

**CITY OF ANNISTON,  
ALABAMA**

***ANNUAL FINANCIAL REPORT***

**FOR THE FISCAL YEAR ENDED  
September 30, 2011**

**CITY OF ANNISTON, ALABAMA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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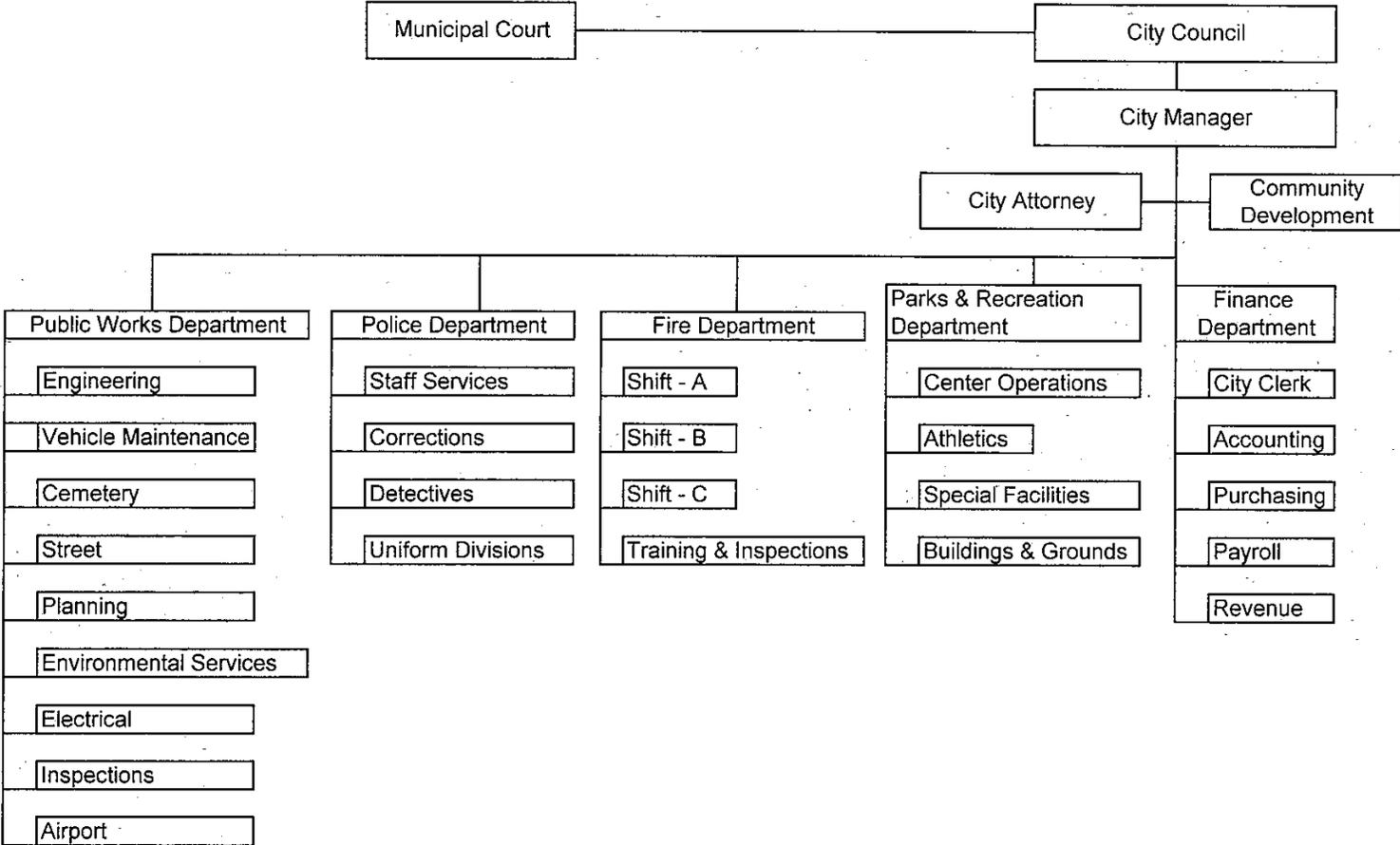
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## **INTRODUCTORY SECTION**

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# 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**

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**INDEPENDENT AUDITOR'S REPORT**

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**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, 2011, 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 99% and 100%, respectively, of the assets and revenues of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have 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, 2011, 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.

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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, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City of Anniston, Alabama implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 3 through 12) and the Required Supplementary Information on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

*Mauldin & Jenkins, LLC*

Albany, Georgia  
November 6, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Anniston's ("City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2011. 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

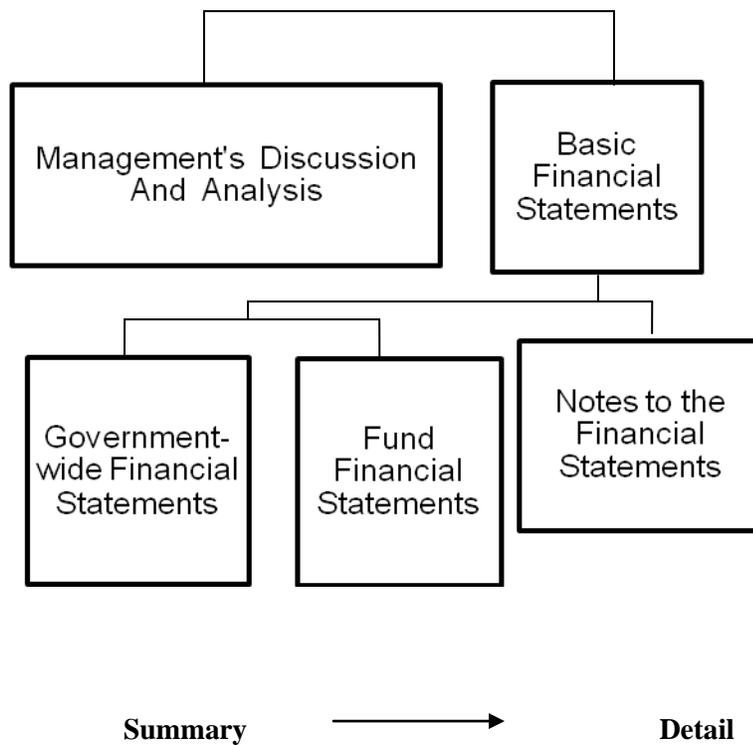
- The assets of the City of Anniston (primary government) exceeded its liabilities at the close of fiscal year 2011 by \$91.14 million. The assets of the City's component units exceeded their liabilities by \$29.40 million. Of the \$91.14 million in primary government net assets, \$5.56 million (unrestricted 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 \$49.74 million. The combined governmental funds fund balance increased by \$30.09 million compared with the prior year. Of the \$49.74 million in fund balance, \$9.86 million is available for spending at the government's discretion (unassigned fund balance).
- The general fund ended the current year with a fund balance of \$10.82 million, down from \$11.36 million in 2010. The 2011 ending fund balance of the General Fund represents 34.9 percent of total general fund operating expenditures.
- In the fiscal year 2011, the City of Anniston realized a deficiency of operational revenues over expenditures in the general fund of \$521,812. However, the fund balance of the General Fund decreased by \$541,999 due to net transfers from the general fund to capital projects funds and debt service funds.

## 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

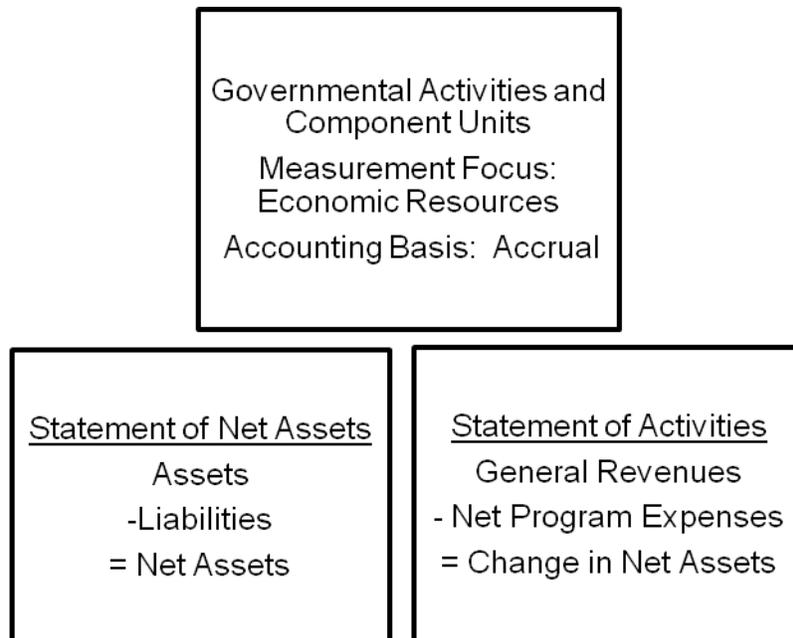
The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *statement of net assets* includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted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

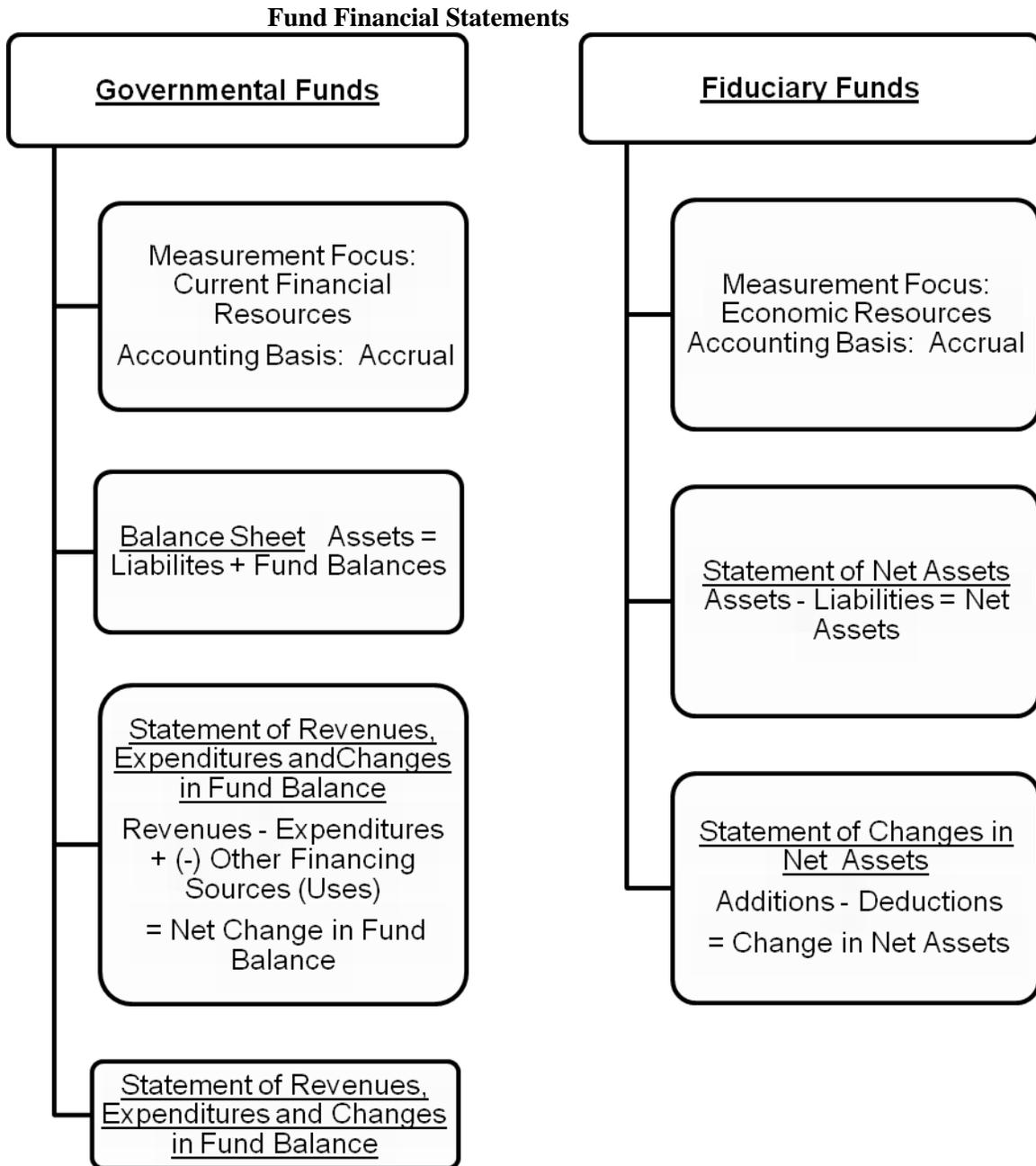
*Governmental Funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus 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 and other funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

