

**CITY OF ANNISTON,
ALABAMA**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
September 30, 2010**

CITY OF ANNISTON, ALABAMA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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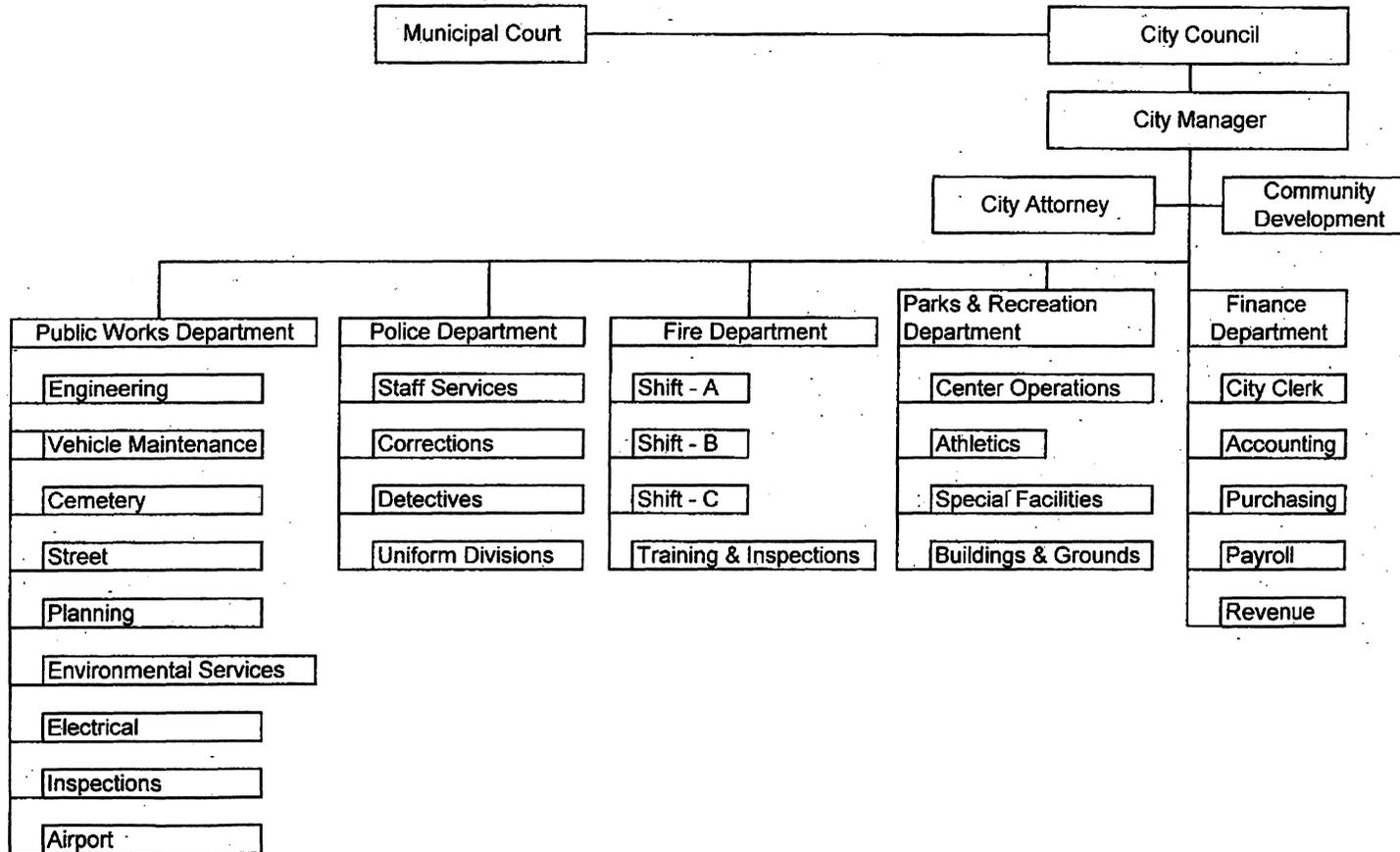
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INTRODUCTORY SECTION

ORGANIZATIONAL CHART



PRINCIPAL OFFICIALS

City Council

Gene D. Robinson, Mayor
John Spain
Herbert Palmore
Reverend Benjamin Little
David Dawson

City Manager

Don A. Hoyt

Finance Director

Danny McCullars, CPA

Other City Officials

Building	Phillip Caldwell, 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	Layton McGrady, Chief
Public Works	Robert Dean, Director
Community Development	Don A. Hoyt, Interim Director
Recreation	Steven Folks, Director
Streets	Phil Brown, Superintendent

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements 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 (the "City"), as of and for the year ended September 30, 2010, 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 of Anniston, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Anniston City School Board, the Public Library of Anniston/Calhoun County, and the Farley L. Berman Foundation Inc., which represents 93% and 99%, respectively, of the assets and revenue of the aggregate discretely presented component units. We did not audit the financial statements of the Policemen's and Firemen's Retirement Fund, which represents 100% and 100%, respectively, of the assets and revenues of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

Except as discussed in the following paragraph, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements of the Anniston Industrial Development Board, Anniston City Schools Foundation and Spirit of Anniston 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, Anniston City Schools Foundation and Spirit of Anniston are included in the City's basic financial statements as discretely presented component units and represent 7% and 1% of the assets and revenues, respectively, of the City's aggregate discretely presented component units.

In our opinion, based on our audit and the reports of other auditors except for the effects of such adjustments, if any, as might have been determined to be necessary had the Anniston Industrial Development Board, Anniston City Schools Foundation and Spirit of Anniston financial statements been audited, the financial statements referred to previously 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, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the City of Anniston, Alabama, as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, the Fire District Tax Fund, the Cemetery Fund, the Corrections Fund, the Drug Task Force Office Fund , and the Drug Task Force Fund 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 November 28, 2011, 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 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.

The management's discussion and analysis and the Schedules of Funding Progress (on page 3 through 12 and page 57, respectively) 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 required 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's basic financial statements. The introductory section and combining fund financial statements, as listed in the accompanying table of contents, 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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the City of Anniston, Alabama. The combining fund financial statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied, by us and the other auditors, in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, 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.

Albany, Georgia
November 28, 2011

Mauldin & Jenkins, LLC

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, 2010. 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

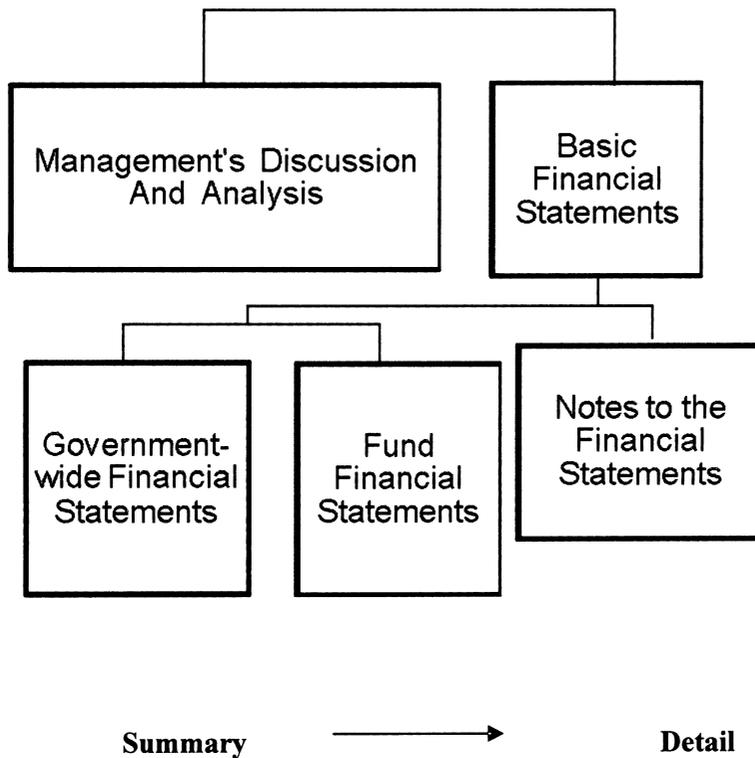
- The assets of the City of Anniston (primary government) exceeded its liabilities at the close of fiscal year 2010 by \$94.26 million. The assets of the City's component units exceeded their liabilities by \$28.67 million. Of the \$94.26 million in primary government net assets, \$6.47 million (unrestricted 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 \$19.65 million. The combined governmental funds fund balance decreased by \$993,802 compared with the prior year. Of the \$19.46 million in fund balance, \$11.13 million is available for spending at the government's discretion (unreserved fund balance).
- The general fund closed with a fund balance of \$11.36 million, down from \$12.38 million in 2009. The 2010 ending fund balance of the General Fund represents 36.4 percent of total general fund operating expenditures.
- In the fiscal year 2010, the City of Anniston realized a deficiency of operational revenues over expenditures in the general fund of \$949,451. However, the fund balance of the General Fund decreased by \$1,019,660 due to net transfers from the general fund to capital projects funds and debt service funds. Included in the capital transfers is \$181,139 and \$658,049 to service the debt of the City.

MANAGEMENT’S DISCUSSION AND ANALYSIS – Continued

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)



MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Government-wide Financial Statements

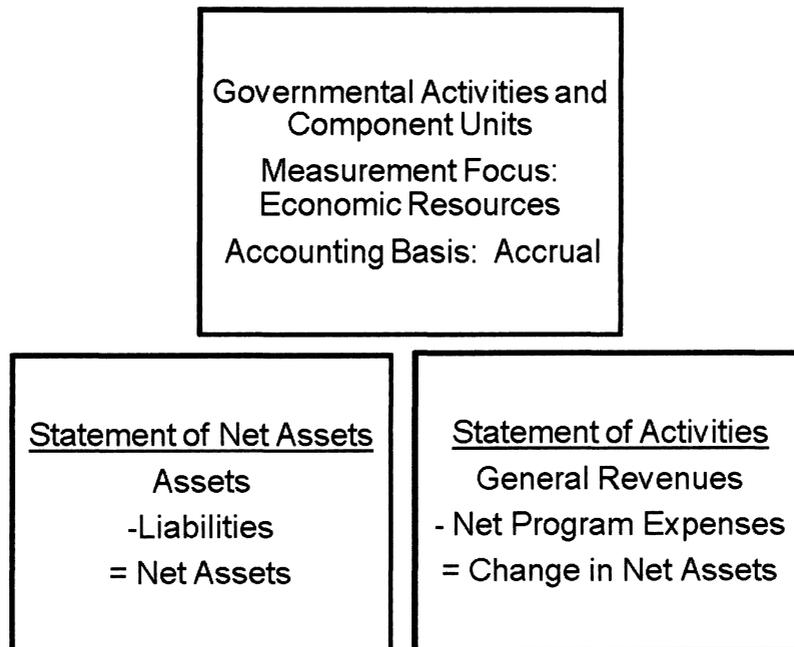
The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *statement of net assets* includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted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



MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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:

