

**CITY OF ANNISTON, ALABAMA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**



**Kemp & Associates, CPA PC**

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Certified Public Accountants  
303 East 11th Street • P. O. Box 2309  
Anniston, Alabama 36202  
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**FOR THE YEAR END SEPTEMBER 30, 2013**

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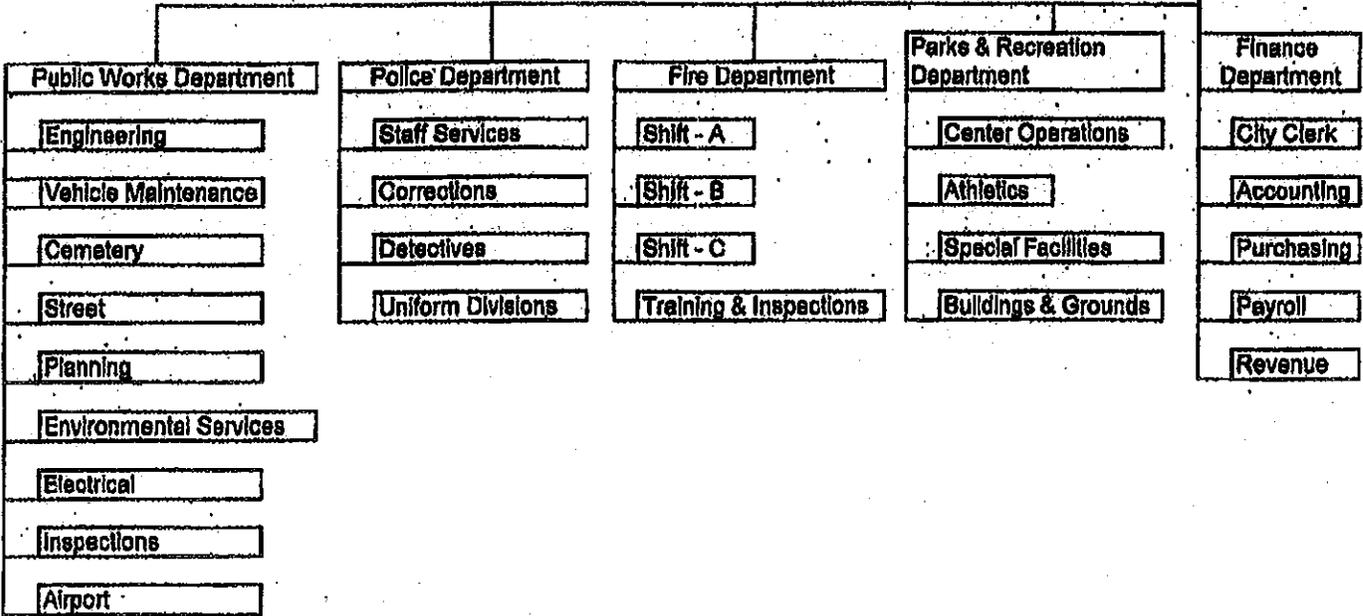
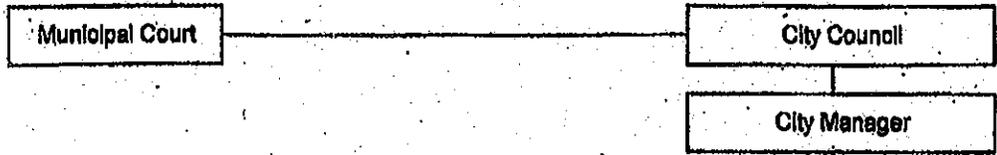
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## **INTRODUCTORY SECTION**

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# ORGANIZATIONAL CHART



**FOR THE YEAR END SEPTEMBER 30, 2013**

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**City Council**

Vaughn Stewart, Mayor

Jay W. Jenkins

David E. Reddick

Seyram Salase

Millie Harris

**City Manager**

Brian L. Johnson

**Finance Director**

Danny McCullars, CPA

Brandon Phillips (Interim, effective 4/22/14)

**Other City Officials**

Building	Phillip Caldwell, Superintendent
City Clerk	Alan Atkinson, City Clerk
Environmental Services	David Hill, Superintendent
Fire	Tony Taylor, Chief
Grounds	Chris Roberts, Superintendent
Municipal Court	James Sims, Judge
Municipal Garage	Jim Hill, Superintendent
Police	Shane Denham, Chief
Public Works	Robert Dean, Director
Community Development	Brian L. Johnson, Interim Director
Recreation	Steven Folks, Director
Streets	Darryl Abernathy, Assistant Superintendent

**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, 2013, 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 73%, 67% and 98%, 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 June 16, 2014, on the Farley Berman Foundation, Inc., a discretely presented component unit and we issued a separate audit report dated June 16, 2014, on The MusAnn Corporation Inc., a blended component unit, which is presented as a business-type activity of the City. Also, we issued a separate audit report dated January 23, 2014, 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 Industrial Development Board and Anniston Museum League have not been audited, and we were not engaged to audit these entities' financial statements as part of our audit of the City's basic financial statements. Anniston Industrial Development Board and Anniston Museum League are included in the City's basic financial statements as discretely presented component units and represent 1%, 2%, 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 Industrial Development Board and 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, 2013, 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**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of pension funding progress on pages 4-13 and 55-56 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 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 introductory section, as listed in the table contents, 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 them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, 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

June 16, 2014

**FOR THE YEAR END SEPTEMBER 30, 2013**

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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, 2013. 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**

