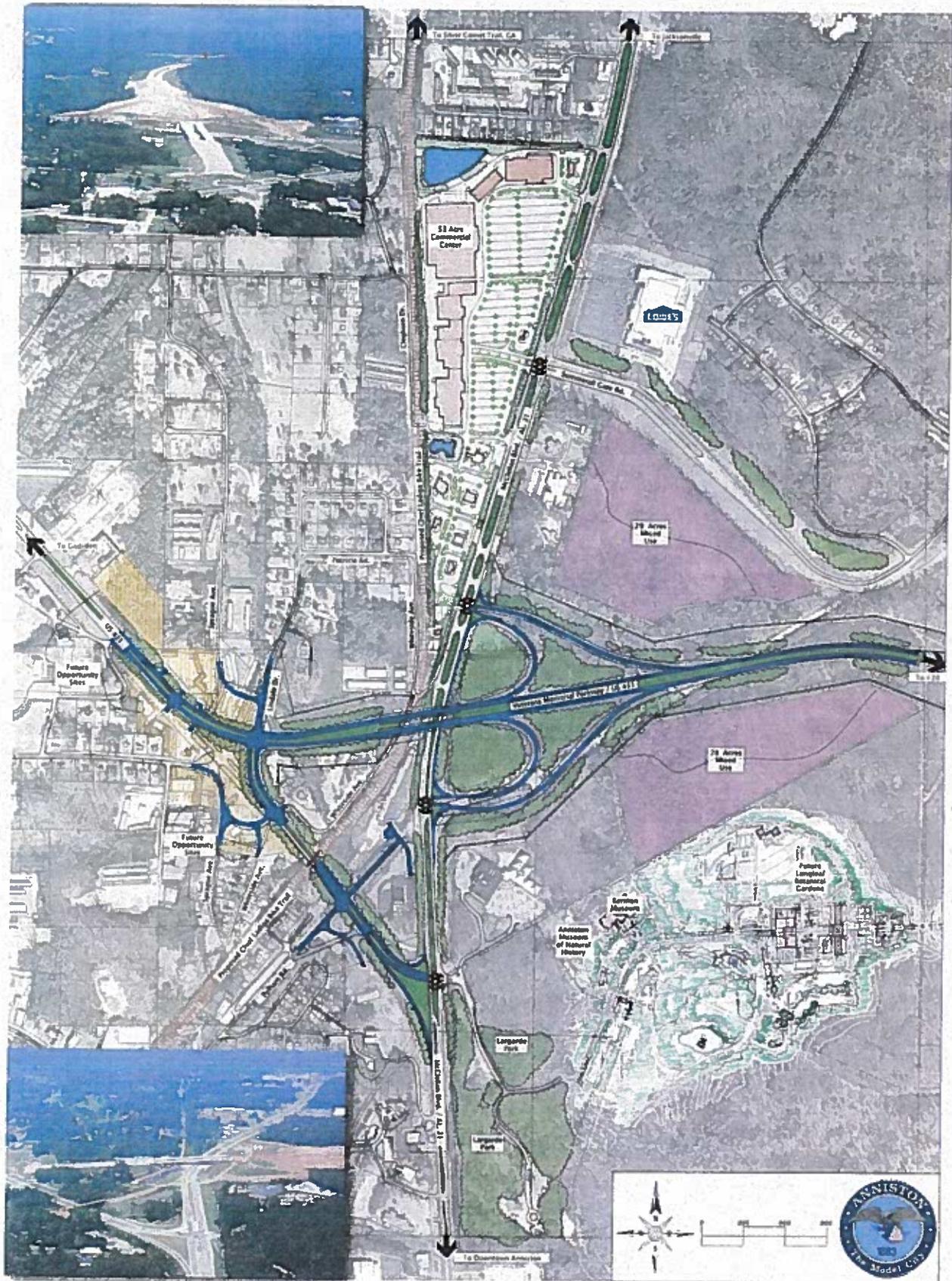


CITY OF ANNISTON, ALABAMA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014



Kemp & Associates, CPA PC

Certified Public Accountants
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**VETERANS MEMORIAL PARKWAY
NORTH ANNISTON DEVELOPMENT CENTER
ANNISTON, AL**

FOR THE YEAR END SEPTEMBER 30, 2014

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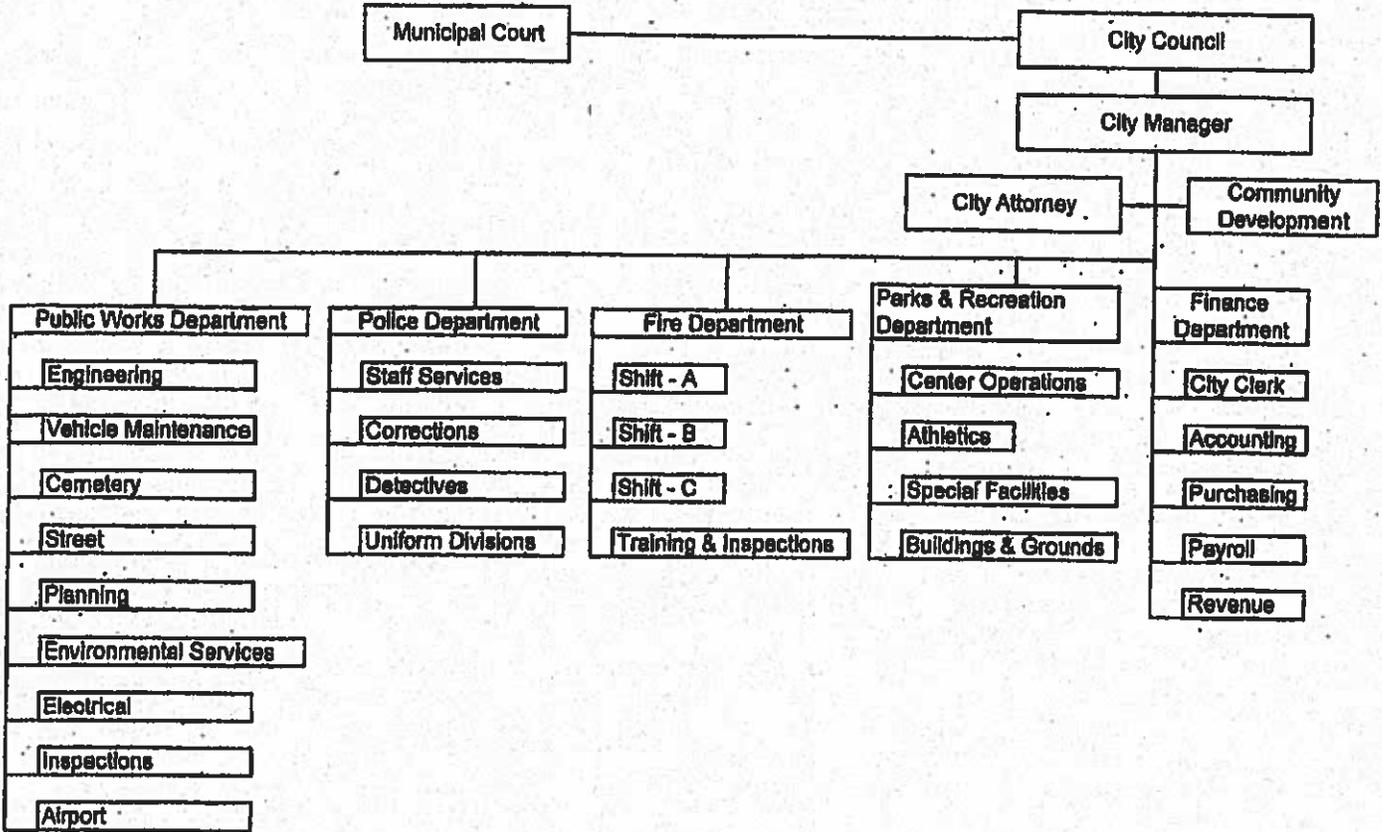
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INTRODUCTORY SECTION

ORGANIZATIONAL CHART



FOR THE YEAR END SEPTEMBER 30, 2014

City Council

Vaughn M. Stewart II- Mayor

Millie Harris

Jay W. Jenkins

David E. Reddick

Seyram Selase

City Manager

Brian Johnson

Director of Finance

Cory Salley (effective 9/2/14)

Brandon Phillips (Interim, effective 4/22/14-9/1/14)

Other City Officials

City Attorney	Bruce J. Downey IV
City Clerk	Alan Atkinson
City Judge	James Sims
Economic Development	Eric Basinger, Director
Fire	Tony Taylor, Chief
Human Resources	Bersheba Austin, Director
Museum Operations	David Ford, Interim Director
Parks & Recreation	Steven Folks, Director
Planning & Development Services	Toby Bennington, Director
Police	Shane Denham, Chief
Public Works	Robert Dean, Director
Public Information Officer	Aziza Jackson

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Anniston, Alabama (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Board of Education, the Public Library of Anniston/Calhoun County, and the Anniston Museum Endowment Corporation, Inc., which represents 72%, 64% and 99%, respectively, of the assets, net position and revenue of the component unit's column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Anniston City Board of Education, the Public Library of Anniston/Calhoun County, and the Anniston Museum Endowment Corporation, Inc., is based on the reports of the other auditors. We issued a separate audit report dated February 11, 2015, on the Farley Berman Foundation, Inc., a discretely presented component unit. Also, we issued a separate audit report dated May 19, 2015, of the financial statements of the Policemen's and Firemen's Retirement Fund, which represents 99%, 100% and 100%, respectively, of the assets, net position and revenues of the fiduciary funds. 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 United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The financial statements of the Anniston Museum League has not been audited, and we were not engaged to audit its financial statements as part of our audit of the City's basic financial statements. Anniston Museum League is included in the City's basic financial statements as discretely presented component unit and represent less than 1%, less than 1%, and less than 1% of the assets, net position and revenues, respectively, of the City's aggregate discretely presented component units.

Opinion

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 Museum League financial statements been audited, the financial statements referred to previously present fairly, in all material respects, the financial position of the government activities, the business-type activities and the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Anniston, Alabama, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-14) and budgetary comparison information (pages 21-22) to 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 (pages 58-61) 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 basic financial statements.

The combining fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Analysis and Discussion has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015, 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* in considering the City's internal control over financial reporting and compliance.

Kemp & Associates, CPA PC

Kemp & Associates, CPA PC

Anniston, Alabama

May 20, 2015

FOR THE YEAR END SEPTEMBER 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and other supplementary information, which follow this narrative.

Financial Highlights

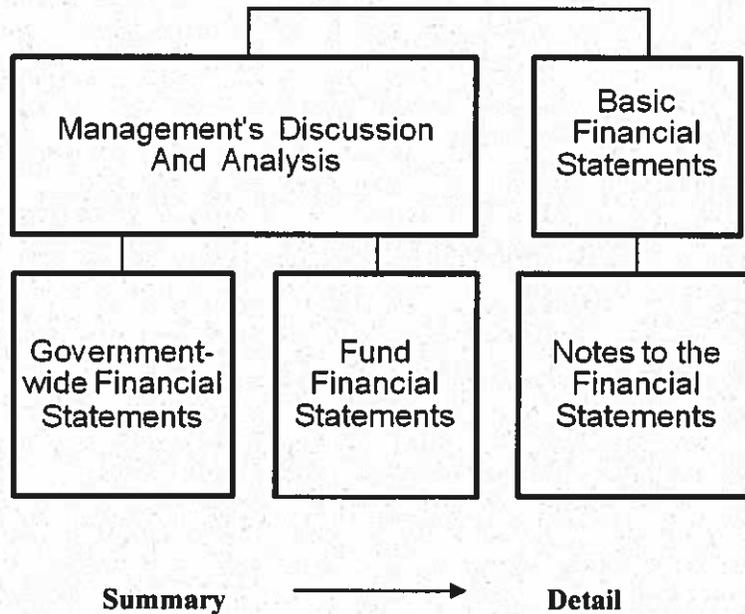
- The assets and deferred outflow of resources of the City of Anniston (primary government) exceeded its liabilities and deferred inflow of resources by 74.39 million for the year ended September 30, 2014. The assets and deferred outflow of resources of the City's component units exceeded their liabilities and deferred inflow of resources by \$25.4 million. Of the \$74.39 million in primary government net position, \$.61 million (unassigned net position) 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 \$16.89 million. The combined governmental funds fund balance decreased by \$ 2.22 million compared with the prior year. Of the \$16.89 million in fund balance, \$5.12 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 \$6.17 million, down from \$2.26 million in 2012. The 2014 ending fund balance of the General Fund represents 17.4 percent of total general fund operating expenditures.
- In the fiscal year 2014, the City of Anniston realized a deficiency of operational expenditures over revenues in the general fund of (\$422,479). However, the fund balance of the General Fund decreased by (\$2,264,478) due to net transfers from the general fund to capital projects funds and debt service funds.

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.

FOR THE YEAR END SEPTEMBER 30, 2014

**Required Components of Annual Financial Report
(Figure 1)**



Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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 three categories:

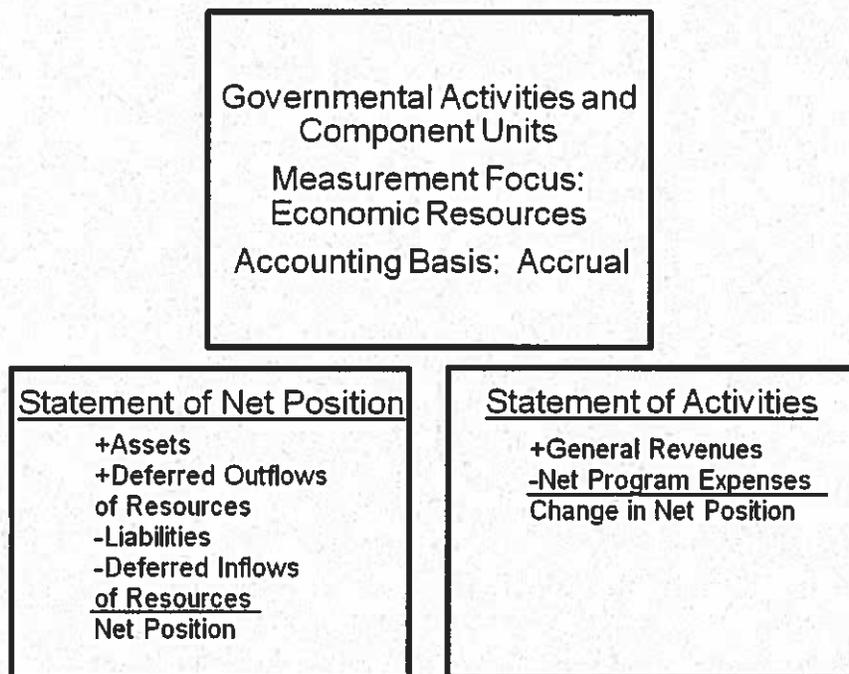
Governmental Activities – Most of the City's basic services are included here such as the police, fire, public works, parks and recreation, and general administration. Sales, use and property taxes; charges for services; and state and federal grants finance most of these activities. The *Governmental Activities* include *Blended Component units*.

Discretely Presented Component units – The City includes other legally separate entities in its report including the Anniston City Board of Education, Public Library of Anniston/Calhoun County, Farley L. Berman Foundation, Inc., Anniston Museum Endowment Corporation, and Museum League. The City is financially accountable for these entities.

Blended Component units – The City includes other legally separate entities in its report including the Public Building Authority and the Museum Store (MusAnn Corporation, Inc). The City provides administrative services for these entities.

FOR THE YEAR END SEPTEMBER 30, 2014

Government-wide Financial Statements



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

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by federal or state law while some are required by grant agreements. Other funds are established to control and manage City resources designated for specific purposes.

