CITY OF ANNISTON, ALABAMA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2008

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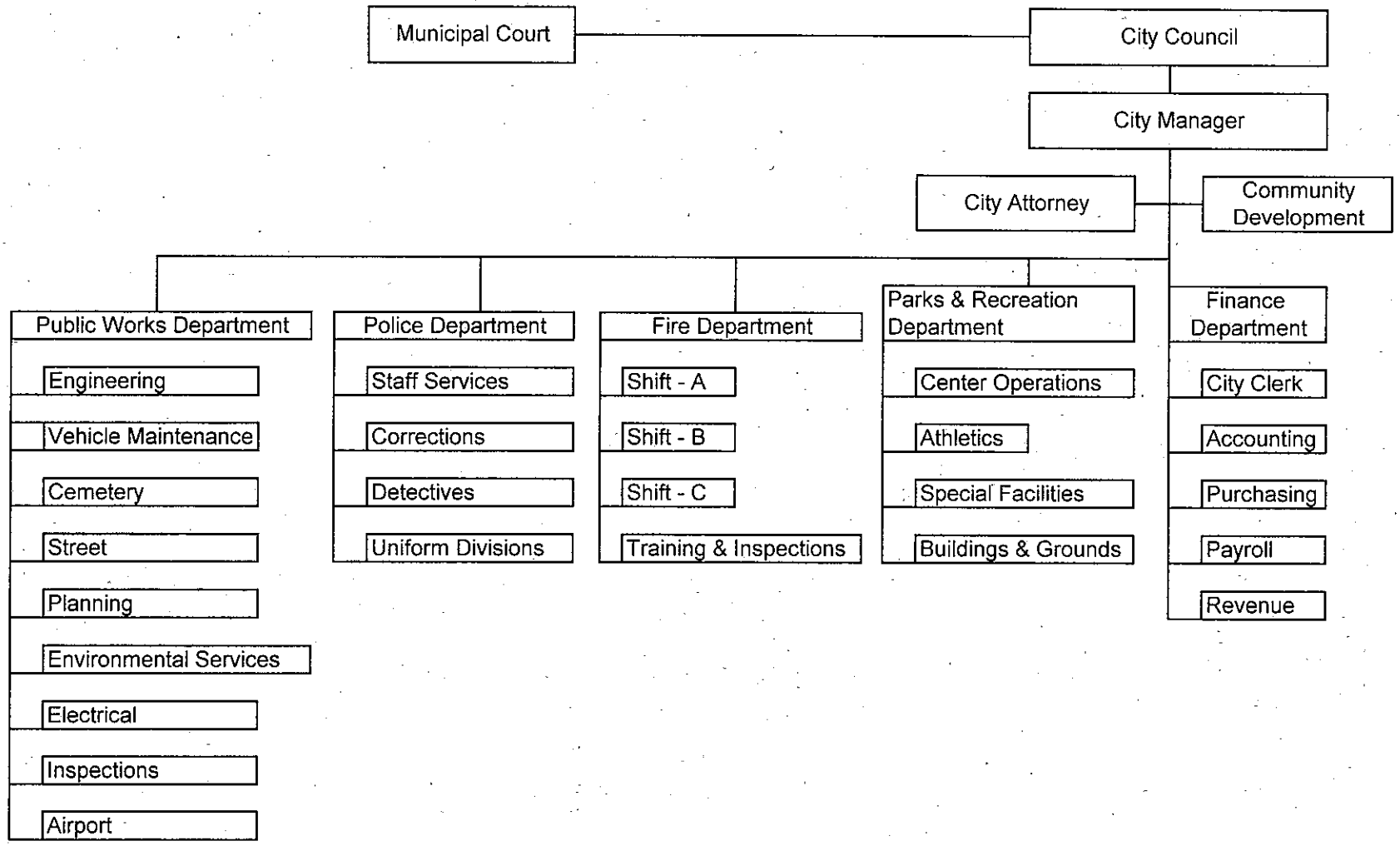
INTRODUCTORY SECTION

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, City Clerk
Environmental Services	David Hill, Superintendent
Fire	William Fincher, Chief
Grounds	Chris Roberts, Superintendent
Municipal Court	Vaughn Stewart, Judge
Municipal Garage	Jim Hill, Superintendent
Police	John Dryden, Chief
Public Works	Vacant
Community Development	Clarence Williams, Administrator
Recreation	Steven Folks, 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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and other supplementary information, which follow this narrative.

Financial Highlights

- The assets of the City of Anniston (primary government) exceeded its liabilities at the close of fiscal year 2008 by $99.4 million. The assets of the City's component units exceeded their liabilities by $27.5 million. Of the $99.4 million in primary government net assets, $10.4 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 $21.4 million. The combined governmental funds fund balance decreased by $564,684 compared with the prior year. Of the $21.4 million in fund balance, $13.09 million is available for spending at the government's discretion (unreserved fund balance).

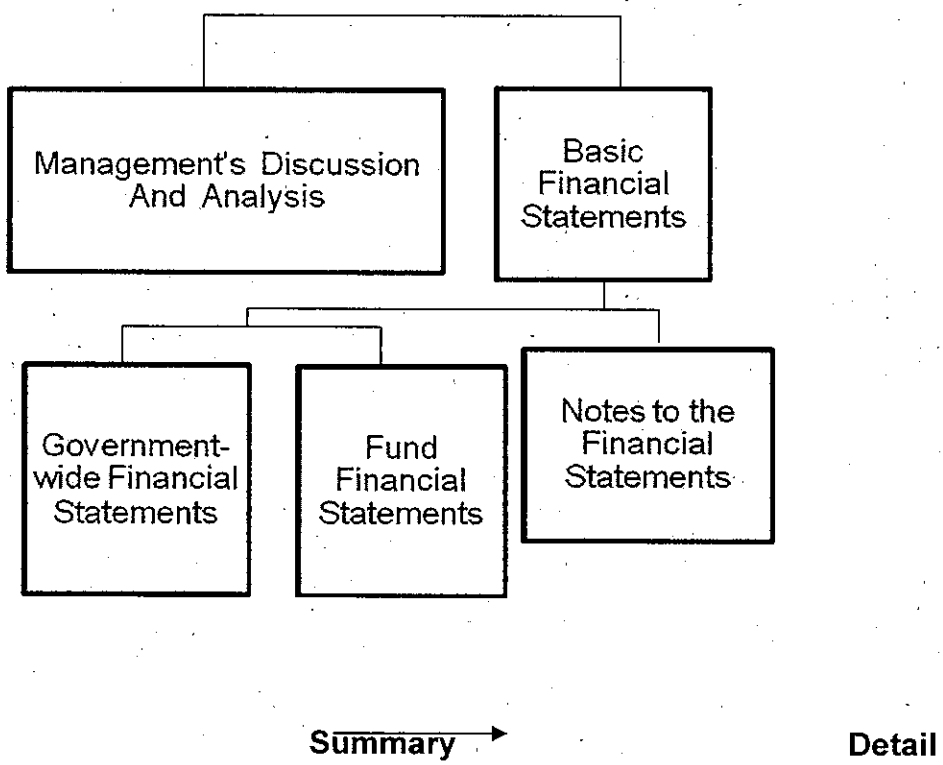
- The general fund closed with a fund balance of $12.81 million, down from $13.08 million in 2007. The 2008 ending general fund balance represents 43.3 percent of total general fund operating expenditures, compared with the ending general fund balance amounting to 46.9 percent of total operating expenditures in 2007 and 44.6 percent of total operating expenses in 2006.

- In the fiscal year 2008, the City of Anniston realized an excess of operational revenues over expenditures in the general fund of $1,536,998. However, the general fund balance decreased by only $299,722 due to significant net transfers from the general fund to capital projects and debt service. Included in the capital transfers is $650,000 to fund the 6th and Noble Project and $1,354,583 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

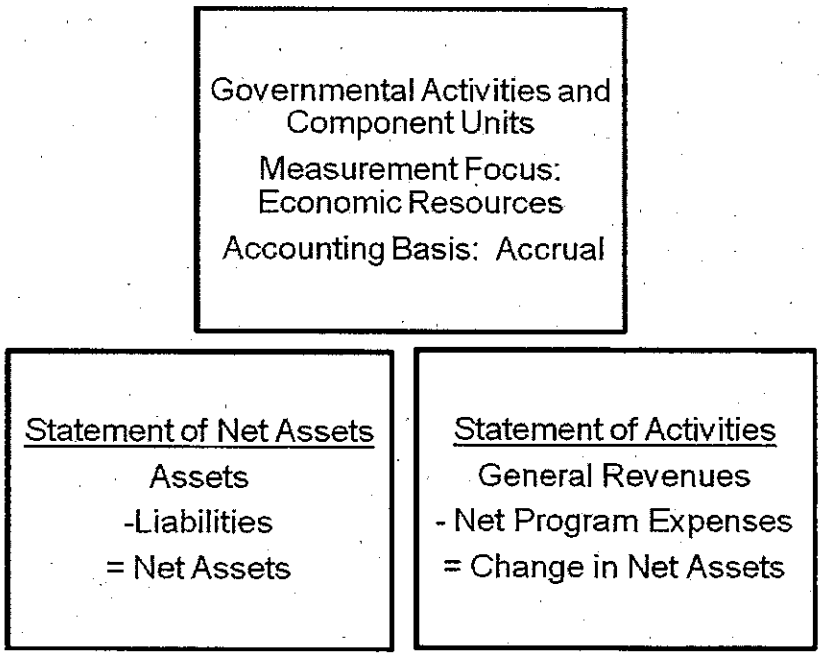
The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *statement of net assets* includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted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

The government-wide financial statements of the City 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, and 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:

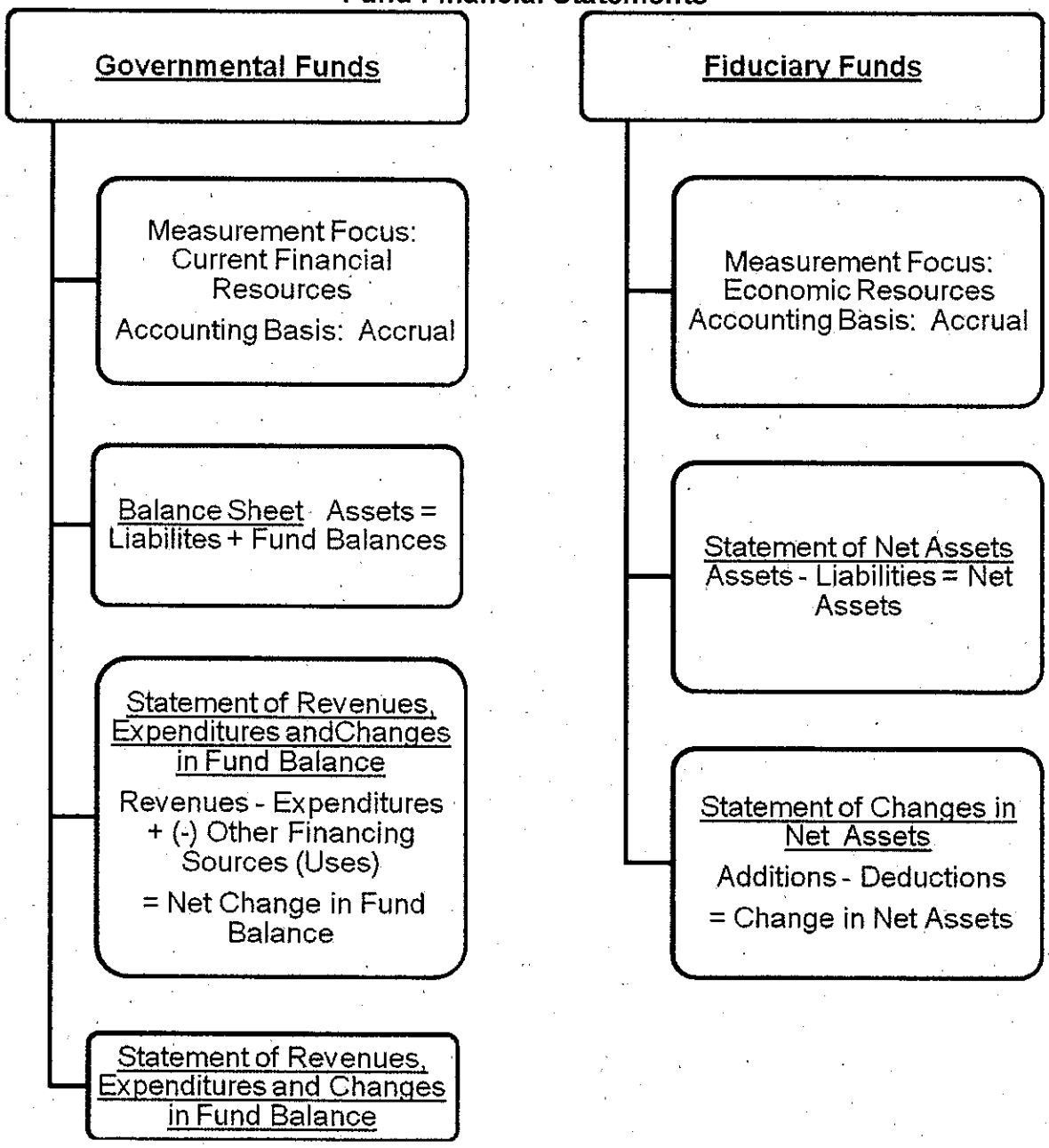
Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus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