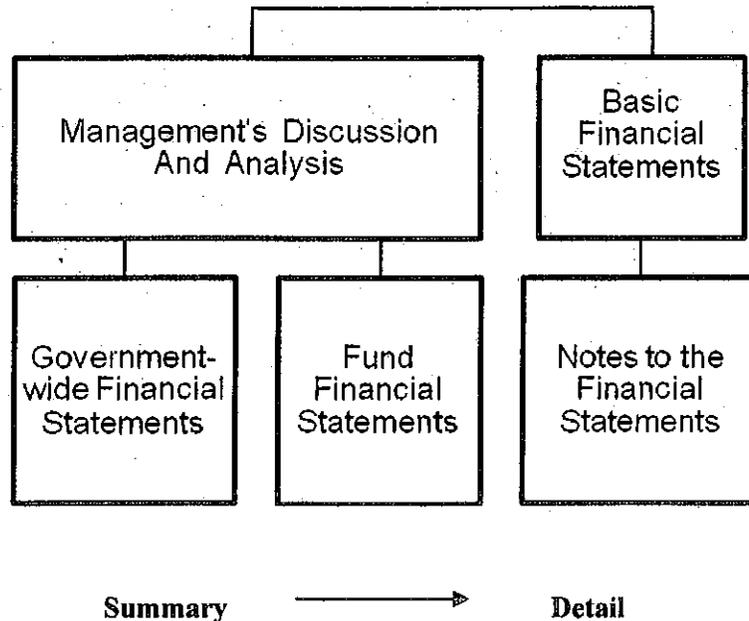
- The assets and deferred outflow of resources of the City of Anniston (primary government) exceeded its liabilities and deferred inflow of resources by 80.88 million for the year ended September 30, 2013. The assets and deferred outflow of resources of the City's component units exceeded their liabilities and deferred inflow of resources by \$29.13 million. Of the \$80.88 million in primary government net position, \$2.05 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 \$19.12 million. The combined governmental funds fund balance decreased by \$10.38 million compared with the prior year. Of the \$19.12 million in fund balance, \$8.22 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 \$8.43 million, down from \$10.13 million in 2012. The 2013 ending fund balance of the General Fund represents 24.3 percent of total general fund operating expenditures.
- In the fiscal year 2013, the City of Anniston realized a deficiency of operational revenues over expenditures in the general fund of \$15,195. However, the fund balance of the General Fund decreased by \$1,699,937 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, 2013

**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:

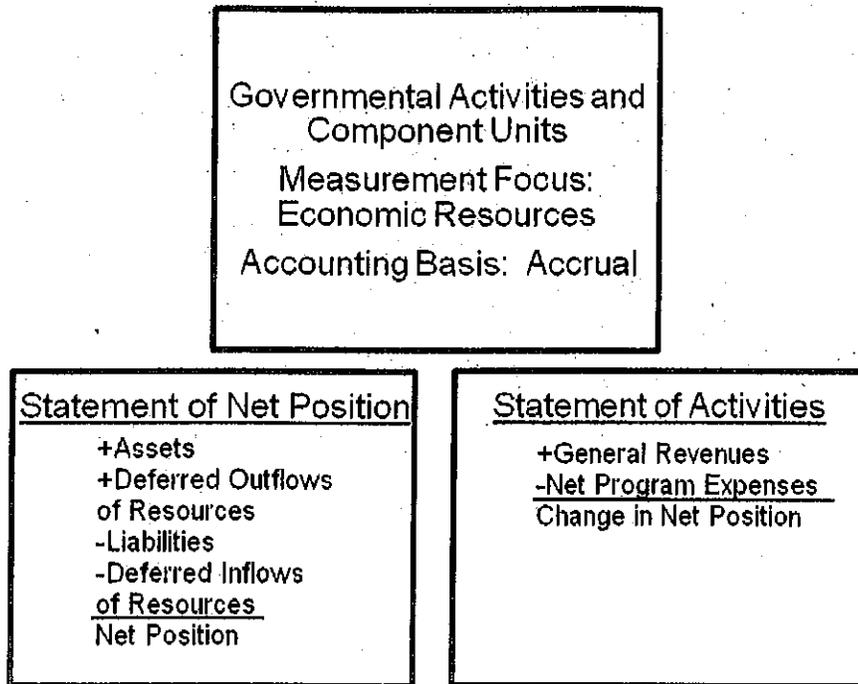
*Governmental Activities* – Most of the City's basic services are included here such as the police, fire, public works, parks and recreation, and general administration. Sales, use and property taxes, charges for services, and state and federal grants finance most of these activities. The *Governmental 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, Anniston Industrial Development Board, 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 MusAnn Corporation. The City provides administrative services for these entities.