The City uses three types of funds:

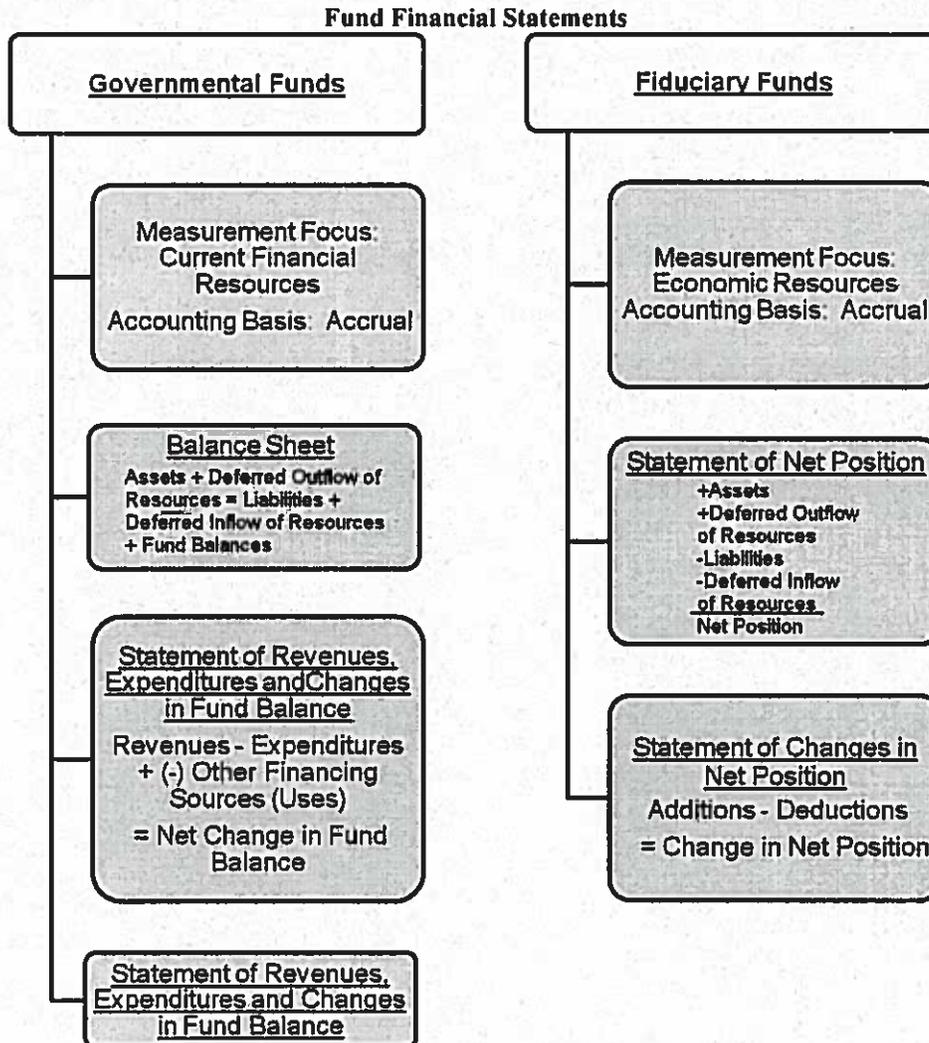
Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus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

FOR THE YEAR END SEPTEMBER 30, 2014

Proprietary Funds – The City of Anniston maintains two types of proprietary fund. An *Enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Anniston uses the enterprise funds (Museum Store) to provide support to the Anniston Museum of Natural History, a department of the City and the Victoria Hotel.

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.

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



FOR THE YEAR END SEPTEMBER 30, 2014**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 summarizes the Statement of Net Position and Statement of Activities for the Primary Government's activities:

**Condensed Statement of Net Position
As of September 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 21,457,689	\$ 23,307,028	\$ 414,484	\$ 367,988	\$ 21,872,173	\$ 23,675,016
Capital assets, net of accumulated depreciation	103,534,488	106,518,736	683,910	12,919	104,218,398	106,531,655
Total Assets	\$ 124,992,177	\$ 129,825,764	\$ 1,098,394	\$ 380,907	\$ 126,090,571	\$ 130,206,671
Deferred Outflows of Resources	\$ 3,299	\$ 3,505	\$ -	\$ -	\$ 3,299	\$ 3,505
Current and other liabilities	\$ 5,438,366	\$ 4,324,509	\$ 102,126	\$ 2,780	\$ 5,540,492	\$ 4,327,289
Long-term liabilities, net of current portion	44,277,512	47,133,300	-	-	44,277,512	47,133,300
Total Liabilities	\$ 49,715,878	\$ 51,457,809	\$ 102,126	\$ 2,780	\$ 49,818,004	\$ 51,460,589
Deferred Outflows of Resources	\$ 1,882,021	\$ 2,189,564	\$ -	\$ -	\$ 1,882,021	\$ 2,189,564
Net Position						
Net investment in capital	\$ 62,845,714	\$ 68,208,277	\$ 683,910	\$ 12,919	\$ 63,529,624	\$ 68,221,196
Restricted	9,600,131	10,549,549	78,983	78,983	9,679,114	10,628,532
Assigned	572,606				572,606	
Unassigned	379,126	1,748,579	233,375	286,225	612,501	2,034,804
Total Net Position	\$ 73,397,577	\$ 80,506,405	\$ 996,268	\$ 378,127	\$ 74,395,845	\$ 80,884,532

FOR THE YEAR END SEPTEMBER 30, 2014

**Condensed Statement of Activities
For the Years Ended September 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenue						
Charges for services	\$ 3,590,975	\$ 3,073,699	\$ 751,010	\$ 63,185	\$ 4,341,985	\$ 3,136,884
Operating grants and contributions	1,630,158	1,790,751	-	48,000	1,630,158	1,838,751
Cap grants and contributions	612,814	288,490			612,814	288,490
General Revenue						
Taxes	28,326,906	29,334,307			28,326,906	29,334,307
Licenses and permits	4,347,745	4,161,137			4,347,745	4,161,137
Investment earnings	134,831	162,835	221	564	135,052	163,399
Other revenues	2,365,712	1,561,050	12,608	586	2,378,320	1,561,636
Total Revenues	41,009,141	40,372,269	763,839	112,335	41,772,980	40,484,604
Expenses						
General government	10,075,815	9,381,738			10,075,815	9,381,738
Judicial	318,388	297,390			318,388	297,390
Public safety	16,118,205	15,036,733			16,118,205	15,036,733
Public works	9,021,367	10,063,393	-	-	9,021,367	10,063,393
Housing and development	870,918	1,158,816			870,918	1,158,816
Public facilities	206,501	-	-	-	206,501	-
Culture and recreation	8,760,790	7,914,729	-	-	8,760,790	7,914,729
Interest	1,848,994	1,563,165			1,848,994	1,563,165
Business-type activity						
Museum Store			53,732	80,073	53,732	80,073
Victoria Hotel			772,171	-	772,171	-
Total Expenditures	47,220,978	45,415,964	825,903	80,073	48,046,881	45,496,037
Capital Contribution-other Funds	(699,459)		680,206	-	(19,253)	-
Change in Net Position	\$ (6,911,296)	\$ (5,043,695)	\$ 618,142	\$ 32,262	\$ (6,293,154)	\$ (5,011,433)

The assets and deferred outflow of resources of the City of Anniston (primary government) exceeded its liabilities and deferred inflow of resources by \$74.4 million as of September 30, 2014. However, the largest portion (85.48 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

FOR THE YEAR END SEPTEMBER 30, 2014

liabilities. Additionally, \$10.3 million represents net position that are subject to external or Council placed restrictions on how they may be used. The balance of \$.37 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. 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 \$5,293,214, compared with \$8,221,378 at the end of 2013. 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 14.925 percent of total general fund expenditures at the end of 2014.

**General Fund-Fund Balances
For the Years Ended September 30, 2014 and 2013**

	2014	2013	Change
Nonspendable	\$ 304,177	\$ 213,097	\$ 91,080
Assigned	572,606	-	572,606
Unassigned	5,293,214	8,221,378	(2,928,164)
Total Fund Balances	\$ 6,169,997	\$ 8,434,475	\$ (2,264,478)

Enterprise Fund

The City's enterprise fund provides the same type of information found in the government-wide financial statements, but in more detail. The net position of the enterprise fund was \$996,268, an increase of \$618,141. The City has two enterprise funds, the Museum Store and Victoria Hotel. The City took over operations of the Victoria Hotel on October 1, 2013 and the City operates the retail store at the Anniston Museum of Natural History.

**Enterprise Fund-Net Position
For the Years Ended September 30, 2014 and 2013**

	2014	2013	Change
Restricted	\$ 78,983	\$ 78,983	\$ -
Unassigned	917,285	299,144	618,141
	\$ 996,268	\$ 378,127	\$ 618,141

General Fund Budgetary Highlights

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.

FOR THE YEAR END SEPTEMBER 30, 2014

**General Budget Fund
For the Years Ended September 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance From Final Budget</u>
Revenues	\$ 34,930,835	\$ 34,171,770	\$ 35,062,355	\$ 890,585
Expenditures	33,245,360	34,942,438	35,484,834	(542,396)
Other Sources (Uses)	<u>(1,684,375)</u>	<u>(1,967,378)</u>	<u>(1,841,999)</u>	<u>(125,379)</u>
Total	<u>\$ 1,100</u>	<u>\$ (2,738,046)</u>	<u>\$ (2,264,478)</u>	<u>\$ 473,568</u>

Capital Asset and Debt Administration

Capital Assets: The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2014 totals \$103,534,488 (net of accumulated depreciation) and for its business-type activities as of September 30, 2014 totals \$680,910 (net of accumulated depreciation). These assets include infrastructure, buildings, land, machinery and equipment, facilities and vehicles, as well as the collection at the Anniston Museum of Natural History.

Additional information about the City of Anniston's capital assets can be found in Note 6 in the Notes to the Financial Statements.

**Capital Assets
As of September 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 9,305,017	\$ 8,925,355	\$ 125,000		\$ 9,430,017	\$ 8,925,355
Collections	8,377,742	8,349,992			8,377,742	8,349,992
Construction in Progress	1,013,172	-			1,013,172	-
Building and Improvements	64,277,073	64,639,239	580,474	30,884	64,857,547	64,670,123
Machinery and Equipment	13,945,348	13,933,702	39,878	27,924	13,985,226	13,961,626
Improvements other than buildings	3,745,135	3,161,685			3,745,135	3,161,685
Infrastructure	<u>105,429,666</u>	<u>105,429,666</u>			<u>105,429,666</u>	<u>105,429,666</u>
	206,093,153	204,439,639	745,352	58,808	206,838,505	204,498,447
Accumulated Depreciation	<u>(102,558,665)</u>	<u>(97,913,903)</u>	<u>(61,442)</u>	<u>(45,889)</u>	<u>(102,620,107)</u>	<u>(97,959,792)</u>
Capital Assets, net	<u>\$ 103,534,488</u>	<u>\$ 106,525,736</u>	<u>\$ 683,910</u>	<u>\$ 12,919</u>	<u>\$ 104,218,398</u>	<u>\$ 106,538,655</u>

This investment in capital assets includes land, buildings and building improvements, improvement other than buildings, system improvements (drainage and streets), machinery and equipment, park facilities, roads, highways, bridges, and collections at the Anniston Museum of Natural History. Major capital asset events during the fiscal year were the completion of the Justin Sollohub Justice Center, and road construction begun on Pappy Dunn Road located in the McClellan Industrial Park.

FOR THE YEAR END SEPTEMBER 30, 2014

Long-term Debt: As of September 30, 2014, the City of Anniston had bonds and warrants outstanding of \$37,744,562, 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 \$276,251.

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. The building was occupied during fiscal year 2013.

In August, 2011, the PBA issued \$15,000,000 of revenue warrants for the Justin Sollohub Justice Center. This new municipal complex houses 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. The building was occupied during fiscal year 2014.

On September 8, 2014, the City issued \$ 2,650,000 general obligation warrants (Series 2014-A) to fund road improvements on Pappy Dunn Boulevard and Iron Mountain Road. In addition, the State of Alabama will pay approximately \$1,400,000 to assist in the project. Also, municipalities located in Calhoun County have committed funds to assist the City in the debt service on the \$ 2,650,000.

FOR THE YEAR END SEPTEMBER 30, 2014

**Outstanding Debt and Long Term Liabilities
As of September 30, 2014 and 2013**

Governmental Activities	2014	2013
Series 2011 DHR	\$ 15,610,000	\$ 16,170,000
Series 2011 Justice Center	14,735,000	15,000,000
Recovery Zone 2010	5,380,000	5,380,000
GO Recovery Zone	1,330,000	1,575,000
Series 2014-A McClellan Project	2,650,000	-
Less discounts	(395,855)	(418,730)
Plus premiums	36,039	38,291
Capital leases	348,104	563,270
Honda assistance	138,498	276,251
OPEB obligations	4,519,227	4,216,151
Compensated absences	2,410,190	2,327,007
	<u>\$46,761,203</u>	<u>\$45,127,240</u>

State statutes limit the general obligation debt a governmental entity may issue to twenty percent (20%) of its total assessed valuation.

Economic Factors and Next Year's Budget

With the closure of Fort McClellan in 1999 along with completion nearing on the Veterans Memorial Parkway that will connect Interstate 20 to U.S. Highway 431, Anniston has an opportunity to capitalize on significant development at the former fort as well as surrounding areas. Commitment to this effort was recently further cemented by the passage of the McClellan Area Regional Development Compact. This compact forms a partnership among other local entities in a regional effort to commit resources to achieve development goals at McClellan.

Further capitalizing on the unique landscape of Anniston, the Coldwater Mountain Bike Trail is a 4,000 acre tract of land owned by the Alabama State Lands Division of the Department of Conservation and Natural Resources. Once completed, Anniston will be home to one of the premier ride centers in the country offering up to 68 miles of trails with varying levels of difficulty. Riders are already traveling to the area from all over the country with 25 miles already in service.

With the completion of the Justin Sollohub Justice Center and the Calhoun County DHR Facility (the debt service for which is paid by the State of Alabama), the City has added approximately \$30 million in assets while helping in the effort to revitalize the downtown area. Anniston recently designated its downtown as a local historical district. This will help in attracting new businesses downtown and capitalize on the rapidly expanding bike community.

The City adopted an FY 2015 general fund budget of \$34,602,430. The following are a few key factors that were taken into account when building the budget:

FOR THE YEAR END SEPTEMBER 30, 2014

- Using historical trends, revenues were budgeted flat from the FY 2014 projections. The City has and is preparing to take steps to ensure that enough revenue sources are available to cover necessary expenditures. Some of these steps include:
 - A comprehensive review of the City's business license ordinance and rate structure was completed in FY2014. As a result, the City approved an increase in rates that will go into effect in FY2015. Some of these rates had not been adjusted for more than 50 years.
 - The City adopted a Stormwater User Fee, which will go into effect in FY2015, to provide an additional funding source for drainage related operations and capital improvements.
 - The City will begin collecting a \$0.02 per gallon tax on retail gasoline purchases.
- In addition to revenue enhancements, the City considered ways to reduce expenditures without significantly effecting service levels. These reductions include the following:
 - There will be no cost-of-living adjustments or merit increases in FY2015.
 - 41 full-time positions were eliminated between Police, Fire, Public Works, and Parks and Recreation. Most of these positions were eliminated through attrition or not filling vacant positions.
 - Reduced capital equipment purchases in Public Works by \$110,000 and deferred purchase of police cars.