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 for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

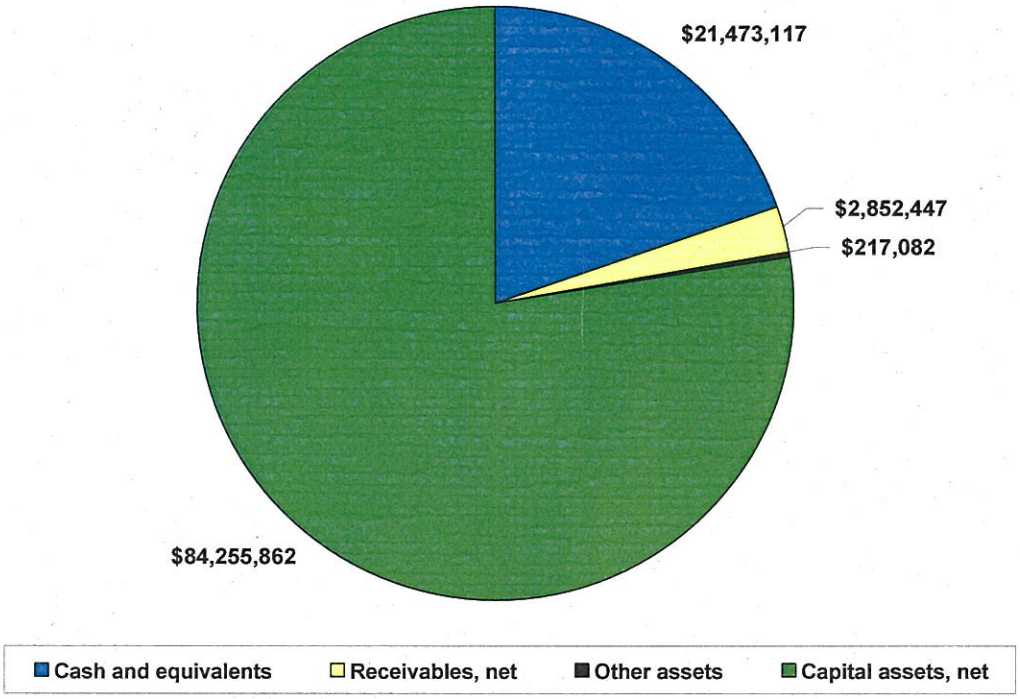
Other Information

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

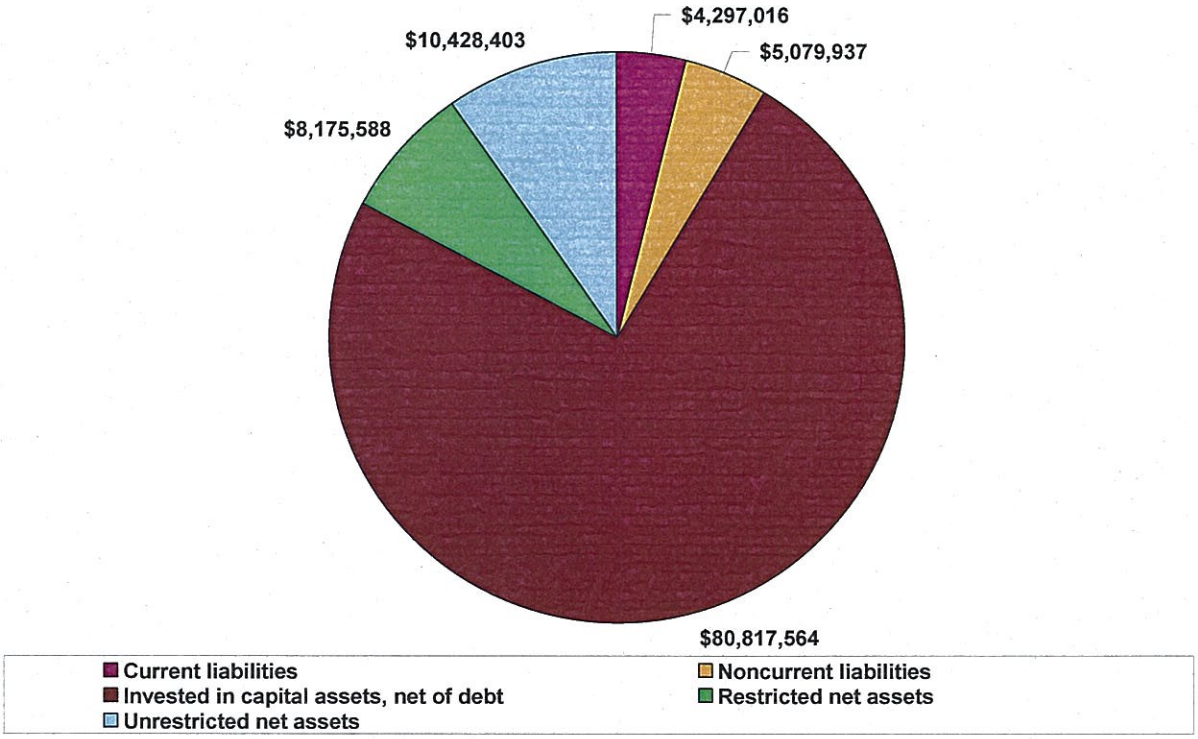
Government-wide Financial Analysis

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 accounted for all infrastructure assets and has included them in this presentation. The following charts summarize the Statement of Net Assets for the Primary Government's activities.

Assets Governmental Activities (Primary)



Liabilities & Net Assets Governmental Activities (Primary)



The assets of the City of Anniston (*primary government)* exceeded its liabilities by $99.4 million as of September 30, 2008. However, the largest portion (81.3 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 $99.4 million. The City of Anniston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional total of $8.18 million represents net assets that are subject to external or Council placed restrictions on how they may be used. The remaining balance of $10.4 million is unrestricted.

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 $12,806,468, compared with $13,080,778 at the end of 2007. 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 43.3 percent of total general fund expenditures at the end of 2008, compared with 46.9 percent at September 30, 2007. This is mostly a function of a decrease in unreserved fund balance.

General Fund Budgetary Highlights

Revenues for the year were $114,655 below the budgeted amount. The primary source of the shortage was sales and use tax collections, offset by marginal increases in ad valorem and business license collections.

All general categories other than non-departmental and capital outlays realized a favorable variance in budgeted to actual expenditures. The operational excess for the City's general fund totaled $1,536,998 before internal transfers to or from capital, law enforcement and debt service funds.

Capital Asset and Debt Administration

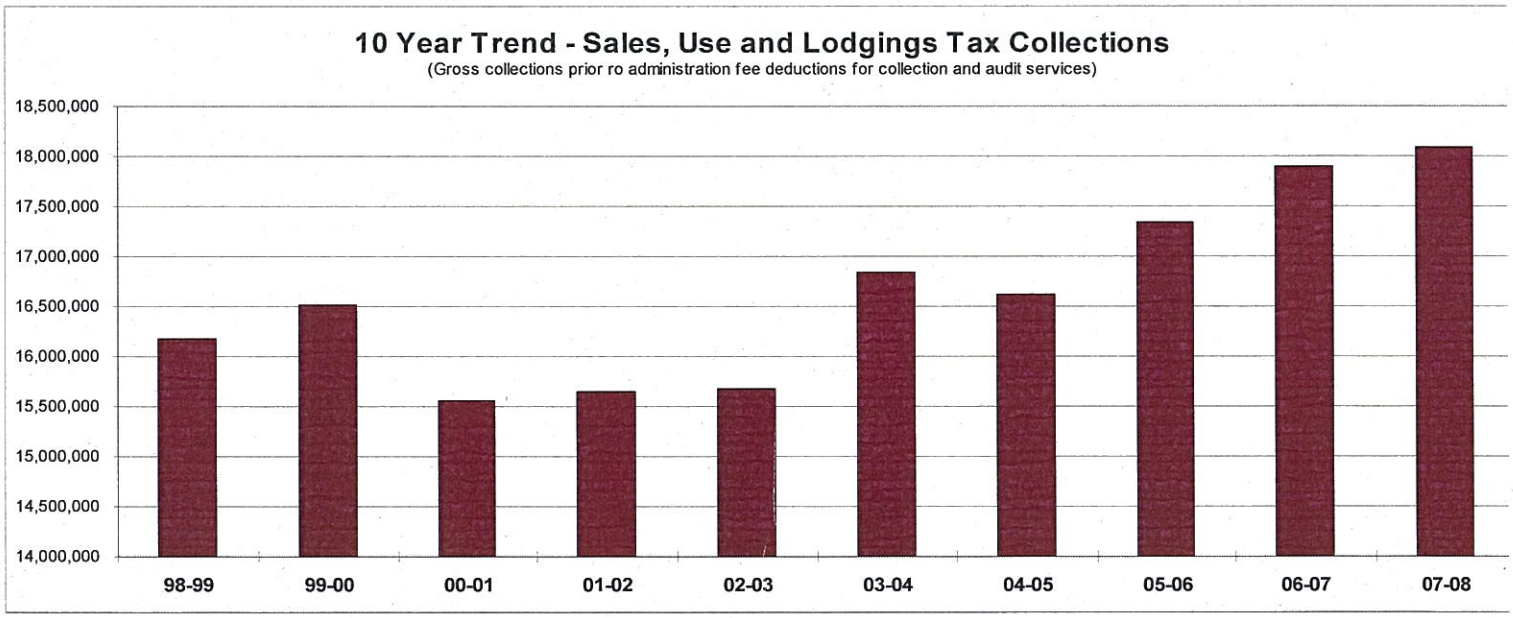
Capital Assets: The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2008 totals $84,256,862 (net of accumulated depreciation). These assets include infrastructure, buildings, land, machinery and equipment, facilities and vehicles, as well as the collection at the Anniston Museum.

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, 2008, the City of Anniston had bonded debt outstanding of $2,525,000. 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 $836,990.

Economic Factors and Next Year's Budget

The regional economy has suffered in conjunction with the overarching national economic downturn. Sales tax collections, shown in the chart below, surpassed the record levels set in Fiscal Year 2007; however, the last quarter of Fiscal Year 2008 saw significant decreases over prior year collections. This downward trend has continued thus far in Fiscal Year 2009. The volatile nature of consumer spending and the general economic climate postulate a further contraction of revenues for Fiscal Year 2009 and beyond.



Sales taxes represent approximately fifty-seven percent of the City's budgeted revenues.

A commitment remains to complete the eastern by-pass that will efficiently connect the northern developments from Interstate 20 to Highway 431/21. The form of this commitment will be from Federal stimulus money available as a result of the American Recovery and Reinvestment Act of 2009 with little local contribution anticipated.

A major budgetary concern going forward is the overall effect of the City's current entitlement programs and the related compliance with Governmental Accounting Standards Board (GASB) Statement No. 45 concerning Other Post Retirement Benefits. In 2009, actuarial reports will be completed for the Police and Fireman's Retirement Fund (a separate entity) and the City of Anniston Retiree Healthcare Plan. We project significant unfunded liabilities associated with these entitlements. These liabilities must be addressed in Fiscal Year 2010 and beyond and could impact subsequent financial statements.