**FOR THE YEAR END SEPTEMBER 30, 2013**

**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:

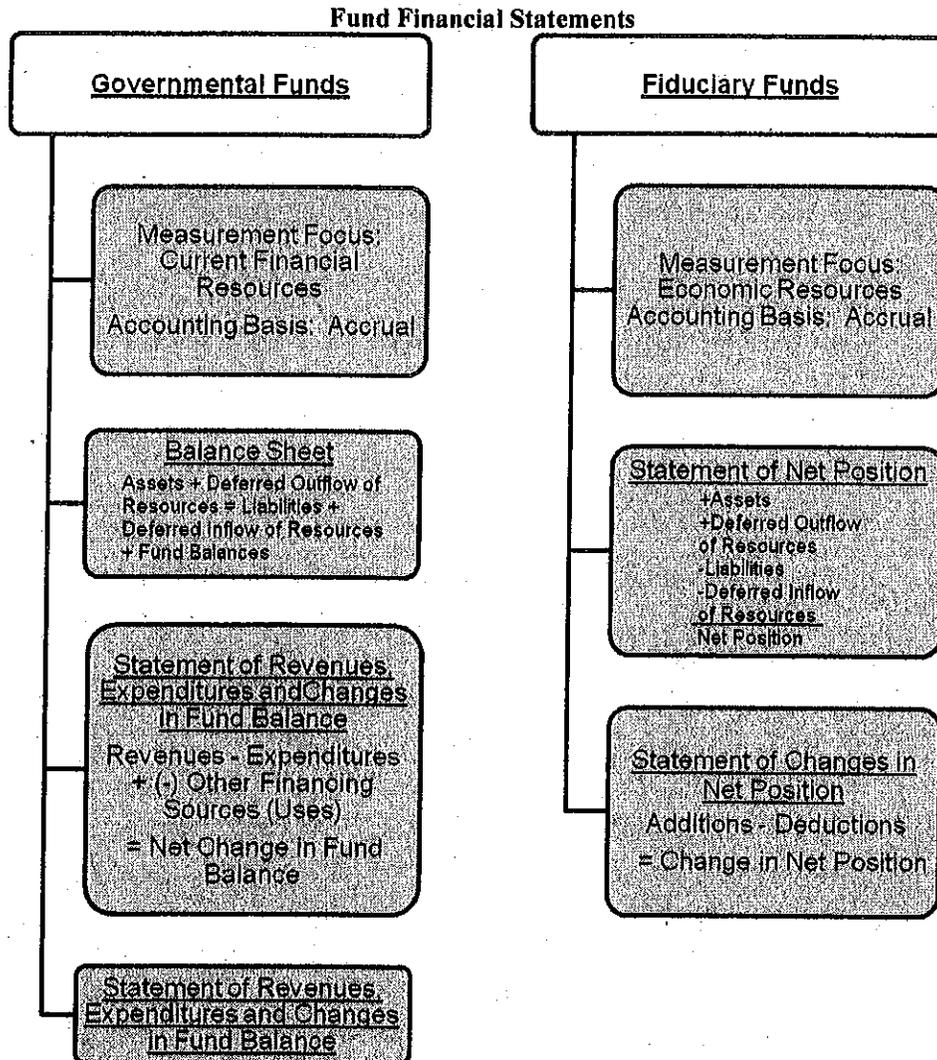
*Governmental Funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus 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, 2013**

*Proprietary Funds* – The City of Anniston maintains one type 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 fund (Musann Corporation) to provide support to the Anniston Museum of Natural History, a department of the City.

*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, 2013****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, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 23,309,688	\$ 34,850,229	\$ 367,987	\$ 334,308	\$ 23,677,675	\$ 35,184,537
Capital assets, net of accumulated depreciation	106,518,736	101,663,482	12,919	14,545	106,531,655	101,678,027
<b>Total Assets</b>	<b>\$ 129,828,424</b>	<b>\$ 136,513,711</b>	<b>\$ 380,906</b>	<b>\$ 348,853</b>	<b>\$ 130,209,330</b>	<b>\$ 136,862,564</b>
Deferred Outflows of Resources	\$ 3,505	\$ 3,711	\$ -	\$ -	\$ 3,505	\$ 3,711
Current and other liabilities	\$ 4,324,509	\$ 5,753,911	\$ 2,780	\$ 2,987	\$ 4,327,289	\$ 5,756,898
Long-term liabilities, net of current portion	42,808,791	43,706,673	-	-	42,808,791	43,706,673
<b>Total Liabilities</b>	<b>\$ 47,133,300</b>	<b>\$ 49,460,584</b>	<b>\$ 2,780</b>	<b>\$ 2,987</b>	<b>\$ 47,136,080</b>	<b>\$ 49,463,571</b>
Deferred Outflows of Resources	\$ 2,189,564	\$ 1,297,177	\$ -	\$ -	\$ 2,189,564	\$ 1,297,177
<b>Net Position</b>						
Net investment in capital	\$ 68,208,277	\$ 62,102,711	\$ -	\$ 14,545	\$ 68,208,277	\$ 62,117,256
Restricted	10,552,209	20,043,743	78,983	78,983	10,631,192	20,122,726
Unassigned	1,748,579	3,613,207	299,143	252,338	2,047,723	3,865,545
<b>Total Net Position</b>	<b>\$ 80,509,065</b>	<b>\$ 85,759,661</b>	<b>\$ 378,126</b>	<b>\$ 345,866</b>	<b>\$ 80,887,191</b>	<b>\$ 86,105,527</b>

**FOR THE YEAR END SEPTEMBER 30, 2013**

**Condensed Statement of Activities  
For the Years Ended September 30, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program Revenue</b>						
Charges for services	\$ 3,073,699	\$ 3,913,663	\$ 63,185	\$ 61,442	\$ 3,136,884	\$ 3,975,105
Operating grants and contributions	1,790,751	1,307,807	48,000	-	1,838,751	1,307,807
Cap grants and contributions	288,490	1,263,348	-	-	288,490	1,263,348
<b>General Revenue</b>						
Taxes	29,334,307	26,761,895	-	-	29,334,307	26,761,895
Licenses and permits	4,161,137	3,720,538	-	-	4,161,137	3,720,538
Investment earnings	165,495	103,927	564	754	166,059	104,681
Other revenues	1,561,050	926,897	584	909	1,561,634	927,806
<b>Total Revenues</b>	<b>40,374,929</b>	<b>37,998,075</b>	<b>112,333</b>	<b>63,105</b>	<b>40,487,262</b>	<b>38,061,180</b>
<b>Expenses</b>						
General government	9,381,738	8,241,230	-	-	9,381,738	8,241,230
Judicial	297,390	601,910	-	-	297,390	601,910
Public safety	15,036,733	13,398,677	-	-	15,036,733	13,398,677
Public works	10,063,393	9,804,978	-	-	10,063,393	9,804,978
Housing and development	1,158,816	1,353,385	-	-	1,158,816	1,353,385
Culture and recreation	7,914,729	8,028,283	-	-	7,914,729	8,028,283
Interest	1,563,165	1,949,756	-	-	1,563,165	1,949,756
<b>Business-type activity</b>						
MusAnn Corporation			80,072	70,110	80,072	70,110
<b>Total Expenditures</b>	<b>45,415,964</b>	<b>43,378,219</b>	<b>80,072</b>	<b>70,110</b>	<b>45,496,036</b>	<b>43,448,329</b>
<b>Change in Net Position</b>	<b><u>\$(5,041,035)</u></b>	<b><u>\$(5,380,144)</u></b>	<b><u>\$ 32,261</u></b>	<b><u>\$ (7,005)</u></b>	<b><u>\$(5,008,774)</u></b>	<b><u>\$(5,387,149)</u></b>

The assets and deferred outflow of resources of the City of Anniston (primary government) exceeded its liabilities and deferred inflow of resources by \$80.88 million as of September 30, 2013. However, the largest portion (84.30 percent) reflects the City's investment in capital assets less any related debt still outstanding that was issued to acquire those assets. The City of Anniston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Additionally, \$10.63 million represents net position that are subject to external or Council placed restrictions on how they may be used. The balance of \$2.05 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.

