITY OF ANNISTON
CAPITAL PROJECTS - COMBINING SCHEDULES OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2005

	Apron Taxiway	Airport	Henry Road	Bill Robison
REVENUES				
Intergovernmental Revenues				
Federal and state grants	$ 126,469	$ -	$ 196,304	$ -
State taxes	-	-	-	-
Other Operating Revenues	-	-	-	-
Fees, fines, and charges for services	-	-	-	-
Interest on investments	-	-	-	-
Other	-	-	-	-
Total Revenues	126,469	-	196,304	-
EXPENDITURES				
General government	-	-	17,117	10,299
Public safety	-	-	-	-
Public works	-	-	-	-
Total Current Operations	-	-	17,117	10,299
Projects	140,522	-	228,243	1,110,352
Total Expenditures	140,522	-	245,360	1,120,651
Excess (Deficiency) of Revenues over Expenditures	(14,053)	-	(49,056)	(1,120,651)
Other Financing Sources (Uses)				
Transfers in (out)	(42,451)	15,361	49,056	-
Excess (deficiency) of Revenues over Expenditures and other Financing Sources	(56,504)	15,361	-	(1,120,651)
Fund Balance Beginning of Year	57,801	(15,361)	-	1,189,496
Fund Balance End of Year	$ 1,297	$ -	$ -	$ 68,845

CITY OF ANNISTON
CAPITAL PROJECTS - COMBINING SCHEDULES OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2005

	Blue Mountain Depot	West 10th Street	American Station	Constantine/ Lincoln Park
REVENUES				
Intergovernmental Revenues				
Federal and state grants	$ -	$ -	$ -	$ 73,000
State taxes	-	-	-	-
Other Operating Revenues	-	-	-	-
Fees, fines, and charges for services	-	-	-	-
Interest on investments	-	-	-	-
Other	11,308	-	309,619	-
Total Revenues	11,308	-	309,619	73,000
EXPENDITURES				
General government	-	-	55,912	**73,315**
Public safety	-	-	-	-
Public works	-	-	-	-
Total Current Operations	-	-	55,912	**73,315**
Projects	2,438	3,948	253,707	-
Total Expenditures	2,438	3,948	309,619	73,315
Excess (Deficiency) of Revenues over Expenditures	8,870	(3,948)	-	(315)
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	532
Excess (deficiency) of Revenues over Expenditures and other Financing Sources	**8,870**	**(3,948)**	-	217
Fund Balance				
Beginning of Year	-	-	13,924	(217)
Fund Balance				
End of Year	$ 8,870	$ (3,948)	$ 13,924	$ -

CITY OF ANNISTON
CAPITAL PROJECTS - COMBINING SCHEDULES OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2005

	Quintard Traffic Signal	Cane Creek Subdivision	FEMA Buyout	Total Capital Projects
REVENUES				
Intergovernmental Revenues				
Federal and state grants	$ -	$ -	$ 138,500	$ 612,782
State taxes	-	-	-	-
Other Operating Revenues	-	-	-	-
Fees, fines, and charges for services	-	-	-	-
Interest on investments	-	-	-	7,800
Other	-	-	-	324,927
Total Revenues	-	-	138,500	945,509
EXPENDITURES				
General government	-	-	6,825	1,101,995
Public safety	-	-	-	-
Public works	-	-	-	-
Total Current Operations	-	-	6,825	1,101,995
Projects		84,235	139,450	2,723,770
Total Expenditures	-	84,235	146,275	3,825,765
Excess (Deficiency) of Revenues over Expenditures	-	(84,235)	(7,775)	(2,880,256)
Other Financing Sources (Uses)				
Transfers in (out)	-	-	18,916	345,919
Excess (deficiency) of Revenues over Expenditures and other Financing Sources	-	(84,235)	11,141	(2,534,337)
Fund Balance Beginning of Year	(1,873)	494,936	-	3,043,294
Fund Balance End of Year	$ (1,873)	$ 410,701	$ 11,141	$ 508,957