Subsequent to year end, Calhoun County offered in general and the City accepted the roads at the former military installation Fort McClellan, part of which lies in Anniston's corporate limits. The acceptance of these roads, which vary in condition, added an estimated 39.1 miles in road infrastructure.

Any questions about this document should be addressed to Finance Director, City of Anniston, AL. The finance director's email is dmccullars@ci.anniston.al.us.

FINANCIAL SECTION

Edgar and Associates, LLC
Certified Public Accountants
218 East 12th Street, Anniston, AL 36207
256.237.1773

INDEPENDENT AUDITORS' REPORT

June 30, 2009

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, Alabama as of and for the year ended September 30, 2008, 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 (except for Public Library of Anniston and Calhoun County) and the fiduciary funds. The financial statements for the Anniston City Board of Education, Farley L. Berman Foundation, Inc, and the Policemen's and Firemen's Retirement Fund were audited by other auditors whose reports have 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.

INDEPENDENT AUDITORS' REPORT – Continued

The financial statements of the Anniston Industrial Development Board, Anniston City Schools Foundation and Spirit of Anniston, Inc. have not been audited, and we were not engaged to audit these entities financial statements as part of our audit of the City's basic financial statements. Anniston Industrial Development Board's, Anniston City Schools Foundation's and Spirit of Anniston, Inc.'s are included in the City's basic financial statements as discretely presented component units and represent 2.4 percent, 2.46 percent, and 1.85 percent of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had Anniston Industrial Development Board, Anniston City Schools Foundation and Spirit of Anniston been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the City of Anniston, Alabama, as of September 30, 2008, and the changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Anniston, Alabama as of September 30, 2008, and the respective changes in financial position and, where applicable, 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 June 30, 2009, on our consideration of the City of Anniston, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT – Continued

The management's discussion and analysis and budgetary comparison information on pages iii through xii and 43 through 45 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, Alabama'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, Alabama. 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.

Edgar and Associates, LLC

Anniston, Alabama

CITY OF ANNISTON
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Primary Government		
	Governmental Activities	Total	Component Units
ASSETS			
Cash	$ 10,806,926	$ 10,806,926	$ 2,791,458
Investments	10,666,191	10,666,191	1,308,311
Receivables, net	2,003,514	2,003,514	74,337
Due from other governments	848,933	848,933	4,323,587
Inventories	51,439	51,439	54,254
Other assets	165,643	165,643	111,945
Capital assets, net	84,255,862	84,255,862	27,792,222
Total Assets	$ 108,798,508	$ 108,798,508	$ 36,456,114
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,958,599	$ 1,958,599	$ 1,941,363
Deferred revenue	366,306	366,306	3,997,588
Accrued interest	50,547	50,547	-
Noncurrent liabilities:			
Due within one year			
Bonds and warrants payable	1,242,746	1,242,746	-
Notes payable	-	-	218,120
Capital leases	57,528	57,528	-
Compensated absences	621,290	621,290	5,607
Due in more than one year:			
Bonds and warrants payable	2,119,244	2,119,244	-
Notes payable	-	-	2,830,424
Capital leases	18,780	18,780	-
Other post employment benefits	1,128,600	1,128,600	-
Compensated absences	1,813,313	1,813,313	-
Total Liabilities	9,376,953	9,376,953	8,993,102
NET ASSETS			
Invested in capital assets, net of related debt	72,487,767	72,487,767	16,497,142
Invested in capital assets, Museum collections	8,329,797	8,329,797	8,316,698
Restricted for:			
Capital projects	825,868	825,868	-
Special revenues	4,311,896	4,311,896	1,137,426
Other nonmajor funds	3,037,824	3,037,824	-
Unrestricted	10,428,403	10,428,403	1,511,746
Total Net Assets	99,421,555	99,421,555	27,463,012
Total Liabilities and Net Assets	$ 108,798,508	$ 108,798,508	$ 36,456,114

See Notes to Financial Statements

CITY OF ANNISTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Activities:						
General government	$ 8,672,291	$ 1,255,374	$ 238,330	$ -	$ (7,178,587)	$ (7,178,587)
Public protection:						
Police	6,768,308	276,828	295,915	10,440	(6,185,125)	(6,185,125)
Fire	4,332,869	18,255	-	-	(4,314,614)	(4,314,614)
Other	1,258,020	1,142,782	-	-	(115,238)	(115,238)
Public works	5,772,778	143,260	732,070	-	(4,897,448)	(4,897,448)
Recreational	3,926,437	1,095,319	-	-	(2,831,118)	(2,831,118)
Nondepartmental	4,931,119	-	-	-	(4,931,119)	(4,931,119)
Other boards and agencies	3,052,520	-	618,484	-	(2,434,036)	(2,434,036)
Capital	2,702,281	-	-	786,581	(1,915,700)	(1,915,700)
Interest and fiscal charges	151,721	-	-	-	(151,721)	(151,721)
Miscellaneous	2,347	-	-	-	(2,347)	(2,347)
Total Governmental Activities	41,570,691	3,931,818	1,884,799	797,021	(34,957,053)	(34,957,053)
Total City	$ 41,570,691	$ 3,931,818	$ 1,884,799	$ 797,021		
General Revenues:						
Taxes:						
Sales, property, other for general purposes					25,501,089	25,501,089
General business licenses and permits					3,825,137	3,825,137
Other general state shared revenues					212,163	212,163
Miscellaneous income					750,206	750,206
Interest income					809,488	809,488
Total General Revenues					31,098,083	31,098,083
Change in Net Assets					(3,858,970)	(3,858,970)
Net Assets, Beginning					103,234,176	103,234,176
Prior period adjustments					46,349	46,349
Net Assets, Ending					$ 99,421,555	$ 99,421,555

See Notes to Financial Statements

CITY OF ANNISTON
BALANCE SHEETS - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 4,291,211	$ -	$ 6,515,715	$ 10,806,926
Investments	7,448,000	-	3,218,191	10,666,191
Receivables, net	1,768,362	-	235,152	2,003,514
Due from other funds	4,609,365	1,398,875	198,239	6,206,479
Due from other governments	97,710	244,237	506,986	848,933
Inventories	51,439	-	-	51,439
Other assets	-	-	14,727	14,727
Total Assets	$ 18,266,087	$ 1,643,112	$ 10,689,010	$ 30,598,209
LIABILITIES				
Accounts payable and accrued liabilities	$ 938,019	$ 505,008	$ 515,572	$ 1,958,599
Deferred revenue	750	-	365,556	366,306
Due to other funds	3,987,091	212,236	2,007,152	6,206,479
Compensated absences	533,759	-	87,531	621,290
	5,459,619	717,244	2,975,811	9,152,674
FUND BALANCES				
Reserved for:				
Special revenue funds	-	-	4,311,893	4,311,893
Future capital projects	-	925,868	-	925,868
Debt service funds	-	-	-	-
Other nonmajor funds	-	-	3,037,824	3,037,824
Anniston Museum fund	-	-	84,434	84,434
Unreserved, reported in:				
General fund	12,806,468	-	-	12,806,468
Other nonmajor funds	-	-	(102,712)	(102,712)
Anniston Museum fund	-	-	381,760	381,760
	12,806,468	925,868	7,713,199	21,445,535
Total Liabilities and Fund Balances	$ 18,266,087	$ 1,643,112	$ 10,689,010	$ 30,598,209

See Notes to Financial Statements

CITY OF ANNISTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total fund balances for governmental funds		$ 21,445,535
Total net assets reported for governmental activities in the statement of net assets is different because:		
Prepaid expenses		150,916
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	162,209,040	
Less: Accumulated depreciation	(77,953,178)	
Total Capital Assets		84,255,862
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	(50,547)	
Bonds and warrants payable	(3,361,990)	
Capital leases	(76,308)	
Compensated absences	(1,813,313)	
Other post employment benefits	(1,128,600)	
		(6,430,758)
Net assets of governmental activities		$ 99,421,555

See Notes to Financial Statements

CITY OF ANNISTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 24,351,168	$ -	$ 1,362,084	$ 25,713,252
Licenses and permits	3,825,137	-	-	3,825,137
Charges for services	2,409,190	-	1,522,628	3,931,818
Federal and state grants	-	786,581	1,895,239	2,681,820
Interest	491,610	-	317,878	809,488
Other	44,550	-	705,656	750,206
Total Revenues	31,121,655	786,581	5,803,485	37,711,721
Expenditures:				
General government	1,739,273	202,287	1,877,527	3,819,087
Public safety	10,273,978	-	1,607,324	11,881,302
Public works	5,607,059	-	-	5,607,059
Recreation	3,848,261	-	-	3,848,261
Other boards and agencies	2,434,036	-	618,484	3,052,520
Nondepartmental	4,931,119	-	-	4,931,119
Capital expenditures	750,931	1,408,703	1,652,215	3,811,849
Debt Service:				
Principal	-	-	1,248,855	1,248,855
Interest and fees	-	-	103,418	103,418
Miscellaneous	-	-	2,347	2,347
Total Expenditures	29,584,657	1,610,990	7,110,170	38,305,817
Excess Revenues over (under) Expenditures	1,536,998	(824,409)	(1,306,685)	(594,096)
Other financing sources (uses):				
Operating transfers in	865,078	745,501	2,458,861	4,069,440
Operating transfers out	(2,701,798)	-	(1,367,642)	(4,069,440)
Total Other Financing Sources (Uses)	(1,836,720)	745,501	1,091,219	-
Net change in fund balance	(299,722)	(78,908)	(215,466)	(594,096)
Fund Balance, Beginning	13,080,778	1,004,776	7,928,665	22,014,219
Prior period adjustment	25,412	-	-	25,412
Fund Balance, Ending	$ 12,806,468	$ 925,868	$ 7,713,199	$ 21,445,535

See Notes to Financial Statements

CITY OF ANNISTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances total governmental funds		$ (594,096)
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	1,109,568	
Less: Current year depreciation	(4,278,176)	
		(3,168,608)
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		1,272,844
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	3,860	
Change in long-term compensated absences	(249,047)	
Change in other post employment benefits	(1,128,600)	
Change in prepaid expenses	4,677	
		(1,369,110)
Change in net assets of governmental activities		$ (3,858,970)

See Notes to Financial Statements

CITY OF ANNISTON
STATEMENT OF FIDUCIARY NET ASSETS
POLICEMEN'S AND FIREMEN'S RETIREMENT FUND
SEPTEMBER 30, 2008

ASSETS

Cash	$ 1,335,139
Investments, at Fair Value:	
U.S. Government Obligations and Corporate Bonds	12,915,824
Equity securities	6,796,392
Real estate	1,830,423
Total Investments, at Fair Value	21,542,639
Total Assets	$ 21,542,639

LIABILITIES

Liabilities	$ -
Total Liabilities	-
Net Assets held in trust for retirement benefits	$ 21,542,639

See Notes to Financial Statements

CITY OF ANNISTON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
POLICEMEN'S AND FIREMEN'S RETIREMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

ADDITIONS TO NET ASSETS	
Investment Income:	
Interest	439,637
Dividends	227,269
Miscellaneous	3,955
Total Investment Income	670,861
Less: investment expenses	(106,570)
	564,291
Contributions:	
Employer	677,503
Employees	677,503
Public Utilities	421,945
Total Contributions	1,776,951
Total Additions to Net Assets	2,341,242
DEDUCTIONS FROM NET ASSETS	
Net depreciation in fair value of investments	3,655,717
Benefits paid directly to participants	2,993,509
Administrative expenses	109,081
Total Deductions From Net Assets	6,758,307
Net Increase	(4,417,065)
Net Assets Held in Trust for Retirement Benefits:	
Beginning of Year	27,294,843
End of Year	$ 22,877,778