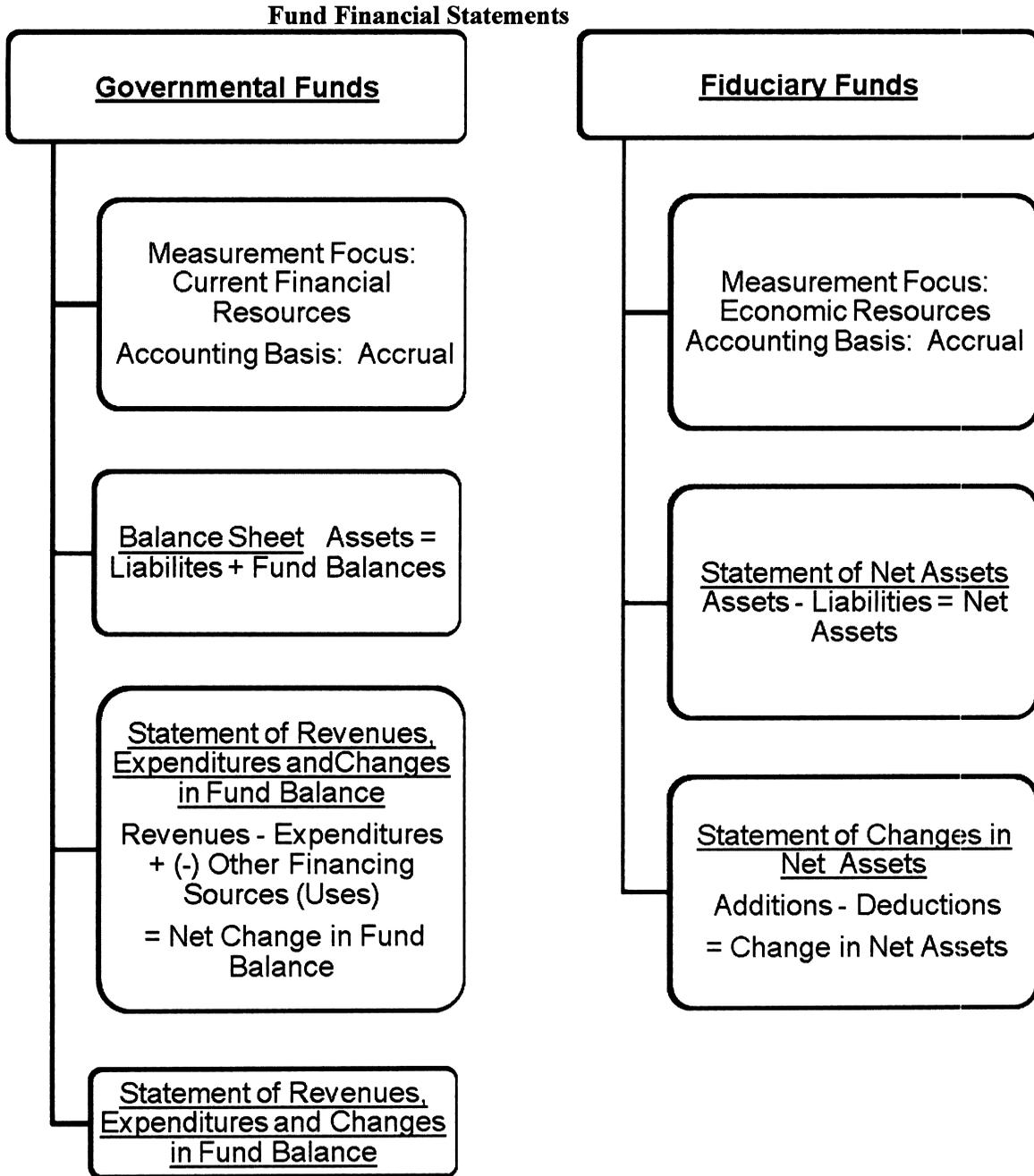
Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus 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, special revenue funds, and debt service funds. A budgetary comparison statement has been provided for the General Fund, Fire Tax District Fund, Cemetery Fund, Corrections Fund, Drug Task Force Office Fund, and Drug Task Force Fund to demonstrate compliance with this budget.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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



MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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

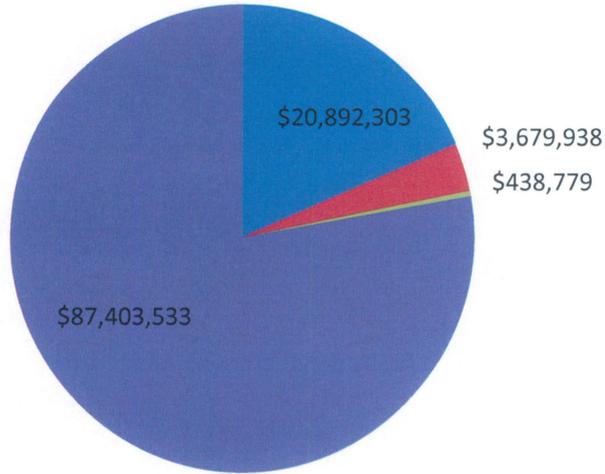
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that should be considered in the evaluation of the City's financial position.

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.

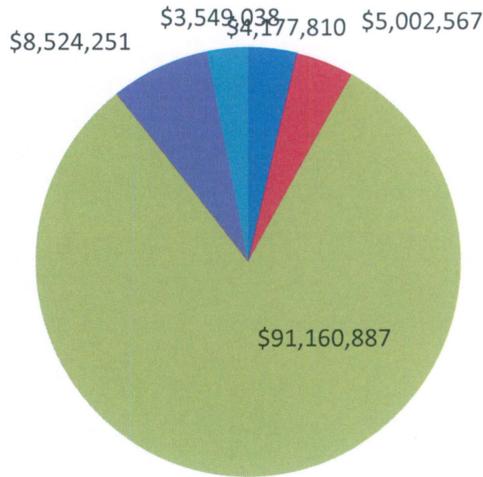
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Assets - Governmental Activities



■ Cash and equivalents
 ■ Receivables, net
 ■ Other assets
 ■ Capital assets, net

Liabilities and Net Assets - Government Activities



■ Current liabilities
 ■ Noncurrent liabilities
■ Invested in capital assets, net of debt
 ■ Restricted net assets
■ Unrestricted net assets

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The assets of the City of Anniston (*primary government*) exceeded its liabilities by \$94.26 million as of September 30, 2010. However, the largest portion (84.43 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 \$94.26 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 \$8.20 million represents net assets that are subject to external or Council placed restrictions on how they may be used. The balance of \$6.47 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 \$11,134,586, compared with \$12,153,234 at the end of 2009. 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 35.7 percent of total general fund expenditures at the end of 2010.

General Fund Budgetary Highlights

Revenues for the year were \$374,151 above the budgeted amount. The primary source of the overage was business license fees and rental tax.

Expenditures for the year before transfers were \$1,256,897 over budgeted amounts. The primary source of the overage was capital expenditures, employer funded health care, and street department increase in work orders performed.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Capital Asset and Debt Administration

Capital Assets: The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2010 totals \$81,134,043 (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 capital assets can be found in the notes to the financial statements.

Long-term Debt: As of September 30, 2010, the City of Anniston had debt outstanding of \$920,000, liquidated totally in fiscal year 2011. These were entirely general obligation warrants. 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, fifteen miles away. The amount outstanding for this commitment is \$626,652.

Subsequent to year end, the City took advantage of recovery zone interest incentives offered by the American Recovery and Reinvestment Act. The maximum stimulus was utilized and general obligation warrant series 2010B was issued in the amount of \$5,380,000, the amount apportioned by the State of Alabama through Calhoun County. In addition, and at the same time of the 2010B in October, 2010, Series 2010A was issued in the amount of \$2,060,000, which included refinancing Series 1998 warrant principal of \$440,000, thereby liquidating that warrant. The purpose of these combined warrants was to construct a state of the art aquatic complex capable of generating substantial fees, while closing three antiquated facilities. Approximately \$1.2 million of this issuance was dedicated to public works street improvements. The net negative cash flow will be marginal due to revenues and efficiencies gained.

The City of Anniston created the City of Anniston Public Building Authority (PBA) to facilitate the construction of the Calhoun County Department of Human Resources complex on a federally declared Brownfield site, appropriately remediated. The PBA issued a warrant in February, 2011 in the amount of \$16,170,000 (DHR Series 2011). The lease payments to satisfy the warrant debt service will be paid directly by the State of Alabama to Regions Bank, trustee. The City is not obligated for this debt service. Construction is under way and completion date is projected in December 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

In August, 2011, the City's Public Building Authority closed on \$15,000,000 for the project known as the Justice Center. This new municipal complex will house the municipal court, police department, and municipal jail, replacing a sixty year old facility. Alabama law permits the usage of "corrections fund" monies to pay for the court and jail components and it is anticipated that approximately 65 percent of the debt service, in the form of a lease payment to the PBA will come from the corrections fund, while 35 percent of the lease will be paid from the general fund. It is anticipated bids will be let in February, 2012.

Economic Factors and Next Year's Budget

The regional economy has suffered in conjunction with the overarching national economic downturn. Sales tax collections were down significantly in fiscal year 2009, rebounding slightly in 2010. Additionally we anticipate a modest increase in fiscal year 2011. Sales tax represents approximately 60 percent of the general fund budget. Local economic data, including internal trends, predict a fairly stagnant budget with perhaps modest revenue increases in fiscal 2012.

A commitment from the American Recovery and Reinvestment Act funded the approximate \$40 million, with no city match, necessary to complete the eastern by-pass (now named Veteran's Memorial Parkway) that will efficiently connect Interstate 20 to Highway 431/21 in north Anniston. See the attached rendering. This project has the benefit of bringing four major arteries together in north Anniston with huge upside for long term development. The parkway is ahead of schedule and is projected to be complete in early 2013.

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 2011, actuarial reports will be completed for the Police and Fireman's Retirement Fund (a separate state legislative creation) and the City of Anniston Retiree Healthcare Plan. Significant unfunded liabilities associated with these entitlements exist. Continuing political dialogue is occurring as how to best address the necessary cuts and other funding that will be required.

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

BASIC FINANCIAL STATEMENTS

CITY OF ANNISTON, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets:		
Cash	\$ 10,170,550	\$ 10,170,550
Investments	7,620,837	7,620,837
Accounts receivable, net	157,241	157,241
Interest receivable	3,262	3,262
Taxes receivable, net	1,604,350	1,604,350
Due from other governments	829,178	829,178
Due from component units	180,000	180,000
Inventory	47,994	47,994
Prepaid items	261,092	261,092
Total current assets	20,874,504	20,874,504
Non Current Assets:		
Capital Assets		
Non-depreciable assets	18,918,823	18,918,823
Depreciable assets, net of depreciation	62,215,220	62,215,220
Deferred charges-bond issuance costs	-	-
Total noncurrent assets	81,134,043	81,134,043
TOTAL ASSETS	102,008,547	102,008,547
LIABILITIES		
Current Liabilities:		
Salaries and benefits payable	-	-
Accounts payable	582,405	582,405
Accrued liabilities	383,949	383,949
Unearned revenues	288,608	288,608
Bonds payable-current	490,000	490,000
Net other post employment benefits obligation	313,900	313,900
Intergovernmental agreement-current	112,923	112,923
Compensated absences payable	1,995,572	1,995,572
Total current liabilities	4,167,357	4,167,357
Long-Term Liabilities:		
Contingent liability	500,000	500,000
Compensated absences payable-long term	498,893	498,893
Net other post employment benefits obligation	1,640,400	1,640,400
Intergovernmental agreement-long term	513,729	513,729
Bonds payable (net of current portion)	430,000	430,000
Total long term liabilities	3,583,022	3,583,022
TOTAL LIABILITIES	7,750,379	7,750,379
NET ASSETS		
Invested in capital assets, net of related debt	79,587,391	79,587,391
Restricted for:		
Infrastructure	1,227,729	1,227,729
Public safety	6,384,644	6,384,644
Court activities	8,597	8,597
Economic development	577,432	577,432
Capital projects	-	-
Other purposes:		
Debt service	-	-
Endowment Fund	-	-
Unrestricted	6,472,375	6,472,375
TOTAL NET ASSETS	\$ 94,258,168	\$ 94,258,168