CITY OF ANNISTON
NONMAJOR GOVERNMENTAL FUNDS (by fund types)
COMBINING BALANCE SHEETS
SEPTEMBER 30, 2005

	Special Revenue Funds	Debt Service Funds	Community Development Fund	Anniston Museum Fund	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,368,058	$ 37	$ 22	$ 511,942	$ 3,880,059
Investments	2,414,578	-	-	50	2,414,628
Receivables net	524,072	-	368,652	-	892,724
Due from other governments	117,390	-	71,751	-	189,141
Due from other funds	166,746	-	-	-	166,746
Other assets	-	-	-	31,755	31,755
Total Assets	$ 6,590,844	$ 37	$ 440,425	$ 543,747	$ 7,575,053
LIABILITIES					
Accounts payable and accrued liabilities	$ 41,938	$ -	$ 3,358	$ 21,119	$ 66,415
Due to other funds	949,874	-	67,739	-	1,017,613
Deferred revenue	147,539	-	313,537	-	461,076
Accrued sick leave	-	-	-	69,462	69,462
Total Liabilities	1,139,351	-	384,634	90,581	1,614,566
FUND BALANCES					
Reserved for:					
Special revenue funds	5,451,493	-	55,791	-	5,507,284
Anniston Museum fund	-	-	-	121,764	121,764
Unreserved, reported in:					
Debt service funds	-	37	-	-	37
Anniston Museum fund	-	-	-	331,402	331,402
Total Fund Balances	5,451,493	37	55,791	453,166	5,960,487
Total Liabilities and Fund Balances	$ 6,590,844	$ 37	$ 440,425	$ 543,747	$ 7,575,053

CITY OF ANNISTON
NONMAJOR GOVERNMENTAL FUNDS (by fund types)
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue Funds	Debt Service Funds	Community Development Fund	Anniston Museum Fund	Total Other Governmental Funds
Revenues					
Charges for services	$ 1,453,857	$ -	$ -	$ 114,836	$ 1,568,693
Grants and contributions	404,389	-	1,071,956	113,217	1,589,562
Taxes	1,170,507	-	-	-	1,170,507
Other revenues	400,910	-	1,199	189,995	592,104
Total Revenues	3,429,663	-	1,073,155	418,048	4,920,866
Expenditures					
General government	867,175	-	230,090	-	1,097,265
Public safety	350,924	-	-	-	350,924
Public works	-	-	-	-	-
Other	917,666	-	852,383	934,949	2,704,998
Debt service	-	1,755,987	-	-	1,755,987
Total Expenditures	2,135,765	1,755,987	1,082,473	934,949	5,909,174
Excess (Deficiency) Revenues over Expenditures	1,293,898	(1,755,987)	(9,318)	(516,901)	(988,308)
Other Financing Sources	(1,105,250)	1,755,987	-	525,000	1,175,737
Excess (deficiency) of revenues over expenditures and other financing sources	188,648	-	(9,318)	8,099	187,429
Fund Balance Beginning of Year	5,262,845	37	65,109	445,067	5,773,058
Fund Balance End of Year	$ 5,451,493	$ 37	$ 55,791	$ 453,166	$ 5,960,487

CITY OF ANNISTON
SPECIAL REVENUES FUNDS - COMBINING BALANCE SHEETS
SEPTEMBER 30, 2005

	Gasoline Tax Fund	7 Cent Gas Tax	Cemetary Trust Fund	Corrections Fund	Ambulance Service
ASSETS					
Cash	$ 128,030	$ 85,358	$ -	$ 1,055,284	$ 4,978
Investments	-	-	-	695,000	-
Receivables	-	-	-	-	-
Due from other funds	-	128,030	25,584	-	-
Due from other governments	12,165	14,909	-	-	-
Total Assets	$ 140,195	$ 228,297	$ 25,584	$ 1,750,284	$ 4,978
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ -
Due to other funds	128,030	189,378	-	65,880	4,667
Deferred revenue	-	-	-	-	-
Total Liabilities	128,030	189,378	-	65,880	4,667
Fund balances					
Reserve for future projects	12,165	38,919	25,584	1,684,404	311
Total Liabilities and Fund Balances	$ 140,195	$ 228,297	$ 25,584	$ 1,750,284	$ 4,978