See Notes to Financial Statements

CITY OF ANNISTON
STATEMENT OF NET ASSETS - COMPONENT UNITS
SEPTEMBER 30, 2008

	Anniston City School Board	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board
ASSETS			
Cash	$ 2,274,400	$ 239,421	$ 120,604
Investments	881,799	65,059	361,453
Inventories	46,280	-	-
Other assets	87,948	15,081	5,565
Receivables, net	74,337	-	-
Due from other governments	4,323,587	-	-
Collections	-	-	-
Capital assets (net)	18,606,144	443,628	-
Total Assets	$ 26,294,495	$ 763,189	$ 487,622
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,879,553	$ 37,521	$ -
Deferred revenue	3,997,588	-	-
Due within one year:			
Compensated absences	-	-	-
Notes payable	39,676	-	-
Due after one year:			
Compensated absences	-	-	-
Notes payable	2,830,424	-	-
Total Liabilities	8,747,241	37,521	-
NET ASSETS			
Invested in capital assets	15,802,706	443,628	-
Restricted	1,012,701	64,648	21,368
Unrestricted	731,847	217,392	466,254
Total Net Assets	17,547,254	725,668	487,622
Total Liabilities and Net Assets	$ 26,294,495	$ 763,189	$ 487,622

See Notes to Financial Statements

CITY OF ANNISTON
STATEMENT OF NET ASSETS - COMPONENT UNITS - Continued
SEPTEMBER 30, 2008

	Farley L. Berman Foundation Inc.	Anniston City Schools Foundation	Spirit of Anniston	Total
ASSETS				
Cash	$ 93,673	$ -	$ 63,360	$ 2,791,458
Investments	-	-	-	1,308,311
Inventories	7,974	-	-	54,254
Other assets	-	1,238	2,113	111,945
Receivables, net	-	-	-	74,337
Due from other governments	-	-	-	4,323,587
Collections	8,316,698	-	-	8,316,698
Capital assets (net)	105,726	-	320,026	19,475,524
Total Assets	$ 8,524,071	$ 1,238	$ 385,499	$ 36,456,114
LIABILITIES				
Accounts payable and accrued liabilities	$ 4,658	$ 5,576	$ 14,055	$ 1,941,363
Deferred revenue	-	-	-	3,997,588
Due within one year:				
Compensated absences	5,607	-	-	5,607
Notes payable	-	3,500	174,944	218,120
Due after one year:				
Compensated absences	-	-	-	-
Notes payable	-	-	-	2,830,424
Total Liabilities	10,265	9,076	188,999	8,993,102
NET ASSETS				
Invested in capital assets	8,422,424	-	145,082	24,813,840
Restricted	38,709	-	-	1,137,426
Unrestricted	52,673	(7,838)	51,418	1,511,746
Total Net Assets	8,513,806	(7,838)	196,500	27,463,012
Total Liabilities and Net Assets	$ 8,524,071	$ 1,238	$ 385,499	$ 36,456,114

See Notes to Financial Statements

CITY OF ANNISTON
STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

		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	$ 23,799,722	$ 1,593,996	$ 16,960,366	$ 496,865	$ (4,748,495)						$ (4,748,495)
Total Anniston City School Board	23,799,722	1,593,996	16,960,366	496,865	(4,748,495)						
Public Library of Anniston/Calhoun County											
Culture and Recreation	1,189,376	37,218	232,512	301,750		$ (617,896)					(617,896)
Total Public Library of Anniston	1,189,376	37,218	232,512	301,750		(617,896)					
Anniston Industrial Development Board											
Community Development	175,786	14,208	85,160	-			$ (76,418)				(76,418)
Total Industrial Development Board	175,786	14,208	85,160	-			(76,418)				
Farley L. Berman Foundation, Inc.											
Culture and recreation	252,771	51,146	24,692	1,870				$ (175,063)			(175,063)
Total Farley L. Berman Foundation	252,771	51,146	24,692	1,870				(175,063)			
Anniston City Schools Foundation											
Educational	125,959	-	45,704	-					$ (80,255)		(80,255)
Total Anniston City Schools Foundation	125,959	-	45,704	-					(80,255)		
Spirit of Anniston											
Community Development	257,695	37,868	7,045	-						$ (212,782)	(212,782)
Total Spirit of Anniston	257,695	37,868	7,045	-						(212,782)	
Total Component Units	$ 25,801,309	$ 1,734,436	$ 17,355,479	$ 800,485	(4,748,495)	(617,896)	(76,418)	(175,063)	(80,255)	(212,782)	(5,910,909)
General Revenues:											
Property taxes for general, debt, capital purposes					3,361,916	-	1,500	-	-	-	3,363,416
Payment from City of Anniston					-	552,767	-	126,000	55,625	190,000	924,392
Payment from Calhoun County					-	127,000	-	25,000	-	-	152,000
Grants, entitlements and contributions not restricted to specific programs					944,490	-	-	-	-	-	944,490
Interest Income					29,706	9,902	17,578	1,935		876	59,997
Miscellaneous					297,698	(7,885)	10,000	7,536	6,925	789	315,063
Total General Revenues					4,633,810	681,784	29,078	160,471	62,550	191,665	5,759,358
Change in net assets					(114,685)	63,888	(47,340)	(14,592)	(17,705)	(21,117)	(151,551)
Net Assets, Beginning					17,721,818	661,780	534,962	8,528,398	9,867	217,617	27,674,442
Prior period adjustment					(59,879)	-	-	-	-	-	(59,879)
Net Assets, Ending					$ 17,547,254	$ 725,668	$ 487,622	$ 8,513,806	$ (7,838)	$ 196,500	$ 27,463,012

See Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The City has adopted GASB Statement No. 34 for the fiscal year ended September 30, 2003 and all future years then ended.

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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – 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 audited 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 audited financial statements are located at Anniston City Hall.
The **Anniston Industrial Development Board** is fiscally dependent upon the City support to carry out its mission.	The members of the board are appointed by City Council.	These unaudited 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 unaudited 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 unaudited financial statements are located at Anniston City Hall.
The **Spirit of Anniston, Inc.** 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 unaudited financial statements are located at Anniston City Hall.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. The City as the *primary government* is shown separately from its legally separate component units. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function; program revenues include (a) charges to customers who purchase, use, or directly benefit from goods, services, or privileges, provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and other items not included in program revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this focus and basis, revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of when the cash is received or expended. Property taxes are recognized as revenues when the enforceable legal claim has occurred; grants and similar items are recognized when all the eligibility requirements of the providers have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. The City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred, consistent with accrual accounting. Debt service expenditures, claims and judgments, as well as expenditures related to compensated absences are recorded only when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The City reports the following major 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.

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:

- 1998 Warrants – This bond was used to refund other warrants.
- 2003 General Obligation Warrants – This bond was used to refinance the 1994 General Obligation Warrants and the 1996 School Warrants.
- 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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. Brownfield Project
2. South Highland Improvements
3. Roberts Drive
4. Great American Station Grant
5. Greenbrier Road Phase II
6. Cane Creek Subdivision
7. Henry Road
8. 2006 Airport Grant
9. 2007 Airport Grant
10. 2008 Airport Grant
11. Traffic Signals
12. 6th and Noble
13. Buckner Improvement

Fiduciary Funds – The 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Investments

Cash consists of demand deposits, and investments consist of government securities and certificates of deposit. Cash balances and the requirements of all funds are considered in determining the amount to be invested. Interest earned on cash and investments is recorded as General Fund revenue and allocated between funds based upon balances. 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.

Interfund Receivables / Payables and Transfers

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds". 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 column.

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. All other items purchased for consumption are recorded as expenditures of the specific fund and are not inventoried.

Capital Assets

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

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 infrastructures are included on the City's financial statements dated September 30, 2008.

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition. Bond discounts, premiums and issuance costs are treated as period costs of the year of issue.

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 current and 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. Vacation is earned based on a scale determined by job status and length of service. Vacation earned must be taken within one work year after it is earned. Sick leave is earned at a rate of one day per month, and leave can be

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences – Continued

accumulated without limitation, except that upon termination whether voluntary or involuntary, sick leave will be paid up to a maximum of 75 days.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Fund balance is classified as reserved or unreserved. Designations of fund balance represent tentative management plans that are subject to change. In the statement of net assets, equity is classified as net assets and displayed in three components:

> Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets net of accumulated depreciation, and is 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 A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Equity – Continued

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.

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

The City's policy is first to apply restricted resources and then unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Governmental Fund Balance Sheet and Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Accounting

The annual budget for the City is adopted on a basis consistent with generally accepted accounting principles. The fiscal year is a twelve-month period beginning October 1.

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

Budgetary Accounting – Continued

The annual budget includes all general revenues and expenditures. The City adopted the annual budget for the year ending September 30, 2008; however, throughout the year, the Council amends the budget as needed. The budgeted amounts in this report are as originally budgeted as of September 30, 2008.

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

- Prior to October 1, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing October 1.
- Public hearings are conducted at City Hall to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through the passage of a resolution.
- The City Manager is authorized to transfer budgeted amounts within departments of any fund; however, any revisions to the total expenditures of any fund or department must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for all governmental funds.
- All unencumbered appropriations lapse automatically at September 30.
- State law prohibits any municipality from making expenditures in excess of budgeted amounts unless the actual revenue is more than the budgeted amounts.
- Budgets for all funds are prepared in accordance with the modified accrual basis for accounting.

The General Fund Schedule of Revenues and Expenditures--Budget to Actual present a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. These funds utilize the same basis of accounting for both budgetary purposes and actual results. At the end of each fiscal year, unexpended and unencumbered appropriations are closed into the fund balance accounts. At the start of the next fiscal year all encumbrances outstanding at year end are reappropriated in the new budget and therefore reestablished. Capital Project Funds are budgeted over the life of the project and adjusted as necessary and are not on an annual basis; therefore, budgetary data for these funds have not been presented in the accompanying combined financial statement.

NOTE D – CASH AND INVESTMENTS

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.

The City's primary government deposits, including certificates of deposit were fully insured or collateralized at September 30, 2008. At year-end, the carrying amount of the City's demand deposit accounts were $10,806,926. 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.

Investments consist of certificates of deposits and U.S. Treasury Notes totaling $10,666,191. All investments are considered current assets; they all mature one year or less.

NOTE E – RECEIVABLES

Accounts Receivable

Accounts receivable consists of amounts due from individuals and outside agencies. The balance at September 30, 2008 was $2,124,644. The allowance for doubtful accounts is $121,130.

Due From Other Governments

Due from other governments at September 30, 2008 was $848,933 and consists of taxes and grants due to the City from other governmental entities.

Outstanding Warrants, Municipal Court

Outstanding warrants recorded in the court clerk's office have not been recorded in the books of the City. The warrants consist of all outstanding payments due the court from individuals. The amount of collectible warrants is undeterminable at this time. Total outstanding warrants at September 30, 2008 were $786,140.

Property Tax

Property taxes are levied as of October 1 of each year on property assessed the preceding October 1. The taxes are due on October 1 and become delinquent on the lien date of January 1. Billings are mailed out on October 1 of each year. Property taxes are received monthly from Calhoun County. Taxes that are not both available and measurable are not accrued. These include property taxes, business licenses and franchise taxes.