**FOR THE YEAR END SEPTEMBER 30, 2013**

**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 \$8,221,378, compared with \$9,917,677 at the end of 2012. 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 23.75 percent of total general fund expenditures at the end of 2013.

**General Fund-Fund Balances  
For the Years Ended September 30, 2013 and 2012**

	2013	2012	Change
Nonspendable	\$ 213,097	\$ 216,735	\$ (3,638)
Unassigned	8,221,378	9,917,677	(1,696,299)
<b>Total Fund Balances</b>	<b>\$ 8,434,475</b>	<b>\$ 10,134,412</b>	<b>\$ (1,699,937)</b>

**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 \$378,127, an increase of \$32,262. In accordance with GASB 61 and effective October 1, 2012, the City determined that the MusAnn Corporation, Inc. is a blended component unit. The MusAnn operates the retail store at the Anniston Museum of Natural History, a department of the City.

**Enterprise Fund-Net Position  
For the Years Ended September 30, 2013 and 2012**

	2013	2012	Change
Restricted	\$ 78,983	\$ 78,983	\$ -
Unassigned	299,143	266,882	32,261
	<b>\$ 378,126</b>	<b>\$ 345,865</b>	<b>\$ 32,261</b>

**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.

**General Budget Fund  
For the Years Ended September 30, 2013**

	Original Budget	Final Budget	Actual Amount	Variance From Final Budget
Revenues	\$ 35,255,491	\$ 35,255,491	\$ 34,631,950	\$ (623,541)
Expenditures	34,190,741	33,538,811	34,616,755	(1,077,944)
Other Sources (Uses)	(1,286,245)	(1,938,245)	(1,715,132)	(223,113)
<b>Total</b>	<b>\$ (221,495)</b>	<b>\$ (221,565)</b>	<b>\$ (1,699,937)</b>	<b>\$ (1,478,372)</b>

**FOR THE YEAR END SEPTEMBER 30, 2013****Capital Asset and Debt Administration**

**Capital Assets:** The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2013 totals \$106,518,736 (net of accumulated depreciation) and for its business-type activities as of September 30, 2013 totals \$12,919 (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, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 8,925,355	\$ 8,734,825			\$ 8,925,355	\$ 8,734,825
Collections	8,342,992	8,329,797			8,342,992	8,329,797
Construction in Progress	-	25,316,719			-	25,316,719
Building and Improvements	64,639,239	31,270,439	30,884	30,884	64,670,123	31,301,323
Machinery and Equipment	13,933,702	14,147,885	27,924	27,924	13,961,626	14,175,809
Improvements other than buildings	3,161,685	2,318,767			3,161,685	2,318,767
Infrastructure	105,429,666	105,429,666			105,429,666	105,429,666
	204,439,639	195,548,098	58,808	58,808	204,498,447	195,606,906
Accumulated Depreciation	(97,913,903)	(93,880,904)	(45,889)	(44,263)	(97,959,792)	(93,925,167)
Capital Assets, net	\$ 106,518,736	\$ 101,667,194	\$ 12,919	\$ 14,545	\$ 106,531,655	\$ 101,681,739

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 Calhoun County Department of Human Resources (DHR) Building and the Justin Sollohub Justice Center.

**Long-term Debt:** As of September 30, 2013, 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

**FOR THE YEAR END SEPTEMBER 30, 2013**

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 2013.

**Outstanding Debt and Long Term Liabilities  
As of September 30, 2013 and 2012**

Governmental Activities	2013	2012
Series 2011 DHR	\$16,170,000	\$16,170,000
Series 2011 Justice Center	15,000,000	15,000,000
Recovery Zone 2010	5,380,000	5,380,000
GO Recovery Zone	1,575,000	1,820,000
Less discounts	(418,730)	(441,604)
Plus premiums	38,291	40,543
Capital leases	563,271	763,053
Honda assistance	276,251	394,990
OPEB obligations	4,216,151	3,437,783
Compensated absences	2,327,007	2,555,647
	<u>\$45,127,241</u>	<u>\$45,120,412</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.

**FOR THE YEAR END SEPTEMBER 30, 2013**

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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 2014 general fund budget of \$35,075,835. The following are a few key factors that were taken into account when building the budget:

- Fiscal year 2013 was the first full year of a 1% sales tax increase. In preparing the budget for FY 2014, the City was able to project these revenues more accurately base on the prior year actual. The City will continue to benefit from these additional revenues.
- Revenues in the Parks & Recreation Department were projected with more accuracy for FY 2014 after observation of the first full year of operations at the new Aquatics Center in FY 2013.
- The City was able to reduce budgeted salaries and benefit expenditures approximately \$638,000 as a result of employees who took advantage of a one-time early retirement incentive. Less any new hires, these savings will carry forward into future periods.

#### Questions or Comments

Any questions or comments about this document should be addressed to Brandon Phillips, Interim Finance Director, email: [bphillips@anniston1.gov](mailto:bphillips@anniston1.gov).