CITY OF ANNISTON
SPECIAL REVENUES FUNDS - COMBINING BALANCE SHEETS
SEPTEMBER 30, 2005

	Fire District Tax Fund	Cane Creek Restaurant	Alabama Trust Fund	Brownfield Project	Municipal Court
ASSETS					
Cash	$ 1,235,265	$ 304	$ 26,979	$ -	$ 194,226
Investments	1,709,578	-	-	-	-
Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	38,830	-
Total Assets	$ 2,944,843	$ 304	$ 26,979	$ 38,830	$ 194,226
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ -
Due to other funds	368,598	304		38,830	81,856
Deferred revenue	-	-	-	-	-
Total Liabilities	368,598	304	-	38,830	81,856
Fund balances					
Reserve for future projects	2,576,245	-	26,979	-	112,370
Total Liabilities and Fund Balances	$ 2,944,843	$ 304	$ 26,979	$ 38,830	$ 194,226

CITY OF ANNISTON
SPECIAL REVENUES FUNDS - COMBINING BALANCE SHEETS
SEPTEMBER 30, 2005

	UDAG Fund	Federal Seized Assets Fund	Drug Task Force Fund	Drug Task Force Office	FEMA Hazmat
ASSETS					
Cash	$ 328,038	$ 159,591	$ -	$ 150,003	$ -
Investments	-	-	-	10,000	-
Receivables	524,072	-	-	-	-
Due from other funds	-	-	9,445	-	-
Due from other governments	-	-	28,806	-	19,460
Total Assets	$ 852,110	$ 159,591	$ 38,251	$ 160,003	$ 19,460
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	$ -	$ -	$ 38,251	$ -	$ -
Due to other funds	1,486	-	-	44,944	20,582
Deferred revenue	147,539	-	-	-	-
Total Liabilities	149,025	-	38,251	44,944	20,582
Fund balances					
Reserve for future projects	703,085	159,591	-	115,059	(1,122)
Total Liabilities and Fund Balances	$ 852,110	$ 159,591	$ 38,251	$ 160,003	$ 19,460

CITY OF ANNISTON
SPECIAL REVENUES FUNDS - COMBINING BALANCE SHEETS
SEPTEMBER 30, 2005

	Bulletproof Vest Fund	LLEBG 2003	Byrne Justice Grant	LLEBG 2004	Total Special Revenues Funds
ASSETS					
Cash	$ -	$ -	$ 1	$ 1	$ 3,368,058
Investments	-	-	-	-	2,414,578
Receivables	-	-	-	-	524,072
Due from other funds	-	3,687	-	-	166,746
Due from other governments	3,220	-	-	-	117,390
Total Assets	$ 3,220	$ 3,687	$ 1	$ 1	$ 6,590,844
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	$ -	$ 3,687	$ -	$ -	$ 41,938
Due to other funds	5,318	-	-	1	949,874
Deferred revenue	-	-	-	-	147,539
Total Liabilities	5,318	3,687	-	1	1,139,351
Fund balances					
Reserve for future projects	(2,098)	-	1	-	5,451,493
Total Liabilities and Fund Balances	$ 3,220	$ 3,687	$ 1	$ 1	$ 6,590,844

CITY OF ANNISTON
SPECIAL REVENUES FUNDS - COMBINING SCHEDULES OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2005

	Gasoline Tax Fund	7 Cent Gas Tax Fund	Cemetary Trust Fund	Corrections Fund	Ambulance Service Fund
REVENUES					
Intergovernmental Revenues					
Federal and state grants	$ -	$ -	$ -	$ -	$ -
State taxes	136,451	154,815	-	-	-
Other Operating Revenues					
Fees, fines, and charges for services	-	-	-	232,084	-
Interest on investments	3,744	5,121	273	29,901	24
Other	-	14,987		-	434
Total Revenues	140,195	174,923	273	261,985	458
EXPENDITURES					
General	-	-	-	979	147
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Total Current Operations	-	-	-	979	147
Projects	-	333,158	-	64,950	-
Total Expenditures	-	333,158	-	65,929	147
Excess (Deficiency) of Revenues over Expenditures	140,195	(158,235)	273	196,056	311
Other Financing Sources (Uses)					
Transfers in (out)	(128,030)	128,030	-	-	-
Excess (deficiency) of Revenues over Expenditures and other Financing Sources (uses)	12,165	(30,205)	273	196,056	311
Fund Balance					
Beginning of Year	-	69,124	25,311	1,488,348	-
Fund Balance					
End of Year	$ 12,165	$ 38,919	$ 25,584	$ 1,684,404	$ 311