NOTE F – CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets for the year ended September 30, 2008:

	Capital Assets, Not Depreciated		Capital Assets, Depreciated			
	Land and Improvements	Collections	Buildings and Improvements	Infrastructure	Machinery and Equipment	TOTAL
Balance, Oct 1, 2007	$ 8,629,043	$ 8,282,367	$ 30,123,831	$ 102,709,531	$ 11,354,700	$ 161,099,472
Additions	46,262	47,430	596,245	86,011	333,620	1,109,568
Deletions	-	-	-	-	(389,355)	(389,355)
Balance, Sep 30, 2008	8,675,305	8,329,797	30,720,076	102,795,542	11,298,965	161,819,685
Accum Depreciation						
Balance, Oct 1, 2007	-	-	13,932,067	52,523,022	7,219,913	73,675,002
Additions	-	-	876,088	2,664,886	737,202	4,278,176
Deletions	-	-	-	-	(389,355)	(389,355)
Balance, Sep 30, 2008	-	-	14,808,155	55,187,908	7,567,760	77,563,823
Capital Assets, Net	$ 8,675,305	$ 8,329,797	$ 15,911,921	$ 47,607,634	$ 3,731,205	$ 84,255,862

Depreciation expense was charged to governmental functions as follows:

General government	$ 3,556,386
Public protection:	
Police	184,355
Fire	293,540
Public works	165,719
Recreational	78,176
Total Depreciation Governmental Activities	$ 4,278,176

NOTE G – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables at September 30, 2008 consist of the following:

	2008
Accrued salaries and benefits	$ 141,687
Payroll liabilities	150,748
Vendors	1,568,984
Other	97,180
	$ 1,958,599

NOTE H – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City uses interfund receivables / payables to record interfund reimbursements that arise when one fund reimburses another fund for costs incurred on its behalf. The composition of interfund balances at September 30, 2008 is as follows:

	Interfund Payables	Interfund Receivables
General Fund	$ 3,987,091	$ 4,609,364
Capital Projects Funds	182,018	1,398,876
Other Governmental Funds	2,037,370	198,239
Total Interfund Payables / Receivables	$ 6,206,479	$ 6,206,479

NOTE H – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – Continued

The City uses interfund transfers to record the resources one fund provides another fund with no expectation of repayment, such as occurs with companion funds. The composition of interfund transfer balances at September 30, 2008 is as follows:

	Transfers – In	Transfers – Out
General Fund Transfers –		
Out – Anniston Museum	$ -	$ 535,000
Out – Debt service	-	1,354,583
In / Out – Public safety	798,390	109,029
In / Out – Public works	66,688	703,186
Total General Fund	865,078	2,701,798
Capital Projects Funds Transfers –		
In – Roberts Drive	1,467	-
In – Great American Station Grant	11,068	-
In – Henry Road	5,233	-
In – 2007 Airport Grant	23,056	-
In – 2008 Airport Grant	2,439	-
In – Traffic Signals	9,923	-
In – 6th and Noble	650,000	-
In – Buckner Improvement	42,315	-
Total Capital Projects Funds	745,501	-
Other Governmental Funds Transfers –		
In – Drug task force fund		
In / Out – Gasoline Tax Fund	456,147	42,315
In – 7 Cent Gas Tax Fund	-	456,147
Out – Federal Seized Assets Fund	-	13,500
In – Drug Task Force Fund	65,129	-
Out – Drug Task Force Office Fund	-	42,821
In – Bulletproof Vest Fund	12,943	-
Out – Byrne Justice Grant	-	30,956
In – 2007 Justice Grant	35,059	-
In – Anniston Museum	535,000	-
In – Debt Service	1,354,583	-
Out – Anniston Revolving Loan Fund	-	66,688
Out – Ambulance Service Fund	-	312
Out – Municipal court revenues	-	714,903
Total Other Governmental Funds	2,458,861	1.367,642
Total Interfund Transfers	$ 4,069,440	$ 4,069,440

NOTE I – LONG-TERM DEBT

Bonds and Warrants

The City issued general obligation bonds for refunding of the 1994, 1994A, and the 1996 bond issues. The bonds are direct obligations of the City, and full faith and credit of the City is pledged against the bonds. The bonds outstanding at September 30, 2008 are 1998 Series General Obligation Warrants, due semi-annually at rates ranging from 3.6% - 4.75% per annum, maturing November 15, 2013; and 2003 Series General Obligation Warrants due annually at rates ranging from 1.5% - 2.15% per annum, maturing March 1, 2011. The balances at September 30, 2008 were $830,000 and $1,695,000 respectively.

On July 1, 2000, the City Council approved participation with the East Central Alabama Industrial Development Authority along with nine other cities and four counties. The Authority issued $15,475,000 of Special Obligation Bonds to provide infrastructure for the Honda plant located at Lincoln, Alabama. First Commercial Bank administers the bond agreement (Honda Funding Agreement). The City agreed to make annual payments of principal and interest on February 1 of each year beginning 2001 and ending 2015 of $2,189,759 with each payment approximating $145,984. The balance at September 30, 2008 was $836,990.

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2009	$ 1,242,746	$ 119,949	$ 1,362,695
2010	582,592	84,611	667,203
2011	607,923	62,151	670,074
2012	268,739	44,026	312,765
2013	260,040	31,015	291,055
2014-2015	399,950	25,204	425,154
Total	$ 3,361,990	$ 366,956	$ 3,728,946

NOTE I – LONG-TERM DEBT – Continued

Capital Leases

The City entered into various lease agreements as lessee for financing the purchase of vehicles and equipment. The agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The capital leases are secured by the vehicles and equipment. The capital leases have maturity dates ranging from August 2009 to February 2010 with interest rates ranging from 4.10% to 5.59%. The original costs of the vehicles and equipment financed under capital lease arrangements total $227,418.

The principal maturities and related interest requirements for capital leases for the next five years are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2009	$ 57,528	$ 1,821	$ 59,349
2010	18,780	201	18,981
Total	$ 76,308	$ 2022	$ 78,330

NOTE I – LONG-TERM DEBT – Continued

The debt activity for the governmental activities of the City for the year ended September 30, 2008 is as follows:

	Beginning Balance 10/1/2007	Loan Proceeds	Principal Paid	Ending Balance 9/30/2008	Interest Paid
BONDS AND WARRANTS					
2003 General Obligation	$2,680,000	$ -	$ 985,000	$ 1,695,000	$ 62,528
1998 General Obligation	950,000	-	120,000	830,000	40,890
Honda Funding Pledge	934,892	-	97,902	836,990	48,414
	4,564,892	-	1,202,902	3,361,990	151,832
CAPITAL LEASES					
New Holland Tractor	825	-	825	-	4
New Holland Tractor	630	-	630	-	3
Textron Financial Company, Cushman	11,532	-	11,532	-	95
National City Golf Finance	28,842	-	15,048	13,794	-
Caterpillar Financial Services Corp	104,421	-	41,907	62,514	3,647
	146,250	-	69,942	76,308	3,749
Total Bonds and Warrants & Capital Leases	$ 4,711,142	$ -	$ 1,272,844	$ 3,438,298	$ 155,581

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.

Retirement Systems of Alabama

City employees, who elect to be included, are covered by the Retirement Systems of Alabama. This plan is funded by contributions from employees and the City. Benefits vest after ten years of creditable service. Retirement benefits are calculated by two methods with the retiree receiving payment under that method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed and (2) Formula, of which

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Retirement Systems of Alabama – Continued

the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to members of the plan.

The Employees' Retirement Systems was established as of October 1, 1945 under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement Systems is vested in the City of Anniston, Alabama. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 3627B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Employees' Retirement System Board authority to accept or reject various Cost-Of-Living Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement Systems of Alabama.

Below is a chart summarizing the payroll, employer's contributions and employees' contributions for the year ended September 30, 2008. All contributions have been made.

		9/30/08
Total payroll contributions	$	908,455
Employer's contribution	$	527,603
Employee's contribution	$	380,852

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Retirement Systems of Alabama – Continued

The following schedule is based on the actuarial valuation as of September 30, 2007 (most recent information available) as provided by the Employees' Retirement System of Alabama:

Summary of Employee Census Data
Effective For Period Beginning October 1, 2009

Number of active members:	227
Annual compensation:	$ 6,870,025
Number of retired members and beneficiaries:	91
Annual retirement allowances*:	$ 1,185,390

Required Employer Contribution Rates
Effective For Period Beginning October 1, 2008

Normal cost	3.64%
Accrued liability	2.60%
Pre-retirement death benefit	0.15%
Administrative expense	0.18%
Total	6.57%
5% Employer contribution factor (6.57%/5%)	1.314
6% Employer contribution factor (6.57%/6%)	1.095

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2005	$ 412,620	100.0%	$0
9/30/2006	$ 447,970	100.0%	$0
9/30/2007	$ 449,105	100.0%	$0

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Retirement Systems of Alabama – Continued

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 Percentage of Covered Payroll ((b-a) / c)
9/30/2002[2]	$ 16,683,307	$ 17,319,318	$ 636,011	96.3%	$6,588,264	9.7%
9/30/2003[3]	16,961,666	18,435,404	1,473,738	92.0%	6,822,762	21.6%
9/30/2004[4]	17,447,094	18,952,761	1,505,667	92.1%	7,096,260	21.2%
9/30/2005	18,240,270	19,908,877	1,668,607	91.6%	6,863,095	24.3%
9/30/2006[5]	19,027,654	20,685,845	1,658,191	92.0%	6,952,331	23.9%
9/30/2007	$ 19,804,701	$21,957,493	$2,152,792	90.2%	$6,870,025	31.3%

1. Reflects liability for cost of living benefits increase granted on or after October 1, 1978.
2. Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.
3. Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.
4. Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.
5. Reflects changes in actuarial assumptions.

The valuation was prepared using the entry age normal actuarial cost method. An interest rate and projected salary increases of 4.61-7.75% were used for all purposes, together with other actuarial assumptions based on the experience of the system. Since the previous valuation, there have been no amendments to the system affecting the valuation.

Actuarial gains and losses are reflected in the unfunded actuarial accrued liability, which is being amortized over a twenty-year period. The retirement plan is included in the financial report of the Retirement Systems of Alabama. Copies of this report may be obtained from the Retirement Systems of Alabama.

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

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Retirement Systems of Alabama – Continued

An Annual Report may be obtained form the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, AL 36130-2150.

Police and Firemen's Pension Fund

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:

The most recent actuarial valuation was performed as of October 1, 2007, and contains the following information:

Police and Firemen's Pension Fund

Development of the Fund through October 1, 2007
Notes on Police and Fireman's Pension Fund

• Valuation Date	10/01/2007
• Actuarial cost method	Entry age
• Amortization method	Level percent closed
• Asset valuation method	Market value
• Actuarial assumptions	
Investment Rate of Return*	8%
Projected salary increases*	5.5% per year
*Includes inflation at 3%	

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Police and Firemen's Pension Fund – Continued

Below is a chart summarizing the payroll, employer's contributions and employees' contributions for the year ended September 30, 2008. All contributions have been made.

		9/30/08
Employer contributions	$	677,503
Employee contributions	$	677,503
Public Utility Tax contributions	$	421,945
Net contribution income	$	1,776,951

The following schedule is based on the actuarial valuation as of October 1, 2007 (most recent information available):

Summary of Employee Census Data

Number of active members:	168
Annual compensation:	$ 6,665,540
Number of retired members and beneficiaries:	157
Benefit Payments:	$ 3,082,269

Required Employer Contribution Rates

Normal cost	12.5%
Accrued liability	15.0%
Total	27.5%

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Other Postemployment Benefits and Liabilities

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 Percentage of Covered Payroll ((b-a) / c)
10/01/2001	$ 23,846,591	$ 38,531,561	$ 14,684,970	61.9%	$5,647,923	260.0%
10/01/2003	25,704,942	39,873,805	14,168,863	64.5%	5,565,899	254.6%
10/01/2005	24,632,743	42,810,623	18,177,880	57.5%	6,249,403	290.9%
10/01/2007	$ 27,089,478	$ 49,792,153	$22,702,675	54.4%	$6,665,540	340.6%

Description

Effective October 1, 2007, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of $1,128,600 in total liabilities resulting from the adoption.

The City, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all former employees who have 25 years of continuous service, regardless of age, or who have 10 years of continuous service and are age 60. Such benefits are available to spouses or dependents of retiree until the spouse and / or other dependent attains medicare eligibility

Funding Policy

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

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Other Postemployment Benefits and Liabilities - Continued

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	$ 1,128,600
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	1,128,600
Contributions made	-
Increase in net OPEB obligation	1,128,600
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	$ 1,128,600

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation – End of Year
9/30/08	$1,128,600	-0-	$1,128,600

Because 2008 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 has been implemented prospectively; therefore, the above illustration does not reflect similar information respective of the two preceding years.

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Other Postemployment Benefits and Liabilities - Continued

Funding Status and Funding Progress

As of October 1, 2007, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled $12,216,540, resulting in an unfunded actuarial accrued liability (UAAL) of $12,216,540. The covered payroll (annual payroll of active employees covered by the Plan) equaled $13,342,472, and the ratio of the UAAL to the covered payroll equaled 91.56%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the City maintains no Plan assets, information relative to Plan asset required disclosures is not applicable. Additionally, because 2008 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the RSI does not reflect similar information respective of the two preceding years.

NOTE J – RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS – Continued

Other Postemployment Benefits and Liabilities - Continued

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the City and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated October 1, 2007, the projected unit credit cost actuarial method was used. Because the City funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) legally held exclusively for paying the post-retirement medical benefits.

NOTE K – RISK MANAGEMENT

The City of Anniston is exposed to various risks of loss related to torts, theft, errors and omissions, job-related illnesses and injuries, and natural disasters. Risk management is the process of managing the City's activities to minimize the adverse effects of certain types of losses and to obtain finances to provide for or restore the economic damages of those losses. The City maintains insurance coverage with the Alabama Municipal Insurance Corporation. The City believes the coverage is adequate to preclude any significant risk exposure. The City is self-insured for employee's medical coverage for claims up to an expected level. A specific stop loss agreement is in effect with an outside insurance company. This will cover claims exceeding $125,000 per eligible employee per year with an outside company. As of September 30, 2008, 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.