Questions or Comments

Any questions or comments about this document should be addressed to Cory Salley, Finance Director, email: csalley@anniston.al.gov.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Pooled cash and cash equivalents	9,536,450		9,536,450
Investments	1,799,115		1,799,115
Cash bonds on hand	21,890		21,890
Taxes receivable, net	1,747,705		1,747,705
Accounts receivable, net	266,049	8,684	274,733
Notes receivable	2,245,651		2,245,651
Other receivable	41,553		41,553
Due from agency fund	30,352		30,352
Due from other governments	825,521		825,521
Internal balances	4,777	(4,777)	-
Inventories	63,268	76,949	140,217
Prepaid items	292,316	12,062	304,378
Other assets	-	-	-
Total Current Assets	16,874,647	92,918	16,967,565
Non-current Assets			
Restricted Assets:			
Cash	4,471,253		4,471,253
Investments			-
Deferred charges - bond issuance costs	111,789		111,789
Capital assets			
Non-depreciable assets	18,695,931	125,000	18,820,931
Depreciable assets, net of accumulated depreciation	84,838,557	558,910	85,397,467
Total Non-current Assets	108,117,530	683,910	108,801,440
TOTAL ASSETS	124,992,177	776,828	125,769,005
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	3,299	-	3,299
	124,995,476	776,828	125,772,304
LIABILITIES			
Current Liabilities			
Salaries and benefits payable	690,059		690,059
Accounts payable	1,676,572	83,362	1,759,934
Retainage payable	22,896		22,896
Accrued liabilities	384,865	18,764	403,629
Cash bond liabilities	132,152		132,152
Due to agency fund	48,132		48,132
Loan Payable			-
Capital leases payable - current	213,963		213,963
Bonds payable - current	1,219,000		1,219,000
Net other post employment benefits obligation	401,100		401,100
Intergovernmental agreement - current	138,498		138,498
Compensated absences payable	511,129		511,129
Total Current Liabilities	5,438,366	102,126	5,540,492
Long-term Liabilities			
Capital leases payable (net of current portion)	134,141	-	134,141
Compensated absences payable - long term	1,899,061	-	1,899,061
Net other post employment benefits obligation	4,118,127	-	4,118,127
Bonds payable (net of current portion)	38,126,183	-	38,126,183
Total Long-term Liabilities	44,277,512	-	44,277,512
TOTAL LIABILITIES	49,715,878	102,126	49,818,004
DEFERRED INFLOWS OF RESOURCES			
Income earned in future periods	1,822,842	-	1,822,842
Fees collected in advance	59,179	-	59,179
Unavailable revenue-property taxes	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,882,021	-	1,882,021
NET POSITION			
Capital assets, net of related debt	62,845,714	683,910	63,529,624
Restricted for:			
Judicial	134,540	-	134,540
Public safety	3,846,523	-	3,846,523
Road improvements	1,920,188	-	1,920,188
Culture and recreation	(395,687)	78,983	(316,704)
Housing and development		-	-
Capital projects	326,008	-	326,008
Debt service		-	-
Grants		-	-
Endowment fund		-	-
Committed for:			
Capital projects	3,768,559	-	3,768,559
Assigned for:			
Economic Development	572,606		572,606
Unassigned	379,126	233,375	612,501
TOTAL NET POSITION	73,397,577	996,268	74,393,845
TOTAL	124,995,476	1,098,394	126,093,870

CITY OF ANNISTON, ALABAMA

Anniston City Board of Education	Public Library of Anniston/Calhoun County	Farley L. Berman Foundation, Inc.	Anniston Museum Endowment Corporation	Museum League	Total
1,411,942	330,154	205,329	59,012	36,511	2,042,948
57,556	98,556		1,246,075	74,609	1,476,796
2,448,057	34				2,448,091
42,036		2,201	120		44,357
	21,836	1,507			23,343
70,993		30			71,023
4,030,584	450,580	209,067	1,305,207	111,120	6,106,558
1,765,465			29,284		1,794,749
1,404,063	25,907	8,702,434	19,800		10,152,204
14,011,978	314,011	41,278			14,367,267
17,187,506	339,918	8,743,712	49,084		26,319,220
21,212,090	790,498	8,952,779	1,354,291	111,120	32,420,778
21,212,090	790,498	8,952,779	1,354,291	111,120	32,420,778
1,520,046	56,974				1,577,020
9,732	6,911	12			16,655
760,796					760,796
50,798					50,798
2,441,372	63,885	12			2,505,269
2,554,725					2,554,725
2,554,725					2,554,725
4,996,097	63,885	12			5,059,994
1,933,383					1,933,383
1,933,383					1,933,383
12,810,518	339,918	41,278			13,191,714
	1,393	8,702,434	1,354,291		10,058,118
267,004					267,004
1,765,465					1,765,465
	98,556				98,556
(560,377)	286,746	209,055		111,120	46,544
14,282,610	726,613	8,952,767	1,354,291	111,120	25,427,401
21,212,090	790,498	8,952,779	1,354,291	111,120	32,420,778

See accompanying notes to the basic financial statements

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services, Sales and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities							
General government	10,075,815				(10,075,815)		(10,075,815)
Judicial	318,388	382,131			63,743		63,743
Public safety	16,118,205	827,086	196,333		(15,094,786)		(15,094,786)
Public works	9,021,367	1,041,574	417,509	612,814	(6,949,470)		(6,949,470)
Housing and development	870,918		463,067		(407,851)		(407,851)
Public Facilities	206,501		35,454		(171,047)		(171,047)
Culture and recreation	8,760,790	1,340,185	517,795		(6,902,810)		(6,902,810)
Interest on debt and other expenses	1,848,994				(1,848,994)		(1,848,994)
Total Governmental Activities	47,220,978	3,590,975	1,630,158	612,814	(41,387,031)	-	(41,387,031)
Business-Type Activities							
Museum Store						10	10
Victoria Hotel						(63,295)	(63,295)
Component Units							
Anniston City Board of Education	26,393,741	1,721,966	13,635,169	359,957			
Public Libraries of Anniston/Calhoun County	1,295,291	51,051	217,229	301,750			
Farley L. Berman Foundation, Inc.	168,385	24,897	93,450				
Anniston Museum Endowment Corp.	90,958	2,963					
Anniston Museum League	45,245		72,425				
Total Component Units	27,993,620	1,800,877	14,018,273	661,707			
GENERAL REVENUES:							
Taxes:							
Property					5,308,590		5,308,590
Sales					20,467,092		20,467,092
Licenses and permits					4,347,745		4,347,745
Alcoholic beverage					154,461		154,461
Other					2,396,763		2,396,763
Grants and contributions not restricted for specific programs							
Capital Contributions from other fund					(699,459)	680,206	(19,253)
Interest earned					134,831	221	135,052
Investment earnings							
Miscellaneous					2,365,712	1,000	2,366,712
Total General Revenues					34,475,735	681,427	35,157,162
Change in Net Position					(6,911,296)	618,142	(6,293,154)
NET POSITION, BEGINNING					80,509,065	378,126	80,887,191
Restatement of net position due implementation of GASB 65					(200,192)		(200,192)
NET POSITION, BEGINNING, RESTATED					80,308,873	378,126	80,686,999
NET POSITION, END					73,397,577	996,268	74,393,845

CITY OF ANNISTON, ALABAMA

Net (Expense) Revenue and Changes in Net Position					
Component Units					
Anniston City Board of Education	Public Library of Anniston/Calhoun County	Farley L. Berman Foundation, Inc.	Anniston Museum Endowment Corporation	Museum League	Total Component Units
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(10,676,649)					(10,676,649)
	(725,261)				(725,261)
		(50,038)			(50,038)
			(87,995)		(87,995)
				27,180	27,180
(10,676,649)	(725,261)	(50,038)	(87,995)	27,180	(11,512,763)
4,503,603					4,503,603
1,550,264					1,550,264
					-
83,426					83,426
61,518					61,518
611,980	682,700				1,294,680
	2,482	69	30,365	181	33,097
52,807	7,235		111,102		171,144
591,777	5,090	32,246	51,407	525	681,145
7,455,375	697,507	32,315	192,874	706	8,278,777
(3,221,274)	(27,754)	(17,723)	104,879	27,886	(3,133,986)
17,503,884	754,367	8,970,490	1,249,412	83,234	28,561,387
17,503,884	754,367	8,970,490	1,249,412	83,234	28,561,387
14,282,610	726,613	8,952,767	1,354,291	111,120	25,427,401

See accompanying notes to the basic financial statements

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2014

	General	McClellan Compact Pappy Dunn Rd Construction Fund	Major Special Revenue Fire Tax Fund
ASSETS			
Cash and cash equivalents	3,701,994	-	2,892,710
Investments	272,687	-	1,184,578
Cash bonds on hand	-	-	-
Taxes receivable, net of allowance	1,747,705	-	-
Accounts receivable, net of allowance	266,049	-	-
Notes receivable, net of allowance	-	-	-
Other receivable	-	-	-
Prepaid items	240,909	-	-
Inventories	63,268	-	-
Other Assets	-	-	-
Due from other funds	1,886,750	-	-
Due from agency fund	-	-	-
Due from other governments	137,455	562,814	9,185
Restricted cash	-	2,159,229	-
TOTAL ASSETS	8,316,817	2,722,043	4,086,473
LIABILITIES			
Salaries and benefits payable	690,059	-	-
Accounts payable	1,088,815	384,101	44,910
Retainage payable	-	22,896	-
Accrued liabilities	-	-	-
Cash bond liabilities	4,137	-	-
Due to other funds	304,630	-	145,466
Due to agency fund	-	-	-
TOTAL LIABILITIES	2,087,641	406,997	190,376
DEFERRED INFLOWS OF RESOURCES			
Income earned in future periods	-	-	-
Fees collected in advance	59,179	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	59,179	-	-
FUND BALANCES			
Nonspendable:			
Prepaid items	240,909	-	-
Inventories	63,268	-	-
Restricted for:			
Judicial	-	-	-
Public safety	-	-	3,896,097
Road improvements	-	2,315,046	-
Court activities	-	-	-
Culture and recreation	-	-	-
Housing and development	-	-	-
Capital projects	-	-	-
Committed for:			
Culture and recreation	-	-	-
Capital projects	-	-	-
Assigned for:			
Housing and development	-	-	-
Economic Development	572,606	-	-
Unassigned	5,293,214	-	-
TOTAL FUND BALANCES (DEFICIT)	6,169,997	2,315,046	3,896,097
TOTAL	8,316,817	2,722,043	4,086,473

CITY OF ANNISTON, ALABAMA

	Public Building Authority	Major Special Revenue HOME	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	-	100	2,941,646	9,536,450
Investments	-	-	341,850	1,799,115
Cash bonds on hand	-	-	21,890	21,890
Taxes receivable, net of allowance	-	-	-	1,747,705
Accounts receivable, net of allowance	-	-	-	266,049
Notes receivable, net of allowance	-	1,186,998	1,058,653	2,245,651
Other receivable	-	-	41,553	41,553
Prepaid items	-	-	51,407	292,316
Inventories	-	-	-	63,268
Other Assets	-	-	-	-
Due from other funds	-	-	596,541	2,483,291
Due from agency fund	-	-	-	-
Due from other governments	-	5,314	110,753	825,521
Restricted cash	2,312,024	-	2	4,471,255
TOTAL ASSETS	2,312,024	1,192,412	5,164,295	23,794,064
LIABILITIES				
Salaries and benefits payable	-	-	-	690,059
Accounts payable	-	4,710	154,039	1,676,575
Retainage payable	-	-	-	22,896
Accrued liabilities	-	-	521	521
Cash bond liabilities	-	-	128,015	132,152
Due to other funds	148,326	110,189	1,739,552	2,448,163
Due to agency fund	-	-	48,132	48,132
TOTAL LIABILITIES	148,326	114,899	2,070,259	5,018,498
DEFERRED INFLOWS OF RESOURCES				
Income earned in future periods	-	1,186,998	635,844	1,822,842
Fees collected in advance	-	-	-	59,179
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,186,998	635,844	1,882,021
FUND BALANCES				
Nonspendable	-	-	-	-
Prepaid items	-	-	-	240,909
Inventories	-	-	-	63,268
Restricted for	-	-	-	-
Judicial	-	-	131,633	131,633
Public safety	-	-	19,055	3,915,152
Road improvements	-	-	1,214,514	3,529,560
Court activities	-	-	-	-
Culture and recreation	-	-	-	-
Housing and development	-	-	-	-
Capital projects	2,163,698	-	(144,500)	2,019,198
Committed for	-	-	-	-
Culture and recreation	-	-	791,213	791,213
Capital projects	-	-	-	-
Assigned for	-	-	-	-
Housing and development	-	(109,485)	624,314	514,829
Economic Development	-	-	-	572,606
Unassigned	-	-	(178,037)	5,115,177
TOTAL FUND BALANCES (DEFICIT)	2,163,698	(109,485)	2,458,192	16,893,544
TOTAL	2,312,024	1,192,412	5,164,295	23,794,064

See accompanying notes to the basic financial statements

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

TOTAL GOVERNMENTAL FUND BALANCES		16,897,545
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	206,093,153	
Less: accumulated depreciation	<u>(102,558,665)</u>	103,534,488
Net other post-employment benefits obligations are not due and payable in the current period and therefore are not reported in the funds:		
	<u>(4,519,226)</u>	(4,519,226)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements:		
Compensated absences	2,410,199	
Intergovernmental agreement	138,498	
Bonds payable	39,705,000	
Capital leases	348,104	
Unamortized deferred items	(363,115)	
Unamortized bond insurance cost	(111,790)	
Accrued interest	<u>384,343</u>	<u>(42,511,230)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>73,397,577</u>

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	General	McClellan Compact Pappy Dunn Rd Construction Fund	Major Special Revenue Fire Tax Fund
REVENUES			
Intergovernmental	50,000	562,814	-
Fines and forfeitures	330,914	-	-
Charges for services	2,261,630	-	-
Taxes	27,349,289	-	834,206
Licenses and permits	4,347,745	-	-
Interest earned	7,032	-	2,113
Miscellaneous	715,747	-	-
TOTAL REVENUES	35,062,357	562,814	836,319
EXPENDITURES			
Current:			
General government	8,506,122	-	-
Judicial	321,296	-	-
Public safety	13,455,449	-	690,036
Public works	5,511,275	-	-
Culture and recreation	6,922,905	-	-
Public facilities	-	-	-
Housing and development	-	-	-
Capital outlay	767,790	881,068	481,665
Debt Service:			
Principal	-	-	-
Interest	-	16,700	-
Bond issue costs	-	-	-
Fiscal agent fees	-	-	-
TOTAL EXPENDITURES	35,484,836	897,768	1,171,701
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(422,479)	(334,954)	(335,382)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	17,891	-	-
Loan Proceeds	-	2,650,000	-
Transfers in	88,843	-	-
Transfers out	(1,948,733)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,841,999)	2,650,000	-
NET CHANGE IN FUND BALANCES	(2,264,478)	2,315,046	(335,382)
FUND BALANCES (DEFICIT), BEGINNING	8,434,475	-	4,231,479
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCES (DEFICIT), END, RESTATED	6,169,997	2,315,046	3,896,097

CITY OF ANNISTON, ALABAMA

	Public Building Authority	Major Special Revenue HOME	Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental	-	463,067	1,289,091	2,364,972
Fines and forfeitures	-	-	745,249	1,076,163
Charges for services	-	-	131,183	2,392,813
Taxes	-	-	143,411	28,326,906
Licenses and permits	-	-	-	4,347,743
Interest earned	233	4,735	120,716	134,831
Miscellaneous	1,291,610	-	340,588	2,347,945
TOTAL REVENUES	1,291,843	467,802	2,770,238	40,991,373
EXPENDITURES				
Current				
General government	-	-	377,877	8,883,999
Judicial	-	-	-	321,296
Public safety	-	-	1,242,156	15,387,641
Public works	-	-	575,998	6,087,273
Culture and recreation	-	-	1,049,859	7,972,764
Public facilities	46,883	-	81,279	128,162
Housing and development	-	469,094	292,974	762,068
Capital outlay	770,444	-	269,824	3,170,791
Debt Service				
Principal	825,000	-	597,919	1,422,919
Interest	1,396,894	-	329,674	1,726,568
Bond issue costs	-	-	-	16,700
Fiscal agent fees	2,687	-	3,050	5,737
TOTAL EXPENDITURES	3,041,908	469,094	4,820,610	45,885,917
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,750,063)	(1,292)	(2,050,372)	(4,894,542)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	-	17,891
Loan Proceeds	-	-	-	2,650,000
Transfers in	888,535	-	2,258,904	3,236,282
Transfers out	-	-	(1,287,549)	(3,236,282)
TOTAL OTHER FINANCING SOURCES (USES)	888,535	-	971,355	2,667,891
NET CHANGE IN FUND BALANCES	(861,528)	(1,292)	(1,079,017)	(2,226,651)
FUND BALANCES (DEFICIT), BEGINNING	3,025,226	(108,193)	3,537,209	19,120,196
PRIOR PERIOD ADJUSTMENT	-	-	-	-
FUND BALANCES (DEFICIT), END, RESTATED	2,163,698	(109,485)	2,458,192	16,893,545