CITY OF ANNISTON
SPECIAL REVENUES FUNDS - COMBINING SCHEDULES OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2005

	Fire District Tax Fund	Cane Creek Restaurant	Alabama Trust Fund	Brownfield Project	Municipal Court Revenues
REVENUES					
Intergovernmental Revenues					
Federal and state grants	$ -	$ -	$	$ 38,830	$ -
State taxes	746,275	-	132,966	-	-
Other Operating Revenues					
Fees, fines, and charges for services	-	-	-	-	1,221,773
Interest on investments	54,069	-	7,662	-	8,684
Other	-	-	-	-	-
Total Revenues	800,344	-	140,628	38,830	1,230,457
EXPENDITURES					
General	4,145	-	-	21,974	599,257
Public safety	350,924	-	-	-	-
Public works	-	-	-	-	-
Total Current Operations	355,069	-	-	21,974	599,257
Projects	4,963	-	-	-	-
Total Expenditures	360,032	-	-	21,974	599,257
Excess (Deficiency) of Revenues over Expenditures	440,312	-	140,628	16,856	631,200
Other Financing Sources (Uses)					
Transfers in (out)	-	-	(422,176)	(16,856)	(715,000)
Excess (deficiency) of Revenues over Expenditures and other Financing Sources (uses)	440,312	-	(281,548)	-	(83,800)
Fund Balance Beginning of Year	2,135,933	-	308,527	-	196,170
Fund Balance End of Year	$ 2,576,245	$ -	$ 26,979	$ -	$ 112,370

CITY OF ANNISTON
SPECIAL REVENUES FUNDS - COMBINING SCHEDULES OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2005

	UDAG Fund	Federal Seized Assets Fund	Drug Task Force Fund	Drug Task Force Office	FEMA Hazmat
REVENUES					
Intergovernmental Revenues					
Federal and state grants	$ -	$ -	$ 310,000	$ -	$ 48,329
State taxes	-	-	-	-	-
Other Operating Revenues					
Fees, fines, and charges for services	-	-	-	-	-
Interest on investments	29,394	3,717	-	480	-
Other	40,791	17,405	62,434	120,311	-
Total Revenues	70,185	21,122	372,434	120,791	48,329
EXPENDITURES					
General	16	-	-	151,827	48,208
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Total Current Operations	16	-	-	151,827	48,208
Projects	45,202	-	469,393	-	-
Total Expenditures	45,218	-	469,393	151,827	48,208
Excess (Deficiency) of Revenues over Expenditures	24,967	21,122	(96,959)	(31,036)	121
Other Financing Sources (Uses)					
Transfers in (out)	-	-	91,040	(43,047)	-
Excess (deficiency) of Revenues over Expenditures and other Financing Sources (uses)	24,967	21,122	(5,919)	(74,083)	121
Fund Balance Beginning of Year	678,118	138,469	5,919	189,142	(1,243)
Fund Balance End of Year	$ 703,085	$ 159,591	$ -	$ 115,059	$ (1,122)

CITY OF ANNISTON
SPECIAL REVENUES FUNDS - COMBINING SCHEDULES OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2005

	Bulletproof Vest Fund	LLEBG 2003	Byrne Justice Grant	LLEBG 2004	Total Special Revenues Funds
REVENUES					
Intergovernmental Revenues					
Federal and state grants	$ 7,230	$ -	$ -	$ -	$ 404,389
State taxes	-	-	-	-	1,170,507
Other Operating Revenues					
Fees, fines, and charges for services	-	-	-	-	1,453,857
Interest on investments	-	1,223	33	223	144,548
Other	-	-	-	-	256,362
Total Revenues	7,230	1,223	33	223	3,429,663
EXPENDITURES					
General	14,460	6,662	40	19,460	867,175
Public safety	-	-	-	-	350,924
Public works	-	-	-	-	-
Total Current Operations	14,460	6,662	40	19,460	1,218,099
Projects					917,666
Total Expenditures	14,460	6,662	40	19,460	2,135,765
Excess (Deficiency) of Revenues over Expenditures	(7,230)	(5,439)	(7)	(19,237)	1,293,898
Other Financing Sources (Uses)					
Transfers in (out)	-	610	42	137	(1,105,250)
Excess (deficiency) of Revenues over Expenditures and other Financing Sources (uses)	(7,230)	(4,829)	35	(19,100)	188,648
Fund Balance Beginning of Year	5,132	4,829	(34)	19,100	5,262,845
Fund Balance End of Year	$ (2,098)	$ -	$ 1	$ -	$ 5,451,493