NOTE L – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various litigations of which legal counsel and City management are of the opinion that none will have a material adverse effect on the financial statements of the City. These actions include both asserted and unasserted claims. The City's legal counsel has advised that damages on any asserted claims, should an unfavorable judgment be reached, will be within the limits of the City's insurance coverage and therefore should not impact upon municipal assets. The City's maximum liability is estimated to be the $5,000 insurance deductible for claims. No accrual has been included in these financial statements for this matter.

NOTE M – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was recorded in the general fund for an expense paid in the fiscal year ended September 30, 2007 that was deferred revenues in the amount of $25,412. A prior period adjustment in the amount of $20,937 was made to accumulated depreciation. The net effect on fund balances was to increase fund balance by $25,412. The net effect on net assets was to increase net assets by $46,349.

NOTE N – SUBSUQUENT EVENTS

On June 11, 2009 Calhoun County, Alabama offered in general the roads at the former military installation Fort McClellan, part of which lies in the corporate limits of Anniston, Alabama to the City. The Council by resolution accepted the roads offered on June 23, 2009. The acceptance of these roads, which vary in condition, added an estimated 39.1 miles in road infrastructure to the City's assets.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANNISTON
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008

REVENUES	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Taxes:				
Sales and use	$ 17,965,000	$ 17,965,000	$ 17,811,747	$ (153,253)
General property taxes	4,497,500	4,497,500	4,620,167	122,667
Beverage taxes	145,000	145,000	149,999	4,999
Anniston Housing Authority	18,000	18,000	15,493	(2,507)
Water utility fees	410,000	410,000	411,772	1,772
Cigarette and tobacco	350,000	350,000	312,670	(37,330)
Gasoline	385,000	385,000	401,315	16,315
Bingo	75,000	75,000	73,008	(1,992)
Lodging	145,000	145,000	91,563	(53,437)
Rental	225,000	225,000	251,271	26,271
Total Taxes	24,215,500	24,215,500	24,139,005	(76,495)
Licenses and Permits:				
Business licenses	2,795,000	2,795,000	2,925,266	130,266
Other licenses and penalties	905,691	905,691	899,871	(5,820)
Total Licenses and Permits	3,700,691	3,700,691	3,825,137	124,446
State Shared Revenues:				
ABC Board	-	-	6,345	6,345
Financial institution tax	125,000	125,000	-	(125,000)
Shares tax	114,350	114,350	114,372	22
Motor vehicles	92,000	92,000	91,446	(554)
Total State Shared Revenues	331,350	331,350	212,163	(119,187)
Charges for Services:				
Garbage fees	698,000	698,000	698,978	978
Airport revenues	80,000	80,000	176,443	96,443
Rental income	2,500	2,500	6,500	4,000
Recreation department fees	1,091,364	1,091,364	1,128,039	36,675
Public works receipts	57,905	57,905	143,260	85,355
Public safety receipts	238,000	238,000	255,970	17,970
Total Charges for Services	2,167,769	2,167,769	2,409,190	241,421
Recovery of Assets:				
Sales of equipment	40,000	40,000	38,669	(1,331)
Sale of land	125,000	125,000	-	(125,000)
Insurance claims/refunds	500	500	75	(425)
Total Recovery of Assets	165,500	165,500	38,744	(126,756)

CITY OF ANNISTON
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous Revenue	5,500	5,500	5,806	306
Interest Income	650,000	650,000	491,610	(158,390)
Total Revenues	$ 31,236,310	$ 31,236,310	$ 31,121,655	$ (114,655)
EXPENDITURES				
General Government:				
Finance division	$ 798,709	$ 798,709	$ 772,551	$ 26,158
General division	199,026	199,026	191,853	7,173
City Council	171,513	171,513	166,310	5,203
Building maintenance	588,825	588,825	608,559	(19,734)
Total General Government	1,758,073	1,758,073	1,739,273	18,800
Public Safety:				
Police	5,611,119	5,600,119	5,643,092	(42,973)
Municipal Court	231,201	231,201	223,033	8,168
Detention facilities	528,896	539,896	517,694	22,202
Fire	3,949,922	3,949,922	3,890,159	59,763
Total Public Safety	10,321,138	10,321,138	10,273,978	47,160
Public Works:				
General	192,613	192,613	100,706	91,907
Cemetery	131,743	131,743	144,728	(12,985)
Electrical	634,352	634,352	632,720	1,632
Engineering	227,329	227,329	212,602	14,727
Garage	176,098	176,098	195,764	(19,666)
Environmental services	1,212,831	1,212,831	1,085,527	127,304
Street Department	2,860,033	2,860,033	2,918,349	(58,316)
Airport	75,500	75,500	32,945	42,555
Planning	343,648	343,648	283,718	59,930
Total Public Works	5,854,147	5,854,147	5,607,059	247,088
Recreational:				
Administration	1,134,405	1,134,405	1,088,622	45,783
Parks, facilities, and utilities	2,445,558	2,445,558	2,397,124	48,434
PARD programs	371,036	371,036	348,137	22,899
Park maintenance	1,450	1,450	14,378	(12,928)
Total Recreational	3,952,449	3,952,449	3,848,261	104,188

CITY OF ANNISTON
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Non-Departmental:				
Professional services	50,000	50,000	98,130	(48,130)
Utilities	41,000	41,000	53,806	(12,806)
Projects	1,085,000	1,085,000	577,282	507,718
Workman's compensation insurance	340,000	340,000	385,685	(45,685)
Employer funded health care	2,155,000	2,155,000	2,630,897	(475,897)
Other insurances	495,000	495,000	486,389	8,611
Miscellaneous	710,664	710,664	698,930	11,734
Total Non-Departmental	4,876,664	4,876,664	4,931,119	(54,455)
Capital Outlay	642,000	642,000	750,931	(108,931)
Other Board and Agencies				
Agency for Substance Abuse	1,500	1,500	1,500	-
Alabama Coop Extension	2,000	2,000	2,000	-
Anniston Calhoun County Library	550,000	550,000	550,000	-
Anniston City Board of Education	744,000	985,595	980,711	4,884
Anniston City Schools Foundation	60,000	60,000	60,000	-
Be Latino	5,000	5,000	5,000	-
Berman Museum	125,000	125,000	125,000	-
Boys & Girls Clubs	6,000	6,000	6,000	-
Calhoun County Health Dept	20,000	20,000	20,000	-
Calhoun County Humane Society	36,000	36,000	36,000	-
Calhoun/Cleburne Mental Health	50,000	50,000	50,000	-
Children's Services	5,000	5,000	5,000	-
Civil Service Board	55,880	61,450	59,424	2,026
Community Actors Studio	7,500	7,500	7,500	-
Community Against Pollution	7,500	7,500	7,500	-
Community Enabler Developer	25,000	25,000	25,000	-
Coosa Valley Juvenile Center	198,100	198,100	198,100	-
East Alabama Regional Planning	24,190	24,190	21,599	2,591
Human Resources Department	1,500	1,500	1,500	-
Independent Reading & Counsel	2,000	2,000	2,000	-
Interfaith Ministries	20,000	20,000	20,000	-
Leaders Child Development	10,000	10,000	10,000	-
Museum of Natural History	525,000	525,000	535,000	(10,000)
N E Alabama Bicycle Club	15,000	15,000	15,000	-
Red Cross	10,000	10,000	10,000	-
Retired Senior Volunteer Program	3,500	3,500	3,500	-
Salvation Army	5,000	5,000	5,000	-
School Reading Initiative	2,500	2,500	3,000	(500)
Second Chance	10,000	10,000	10,000	-
Spirit of Anniston/Mainstreet USA	200,000	200,000	193,702	6,298
Total Board and Agencies	2,727,170	2,974,335	2,969,036	5,299
				-
Total Expenditures	$ 30,131,641	$ 30,378,806	$ 30,119,657	$ 259,149

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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*

June 30, 2009

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, 2008, which collectively comprise the City of Anniston, Alabama's basic financial statements and have issued our report thereon dated June 30, 2009. 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 City of Anniston, Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Anniston, Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Anniston, Alabama's internal control over financial reporting.

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* – Continued

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Anniston, Alabama's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Anniston, Alabama's financial statements that is more than inconsequential will not be prevented or detected by the City of Anniston, Alabama's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Anniston, Alabama's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.*

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* – Continued

We noted certain matters that we reported to management of the City of Anniston, Alabama in a separate letter dated June 30, 2009.

City of Anniston, Alabama's response to the findings identified in our audit is described in the accompanying summary schedule of prior audit findings. We did not audit City of Anniston, Alabama's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Edgar and associates, LLC

Anniston, Alabama

Edgar and Associates, LLC
Certified Public Accountants
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 30, 2009

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

Compliance

We have audited the compliance of City of Anniston, Alabama 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, 2008. City of Anniston, Alabama's major federal programs are identified in the summary of auditor's 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, Alabama's management. Our responsibility is to express an opinion on City of Anniston, Alabama'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 City of Anniston, Alabama'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 on City of Anniston, Alabama's compliance with those requirements.

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

In our opinion, City of Anniston, Alabama 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, 2008.

Internal Control Over Compliance

The management of City of Anniston, Alabama 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, Alabama'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Anniston's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Council, others within the entity, and 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.

Edgar and Associates, LLC

Anniston, Alabama

CITY OF ANNISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2008

SUMMARY OF AUDITORS' RESULTS

Financial Statements

- The auditors' report expresses a qualified opinion on the financial statements of the City of Anniston.
- There were no significant deficiencies that were material weakness reported in the 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*.

Federal Awards

- The auditors' report on compliance for the major federal award programs for City of Anniston expresses an unqualified opinion on the major programs listed below.
- The threshold used for distinguishing between Type A and B programs was $300,000.
- City of Anniston did not qualify as a low-risk auditee.

Identification of major programs:

CFDA Number	Name of Federal Program
20.106	Airport Improvement Grant
14.218	Community Development Block Grant

Financial Statement Findings

There are no current year findings.

Federal Awards Findings

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

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2008

FINANCIAL STATEMENT FINDINGS (Prior)

2007-01 – Capital Asset Records

Condition: Capital assets records are generated and maintained by the City to provide useful information for management.

Findings: The audit of the capital asset additions for the year ended September 30, 2007 revealed several capital assets had not been included in the City's capital asset additions. We also noted the capital asset listing is being updated once a year, over six months after the end of the City's fiscal year end. The amounts of the assets not recorded on the City's capital asset listing were material to the City's financial statements. The City has provided for the recording of the City's infrastructure as required by GASB 34. The listing for streets is included as one asset instead of identifying the streets and roads individually.

Effect: The system for recording additions and deletions to the City's capital asset listing did not identify the misstatement of the City's capital asset listing. The effect was a misstatement of the capital assets that was not identified and corrected by the current internal control systems of the City.

Recommendations: We recommend the City replace or modify the current control system related to the recording and maintaining of the City's capital assets. We also recommend that the system of updating the City's capital asset listing be done on a minimum of a quarterly basis with a deadline set for the update to be accomplished. Our recommendation concerning the recording of the streets and roads as one asset is for the City to identify all of the streets and roads and assign a value to each individually.

Response: The finance department agrees a deliberate process should be undertaken in subsequent fiscal periods to:

1. Ensure all assets qualifying for capitalization (including infrastructure) in excess of $5,000 are timely recorded and depreciated, if applicable, and,
2. Ensure the engineering department complies with financial requirements to detail and value infrastructure street by street. At valuation, there existed no detail of streets by type and location. The streets of the City of Anniston were reasonably valued and placed on the books to comply with Governmental Accounting Standard 34 based upon street mileage provided to the valuation analyst, without regard to the complexity of the road. So as not to impede operations, it is anticipated the considerable work to build individual records ensuring accuracy and completeness will be a deliberate process encompassing multiple fiscal periods.