*Fiduciary Fund* – The fiduciary fund statement reflects the financial relationship with the 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. In 2011, the City began to present the appropriate portion of the municipal court transactions as an agency fund to delineate the fiduciary nature of those transactions.

## 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

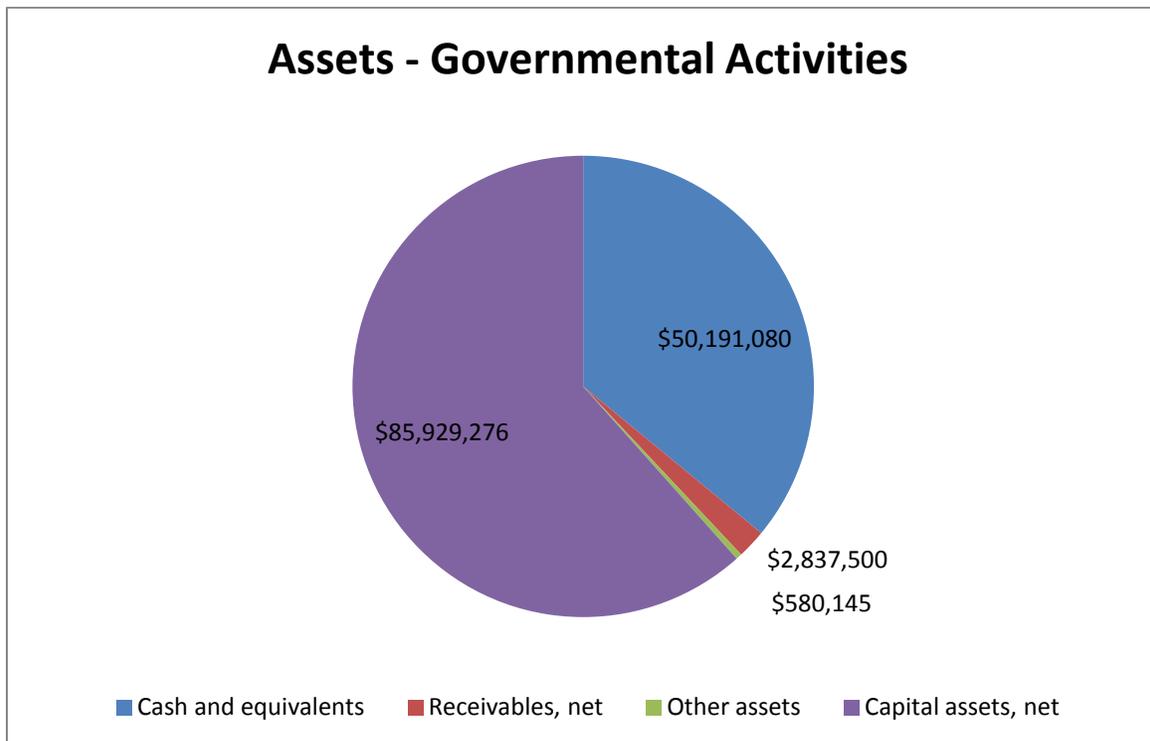
The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

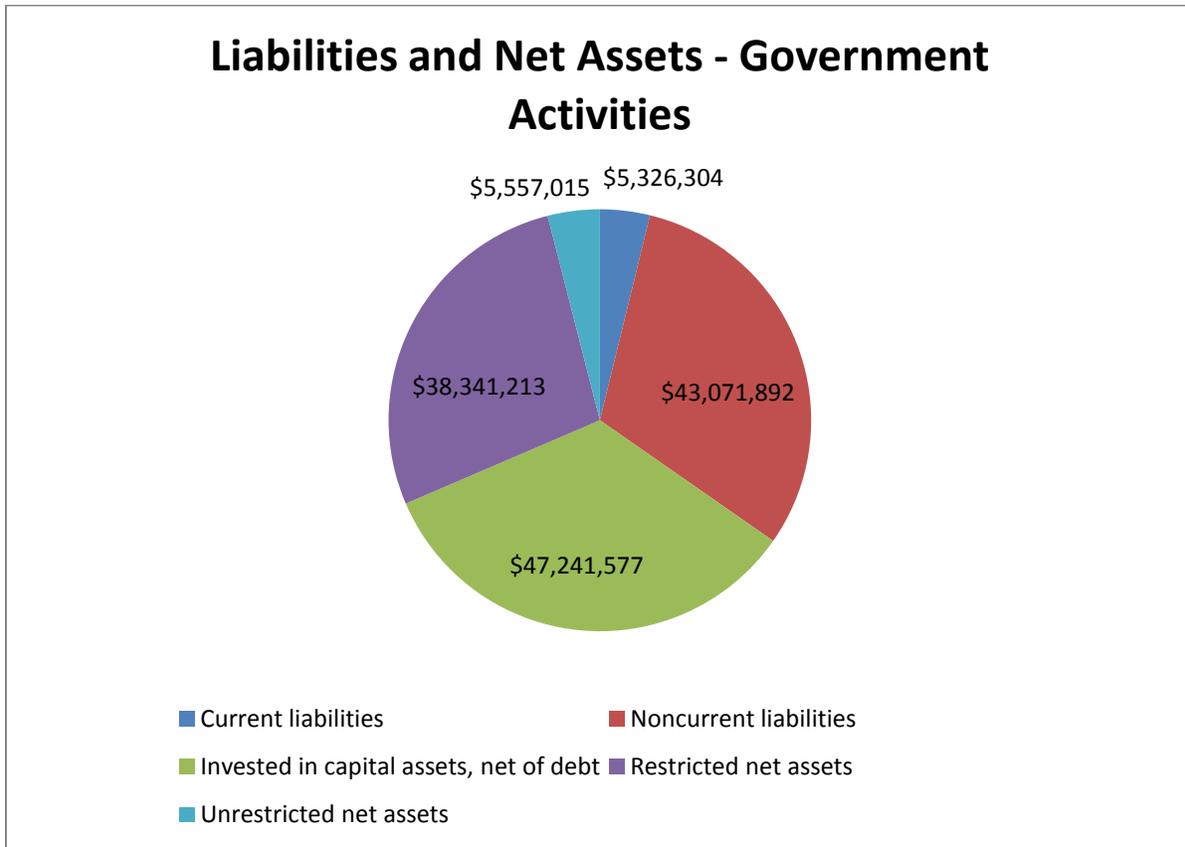
### Other Information

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.





The assets of the City of Anniston (*primary government*) exceeded its liabilities by \$91.14 million as of September 30, 2011. However, the largest portion (51.83 percent) reflects the City’s investment in capital assets less any related debt still outstanding that was issued to acquire those assets. The City of Anniston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Additionally, \$38.34 million represents net assets that are subject to external or Council placed restrictions on how they may be used. The balance of \$5.56 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, unassigned fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The General Fund is the chief operating fund of the City of Anniston. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,611,927, compared with \$11,134,586 at the end of 2010. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 34.23 percent of total general fund expenditures at the end of 2011.

### General Fund Budgetary Highlights

Revenues for the year were \$12,777 above the budgeted amount.

Expenditures for the year before transfers were \$735,582 over budgeted amounts. The primary source of the overage was capital outlay expenditures incurred through capital lease obligations.

### Capital Asset and Debt Administration

**Capital Assets:** The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2011 totals \$85,929,276 (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 Note 5 in the Notes to the Financial Statements.

**Long-term Debt:** As of September 30, 2011, the City of Anniston had bonds and warrants outstanding of \$38,185,120, of which \$31,170,000 is bond debt related to the blended component unit, the City of Anniston Public Building Authority (the "PBA"). The PBA debts consist entirely of building revenue warrants whose debt service obligations are covered by the revenue generated by executed leases on the related buildings. 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 \$513,729.

During the fiscal year ended September 30, 2011, 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 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. Construction is under way and completion date is projected in December 2012.

## MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

In August, 2011, the PBA issued \$15,000,000 of revenue warrants for the Justin Sollohub 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 the corrections fund 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 the remaining portion of the lease will be paid from the general fund. It is anticipated to be completed in May of 2013.