See accompanying notes to the basic financial statements

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENT		(2,226,651)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlay	3,170,790	
Depreciation expense	(5,442,522)	
Transfer of capital assets to proprietary fund	(699,459)	
Net cost of capital assets disposed	<u>(125)</u>	(2,971,316)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.</p>		
<p>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 position.</p>		
Loan proceeds	(2,650,000)	
Bond principal payment	1,070,000	
Amortization of bond insurance cost	(4,300)	
Amortization of bond discounts	(33,758)	
Capital lease principal payment	215,166	
Intergovernmental agreement principal payment	<u>137,753</u>	(1,265,199)
<p>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.</p>		
Accrued interest	(61,931)	
Compensated absences	<u>(83,183)</u>	(145,114)
<p>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 Position.</p>		
		<u>(303,076)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>(6,911,296)</u>

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Taxes				
Sales and use	20,890,000	20,538,858	20,467,092	(71,766)
General property taxes	4,770,500	4,868,206	4,749,631	(118,575)
Beverage taxes	181,000	136,939	154,461	17,522
Anniston Housing Authority	6,000	6,699	6,699	-
Water utility fees	500,000	541,775	558,959	17,184
Cigarette and tobacco	275,000	281,759	282,777	1,018
Gasoline	350,000	343,421	333,601	(9,820)
Bingo	60,000	39,356	35,624	(3,732)
Lodging	90,000	97,785	100,030	2,245
Rental	400,000	455,717	445,897	(9,820)
Business	218,725	162,616	214,518	51,902
Total Taxes	27,741,225	27,473,131	27,349,289	(123,842)
Licenses, permits and fees:				
Business licenses	3,350,000	3,300,008	3,430,127	130,119
Other license and penalties	958,310	885,708	917,618	31,910
Total licenses, permits and fees	4,308,310	4,185,716	4,347,745	162,029
Intergovernmental				
Planning grant	35,000	28,406	79,382	50,976
Total Intergovernmental	35,000	28,406	79,382	50,976
Charges for services:				
Garbage fees	850,000	819,055	977,037	157,982
Airport revenue	60,000	64,533	64,564	29
Rental income	1,263,550	1,125,007	1,144,438	19,431
Recreation department fees	50,250	36,270	35,155	(1,115)
Public safety receipts	6,500	6,500	11,054	4,554
Total Charges for Services	2,230,300	2,051,367	2,232,248	180,881
Fines and forfeitures				
Police court fines and fees	23,500	24,903	12,779	(12,124)
Total Fines and Forfeitures	23,500	24,903	12,779	(12,124)
Other revenue:				
Interest on investments	20,000	20,000	7,032	(12,968)
Miscellaneous revenue	572,500	388,247	1,033,880	645,633
Total Other Revenue	592,500	408,247	1,040,912	632,665
TOTAL REVENUES	34,930,835	34,171,770	35,062,355	890,585
EXPENDITURES:				
GENERAL GOVERNMENT				
Finance division	822,598	855,272	971,815	(116,543)
General division	260,334	486,614	529,345	(42,731)
City Council	162,806	192,234	186,714	5,520
Building maintenance	1,431,500	1,325,991	1,357,204	(31,213)
Professional services	100,000	305,004	329,561	(24,557)
Utilities	40,000	46,000	46,430	(430)
Projects	318,000	376,350	420,203	(43,853)
Workman's compensation insurance	400,000	555,097	519,969	35,128
Employer funded healthcare	2,450,000	2,583,000	2,442,441	140,559
Other insurance	495,000	540,436	516,376	24,060
Other boards and agencies	503,500	520,500	511,888	8,612
Miscellaneous	975,850	1,185,899	1,203,511	(17,612)
TOTAL GENERAL GOVERNMENT	7,959,888	8,972,397	9,035,457	(63,060)

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual	Positive (Negative)
PUBLIC SAFETY				
Police	7,423,285	7,657,791	7,808,673	(150,882)
City court	322,147	315,664	321,296	(5,632)
Detention facilities	573,189	533,745	530,556	3,189
Fire	5,253,014	5,233,777	5,261,517	(27,740)
TOTAL PUBLIC SAFETY	13,571,635	13,740,977	13,922,042	(181,065)
PUBLIC WORKS				
General	475,562	522,809	568,766	(45,957)
Cemetery	80,963	84,682	84,369	313
Engineering	213,981	278,221	279,096	(875)
Garage	167,460	154,030	147,785	6,245
Environmental services	1,171,000	1,126,483	1,146,011	(19,528)
Street department	2,821,153	3,010,291	3,089,668	(79,377)
Airport	84,633	128,953	131,013	(2,060)
Code Enforcement & Inspection	226,857	204,639	206,738	(2,099)
Planning	161,540	222,843	216,799	6,044
TOTAL PUBLIC WORKS	5,403,149	5,732,951	5,870,245	(137,294)
CULTURE AND RECREATION				
Administration	941,623	1,067,400	1,108,422	(41,022)
Parks, facilities, and utilities	2,416,772	2,560,463	2,539,596	20,869
PARC programs	93,750	93,700	196,291	(102,591)
Park maintenance	497,041	468,998	484,031	(15,033)
Community Foundation of Northeast Alabama	361,800	361,800	365,000	(23,200)
Anniston/Calhoun County Library	560,000	560,000	560,000	-
Anniston City Board of Education	1,305,000	1,305,000	1,305,000	-
Farley L. Berman Museum	135,000	78,750	78,750	-
TOTAL CULTURE AND RECREATION	6,310,988	6,496,113	6,657,090	(160,977)
DEBT SERVICE				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL DEBT SERVICE	-	-	-	-
TOTAL EXPENDITURES	33,245,360	34,942,438	35,484,834	(542,396)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,685,475	(770,668)	(422,479)	348,189
OTHER FINANCING SOURCES AND (USES):				
Proceeds from sale of capital assets	145,000	11,736	17,891	(6,155)
Capital lease	-	-	88,843	(88,843)
Transfers in	-	-	-	-
Transfers out	(1,829,375)	(1,979,114)	(1,948,733)	(30,381)
TOTAL OTHER FINANCING SOURCES (USES)	(1,684,375)	(1,967,378)	(1,841,999)	(125,379)
NET CHANGE IN FUND BALANCE	1,100	(2,738,046)	(2,264,478)	473,568
FUND BALANCE, BEGINNING	8,434,475	8,434,475	8,434,475	-
FUND BALANCE, END	8,435,575	5,696,429	6,169,997	473,568

See accompanying notes to the basic financial statements

**STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	<u>Municipal Court</u>	<u>Policemen's and Firemen's Retirement Fund</u>
ASSETS		
Cash and cash equivalents	152,590	593,495
Accounts receivable		
Contribution Contribution		294,015
Accounts Receivable		<u>32,302</u>
		326,317
Investments, at fair value		
U.S. Government obligations	-	1,586,236
Municipal obligations	-	64,902
Corporate bonds	-	11,358,734
International obligations	-	1,717,123
Domestic equity securities	-	5,423,765
International equity securities	-	
Collective investment fund	-	3,141,045
Timber	-	950,068
Real estate	-	<u>1,124,818</u>
		<u>25,366,691</u>
TOTAL ASSETS	<u>152,590</u>	<u>26,286,503</u>
LIABILITIES		
Accounts payable	122,238	46,037
Due to general fund	<u>30,352</u>	
TOTAL LIABILITIES	<u>152,590</u>	<u>46,037</u>
NET POSITION		
Net Position Restricted for Pension Benefits (a schedule of funding progress is presented as required supplementary information)		<u>26,240,466</u>

See accompanying notes to the basic financial statements

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

CITY OF ANNISTON, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Policemen's and Firemen's Retirement Fund</u>
ADDITIONS	
Contributions	
Employer	3,067,464
Employee	1,122,594
Total Contributions	<u>4,190,058</u>
Investment Earnings:	
Interest	142,972
Dividend	189,322
Net appreciation in fair value of investments	2,501,745
Miscellaneous	584
Total Investment Earnings	<u>2,834,623</u>
Less: Investment expenses	<u>(113,667)</u>
Net Investment Income	<u>2,720,956</u>
Total Additions	6,911,014
DEDUCTIONS	
Administrative expenses	132,727
Benefits paid directly to participants	<u>4,428,334</u>
Total Deductions	<u>4,561,061</u>
NET INCREASE IN NET POSITION	2,349,953
NET POSITION, BEGINNING	<u>23,890,513</u>
NET POSITION, ENDING	<u>26,240,466</u>

See accompanying notes to the basic financial statements

**STATEMENT OF NET POSITION -
PROPRIETARY FUNDS**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	Business-type Activities-Enterprise Funds		
	Museum Store	Victoria Hotel	Total
ASSETS			
Current Assets			
Cash & cash equivalents	\$ 308,066	\$ 13,500	\$ 321,566
Accounts receivables		8,684	8,684
Prepaid expenses		12,062	12,062
Inventories	66,365	10,584	76,949
Total Current Assets	<u>374,431</u>	<u>44,830</u>	<u>419,261</u>
Property and equipment, net	11,405	672,505	683,910
TOTAL ASSETS	<u>\$ 385,836</u>	<u>\$ 717,335</u>	<u>\$ 1,103,171</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 1,386	\$ 81,976	\$ 83,362
Taxes payable	316	18,448	18,764
Due to other funds	4,777	-	4,777
Total Current Liabilities	<u>6,479</u>	<u>100,424</u>	<u>106,903</u>
TOTAL LIABILITIES	6,479	100,424	106,903
NET POSITION			
Unrestricted	300,374	616,911	917,285
Temporarily restricted	78,983	-	78,983
TOTAL NET POSITION	<u>379,357</u>	<u>616,911</u>	<u>996,268</u>
TOTAL	<u>\$ 385,836</u>	<u>\$ 717,335</u>	<u>\$ 1,103,171</u>

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds				
	Museum Store			Victoria Hotel	Total
	Unrestricted	Temporarily Restricted	Total		
OPERATING REVENUES					
Sales	\$ 53,349	\$ -	\$ 53,349	\$ 697,661	\$ 751,010
Other income	393	-	393	11,215	11,608
TOTAL OPERATING REVENUES	53,742	-	53,742	708,876	762,618
OPERATING EXPENSES					
Personnel services	10,699	-	10,699	371,664	382,363
Purchased and contractual services	24,707	-	24,707	181,192	205,899
Management fees	-	-	-	61,039	61,039
Material, supplies and other expense	16,812	-	16,812	144,238	161,050
Depreciation	1,514	-	1,514	14,038	15,552
TOTAL OPERATING EXPENSES	53,732	-	53,732	772,171	825,903
Operating Income (Loss)	10	-	10	(63,295)	(63,285)
NONOPERATING REVENUES (EXPENSES)					
Donations	1,000	-	1,000	-	1,000
Interest income	221	-	221	-	221
Capital Contribution from other fund	-	-	-	680,206	680,206
Total Nonoperating Revenues (Expenses)	1,221	-	1,221	680,206	681,427
CHANGE IN NET POSITION	1,231	-	1,231	616,911	618,142
NET POSITION - BEGINNING OF YEAR	299,143	78,983	378,126		378,126
NET POSITION - END OF YEAR	\$ 300,374	\$ 78,983	\$ 379,357	\$ 616,911	\$ 996,268

See accompanying notes to the basic financial statements

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

CITY OF ANNISTON, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities-Enterprise Funds		
	Museum Store	Victoria Hotel	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 53,742	\$ 700,192	\$ 753,934
Cash paid for purchases	(23,836)	(191,776)	(215,612)
Cash paid for operating expenditures	(23,265)	(488,579)	(511,844)
Net Cash Flows Provided by (Used in) Operating Activities	6,641	19,837	26,478
Cash Flows from Capital and related financing Activities			
Capital Contribution from other fund		680,206	680,206
Net Cash Flows Provided by (Used in) Capital and related Activities		680,206	680,206
Cash Flows from Investing Activities			
Interest and donations	1,221	-	1,221
Purchase of Capital Assets		(686,543)	(686,543)
Net Cash Flows Provided by (Used in) Investing Activities	1,221	(686,543)	(685,322)
Net Increase in Cash	7,862	13,500	21,362
Cash and Cash Equivalents, Beginning	300,204	-	300,204
Cash and Cash Equivalents, End	308,066	13,500	321,566
Reconciliation of Operating Income to Net Cash Flows from Operating Activities			
Operating Income (Loss)	10	(63,295)	(63,285)
Adjustments to Reconcile Increase (decrease) in Unrestricted Net Assets to Net Cash Provided By Operating Activities			
Depreciation and amortization	1,514	14,038	15,552
(Increase) Decrease in			
Accounts Receivables		(8,684)	(8,684)
Inventory	871	(10,584)	(9,713)
Prepaid Expenses	547	(12,062)	(11,515)
Increase (Decrease) in			
Accounts payable	(160)	81,976	81,816
Accrued payroll and withheld taxes	(918)	18,448	17,530
Due to other funds	4,777	-	4,777
	6,631	83,132	89,763
Net Cash Flows Provided by (Used in) Operating Activities	\$ 6,641	\$ 19,837	\$ 26,478

See accompanying notes to the basic financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 is discretely presented in the financial statements. Effective October 1, 2012, the City adopted GASB 61, the "Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34." Effective October 1, 2013, the City adopted GASB 65, "Items Previously Reported as Assets or Liabilities".

Discretely Presented Component Units

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
The Anniston City Board of Education 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 board cannot issue bonded debt directly.	The bonded debt must be issued through the City which the Council must approve.	These audited financial statements are located at Anniston City Hall.
The Public Library of Anniston and Calhoun County receives a substantial amount of financial support from the City; however, they do not approve the Library's operations and capital budgets.	The members of the governing board are appointed by the City of Anniston and the Calhoun County Commission.	These audited financial statements are located at Anniston City Hall.
The Farley L. Berman Foundation, Inc. is fiscally dependent upon the City for its operational support; however, the City does not approve the Foundation's capital budgets or operations.	The City fiscally supports the entity.	These audited financial statements are located at Anniston City Hall.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely Presented Component Units (continued)

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
The Anniston Museum Endowment Corporation exists only due to its relationship with the Anniston Museum of Natural History, which is a department of the City; however, the City does not fiscally support its capital budgets or operations. The entity year end is June 30, 2013.	The Corporation sole mission is to support the Anniston Museum of Natural History, a department of the City.	These audited financial statements are located at Anniston City Hall.
The Museum League exists only due to its relationship with the Anniston Museum of Natural History, which is a department of the City; however, the City does not fiscally support its capital budgets or operations.	The Corporation sole mission is to support the Anniston Museum of Natural History, a department of the City.	These unaudited financial statements are located at Anniston City Hall.

Blended Component Unit

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
The Anniston Public Building Authority 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.
The MusAnn Corporation, Inc. was established to operate the retail store located at the Anniston Museum of Natural History, a department of the City. The Corporation's operation is dependent upon the Museum's staff. It is reported as a business-type activity.	The Corporation's sole mission is to support the Anniston Museum of Natural History, a department of the City.	Separate financial statements are not prepared, however they are audited and included in the City's financial statements as the business-type activity.

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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B. Government-wide and Fund Financial Statements (continued)**

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 included among program revenues are reported as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are for fiduciary 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 are generally 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 *McClellan Compact Construction Fund* facilitates infrastructure expansion and improvement in the McClellan Industrial Park.

The *Special Revenue Fire Tax Fund* accounts for the collection of special tax and revenues that are restricted for expenditures for specific purpose.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

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

The *Special Revenue HOME Consortium Fund* accounts for the collection of federal grant money and revenues that are restricted for expenditures for specific purpose.

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.