See accompanying notes to the basic financial statements

Component Units						
Anniston City School Board	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board	Farley L. Berman Foundation Inc.	Anniston City Schools Foundation	Spirit of Anniston	Total Component Units
\$ 2,933,496	\$ 175,929	\$ 178,167	\$ 155,110	\$ 8,245	\$ 58,238	\$ 3,509,185
1,229,440	79,403	380,597	-	-	29,718	1,719,158
4,247,532	-	-	-	-	-	4,247,532
-	-	2,347	-	-	-	2,347
-	-	-	-	-	-	-
-	-	-	-	-	500	500
-	-	-	-	-	-	-
41,939	-	-	4,311	-	-	46,250
-	16,659	-	-	-	1,795	18,454
<u>8,452,407</u>	<u>271,991</u>	<u>561,111</u>	<u>159,421</u>	<u>8,245</u>	<u>90,251</u>	<u>9,543,426</u>
1,404,063	25,907	-	8,391,198	-	2,000	9,823,168
16,831,761	552,773	-	82,391	-	302,495	17,769,420
53,327	-	-	-	-	-	53,327
<u>18,289,151</u>	<u>578,680</u>	<u>-</u>	<u>8,473,589</u>	<u>-</u>	<u>304,495</u>	<u>27,645,915</u>
<u>26,741,558</u>	<u>850,671</u>	<u>561,111</u>	<u>8,633,010</u>	<u>8,245</u>	<u>394,746</u>	<u>37,189,341</u>
2,160,976	-	-	1,150	-	4,468	2,166,594
40,840	-	-	2,349	-	729	43,918
-	47,158	-	5	-	-	47,163
3,287,972	-	-	-	-	-	3,287,972
43,020	-	-	-	-	-	43,020
-	-	-	-	-	-	-
-	-	-	-	1,750	-	1,750
-	-	-	1,405	-	1,346	2,751
<u>5,532,808</u>	<u>47,158</u>	<u>-</u>	<u>4,909</u>	<u>1,750</u>	<u>186,543</u>	<u>5,773,168</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,746,091	-	-	-	-	-	2,746,091
<u>2,746,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,746,091</u>
<u>8,278,899</u>	<u>47,158</u>	<u>-</u>	<u>4,909</u>	<u>1,750</u>	<u>186,543</u>	<u>8,519,259</u>
15,446,713	578,680	-	8,473,589	-	304,495	24,803,477
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
244,676	-	21,369	-	-	-	266,045
997,664	-	-	-	-	-	997,664
-	75,474	-	-	-	-	75,474
1,773,606	149,359	539,742	154,512	6,495	(96,292)	2,527,422
<u>\$ 18,462,659</u>	<u>\$ 803,513</u>	<u>\$ 561,111</u>	<u>\$ 8,628,101</u>	<u>\$ 6,495</u>	<u>\$ 208,203</u>	<u>\$ 28,670,082</u>

CITY OF ANNISTON, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

					Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
	Expenses	Charges for Services, Sales and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
PRIMARY GOVERNMENT:						
Governmental Activities:						
General Government	\$ 9,726,372	\$ 48,127	\$ 152,571	\$ -	\$ (9,525,674)	\$ (9,525,674)
Judicial	551,566	-	-	-	(551,566)	(551,566)
Public Safety	12,236,425	5,823,563	1,182,883	-	(5,229,979)	(5,229,979)
Public Works	9,365,871	816,640	-	591,288	(7,957,943)	(7,957,943)
Housing and Development	6,921,661	1,582,862	630,712	-	(4,708,087)	(4,708,087)
Culture and Recreation	1,233,522	87,539	994,649	-	(151,334)	(151,334)
Interest on Debt	112,235	-	-	-	(112,235)	(112,235)
Total Governmental Activities	40,147,652	8,358,731	2,960,815	591,288	(28,236,818)	(28,236,818)
Component Units						
Anniston City School Board	\$ 25,089,659	\$ 1,747,630	\$ 15,524,080	\$ 1,530,439		
Public Library of Anniston/Calhoun County	1,167,025	41,643	825,876	301,750		
Anniston Industrial Dev. Board	-	-	-	-		
Farley L. Berman Foundation Inc.	198,824	47,428	175,624	-		
Anniston City Schools Foundation	89,003	-	97,326	-		
Spirit of Anniston	231,263	43,683	190,060	-		
Total - Component Units	\$ 26,775,774	\$ 1,880,384	\$ 16,812,966	\$ 1,832,189		
GENERAL REVENUES:						
Taxes:						
Property					\$ 5,725,602	\$ 5,725,602
Sales					17,185,780	17,185,780
Alcoholic Beverage					-	-
Other					2,170,332	2,170,332
Grants and contributions not restricted for specific programs					-	-
Interest Earned					268,622	268,622
Miscellaneous					-	-
Total General Revenues					25,350,336	25,350,336
Change in Net Assets					(2,886,482)	(2,886,482)
NET ASSETS, BEGINNING OF YEAR					97,144,650	97,144,650
NET ASSETS, END OF YEAR					\$ 94,258,168	\$ 94,258,168

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets						
Component Units						
Anniston City School Board	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board	Farley L. Berman Foundation Inc.	Anniston City Schools Foundation	Spirit of Anniston	Total Component Units
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ (6,287,510)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,287,510)
-	2,244	-	-	-	-	2,244
-	-	-	-	-	-	-
-	-	-	24,228	-	-	24,228
-	-	-	-	8,323	-	8,323
-	-	-	-	-	2,480	2,480
\$ (6,287,510)	\$ 2,244	\$ -	\$ 24,228	\$ 8,323	\$ 2,480	\$ (6,250,235)
\$ 4,340,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,340,808
1,581,682	-	-	-	-	-	1,581,682
106,936	-	-	-	-	-	106,936
63,206	-	-	-	-	-	63,206
1,654	-	-	-	-	-	1,654
19,417	8,764	7,872	1,154	5	439	37,651
405,857	2,997	1,500	-	-	1,750	412,104
6,519,560	11,761	9,372	1,154	5	2,189	6,544,041
232,050	14,005	9,372	25,382	8,328	4,669	293,806
18,230,609	789,508	551,739	8,602,719	(1,833)	203,534	28,376,276
\$ 18,462,659	\$ 803,513	\$ 561,111	\$ 8,628,101	\$ 6,495	\$ 208,203	\$ 28,670,082

**CITY OF ANNISTON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Fire District Tax</u>	<u>Cemetery</u>	<u>Corrections</u>	<u>Drug Task Force Office</u>
ASSETS:					
Cash and cash equivalents	\$ 2,436,774	\$ 2,718,186	\$ -	\$ 2,125,347	\$ 400,378
Investments	5,629,484	1,466,458	-	355,124	11,710
Taxes receivable, net of allowances	1,589,299	-	-	-	-
Accounts receivable, net of allowances	25,930	-	-	-	-
Interest receivable	-	-	-	-	-
Due from other funds	2,035,093	11,283	-	-	-
Due from other governments	104,267	7,884	-	-	-
Due from component units	180,000	-	-	-	-
Prepaid items	175,368	-	-	-	-
Inventories	47,994	-	-	-	-
TOTAL ASSETS	\$ 12,224,209	\$ 4,203,811	\$ -	\$ 2,480,471	\$ 412,088
LIABILITIES:					
Accounts payable	325,510	85,706	-	-	-
Accrued liabilities	342,145	-	-	-	-
Due to other funds	145,744	-	391,453	350,303	256,180
Deferred revenue	52,862	-	-	-	168,207
TOTAL LIABILITIES	866,261	85,706	391,453	350,303	424,387
FUND BALANCES (DEFICIT):					
Reserved for:					
Prepaid items	175,368	-	-	-	-
Inventories	47,994	-	-	-	-
Unreserved, undesignated, reported in:					
General Fund	11,134,586	-	-	-	-
Special Revenue Funds	-	4,118,105	(391,453)	2,130,168	(12,299)
Capital Projects Funds	-	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	11,357,948	4,118,105	(391,453)	2,130,168	(12,299)
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,224,209	\$ 4,203,811	\$ -	\$ 2,480,471	\$ 412,088

See accompanying notes to the basic financial statements

Drug Task Force	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,489,865	\$ 10,170,550
-	158,061	7,620,837
-	15,051	1,604,350
-	131,311	157,241
-	3,262	3,262
256,180	362,824	2,665,380
135,161	581,866	829,178
-	-	180,000
-	85,724	261,092
-	-	47,994
\$ 391,341	\$ 3,827,964	\$ 23,539,884
57,619	113,570	582,405
-	15,312	357,457
333,722	1,187,978	2,665,380
-	67,539	288,608
391,341	1,384,399	3,893,850
-	85,724	261,092
-	-	47,994
-	-	11,134,586
-	2,578,253	8,422,774
-	(220,412)	(220,412)
-	2,443,565	19,646,034
\$ 391,341	\$ 3,827,964	\$ 23,539,884

CITY OF ANNISTON, ALABAMA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

TOTAL GOVERNMENTAL FUND BALANCES		\$ 19,646,034
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$ 167,259,962	
Less accumulated depreciation	<u>(86,125,919)</u>	81,134,043
Net other post employment benefits obligations are not due and payable in the current period and therefore not reported in the funds		
	<u>1,954,300</u>	(1,954,300)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.		
Compensated absences	2,494,465	
Intergovernmental agreement	626,652	
Bonds payable	920,000	
Contingent liability	500,000	
Accrued interest	<u>26,492</u>	<u>(4,567,609)</u>
 NET ASSETS OF GOVERNMENTAL ACTIVITIES		 <u>\$ 94,258,168</u>

See accompanying notes to the basic financial statements

CITY OF ANNISTON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	General	Fire District Tax	Cemetery	Corrections	Drug Task Force Office
REVENUES:					
Taxes	\$ 23,757,315	\$ 848,727	\$ -	\$ -	\$ -
Licenses and permits	4,230,307	-	-	-	-
Intergovernmental	-	-	-	-	9,454
Charges for services	2,039,550	-	-	-	-
Fines and forfeitures	17,003	-	-	205,940	79,795
Interest earned	184,089	36,093	-	25,159	1,766
Miscellaneous	48,127	-	-	-	41,338
TOTAL REVENUES	\$ 30,276,391	\$ 884,820	-	\$ 231,099	\$ 132,353
EXPENDITURES:					
Current:					
General government	8,269,948	-	13,552	-	-
Judicial	-	-	-	-	-
Public safety	10,880,802	573,865	-	175,000	100,444
Public works	6,034,742	-	-	-	-
Culture and recreation	6,021,284	-	-	-	-
Housing and development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	18,780	-	-	-	-
Interest	286	-	-	-	-
Other charges	-	-	-	-	-
TOTAL EXPENDITURES	31,225,842	573,865	13,552	175,000	100,444
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(949,451)	310,955	(13,552)	56,099	31,909
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	25,351	-	-	-	-
Transfers in	936,135	-	-	-	64,323
Transfers out	(1,031,695)	-	-	(389,341)	-
TOTAL OTHER FINANCING SOURCES (USES)	(70,209)	-	-	(389,341)	64,323
NET CHANGE IN FUND BALANCES	(1,019,660)	310,955	(13,552)	(333,242)	96,232
FUND BALANCES, BEGINNING OF YEAR	12,377,608	3,807,150	(377,901)	2,463,410	(108,531)
FUND BALANCES, END OF YEAR	\$ 11,357,948	\$ 4,118,105	\$ (391,453)	\$ 2,130,168	\$ (12,299)

See accompanying notes to the basic financial statements

Drug Task Force	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 475,672	\$ 25,081,714
-	-	4,230,307
611,218	2,931,431	3,552,103
-	305,517	2,345,067
-	1,224,467	1,527,205
-	21,515	268,622
-	166,687	256,152
<u>611,218</u>	<u>\$ 5,125,289</u>	<u>\$ 37,261,170</u>
-	152,571	8,436,071
-	670,237	670,237
677,155	567,421	12,974,687
-	507,035	6,541,777
-	925,746	6,947,030
-	982,916	982,916
-	1,050,490	1,050,490
-	572,592	591,372
-	83,147	83,433
-	2,310	2,310
<u>677,155</u>	<u>5,514,465</u>	<u>38,280,323</u>
<u>(65,937)</u>	<u>(389,176)</u>	<u>(1,019,153)</u>
-	-	25,351
65,937	901,435	1,967,830
-	(546,794)	(1,967,830)
<u>65,937</u>	<u>354,641</u>	<u>25,351</u>
-	(34,535)	(993,802)
-	2,478,100	20,639,836
<u>\$ -</u>	<u>\$ 2,443,565</u>	<u>\$ 19,646,034</u>