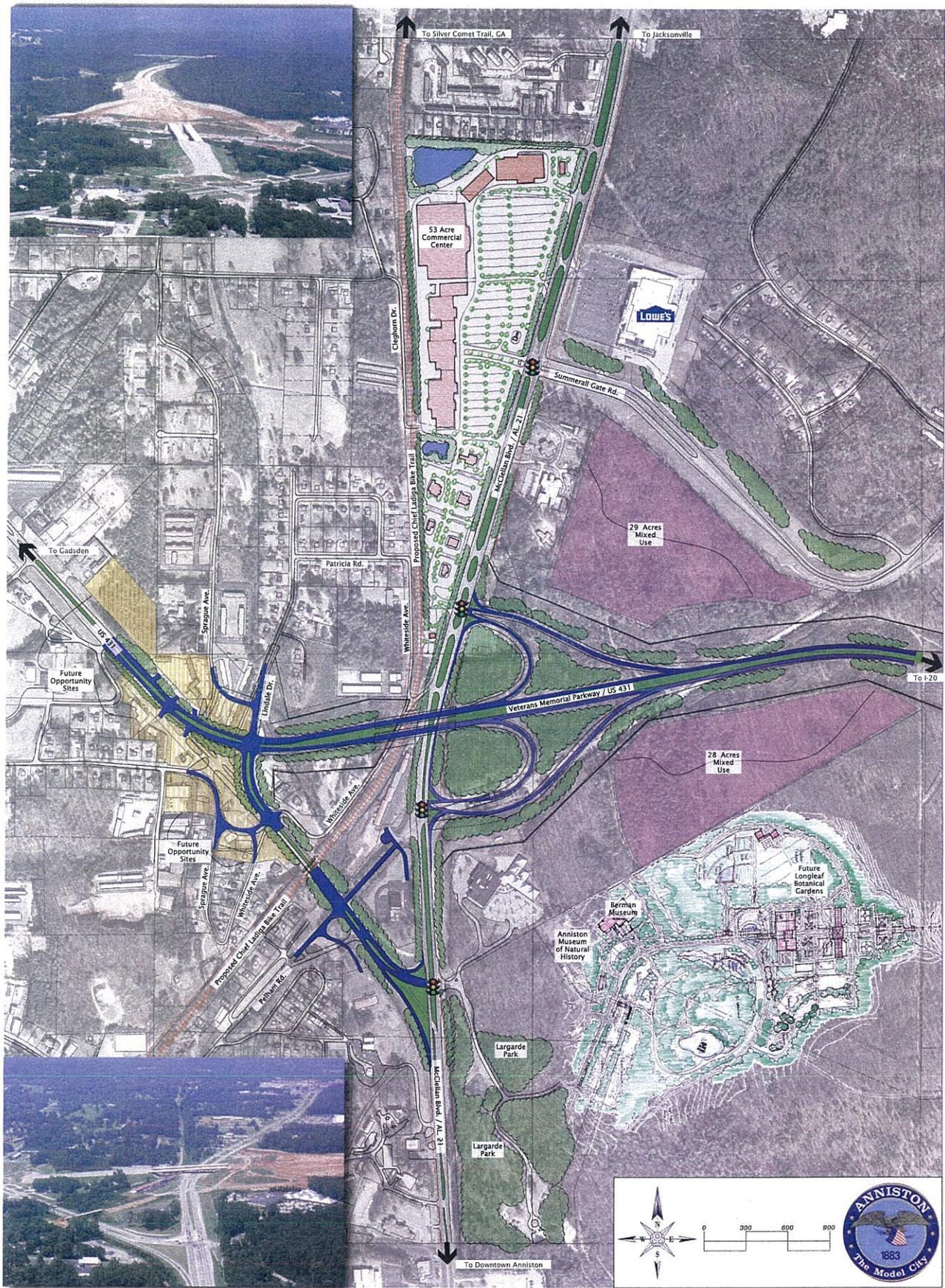
### **Economic Factors and Next Year's Budget**

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 and in 2011. Sales tax represents approximately 60 percent of the General Fund budget. In April 2012, the City's sales tax rate increased from 4% to 5%. It is projected that the total sales tax revenue increase will yield an additional \$4 million annually in the first full year of implementation, which is during the fiscal year 2013.

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 projected to be complete by the end of 2013. There are also multiple opportunities on the horizon for the City to make major strides in developing its eco-tourism core with continued work on the recently opened Coldwater Mountain bike trail network and completion of the Chief Ladiga Bike Trail, seven miles that will connect Anniston to Atlanta, GA.

A major budgetary concern going forward continues to be 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 Employment Benefits. Council action in 2011 to cap the amount of premiums collected from retired employees for health insurance directly resulted in \$4.35 million being added to the unfunded liability attributable to this program. In 2012, the State legislature passed an Act amending the City's Police and Fireman's (P&F) Retirement Fund. The City accepted the P&F Board's proposal to amend legislation which was fiscally attainable as a result of the Council's vote to increase the sales tax rate, and fund additional public contributions. Member contributions increased from 10% of pay to 14%. The additional net contribution of the City for FY 2013 is projected to be \$1.6 million or 36% of pay, up from 10%. Even with the additional sales tax revenue there will be continuing political dialogue as how to best address the City's current and future budgetary requirements, as well as the associated long term liabilities.

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](mailto:dmccullars@anniston.al.gov).



**VETERANS MEMORIAL PARKWAY**  
**NORTH ANNISTON DEVELOPMENT CENTER**  
 ANNISTON, AL

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF ANNISTON, ALABAMA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 11,168,966	\$ 11,168,966
Investments	6,739,927	6,739,927
Accounts receivable, net	307,371	307,371
Interest receivable	3,262	3,262
Taxes receivable, net	1,600,587	1,600,587
Notes receivable	82,135	82,135
Due from other governments	844,145	844,145
Inventory	47,933	47,933
Prepaid items	167,554	167,554
<b>Total current assets</b>	<b>20,961,880</b>	<b>20,961,880</b>
<b>Non Current Assets:</b>		
<b>Restricted Assets</b>		
Cash	32,282,187	32,282,187
Other Assets	364,658	364,658
<b>Capital Assets</b>		
Non-depreciable assets	24,523,612	24,523,612
Depreciable assets, net of accumulated depreciation	61,405,664	61,405,664
Deferred charges-bond issuance costs	-	-
<b>Total noncurrent assets</b>	<b>118,576,121</b>	<b>118,576,121</b>
<b>TOTAL ASSETS</b>	<b>139,538,001</b>	<b>139,538,001</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Salaries and benefits payable	-	-
Accounts payable	2,620,409	2,620,409
Accrued liabilities	922,721	922,721
Retainage payable	160,682	160,682
Unearned revenues	324,497	324,497
Capital leases payable-current	115,324	115,324
Bonds payable-current	240,000	240,000
Net other post employment benefits obligation	311,800	311,800
Intergovernmental agreement-current	118,739	118,739
Compensated absences payable	512,132	512,132
<b>Total current liabilities</b>	<b>5,326,304</b>	<b>5,326,304</b>
<b>Long-Term Liabilities:</b>		
Capital leases payable (net of current portion)	387,255	387,255
Compensated absences payable-long term	2,048,527	2,048,527
Net other post employment benefits obligation	2,296,000	2,296,000
Intergovernmental agreement-long term	394,990	394,990
Bonds payable (net of current portion)	37,945,120	37,945,120
<b>Total long term liabilities</b>	<b>43,071,892</b>	<b>43,071,892</b>
<b>TOTAL LIABILITIES</b>	<b>48,398,196</b>	<b>48,398,196</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	47,241,577	47,241,577
<b>Restricted for:</b>		
Public safety	6,714,578	6,714,578
Road improvements	1,528,253	1,528,253
Culture and recreation	27,307	27,307
Housing and development	1,973,322	1,973,322
Capital projects	28,097,753	28,097,753
<b>Other purposes:</b>		
Debt service	-	-
Grants	-	-
Endowment Fund	-	-
Unrestricted	5,557,015	5,557,015
<b>TOTAL NET ASSETS</b>	<b>\$ 91,139,805</b>	<b>\$ 91,139,805</b>

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
\$ 1,961,550	\$ 201,276	\$ 179,236	\$ 198,547	\$ 31,398	\$ 18,669	\$ 2,590,676
1,407,182	75,259	385,979	-	-	29,887	1,898,307
4,556,290	33	-	-	-	-	4,556,323
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,605	1,605
40,961	-	-	3,489	-	-	44,450
-	15,356	-	-	-	1,795	17,151
<u>7,965,983</u>	<u>291,924</u>	<u>565,215</u>	<u>202,036</u>	<u>31,398</u>	<u>51,956</u>	<u>9,108,512</u>
-	-	-	-	-	-	-
484	-	-	30	-	-	514
1,404,063	25,907	-	8,503,348	-	2,000	9,935,318
16,216,575	482,216	-	69,778	-	111,081	16,879,650
46,659	-	-	-	-	-	46,659
<u>17,667,781</u>	<u>508,123</u>	<u>-</u>	<u>8,573,156</u>	<u>-</u>	<u>113,081</u>	<u>26,862,141</u>
<u>25,633,764</u>	<u>800,047</u>	<u>565,215</u>	<u>8,775,192</u>	<u>31,398</u>	<u>165,037</u>	<u>35,970,653</u>
1,506,993	-	-	1,254	-	1,970	1,510,217
80,475	-	-	1,859	-	-	82,334
-	38,127	-	11	-	-	38,138
-	-	-	-	-	-	-
2,189,730	-	-	-	-	-	2,189,730
-	-	-	-	-	-	-
44,796	-	-	-	-	-	44,796
-	-	-	-	-	-	-
-	-	-	-	1,750	-	1,750
-	-	-	-	-	-	-
-	-	-	2,631	-	-	2,631
<u>3,821,994</u>	<u>38,127</u>	<u>-</u>	<u>5,755</u>	<u>1,750</u>	<u>1,970</u>	<u>3,869,596</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,701,295	-	-	-	-	-	2,701,295
<u>2,701,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,701,295</u>
<u>6,523,289</u>	<u>38,127</u>	<u>-</u>	<u>5,755</u>	<u>1,750</u>	<u>1,970</u>	<u>6,570,891</u>
14,874,547	508,123	-	8,573,126	-	113,081	24,068,877
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
185,366	-	21,369	-	-	-	206,735
1,350,521	-	-	-	-	-	1,350,521
6,876	-	-	-	-	-	6,876
-	75,259	-	-	-	-	75,259
2,693,165	178,538	543,846	196,311	29,648	49,986	3,691,494
<u>\$ 19,110,475</u>	<u>\$ 761,920</u>	<u>\$ 565,215</u>	<u>\$ 8,769,437</u>	<u>\$ 29,648</u>	<u>\$ 163,067</u>	<u>\$ 29,399,762</u>