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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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>
Building 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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**I. Deferred Outflows/ Inflows of Resources**

In addition to assets, the statement of financial position and/ or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charges on refundings reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, program income and other income earned in future periods.

J. 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.

K. 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.*"

L. 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 position."

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:

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**L. Fund Equity (continued)**

- *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.

M. Fund Equity

- *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.
- *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 Position* - Net position represent the difference between assets & deferred outflows of resources and liabilities & deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net position 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 position is 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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this difference are as follows:

Land	\$ 9,305,017
Collection	8,377,742
Construction in progress	1,013,172
Buildings & Improvements	64,277,073
Less: Accumulated depreciation-Buildings & Improvements	(21,118,999)
Improvements other than Buildings	13,945,348
Less: Accumulated depreciation-Improvements other than Buildings	(9,704,731)
Machinery & Equipment	3,745,135
Less: Accumulated depreciation-Machinery & Equipment	(435,156)
Infrastructure	105,429,666
Less: Accumulated depreciation-Infrastructure	(71,299,779)
Net adjustment to increase fund balance - total government funds to arrive at net position - governmental activities	<u>\$ 103,534,488</u>

The governmental funds balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the statement of net position. One element of that reconciliation explains that long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds. The details of this difference are as follows:

Bonds Payable	\$ (39,705,000)
Deferred charge (to be amortized as interest expense)	363,115
Issuance discounts and premiums (to be amortized as interest expense)	111,790
Intergovernmental agreement	(138,498)
Capital lease	(348,104)
Accrued interest payable	(384,343)
Compensated absences	(2,410,190)
OPEB Obligations	(4,519,226)
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	<u>\$ (47,030,456)</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Explanation of certain differences between governmental funds statement of revenue, expenditures and changes in fund balances and the government -wide statement of activities:

The governmental funds statement of revenues, expenditures and changes in fund balances includes reconciliation between Net Change in Fund Balances – total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of this difference are as follows:

Outlays capitalized	\$ 3,170,790
Net value of assets disposed or transferred to proprietary funds	(699,584)
Depreciation expense	<u>(5,442,522)</u>
Net Adjustment to increase net change in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ (2,971,316)</u>

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Debt issued or incurred	
Proceeds from long-term debt issued	\$ (2,650,000)
Amortization of long-term debt related, premiums, discounts, etc.	(38,058)
Principal repayments (including refunding proceeds to escrow agent)	<u>1,422,919</u>
Net adjustment to increase net change in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ (1,265,139)</u>

Another element of that reconciliation states some expenses reported in the statement of activities differ from amounts reported as expenditures in governmental funds. The details of this difference are as follows:

Compensated absences	\$ (83,183)
OPEB Obligations	(303,076)
Accrued interest	<u>(61,931)</u>
Net adjustment to decrease net change in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ (448,190)</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 on September 30.

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

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

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

The following funds had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended September 30, 2014.

General Government	
Finance Division	\$ 116,543
General Division	42,731
Building Maintenance	31,213
Professional Services	24,557
Utilities	430
Projects	43,853
Miscellaneous	17,612
Public Safety	
Police	150,882
City court	5,632
Fire	27,740
Public Works	
General	45,957
Engineering	875
Environmental Services	19,528
Street Department	79,377
Airport	2,060
Code Enforcement	2,099
Culture and Recreations	
Administration	41,022
PARD Program	102,591
Park Maintenance	15,033
Community Foundation of NE AL	23,200

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 4 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 reverses 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, 2014, all of the deposits of the City were fully collateralized in accordance with the state statutes.

As of September 30, 2014, the City had the following deposits, classified as investments.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	365 days or less	\$ 1,343,994
Money market	N/A	455,121
		<u>\$ 1,799,115</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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 5 RECEIVABLES

Receivables at September 30, 2014, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

Receivables	General	Special Revenue HOME	Non-Major Governmental	Total
Taxes	\$ 1,747,705	\$ -	\$ -	\$ 1,747,705
Accounts	646,864	-	-	646,864
Notes	-	1,186,998	1,179,783	2,366,781
Gross Receivable	2,394,569	1,186,998	1,179,783	4,761,350
Less Allowance for Uncollectible	(380,815)	-	(121,130)	(501,945)
Net Total Receivable-Net	\$ 2,013,754	\$ 1,186,998	\$ 1,058,653	\$ 4,259,405

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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 is as follows:

<u>Governmental Activities</u>	<u>Balance 9/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/14</u>
Non-Depreciable					
Land	\$ 8,925,355	\$ 379,662	\$ -	\$ -	\$ 9,305,017
Collections	8,342,992	34,750	-	-	8,377,742
Construction in Progress	-	1,013,172	-	-	1,013,172
	<u>17,268,347</u>	<u>1,427,584</u>	<u>-</u>	<u>-</u>	<u>18,695,931</u>
Depreciable					
Buildings & Improvements	64,639,239	352,541	-	(714,707)	64,277,073
Machinery & Equipment	13,933,702	807,215	(795,569)	-	13,945,348
Improvements other than buildings	3,161,685	583,450	-	-	3,745,135
Infrastructure	<u>105,429,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,429,666</u>
Total other Capital Assets	<u>187,164,292</u>	<u>1,743,206</u>	<u>(795,569)</u>	<u>(714,707)</u>	<u>187,397,222</u>
Total Capital Assets	204,432,639	3,170,790	(795,569)	(714,707)	206,093,153
Accumulated Depreciation					
Buildings	19,431,738	1,697,601	-	(10,341)	21,118,998
Machinery & Equipment	9,538,105	954,045	(795,444)	8,025	9,704,731
Improvements other than Bldgs	327,405	107,751	-	-	435,156
Infrastructure	<u>68,616,655</u>	<u>2,683,125</u>	<u>-</u>	<u>-</u>	<u>71,299,780</u>
Total Accumulated Depreciation	<u>97,913,903</u>	<u>5,442,522</u>	<u>(795,444)</u>	<u>(2,316)</u>	<u>102,558,665</u>
Governmental Activities Capital Assets, net	<u>\$ 106,518,736</u>	<u>\$ (2,271,732)</u>	<u>\$ (125)</u>	<u>\$ (712,391)</u>	<u>\$ 103,534,488</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 884,410
Public Safety	829,985
Public Works	3,015,157
Housing and Development	108,850
Culture and Recreation	604,120
	<u>\$ 5,442,522</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 6 CAPITAL ASSETS (continued)

<u>Business Type Activities</u>	<u>Balance 9/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/14</u>
Non-Depreciable					
Land	\$ -	\$ -	\$ -	\$ 125,000	\$ 125,000
Buildings & Improvements	30,884	-	-	549,590	580,474
Furniture and Fixtures	27,925	-	-	11,953	39,878
	<u>58,809</u>	<u>-</u>	<u>-</u>	<u>561,543</u>	<u>620,352</u>
Accumulated Depreciation	(45,890)	(15,552)	-	-	(61,442)
	<u>12,919</u>	<u>(15,552)</u>	<u>-</u>	<u>686,543</u>	<u>683,910</u>
Component Units:	Balance	Additions	Deductions		Balance
	9/30/13				9/30/14
Non-Depreciable					
Land	\$ 1,423,863	\$ -	\$ -		\$ 1,423,863
Collections	8,728,341	-	-		8,728,341
	<u>10,152,204</u>	<u>-</u>	<u>-</u>		<u>10,152,204</u>
Depreciated					
Collections	831,290	-	-		831,290
Buildings	17,048,132	-	-		17,048,132
Building Improvements	15,741,935	5,750	-		15,747,685
Vehicles	833,726	-	-		833,726
Machinery & Equipment	2,042,130	85,201	(3,448)		2,123,883
Total other Capital Assets	<u>36,497,213</u>	<u>90,951</u>	<u>(3,448)</u>		<u>36,584,716</u>
Total Capital Assets	46,649,417	90,951	(3,448)		46,736,920
Accumulated Depreciation					
Collections	786,311	29,917	-		816,228
Buildings	11,378,480	325,264	-		11,703,744
Building Improvements	6,587,242	538,021	-		7,125,263
Land Improvements	210,179	4,655	-		214,834
Vehicles	563,843	42,910	-		606,753
Machinery & Equipment	1,668,688	83,250	(1,311)		1,750,627
Total Accumulated Depreciation	<u>21,194,743</u>	<u>1,024,017</u>	<u>(1,311)</u>		<u>22,217,449</u>
Governmental Activities Capital Assets, net	<u>\$ 25,454,674</u>	<u>\$ (933,066)</u>	<u>\$ (2,137)</u>		<u>\$ 24,519,471</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 7 LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2014 is as follows:

	Balance 9/30/13	Additions	Reductions	Balance 9/30/14	Due Within One Year	Due In More Than One Year
Governmental activities						
Bonds and warrants	\$ 38,125,000	\$ 2,650,000	\$ 1,070,000	\$ 39,705,000	\$ 1,219,000	\$ 38,486,000
Less deferred amounts						
Unamortized refunding	(3,505)	-	(206)	(3,299)	-	(3,299)
Unamortized discount	(380,438)	-	(20,621)	(359,817)	-	(359,817)
Total Bonds and Warrants	37,741,057	2,650,000	1,049,173	39,341,884	1,219,000	38,122,884
Intergovernmental						
Agreement	276,251	-	(137,753)	138,498	138,498	
Capital lease payable	563,271		(215,167)	348,104	213,963	134,141
Compensated absences	2,327,007	83,183		2,410,190	511,129	1,899,061
Net OPEB Obligations	4,216,151	1,038,700	(735,624)	4,519,227	401,100	4,118,127
Governmental activities						
Long-Term Liabilities	\$ 45,123,737	\$ 3,771,883	\$ (39,371)	\$ 46,757,903	\$ 2,483,690	\$ 44,274,213

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.

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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 7 LONG-TERM DEBT (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 \$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.

On September 8, 2014, the City issued \$ 2,650,000 general obligation warrants (Series 2014-A) to fund road improvements on Pappy Dunn Boulevard and Iron Mountain Road. In addition, the State of Alabama will pay approximately \$1,400,000 to assist in the project. Also, municipalities located in Calhoun County have committed funds to assist the City in the debt service on the \$ 2,650,000. The 2014-A Series principal payment of \$124,000 are due annually beginning January 31, 2015 through January 31, 2022, and principal payments of \$ 237,000 are due annually beginning January 31, 2023 through January 31, 2029. The interest rate is 3.48% and interest is paid on the remaining balance each year on January 31st.

Annual debt service requirements to amortize bonds and warrants outstanding, as of September 30, 2014 follow:

Fiscal Year Ended September 30	Governmental Activity		
	Principal	Interest	Total
2015	1,219,000	1,710,328	2,929,328
2016	1,249,000	1,734,689	2,983,689
2017	1,284,000	1,700,030	2,984,030
2018	1,314,000	1,661,946	2,975,946
2019	1,349,000	1,619,845	2,968,845
2020-2024	7,606,000	7,297,829	14,903,829
2025-2029	9,449,000	5,457,120	14,906,120
2030-2034	9,065,000	3,047,696	12,112,696
2035-2039	3,795,000	1,489,883	5,284,883
2040-2043	3,375,000	348,375	3,723,375
Total	<u>\$ 39,705,000</u>	<u>\$26,067,740</u>	<u>\$ 65,772,740</u>

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 \$152,397. The balance at September 30, 2014 was \$138,498.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 7 LONG-TERM DEBT (continued)

Annual debt service requirements to amortize the intergovernmental agreement outstanding, as of September 30, 2014 follow:

Fiscal Year Ended September 30	Governmental Activity		
	Principal	Interest	Total
2015	\$ 138,498	\$ 7,486	\$ 145,984
Total	\$ 138,498	\$ 7,486	\$ 145,984

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, 2014:

	Governmental Activities
Equipment	\$ 793,510
Less: Accumulated Depreciation	(451,026)
Net After Accumulated Depreciation	342,484
Non Capitalized Equipment	179,611
Total	<u>\$ 522,095</u>

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of September 30, 2014:

	Governmental Activities
Fiscal Year End September 30,	
2015	213,963
2016	131,043
2017	11,787
2018	3,413
Total Minimum Lease Payment	360,206
Less amount representing interest	(12,102)
Present value of future minimum lease payments	<u>\$ 348,104</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 7 LONG-TERM DEBT (continued)

Component Unit: Anniston City Board of Education

Long-term liability activity for the year ended September 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due In More Than One Year</u>
Governmental activities						
2003 Pool Bond	\$ 654,393	\$ -	\$ 48,870	\$ 605,523	\$ 50,798	\$ 554,725
QZAB	2,000,000	-	-	2,000,000	-	2,000,000
Governmental activities Long-Term Liabilities	\$ 2,654,393	\$ -	\$ 48,870	\$ 2,605,523	\$ 50,798	\$ 2,554,725

2003 Pool Bonds. During the year ended September 30, 2004, the 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 4.13% is payable on June 1 and December 1 of each year beginning June 1, 2004. The maturity date of the Pool Bonds is December 1, 2023.

Annual debt service requirements to amortize bonds and warrants September 30, 2014 follow:

<u>Fiscal Year Ended September 30</u>	<u>Governmental Activity</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	50,577	24,177	74,754
2016	52,665	22,046	74,711
2017	54,839	19,827	74,666
2018	57,104	17,516	74,620
2019 – 2023	322,892	49,436	372,328
2024	67,745	1,399	69,144
Total	\$ 605,523	\$ 134,401	\$ 739,924

NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Tax Fund	\$ 145,466
General Fund	Public Building	148,326
General Fund	Non Major	1,739,552
Non Major	General Fund	304,630
Non Major	HOME	110,189
General Fund	Proprietary Fund	4,777
General Fund	Agency Fund	30,351
		<u>\$ 2,483,291</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

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, 2014 were:

<u>Transfers In</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund	\$ 888,535	\$ 88,843	\$ 888,535
Public Building Authority	1,060,198	-	1,060,198
Nonmajor Governmental Fund	-	1,198,706	1,198,706
	<u>\$ 1,948,733</u>	<u>\$ 1,287,549</u>	<u>\$ 3,236,282</u>

These transfers were used to assist other funds in meeting operating requirements for the year ended September 30, 2014.

NOTE 9 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 new plan is funded by contributions from employees and the City. Two recent legislations will impact the City's pension plan. The first legislation is Act 2012-377, which created a new benefit plan for employees with no previous creditable retirement service hired on or after January 1, 2013, referred as "Tier 2 employees." Employees hired on or before January 1, 2013, are considered "Tier 1 Employees." The second legislation is Act 2011-676, which allows an agency the option to adopt the higher employee contribution rates. As of the report date, the City has not elected to increase the employee contribution rate.

"Tier 1" Employees

"Tier 1" employees are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 25 years of service with the District or another entity covered by the state PERS. Benefits vest after 10 years of service.

Employees who retire at or after the age of 60, with ten or more years of service are entitled to pension payments for the remainder of their lives equal annually to 2.0125% of the member's average final service. The final average compensation is the average salary during the three years in his last ten years of creditable service for which such average is higher.

Pension provisions include deferred allowances whereby an employee may terminate his or her employment with the City after accumulating 10 years of service but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to the applicable benefits upon reaching the age of 60.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 9 RETIREMENT PLANS (continued)**Retirement Systems of Alabama (continued)**

Pension benefits include death benefits and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive annually an amount equal to 2.0125% of the member's average final compensation multiplied by the number of years of his creditable service, reduced by $\frac{1}{4}$ of 1% for each month by which his age at retirement or death is less than age 60 or his years of service are less than 30, if less, to a maximum reduction of 25%. State statutes determine benefits. Employees of the City are required to pay 5% of their gross earnings to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by state statutes.

"Tier 2" Employees

"Tier 2" Employees are eligible and must participate in the state PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 10 years of service with the City or another entity covered by the state PERS and attained the age of 62. Benefits vest after 10 years of service.

Employees who retire at or after the age of 62, with ten or more years of service are entitled to pension payment for the remainder of their lives equal annually to 1.65% of the member's average final service. The final average compensation is the average salary during the five years in his last ten years of creditable service for which such average is higher. The retirement benefit cannot exceed 80% of the Average Final Salary.