CITY OF ANNISTON, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (993,802)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.		
Capital outlay	2,513,569	
Depreciation expense	<u>(4,284,672)</u>	(1,771,103)
The net effect of the disposal of capital assets is to decrease net assets.		
		(40,836)
The receipt and repayment of bonds, notes payable and capital lease principal is a revenue and expenditure in the governmental funds, but the activity increases and decreases long-term liabilities in the statement of net assets.		
Capital lease principal payment	18,780	
Intergovernmental agreement principal payment	107,592	
Bond principal payment	<u>465,000</u>	591,372
Some expenses reported in the statement of activities, such as accrued interest, compensated absences and contingent liabilities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Accrued interest	(26,492)	
Compensated absences	<u>(4,621)</u>	(31,113)
Other post employment benefits obligations did not require the use of current financial resources and therefore were not reported as expenditures in governmental funds in the Statement of Net Assets.		
		<u>(641,000)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ <u>(2,886,482)</u>

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Taxes				
Sales and use	\$ 16,990,000	\$ 16,990,000	\$ 16,897,990	\$ (92,010)
General property taxes	4,902,500	4,902,500	4,876,875	(25,625)
Beverage taxes	153,000	153,000	141,664	(11,336)
Anniston Housing Authority	5,000	5,000	1,502	(3,498)
Water utility fees	420,000	420,000	478,361	58,361
Cigarette and tobacco	310,000	310,000	290,376	(19,624)
Gasoline	360,000	360,000	370,033	10,033
Bingo	65,000	65,000	56,744	(8,256)
Lodging	145,000	145,000	116,145	(28,855)
Rental	230,000	230,000	377,406	147,406
Business	146,050	146,050	150,219	4,169
Total taxes	<u>23,726,550</u>	<u>23,726,550</u>	<u>23,757,315</u>	<u>30,765</u>
Licenses, permits and fees:				
Business licenses	2,950,000	2,950,000	3,344,920	394,920
Other license and penalties	832,700	832,700	885,387	52,687
Total licenses, permits and fees	<u>3,782,700</u>	<u>3,782,700</u>	<u>4,230,307</u>	<u>447,607</u>
Charges for Services:				
Garbage fees	701,500	701,500	674,921	(26,579)
Airport revenues	42,300	42,300	87,539	45,239
Rental income	6,100	6,100	3,500	(2,600)
Recreation department fees	1,294,424	1,294,424	1,124,876	(169,548)
Public works receipts	55,500	55,500	127,501	72,001
Public safety receipts	26,916	26,916	21,213	(5,703)
Total charges for services	<u>2,126,740</u>	<u>2,126,740</u>	<u>2,039,550</u>	<u>(87,190)</u>
Fines and forfeitures:				
Police court fines and fees	26,500	26,500	17,003	(9,497)
Total fines and forfeitures	<u>26,500</u>	<u>26,500</u>	<u>17,003</u>	<u>(9,497)</u>
Other revenues:				
Interest on investments	200,000	200,000	184,089	(15,911)
Miscellaneous revenue	39,750	39,750	48,127	8,377
Total other revenues	<u>239,750</u>	<u>239,750</u>	<u>232,216</u>	<u>(7,534)</u>
TOTAL REVENUES	<u>29,902,240</u>	<u>29,902,240</u>	<u>30,276,391</u>	<u>374,151</u>
EXPENDITURES:				
GENERAL GOVERNMENT				
Finance division	818,573	818,573	812,277	6,296
General division	170,640	174,212	174,577	(365)
City Council	170,713	207,141	207,069	72
Building maintenance	919,220	919,220	939,056	(19,836)
Professional services	90,000	90,000	122,267	(32,267)
Utilities	41,000	41,000	39,837	1,163
Projects	700,000	700,000	1,447,166	(747,166)
Workman's compensation insurance	450,000	450,000	414,272	35,728
Employer funded health care	2,590,000	2,590,000	2,906,560	(316,560)
Other insurance	473,000	473,000	519,393	(46,393)
Other boards and agencies	628,098	628,098	637,544	(9,446)
Miscellaneous	158,500	158,500	49,930	108,570
TOTAL GENERAL GOVERNMENT	<u>7,209,744</u>	<u>7,249,744</u>	<u>8,269,948</u>	<u>(1,020,204)</u>
PUBLIC SAFETY				
Police	6,113,367	5,989,060	6,014,447	(25,387)
Municipal court	550,344	550,344	542,299	8,045
Detention facilities	305,799	265,799	257,707	8,092
Fire	4,079,115	4,079,115	4,066,349	12,766
TOTAL PUBLIC SAFETY	<u>11,048,625</u>	<u>10,884,318</u>	<u>10,880,802</u>	<u>3,516</u>

continued

**CITY OF ANNISTON, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS				
General	\$ 166,397	\$ 164,597	\$ 171,049	\$ (6,452)
Cemetery	132,496	142,996	165,838	(22,842)
Electrical	669,074	664,074	637,925	26,149
Engineering	182,459	188,959	243,464	(54,505)
Garage	214,898	193,898	191,558	2,340
Environmental services	1,307,529	1,283,279	1,249,614	33,665
Street department	2,831,838	2,919,138	3,042,725	(123,587)
Airport	41,500	35,500	42,142	(6,642)
Planning	341,075	295,575	290,427	5,148
TOTAL PUBLIC WORKS	<u>5,887,266</u>	<u>5,888,016</u>	<u>6,034,742</u>	<u>(146,726)</u>
CULTURE AND RECREATION				
Administration	647,404	658,990	656,039	2,951
Parks, facilities, and utilities	2,091,139	2,209,553	2,277,124	(67,571)
PARC programs	375,336	370,336	343,831	26,505
Park maintenance	449,688	449,688	478,978	(29,290)
Anniston/Calhoun County Library	550,000	550,000	550,000	-
Anniston City Board of Education	1,029,000	1,029,000	1,055,312	(26,312)
Museum of Natural History	525,000	525,000	525,000	-
Berman Museum	135,000	135,000	135,000	-
TOTAL CULTURE AND RECREATION	<u>5,802,567</u>	<u>5,927,567</u>	<u>6,021,284</u>	<u>(93,717)</u>
DEBT SERVICE				
Principal	19,000	19,000	18,780	220
Interest	300	300	286	14
TOTAL DEBT SERVICE	<u>19,300</u>	<u>19,300</u>	<u>19,066</u>	<u>234</u>
TOTAL EXPENDITURES	<u>29,967,502</u>	<u>29,968,945</u>	<u>31,225,842</u>	<u>(1,256,897)</u>
OTHER FINANCING SOURCES AND (USES):				
Proceeds from sale of capital assets	10,000	10,000	25,351	15,351
Transfers in	939,341	939,341	936,135	(3,206)
Transfers out	(884,080)	(884,080)	(1,031,695)	(147,615)
TOTAL OTHER FINANCING SOURCES (USES)	<u>65,261</u>	<u>65,261</u>	<u>(70,209)</u>	<u>(135,470)</u>
Net change in fund balance	(1)	(1,444)	(1,019,660)	(1,018,216)
FUND BALANCE, BEGINNING OF YEAR	<u>12,377,608</u>	<u>12,377,608</u>	<u>12,377,608</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,377,607</u>	<u>\$ 12,376,164</u>	<u>\$ 11,357,948</u>	<u>\$ (1,018,216)</u>

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA
FIRE DISTRICT TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Fire District Tax			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
REVENUES				
Taxes	\$ 890,000	\$ 890,000	\$ 848,727	\$ (41,273)
Interest earned	85,000	85,000	36,093	(48,907)
Total revenues	<u>975,000</u>	<u>975,000</u>	<u>884,820</u>	<u>(90,180)</u>
EXPENDITURES				
Public safety	1,882,000	1,882,000	573,865	1,308,135
Total expenditures	<u>1,882,000</u>	<u>1,882,000</u>	<u>573,865</u>	<u>1,308,135</u>
NET CHANGE IN FUND BALANCES	(907,000)	(907,000)	310,955	1,217,955
FUND BALANCE, BEGINNING OF YEAR	<u>3,807,150</u>	<u>3,807,150</u>	<u>3,807,150</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,900,150</u>	<u>\$ 2,900,150</u>	<u>\$ 4,118,105</u>	<u>\$ 1,217,955</u>

See accompanying notes to the basic financial statements

CITY OF ANNISTON, ALABAMA
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Cemetery			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for services	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
EXPENDITURES				
General government	100,000	100,000	13,552	86,448
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>13,552</u>	<u>86,448</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(80,000)</u>	<u>(80,000)</u>	<u>(13,552)</u>	<u>66,448</u>
NET CHANGE IN FUND BALANCES	(80,000)	(80,000)	(13,552)	66,448
FUND BALANCE, BEGINNING OF YEAR	<u>(377,901)</u>	<u>(377,901)</u>	<u>(377,901)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (457,901)</u>	<u>\$ (457,901)</u>	<u>\$ (391,453)</u>	<u>\$ 66,448</u>

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA
CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Corrections			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Fines and forfeitures	\$ 190,000	\$ 190,000	\$ 205,940	\$ 15,940
Interest earned	10,000	10,000	25,159	15,159
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>231,099</u>	<u>31,099</u>
EXPENDITURES				
Public safety	175,000	175,000	175,000	-
Capital outlay	-	-	-	-
Total expenditures	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>25,000</u>	<u>25,000</u>	<u>56,099</u>	<u>31,099</u>
OTHER FINANCING SOURCES				
Transfers out	-	-	(389,341)	(389,341)
	<u>-</u>	<u>-</u>	<u>(389,341)</u>	<u>(389,341)</u>
NET CHANGE IN FUND BALANCES	25,000	25,000	(333,242)	(358,242)
FUND BALANCE, BEGINNING OF YEAR	<u>2,463,410</u>	<u>2,463,410</u>	<u>2,463,410</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,488,410</u>	<u>\$ 2,488,410</u>	<u>\$ 2,130,168</u>	<u>\$ (358,242)</u>

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA
DRUG TASK FORCE OFFICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Drug Task Force Office			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 9,454	\$ 9,454
Fines and forfeitures	175,000	175,000	79,795	(95,205)
Interest earned	3,000	3,000	1,766	(1,234)
Miscellaneous	72,000	72,000	41,338	(30,662)
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>132,353</u>	<u>(117,647)</u>
EXPENDITURES				
Public safety	125,850	125,850	100,444	25,406
Total expenditures	<u>125,850</u>	<u>125,850</u>	<u>100,444</u>	<u>25,406</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>124,150</u>	<u>124,150</u>	<u>31,909</u>	<u>(92,241)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	64,323	-
	<u>-</u>	<u>-</u>	<u>64,323</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	124,150	124,150	96,232	(27,918)
FUND BALANCE, BEGINNING OF YEAR	<u>(108,531)</u>	<u>(108,531)</u>	<u>(108,531)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 15,619</u>	<u>\$ 15,619</u>	<u>\$ (12,299)</u>	<u>\$ (27,918)</u>

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA
DRUG TASK FORCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Drug Task Force</u>			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Intergovernmental	\$ 519,740	\$ 519,740	\$ 611,218	\$ 91,478
Total revenues	<u>519,740</u>	<u>519,740</u>	<u>611,218</u>	<u>91,478</u>
EXPENDITURES				
Public safety	650,000	650,000	677,155	(27,155)
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>677,155</u>	<u>(27,155)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(130,260)</u>	<u>(130,260)</u>	<u>(65,937)</u>	<u>64,323</u>
OTHER FINANCING SOURCES				
Transfers in	130,260	130,260	65,937	-
	<u>130,260</u>	<u>130,260</u>	<u>65,937</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

CITY OF ANNISTON, ALABAMA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
PENSION TRUST FUND
SEPTEMBER 30, 2010

	Policemen's and Firemen's Retirement Fund
ASSETS	
Cash	\$ 176,781
Investments, at Fair Value:	
U.S. Government obligations	1,730,631
Municipal obligations	64,345
Corporate bonds	3,195,505
International obligations	109,955
Domestic equity securities	13,994,177
Timber	1,029,955
Real estate	815,965
Accounts receivable	148,466
TOTAL ASSETS	\$ 21,265,780
LIABILITIES	
Accounts payable	\$ 15,604
NET ASSETS	
Net Assets Held in Trust for Pension Benefits	21,250,176
TOTAL NET ASSETS AND LIABILITIES	\$ 21,265,780

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Policemen's and Firemen's Retirement Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 752,768
Employees	752,768
Public utilities	451,246
Total Contributions	<u>1,956,782</u>
Investment earnings:	
Interest	254,002
Dividend	95,916
Net appreciation in fair value of investments	1,317,056
Gain on investment	18,867
Miscellaneous	1,147
Total Investment Earnings	<u>1,686,988</u>
Less: Investment expenses	<u>(66,579)</u>
Net Investment Income	1,620,409
Total Additions	<u>3,577,191</u>
DEDUCTIONS	
Benefits paid directly to participants	3,138,892
Administrative expenses	106,572
Total deductions	<u>3,245,464</u>
NET DECREASE IN NET ASSETS	331,727
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
NET ASSETS, BEGINNING OF YEAR	<u>20,918,449</u>
NET ASSETS, END OF YEAR	<u><u>\$ 21,250,176</u></u>

See accompanying notes to the basic financial statements

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Anniston, Alabama (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

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. The City provides the following services to its citizens as authorized by its charter: public safety (police and fire), recreation, water, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Anniston, Alabama (the “primary government”) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statement No. 39, the financial statements of the component units are discretely presented in the financial statements.