**CITY OF ANNISTON, ALABAMA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

					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
<b>PRIMARY GOVERNMENT:</b>						
<b>Governmental Activities:</b>						
General Government	\$ 8,740,193	\$ 160,303	\$ -	\$ -	\$ (8,579,890)	\$ (8,579,890)
Judicial	641,686	-	-	-	(641,686)	(641,686)
Public Safety	12,732,597	5,557,140	858,617	-	(6,316,840)	(6,316,840)
Public Works	9,502,757	993,245	-	1,294,710	(7,214,802)	(7,214,802)
Housing and Development	6,867,080	1,324,043	278,091	-	(5,264,946)	(5,264,946)
Culture and Recreation	402,858	189,005	727,041	111,370	624,558	624,558
Interest on Debt	1,166,227	-	-	-	(1,166,227)	(1,166,227)
<b>Total Governmental Activities</b>	<b>40,053,398</b>	<b>8,223,736</b>	<b>1,863,749</b>	<b>1,406,080</b>	<b>(28,559,833)</b>	<b>(28,559,833)</b>
<b>Component Units</b>						
Anniston City School Board	\$ 24,348,297	\$ 1,714,746	\$ 16,177,093	\$ 458,196		
Public Library of Anniston/Calhoun County	1,243,946	41,063	849,379	301,750		
Anniston Industrial Dev. Board	-	-	-	-		
Farley L. Berman Foundation Inc.	181,294	37,884	284,301	-		
Anniston City Schools Foundation	88,867	-	112,017	-		
Spirit of Anniston	155,768	9,489	95,473	-		
<b>Total - Component Units</b>	<b>\$ 26,018,172</b>	<b>\$ 1,803,182</b>	<b>\$ 17,518,263</b>	<b>\$ 759,946</b>		
<b>GENERAL REVENUES:</b>						
Taxes:						
Property					\$ 5,761,700	\$ 5,761,700
Sales					17,155,798	17,155,798
Alcoholic Beverage					-	-
Other					2,242,916	2,242,916
Grants and contributions not restricted for specific programs					-	-
Interest Earned					281,056	281,056
Miscellaneous					-	-
<b>Total General Revenues</b>					<b>25,441,470</b>	<b>25,441,470</b>
<b>Change in Net Assets</b>					<b>(3,118,363)</b>	<b>(3,118,363)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>					<b>94,258,168</b>	<b>94,258,168</b>
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 91,139,805</b>	<b>\$ 91,139,805</b>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ (5,998,262)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,998,262)
-	(51,754)	-	-	-	-	(51,754)
-	-	-	140,891	-	-	140,891
-	-	-	-	23,150	-	23,150
-	-	-	-	-	(50,806)	(50,806)
\$ (5,998,262)	\$ (51,754)	\$ -	\$ 140,891	\$ 23,150	\$ (50,806)	\$ (5,936,781)
\$ 4,294,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,294,871
1,601,122	-	-	-	-	-	1,601,122
97,388	-	-	-	-	-	97,388
62,422	-	-	-	-	-	62,422
13,934	-	-	-	-	-	13,934
21,852	4,205	4,104	445	3	169	30,778
554,488	5,956	-	-	-	5,501	565,945
6,646,077	10,161	4,104	445	3	5,670	6,666,460
647,815	(41,593)	4,104	141,336	23,153	(45,136)	729,679
18,462,660	803,513	561,111	8,628,101	6,495	208,203	28,670,083
\$ 19,110,475	\$ 761,920	\$ 565,215	\$ 8,769,437	\$ 29,648	\$ 163,067	\$ 29,399,762

**CITY OF ANNISTON, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	<u>General</u>	<u>Public Building Authority</u>	<u>Recovery Zone Aquatic</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 1,660,606	\$ -	\$ -	\$ 9,508,360	\$ 11,168,966
Investments	5,050,615	-	-	1,689,312	6,739,927
Taxes receivable, net of allowances	1,593,143	-	-	7,444	1,600,587
Accounts receivable, net of allowances	192,505	-	9,720	105,146	307,371
Notes receivable	-	-	-	82,135	82,135
Prepaid items	156,089	-	-	11,465	167,554
Interest receivable	-	-	-	3,262	3,262
Due from other funds	3,754,350	-	-	720,568	4,474,918
Due from other governments	169,973	-	-	674,172	844,145
Due from component units	-	-	-	-	-
Inventories	47,933	-	-	-	47,933
Restricted cash	-	29,822,097	2,460,090	-	32,282,187
<b>TOTAL ASSETS</b>	<u>\$ 12,625,214</u>	<u>\$ 29,822,097</u>	<u>\$ 2,469,810</u>	<u>\$ 12,801,864</u>	<u>\$ 57,718,985</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 1,000,965	\$ 1,007,285	\$ 443,307	\$ 168,852	\$ 2,620,409
Retainage payable	-	47,569	113,113	-	160,682
Accrued liabilities	383,443	-	-	14,330	397,773
Due to other funds	370,445	669,490	519,071	2,915,912	4,474,918
Due to other governments	-	-	-	-	-
Deferred revenue	54,412	-	-	270,085	324,497
<b>TOTAL LIABILITIES</b>	<u>1,809,265</u>	<u>1,724,344</u>	<u>1,075,491</u>	<u>3,369,179</u>	<u>7,978,279</u>
<b>FUND BALANCES (DEFICIT):</b>					
<b>Nonspendable:</b>					
Prepaid items	156,089	-	-	11,465	167,554
Inventories	47,933	-	-	-	47,933
<b>Restricted for:</b>					
Public safety	-	-	-	6,714,578	6,714,578
Road improvements	-	-	-	1,528,253	1,528,253
Culture and recreation	-	-	-	27,307	27,307
Housing and development	-	-	1,394,319	579,003	1,973,322
Capital projects	-	28,097,753	-	-	28,097,753
<b>Committed for:</b>					
Culture and recreation	-	-	-	866,613	866,613
Capital projects	-	-	-	113,062	113,062
<b>Assigned for:</b>					
Housing and development	-	-	-	343,024	343,024
<b>Unassigned (deficit):</b>	<u>10,611,927</u>	<u>-</u>	<u>-</u>	<u>(750,620)</u>	<u>9,861,307</u>
<b>TOTAL FUND BALANCES</b>	<u>10,815,949</u>	<u>28,097,753</u>	<u>1,394,319</u>	<u>9,432,685</u>	<u>49,740,706</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 12,625,214</u>	<u>\$ 29,822,097</u>	<u>\$ 2,469,810</u>	<u>\$ 12,801,864</u>	<u>\$ 57,718,985</u>

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		\$ 49,740,706
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$ 175,814,473	
Less accumulated depreciation	<u>(89,885,197)</u>	85,929,276
Net other post employment benefits obligations are not due and payable in the current period and therefore not reported in the funds		
	<u>2,607,800</u>	(2,607,800)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.		
Compensated absences	2,560,659	
Intergovernmental agreement	513,729	
Bonds payable	38,610,000	
Capital leases	502,579	
Unamortized deferred items	(424,880)	
Unamortized bond issuance cost	(364,658)	
Accrued interest	<u>524,948</u>	<u>(41,922,377)</u>
 <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		 <u>\$ 91,139,805</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, 2011**

	<u>General</u>	<u>Public Building Authority</u>	<u>Recovery Zone Aquatic</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Taxes	\$ 23,882,515	\$ -	\$ -	\$ 1,277,899	\$ 25,160,414
Licenses and permits	3,907,091	-	-	-	3,907,091
Intergovernmental	109,600	-	111,370	2,135,045	2,356,015
Charges for services	2,282,694	-	-	252,460	2,535,154
Fines and forfeitures	16,044	-	-	1,402,765	1,418,809
Interest earned	125,450	68,518	11,792	75,296	281,056
Miscellaneous	160,303	-	-	202,379	362,682
<b>TOTAL REVENUES</b>	<b>30,483,697</b>	<b>68,518</b>	<b>123,162</b>	<b>5,345,844</b>	<b>36,021,221</b>
<b>EXPENDITURES:</b>					
Current:					
General government	7,518,670	-	-	40,147	7,558,817
Judicial	-	-	-	641,686	641,686
Public safety	11,063,844	-	-	1,494,803	12,558,647
Public works	6,792,746	-	-	36,808	6,829,554
Culture and recreation	5,567,778	-	-	1,144,805	6,712,583
Housing and development	-	-	-	655,545	655,545
Capital outlay	-	2,258,023	5,164,445	377,689	7,800,157
Debt service					
Principal	54,566	-	-	1,032,923	1,087,489
Interest	7,905	183,165	270,911	49,798	511,779
Bond issuance costs	-	365,967	132,380	-	498,347
Fiscal agent fees	-	-	-	5,672	5,672
<b>TOTAL EXPENDITURES</b>	<b>31,005,509</b>	<b>2,807,155</b>	<b>5,567,736</b>	<b>5,479,876</b>	<b>44,860,276</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(521,812)</b>	<b>(2,738,637)</b>	<b>(5,444,574)</b>	<b>(134,032)</b>	<b>(8,839,055)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	192,233	-	-	15,860	208,093
Issuance of debt	-	31,170,000	7,440,000	-	38,610,000
Original issue discount	-	(426,417)	(15,094)	-	(441,511)
Capital leases	557,145	-	-	-	557,145
Transfers in	897,326	92,807	169,262	1,918,211	3,077,606
Transfers out	(1,666,891)	-	(440,272)	(970,443)	(3,077,606)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(20,187)</b>	<b>30,836,390</b>	<b>7,153,896</b>	<b>963,628</b>	<b>38,933,727</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(541,999)</b>	<b>28,097,753</b>	<b>1,709,322</b>	<b>829,596</b>	<b>30,094,672</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>11,357,948</b>	<b>-</b>	<b>(315,003)</b>	<b>8,603,089</b>	<b>19,646,034</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 10,815,949</b>	<b>\$ 28,097,753</b>	<b>\$ 1,394,319</b>	<b>\$ 9,432,685</b>	<b>\$ 49,740,706</b>

See accompanying notes to the basic financial statements

**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, 2011**

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 30,094,672

**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	8,348,284	
Depreciation expense	(4,295,642)	4,052,642

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.

742,591

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.

Bond issuance	(38,610,000)	
Bond issuance cost	365,967	
Bond discounts	430,334	
Bond principal payment	920,000	
Amortization of bond issuance cost	(1,309)	
Amortization of bond discounts	(5,454)	
Capital leases	(557,145)	
Capital lease principal payment	54,566	
Contingent liability	500,000	
Intergovernmental agreement principal payment	112,923	(36,790,118)

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	(498,456)	
Compensated absences	(66,194)	(564,650)

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.

(653,500)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ (3,118,363)