Pension provisions include deferred allowances whereby an employee may terminate his or her employment with the City after accumulating 10 years of service but before reaching the age of 62. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to the applicable benefits upon reaching the age of 62.

Pension benefits provide disability benefits and death benefits. A disabled employee is entitled to receive monthly benefits which are calculated identically to those for service retirement. Death benefits prior to retirement are calculated and paid to beneficiary(ies) based on the member's age, service credit, employment status and eligibility for retirement. State statutes determine benefits. Employees of the City are required to pay 6% of their gross earnings to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by state statutes.

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 36-27B-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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 9 RETIREMENT PLANS (continued)

Retirement Systems of Alabama (continued)

Below is a chart summarizing the payroll, employer's contributions and employees' contributions for the year ended September 30, 2014. All contributions have been made.

Fiscal Year Ended September 30	Contributions		
	Employer	Employee	Total
2014	\$ 568,244	\$ 558,393	\$ 1,126,637

The following schedule is based on the actuarial valuation as of September 30, 2013 (most recent information available) as provided by the Employees' Retirement System of Alabama:

**Summary of Employee Census Data
Effective For Period Beginning October 1, 2013**

Number of active members	220
Annual compensation	\$ 7,417,861
Number of Retired members and beneficiaries	96
Annual Retirement allowance	\$ 1,330,983

**Required Employer Contributions
Effective For Period Beginning October 1, 2013**

Tier 1 Employees

Normal cost	1.04%
Accrued Liability	6.12%
Pre-retirement death benefit	0.14%
Administrative Expense	<u>0.21%</u>
Total	7.51%

7.5% Employer contribution factor (7.51% / 7.5%)	1.001333
8.5% Employer contribution factor (7.51% / 8.5%)	.883529

Tier 2 Employees

Total	7.44%
6% Employer contribution factor (7.44% / 6%)	1.240000
7% Employer contribution factor (7.44% / 7%)	1.062857

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 9 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.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2011	\$ 521,091	100%	\$ -
September 30, 2012	526,195	100%	-
September 30, 2013	606,636	100%	-

As of the most recent valuation date, September 30, 2012, the funded status of the Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Funded Ratio (1)/(2)</u>	<u>Unfunded (1)-(2)</u>	<u>Annual Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
9/30/2013	\$ 19,211,693	\$ 23,330,034	72.5%	(\$ 7,305,323)	\$ 7,480,512	97.7%

The valuation was prepared using the entry age normal actuarial cost method. An interest rate and projected salary increases of 3.75%-7.25% 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.

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 of the City. The plan covers all sworn members of the Police and Fire Departments of the City. The Fund was substantially amended by the State of Alabama with Act No. 2012-484, effective October 1, 2012. Retirement benefits are paid to those members with 25 or more years (20 years if hired before May 29, 1979) equal to three percent of their final three-year average salary times their years of service up to a maximum of thirty years of service. Effective October 1, 2012, employees with the earlier of attaining age 65 or 25 years of service are entitled to pension benefits equal of 2.5% of compensation years of service on and after October 1, 2012, plus 3% of compensation of years of services, but not greater than 30, less years of service on and after October 1, 2012. For additional information on pension benefits, please, refer to the Policemen’s and Firemen’s Retirement Fund’s audited financial statements.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 9 RETIREMENT PLANS (Continued)

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

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, 2013, and contains the following information:

Valuation date	October 1, 2013
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Market value/
Actuarial Assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	5.5%
*Includes inflation at	3.0%

Below is a chart summarizing the payroll, employer's contributions and employees' contributions for the year ended September 30, 2014. All contributions have been made.

<u>Fiscal Period Ending</u>	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
September 30, 2014	\$ 3,067,464	\$ 1,122,595	\$ 4,190,059

The following schedule is based on the actuarial valuation as of October 1, 2013 (most recent information available):

Summary of Employee Census Data

Number of active members	174
Annual compensation	\$ 7,826,324
Number of Retired members and beneficiaries	174
Annual Retirement allowance	\$ 4,119,624

Required Employer Contributions

Normal cost	14.7%
Accrued Liability	<u>126.2%</u>
Total	140.9%

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.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2013	\$ 3,820,084	90.4%	401,546
September 30, 2012	1,949,960	100%	-
September 30, 2011	1,979,022	100%	-

FOR THE YEAR ENDED SEPTEMBER 30, 2014**NOTE 9 RETIREMENT PLANS (Continued)****Policemen's and Firemen's Retirement Fund for the City of Anniston (Continued)**

As of the most recent valuation date, October 1, 2013, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Funded Ratio (1)/(2)	Unfunded (1)-(2)	Annual Covered Payroll	Percentage of Covered Payroll
10/1/2013	\$ 23,890,513	\$ 64,289,284	37.2%	(\$ 40,398,771)	\$ 7,826,324	516.2%

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, 2012.

NOTE 10 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.

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:

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (continued)

Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of October 1, 2013

Active members	347
Retired members	<u>82</u>
Total	<u>429</u>

Contributions

The City contributed \$735,624 to the OPEB Health Care Plan in fiscal year 2014. 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	<u>\$ 1,038,700</u>
Annual OPEB Cost	1,038,700
Interest on net OPEB obligation	168,600
Adjustment on net OPEB obligation	(168,600)
Actual Contribution	<u>(735,624)</u>
Increase in net OPEB obligation.	303,076
Net OPEB obligation, September 30, 2013	<u>4,216,151</u>
Net OPEB obligation, September 30, 2014	<u>\$ 4,519,227</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
2012	1,232,200	397,917	32.29%	3,437,783
2013	1,296,400	512,332	39.50%	4,216,151
2014	1,038,700	735,624	70.82%	4,512,227

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	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Funded Ratio (1)/(2)	Unfunded (1)-(2)	Annual Covered Payroll	Percentage of Covered Payroll
10/1/2011	-	\$ 13,679,400	0.0%	(\$ 13,679,400)	-	0.0%
10/1/2013	-	\$ 11,827,100	0.0%	(\$ 11,827,100)	-	0.0%

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress (continued)

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, 2013. The assumptions used in the October 1, 2013 actuarial valuation are as follows:

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value of Assets
Assumed Rate of Return on Investments	4.00%
Medical Cost Trend Rate	8.00%
Ultimate Medical Cost Trend Rate	8.00-5.00%
Year of Ultimate Trend Rate	2018
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.

NOTE 11 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 12 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 maintained 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, 2014, 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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 12 RISK MANAGEMENT (Continued)**Subsequent Event-Risk Management**

Throughout the fiscal year ending September 30, 2014, the City retained insurance coverage under the following brokers and providers: Municipal Workers Compensation Fund, Inc. (MCWF) for workers' compensation insurance, Alabama Municipal Insurance Corporation (AMIC) for liability insurance, and Insurance Planning Services (IPS) for property insurance.

Effective November 1, 2014, the City of Anniston was granted authorization by the State of Alabama Department of Labor to operate as a self-insurer under the Alabama Workers' Compensation Law and terminated coverage with MCWF on March 15, 2015.

While the City maintains its Property Insurance coverage under IPS, during fiscal year 2014-2015, Anniston is transitioning to General Liability and Workers' Compensation Insurance through Brit Global Specialty ("Brit") as brokered by Marsh, USA. Furthermore, the City engaged CCMSI Inc. to act as our third party administrator (TPA) for all claims against the City. The City transitioned into the Brit policy after receiving notice from AMIC that it would no longer cover claims made against municipal employees in their individual capacities, without regard to whether the acts were committed in the line and scope of their employment. AMIC's policy amendment was prompted by an Alabama Supreme Court ruling holding that the statutory municipal liability caps did not apply to individual capacity claims made against municipal employees. Had the City renewed with AMIC, its employees would have faced the potential of personal, uninsured risk for nonintentional acts committed in the line and scope of their employment. The City's liability policy with Brit covers its employees without regard to whether the claim is characterized as an individual or official capacity claim, which removes the risk the employees would have faced if the City had renewed with AMIC. By combining its liability and workers compensation insurance with Brit, the City was able to provide substantially better coverage for its employees, gain a measure of control over its claims process and risk exposure, realize a financial benefit from enhanced risk management, and reduce its overall insurance costs.

The City carefully considered proposals before deciding on new coverages, including alternative duty-to-defend risk policies, and we are confident that these changes do not increase the exposure of the City to settlements, claims, or carry any other adverse financial effect. The City hired a risk manager to seek out and mitigate areas of exposure. Finally, premiums have been reduced and the maximum expected costs are similar under both the old and new insurance coverages. The City simply has more control over their loss reduction and prevention program.

NOTE 13 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.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 14 ACCOUNTING STANDARDS

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. It requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities, and also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement was effective for reporting periods beginning after June 15, 2013, and the provisions of this statement are required to be applied retroactively, with the exception of disclosure related to cumulative amounts paid or received in relation to a financial guarantee. The Board implements GASB Statement No. 70 for the year ended September 30, 2014. There was no impact on these financial statements as a result of the implementation of GASB Statement No. 70.

In June 2012, GASB adopted Statement 67, *Financial Reporting for Pension Plans*, which is directed toward improving financial reporting for state and local governmental pension plans. It amends GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as well as GASB Statement 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts. The Policemen and Firemen's Pension Fund's financial statements have incorporated the requirements of GASB Statement 67.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the statements. The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities, that have a legal obligation to make contributions directly to such pension plans. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The calculation of pension contributions is unaffected by the change. However, when adopted will result in the restatement of the City's Fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the statement.

Management has not yet determined the financial statement impact of the pronouncement.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 14 ACCOUNTING STANDARDS (Continued)

significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant considerations is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. Management has not yet determined the financial statement impact of the pronouncement.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management has not yet determined the financial statement impact of the pronouncement.

NOTE 15 EARLY RETIREMENT INCENTIVE PROGRAM

On August 13, 2013, the City passed Resolution 13-R-192, which authorized an Early Retirement Incentive Program offered to all “Eligible Employees”. To be considered an “Eligible Employee”, a person must (a) be a full-time employee of the City of Anniston, in good standing, as of date of the Resolution; (b) be at least age 54 or attain the age 54 no later than November 21, 2013; and (c) be eligible for retirement benefits through his or her respective retirement system as of November 21, 2013. The program was not retroactive. Eligible employees who agreed to the written Retirement Incentive Agreement and Release received continued participation in the City’s Health Insurance Plan for five years or until the employee is no longer eligible to participate in the plan.

The City had 16 of the 64 eligible employees who took advantage of the one-time early retirement incentive. As a result of the incentive, the City was able to reduce budgeted salaries and benefits expenditures approximately \$ 638,000, less any new hires. The City projects these savings to carry forward into future years.

NOTE 16 ANNISTON INDUSTRIAL DEVELOPMENT BOARD

Prior to October 1, 2013, the Anniston Industrial Development Board (Board) was a discretely presented component unit of the City. On July 1, 2014, the Board voted to transfer all restricted and unrestricted funds in the amount of \$ 572,606 to the City. After the transfer of the funds to the City, the Board was left with no assets or liabilities nor net position. The City Manager has assigned these funds to Economic Development.

NOTE 17 PRIOR PERIOD ADJUSTMENT

As discussed in Note 1 (A) and Note 14, the implementation of GASB 65 required that debt issuance costs, with the exception of prepaid insurance costs and refunding of debt, be recognized as an expense in the period incurred. The cumulative effect of this statement retroactively was a decrease in net position in the government-wide financial statements in the amount of \$ 200,192.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 18 RELATED-PARTY TRANSACTION

Jay Jenkins, City of Anniston Council Member, is a partner at Munroe + Jenkins Architects, LLC (the "Firm"). Mr. Jenkins was appointed to City Council in 2011 to fill a vacant seat. He won a full term in 2012. The Department of Museum Operations was created in March 2014 by the City of Anniston (the "City"). This department is responsible for operating and maintaining the Anniston Museum of Natural History, the Berman Museum, and the Longleaf Botanical Gardens (the "Gardens").

The Museum first retained the Firm in 2010, prior to Mr. Jenkins appointment to the City Council, to provide master planning services. The Firm also assisted the Museum with subsequent phases by securing mechanical and electrical engineers to design the fire sprinkler system, fire alarm system, and new lighting at no charge. In an effort to save time and money, the Museum approached the Firm in May of 2014 to provide architectural services for bathroom renovations at the Gardens as a continuation of the master planning services. Prior to agreeing to perform the services, the Firm contacted and received approval from the State of Alabama Ethics Commission.

The fee for this project is 8% of the construction contract. Mayor and Council approved the construction contract of \$203,894, making the Firm's fee \$16,311.52. Council member Jenkins recused himself from the vote. As of September 30, 2014, the total amount of the contract is outstanding.

NOTE 19 SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through May 20, 2015, the date the financial statements were available to be issued, and have determined that no subsequent event, except as discussed in the notes above, has occurred that requires additional disclosures in the Notes to the Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2014

SCHEDULE OF FUNDING PROGRESS

Retirement Systems of Alabama

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liabilities (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll of ((b-a)/c)
9/30/2008	19,966,441	23,330,034	3,363,593	85.6%	7,696,743	43.7%
9/30/2009	19,744,665	24,077,674	4,333,009	82.0%	7,466,202	58.0%
9/30/2010 ²	19,237,752	25,741,050	6,503,298	74.7%	7,367,995	88.3%
9/30/2011 ⁴	18,586,518	26,010,836	7,424,318	71.5%	7,417,861	100.1%
9/30/2012 ⁵	17,995,708	25,210,299	7,214,591	71.4%	7,265,216	99.3%
9/30/2013 ^{3,6}	19,211,693	25,517,016	7,305,323	72.5%	7,480,512	97.7%

¹ Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

² Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

³ Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011, and by an additional 0.25% beginning October 1, 2012.

⁴ Reflects changes in actuarial assumptions.

⁵ Reflects changes to interest smoothing methodology.

⁶ Reflects implementation of Board Funding Policy.

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012
Market Value of Assets as of September 30, 2013.

SCHEDULES OF FUNDING PROGRESS

Policemen's and Firemen's Fund

Actuarial Valuation Date 10/1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (1)/(2) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / (c))
2013	\$ 23,890,513	\$ 64,289,284	\$ 40,398,771	37.2%	\$ 7,826,324	516.4%
2012	21,101,844	61,571,576	40,469,732	34.3%	7,687,605	526.4%
2011	19,628,595	59,008,960	39,380,365	33.3%	7,635,932	515.7%
2010	21,152,894	57,954,447	36,801,553	36.5%	8,010,438	459.4%
2009	20,471,581	55,360,777	34,889,196	37.0%	7,854,449	444.2%
2007	27,089,478	49,792,153	22,702,675	54.4%	6,665,540	340.6%
2005	24,632,743	42,810,623	18,177,880	57.5%	6,249,403	290.9%
2003	25,704,942	39,873,805	14,168,863	64.5%	5,565,899	254.6%
2001	23,846,591	38,531,561	14,684,970	61.9%	5,647,923	260.0%

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

OPEB Health Care Plan

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (1)/(2) (3)	Over (Under) Funded (UAAL) (2)-(1) (4)	Annual Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6)
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%
10/1/2013	-	11,827,100	0.00%	(11,827,100)	14,003,100	84.46%

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

**First year of implementation

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Policemen & Firemen’s Fund – Required Supplemental Information as Required by GASB 67.

**POLICEMEN AND FIREMEN’S RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

This schedule will be updated each year until a 10-year history is accumulated. GASB 67 was effective for year ending September 30, 2014; therefore information is not available for year ended September 30, 2013.