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
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 audited 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.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

These statements report financial information for the City as a whole. The primary government and the discretely presented component units are presented separately within these financial statements with the focus on the primary government. 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City had no business-type activities during the year ended September 30, 2010.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are for fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City reports the following major governmental funds:

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

The *Fire District Tax Fund* accounts for all activities in the provision of fire protection services to the residents of the City.

The *Cemetery Fund* accounts for all activities in the City's cemetery.

The *Corrections Fund* accounts for all activities in the City's jail.

The *Drug Task Force Office Fund* accounts for the administrative activities of the Drug Task Force.

The *Drug Task Force Fund* accounts for the grant related activities of the Drug Task Force.

The City also reports the following fund types within the non-major governmental funds:

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

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital projects funds account for the acquisition and construction of major facilities funded by City operations.

Fiduciary Fund Type

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

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. 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. All other investments are stated at fair value based on quoted market prices.

E. Interfund Receivables and Payables

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

F. Management Estimates

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

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Asset</u>	<u>Years</u>
Buildings and improvements	20-40
Improvements other than buildings	25-40
Machinery and equipment	5-10
Infrastructure	25-75

Infrastructure assets acquired prior to September 30, 1980 are included in the amounts reported.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

At the governmental fund financial reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

J. Compensated Absences

Accumulated sick pay benefits have not been recorded as a liability because these benefits are paid upon the illness of an employee and the amount of such payments cannot be reasonably estimated. Accumulated unpaid vacation costs are accrued when incurred in the government-wide financial statements.

Governmental funds report the compensated absence liability at the fund reporting level only "*when due.*"

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance

In the fund financial statements governmental funds reserve portions of the fund balance that are legally segregated and restricted by an outside party or legal mandate. Designations of fund balance represent managements' intent to set aside these resources for specific uses. At the fund reporting level, fund balance is also reserved for any prepaids and inventories.

Net Assets

Net assets represent the difference between assets and liabilities. Amounts shown as net assets invested in capital assets, net of related debt are made up of capital asset costs, net of accumulated depreciation and any outstanding debt used to acquire, construct or improve the associated assets. Net assets are reported as restricted when there are legal limitations or external restrictions imposed upon their use. All other net assets are reported as unrestricted.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2. LEGAL COMPLIANCE - BUDGETS

The following procedures are used by the City in establishing the budgetary data reflected in the 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.

Budgeted amounts are as originally adopted, or as amended by the City Council.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

The following funds had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended September 30, 2010.

General Fund:

General Government	
General division	\$ 365
Building maintenance	19,836
Professional services	32,267
Projects	747,166
Employer funded health care	316,560
Other insurance	46,393
Other boards and agencies	9,446
Public Safety	
Police	25,387
Public Works	
General	6,452
Cemetery	22,842
Engineering	54,505
Street department	123,587
Airport	6,642
Culture and Recreation	
Parks, facilities, and utilities	67,571
Park maintenance	29,290
Anniston City Board of Education	26,312

Drug Task Force Fund:

Public Safety	27,155
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**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 3. DEPOSITS AND INVESTMENTS

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

The City is restricted by State statute to investments in U.S. Government Treasury and Agency securities, certificates of deposit and money market accounts, repurchase agreements and reverse repurchase agreements, banker's acceptances and commercial paper. Each of the banks holding the City's deposits, as well as those of the component units, is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury. Cash deposits and savings held at local banks are insured by the FDIC or collateralized by assets administered by the state treasurer's office in accordance with the "SAFE" program.

At September 30, 2010, all of the deposits of the City were fully collateralized in accordance with the state statutes.

As of September 30, 2010, the City had the following deposits, classified as investments.

Investment Type	Maturities	Fair Value
Certificates of Deposit	270 Days	\$ 6,290,352
Government Securities	10 years	1,330,485
		\$ 7,620,837

Interest Rate Risk:

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, all investments are reviewed on a monthly basis for interest rate fluctuations and appropriate actions are taken to minimize this risk.

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 4. RECEIVABLES

Receivables at September 30, 2010, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:			
Taxes	\$ 1,589,299	\$ 15,051	\$ 1,604,350
Accounts	25,930	252,441	278,371
Interest	-	3,262	3,262
Gross receivables	<u>1,615,229</u>	<u>270,754</u>	<u>1,885,983</u>
Less allowance for uncollectibles	<u>-</u>	<u>(121,130)</u>	<u>(121,130)</u>
Net total receivables	<u>\$ 1,615,229</u>	<u>\$ 149,624</u>	<u>\$ 1,764,853</u>

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.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 is as follows:

	Balance 9/30/2009	Additions	Deductions	Balance 9/30/2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,720,305	\$ 50,000	\$ -	\$ 8,770,305
Collections	8,329,797	1,418,665	-	9,748,462
Construction in progress	400,056	-	-	400,056
Total capital assets not being depreciated	<u>17,450,158</u>	<u>1,468,665</u>	<u>-</u>	<u>18,918,823</u>
Other capital assets:				
Buildings	30,115,340	476,383	11,300	30,580,423
Machinery and equipment	12,020,677	424,528	29,536	12,415,669
Improvements other than buildings	1,744,824	143,993	-	1,888,817
Infrastructure	<u>103,456,230</u>	<u>-</u>	<u>-</u>	<u>103,456,230</u>
Total other capital assets	<u>147,337,071</u>	<u>1,044,904</u>	<u>40,836</u>	<u>148,341,139</u>
Total capital assets	<u>164,787,229</u>	<u>2,513,569</u>	<u>40,836</u>	<u>167,259,962</u>
Accumulated depreciation:				
Buildings	15,623,853	861,365	-	16,485,218
Machinery and equipment	8,271,161	690,316	-	8,961,477
Improvements other than buildings	90,894	49,250	-	140,144
Infrastructure	<u>57,855,339</u>	<u>2,683,741</u>	<u>-</u>	<u>60,539,080</u>
Total accumulated depreciation	<u>81,841,247</u>	<u>4,284,672</u>	<u>-</u>	<u>86,125,919</u>
Governmental activities capital assets, net	<u>\$ 82,945,982</u>	<u>\$ (1,771,103)</u>	<u>\$ 40,836</u>	<u>\$ 81,134,043</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 611,528
Public safety	494,053
Public works	2,778,741
Housing and development	250,606
Culture and recreation	<u>149,744</u>
Total governmental activities depreciation expense	<u>\$ 4,284,672</u>

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 5. CAPITAL ASSETS (Continued)

Component units:	Balance 9/30/2009	Additions	Deductions	Balance 9/30/2010
Capital assets not being depreciated:				
Land	\$ 1,406,063	\$ -	\$ -	\$ 1,406,063
Collections	8,417,105	-	-	8,417,105
Construction in progress	311,300	-	311,300	-
Total capital assets not being depreciated	<u>10,134,468</u>	<u>-</u>	<u>311,300</u>	<u>9,823,168</u>
Other capital assets:				
Buildings	17,048,132	1,500	-	17,049,632
Building improvements	13,662,447	1,407,722	-	15,070,169
Vehicles	443,011	-	-	443,011
Machinery and equipment	3,337,767	100,986	-	3,438,753
Total other capital assets	<u>34,491,357</u>	<u>1,510,208</u>	<u>-</u>	<u>36,001,565</u>
Total capital assets	<u>44,625,825</u>	<u>1,510,208</u>	<u>311,300</u>	<u>45,824,733</u>
Accumulated depreciation:				
Buildings	10,057,255	334,871	-	10,392,126
Building improvements	4,668,610	606,527	-	5,275,137
Vehicles	419,553	8,086	-	427,639
Machinery and equipment	2,076,869	60,374	-	2,137,243
Total accumulated depreciation	<u>17,222,287</u>	<u>1,009,858</u>	<u>-</u>	<u>18,232,145</u>
Component units capital assets, net	<u>\$ 27,403,538</u>	<u>\$ 500,350</u>	<u>\$ 311,300</u>	<u>\$ 27,592,588</u>

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due In More Than One Year</u>
Governmental activities:						
Bonds and warrants	\$ 1,385,000	\$ -	\$ 465,000	\$ 920,000	\$ 490,000	\$ 430,000
Intergovernmental Agreement	734,244	-	107,592	626,652	112,923	513,729
Capital lease payable	18,780	-	18,780	-	-	-
Contingent grant liability	500,000	-	-	500,000	-	500,000
Compensated absences	2,489,844	1,822,340	1,817,719	2,494,465	1,995,572	498,893
Net OPEB Obligation	1,313,300	922,200	281,200	1,954,300	313,900	1,640,400
Governmental activities long-term liabilities	<u>\$ 6,441,168</u>	<u>\$ 2,744,540</u>	<u>\$ 2,690,291</u>	<u>\$ 6,495,417</u>	<u>\$ 2,912,395</u>	<u>\$ 3,583,022</u>

The compensated absences liability will be paid from the General Fund or Museum Fund from which employees' salaries are paid. The capital leases, other long-term debt and notes payable will be paid by the General Fund. The OPEB obligation and contingent liability will be paid by the General Fund.

Governmental Activities:

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, 2010 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, 2010 were \$350,000 and \$570,000, respectively.

Annual debt service requirements to amortize bonds and warrants outstanding, as of September 30, 2010 follow:

Year	Governmental Activities		
	Principal	Interest	Total
2011	\$ 490,000	\$ 29,200	\$ 519,200
2012	145,000	16,834	161,834
2013	150,000	9,938	159,938
2014	135,000	3,206	138,206
Total	<u>\$ 920,000</u>	<u>\$ 59,178</u>	<u>\$ 979,178</u>

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 6. LONG-TERM DEBT (Continued)

Intergovernmental Agreement. 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 with principal and interest payments ranging from \$145,852 to \$146,117. The balance at September 30, 2010 was \$626,652.

Annual debt service requirements to amortize the intergovernmental agreement outstanding, as of September 30, 2010 follow:

Year	Governmental Activities		
	Principal	Interest	Total
2011	\$ 112,923	\$ 32,951	\$ 145,874
2012	118,739	27,192	145,931
2013	125,040	21,077	146,117
2014	131,340	14,512	145,852
2015	138,610	7,486	146,096
Total	\$ 626,652	\$ 103,218	\$ 729,870

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 6. LONG-TERM DEBT (Continued)

Component Unit: Anniston City School Board

Long-term liability activity for the year ended September 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due In More Than One Year</u>
Governmental activities:						
2003 Pool Bonds	\$ 830,425	\$ -	\$ 41,314	\$ 789,111	\$ 43,020	\$ 746,091
QZAB	2,000,000	-	-	2,000,000	-	2,000,000
Governmental activities long-term liabilities	<u>\$ 2,830,425</u>	<u>\$ -</u>	<u>\$ 41,314</u>	<u>\$ 2,789,111</u>	<u>\$ 43,020</u>	<u>\$ 2,746,091</u>

2003 Pool Bonds. During the year ended September 30, 2004, the School Board borrowed \$1,021,738 to finance the acquisition and construction of certain capital improvements to the public schools under the jurisdiction and control of the Board. The Capital Improvement Pool Bonds Series 2003 are payable, as both principal and interest, solely out of and secured by a first priority pledge and assignment of pledged capital outlay funds. The principal is payable on December 1 of each year. Interest computed at 4.129% is payable on June 1 and December 1 of each year beginning June 1, 2004. The maturity date of the Pool Bonds is December 1, 2023.