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, 2011**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
Taxes				
Sales and use	\$ 16,992,000	\$ 16,992,000	\$ 16,909,260	\$ (82,740)
General property taxes	4,915,000	4,915,000	4,909,856	(5,144)
Beverage taxes	153,000	153,000	151,063	(1,937)
Anniston Housing Authority	5,000	5,000	5,409	409
Water utility fees	450,000	450,000	528,716	78,716
Cigarette and tobacco	310,000	310,000	292,156	(17,844)
Gasoline	360,000	360,000	370,146	10,146
Bingo	65,000	65,000	63,048	(1,952)
Lodging	120,000	120,000	102,224	(17,776)
Rental	420,000	420,000	421,722	1,722
Business	146,963	146,964	128,915	(18,049)
Total taxes	<u>23,936,963</u>	<u>23,936,964</u>	<u>23,882,515</u>	<u>(54,449)</u>
Licenses, permits and fees:				
Business licenses	2,950,000	2,950,000	2,993,291	43,291
Other license and penalties	858,850	858,850	913,800	54,950
Total licenses, permits and fees	<u>3,808,850</u>	<u>3,808,850</u>	<u>3,907,091</u>	<u>98,241</u>
Intergovernmental:				
Police Administration	-	-	9,600	9,600
PARD Grant	-	100,000	100,000	-
Total intergovernmental	<u>-</u>	<u>100,000</u>	<u>109,600</u>	<u>9,600</u>
Charges for services:				
Garbage fees	906,500	906,500	919,829	13,329
Airport revenues	59,340	59,340	59,434	94
Rental income	27,600	127,600	140,652	13,052
Recreation department fees	1,228,250	1,228,250	1,085,600	(142,650)
Public works receipts	27,500	27,500	59,399	31,899
Public safety receipts	26,916	26,916	17,390	(9,526)
Cemetery lots	-	-	390	390
Total charges for services	<u>2,276,106</u>	<u>2,376,106</u>	<u>2,282,694</u>	<u>(93,412)</u>
Fines and forfeitures:				
Police court fines and fees	18,000	18,000	16,044	(1,956)
Total fines and forfeitures	<u>18,000</u>	<u>18,000</u>	<u>16,044</u>	<u>(1,956)</u>
Other revenues:				
Interest on investments	100,000	100,000	125,450	25,450
Miscellaneous revenue	41,000	131,000	160,303	29,303
Total other revenues	<u>141,000</u>	<u>231,000</u>	<u>285,753</u>	<u>54,753</u>
<b>TOTAL REVENUES</b>	<u>30,180,919</u>	<u>30,470,920</u>	<u>30,483,697</u>	<u>12,777</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT</b>				
Finance division	820,017	830,017	835,513	(5,496)
General division	172,726	180,226	180,797	(571)
City Council	166,713	211,713	214,123	(2,410)
Building maintenance	943,267	951,267	954,378	(3,111)
Professional services	80,000	80,000	350,876	(270,876)
Utilities	41,000	41,000	39,056	1,944
Projects	799,813	799,813	933,590	(133,777)
Workman's compensation insurance	430,000	430,000	424,581	5,419
Employer funded health care	2,625,000	2,527,500	2,232,112	295,388
Other insurance	515,000	515,000	465,031	49,969
Other boards and agencies	713,450	713,450	718,988	(5,538)
Miscellaneous	88,750	88,750	169,625	(80,875)
<b>TOTAL GENERAL GOVERNMENT</b>	<u>7,395,736</u>	<u>7,368,736</u>	<u>7,518,670</u>	<u>(149,934)</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, 2011**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>PUBLIC SAFETY</b>				
Police	\$ 6,219,083	\$ 6,219,083	\$ 6,284,157	\$ (65,074)
Municipal court	492,919	492,919	442,106	50,813
Detention facilities	276,610	276,610	271,257	5,353
Fire	4,131,306	4,131,306	4,066,324	64,982
<b>TOTAL PUBLIC SAFETY</b>	<u>11,119,918</u>	<u>11,119,918</u>	<u>11,063,844</u>	<u>56,074</u>
<b>PUBLIC WORKS</b>				
General	221,062	521,102	969,193	(448,091)
Cemetery	139,892	144,892	144,829	63
Electrical	651,411	646,411	657,380	(10,969)
Engineering	191,968	384,968	375,495	9,473
Garage	200,757	200,757	221,641	(20,884)
Environmental services	1,283,962	1,210,962	1,134,814	76,148
Street department	2,911,688	2,891,708	3,003,539	(111,831)
Airport	36,500	36,500	31,632	4,868
Planning	259,152	259,846	254,223	5,623
<b>TOTAL PUBLIC WORKS</b>	<u>5,896,392</u>	<u>6,297,146</u>	<u>6,792,746</u>	<u>(495,600)</u>
<b>CULTURE AND RECREATION</b>				
Administration	725,795	746,834	730,153	16,681
Parks, facilities, and utilities	2,094,380	2,143,930	2,309,105	(165,175)
PARD programs	372,615	370,115	358,264	11,851
Park maintenance	463,948	488,948	478,452	10,496
Anniston/Calhoun County Library	550,000	550,000	550,000	-
Anniston City Board of Education	1,030,000	1,030,000	1,006,804	23,196
Berman Museum	135,000	135,000	135,000	-
<b>TOTAL CULTURE AND RECREATION</b>	<u>5,371,738</u>	<u>5,464,827</u>	<u>5,567,778</u>	<u>(102,951)</u>
<b>DEBT SERVICE</b>				
Principal	19,000	19,000	54,566	(35,566)
Interest	300	300	7,905	(7,605)
<b>TOTAL DEBT SERVICE</b>	<u>19,300</u>	<u>19,300</u>	<u>62,471</u>	<u>(43,171)</u>
<b>TOTAL EXPENDITURES</b>	<u>29,803,084</u>	<u>30,269,927</u>	<u>31,005,509</u>	<u>(735,582)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>377,835</u>	<u>200,993</u>	<u>(521,812)</u>	<u>(722,805)</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Proceeds from sale of capital assets	26,000	201,000	192,233	(8,767)
Capital lease	-	-	557,145	557,145
Transfers in	965,000	965,000	897,326	(67,674)
Transfers out	(1,368,835)	(1,368,835)	(1,666,891)	(298,056)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(377,835)</u>	<u>(202,835)</u>	<u>(20,187)</u>	<u>182,648</u>
Net change in fund balance	-	(1,842)	(541,999)	(540,157)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>11,357,948</u>	<u>11,357,948</u>	<u>11,357,948</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 11,357,948</u>	<u>\$ 11,356,106</u>	<u>\$ 10,815,949</u>	<u>\$ (540,157)</u>

See accompanying notes to the basic financial statements

CITY OF ANNISTON, ALABAMA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2011

	Municipal Court	Policemen's and Firemen's Retirement Fund
<b>ASSETS</b>		
Cash	\$ 43,838	\$ 490,859
Investments, at Fair Value:		
U.S. Government obligations	-	1,934,266
Municipal obligations	-	161,461
Corporate bonds	-	3,413,502
International obligations	-	243,474
Domestic equity securities	-	10,968,028
International equity securities	-	367,997
Timber	-	995,450
Real estate	-	938,564
Accounts receivable	-	158,902
<b>TOTAL ASSETS</b>	<b>\$ 43,838</b>	<b>\$ 19,672,503</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 43,838	\$ 43,908
<b>TOTAL LIABILITIES</b>	<b>43,838</b>	<b>43,908</b>
<b>NET ASSETS</b>		
Net Assets Held in Trust for Pension Benefits (a schedule of funding progress is presented as required supplementary information on page 48)	\$ -	\$ 19,628,595

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<b>Policemen's and Firemen's Retirement Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 766,659
Employees	766,659
Public utilities	445,704
Total Contributions	1,979,022
Investment earnings:	
Interest	216,328
Dividend	103,151
Net appreciation in fair value of investments	(100,380)
Loss on investment	(5,295)
Miscellaneous	3,010
Total Investment Earnings	216,814
Less: Investment expenses	(81,410)
Net Investment Income	135,404
Total Additions	2,114,426
<b>DEDUCTIONS</b>	
Benefits paid directly to participants	3,568,693
Administrative expenses	167,314
Total deductions	3,736,007
<b>NET DECREASE IN NET ASSETS</b>	(1,621,581)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
<b>NET ASSETS, BEGINNING OF YEAR</b>	21,250,176
<b>NET ASSETS, END OF YEAR</b>	\$ 19,628,595

See accompanying notes to the basic financial statements

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**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, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

**Discretely Presented Component Units**

<b>Component Unit</b>	<b>Included in the Reporting Entity Because</b>	<b>Separate Financial Statements</b>
The <b>Anniston City School Board</b> 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 <b>Public Library of Anniston and Calhoun County</b> 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 <b>Anniston Industrial Development Board</b> 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 <b>Farley L. Berman Foundation, Inc.</b> 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 <b>Anniston City Schools Foundation</b> 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 <b>Spirit of Anniston, Inc.</b> 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, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

**Blended Component Unit**

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The <b>Anniston Public Building Authority</b> was established to account for the construction and ongoing maintenance of City buildings. The Authority is fiscally dependent upon the City since the Authority cannot issue bonded debt directly.	The bonded debt must be issued through the City which the Council must approve.	Separate financial statements are not prepared.

**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, 2011.

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.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 fund financial statements, although the agency fund has no measurement focus. 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.

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 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 ***Public Building Authority Fund*** facilitates the construction and financing of major facilities for lease to the City funded by building revenue bonds.

The ***Recovery Zone Aquatic Fund*** accounts for the construction of an Aquatic and Fitness Center funded by a general obligation bond.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Fiduciary Fund Type**

The *agency fund* is used to account for the collection and disbursement of monies by the City Municipal Court, such as traffic fines.

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

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.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**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.

**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.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**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

Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable* - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted* - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed* - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.
- *Assigned* - Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager to assign fund balances.
- *Unassigned* - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**K. Fund Equity (Continued)**

- *Flow Assumptions* - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:
  - Committed
  - Assigned
  - Unassigned

Net Assets

Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**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.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**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, 2011.

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.

General Fund:

General Government	
Finance division	\$ 5,496
General division	571
City Council	2,410
Building maintenance	3,111
Professional services	270,876
Projects	133,777
Other boards and agencies	5,538
Miscellaneous	80,875
Public Safety	
Police	65,074
Public Works	
General	448,091
Electrical	10,969
Garage	20,884
Street department	111,831
Culture and Recreation	
Parks, facilities and utilities	165,175
Debt service	43,171

**CITY OF ANNISTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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, 2011, all of the deposits of the City were fully collateralized in accordance with the state statutes.

As of September 30, 2011, the City had the following deposits, classified as investments.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	270 Days	\$ 6,036,211
Government securities	10 years	701,216
Money market	N/A	2,500
		<u>\$ 6,739,927</u>

**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, 2011**

**NOTE 4. RECEIVABLES**

Receivables at September 30, 2011, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Recovery Zone Aquatic</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 1,593,143	\$ -	\$ 7,444	\$ 1,600,587
Accounts	192,505	9,720	226,276	428,501
Notes	-	-	82,135	82,135
Gross receivables	<u>1,785,648</u>	<u>9,720</u>	<u>315,855</u>	<u>2,111,223</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(121,130)</u>	<u>(121,130)</u>
Net total receivables	<u><u>\$ 1,785,648</u></u>	<u><u>\$ 9,720</u></u>	<u><u>\$ 194,725</u></u>	<u><u>\$ 1,990,093</u></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, 2011**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011 is as follows:

	<u>Balance</u> <u>9/30/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u> <u>9/30/2011</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 8,770,305	\$ 23,960	\$ 59,440	\$ -	\$ 8,734,825
Collections	8,329,797	-	-	-	8,329,797
Construction in progress	1,818,721	6,559,263	-	(918,994)	7,458,990
Total capital assets not being depreciated	<u>18,918,823</u>	<u>6,583,223</u>	<u>59,440</u>	<u>(918,994)</u>	<u>24,523,612</u>
Other capital assets:					
Buildings	30,580,423	628,424	-	-	31,208,847
Machinery and equipment	12,415,669	944,092	602,372	-	12,757,389
Improvements other than buildings	1,888,817	51,916	45,775	-	1,894,958
Infrastructure	103,456,230	1,054,443	-	918,994	105,429,667
Total other capital assets	<u>148,341,139</u>	<u>2,678,875</u>	<u>648,147</u>	<u>918,994</u>	<u>151,290,861</u>
Total capital assets	<u>167,259,962</u>	<u>9,262,098</u>	<u>707,587</u>	<u>-</u>	<u>175,814,473</u>
Accumulated depreciation:					
Buildings	16,485,218	838,380	-	-	17,323,598
Machinery and equipment	8,961,477	719,481	529,879	-	9,151,079
Improvements other than buildings	140,144	62,311	6,485	-	195,970
Infrastructure	60,539,080	2,675,470	-	-	63,214,550
Total accumulated depreciation	<u>86,125,919</u>	<u>4,295,642</u>	<u>536,364</u>	<u>-</u>	<u>89,885,197</u>
Governmental activities capital assets, net	<u>\$ 81,134,043</u>	<u>\$ 4,966,456</u>	<u>\$ 171,223</u>	<u>\$ -</u>	<u>\$ 85,929,276</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 607,318
Public safety	462,275
Public works	2,877,418
Housing and development	101,318
Culture and recreation	247,313
	<u>\$ 4,295,642</u>