Year Ending September 30,	2014
Total pension liability	
Service Cost	\$1,105,270
Interest	5,054,431
Changes of benefit terms	131,764
Differences between expected and actual experience	248,886
Changes of assumptions	43,617,061
Benefits payments, including refunds of member contributions	<u>(4,428,334)</u>
Net change in total pension liability	45,729,078
Total pension liability - beginning	<u>64,289,284</u>
Total pension liability – ending (a)	\$110,018,362
 Plan fiduciary net position	
Contributions - employer	\$3,067,464
Contributions - employee	1,122,594
Net investment income	2,720,956
Benefit payments, including refunds of member contributions	(4,428,334)
Administrative Expense	(132,727)
Other	<u>0</u>
Net change in plan fiduciary net position	2,349,953
Plan fiduciary net position - beginning	<u>23,890,513</u>
Plan fiduciary net position – ending (b)	<u>26,240,466</u>
Net pension liability – ending (a) – (b)	\$83,777,896
 Plan fiduciary net position as a percentage of the total pension liability	23.9%
Covered employee payroll	\$8,018,529
Net pension liability as a percentage of covered employee payroll	1044.8%

Notes to Schedule:

The beginning total pension liability includes mortality improvements to 2013. The ending total pension liability includes mortality improvements to 2014.

The beginning total pension liability is determined using the assumed rate of investment return of 8.0% per year (net of investment and administrative expenses). The ending total pension liability is determined using the 3.67% single discount rate.

FOR THE YEAR ENDED SEPTEMBER 30, 2014

**POLICEMEN AND FIREMEN'S RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS**

Year Ending September 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 9,930,690	\$ 9,738,007	\$ 8,797,577	\$ 8,065,253	\$ 5,883,520	\$ 4,119,320	\$ 1,917,333	\$ 123,124	\$ 1,190,772	\$ 1,104,311
Contributions in relation to actuarially determined contribution	3,067,464	2,738,006	11,854,715	1,212,363	1,233,630	1,207,937	1,099,448	1,072,762	1,002,805	985,677
Contributions deficiency (excess)	\$ 6,863,226	\$ 7,000,001	\$ 7,612,862	\$ 6,852,890	\$ 4,649,890	\$ 2,911,383	\$ 817,885	\$ 163,362	\$ 187,967	\$ 118,634
Covered employee payroll	\$ 8,018,529	\$ 7,729,129	\$ 7,652,450	\$ 7,666,590	\$ 7,823,830	\$ 7,572,280	\$ 6,775,030	\$ 6,645,830	\$ 6,402,000	\$ 6,573,280
Actuarially determined contribution as a percentage of covered-employee payroll	123.8%	126.0%	115.0%	105.2%	75.2%	54.4%	28.3%	18.6%	18.6%	16.8%
Actual contributions as a percentage of covered-employee payroll	38.3%	35.4%	15.5%	15.8%	15.8%	16.0%	16.2%	16.1%	15.7%	15.0%

Notes to Schedule

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

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll assuming 3% annual total payroll increases
Remaining amortization period	30 years for each new base
Asset valuation method	Market value
Inflation	3.0%
Salary increases	5.5%, including inflation
Investment rate of return	8.0% net of investment and administrative expenses, including inflation
Retirement age	See "Description of Assumptions and Methods" for the assumed retirement age assumption
Mortality	Mortality is assumed under the RP 2000 Blue Collar Mortality Table (set forward 10 years for disabled members) with mortality

**POLICEMEN AND FIREMEN'S RETIREMENT FUND
SCHEDULE OF INVESTMENT RETURNS**

This schedule will be updated each year until a 10-year history is accumulated.

Year Ending September 30,	Annual money-weighted rate of
2014	11.65%
2013	15.12%
2012	17.53%
2011	0.25%
2010	7.48%
2009	-4.40%

COMBINING FUND STATEMENTS

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	Nonmajor Debt Service Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Improvement Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	-	2,941,646	-	2,941,646
Investments	-	341,850	-	341,850
Cash bond on hand	-	21,890	-	21,890
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Notes receivable	-	1,058,653	-	1,058,653
Other receivable	-	41,553	-	41,553
Prepaid items	-	51,407	-	51,407
Due from other funds	-	442,204	154,337	596,541
Due from agency funds	-	-	-	-
Due from other governments	-	110,753	-	110,753
Restricted cash	-	-	2	2
TOTAL ASSETS	-	5,009,956	154,339	5,164,295
LIABILITIES				
Accounts payable	-	153,778	261	154,039
Accrued liabilities	-	521	-	521
Cash bond liabilities	-	128,015	-	128,015
Due to other funds	-	1,367,455	372,097	1,739,552
Due to agency funds	-	48,132	-	48,132
Due to other governments	-	-	-	-
TOTAL LIABILITIES	-	1,697,901	372,358	2,070,259
DEFERRED INFLOWS OF RESOURCES				
Income earned in future periods	-	635,844	-	635,844
Fees collected in advance	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	635,844	-	635,844
FUND BALANCES				
Nonspendable				
Prepaid items	-	-	-	-
Restricted for				
Judicial	-	131,633	-	131,633
Public safety	-	19,055	-	19,055
Road improvements	-	1,288,033	(73,519)	1,214,514
Contracts (sic)	-	-	-	-
Culture and recreation	-	-	-	-
Housing and development	-	-	-	-
Capital Outlay	-	-	(144,500)	(144,500)
Committed for				
Culture and recreation	-	791,213	-	791,213
Capital Projects	-	-	-	-
Assigned for				
Housing and development	-	624,314	-	624,314
Unassigned	-	(178,037)	-	(178,037)
TOTAL FUND BALANCES (DEFICIT)	-	2,676,211	(218,019)	2,458,192
TOTAL LIABILITIES AND FUND BALANCES	-	5,009,956	154,339	5,164,295

See accompanying notes to the basic financial statements

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Nonmajor Debt Service Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Improvement Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	-	1,253,637	35,454	1,289,091
Fines and forfeitures	-	745,249	-	745,249
Charges for services	-	131,183	-	131,183
Taxes	-	143,411	-	143,411
Interest earned	-	11,764	108,952	120,716
Miscellaneous	-	304,273	36,315	340,588
TOTAL REVENUES	-	2,589,517	180,721	2,770,238
EXPENDITURES				
General government	-	377,877	-	377,877
Judicial	-	-	-	-
Public safety	-	1,242,156	-	1,242,156
Public works	-	497,659	78,329	575,988
Culture and recreation	-	1,049,859	-	1,049,859
Public facilities	-	64,808	16,471	81,279
Housing and development	-	292,974	-	292,974
Capital outlay	-	260,917	8,907	269,824
Debt Service				
Principal	352,919	-	245,000	597,919
Interest	29,234	-	300,440	329,674
Bond Exchange Cost	-	-	-	-
Fiscal Agent Fee	-	-	3,050	3,050
TOTAL EXPENDITURES	382,153	3,786,250	652,207	4,820,610
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(382,153)	(1,196,733)	(471,486)	(2,050,372)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	-	-
Transfers in	382,153	1,420,226	456,525	2,258,904
Transfers out	-	(1,279,313)	(8,236)	(1,287,549)
TOTAL OTHER FINANCING SOURCES (USES)	382,153	140,913	448,289	971,355
NET CHANGE IN FUND BALANCES	-	(1,055,820)	(23,197)	(1,079,017)
FUND BALANCES (DEFICIT), BEGINNING	-	1,732,031	(194,822)	1,537,209
FUND BALANCES (DEFICIT), END	-	2,676,211	(218,019)	2,458,192

See accompanying notes to the basic financial statements

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	Department of Museum Operations	Gasoline Fund	Seven Cent Gas Fund	Alabama Trust Fund
ASSETS				
Cash and cash equivalents	761,731	49,002	41,065	212,698
Investments	75,000	-	-	-
Cash bonds on hand	-	-	-	-
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Notes receivable	-	-	-	-
Other receivable	-	-	-	-
Prepaid items	51,407	-	-	-
Due from other funds	-	-	-	53,827
Due from agency funds	-	-	-	-
Due from other governments	-	5,673	6,990	-
Restricted cash	-	-	-	-
TOTAL ASSETS	888,138	54,675	48,055	306,525
LIABILITIES				
Accounts payable	66,125	-	-	52,512
Accrued liabilities	-	-	-	-
Cash bonds liabilities	-	-	-	-
Due to other funds	30,800	133,892	-	-
Due to agency funds	-	-	-	-
Due to other governments	-	-	-	-
TOTAL LIABILITIES	96,925	133,892	-	52,512
DEFERRED INFLOWS OF RESOURCES				
Income earned in future periods	-	-	-	-
Fees collected in advance	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Nonspendable				
Prepaid items	-	-	-	-
Restricted for				
Judicial	-	-	-	-
Public safety	-	-	-	-
Road improvements	-	(79,217)	44,055	-
Court activities	-	-	-	-
Culture and recreation	-	-	-	-
Housing and development	-	-	-	-
Capital Outlay	-	-	-	-
Committed for	-	-	-	-
Culture and recreation	791,213	-	-	-
Capital Projects	-	-	-	-
Assigned for	-	-	-	-
Housing and development	-	-	-	-
Unassigned	-	-	-	254,013
TOTAL FUND BALANCES (DEFICIT)	791,213	(79,217)	44,055	254,013
TOTAL	888,138	54,675	48,055	306,525

See accompanying notes to the basic financial statements

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	<u>Corrections Fund</u>	<u>CDBG Fund</u>	<u>Emergency Shelter Grant Fund</u>	<u>Federal Seized Assets Fund</u>
ASSETS				
Cash and cash equivalents	1,018,365	520	-	21,038
Investments	266,850	-	-	-
Cash bonds on hand	-	-	-	-
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Notes receivable	-	456,452	-	-
Other receivable	-	-	-	-
Prepaid items	-	-	-	-
Due from other funds	6,673	70,248	-	-
Due from agency funds	-	-	-	-
Due from other governments	-	6,413	-	-
Restricted cash	-	-	-	-
TOTAL ASSETS	1,291,888	533,633	-	21,038
LIABILITIES				
Accounts payable	-	3,317	-	-
Accrued liabilities	-	521	-	-
Cash Bonds liabilities	-	-	-	-
Due to other funds	-	-	-	-
Due to agency funds	-	-	-	-
Due to other governments	-	-	-	-
TOTAL LIABILITIES	-	3,838	-	-
DEFERRED INFLOWS OF RESOURCES				
Income earned in future periods	-	467,637	-	-
Fees collected in advance	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	467,637	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Prepaid items	-	-	-	-
Restricted for	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	21,038
Road improvements	1,291,888	-	-	-
Court activities	-	-	-	-
Cultural and recreation	-	-	-	-
Housing and development	-	-	-	-
Capital Outlay	-	-	-	-
Committed for	-	-	-	-
Cultural and recreation	-	-	-	-
Capital Projects	-	-	-	-
Assigned for	-	62,158	-	-
Housing and development	-	62,158	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	1,291,888	62,158	-	21,038
TOTAL	1,291,888	533,633	-	21,038

See accompanying notes to the basic financial statements

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	State Seized Assets Fund	Public Safety Grant Fund	Bulletproof Vest Grant Fund	Airport Wildlife Fund
ASSETS				
Cash and cash equivalents	13,745			
Investments				
Cash bonds on hand				
Taxes receivable				
Accounts receivable				
Notes receivable				
Other receivable				
Prepaid items				
Due from other funds		10,236		
Due from agency funds				
Due from other governments			5,644	57,716
Restricted cash				
TOTAL ASSETS	13,745	10,236	5,644	57,716
LIABILITIES				
Accounts payable				
Accrued liabilities				
Cash Bonds liabilities				
Due to other funds	13,895	37,343	6,850	30,409
Due to agency funds	-	-	-	-
Due to other governments	-	-	-	-
TOTAL LIABILITIES	13,895	37,343	6,850	30,409
DEFERRED INFLOWS OF RESOURCES				
Income earned in future periods	-	-	-	-
Fees collected in advance	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Nonspendable				
Prepaid items	-	-	-	-
Restricted for				
Judicial				
Public safety	(150)	(27,107)	(1,206)	
Road improvements				27,507
Court activities				
Culture and recreation				
Housing and development				
Capital Outlay				
Committed for				
Culture and recreation				
Capital Projects				
Assigned for				
Housing and development				
Unassigned				
TOTAL FUND BALANCES (DEFICIT)	(150)	(27,107)	(1,206)	27,507
TOTAL	13,745	10,236	5,644	57,716

See accompanying notes to the basic financial statements

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	<u>Airport Grant 2009 Fund</u>	<u>JAG Recovery Act Grant Fund</u>	<u>JAG 2009 Grant Fund</u>	<u>JAG 2010 Grant Fund</u>
ASSETS				
Cash and cash equivalents				
Investments				
Cash bonds on hand				
Taxes receivable				
Accounts receivable				
Notes receivable				
Other receivable				
Prepaid items				
Due from other funds				
Due from agency funds				
Due from other governments				
Restricted cash				
TOTAL ASSETS				
LIABILITIES				
Accounts payable				
Accrued liabilities				
Cash Bonds liabilities				
Due to other funds				
Due to agency funds				
Due to other governments				
TOTAL LIABILITIES				
DEFERRED INFLOWS OF RESOURCES				
Income earned in future periods				
Fees collected in advance				
TOTAL DEFERRED INFLOWS OF RESOURCES				
FUND BALANCES				
Nonspendable				
Prepaid items				
Restricted for				
Judicial				
Public safety				
Road improvements				
Court activities				
Culture and recreation				
Housing and development				
Capital Outlay				
Committed for				
Culture and recreation				
Capital Projects				
Assigned for				
Housing and development				
Unassigned				
TOTAL FUND BALANCES (DEFICIT)				
TOTAL				

See accompanying notes to the basic financial statements

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	<u>JAG 2011 Grant Fund</u>	<u>JAG 2012 Grant Fund</u>	<u>JAG 2013 Grant Fund</u>	<u>JAG 2014 Grant Fund</u>
ASSETS				
Cash and cash equivalents	100		100	1,180
Investments				
Cash bonds on hand				
Taxes receivable				
Accounts receivable				
Notes receivable				
Other receivable				
Prepaid items				
Due from other funds				
Due from agency funds				
Due from other governments				
Restricted cash				
TOTAL ASSETS	<u>100</u>	<u>-</u>	<u>100</u>	<u>1,180</u>
LIABILITIES				
Accounts payable				
Accrued liabilities				
Cash bonds liabilities				
Due to other funds	100	1,538	2,543	1,180
Due to agency funds				
Due to other governments				
TOTAL LIABILITIES	<u>100</u>	<u>1,538</u>	<u>2,543</u>	<u>1,180</u>
DEFERRED INFLOWS OF RESOURCES				
Income earned in future periods				
Fees collected in advance				
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable				
Prepaid items				
Restricted for				
Judicial				
Public safety		(1,538)	(2,443)	
Road improvements				
Court activities				
Culture and recreation				
Housing and development				
Capital Outlay				
Committed for				
Culture and recreation				
Capital Projects				
Assigned for				
Housing and development				
Unassigned				
TOTAL FUND BALANCES (DEFICIT)	<u>-</u>	<u>(1,538)</u>	<u>(2,443)</u>	<u>-</u>
TOTAL	<u>100</u>	<u>-</u>	<u>100</u>	<u>1,180</u>

See accompanying notes to the basic financial statements

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	<u>Victoria City Fund</u>	<u>City Court Fund</u>	<u>Cemetery Fund</u>	<u>Special Drug Task Force Fund</u>
ASSETS				
Cash and cash equivalents	-	223,708	-	-
Investments	-	-	-	-
Cash bonds on hand	-	21,890	-	-
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Notes receivable	-	-	-	-
Other receivable	41,553	-	-	-
Prepaid items	-	-	-	-
Due from other funds	-	62,182	-	239,038
Due from agency funds	-	-	-	-
Due from other governments	-	-	-	28,317
Restricted cash	-	-	-	-
TOTAL ASSETS	41,553	307,780	-	267,355
LIABILITIES				
Accounts payable	78	-	-	31,404
Accrued liabilities	-	-	-	-
Cash Bonds liabilities	-	128,015	-	-
Due to other funds	41,475	-	432,050	346,343
Due to agency funds	-	48,132	-	-
Due to other governments	-	-	-	-
TOTAL LIABILITIES	41,553	176,147	432,050	377,747
DEFERRED INFLOWS OF RESOURCES				
Income earned in future periods	-	-	-	-
Fees collected in advance	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:	-	-	-	-
Judicial	-	131,633	-	-
Public safety	-	-	-	(110,392)
Road improvements	-	-	-	-
Court activities	-	-	-	-
Culture and recreation	-	-	-	-
Housing and development	-	-	-	-
Capital Outlay	-	-	-	-
Committed for:	-	-	-	-
Culture and recreation	-	-	-	-
Capital Projects	-	-	-	-
Assigned for:	-	-	-	-
Housing and development	-	-	-	-
Unassigned	-	-	(432,050)	-
TOTAL FUND BALANCES (DEFICIT)	-	131,633	(432,050)	(110,392)
TOTAL	41,553	307,780	-	267,355