Contractual expertise will be procured to assist with this recording and valuation going forward. It is anticipated these services will result in budget neutrality or perhaps savings due to the fact the fixed asset module of MUNIS software will be unnecessary and independent auditors going forward should be able to rely upon third party technical assistance to limit audit procedures related to fixed assets. **PARTIALLY IMPLEMENTED**

FEDERAL AWARDS FINDINGS (Prior)

None

SUPPLEMENTARY INFORMATION

CITY OF ANNISTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2008

	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Indirect program passed through East Alabama Regional Planning and Dev. Comm.		
Grants for Supportive Services and Senior Citizens	93.044	$ 19,641
Total Department of Health and Human Services		19,641
U.S. Department of Housing and Urban Development		
Direct program		
Community Development Block Grants	14.218	1,557,938
Total Department of Housing and Urban Development		1,557,938
Institute of Museum and Library Services		
Direct program		
General Operating Support	45.301	6,705
Total Institute of Museum and Library Services		6,705
U.S. Department of Justice		
Direct program		
Edward Byrne Justice Assistance Grant	16.738	90,125
Bullet Proof Vest Partnership Program	16.607	4,400
Indirect program passed through Alabama Dept of Economic and Community Affairs		
Drug Control and System Improvement Formula Grant	16.579	175,000
Total U. S. Department of Justice		269,525
U.S. Department of Transportation		
Indirect program passed through Alabama Department of Transportation		
Buckner Improvement	20.205	170,000
2006 Airport Grant	20.106	109,057
2007 Airport Grant	20.106	227,738
2008 Airport Grant	20.106	92,021
Multi-Modal Facility	20.205	213,262
Total U.S. Department of Transportation		812,078
Total Federal Financial Assistance		$ 2,665,887

See Notes to Schedule of Expenditures of Federal Awards

CITY OF ANNISTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2008

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts may differ from amounts presented in or used in the preparation of the financial statements.

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

CITY OF ANNISTON
COMBINING BALANCE SHEETS - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2008

	Brownfield Project	South Highland Improvements	Roberts Drive	Great American Station Grant	Greenbrier Road Phase II
ASSETS					
Cash	$ -	$ -	$ -	$ -	$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Due from other funds	-	203,200	-	100	6,490
Due from other governments	-	-	-	-	-
Total Assets	$ -	$ 203,200	$ -	$ 100	$ 6,490
LIABILITIES					
Accounts payable and accrued liabilities	$ 6,320	$ -	$ -	$ 100	$ -
Due to other funds	30,218	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	36,538	-	-	100	-
FUND BALANCES					
Reserved for future projects	(36,538)	203,200	-	-	6,490
Total Liabilities and Fund Balances	$ -	$ 203,200	$ -	$ 100	$ 6,490

CITY OF ANNISTON
COMBINING BALANCE SHEETS - CAPITAL PROJECTS FUNDS - Continued
SEPTEMBER 30, 2008

	Cane Creek Subdivision	Henry Road	2006 Airport Grant	2007 Airport Grant	2008 Airport Grant
ASSETS					
Cash	$ -	$ -	$ -	$ -	$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Due from other funds	335,861	-	-	-	-
Due from other governments	-	-	50,347	129,756	64,134
Total Assets	$ 335,861	$ -	$ 50,347	$ 129,756	$ 64,134
LIABILITIES					
Accounts payable and accrued liabilities	$ 222,800	$ -	$ -	$ -	$ 62,219
Due to other funds	-	-	50,347	129,756	1,915
Deferred revenue	-	-	-	-	-
Total Liabilities	222,800	-	50,347	129,756	64,134
FUND BALANCES					
Reserved for future projects	113,061	-	-	-	-
Total Liabilities and Fund Balances	$ 335,861	$ -	$ 50,347	$ 129,756	$ 64,134

CITY OF ANNISTON
COMBINING BALANCE SHEETS - CAPITAL PROJECTS FUNDS - Continued
SEPTEMBER 30, 2008

	Traffic Signals	6th and Noble	Buckner Improvement	Total Capital Projects
ASSETS				
Cash	$ -	$ -	$ -	$ -
Investments	-	-	-	-
Receivables	-	-	-	-
Due from other funds	1,254	639,655	212,315	1,398,875
Due from other governments	-	-	-	244,237
Total Assets	$ 1,254	$ 639,655	$ 212,315	$ 1,643,112
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,254	$ -	$ 212,315	$ 505,008
Due to other funds	-	-	-	212,236
Deferred revenue	-	-	-	-
Total Liabilities	1,254	-	212,315	717,244
FUND BALANCES				
Reserved for future projects	-	639,655	-	925,868
Total Liabilities and Fund Balances	$ 1,254	$ 639,655	$ 212,315	$ 1,643,112

CITY OF ANNISTON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2008

	Brownfield Project	South Highland Improvements	Roberts Drive	Great American Station Grant	Greenbrier Road Phase II
REVENUES					
Intergovernmental Revenues:					
Federal and state grants	$ -	$ -	$ -	$ 213,262	$ -
State taxes	-	-	-	-	-
Other Operating Revenues:					
Fees, fines, and charges for services	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	-	-	-	213,262	-
EXPENDITURES					
General	29,799	-	1,467	7,874	49,502
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Projects	-	-	-	463,910	169,008
Total Expenditures	29,799	-	1,467	471,784	218,510
Excess (Deficiency) of Revenues over Expenditures	(29,799)	-	(1,467)	(258,522)	(218,510)
Other Financing Sources (Uses)					
Transfers in (out)	-	-	1,467	11,068	-
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	(29,799)	-	-	(247,454)	(218,510)
Fund Balance, Beginning	(6,739)	203,200	-	247,454	225,000
Fund Balance, Ending	$ (36,538)	$ 203,200	$ -	$ -	$ 6,490

CITY OF ANNISTON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS - Continued
SEPTEMBER 30, 2008

	Cane Creek Subdivision	Henry Road	2006 Airport Grant	2007 Airport Grant	2008 Airport Grant
REVENUES					
Intergovernmental Revenues:					
Federal and state grants	$ -	$ -	$ 109,057	$ 204,680	$ 89,582
State taxes	-	-	-	-	-
Other Operating Revenues:					
Fees, fines, and charges for services	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	-	-	109,057	204,680	89,582
EXPENDITURES					
General	-	1,663	6,779	49,484	35,451
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Projects	222,800	3,570	102,278	178,252	56,570
Total Expenditures	222,800	5,233	109,057	227,736	92,021
Excess (Deficiency) of Revenues over Expenditures	(222,800)	(5,233)	-	(23,056)	(2,439)
Other Financing Sources (Uses)					
Transfers in (out)	-	5,233	-	23,056	2,439
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	(222,800)	-	-	-	-
Fund Balance, Beginning	335,861	-	-	-	-
Fund Balance, Ending	$ 113,061	$ -	$ -	$ -	$ -

CITY OF ANNISTON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS - Continued
SEPTEMBER 30, 2008

	Traffic Signals	6th and Noble	Buckner Improvement	Total Capital Projects
REVENUES				
Intergovernmental Revenues:				
Federal and state grants	$ -	$ -	$ 170,000	$ 786,581
State taxes	-	-	-	-
Other Operating Revenues:				-
Fees, fines, and charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total Revenues	-	-	170,000	786,581
EXPENDITURES				
General	9,923	10,345	-	202,287
Public safety	-	-	-	-
Public works	-	-	-	-
Projects	-	-	212,315	1,408,703
Total Expenditures	9,923	10,345	212,315	1,610,990
Excess (Deficiency) of Revenues over Expenditures	(9,923)	(10,345)	(42,315)	(824,409)
Other Financing Sources (Uses)				
Transfers in (out)	9,923	650,000	42,315	745,501
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	-	639,655	-	(78,908)
Fund Balance, Beginning	-	-	-	1,004,776
Fund Balance, Ending	$ -	$ 639,655	$ -	$ 925,868

CITY OF ANNISTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS - by fund types
SEPTEMBER 30, 2008

	Special Revenue Funds	Debt Service Fund	Community Development Fund	Other Nonmajor Funds	Total Other Governmental Funds
ASSETS					
Cash	$ 4,428,001	$ -	$ 2,261	$ 2,085,453	$ 6,515,715
Investments	2,010,000	-	-	1,208,191	3,218,191
Receivables, net	-	-	165,431	69,721	235,152
Due from other governments	54,509	-	452,477	-	506,986
Due from other funds	239	-	-	198,000	198,239
Other assets	-	-	-	14,727	14,727
Total Assets	$ 6,492,749	$ -	$ 620,169	$ 3,576,092	$ 10,689,010
LIABILITIES					
Accounts payable and accrued liabilities	$ 450,010	$ -	$ 19,032	$ 46,530	$ 515,572
Due to other funds	1,530,721	-	371,548	104,883	2,007,152
Deferred revenue	200,125	-	165,431	-	365,556
Accrued compensated absences	-	-	-	87,531	87,531
Total Liabilities	2,180,856	-	556,011	238,944	2,975,811
FUND BALANCES					
Reserved for:					
Special revenue funds	4,311,893	-	-	-	4,311,893
Future projects	-	-	64,158	2,973,666	3,037,824
Debt service funds	-	-	-	-	-
Anniston Museum fund	-	-	-	84,434	84,434
Unreserved, reported in:					
Anniston Museum fund	-	-	-	381,760	381,760
Other nonmajor funds	-	-	-	(102,712)	(102,712)
Total Fund Balances	4,311,893	-	64,158	3,337,148	7,713,199
Total Liabilities and Fund Balances	$ 6,492,749	$ -	$ 620,169	$ 3,576,092	$ 10,689,010

CITY OF ANNISTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - by fund types
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds	Debt Service Fund	Community Development Fund	Other Nonmajor Funds	Total Other Governmental Funds
Revenues					
Federal and state grants	$ 306,855	$ -	$ 1,581,679	$ 6,705	$ 1,895,239
State taxes	1,337,084	-	-	25,000	1,362,084
Fees, fines, and charges for services	187,861	-	-	1,334,767	1,522,628
Interest	191,656	-	1,682	124,540	317,878
Other revenues	272,172	-	-	433,484	705,656
	2,295,628	-	1,583,361	1,924,496	5,803,485
Expenditures					
General government	214,970	-	207,384	1,455,173	1,877,527
Public safety	1,087,269	-	-	520,055	1,607,324
Public works	-	-	732,070	-	732,070
Other	916,174	-	618,484	3,971	1,538,629
Debt service	-	1,354,620	-	-	1,354,620
	2,218,413	1,354,620	1,557,938	1,979,199	7,110,170
Excess (Deficiency) of Revenues over Expenditures	77,215	(1,354,620)	25,423	(54,703)	(1,306,685)
Other Financing Sources					
Transfers in (out)	(16,461)	1,354,583	-	(246,903)	1,091,219
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	60,754	(37)	25,423	(301,606)	(215,466)
Fund Balance, Beginning	4,251,139	37	38,735	3,638,754	7,928,665
Fund Balance, Ending	$ 4,311,893	$ -	$ 64,158	$ 3,337,148	$ 7,713,199

CITY OF ANNISTON
COMBINING BALANCE SHEETS - SPECIAL REVENUES FUNDS
SEPTEMBER 30, 2008

	Gasoline Tax Fund	7 Cent Gas Tax	Fire District Tax Fund	Alabama Trust Fund	Federal Seized Assets Fund
ASSETS					
Cash	$ 540,136	$ 105,272	$ 2,682,985	$ 538,368	$ 123,850
Investments	-	-	2,000,000	-	-
Due from other funds	-	-	-	-	-
Due from other governments	11,847	14,433	-	-	-
Total Assets	$ 551,983	$ 119,705	$ 4,682,985	$ 538,368	$ 123,850
LIABILITIES					
Accounts payable and accrued liabilities	$ 336,292	$ -	$ 32,544	$ 30,735	$ -
Due to other funds	509,242	-	667,848	2,850	-
Deferred revenue	-	-	-	-	-
Total Liabilities	845,534	-	700,392	33,585	-
FUND BALANCES					
Reserved for future projects	(293,551)	119,705	3,982,593	504,783	123,850
Total Liabilities and Fund Balances	$ 551,983	$ 119,705	$ 4,682,985	$ 538,368	$ 123,850