**BASIC FINANCIAL STATEMENTS**

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# STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>Current Assets</b>			
Pooled cash and cash equivalents	5,819,495	300,204	6,119,699
Investments	3,329,102	-	3,329,102
Cash bonds on hand	18,160	-	18,160
Taxes receivable, net	2,045,809	-	2,045,809
Accounts receivable, net	182,631	-	182,631
Notes receivable	2,520,700	-	2,520,700
Due from agency fund	30,353	-	30,353
Due from other governments	711,700	-	711,700
Inventory	45,928	67,236	113,164
Prepaid items	179,740	547	180,287
Other assets	-	-	-
<b>Total Current Assets</b>	<b>14,883,618</b>	<b>367,987</b>	<b>15,251,605</b>
<b>Non-current Assets</b>			
<b>Restricted Assets:</b>			
Cash	6,589,262	-	6,589,262
Investments	1,520,527	-	1,520,527
Deferred charges - bond issuance costs	316,281	-	316,281
Capital assets	-	-	-
Non-depreciable assets	17,268,346	-	17,268,346
Depreciable assets, net of accumulated depreciation	89,250,390	12,919	89,263,309
<b>Total Non-current Assets</b>	<b>114,944,806</b>	<b>12,919</b>	<b>114,957,725</b>
<b>TOTAL ASSETS</b>	<b>129,828,424</b>	<b>380,906</b>	<b>130,209,330</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	3,505	-	3,505
	<b>129,831,929</b>	<b>380,906</b>	<b>130,212,835</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Salaries and benefits payable	298,705	1,234	299,939
Accounts payable	805,589	1,546	807,135
Accrued liabilities	729,847	-	729,847
Cash bond liabilities	123,785	-	123,785
Due to agency fund	48,132	-	48,132
Unearned revenues	-	-	-
Loan Payable	-	-	-
Capital leases payable - current	217,882	-	217,882
Bonds payable - current	1,070,000	-	1,070,000
Net other post employment benefits obligation	388,100	-	388,100
Intergovernmental agreement - current	131,340	-	131,340
Compensated absences payable	511,129	-	511,129
<b>Total Current Liabilities</b>	<b>4,324,509</b>	<b>2,780</b>	<b>4,327,289</b>
<b>Long-term Liabilities</b>			
Capital leases payable (net of current portion)	345,389	-	345,389
Compensated absences payable - long term	1,815,878	-	1,815,878
Net other post employment benefits obligation	3,828,051	-	3,828,051
Intergovernmental agreement - long term	144,911	-	144,911
Bonds payable (net of current portion)	36,674,562	-	36,674,562
<b>Total Long-term Liabilities</b>	<b>42,808,791</b>	<b>-</b>	<b>42,808,791</b>
<b>TOTAL LIABILITIES</b>	<b>47,133,300</b>	<b>2,780</b>	<b>47,136,080</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Income earned in future periods	2,130,010	-	2,130,010
Fees collected in advance	59,554	-	59,554
Unavailable revenue-property taxes	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,189,564</b>	<b>-</b>	<b>2,189,564</b>
<b>NET POSITION</b>			
Capital assets, net of related debt	68,208,277	-	68,208,277
Restricted for:			
Judicial	67,637	-	67,637
Public safety	1,623,941	-	1,623,941
Road improvements	5,109,877	-	5,109,877
Culture and recreation	27,307	78,983	106,290
Housing and development	544,323	-	544,323
Capital projects	3,179,124	-	3,179,124
Debt service	-	-	-
Grants	-	-	-
Endowment fund	-	-	-
Committed for:			
Capital projects	-	-	-
Unassigned	1,748,579	299,143	2,047,722
<b>TOTAL NET POSITION</b>	<b>80,509,065</b>	<b>378,126</b>	<b>80,887,191</b>
<b>TOTAL</b>	<b>129,831,929</b>	<b>380,906</b>	<b>130,212,835</b>

CITY OF ANNISTON, ALABAMA

Anniston City Board of Education	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board	Farley L. Berman Foundation, Inc.	Anniston Museum Endowment Corporation	Museum League	Total
2,478,133	265,631	307,118	223,967	58,585	5,805	3,339,239
57,555	95,267	263,744	-	1,171,027	77,429	1,665,022
-	-	-	-	-	-	-
-	34	-	-	-	-	34
-	-	-	-	-	-	-
2,990,705	-	-	-	-	-	2,990,705
46,953	-	-	2,570	-	-	49,523
-	16,961	-	749	-	-	17,710
50,603	-	-	30	19,800	-	70,433
<u>5,623,949</u>	<u>377,893</u>	<u>570,862</u>	<u>227,316</u>	<u>1,249,412</u>	<u>83,234</u>	<u>8,132,666</u>
1,714,044	-	-	-	-	-	1,714,044
-	-	-	-	-	-	-
1,404,063	25,907	-	8,702,434	-	-	10,132,404
14,853,619	397,721	-	51,130	-	-	15,302,470
<u>17,971,726</u>	<u>423,628</u>	-	<u>8,753,564</u>	-	-	<u>27,148,918</u>
23,595,675	801,521	570,862	8,980,880	1,249,412	83,234	35,281,584
<u>23,595,675</u>	<u>801,521</u>	<u>570,862</u>	<u>8,980,880</u>	<u>1,249,412</u>	<u>83,234</u>	<u>35,281,584</u>
1,204,769	-	-	5,437	-	-	1,210,206
11,456	47,154	-	2,586	-	-	61,196
-	-	-	2,367	-	-	2,367
-	-	-	-	-	-	-
6,604	-	-	-	-	-	6,604
-	-	-	-	-	-	-
48,571	-	-	-	-	-	48,571
-	-	-	-	-	-	-
<u>1,271,400</u>	<u>47,154</u>	-	<u>10,390</u>	-	-	<u>1,328,944</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,605,822	-	-	-	-	-	2,605,822
<u>2,605,822</u>	-	-	-	-	-	<u>2,605,822</u>
3,877,222	47,154	-	10,390	-	-	3,934,766
-	-	-	-	-	-	-
<u>2,214,569</u>	-	-	-	-	-	<u>2,214,569</u>
2,214,569	-	-	-	-	-	2,214,569
-	-	-	-	-	-	-
13,603,289	423,628	-	51,137	-	-	14,078,054
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	8,702,434	1,249,412	-	9,951,846
56,653	-	21,369	-	-	-	21,369
1,714,044	-	-	-	-	-	1,714,044
139,957	-	-	-	-	-	139,957
-	95,267	-	-	-	-	95,267
-	-	-	-	-	-	-
1,989,941	235,472	549,493	216,919	-	83,234	3,075,059
<u>17,503,884</u>	<u>754,367</u>	<u>570,862</u>	<u>8,970,490</u>	<u>1,249,412</u>	<u>83,234</u>	<u>29,132,249</u>
<u>23,595,675</u>	<u>801,521</u>	<u>570,862</u>	<u>8,980,880</u>	<u>1,249,412</u>	<u>83,234</u>	<u>35,281,584</u>