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 5. CAPITAL ASSETS (Continued)**

	<b>Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>
	<b>9/30/2010</b>	<b>9/30/2011</b>	<b>9/30/2011</b>	<b>9/30/2011</b>
Component units:				
Capital assets not being depreciated:				
Land	\$ 1,406,063	\$ -	\$ -	\$ 1,406,063
Collections	8,417,105	112,150	-	8,529,255
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>9,823,168</u>	<u>112,150</u>	<u>-</u>	<u>9,935,318</u>
Other capital assets:				
Buildings	17,049,632	-	-	17,049,632
Building improvements	15,070,169	-	-	15,070,169
Vehicles	443,011	173,437	-	616,448
Machinery and equipment	<u>3,438,753</u>	<u>138,819</u>	<u>244,119</u>	<u>3,333,453</u>
Total other capital assets	<u>36,001,565</u>	<u>312,256</u>	<u>244,119</u>	<u>36,069,702</u>
Total capital assets	<u>45,824,733</u>	<u>424,406</u>	<u>244,119</u>	<u>46,005,020</u>
Accumulated depreciation:				
Buildings	10,392,126	331,290	-	10,723,416
Building improvements	5,275,137	509,282	-	5,784,419
Vehicles	427,639	13,029	-	440,668
Machinery and equipment	<u>2,137,243</u>	<u>157,011</u>	<u>52,705</u>	<u>2,241,549</u>
Total accumulated depreciation	<u>18,232,145</u>	<u>1,010,612</u>	<u>52,705</u>	<u>19,190,052</u>
Component units capital assets, net	<u>\$ 27,592,588</u>	<u>\$ (586,206)</u>	<u>\$ 191,414</u>	<u>\$ 26,814,968</u>

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 6. LONG-TERM DEBT**

**Primary Government**

Long-term liability activity for the year ended September 30, 2011 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>	<b>Due In More Than One Year</b>
<b>Governmental activities:</b>						
Bonds and warrants	\$ 920,000	\$ 38,610,000	\$ 920,000	\$ 38,610,000	\$ 240,000	\$ 38,370,000
Less deferred amounts						
Unamortized refunding	-	(3,917)	-	(3,917)	-	-
Unamortized discount	-	(426,417)	(5,454)	(420,963)	-	-
Total bonds and warrants	920,000	38,179,666	914,546	38,185,120	240,000	38,370,000
Intergovernmental						
Agreement	626,652	-	112,923	513,729	118,739	394,990
Capital lease payable	-	557,145	54,566	502,579	115,324	387,255
Contingent grant liability	500,000	-	500,000	-	-	-
Compensated absences	2,494,465	1,720,356	1,654,162	2,560,659	512,132	2,048,527
Net OPEB Obligation	1,954,300	967,400	313,900	2,607,800	311,800	2,296,000
Governmental activities long-term liabilities	<u>\$ 6,495,417</u>	<u>\$ 41,424,567</u>	<u>\$ 3,550,097</u>	<u>\$ 44,369,887</u>	<u>\$ 1,297,995</u>	<u>\$ 43,496,772</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 will be paid by the General Fund.

**Governmental Activities:**

**Bonds and Warrants.**

During the fiscal year ended September 30, 2011, the City issued the Series 2010 general obligation bonds for purposes of (a) financing the costs of capital improvements for the City, (b) refunding of the 1998 issuance, (c) paying the expenses of issuing the bonds. The bonds are direct obligations of the City, and full faith and credit of the City is pledged against the bonds. The 2010 Series General Obligation Warrants are due semi-annually at rates ranging from 4.2% - 5.3% per annum, maturing March 1, 2035. The balance at September 30, 2011 was \$7,440,000. The carrying amount of the old debt exceeded the reacquisition price by \$19,012. This amount is being netted against the new debt and amortized over the life of the new debt, which is longer than the refunded debt. The transaction also resulted in an economic gain of \$3,917 and a reduction of \$19,707 in future debt service payments.

**CITY OF ANNISTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 6. LONG-TERM DEBT (Continued)**

**Primary Government (Continued)**

**Governmental Activities: (Continued)**

**Bonds and Warrants. (Continued)**

During the year ended September 30, 2011, The City issued bonds through the Public Building Authority of the City of Anniston in the amount of \$16,170,000 for the DHR Building Project. The proceeds from the bonds are to be used for construction of a building and pay certain costs incurred in connection with the execution and delivery of the bonds. The bonds are limited obligations of the City and are payable solely from the rent received on the building. The 2011 Series DHR Building Revenue Bonds are due semi-annually at rates ranging from 2.0% - 5.5% per annum, maturing May 1, 2033.

During the year ended September 30, 2011, the City issued bonds through the Public Building Authority of the City of Anniston in the amount of \$15,000,000 for the Judicial Center Project. The proceeds from the bonds are to be used for construction of a building and pay certain costs incurred in connection with the execution and delivery of the bonds. The bonds are limited obligations of the City and are payable solely from the rent received on the building. The 2011 Series Judicial Center Building Revenue Bonds are due semi-annually at rates ranging from 2.25% - 5.00% per annum, maturing March 1, 2043.

Annual debt service requirements to amortize bonds and warrants outstanding, as of September 30, 2011 follow:

<b>Fiscal Year Ended September 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 240,000	\$ 1,769,143	\$ 2,009,143
2013	245,000	1,708,659	1,953,659
2014	1,070,000	1,699,784	2,769,784
2015	1,095,000	1,674,209	2,769,209
2016	1,125,000	1,646,784	2,771,784
2017-2021	6,140,000	7,703,250	13,843,250
2022-2026	7,290,000	6,395,912	13,685,912
2027-2031	9,020,000	4,507,406	13,527,406
2032-2036	6,880,000	2,139,895	9,019,895
2037-2041	3,730,000	92,897	3,822,897
2042-2043	1,775,000	89,875	1,864,875
Total	<u>\$ 38,610,000</u>	<u>\$ 29,427,814</u>	<u>\$ 68,037,814</u>

**CITY OF ANNISTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 6. LONG-TERM DEBT (Continued)**

**Primary Government (Continued)**

**Governmental Activities: (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, 2011 was \$513,729.

Annual debt service requirements to amortize the intergovernmental agreement outstanding, as of September 30, 2011 follow:

<b>Fiscal Year Ended</b> <b>September 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	<u>\$ 513,729</u>	<u>\$ 70,267</u>	<u>\$ 583,996</u>

**Capital Leases.**

The City has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of leased assets under capital leases as of September 30, 2011:

	<b>Governmental Activities</b>
Equipment	\$ 557,145
Less: Accumulated depreciation	(57,289)
	<u>\$ 499,856</u>

**CITY OF ANNISTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 6. LONG-TERM DEBT (Continued)**

**Primary Government (Continued)**

**Governmental Activities: (Continued)**

**Capital Leases. (Continued)**

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of September 30, 2011:

	<b>Governmental Activities</b>
Fiscal year ending June 30,	
2012	\$ 131,862
2013	135,874
2014	126,357
2015	126,357
2016	26,064
Total minimum lease payments	546,514
Less amount representing interest	(43,935)
Present value of future minimum lease payments	\$ 502,579

**Component Unit: Anniston City School Board**

Long-term liability activity for the year ended September 30, 2011 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>	<b>Due In More Than One Year</b>
<b>Governmental activities:</b>						
2003 Pool Bonds	\$ 789,111	\$ -	\$ 43,020	\$ 746,091	\$ 44,796	\$ 701,295
QZAB	2,000,000	-	-	2,000,000	-	2,000,000
Governmental activities long-term liabilities	\$ 2,789,111	\$ -	\$ 43,020	\$ 2,746,091	\$ 44,796	\$ 2,701,295

**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.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 6. LONG-TERM DEBT (Continued)**

**Component Unit: Anniston City School Board (Continued)**

Annual debt service requirements to amortize bonds and warrants outstanding, as of September 30, 2011 follow:

<b>Year</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	52,665	22,046	74,711
2017-2021	297,793	75,052	372,845
2022-2024	205,044	13,230	218,274
Total	\$ 746,091	\$ 218,997	\$ 965,088

**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, 2011**

**NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Recovery Zone Acquatic	\$ 519,071
General Fund	Public Building Authority	669,490
General Fund	Nonmajor Governmental Funds	2,565,789
Nonmajor Governmental Funds	General Fund	370,445
Nonmajor Governmental Funds	Nonmajor Governmental Funds	350,123
		<u>\$ 4,474,918</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, 2011 were:

<u>Transfers In</u>	<u>Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Recovery Zone Acquatic</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ 897,326	\$ 897,326
Recovery Zone Acquatic	169,262	-	-	169,262
Public Building Authority	92,807	-	-	92,807
Nonmajor Governmental Funds	1,404,822	440,272	73,117	1,918,211
Total	<u>\$ 1,666,891</u>	<u>\$ 440,272</u>	<u>\$ 970,443</u>	<u>\$ 3,077,606</u>

These transfers were used to assist other funds in meeting operating requirements for the year ended September 30, 2011.

**CITY OF ANNISTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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 Policemen's and Firemen's 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, 2011. All contributions have been made.

Fiscal Period	Contributions		
Ending	Employer	Employee	Total
September 30, 2011	\$ 521,091	\$ 374,885	\$ 895,976

**CITY OF ANNISTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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, 2011**

**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, 2009	504,548	100%	-
September 30, 2010	480,413	100%	-

As of the most recent valuation date, September 30, 2010, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	Unfunded (1)-(2)	Annual Covered Payroll	Percentage of Covered Payroll
9/30/2010	\$ 19,237,752	\$ 25,815,284	74.5%	\$ (6,577,532)	\$ 7,367,995	-89.3%

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, 2011**

**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, 2011. All contributions have been made.

Fiscal Period Ending	Contributions			
	Employer	Employee	Utilities	Total
September 30, 2011	\$ 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, 2011**

**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)	Unfunded (1)-(2)	Annual Covered Payroll	Percentage of 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, 2011**

**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, 2011.

Active members	377
Retired members	<u>66</u>
Total	<u><u>443</u></u>

Contributions

The City contributed \$313,900 to the OPEB Health Care Plan in fiscal year 2011. 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	\$ 970,600
Annual OPEB Cost	<u>970,600</u>
Interest on net OPEB obligation	78,200
Adjustment on net OPEB obligation	(81,400)
Actual Contribution	<u>(313,900)</u>
Increase in net OPEB obligation	653,500
Net OPEB obligation, September 30, 2010	<u>1,954,300</u>
Net OPEB obligation, September 30, 2011	<u><u>\$ 2,607,800</u></u>

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
2011	967,400	313,900	32.45%	2,607,800

**CITY OF ANNISTON, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 9. OTHER POST EMPLOYMENT BENEFITS (Continued)**

*Funding Status and Funding Progress*

As of October 1, 2011, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (1)-(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
10/1/2011	\$ -	\$ 13,679,400	0.0%	\$ (13,679,400)	\$ -	0.0%

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, 2011. The assumptions used in the October 1, 2011 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.