CITY OF ANNISTON
COMBINING BALANCE SHEETS - SPECIAL REVENUES FUNDS - Continued
SEPTEMBER 30, 2008

	Drug Task Force Fund	Drug Task Force Office Fund	Bulletproof Vest Fund	Bryne Justice Grant	State Condemned Funds
ASSETS					
Cash	$ -	$ 408,086	$ -	$ -	$ 29,304
Investments	-	10,000	-	-	-
Due from other funds	-	-	-	239	-
Due from other governments	20,411	-	7,818	-	-
Total Assets	$ 20,411	$ 418,086	$ 7,818	$ 239	$ 29,304
LIABILITIES					
Accounts payable and accrued liabilities	$ 50,439	$ -	$ -	$ -	$ -
Due to other funds	-	318,931	7,818	-	21,966
Deferred revenue	-	200,125	-	-	-
Total Liabilities	50,439	519,056	7,818	-	21,966
FUND BALANCES					
Reserved for future projects	(30,028)	(100,970)	-	239	7,338
Total Liabilities and Fund Balances	$ 20,411	$ 418,086	$ 7,818	$ 239	$ 29,304

CITY OF ANNISTON
COMBINING BALANCE SHEETS - SPECIAL REVENUES FUNDS - Continued
SEPTEMBER 30, 2008

	Job Training Grant	2007 Justice Grant	Total Special Revenues
ASSETS			
Cash	$ -	$ -	$ 4,428,001
Investments	-	-	2,010,000
Due from other funds	-	-	239
Due from other governments	-	-	54,509
Total Assets	$ -	$ -	$ 6,492,749
LIABILITIES			
Accounts payable and accrued liabilities	$ -	$ -	$ 450,010
Due to other funds	2,066	-	1,530,721
Deferred revenue	-	-	200,125
Total Liabilities	2,066	-	2,180,856
FUND BALANCES			
Reserved for future projects	(2,066)	-	4,311,893
Total Liabilities and Fund Balances	$ -	$ -	$ 6,492,749

CITY OF ANNISTON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - SPECIAL REVENUES FUNDS
SEPTEMBER 30, 2008

	Gasoline Tax Fund	7 Cent Gas Tax Fund	Fire District Tax Fund	Alabama Trust Fund	Federal Seized Assets Fund
REVENUES					
Intergovernmental Revenues:					
Federal and state grants	$ -	$ -	$ -	$ -	$ 6,040
State taxes	133,944	164,234	863,160	175,746	-
Other Operating Revenues:					
Fees, fines, and charges for services	-	-	-	-	-
Interest	8,415	13,659	144,515	12,621	5,273
Other	-	-	-	-	-
Total Revenues	142,359	177,893	1,007,675	188,367	11,313
EXPENDITURES					
General	85	-	211,895	-	-
Public safety	-	-	149,170	-	-
Public works	-	-	-	-	-
Projects	792,439	523	11,723	39,195	-
Total Expenditures	792,524	523	372,788	39,195	-
Excess (Deficiency) of Revenues over Expenditures	(650,165)	177,370	634,887	149,172	11,313
Other Financing Sources (Uses)					
Transfers in (out)	413,832	(456,147)	-	-	(13,500)
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	(236,333)	(278,777)	634,887	149,172	(2,187)
Fund Balance, Beginning	(57,218)	398,482	3,347,706	355,611	126,037
Fund Balance, Ending	$ (293,551)	$ 119,705	$ 3,982,593	$ 504,783	$ 123,850

CITY OF ANNISTON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - SPECIAL REVENUES FUNDS - Continued
SEPTEMBER 30, 2008

	Drug Task Force Fund	Drug Task Force Office Fund	Bulletproof Vest Fund	Byrne Justice Grant	State Condemned Funds
REVENUES					
Intergovernmental Revenues:					
Federal and state grants	$ 175,000	$ -	$ 4,400	$ 93,685	$ 27,730
State taxes	-	-	-	-	-
Other Operating Revenues:					
Fees, fines, and charges for services	-	187,861	-	-	-
Interest	-	4,448	-	593	925
Other	126,561	145,611	-	-	-
Total Revenues	301,561	337,920	4,400	94,278	28,655
EXPENDITURES					
General	-	-	-	-	924
Public safety	396,718	482,212	-	59,169	-
Public works	-	-	-	-	-
Projects	-	-	15,635	-	20,393
Total Expenditures	396,718	482,212	15,635	59,169	21,317
Excess (Deficiency) of Revenues over Expenditures	(95,157)	(144,292)	(11,235)	35,109	7,338
Other Financing Sources (Uses)					
Transfers in (out)	65,129	(42,821)	12,943	(30,956)	-
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	(30,028)	(187,113)	1,708	4,153	7,338
Fund Balance, Beginning	-	86,143	(1,708)	(3,914)	-
Fund Balance, Ending	$ (30,028)	$ (100,970)	$ -	$ 239	$ 7,338

CITY OF ANNISTON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - SPECIAL REVENUES FUNDS - Continued
SEPTEMBER 30, 2008

	Job Training Grant	2007 Justice Grant	Total Special Revenues
REVENUES			
Intergovernmental Revenues:			
Federal and state grants	$ -	$ -	$ 306,855
State taxes	-	-	1,337,084
Other Operating Revenues:			
Fees, fines, and charges for services	-	-	187,861
Interest	-	1,207	191,656
Other	-	-	272,172
Total Revenues	-	1,207	2,295,628
EXPENDITURES			
General	2,066	-	214,970
Public safety	-	-	1,087,269
Public works	-	-	-
Projects	-	36,266	916,174
Total Expenditures	2,066	36,266	2,218,413
Excess (Deficiency) of Revenues over Expenditures	(2,066)	(35,059)	77,215
Other Financing Sources (Uses)			
Transfers in (out)	-	35,059	(16,461)
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	(2,066)	-	60,754
Fund Balance, Beginning	-	-	4,251,139
Fund Balance, Ending	$ (2,066)	$ -	$ 4,311,893

CITY OF ANNISTON
BALANCE SHEET - DEBT SERVICE FUND
SEPTEMBER 30, 2008

ASSETS

Cash	$ -
Receivables net	-
Due from other funds	-
Other assets	-
Total Assets	$ -

LIABILITIES

Accounts payable and accrued liabilities	$ -
Total Liabilities	-

FUND BALANCES

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

CITY OF ANNISTON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND
SEPTEMBER 30, 2008

Revenues	
Taxes	$ -
Interest	-
Proceeds from new debt	-
Total Revenues	-
Expenditures	
Principal retirement	1,248,855
Interest charges and transfer fees	103,418
Miscellaneous	2,347
Total Expenditures	1,354,620
Excess (deficiency) of revenue over expenditures	(1,354,620)
Other financing sources (uses)	
Transfers in (out)	1,354,583
Excess (deficit) of revenue and other sources over expenditures and other uses	(37)
Fund Balance, Beginning	37
Fund Balance, Ending	$ -

CITY OF ANNISTON
BALANCE SHEET - COMMUNITY DEVELOPMENT FUND
SEPTEMBER 30, 2008

ASSETS

Cash	$ 2,261
Investments	-
Receivables, net	165,431
Due from other governments	452,477
Other assets	-
Total Assets	$ 620,169

LIABILITIES

Accounts payable and accrued liabilities	$ 19,032
Due to other funds	371,548
Deferred revenue	165,431
	556,011

FUND BALANCES

Reserved for future projects	64,158
	64,158
Total Liabilities and Fund Balance	$ 620,169

CITY OF ANNISTON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - COMMUNITY DEVELOPMENT FUND
SEPTEMBER 30, 2008

Revenues	
Charges for services	$ -
Operating grants and contributions	1,581,679
Capital grants and contributions	-
Interest income	1,682
Other revenues	-
Total Revenues	1,583,361
Expenditures	
General	207,384
Public safety	-
Public works	732,070
Other	618,484
Total Expenditures	1,557,938
Excess (deficiency) of revenue over expenditures	25,423
Other financing sources (uses)	
Transfers in (out)	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	25,423
Fund Balance, Beginning	38,735
Fund Balance, Ending	$ 64,158

CITY OF ANNISTON
COMBINING BALANCE SHEETS - OTHER NONMAJOR FUNDS
SEPTEMBER 30, 2008

	Cemetery Trust Fund	Corrections Fund	Ambulance Service Fund	Municipal Court Revenue
ASSETS				
Cash	$ -	$ 1,157,564	$ -	$ 4,868
Investments	-	1,000,000	-	-
Receivables	-	-	-	-
Other assets	-	-	-	-
Due from other funds	-	198,000	-	-
Due from other governments	-	-	-	-
Total Assets	$ -	$ 2,355,564	$ -	$ 4,868
LIABILITIES				
Accounts payable and accrued liabilities	$ 16,421	$ -	$ -	$ 3,600
Due to other funds	12,253	-	-	75,306
Deferred revenue	-	-	-	-
Total Liabilities	28,674	-	-	78,906
FUND BALANCES				
Reserved for future projects	-	2,355,564	-	-
Unreserved	(28,674)	-	-	(74,038)
Total Liabilities and Fund Balances	$ -	$ 2,355,564	$ -	$ 4,868

CITY OF ANNISTON
COMBINING BALANCE SHEETS - OTHER NONMAJOR FUNDS - Continued
SEPTEMBER 30, 2008

	Anniston Revolving Loan Fund	Anniston Museum Fund	Total Other Nonmajor Funds
ASSETS			
Cash	$ 566,047	$ 356,974	$ 2,085,453
Investments	-	208,191	1,208,191
Receivables, net	69,721	-	69,721
Other assets	-	14,727	14,727
Due from other funds	-	-	198,000
Due from other governments	-	-	-
Total Assets	$ 635,768	$ 579,892	$ 3,576,092
LIABILITIES			
Accounts payable and accrued liabilities	$ 342	$ 113,698	$ 134,061
Due to other funds	17,324	-	104,883
Deferred revenue	-	-	-
Total Liabilities	17,666	113,698	238,944
FUND BALANCES			
Reserved for future projects	618,102	84,434	3,058,100
Unreserved	-	381,760	279,048
Total Liabilities and Fund Balances	$ 635,768	$ 579,892	$ 3,576,092

CITY OF ANNISTON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER NONMAJOR FUNDS
SEPTEMBER 30, 2008

	Cemetery Trust Fund	Corrections Fund	Ambulance Service Fund	Municipal Court Revenue
REVENUES				
Intergovernmental Revenues:				
Federal and state grants	$ -	$ -	$ -	$ -
State taxes	-	-	-	-
Other Operating Revenues:				
Fees, fines, and charges for services	-	158,214	-	982,038
Interest	-	71,073	-	17,052
Other	-	-	-	-
Total Revenues	-	229,287	-	999,090
EXPENDITURES				
General	54,309	890	-	46
Public safety	-	-	-	520,055
Public works	-	-	-	-
Projects	-	-	-	-
Total Expenditures	54,309	890	-	520,101
Excess (Deficiency) of Revenues over Expenditures	(54,309)	228,397	-	478,989
Other Financing Sources (Uses)				
Transfers in (out)	-	-	(312)	(714,903)
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	(54,309)	228,397	(312)	(235,914)
Fund Balance, Beginning	25,635	2,127,167	312	161,876
Fund Balance, Ending	$ (28,674)	$ 2,355,564	$ -	$ (74,038)

CITY OF ANNISTON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER NONMAJOR FUNDS - Continued
SEPTEMBER 30, 2008

	Anniston Revolving Loan Fund	Anniston Museum Fund	Total Other Nonmajor Funds
REVENUES			
Intergovernmental Revenues:			
Federal and state grants	$ -	$ 6,705	$ 6,705
State taxes	-	25,000	25,000
Other Operating Revenues:			
Fees, fines, and charges for services	-	194,515	1,334,767
Interest	22,796	13,619	124,540
Other	1,624	431,860	433,484
Total Revenues	24,420	671,699	1,924,496
EXPENDITURES			
General	121,426	1,278,502	1,455,173
Public safety	-	-	520,055
Public works	-	-	-
Projects	3,971	-	3,971
Total Expenditures	125,397	1,278,502	1,979,199
Excess (Deficiency) of Revenues over Expenditures	(100,977)	(606,803)	(54,703)
Other Financing Sources (Uses)			
Transfers in (out)	(66,688)	535,000	(246,903)
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	(167,665)	(71,803)	(301,606)
Fund Balance, Beginning	785,767	537,997	3,638,754
Fund Balance, Ending	$ 618,102	$ 466,194	$ 3,337,148