See accompanying notes to the basic financial statements

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating Grants	Capital Grants	Governmental	Business-Type	Total
		Services, Sales and Fines	and Contributions	and Contributions			
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities</b>							
General government	9,381,738	-	-	-	(9,381,738)	-	(9,381,738)
Judicial	297,390	293,434	22,155	-	18,199	-	18,199
Public safety	15,036,733	423,103	500,589	180,000	(13,933,041)	-	(13,933,041)
Public works	10,063,393	856,815	30,867	108,490	(9,067,221)	-	(9,067,221)
Housing and development	1,158,816	-	1,237,140	-	78,324	-	78,324
Culture and recreation	7,914,729	1,500,347	-	-	(6,414,382)	-	(6,414,382)
Interest on debt and other expenses	1,563,165	-	-	-	(1,563,165)	-	(1,563,165)
<b>Total Governmental Activities</b>	<b>45,415,964</b>	<b>3,073,699</b>	<b>1,790,751</b>	<b>288,490</b>	<b>(40,263,024)</b>	<b>-</b>	<b>(40,263,024)</b>
<b>Business-Type Activities</b>							
MusAnn Corporation	80,072	63,185	-	-	-	(16,887)	(16,887)
<b>Component Units</b>							
Anniston City Board of Education	25,090,297	1,787,082	14,165,301	432,069	-	-	-
Public Library of Anniston/Calhoun County	1,300,171	47,270	223,741	301,750	-	-	-
Anniston Industrial Dev. Board	-	-	-	-	-	-	-
Farley L. Berman Foundation, Inc.	216,193	29,822	154,700	-	-	-	-
Anniston Museum Endowment Corporation	42,415	-	-	-	-	-	-
Anniston Museum League	82,130	-	43,273	-	-	-	-
<b>Total Component Units</b>	<b>26,731,206</b>	<b>1,864,174</b>	<b>14,587,015</b>	<b>733,819</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GENERAL REVENUES:</b>							
<b>Taxes:</b>							
Property	-	-	-	-	4,884,703	-	4,884,703
Sales	-	-	-	-	20,807,549	-	20,807,549
Licenses and permits	-	-	-	-	4,161,137	-	4,161,137
Alcoholic beverage	-	-	-	-	147,524	-	147,524
Other	-	-	-	-	3,494,531	-	3,494,531
Grants and contributions not restricted for specific programs	-	-	-	-	-	48,000	48,000
Interest earned	-	-	-	-	165,495	564	166,059
Investment earnings	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,561,050	584	1,561,634
<b>Total General Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,221,989</b>	<b>49,148</b>	<b>35,271,137</b>
<b>Change in Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,041,035)</b>	<b>32,261</b>	<b>(5,008,774)</b>
<b>NET POSITION, BEGINNING</b>							
Restatement of net position due prior period error	-	-	-	-	85,759,661	345,865	86,105,526
Restatement of net position due implementation of GASB 63 and 65	-	-	-	-	(209,561)	-	(209,561)
<b>NET POSITION, BEGINNING, RESTATED</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,550,100</b>	<b>345,865</b>	<b>85,895,965</b>
<b>NET POSITION, END</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,509,065</b>	<b>378,126</b>	<b>80,887,191</b>

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	Anniston Industrial Dev. Board	Farley L. Berman Foundation, Inc.	Anniston Museum Endowment Corporation	Museum League	Total Component Units
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(8,705,845)	-	-	-	-	-	(8,705,845)
-	(727,410)	-	-	-	(38,857)	(766,267)
-	-	-	(31,671)	-	-	(31,671)
-	-	-	-	(42,415)	-	(42,415)
-	-	-	-	-	-	-
(8,705,845)	(727,410)	-	(31,671)	(42,415)	(38,857)	(9,546,198)
4,472,740	-	-	-	-	-	4,472,740
1,637,656	-	-	-	-	-	1,637,656
-	-	-	-	-	-	-
96,129	-	-	-	-	-	96,129
61,972	-	-	-	-	-	61,972
157,260	673,700	-	33,690	6,099	-	870,749
27,608	2,282	2,812	105	-	331	33,138
-	13,592	-	-	137,348	-	150,940
378,412	6,607	-	26,578	-	12,858	424,455
6,831,777	696,181	2,812	60,373	143,447	13,189	7,747,779
(1,874,068)	(31,229)	2,812	28,702	101,032	(25,668)	(1,798,419)
19,417,943	785,596	568,050	8,941,788	1,148,380	108,902	30,970,659
-	-	-	-	-	-	-
(39,991)	-	-	-	-	-	(39,991)
19,377,952	785,596	568,050	8,941,788	1,148,380	108,902	30,930,668
17,503,884	754,367	570,862	8,970,490	1,249,412	83,234	29,132,249