**CITY OF ANNISTON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**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.

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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF ANNISTON, ALABAMA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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%
9/30/2009	19,744,665	24,077,674	82.00%	(4,333,009)	7,466,202	-58.03%
9/30/2010	19,237,752	25,815,284	74.52%	(6,577,532)	7,367,995	-89.27%

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%
10/1/2011	-	13,679,400	0.00%	(13,679,400)	N/A	0.00%

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**

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**CITY OF ANNISTON, ALABAMA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Improvement Funds	
<b>ASSETS</b>				
Cash	\$ -	\$ 9,508,360	\$ -	\$ 9,508,360
Investments	-	1,689,312	-	1,689,312
Taxes receivable, net of allowance	-	7,444	-	7,444
Accounts receivable	-	105,146	-	105,146
Notes receivable	-	82,135	-	82,135
Prepaid items	-	11,465	-	11,465
Interest receivable	-	3,262	-	3,262
Due from other funds	-	607,506	113,062	720,568
Due from other governments	-	495,153	179,019	674,172
Total assets	<u>\$ -</u>	<u>\$ 12,509,783</u>	<u>\$ 292,081</u>	<u>\$ 12,801,864</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ 168,852	\$ -	\$ 168,852
Accrued liabilities	-	14,330	-	14,330
Deferred revenue	-	270,085	-	270,085
Due to other funds	-	2,736,893	179,019	2,915,912
Total liabilities	<u>-</u>	<u>3,190,160</u>	<u>179,019</u>	<u>3,369,179</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable				
Prepaid items	-	11,465	-	11,465
Restricted for:				
Public safety	-	6,714,578	-	6,714,578
Road improvements	-	1,528,253	-	1,528,253
Culture and recreation	-	27,307	-	27,307
Housing and development	-	579,003	-	579,003
Culture & recreation	-	866,613	-	866,613
Capital projects	-	-	113,062	113,062
Assigned for:				
Housing and development	-	343,024	-	343,024
Unassigned	-	(750,620)	-	(750,620)
Total fund balances (deficit)	<u>-</u>	<u>9,319,623</u>	<u>113,062</u>	<u>9,432,685</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 12,509,783</u>	<u>\$ 292,081</u>	<u>\$ 12,801,864</u>

**CITY OF ANNISTON, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	Nonmajor Debt Service Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Improvement Fund	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 1,754,149	\$ 380,896	\$ 2,135,045
Fines and forfeitures	-	1,402,765	-	1,402,765
Charges for services	-	252,460	-	252,460
Taxes	-	1,277,899	-	1,277,899
Interest earned	-	75,296	-	75,296
Miscellaneous	-	202,379	-	202,379
<b>TOTAL REVENUES</b>	<b>-</b>	<b>4,964,948</b>	<b>380,896</b>	<b>5,345,844</b>
<b>EXPENDITURES</b>				
General government	-	40,147	-	40,147
Judicial	-	641,686	-	641,686
Public safety	-	1,494,803	-	1,494,803
Public works	-	36,808	-	36,808
Culture and recreation	-	1,144,805	-	1,144,805
Housing and development	-	655,545	-	655,545
Capital outlay	-	-	377,689	377,689
Debt service:				
Principal	1,032,923	-	-	1,032,923
Interest	49,798	-	-	49,798
Fiscal agent fees	5,672	-	-	5,672
<b>TOTAL EXPENDITURES</b>	<b>1,088,393</b>	<b>4,013,794</b>	<b>377,689</b>	<b>5,479,876</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,088,393)</b>	<b>951,154</b>	<b>3,207</b>	<b>(134,032)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	15,860	-	15,860
Transfers in	1,088,393	749,576	80,242	1,918,211
Transfers out	-	(905,465)	(64,978)	(970,443)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,088,393</b>	<b>(140,029)</b>	<b>15,264</b>	<b>963,628</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>811,125</b>	<b>18,471</b>	<b>829,596</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>-</b>	<b>8,508,498</b>	<b>94,591</b>	<b>8,603,089</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 9,319,623</b>	<b>\$ 113,062</b>	<b>\$ 9,432,685</b>

**CITY OF ANNISTON, ALABAMA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	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
<b>ASSETS</b>							
Cash	\$ 724,277	\$ 135,329	\$ 165,934	\$ 1,005,582	\$ 21,705	\$ -	\$ -
Investments	158,061	-	-	-	-	-	-
Taxes receivable	-	-	7,444	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Interest receivable	3,262	-	-	-	-	-	-
Prepaid items	11,465	-	-	-	-	-	-
Due from other funds	-	-	228,361	120,932	121,961	-	-
Due from other governments	-	5,750	-	-	222,604	-	-
Due from component units	-	-	-	-	-	-	-
Total assets	<u>\$ 897,065</u>	<u>\$ 141,079</u>	<u>\$ 401,739</u>	<u>\$ 1,126,514</u>	<u>\$ 366,270</u>	<u>\$ -</u>	<u>\$ -</u>
<b>BALANCES</b>							
Liabilities							
Accounts payable	\$ 5,178	\$ -	\$ -	\$ -	\$ 21,725	\$ -	\$ -
Accrued liabilities	13,809	-	-	-	521	-	-
Due to component unit	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	-	396,565	-	-	-	-	-
Deferred revenue	-	-	-	-	1,000	-	-
Total liabilities	<u>18,987</u>	<u>396,565</u>	<u>-</u>	<u>-</u>	<u>23,246</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid items	11,465	-	-	-	-	-	-
Restricted for:							
Public safety	-	-	-	-	-	-	-
Road improvements	-	-	401,739	1,126,514	-	-	-
Court activities	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-	-
Committed for:							
Culture and recreation	866,613	-	-	-	-	-	-
Assigned for:							
Housing and development	-	-	-	-	343,024	-	-
Unassigned	-	(255,486)	-	-	-	-	-
Total fund balances (deficit)	<u>878,078</u>	<u>(255,486)</u>	<u>401,739</u>	<u>1,126,514</u>	<u>343,024</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 897,065</u>	<u>\$ 141,079</u>	<u>\$ 401,739</u>	<u>\$ 1,126,514</u>	<u>\$ 366,270</u>	<u>\$ -</u>	<u>\$ -</u>

							Special Revenue Funds	
Federal Seized Assets Agency Fund	State Seized Assets Fund	Public Safety Grant Fund	Bulletproof Vest Grant Fund	Airport Grant 2007 Fund	Airport Grant 2009 Fund	JAG Recovery Act Grant Fund		
\$ 133,939	\$ 2,861	\$ -	\$ -	\$ -	\$ -	\$ 57,171		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	1,158	-	-	-	-		
-	-	43,821	249	-	107,436	-		
-	-	-	-	-	-	-		
<u>\$ 133,939</u>	<u>\$ 2,861</u>	<u>\$ 44,979</u>	<u>\$ 249</u>	<u>\$ -</u>	<u>\$ 107,436</u>	<u>\$ 57,171</u>		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,427	\$ -		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
28,325	-	53,622	1,455	-	12,702	62,609		
-	-	-	-	-	-	-		
<u>28,325</u>	<u>-</u>	<u>53,622</u>	<u>1,455</u>	<u>-</u>	<u>80,129</u>	<u>62,609</u>		
-	-	-	-	-	-	-		
105,614	2,861	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	27,307	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	(8,643)	(1,206)	-	-	(5,438)		
<u>105,614</u>	<u>2,861</u>	<u>(8,643)</u>	<u>(1,206)</u>	<u>-</u>	<u>27,307</u>	<u>(5,438)</u>		
<u>\$ 133,939</u>	<u>\$ 2,861</u>	<u>\$ 44,979</u>	<u>\$ 249</u>	<u>\$ -</u>	<u>\$ 107,436</u>	<u>\$ 57,171</u>		

continued

**CITY OF ANNISTON, ALABAMA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	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	Cemetery Fund
<b>ASSETS</b>							
Cash	\$ 2,058	\$ 460,919	\$ 205	\$ 89,465	\$ -	\$ 91,128	\$ -
Investments	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-
Accounts receivable	-	105,093	-	-	-	-	-
Notes receivable	-	-	-	82,135	-	-	-
Interest receivable	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Due from other funds	-	13,333	-	-	-	-	-
Due from other governments	-	-	-	565	-	-	-
<b>Total assets</b>	<b>\$ 2,058</b>	<b>\$ 579,345</b>	<b>\$ 205</b>	<b>\$ 172,165</b>	<b>\$ -</b>	<b>\$ 91,128</b>	<b>\$ -</b>
<b>BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 342	\$ -	\$ 5,000	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-	-
Due to other funds	2,573	-	205	132,762	-	91,032	431,600
Deferred revenue	-	-	-	82,135	-	96	-
<b>Total liabilities</b>	<b>2,573</b>	<b>342</b>	<b>205</b>	<b>219,897</b>	<b>-</b>	<b>91,128</b>	<b>431,600</b>
<b>FUND BALANCES</b>							
<b>Nonspendable</b>							
Prepaid items	-	-	-	-	-	-	-
<b>Restricted for:</b>							
Public safety	-	-	-	-	-	-	-
Road improvements	-	-	-	-	-	-	-
Court activities	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Housing and development	-	579,003	-	-	-	-	-
<b>Committed for:</b>							
Culture and recreation	-	-	-	-	-	-	-
<b>Assigned for:</b>							
Housing and development	-	-	-	-	-	-	-
Unassigned	(515)	-	-	(47,732)	-	-	(431,600)
<b>Total fund balances (deficit)</b>	<b>(515)</b>	<b>579,003</b>	<b>-</b>	<b>(47,732)</b>	<b>-</b>	<b>-</b>	<b>(431,600)</b>
<b>TOTAL LIABILITIES AND FUND</b>							
<b>BALANCES</b>	<b>\$ 2,058</b>	<b>\$ 579,345</b>	<b>\$ 205</b>	<b>\$ 172,165</b>	<b>\$ -</b>	<b>\$ 91,128</b>	<b>\$ -</b>

Special Revenue Funds				
Fire District Tax Fund	Drug Task Force Fund	Drug Task Force Office Fund	Corrections Fund	Nonmajor Special Revenue Funds
\$ 3,922,257	\$ -	\$ 255,737	\$ 2,439,793	\$ 9,508,360
1,158,230	-	12,010	361,011	1,689,312
-	-	-	-	7,444
-	-	-	53	105,146
-	-	-	-	82,135
-	-	-	-	3,262
-	-	-	-	11,465
-	121,761	-	-	607,506
19,134	95,594	-	-	495,153
<u>\$ 5,099,621</u>	<u>\$ 217,355</u>	<u>\$ 267,747</u>	<u>\$ 2,800,857</u>	<u>\$ 12,509,783</u>
\$ 11,479	\$ 57,701	\$ -	\$ -	\$ 168,852
-	-	-	-	14,330
476,725	159,654	121,761	765,303	2,736,893
-	-	186,854	-	270,085
<u>488,204</u>	<u>217,355</u>	<u>308,615</u>	<u>765,303</u>	<u>3,190,160</u>
-	-	-	-	11,465
4,611,417	-	(40,868)	2,035,554	6,714,578
-	-	-	-	1,528,253
-	-	-	-	-
-	-	-	-	27,307
-	-	-	-	579,003
-	-	-	-	866,613
-	-	-	-	343,024
-	-	-	-	(750,620)
<u>4,611,417</u>	<u>-</u>	<u>(40,868)</u>	<u>2,035,554</u>	<u>9,319,623</u>
<u>\$ 5,099,621</u>	<u>\$ 217,355</u>	<u>\$ 267,747</u>	<u>\$ 2,800,857</u>	<u>\$ 12,509,783</u>