See accompanying notes to the basic financial statements

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

SEPTEMBER 30, 2014

	Drug Task Force Office Fund	UDAG Revolving Loan Fund	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and cash equivalents	548,097	10,297	2,941,646
Investments			341,850
Cash bonds on hand			21,890
Taxes receivable			
Accounts receivable			
Notes receivable		602,201	1,058,633
Other receivable			41,553
Prepaid items			51,407
Due from other funds			442,204
Due from agency funds			
Due from other governments			110,753
Restricted cash			
TOTAL ASSETS	548,097	612,498	5,009,956
LIABILITIES			
Accounts payable		342	153,778
Accrued liabilities			521
Cash Bonds liabilities			128,015
Due to other funds	239,037	50,000	1,367,455
Due to agency funds			48,132
Due to other governments			
TOTAL LIABILITIES	239,037	50,342	1,657,901
DEFERRED INFLOWS OF RESOURCES			
Income earned in future periods	168,207		635,844
Fees collected in advance			
TOTAL DEFERRED INFLOWS OF RESOURCES	168,207		635,844
FUND BALANCES			
Nonspendable			
Prepaid items			
Restricted for			
Judicial			131,633
Public safety	140,853		19,055
Road improvements			1,298,033
Court activities			
Culture and recreation			
Housing and development			
Capital Outlay			
Committed for			
Culture and recreation			791,213
Capital Projects			
Assigned for			
Housing and development		562,156	624,314
Unassigned			(178,037)
TOTAL FUND BALANCES (DEFICIT)	140,853	562,156	2,676,211
TOTAL	548,097	612,498	5,009,956

See accompanying notes to the basic financial statements

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Department of Museum Operations	Gasoline Fund	Seven Cent Gas Fund	Alabama Trust Fund
REVENUES				
Intergovernmental	59,300			198,158
Fines and forfeitures				
Charges for services	131,183			
Taxes		62,985	80,426	
Interest earned	7,150			
Miscellaneous	280,900			
TOTAL REVENUES	478,533	62,985	80,426	198,158
EXPENDITURES				
General government				377,877
Judicial				
Public safety				
Public works		404,111	93,548	
Culture and recreation	1,049,859			
Public facilities				
Housing and development				
Capital outlay	198,154			27,791
Debt Service				
Principal				
Interest				
Bond Exchange Cost				
Fiscal Agent Fee				
TOTAL EXPENDITURES	1,248,013	404,111	93,548	405,668
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(769,480)	(341,126)	(13,122)	(207,510)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets				
Transfers in	600,335	247,966		
Transfers out			(247,966)	(88,747)
TOTAL OTHER FINANCING SOURCES (USES)	600,335	247,966	(247,966)	(88,747)
NET CHANGE IN FUND BALANCES	(169,145)	(93,160)	(261,088)	(296,257)
FUND BALANCES (DEFICIT), BEGINNING	960,358	13,943	309,143	550,270
FUND BALANCES (DEFICIT), END	791,213	(79,217)	48,055	254,013

See accompanying notes to the basic financial statements

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Corrections Fund</u>	<u>CDBG Fund</u>	<u>Emergency Shelter Grant Fund</u>	<u>Federal Seized Assets Fund</u>
REVENUES				
Intergovernmental		260,337		
Fines and forfeitures	324,351			
Charges for services				
Taxes				
Interest earned	1,127	2,621		
Miscellaneous		950		
TOTAL REVENUES	<u>325,478</u>	<u>263,908</u>		
EXPENDITURES				
General government				
Judicial				
Public safety	180			6,847
Public works				
Culture and recreation				
Public facilities				
Housing and development		292,846		
Capital outlay				30,448
Debt Service				
Principal				
Interest				
Bond Exchange Cost				
Fiscal Agent Fee				
TOTAL EXPENDITURES	<u>180</u>	<u>292,846</u>		<u>37,295</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>325,298</u>	<u>(28,938)</u>		<u>(37,295)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets				
Transfers in			142	
Transfers out	(577,548)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(577,548)</u>		<u>142</u>	
NET CHANGE IN FUND BALANCES	<u>(252,250)</u>	<u>(28,938)</u>	<u>142</u>	<u>(37,295)</u>
FUND BALANCES (DEFICIT), BEGINNING	<u>1,544,138</u>	<u>91,096</u>	<u>(142)</u>	<u>54,333</u>
FUND BALANCES (DEFICIT), END	<u>1,291,888</u>	<u>62,158</u>	<u>-</u>	<u>17,038</u>

See accompanying notes to the basic financial statements

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	State Seized Assets Fund	Public Safety Grant Fund	Bulletproof Vest Grant Fund	Airport Wildlife Fund
REVENUES				
Intergovernmental		9,049	6,286	417,509
Fines and forfeitures				
Charges for services				
Taxes	-	-	-	-
Interest earned	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	-	9,049	6,286	417,509
EXPENDITURES				
General government				
Judicial				
Public safety	125	-	12,572	439,483
Public works				
Culture and recreation				
Public facilities	-	-	-	-
Housing and development	-	-	-	-
Capital outlay	-	4,524	-	-
Debt Service				
Principal				
Interest				
Bond Exchange Cost				
Fiscal Agent Fee				
TOTAL EXPENDITURES	125	4,524	12,572	439,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(125)	4,525	(6,286)	(21,974)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	-	-
Transfers in	-	-	6,286	49,281
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	6,286	49,281
NET CHANGE IN FUND BALANCES	(125)	4,525	-	27,307
FUND BALANCES (DEFICIT), BEGINNING	(25)	(31,632)	(1,266)	-
FUND BALANCES (DEFICIT), END	(150)	(27,107)	(1,266)	27,307

See accompanying notes to the basic financial statements

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Airport Grant 2009 Fund	JAG Recovery Act Grant Fund	JAG 2009 Grant Fund	JAG 2010 Grant Fund
REVENUES				
Intergovernmental		-	-	
Fines and forfeitures		-	-	
Charges for services		-	-	
Taxes	-	-	-	
Interest earned	-	-	-	
Miscellaneous	-	-	-	
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
General government		-	-	-
Judicial		-	-	-
Public safety		970	441	-
Public works		-	-	-
Culture and recreation		-	-	-
Public facilities		-	-	-
Housing and development		-	-	-
Capital outlay		-	-	-
Debt Service		-	-	-
Principal		-	-	-
Interest		-	-	-
Bond Exchange Cost		-	-	-
Fiscal Agent Fee		-	-	-
TOTAL EXPENDITURES	-	970	441	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(970)	(441)	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	-	-
Transfers in		8,511	954	
Transfers out	(27,307)	-	-	(96)
TOTAL OTHER FINANCING SOURCES (USES)	(27,307)	8,511	954	(96)
NET CHANGE IN FUND BALANCES	(27,307)	7,541	513	(96)
FUND BALANCES (DEFICIT), BEGINNING	27,307	(7,541)	(513)	96
FUND BALANCES (DEFICIT), END	-	-	-	-

See accompanying notes to the basic financial statements

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>JAG 2011 Grant Fund</u>	<u>JAG 2012 Grant Fund</u>	<u>JAG 2013 Grant Fund</u>	<u>JAG 2014 Grant Fund</u>
REVENUES				
Intergovernmental	6,935		39,546	
Fines and forfeitures				
Charges for services				
Taxes				
Interest earned				
Miscellaneous				
TOTAL REVENUES	<u>6,935</u>		<u>39,546</u>	
EXPENDITURES				
General government				
Judicial				
Public safety	231	467	41,989	
Public works				
Culture and recreation				
Public facilities				
Housing and development				
Capital outlay				
Debt Service				
Principal				
Interest				
Bond Exchange Cost				
Fiscal Agent Fee				
TOTAL EXPENDITURES	<u>231</u>	<u>467</u>	<u>41,989</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,704	(467)	(2,443)	
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds				
Transfers in	2,717			
Transfers out				
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,717</u>			
NET CHANGE IN FUND BALANCES	9,421	(467)	(2,443)	
FUND BALANCES (DEFICIT), BEGINNING	<u>(9,421)</u>	<u>(1,071)</u>		
FUND BALANCES (DEFICIT), END		<u>(1,538)</u>	<u>(2,443)</u>	

See accompanying notes to the basic financial statements

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Victoria City Fund	City Court Fund	Cemetery Fund	Special Drug Task Force Fund
REVENUES				
Intergovernmental	-	-		256,517
Fines and forfeitures	-	63,996		-
Charges for services	-	-		-
Taxes	-	-		-
Interest earned	-	-		-
Miscellaneous	22,423	-		-
TOTAL REVENUES	22,423	63,996	-	256,517
EXPENDITURES				
General government	-	-		-
Judicial	-	-		-
Public safety	-	-		619,555
Public works	-	-		-
Culture and recreation	-	-		-
Public facilities	64,808	-		-
Housing and development	-	-		-
Capital outlay	-	-		-
Debt Service	-	-		-
Principal	-	-		-
Interest	-	-		-
Bond Exchange Cost	-	-		-
Fiscal Agent Fee	-	-		-
TOTAL EXPENDITURES	64,808	-	-	619,555
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(42,385)	63,996	-	(363,038)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-		-
Transfers in	42,385	-		461,649
Transfers out	-	-		-
TOTAL OTHER FINANCING SOURCES (USES)	42,385	-	-	461,649
NET CHANGE IN FUND BALANCES	-	63,996	-	98,611
FUND BALANCES (DEFICIT), BEGINNING	-	67,637	(432,050)	(269,003)
FUND BALANCES (DEFICIT), END	-	131,633	(432,050)	(170,392)

See accompanying notes to the basic financial statements

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS (CONTINUED)**

CITY OF ANNISTON, ALABAMA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Drug Task Force Office Fund	UDAG Revolving Loan Fund	Total Nonmajor Special Revenue Funds
REVENUES			
Intergovernmental			1,253,637
Fines and forfeitures	356,902		745,149
Charges for services			131,183
Taxes			143,411
Interest earned	2	864	11,764
Miscellaneous			304,273
TOTAL REVENUES	356,904	864	2,589,517
EXPENDITURES			
General government			377,877
Judicial			-
Public safety	119,296		1,242,156
Public works			497,659
Culture and recreation			1,049,859
Public facilities			64,808
Housing and development		128	292,974
Capital outlay			360,917
Debt Service			-
Principal			-
Interest			-
Bond Exchange Cost			-
Fiscal Agent Fee			-
TOTAL EXPENDITURES	119,296	128	3,786,250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	237,608	736	(1,196,733)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets			-
Transfers in			1,420,226
Transfers out	(337,649)		(1,279,313)
TOTAL OTHER FINANCING SOURCES (USES)	(337,649)		140,913
NET CHANGE IN FUND BALANCES	(100,041)	736	(1,055,820)
FUND BALANCES (DEFICIT), BEGINNING	240,894	561,420	3,732,031
FUND BALANCES (DEFICIT), END	140,853	562,156	2,676,211

See accompanying notes to the basic financial statements

COMPLIANCE SECTION



Kemp & Associates, CPA PC

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type 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, 2014, and the related notes to the financial statements, which collectively comprise City of Anniston, Alabama's basic financial statements, and have issued our report thereon dated May 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Anniston, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Anniston, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Anniston, Alabama's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Anniston, Alabama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemp & Associates, CPAs PC
Kemp & Associates, CPAs PC
Anniston, Alabama
May 20, 2015



Kemp & Associates, CPA PC

Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Anniston, Alabama's 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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Anniston, Alabama's compliance.

Opinion on Each Major Program

In our opinion, the City of Anniston, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2014.

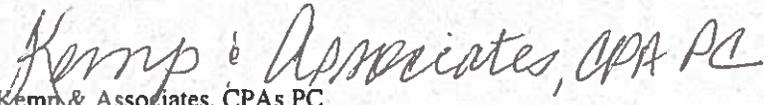
Report on Internal Control Over Compliance

Management of the City of Anniston, Alabama, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Anniston, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purposes of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suited for any other purpose.


Kemp & Associates, CPAs PC
Anniston, Alabama
May 20, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF ANNISTON, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Federal Grantor/Pass-Through Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Passed through the Alabama Department of Transportation			
2009 Airport Grant	20.106		\$406,486
Transportation Improvement Program	20.205		4,976
Transportation Improvement Program	20.205		5,478
Subtotal Transportation Improvement Program			<u>10,454</u>
Total U.S. Department of Transportation			<u>416,940</u>
U.S. Department of Justice			
Direct Award			
Justice Assistance Grant	16.738	13DJ 01 015	41,989
Bulletproof Vest Partnership Program	16.607		6,286
COPS Hiring Program – Recovery Act	16.71		41,099
Subtotal Direct Awards			<u>89,374</u>
Passed through the Alabama Department of Economic and Community Affairs			
Justice Assistance Grant	16.738		134,517
Subtotal Alabama Department of Economic and Community Affairs			<u>134,517</u>
Total U.S. Department of Justice			<u>223,891</u>
U.S. Department of Housing and Urban Development			
Direct Award			
Community Development Block Grants – Recovery Act	14.253		292,847
HOME Investment Partnership Grant Program	14.239		383,096
Subtotal Direct Awards			<u>675,943</u>
Passed through the Alabama Department of Economic and Community Affairs			
Emergency Solutions Grant Program	14.231	HESG 12 014	36,315
Subtotal Alabama Department of Economic and Community Affairs			<u>36,315</u>
Total U.S. Department of Housing and Urban Development			<u>712,258</u>
U.S. Department of Defense			
Direct Award			
Surplus from the Defense Reutilization and Marketing Service	12 unknown		50,000
Total U.S. Department of Defense			<u>50,000</u>
Total Expenditures of Federal Awards			<u>\$1,403,089</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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, 2014, disbursements were made to subrecipients of the following grant program:

<u>Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Community Development Block Grant Cluster – Recovery Act	14.253	\$ 59,000
Emergency Shelter Grant Program	14.231	<u>36,315</u>
		<u>\$ 95,315</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 no

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>
14.239	HOME Investment Partnership Grant Program
14.253	Community Development Block Grant
20.106	2009 Airport Grant

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

Auditee qualified as low-risk auditee? _____ yes X no

FOR THE YEAR ENDED SEPTEMBER 30, 2014

2014 - SECTION II- FINANCIAL STATEMENT FINDINGS AND RESPONSES

None

2014 - SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COST

None

FOR THE YEAR ENDED SEPTEMBER 30, 2014

2013 SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COST**Department of Housing and Urban Development****2013-1 HOME Investment Partnership Grant Program – CFDA No. 14.239****Grant Period – Year ended September 30, 2013****SIGNIFICANT DEFICIENCY**

Conditions: The Department of Housing and Urban Development does not list specifically what documentation should be maintained; however, Code of Federal Regulations Title 24 – Housing and Urban Development Section 92.508 (a) Recordkeeping states “Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part.” 15 of 18 HOME loan file were tested for documentation supporting HUD requirements. Of the 15 tested the following documentation was missing from the loan files at the time of the fieldwork: Homeowner’s Property Deed – 2 missing, Insurance – 1 missing, On-site monitoring – 3 missing, Checking for disbarment – 5 missing, bid list information – 3 missing, and Agreement between Anniston/ Calhoun County Home Consortium and Homeowners – 1 missing.

Current Status: The City established checklist of required information to aid in maintaining proper documentation. While some documents have been located, replaced, or substituted with comparable items; other items cannot be replaced. The city has established policies and procedures to ensure that new files maintained at the office will have the appropriate information.