See accompanying notes to the basic financial statements

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2013**

	General	Public Building Authority	Major Special Revenue Fire Tax Fund
<b>ASSETS</b>			
Cash and cash equivalents	1,637,416	-	-
Investments	3,326,442	-	1,182,464
Cash bonds on hand	-	-	-
Taxes receivable, net of allowance	2,045,809	-	-
Accounts receivable, net of allowance	178,958	-	-
Notes receivable, net of allowance	-	-	-
Prepaid items	167,169	-	-
Inventories	45,928	-	-
Other Assets	-	-	-
Due from other funds	2,428,366	-	-
Due from agency fund	30,353	-	-
Due from other governments	183,729	-	18,065
Restricted cash	-	3,289,100	3,146,264
<b>TOTAL ASSETS</b>	<b>10,044,170</b>	<b>3,289,100</b>	<b>4,346,793</b>
<b>LIABILITIES</b>			
Salaries and benefits payable	298,183	-	-
Accounts payable	561,714	134,492	96,079
Retainage payable	-	-	-
Accrued liabilities	385,614	-	-
Cash bond liabilities	-	-	-
Due to other funds	304,630	129,382	19,235
Due to agency fund	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,550,141</b>	<b>263,874</b>	<b>115,314</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Income earned in future periods	-	-	-
Fees collected in advance	59,554	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>59,554</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	167,169	-	-
Inventories	45,928	-	-
Restricted for:			
Judicial	-	-	-
Public safety	-	-	-
Road improvements	-	-	4,231,479
Court activities	-	-	-
Culture and recreation	-	-	-
Housing and development	-	-	-
Capital projects	-	3,025,226	-
Committed for:			
Culture and recreation	-	-	-
Capital projects	-	-	-
Assigned for:			
Housing and development	-	-	-
Unassigned	8,221,378	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>8,434,475</b>	<b>3,025,226</b>	<b>4,231,479</b>
<b>TOTAL</b>	<b>10,044,170</b>	<b>3,289,100</b>	<b>4,346,793</b>

CITY OF ANNISTON, ALABAMA

Major Special Revenue CDBG	Major Special Revenue HOME	Major Special Drug Task Force Fund	Non-major Governmental Funds	Total Governmental Funds
19,453	19,583	-	4,143,043	5,819,495
-	-	-	340,723	4,849,629
-	-	-	18,160	18,160
-	-	-	-	2,045,809
-	-	-	3,673	182,631
741,794	1,220,009	-	558,897	2,520,700
-	-	-	12,571	179,740
-	-	-	-	45,928
-	-	-	-	-
63,353	-	240,333	70,373	2,802,425
-	-	-	-	30,353
13,043	299,700	94,331	102,832	711,700
-	-	-	153,898	6,589,262
<u>837,643</u>	<u>1,539,292</u>	<u>334,664</u>	<u>5,404,170</u>	<u>25,795,832</u>
522	-	-	-	298,705
4,231	2,145	-	6,928	805,589
-	-	-	-	-
-	-	-	21,820	407,434
-	-	-	123,785	123,785
-	425,331	543,667	1,380,180	2,802,425
-	-	-	48,132	48,132
<u>4,753</u>	<u>427,476</u>	<u>543,667</u>	<u>1,580,845</u>	<u>4,486,070</u>
741,794	1,220,009	-	168,207	2,130,010
-	-	-	-	59,554
<u>741,794</u>	<u>1,220,009</u>	<u>-</u>	<u>168,207</u>	<u>2,189,564</u>
-	-	-	-	167,169
-	-	-	-	45,928
-	-	-	-	-
-	-	-	67,637	67,637
-	-	(209,003)	1,832,944	1,623,941
-	-	-	875,738	5,107,217
-	-	-	-	-
-	-	-	27,307	27,307
-	-	-	-	-
-	-	-	-	3,025,226
-	-	-	-	-
-	-	-	960,358	960,358
-	-	-	153,898	153,898
-	-	-	-	-
91,096	(108,193)	-	561,420	544,323
-	-	-	(824,184)	7,397,194
<u>91,096</u>	<u>(108,193)</u>	<u>(209,003)</u>	<u>3,655,118</u>	<u>19,120,198</u>
<u>837,643</u>	<u>1,539,292</u>	<u>334,664</u>	<u>5,404,170</u>	<u>25,795,832</u>

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, 2013**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>			19,120,198
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	204,432,639	
	Less: accumulated depreciation	<u>(97,913,903)</u>	106,518,736
Net other post employment benefits obligations are not due and payable in the current period and therefore are not reported in the funds.			
		<u>(4,216,152)</u>	(4,216,152)
Long-term liabilities are not due and payable in the current period and there for are not reported in the fund statements.			
	Compensated absences	2,327,007	
	Intergovernmental agreement	276,251	
	Bonds payable	38,125,000	
	Capital leases	563,270	
	Unamortized deferred items	(383,943)	
	Unamortized bond issuance cost	(316,281)	
	Accrued interest	<u>322,413</u>	
			<u>(40,913,717)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>			<u>80,509,065</u>

See accompanying notes to the basic financial statements

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	General	Public Building Authority	Major Special Revenue Fire Tax Fund
<b>REVENUES</b>			
Intergovernmental	218,067	-	-
Fines and forfeitures	16,503	-	-
Charges for services	2,080,053	-	-
Taxes	27,736,640	-	846,191
Licenses and permits	4,161,137	-	-
Interest earned	23,192	11,996	12,242
Miscellaneous	396,358	901,618	-
<b>TOTAL REVENUES</b>	<b>34,631,950</b>	<b>913,614</b>	<b>858,433</b>
<b>EXPENDITURES</b>			
Current:			
General government	7,779,149	-	-
Judicial	293,979	-	-
Public safety	13,025,063	-	-
Public works	6,160,329	-	787,782
Culture and recreation	6,577,571	-	-
Housing and development	-	-	-
Capital outlay	780,664	7,597,396	93,409
Debt Service:			
Principal	-	-	-
Interest	-	1,400,869	-
Bond issue costs	-	-	-
Fiscal agent fees	-	57,526	-
<b>TOTAL EXPENDITURES</b>	<b>34,616,755</b>	<b>9,055,791</b>	<b>881,191</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>15,195</b>	<b>(8,142,177)</b>	<b>(22,758)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	68,495	-	-
Capital leases	21,549	-	-
Transfers in	534,568	822,412	-
Transfers out	(2,339,744)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,715,132)</b>	<b>822,412</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,699,937)</b>	<b>(7,319,765)</b>	<b>(22,758)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING</b>	<b>10,134,412</b>	<b>10,344,991</b>	<b>4,254,237</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT), END, RESTATED</b>	<b>8,434,475</b>	<b>3,025,226</b>	<b>4,231,479</b>