**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, 2011**

	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
<b>REVENUES</b>							
Intergovernmental	\$ 72,212	\$ -	\$ -	\$ -	\$ 637,576	\$ 9,676	\$ -
Fines and forfeitures	-	-	-	-	-	-	1,041,259
Charges for services	238,443	-	14,017	-	-	-	-
Taxes	25,000	116,476	130,062	154,517	-	-	-
Interest earned	2,016	131	160	1,768	2,208	-	503
Miscellaneous	128,932	-	-	-	249	-	-
<b>TOTAL REVENUES</b>	<b>466,603</b>	<b>116,607</b>	<b>144,239</b>	<b>156,285</b>	<b>640,033</b>	<b>9,676</b>	<b>1,041,762</b>
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	641,686
Public safety	-	-	-	-	-	9,676	-
Public works	-	36,808	-	-	-	-	-
Culture and recreation	1,073,648	-	-	-	-	-	-
Public facilities	-	-	-	-	-	-	-
Housing and development	-	-	-	-	387,636	-	-
Capital outlay	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,073,648</b>	<b>36,808</b>	<b>-</b>	<b>-</b>	<b>387,636</b>	<b>9,676</b>	<b>641,686</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(607,045)</b>	<b>79,799</b>	<b>144,239</b>	<b>156,285</b>	<b>252,397</b>	<b>-</b>	<b>400,076</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from note payable	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-
Transfers in	525,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(408,673)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>525,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(408,673)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(82,045)</b>	<b>79,799</b>	<b>144,239</b>	<b>156,285</b>	<b>252,397</b>	<b>-</b>	<b>(8,597)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>960,123</b>	<b>(335,285)</b>	<b>257,500</b>	<b>970,229</b>	<b>90,627</b>	<b>-</b>	<b>8,597</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 878,078</b>	<b>\$ (255,486)</b>	<b>\$ 401,739</b>	<b>\$ 1,126,514</b>	<b>\$ 343,024</b>	<b>\$ -</b>	<b>\$ -</b>

Special Revenue Funds						
Federal Seized Assets Fund	State Seized Assets Fund	Public Safety Grant Fund	Bulletproof Vest Grant Fund	Airport Grant 2007 Fund	Airport Grant 2009 Fund	JAG Recovery Act Grant Fund
\$ -	\$ -	\$ 156,441	\$ 4,474	\$ 59,910	\$ 145,969	\$ 12,783
-	165	-	-	-	-	-
-	-	-	-	-	-	-
235	29	-	-	-	-	26
-	-	-	-	-	-	-
<u>235</u>	<u>194</u>	<u>156,441</u>	<u>4,474</u>	<u>59,910</u>	<u>145,969</u>	<u>12,809</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
28,325	-	165,084	9,115	-	-	18,247
-	-	-	-	-	-	-
-	-	-	-	62,081	-	-
-	-	-	-	-	124,140	-
-	-	-	-	-	-	-
<u>28,325</u>	<u>-</u>	<u>165,084</u>	<u>9,115</u>	<u>62,081</u>	<u>124,140</u>	<u>18,247</u>
(28,090)	194	(8,643)	(4,641)	(2,171)	21,829	(5,438)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	4,474	2,171	5,478	-
-	-	-	-	-	-	-
-	-	-	4,474	2,171	5,478	-
(28,090)	194	(8,643)	(167)	-	27,307	(5,438)
<u>133,704</u>	<u>2,667</u>	<u>-</u>	<u>(1,039)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 105,614</u>	<u>\$ 2,861</u>	<u>\$ (8,643)</u>	<u>\$ (1,206)</u>	<u>\$ -</u>	<u>\$ 27,307</u>	<u>\$ (5,438)</u>

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, 2011**

	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	Cemetery Fund
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ 89,465	\$ -	\$ 91,032	\$ -
Fines and forfeitures	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Interest earned	3	8,143	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>3</b>	<b>8,143</b>	<b>-</b>	<b>89,465</b>	<b>-</b>	<b>91,032</b>	<b>-</b>
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	40,147
Judicial	-	-	-	-	-	-	-
Public safety	-	-	7,125	-	-	91,032	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	9,076	-	-
Public facilities	-	-	-	-	-	-	-
Housing and development	-	6,572	-	137,197	-	-	-
Capital outlay	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>6,572</b>	<b>7,125</b>	<b>137,197</b>	<b>9,076</b>	<b>91,032</b>	<b>40,147</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3</b>	<b>1,571</b>	<b>(7,125)</b>	<b>(47,732)</b>	<b>(9,076)</b>	<b>-</b>	<b>(40,147)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from sale of assets	-	-	8,550	-	-	-	-
Transfers in	-	-	-	-	9,076	-	-
Transfers out	-	-	(1,365)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>7,185</b>	<b>-</b>	<b>9,076</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3</b>	<b>1,571</b>	<b>60</b>	<b>(47,732)</b>	<b>-</b>	<b>-</b>	<b>(40,147)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>(518)</b>	<b>577,432</b>	<b>(60)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(391,453)</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ (515)</b>	<b>\$ 579,003</b>	<b>\$ -</b>	<b>\$ (47,732)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (431,600)</b>

Special Revenue Funds				Total
Fire District Tax Fund	Drug Task Force Fund	Drug Task Force Office Fund	Corrections Fund	Nonmajor Special Revenue Funds
\$ -	\$ 437,608	\$ 37,003	\$ -	\$ 1,754,149
-	-	51,310	310,031	1,402,765
-	-	-	-	252,460
851,844	-	-	-	1,277,899
48,916	-	365	10,793	75,296
-	-	73,198	-	202,379
<u>900,760</u>	<u>437,608</u>	<u>161,876</u>	<u>320,824</u>	<u>4,964,948</u>
-	-	-	-	40,147
-	-	-	-	641,686
407,448	640,985	117,328	438	1,494,803
-	-	-	-	36,808
-	-	-	-	1,144,805
-	-	-	-	-
-	-	-	-	655,545
-	-	-	-	-
<u>407,448</u>	<u>640,985</u>	<u>117,328</u>	<u>438</u>	<u>4,013,794</u>
<u>493,312</u>	<u>(203,377)</u>	<u>44,548</u>	<u>320,386</u>	<u>951,154</u>
7,310	-	-	-	15,860
-	203,377	-	-	749,576
<u>(7,310)</u>	<u>-</u>	<u>(73,117)</u>	<u>(415,000)</u>	<u>(905,465)</u>
-	203,377	(73,117)	(415,000)	(140,029)
493,312	-	(28,569)	(94,614)	811,125
<u>4,118,105</u>	<u>-</u>	<u>(12,299)</u>	<u>2,130,168</u>	<u>8,508,498</u>
<u>\$ 4,611,417</u>	<u>\$ -</u>	<u>\$ (40,868)</u>	<u>\$ 2,035,554</u>	<u>\$ 9,319,623</u>

## **COMPLIANCE SECTION**

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**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***

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**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, 2011, which collectively comprise the City of Anniston, Alabama's basic financial statements and have issued our report thereon dated November 6, 2012. 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. As discussed in our report and Note 1, the City of Anniston, Alabama implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of October 1, 2010. 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 98% and 99%, 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 2% and 1% of the assets and revenues, respectively, of the City's aggregate discretely presented component units.

**Internal Control Over Financial Reporting**

Management of the City of Anniston, Alabama is responsible for establishing and maintaining effective 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.

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

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*.

We noted certain matters that we reported to the management of the City of Anniston, Alabama in a separate letter dated November 6, 2012.

This report is intended solely for the information and use of the members of the City Council, others within the entity, 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 6, 2012

**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**

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

**Compliance**

We have audited the City of Anniston, Alabama compliance 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, 2011. 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 \$6,416,366 in federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2011. 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.

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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, 2011.

### **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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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.

This report is intended solely for the information and use of the members of the City Council, others within the entity, 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 6, 2012

**CITY OF ANNISTON, ALABAMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<u>Federal Grantor/Pass-Through Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Transportation</b>		
Passed through the Alabama Department of Transportation:		
2009 Airport Grant	20.106	\$ 124,139
Transportation Improvement Program	20.205	148,877
Transportation Improvement Program	20.205	9,540
Subtotal Transportation Improvement Program		<u>158,417</u>
Total U.S. Department of Transportation		<u>282,556</u>
<b>U.S. Department of Justice</b>		
Direct Award		
Justice Assistance Grant	16.738	91,032
Justice Assistance Grant - Recovery Act	16.804	12,393
Bulletproof Vest Partnership Program	16.607	8,948
Law Enforcement Assistance Discretionary Grant	16.580	37,003
COPS Hiring Program - Recovery Act	16.710	131,168
Subtotal Direct Awards		<u>280,544</u>
Passed through Alabama Department of Economic and Community Affairs		
Justice Assistance Grant	16.738	305,390
Justice Assistance Grant	16.738	24,115
Subtotal Alabama Department of Economic and Community Affairs		<u>329,505</u>
Total U.S. Department of Justice		<u>610,049</u>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Award		
Community Development Block Grants - Recovery Act	14.253	387,636
Emergency Shelter Grant Program	14.231	9,676
HOME Investment Partnership Grant Program	14.239	89,465
Total U.S. Department of Housing and Urban Development		<u>486,777</u>
<b>U.S. Department of Energy</b>		
Passed through Alabama Department of Economic and Community Affairs		
Conservation Block Grant Program - Recovery Act	81.128	229,370
Total U.S. Department of Energy		<u>229,370</u>
Total Expenditures of Federal Awards		<u>\$ 1,608,752</u>

**CITY OF ANNISTON, ALABAMA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**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, 2011, disbursements were made to subrecipients of the following grant program:

Program	CFDA	Amount
Community Development Block Grant Cluster - Recovery Act	14.253	\$ <u>68,607</u>

**CITY OF ANNISTON, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**SECTION I  
SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued Unqualified

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

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.253	Community Development Block Grant Cluster – Recovery Act
16.804, 16.738	Justice Assistance Grant Cluster w/ Recovery Act

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

**CITY OF ANNISTON, ALABAMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**Section II – Financial Statement Findings and Responses**

None.

**Section III - Federal Awards Findings and Questioned Costs**

None.

**CITY OF ANNISTON, ALABAMA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**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.

Auditee Response/Status: The above finding was corrected for the fiscal year ended September 30, 2011.

**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.

Auditee Response/Status: The above finding was corrected for the fiscal year ended September 30, 2011.