Annual debt service requirements to amortize bonds and warrants outstanding, as of September 30, 2010 follow:

Year	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 43,020	\$ 31,891	\$ 74,911
2012	44,796	30,078	74,874
2013	46,645	28,190	74,835
2014	48,571	26,224	74,795
2015	50,577	24,177	74,754
2016-2020	285,985	87,103	373,088
2021-2024	269,517	23,225	292,742
Total	<u>\$ 789,111</u>	<u>\$ 250,888</u>	<u>\$ 1,039,999</u>

Qualified Zone Academy Bonds (QZAB). During the year ended September 30, 2003, the Board borrowed \$2,000,000 from the Qualified Zone Academy Bond Program. The funds will be used to renovate and repair school buildings and to purchase equipment (the Project) under the jurisdiction and control of the Board. The Board entered into a lease purchase agreement to lease the Project to the Alabama School Finance Cooperative which will advance the funds for the Project. The Board has the option to purchase the project for \$1.00 at the end of the lease. The payments made by the Board will be deposited into an investment account with a guaranteed yield to maturity which will pay off the debt in a balloon payment of \$2,000,000 at its maturity in May 2018. The lease payments will be \$157,784 annually through May 2013.

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Corrections Fund	\$ 350,303
General Fund	Drug Task Force Fund	333,722
General Fund	Nonmajor Governmental Funds	1,351,068
Fire Tax Fund	General Fund	11,283
Nonmajor Governmental Funds	General Fund	134,461
Nonmajor Governmental Funds	Nonmajor Governmental Funds	228,363
Drug Task Force Fund	Drug Task Force Office Fund	256,180
		<u>\$ 2,665,380</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made.

Interfund transfers for the year ended September 30, 2010 were:

<u>Transfers In</u>	<u>Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Corrections Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 389,341	\$ 546,794	\$ 936,135
Drug Task Force Office Fund	64,323	-	-	64,323
Drug Task Force Fund	65,937	-	-	65,937
Nonmajor Governmental Funds	901,435	-	-	901,435
Total	<u>\$ 1,031,695</u>	<u>\$ 389,341</u>	<u>\$ 546,794</u>	<u>\$ 1,967,830</u>

These transfers were used to assist other funds in meeting operating requirements for the year ended September 30, 2010.

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 8. RETIREMENT PLANS

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 Firefighters Retirement Fund for the City of Anniston 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 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, 2010. All contributions have been made.

Fiscal Period Ending	Contributions		
	Employer	Employee	Total
September 30, 2009	\$ 504,609	\$ 365,615	\$ 870,224

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 8. RETIREMENT PLANS (Continued)

Retirement Systems of Alabama – Continued

The following schedule is based on the actuarial valuation as of September 30, 2008 (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:	232
Annual compensation:	\$7,696,743
Number of retired members and beneficiaries:	91
Annual retirement allowances*:	\$1,193,185

**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

**Required Employer Contribution Rates
Effective For Period Beginning October 1, 2010**

Normal cost	3.59%
Accrued liability	3.03%
Pre-retirement death benefit	0.15%
Administrative expense	0.18%
Total	6.95%
5% Employer contribution factor (6.57%/5%)	1.390
6% Employer contribution factor (6.57%/6%)	1.158

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 8. RETIREMENT PLANS (Continued)

Retirement Systems of Alabama – Continued

The chart below shows the annual pension cost which equaled the annual required contribution for the current year and prior two years along with the percentage actually contributed by the City.

Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
September 30, 2008	\$ 526,024	100%	-
September 30, 2007	449,105	100%	-
September 30, 2006	447,970	100%	-

As of the most recent valuation date, September 30, 2008, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	Annual Covered Payroll	Percentage of Covered Payroll
9/30/2008	\$ 19,966,441	\$ 23,330,034	85.6%	\$ (3,363,593)	\$ 7,696,743	43.7%

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 amortization period is closed. 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, P.O. Box 302150, Montgomery, Alabama 36130-2150.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2008.

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 8. RETIREMENT PLANS (Continued)

Policemen's and Firemen's Retirement Fund for the City of Anniston

The Policemen's and Firemen's Retirement 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, 2009, and contains the following information:

Valuation date	October 1, 2009
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	29 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return*	8.0%
Projected salary increases*	5.5%
*Includes inflation at 3%	

Below is a chart summarizing the payroll, employer's contributions and employees' contributions for the year ended September 30, 2010. All contributions have been made.

Fiscal Period Ending	Contributions			
	Employer	Employee	Utilities	Total
September 30, 2009	\$ 757,228	\$ 757,228	\$ 450,709	\$ 1,514,456

The following schedule is based on the actuarial valuation as of October 1, 2009 (most recent information available):

Summary of Employee Census Data

Number of active members:	179
Annual compensation:	\$7,854,449
Number of retired members and beneficiaries:	159
Benefit payments:	\$3,153,545

Required Employer Contribution Rates

Normal cost	12.5%
Accrued liability	15.0%
Total	27.5%

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 8. RETIREMENT PLANS (Continued)

Policemen's and Firemen's Retirement Fund for the City of Anniston – Continued

The chart below shows the annual pension cost which equaled the annual required contribution for the current year and prior two years along with the percentage actually contributed by the City.

Fiscal Year	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
<u>Ending</u>	<u>Cost</u>	<u>Contributed</u>	<u>Obligation</u>
September 30, 2009	\$ 1,965,165	100%	-
September 30, 2008	1,776,951	100%	-

As of the most recent valuation date, October 1, 2009, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	Annual Covered Payroll	Percentage o Covered Payroll
10/1/2009	\$ 20,471,581	\$ 55,360,777	37.0%	\$ (34,889,196)	\$ 7,854,449	444.2%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of October 1, 2009.

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Description

Effective October 1, 2007, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The City, through its substantive commitment to provide other 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.

**CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (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:

Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of October 1, 2009.

Active members	349
Retired members	69
Total	418

Contributions

The City contributed \$281,200 to the OPEB Health Care Plan in fiscal year 2010. The annual required contribution amount is determined using actuarial methods and assumptions approved by the Commission. The Council establishes and may amend the funding policy for the OPEB Health Care Plan.

Annual Required Contribution	\$ 924,400
Annual OPEB Cost	924,400
Interest on net OPEB obligation	52,500
Adjustment on net OPEB obligation	(54,700)
Actual Contribution	(281,200)
Increase in net OPEB obligation	641,000
Net OPEB obligation, September 30, 2009	1,313,300
Net OPEB obligation, September 30, 2010	\$ 1,954,300

Fiscal Year Ended September 30,	Annual OPEB Cost	Actual OPEB Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 1,128,600	\$ 475,500	42.13%	\$ 653,100
2009	1,129,000	468,800	41.52%	1,313,300
2010	922,200	281,200	30.49%	1,954,300

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 year ending September 30, 2007.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress

As of October 1, 2009, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial Value of Asset	-
Actuarial Accrued Liability (AAL)	\$ 10,135,000
Unfunded Actuarial Accrued Liability (UAAL)	\$ 10,135,000
Funded Ratio	0.00%
Covered Payroll	\$ 13,342,472
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	75.96%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the plan in effect at October 1, 2009. The assumptions used in the October 1, 2009 actuarial valuation are as follows:

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value of Assets
Assumed Rate of Return on Investments	4.50%
Medical Cost Trend Rate	10.00%
Ultimate Medical Cost Trend Rate	5.00%
Year of Ultimate Trend Rate	2017
Amortization Method	Level dollar, closed
Remaining Amortization Period	30 years
Payroll Inflation Rate	2.50%

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. 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 only reflects similar information beginning during the year ending September 30, 2008.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 10. DEFERRED COMPENSATION PLAN

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

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, errors and omissions, job-related illnesses and injuries, and natural disasters. Risk management is the process of managing the City's activities to minimize the adverse effects of certain types of losses and to obtain finances to provide for or restore the economic damages of those losses. The 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 expenditure. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Grant Contingencies:

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

During the fiscal year ended September 30, 2009, a contingent liability was determined in the CDBG program of the City. The City was not properly monitoring the rehabilitation of certain houses in the program. The construction was done by one contractor during the fiscal year ended September 30, 2009. The City has determined by reviewing the payments made to the contractor that the City will have to remit back to the United States Department of Housing and Development or incur additional costs to complete the rehabilitation of the houses. The amount of expenditures which may be disallowed by the grantor or that the City expects to pay out to complete the rehabilitation of the homes is approximately \$500,000. This contingent liability was recorded on the Statement of Net Assets for the year ended September 30, 2009.

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.

CITY OF ANNISTON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 13. SUBSEQUENT EVENTS

Subsequent to year end, the City took advantage of recovery zone interest incentives offered by the American Recovery and Reinvestment Act. The maximum stimulus was utilized and general obligation warrant series 2010B was issued in the amount of \$5,380,000, the amount apportioned by the State of Alabama through Calhoun County. In addition, and at the same time of the 2010B in October, 2010, Series 2010A was issued in the amount of \$2,060,000, which included refinancing Series 1998 warrant principal of \$440,000, thereby liquidating that warrant. The purpose of these combined warrants was to construct a state of the art aquatic complex capable of generating substantial fees, while closing three antiquated facilities. Approximately \$1.2 million of this issuance was dedicated to public works street improvements. The net negative cash flow will be marginal due to revenues and efficiencies gained.

The City of Anniston created the City of Anniston Public Building Authority (PBA) to facilitate the construction of the Calhoun County Department of Human Resources complex on a federally declared Brownfield site, appropriately remediated. The PBA issued a warrant in February, 2011 in the amount of \$16,170,000 (DHR Series 2011). The lease payments to satisfy the warrant debt service will be paid directly by the State of Alabama to Regions Bank, trustee. The City is not obligated for this debt service. Construction is under way and completion date is projected in December 2012.

In August, 2011, the City's Public Building Authority closed on \$15,000,000 for the project known as the Justice Center. This new municipal complex will house the municipal court, police department, and municipal jail, replacing a sixty year old facility. Alabama law permits the usage of "corrections fund" monies to pay for the court and jail components and it is anticipated that approximately 65 percent of the debt service, in the form of a lease payment to the PBA will come from the corrections fund, while 35 percent of the lease will be paid from the general fund. It is anticipated bids will be let in February, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ANNISTON, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

SCHEDULES OF FUNDING PROGRESS

Retirement Systems of Alabama

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Over (Under) Funded (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
9/30/2003	\$ 16,961,666	\$ 18,435,404	92.01%	\$ (1,473,738)	\$ 6,822,762	-21.60%
9/30/2004	17,447,094	18,952,761	92.06%	(1,505,667)	7,096,260	-21.22%
9/30/2005	18,240,270	19,908,877	91.62%	(1,668,607)	6,863,095	-24.31%
9/30/2006	19,027,654	20,685,845	91.98%	(1,658,191)	6,952,331	-23.85%
9/30/2007	19,804,701	21,957,493	90.20%	(2,152,792)	6,870,025	-31.34%
9/30/2008	19,966,441	23,330,034	85.58%	(3,363,593)	7,696,743	-43.70%

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

Police and Firefighters Retirement Fund of the City of Anniston

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Over (Under) Funded (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
10/1/2001	\$ 23,846,591	\$ 38,531,561	61.89%	\$(14,684,970)	\$ 5,647,923	-260.01%
10/1/2003	25,704,942	39,873,805	64.47%	(14,168,863)	5,565,899	-254.57%
10/1/2005	24,632,743	42,810,623	57.54%	(18,177,880)	6,249,403	-290.87%
10/1/2007	27,089,478	49,792,153	54.41%	(22,702,675)	6,665,540	-340.60%
10/1/2009	20,471,581	55,360,777	36.98%	(34,889,196)	7,854,449	-444.20%