CITY OF ANNISTON
DEBT SERVICE - BALANCE SHEET
SEPTEMBER 30, 2005

ASSETS

Cash and cash equivalents	$	37
Receivables net		-
Due from other funds and governments		-
Other assets		-
Total Assets	$	37

LIABILITIES

Accounts payable and accrued liabilities	$	-
Total Liabilities		-

FUND BALANCES

Reserved for debt service funds		37
Total Fund Balance		37
Total Liabilities and Fund Balance	$	37

CITY OF ANNISTON
DEBT SERVICE - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2005

Revenues	
Taxes	$ -
Interest	-
Proceeds from new debt	-
Total Revenues	-
Expenditures	
Principal retirement	1,500,826
Interest charges and transfer fees	251,536
Miscellaneous	3,625
Total Expenditures	1,755,987
Excess (deficiency) of revenue over expenditures	(1,755,987)
Other financing sources (uses) Transfers in (out)	1,755,987
Excess (deficit) of revenue and other sources over expenditures and other uses	-
Fund Balance, Beginning of Year	37
Fund Balance, End of Year	$ 37

CITY OF ANNISTON
COMMUNITY DEVELOPMENT FUND - BALANCE SHEET
SEPTEMBER 30, 2005

ASSETS

Cash and cash equivalents	$	22
Investments		-
Receivables net		368,652
Due from other funds and governments		71,751
Other assets		-
Total Assets	$	440,425

LIABILITIES

Accounts payable and accrued liabilities	$	3,358
Due to other funds		67,739
Deffered revenue		313,537
Total Liabilities		384,634

FUND BALANCES

Reserved for future projects		55,791
Unrestricted		-
Total Fund Balance		55,791
Total Liabilities and Fund Balance	$	440,425

CITY OF ANNISTON
COMMUNITY DEVELOPMENT FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2005

Revenues	
Charges for services	$ -
Operating grants and contributions	1,071,956
Capital grants and contributions	-
Interest income	1,086
Other revenues	113
Total Revenues	1,073,155
Expenditures	
General	230,090
Public safety	-
Public works	-
Other	852,383
Total Expenditures	1,082,473
Excess (deficiency) of revenue over expenditures	(9,318)
Other financing sources (uses) Transfers in (out)	-
Excess (deficit) of revenue and other sources over expenditures and other uses	(9,318)
Fund Balance, Beginning of Year	65,109
Fund Balance, End of Year	$ 55,791

CITY OF ANNISTON
ANNISTON MUSEUM FUND - BALANCE SHEET
SEPTEMBER 30, 2005

ASSETS

Cash and cash equivalents	$	511,942
Investments		50
Receivables net		-
Due from other funds and governments		-
Other assets		31,755
Total Assets	$	543,747

LIABILITIES

Accounts payable and accrued liabilities	$	21,119
Compensated absences		69,462
Total Liabilities		90,581

FUND BALANCES

Reserved for Anniston Museum Fund		121,764
Unrestricted		331,402
Total Fund Balance		453,166
Total Liabilities and Fund Balance	$	543,747

CITY OF ANNISTON
ANNISTON MUSEUM FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2005

Revenues		
Charges for services	$	114,836
Operating grants and contributions		113,217
Capital grants and contributions		-
City appropriations		-
Other revenues		189,995
Total Revenues		418,048
Expenditures		
General		-
Public safety		-
Public works		-
Other		934,949
Total Expenditures		934,949
Excess (deficiency) of revenue over expenditures		(516,901)
Other financing sources (uses) Transfers in (out)		525,000
Excess (deficit) of revenue and other sources over expenditures and other uses		8,099
Fund Balance, Beginning of Year		445,067
Fund Balance, End of Year	$	453,166