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

OPEB Health Care Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Over (Under) Funded (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
10/1/2007**	\$ -	\$ 12,216,500	0.00%	\$(12,216,500)	\$13,085,683	-93.36%
10/1/2009	-	10,135,000	0.00%	(10,135,000)	13,342,472	-75.96%

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

**First year of implementation

COMBINING FUND STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

**CITY OF ANNISTON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	
ASSETS				
Cash	\$ -	\$ 2,489,865	\$ -	\$ 2,489,865
Investments	-	158,061	-	158,061
Taxes receivable, net of allowance	-	15,051	-	15,051
Accounts receivable	-	131,311	-	131,311
Interest receivable	-	3,262	-	3,262
Due from other funds	-	247,278	115,546	362,824
Due from other governments	-	303,265	278,601	581,866
Prepaid items	-	85,724	-	85,724
Total assets	<u>\$ -</u>	<u>\$ 3,433,817</u>	<u>\$ 394,147</u>	<u>\$ 3,827,964</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	14,974	98,596	113,570
Accrued liabilities	-	15,312	-	15,312
Deferred revenue	-	67,539	-	67,539
Due to other funds	-	672,015	515,963	1,187,978
Total liabilities	<u>-</u>	<u>769,840</u>	<u>614,559</u>	<u>1,384,399</u>
FUND BALANCES (DEFICIT)				
Reserved for:				
Prepaid items	-	85,724	-	85,724
Undesignated	-	2,578,253	(220,412)	2,357,841
Total fund balances (deficit)	<u>-</u>	<u>2,663,977</u>	<u>(220,412)</u>	<u>2,443,565</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 3,433,817</u>	<u>\$ 394,147</u>	<u>\$ 3,827,964</u>

CITY OF ANNISTON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	
REVENUES				
Intergovernmental	\$ -	\$ 2,340,143	\$ 591,288	\$ 2,931,431
Fines and forfeitures	-	1,224,467	-	1,224,467
Charges for services	-	305,517	-	305,517
Taxes	-	475,672	-	475,672
Interest earned	-	21,515	-	21,515
Miscellaneous	-	166,687	-	166,687
TOTAL REVENUES	-	4,534,001	591,288	5,125,289
EXPENDITURES				
General government	-	152,571	-	152,571
Judicial	-	670,237	-	670,237
Public safety	-	567,421	-	567,421
Public works	-	507,035	-	507,035
Culture and recreation	-	925,746	-	925,746
Housing and development	-	982,916	-	982,916
Capital outlay	-	-	1,050,490	1,050,490
Debt service:				
Principal	572,592	-	-	572,592
Interest	83,147	-	-	83,147
Other charges	2,310	-	-	2,310
TOTAL EXPENDITURES	658,049	3,805,926	1,050,490	5,514,465
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(658,049)	728,075	(459,202)	(389,176)
OTHER FINANCING SOURCES AND USES				
Transfers in	658,049	62,247	181,139	901,435
Transfers out	-	(546,794)	-	(546,794)
	<u>658,049</u>	<u>(484,547)</u>	<u>181,139</u>	<u>354,641</u>
NET CHANGE IN FUND BALANCES	-	243,528	(278,063)	(34,535)
FUND BALANCES, BEGINNING OF YEAR	-	2,420,449	57,651	2,478,100
FUND BALANCES (DEFICIT), END OF YEAR	\$ -	\$ 2,663,977	\$ (220,412)	\$ 2,443,565

**CITY OF ANNISTON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Special Revenue Funds						
	Museum Fund	Gasoline Fund	Seven Cent Gas Tax Fund	Alabama Trust Fund	CDBG Fund	Emergency Shelter Grant Fund	Municipal Court Revenue Fund
ASSETS							
Cash	\$ 733,044	\$ 12,204	\$ 14,086	\$ 1,003,814	\$ 1,734	\$ -	\$ 13,210
Investments	158,061	-	-	-	-	-	-
Taxes receivable	-	-	15,051	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Interest receivable	3,262	-	-	-	-	-	-
Due from other funds	-	-	228,363	-	-	-	-
Due from other governments	-	12,268	-	-	229,218	-	-
Prepaid items	85,724	-	-	-	-	-	-
Total assets	\$ 980,091	\$ 24,472	\$ 257,500	\$ 1,003,814	\$ 230,952	\$ -	\$ 13,210
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 5,177	\$ -	\$ -	\$ -	\$ 8,355	\$ -	\$ -
Accrued liabilities	14,791	-	-	-	521	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	-	359,757	-	33,585	130,449	-	4,613
Deferred revenue	-	-	-	-	1,000	-	-
Total liabilities	19,968	359,757	-	33,585	140,325	-	4,613
FUND BALANCES							
Reserved for:							
Prepaid items	85,724	-	-	-	-	-	-
Unreserved, undesignated	874,399	(335,285)	257,500	970,229	90,627	-	8,597
Total fund balances (deficit)	960,123	(335,285)	257,500	970,229	90,627	-	8,597
TOTAL LIABILITIES AND FUND BALANCES	\$ 980,091	\$ 24,472	\$ 257,500	\$ 1,003,814	\$ 230,952	\$ -	\$ 13,210

Special Revenue Funds						
Federal Seized Assets Agency Fund	State Seized Assets Fund	Job Training Grant Fund	Bulletproof Vest Grant Fund	Airport Grant 2007 Fund	Airport Grant Fund	JAG Recovery Act Grant Fund
\$ 133,704	\$ 36,496	\$ -	\$ -	\$ -	\$ -	\$ 57,445
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	27,381	774	-	-	-
-	-	-	-	-	-	-
<u>\$ 133,704</u>	<u>\$ 36,496</u>	<u>\$ 27,381</u>	<u>\$ 774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,445</u>
\$ -	\$ 1,100	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	32,729	27,381	1,813	-	-	44,662
-	-	-	-	-	-	12,783
-	<u>33,829</u>	<u>27,381</u>	<u>1,813</u>	<u>-</u>	<u>-</u>	<u>57,445</u>
-	-	-	-	-	-	-
133,704	2,667	-	(1,039)	-	-	-
<u>133,704</u>	<u>2,667</u>	<u>-</u>	<u>(1,039)</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 133,704	\$ 36,496	\$ 27,381	\$ 774	\$ -	\$ -	\$ 57,445

continued

**CITY OF ANNISTON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Special Revenue Funds						Nonmajor Special Revenue Funds
	JAG 2009 Grant Fund	UDAG Revolving Loan Fund	Byrne Justice Grant Fund	Home Consortium Fund	Job Assistance Grant Fund	JAG 2010 Grant Fund	
ASSETS							
Cash	\$ 2,619	\$ 427,548	\$ 205	\$ -	\$ -	\$ 53,756	\$ 2,489,865
Investments	-	-	-	-	-	-	158,061
Restricted cash	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	15,051
Accounts receivable, net of allowance for uncollectibles	-	-	-	-	-	-	-
Accounts receivable	-	131,311	-	-	-	-	131,311
Interest receivable	-	-	-	-	-	-	3,262
Prepaid items	-	-	-	-	-	-	-
Due from other funds	-	18,915	-	-	-	-	247,278
Due from other governments	-	-	-	565	33,059	-	303,265
Due from component units	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	85,724
Total assets	\$ 2,619	\$ 577,774	\$ 205	\$ 565	\$ 33,059	\$ 53,756	\$ 3,433,817
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ 342	\$ -	\$ -	\$ -	\$ -	\$ 14,974
Accrued liabilities	-	-	-	-	-	-	15,312
Due to component unit	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	3,137	-	265	565	33,059	-	672,015
Deferred revenue	-	-	-	-	-	53,756	67,539
Total liabilities	3,137	342	265	565	33,059	53,756	769,840
FUND BALANCES							
Reserved for:							
Prepaid items	-	-	-	-	-	-	85,724
Unreserved, undesignated	(518)	577,432	(60)	-	-	-	2,578,253
Total fund balances (deficit)	(518)	577,432	(60)	-	-	-	2,663,977
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,619	\$ 577,774	\$ 205	\$ 565	\$ 33,059	\$ 53,756	\$ 3,433,817

CITY OF ANNISTON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds						
	Museum Fund	Gasoline Fund	Seven Cent Gas Tax Fund	Alabama Trust Fund	CDBG Fund	Emergency Shelter Grant Fund	Municipal Court Revenue Fund
REVENUES							
Intergovernmental	\$ 630,147	-	-	-	824,837	83,611	-
Fines and forfeitures	-	-	-	-	-	-	1,224,467
Charges for services	291,299	-	14,218	-	-	-	-
Taxes	25,000	135,445	152,345	162,882	-	-	-
Interest earned	8,463	327	253	1,598	1,500	-	352
Miscellaneous	166,687	-	-	-	-	-	-
TOTAL REVENUES	1,121,596	135,772	166,816	164,480	826,337	83,611	1,224,819
EXPENDITURES							
General government	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	670,237
Public safety	-	-	-	-	-	83,611	-
Public works	-	507,035	-	-	-	-	-
Culture and recreation	925,181	-	-	-	-	-	-
Housing and development	-	-	-	-	764,777	-	-
TOTAL EXPENDITURES	925,181	507,035	-	-	764,777	83,611	670,237
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	196,415	(371,263)	166,816	164,480	61,560	-	554,582
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	5,482	-	-
Transfers out	-	-	-	-	-	-	(546,794)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	5,482	-	(546,794)
NET CHANGE IN FUND BALANCES	196,415	(371,263)	166,816	164,480	67,042	-	7,788
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	763,708	35,978	90,684	805,749	23,585	-	809
FUND BALANCES (DEFICIT), END OF YEAR	\$ 960,123	\$ (335,285)	\$ 257,500	\$ 970,229	\$ 90,627	\$ -	\$ 8,597

Special Revenue Funds						
Federal Seized Assets Fund	State Seized Assets Fund	Job Training Grant Fund	Bulletproof Vest Grant Fund	Airport Grant 2007 Fund	Airport Grant Fund	JAG Recovery Act Grant Fund
\$ -	\$ -	\$ 90,368	\$ 1,988	\$ -	\$ 169,812	\$ 382,464
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
235	58	-	-	-	-	52
-	-	-	-	-	-	-
235	58	90,368	1,988	-	169,812	382,516
-	-	90,368	-	-	-	-
-	1,981	-	3,977	-	-	382,516
-	-	-	-	-	-	-
-	-	-	-	-	175,654	-
-	1,981	90,368	3,977	-	175,654	382,516
235	(1,923)	-	(1,989)	-	(5,842)	-
-	-	-	1,989	48,934	5,842	-
-	-	-	-	-	-	-
-	-	-	1,989	48,934	5,842	-
235	(1,923)	-	-	48,934	-	-
133,469	4,590	-	(1,039)	(48,934)	-	-
\$ 133,704	\$ 2,667	\$ -	\$ (1,039)	\$ -	\$ -	\$ -

continued

**CITY OF ANNISTON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Special Revenue Funds						Total Nonmajor Special Revenue Funds
	JAG 2009 Grant Fund	UDAG Revolving Loan Fund	Byrne Justice Grant Fund	Home Consortium Fund	Job Assistance Grant Fund	JAG 2010 Grant Fund	
REVENUES							
Intergovernmental	\$ 94,148	\$ -	\$ -	\$ 565	62,203	\$ -	\$ 2,340,143
Fines and forfeitures	-	-	-	-	-	-	1,224,467
Charges for services	-	-	-	-	-	-	305,517
Taxes	-	-	-	-	-	-	475,672
Interest earned	176	8,501	-	-	-	-	21,515
Miscellaneous	-	-	-	-	-	-	166,687
TOTAL REVENUES	<u>94,324</u>	<u>8,501</u>	<u>-</u>	<u>565</u>	<u>62,203</u>	<u>-</u>	<u>4,534,001</u>
EXPENDITURES							
General government	-	-	-	-	62,203	-	152,571
Judicial	-	-	-	-	-	-	670,237
Public safety	95,037	-	299	-	-	-	567,421
Public works	-	-	-	-	-	-	507,035
Culture and recreation	-	-	-	565	-	-	925,746
Housing and development	-	42,485	-	-	-	-	982,916
TOTAL EXPENDITURES	<u>95,037</u>	<u>42,485</u>	<u>299</u>	<u>565</u>	<u>62,203</u>	<u>-</u>	<u>3,805,926</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(713)</u>	<u>(33,984)</u>	<u>(299)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,075</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	62,247
Transfers out	-	-	-	-	-	-	(546,794)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(484,547)</u>
NET CHANGE IN FUND BALANCES	<u>(713)</u>	<u>(33,984)</u>	<u>(299)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,528</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>195</u>	<u>611,416</u>	<u>239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,420,449</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (518)</u>	<u>\$ 577,432</u>	<u>\$ (60)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,663,977</u>

**CITY OF ANNISTON, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010**

	<u>Capital Projects Funds</u>		<u>Total Nonmajor Capital Projects Funds</u>
	<u>R2 Aquatic Fund</u>	<u>Capital Improvement Fund</u>	
ASSETS			
Due from other funds	\$ -	\$ 115,546	\$ 115,546
Due from other governments	-	278,601	278,601
 Total assets	<u>\$ -</u>	<u>\$ 394,147</u>	<u>\$ 394,147</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 98,596	\$ 98,596
Due to other funds	315,003	200,960	515,963
Total liabilities	<u>315,003</u>	<u>299,556</u>	<u>614,559</u>
FUND BALANCES			
Undesignated	(315,003)	94,591	(220,412)
Total fund balances (deficit)	<u>(315,003)</u>	<u>94,591</u>	<u>(220,412)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 394,147</u>	<u>\$ 394,147</u>

CITY OF ANNISTON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Capital Projects Funds</u>		<u>Total Nonmajor Capital Projects Funds</u>
	<u>R2 Aquatic Fund</u>	<u>Capital Improvement Fund</u>	
REVENUES			
Intergovernmental	\$ -	\$ 591,288	\$ 591,288
TOTAL REVENUES	<u>-</u>	<u>591,288</u>	<u>591,288</u>
EXPENDITURES			
Capital outlay	315,003	735,487	1,050,490
TOTAL EXPENDITURES	<u>315,003</u>	<u>735,487</u>	<u>1,050,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(315,003)</u>	<u>(144,199)</u>	<u>(459,202)</u>
TRANSFERS IN	<u>-</u>	<u>181,139</u>	<u>181,139</u>
NET CHANGE IN FUND BALANCES	(315,003)	36,940	(278,063)
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>57,651</u>	<u>57,651</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (315,003)</u>	<u>\$ 94,591</u>	<u>\$ (220,412)</u>

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

We have audited the financial statements 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 and for the year ended September 30, 2010, which collectively comprise the City of Anniston, Alabama's basic financial statements and have issued our report thereon dated November 28, 2011. Our report includes a reference to 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. Other auditors audited the financial statements of the Anniston City School Board, the Public Library of Anniston/Calhoun County, and the Farley L. Berman Foundation Inc., as described in our report on the City of Anniston, Alabama's financial statements. Additionally, other auditors audited the financial statements of the Policemen's and Firemen's Retirement Fund, which represents 100% and 100%, respectively, of the assets and revenues of the fiduciary funds. The report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Anniston Industrial Development Board, Anniston City Schools Foundation and Spirit of Anniston 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's are included in the City's basic financial statements as discretely presented component units and represent 7% and 1% of the assets and revenues, respectively, of the City's aggregate discretely presented component units.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the City of Anniston, Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the City Council, management of the City of Anniston, Alabama 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.

Mauldin & Jenkins, LLC

Albany, Georgia
November 28, 2011



CERTIFIED PUBLIC ACCOUNTANTS, LLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

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

Compliance

We have audited the City of Anniston, Alabama compliance of with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Anniston, Alabama's major federal programs for the year ended September 30, 2010. The 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 the City of Anniston, Alabama's management. Our responsibility is to express an opinion on the City of Anniston, Alabama's compliance based on our audit.

The City's basic financial statements include the operations of the Anniston City School Board, which received \$6,257,618 in federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2010. Our audit, described below, did not include the operations of the Anniston City School Board because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Anniston, 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 of the City of Anniston, Alabama's compliance with those requirements.

In our opinion, the City of Anniston, Alabama complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-2.

Internal Control Over Compliance

Management of the 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 City of Anniston, Alabama's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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, Alabama's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Anniston, Alabama's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Anniston, Alabama's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the City Council, management of the City of Anniston, Alabama 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.

Mauldin & Jenkins, LLC

Albany, Georgia
November 28, 2011

CITY OF ANNISTON, ALABAMA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

<u>Federal Grantor/Pass-Through Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Transportation		
Passed through the Alabama Department of Transportation:		
2009 Airport Grant	20.106	\$ 169,812
Transportation Improvement Program	20.205	48,000
Transportation Improvement Program	20.205	83,216
Transportation Improvement Program	20.205	89,311
Transportation Improvement Program	20.205	17,218
Subtotal Transportation Improvement Program		<u>237,745</u>
Total U.S. Department of Transportation		<u>407,557</u>
U.S. Department of Justice		
Direct Award		
Justice Assistance Grant	16.738	94,148
Justice Assistance Grant - Recovery Act	16.804	382,516
Bulletproof Vest Partnership Program	16.607	1,989
Law Enforcement Assistance Discretionary Grant	16.580	9,454
Subtotal Direct Awards		<u>488,107</u>
Passed through Alabama Department of Economic and Community Affairs		
Drug Control and System Improvement Grant	16.579	<u>475,000</u>
Subtotal Alabama Department of Economic and Community Affairs		<u>475,000</u>
Total U.S. Department of Justice		<u>963,107</u>
U.S. Department of Housing and Urban Development		
Direct Award		
Community Development Block Grants	14.218	591,703
Community Development Block Grants - Recovery Act	14.253	164,907
Emergency Shelter Grant Program	14.231	83,611
HOME Investment Partnership Grant Program	14.239	565
Total U.S. Department of Housing and Urban Development		<u>840,786</u>
U.S. Department of Energy		
Passed through Alabama Department of Economic and Community Affairs		
Conservation Block Grant Program - Recovery Act	81.128	<u>11,486</u>
Total U.S. Department of Energy		<u>11,486</u>
U.S. Environmental Protection Agency		
Direct Award		
Brownfields Grant	66.814	186,486
Brownfields Job Training Grant	66.814	90,368
Total U.S. Environmental Protection Agency		<u>276,854</u>
Total Expenditures of Federal Awards		<u>\$ 2,499,790</u>

CITY OF ANNISTON, ALABAMA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Anniston, Alabama (the "City") and is presented on the modified 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 presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUBRECIPIENTS

During the fiscal year ended September 30, 2010, disbursements were made to subrecipients of the following grant program:

<u>Program</u>	<u>CFDA</u>	<u>Amount</u>
Community Development Block Grant Cluster	14.218 and 14.253	<u>\$ 97,936</u>

CITY OF ANNISTON, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes no

Type of auditor's report issued on compliance for
major programs Unqualified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218, 14.253	Community Development Block Grant Cluster
16.804, 16.738	Justice Assistance Grant Cluster w/ ARRA
16.579	Drug Control and System Improvement Grant

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF ANNISTON, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

Section II – Financial Statement Findings and Responses

None.

Section III - Federal Awards Findings and Questioned Costs

2010 – 1. Failure to Comply with the Requirements of Procurement

Federal Program Information: CFDA No. 14.218 and CFDA No. 14.253, U.S. Department of Housing and Urban Development – Community Development Block Grant Cluster FY 2010

Criteria: OMB Circular A-133 and the Single Audit Act prohibits from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Additionally, contract files should include documentation that verifies the significant history of the procurement process, including documentation of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified.

Condition: For the year ended September 30, 2010, project files did not contain support for the review of suspension or debarred parties, representation from the contractor related to not being suspended or debarred, or a clause in the contract that the contractor is not a suspended or debarred party. Also, project files were identified that did not contain bid information on the bid worksheet. Additionally, project files were identified that contained bid worksheets with only one vendor, however, did not contain documentation of the rationale to limit competition or justification of the limitation.

Context: See above condition.

Effect: Because the project files did not contain proper documentation to support a review of suspension and debarment and were not complete related to bid activity, the City is not in compliance with the requirement.

Cause: The City did not include a review of suspension and debarment of contractors in the project files. Additionally, instances were identified where project files did not contain the proper documentation of bid activity.

Recommendation: We recommend that the City implement procedures to ensure that a review of suspension and debarment is performed on all contractors in accordance with OMB guidance contained in 2 CFR 180. We also recommend that project files contain information to justify the limitation when only one vendor is contacted for a project and the project files contain completed bid worksheets.

Views of Responsible Officials and Planned Corrective Action: We will implement procedures to perform a review of suspension and debarment on all contractors and to verify that all information related to the bid process is properly documented in the project files.

CITY OF ANNISTON, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

Section III - Federal Awards Findings and Questioned Costs (Continued)

2010 – 2. Failure to Comply with the Requirements of Special Test

Federal Program Information: CFDA No. 14.218 and CFDA No. 14.253, U.S. Department of Housing and Urban Development – Community Development Block Grant Cluster FY 2010

Criteria: OMB Circular A-133 and the Single Audit Act requires an environmental review be obtained prior to the beginning of a project and a review of the rehabilitation work once completed to assure accordance with contract specifications.

Condition: For the year ended September 30, 2010, project files were identified that did not contain support for the environmental review being obtained and files did not contain a review of the rehabilitation work once completed.

Context: See above condition.

Effect: Because the project files did not contain proper documentation to support an environmental review or a review of the rehabilitation work, the City is not in compliance with the requirement.

Cause: The City did not perform an environmental review or a review of the completed rehabilitation on all projects.

Recommendation: We recommend that the City implement procedures to ensure that an environmental review is obtained prior to the beginning of the project and a review of all completed projects is performed and documented in the project files.

Views of Responsible Officials and Planned Corrective Action: We concur. We will implement procedures to perform an environmental review prior to the project being started and a review of all completed projects once completed.

CITY OF ANNISTON, ALABAMA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

2009 – 1. Adjusting Journal Entries

Criteria: Significant balances and transactions in any operation should be recorded, reconciled, reviewed and adjusted on a monthly basis. Specifically certain payments made to vendors which reflect cost applicable to a future period which should be recorded as prepaid items and accrued compensated absences that should not be recorded in governmental type funds in accordance with the modified accrual basis of accounting.

Condition: The City did not properly adjust prepaid items and improperly recorded compensated absences in governmental type funds as of September 30, 2009.

Auditee Response/Status: The above finding was corrected for the fiscal year ended September 30, 2010.

2009 – 2. Failure to Comply with the Requirements of Procurement

Federal Program Information: CFDA No. 14.218 and CFDA No. 14.253, U.S. Department of Housing and Urban Development – Community Development Block Grant Cluster FY 2009

Criteria: OMB Circular A-133 and the Single Audit Act prohibits from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Additionally, contract files should include documentation that verifies the significant history of the procurement process, including documentation of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified.

Auditee Response/Status: Unresolved – See current year finding 2010-1.

2009 – 3. Failure to Comply with the Requirements of Subrecipient Monitoring

Federal Program Information: CFDA No. 14.218 and CFDA No. 14.253, U.S. Department of Housing and Urban Development – Community Development Block Grant Cluster FY 2009

Criteria: OMB Circular A-133 and the Single Audit Act requires an agreement be entered into with a subrecipient for a subaward.

Auditee Response/Status: The above finding was corrected for the fiscal year ended September 30, 2010.

CITY OF ANNISTON, ALABAMA

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2010

2009 – 4. Failure to Comply with the Requirements of Special Test

Federal Program Information: CFDA No. 14.218 and CFDA No. 14.253, U.S. Department of Housing and Urban Development – Community Development Block Grant Cluster FY 2009

Criteria: OMB Circular A-133 and the Single Audit Act requires an environmental review be obtained prior to the beginning of a project and a review of the rehabilitation work once completed to assure accordance with contract specifications.

Condition: For the year ended September 30, 2009, project files were identified that did not contain support for the environmental review being obtained and files did not contain a review of the rehabilitation work once completed.

Auditee Response/Status: Unresolved – See current year finding 2010-2.