CITY OF ANNISTON, ALABAMA

Major Special Revenue CDBG	Major Special Revenue HOME	Major Special Drug Task Force Fund	Non-major Governmental Funds	Total Governmental Funds
284,885	894,381	148,343	533,565	2,079,241
-	-	-	745,135	761,638
-	-	-	232,008	2,312,061
-	-	-	751,476	29,334,307
-	-	-	-	4,161,137
3,721	3,062	-	111,021	165,234
1,100	-	52,000	175,106	1,526,182
289,706	897,443	200,343	2,548,311	40,339,799
-	-	-	450	7,779,599
-	-	-	-	293,979
-	-	714,643	442,505	14,182,211
-	-	-	187,312	7,135,423
-	-	-	954,998	7,532,569
222,367	834,681	-	59,016	1,116,064
-	-	-	1,676,663	10,148,132
-	-	-	585,070	585,070
-	-	-	356,729	1,757,598
-	-	-	7,833	7,833
-	-	-	-	57,526
222,367	834,681	714,643	4,270,576	50,596,003
67,339	62,762	(514,300)	(1,722,265)	(10,256,204)
-	-	-	-	68,495
-	-	-	-	21,549
-	-	369,620	2,154,237	3,880,837
-	-	-	(1,541,093)	(3,880,837)
-	-	369,620	613,144	90,044
67,339	62,762	(144,681)	(1,109,121)	(10,166,161)
233,318	(170,955)	(64,322)	4,764,239	29,495,920
(209,561)	-	-	-	(209,561)
91,096	(108,193)	(209,003)	3,655,118	19,120,198

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, 2013**

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENT</b>		<b>(10,166,161)</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimates useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.		
Capital outlay	10,148,132	
Depreciation expense	<u>(5,262,964)</u>	4,885,168
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.		
		(33,626)
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.		
Bond principal payment	245,000	
Amortization of bond issuance cost	(24,189)	
Amortization of bond discounts	(20,828)	
Capital leases	(21,549)	
Capital lease principal payment	221,331	
Intergovernmental agreement principal payment	<u>118,739</u>	518,504
Some expenses reported in the statement of activities, such as accrued interest, compensated absences and contingent liabilities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Accrued interest	304,809	
Compensated absences	<u>228,640</u>	533,449
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.		
		<u>(778,369)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<u><u>(5,041,035)</u></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, 2013**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
<b>Taxes</b>				
Sales and use	21,190,000	21,190,000	20,807,549	(382,451)
General property taxes	4,741,000	4,741,000	4,884,703	143,703
Beverage taxes	150,000	150,000	147,524	(2,476)
Anniston Housing Authority	5,000	5,000	5,140	140
Water utility fees	510,000	510,000	519,873	9,873
Cigarette and tobacco	300,000	300,000	287,543	(12,457)
Gasoline	360,000	360,000	354,718	(5,282)
Bingo	65,000	65,000	46,300	(18,700)
Lodging	85,000	85,000	91,783	6,783
Rental	420,000	420,000	429,025	9,025
Business	148,725	148,725	162,482	13,757
<b>Total Taxes</b>	<b>27,974,725</b>	<b>27,974,725</b>	<b>27,736,640</b>	<b>(238,085)</b>
<b>Licenses, permits and fees:</b>				
Business licenses	3,350,000	3,350,000	3,289,011	(60,989)
Other license and penalties	907,610	907,610	872,126	(35,484)
<b>Total licenses, permits and fees</b>	<b>4,257,610</b>	<b>4,257,610</b>	<b>4,161,137</b>	<b>(96,473)</b>
<b>Intergovernmental</b>				
Police administration	-	-	7,200	7,200
Planting grant	32,000	32,000	30,867	(1,133)
Federal surplus property	-	-	180,000	180,000
<b>Total Intergovernmental</b>	<b>32,000</b>	<b>32,000</b>	<b>218,067</b>	<b>186,067</b>
<b>Charges for services:</b>				
Garbage fees	880,500	880,500	819,060	(61,440)
Airport revenue	59,340	59,340	59,037	(303)
Rental income	-	-	-	-
Recreation department fees	1,380,650	1,380,650	1,158,302	(222,348)
Public works receipts	53,750	53,750	37,755	(15,995)
Public safety receipts	13,916	13,916	5,900	(8,016)
<b>Total Charges for Services</b>	<b>2,388,156</b>	<b>2,388,156</b>	<b>2,080,054</b>	<b>(308,102)</b>
<b>Fines and forfeitures</b>				
Police court fines and fees	21,500	21,500	16,503	(4,997)
<b>Total Fines and Forfeitures</b>	<b>21,500</b>	<b>21,500</b>	<b>16,503</b>	<b>(4,997)</b>
<b>Other revenue:</b>				
Interest on investments	25,000	25,000	23,191	(1,809)
Miscellaneous revenue	556,500	556,500	396,358	(160,142)
<b>Total Other Revenue</b>	<b>581,500</b>	<b>581,500</b>	<b>419,549</b>	<b>(161,951)</b>
<b>TOTAL REVENUES</b>	<b>35,255,491</b>	<b>35,255,491</b>	<b>34,631,950</b>	<b>(623,541)</b>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT</b>				
Finance division	812,465	839,465	851,238	(11,773)
General division	185,354	176,354	178,744	(2,390)
City Council	184,813	192,313	195,999	(3,686)
Building maintenance	861,408	877,808	875,216	2,592
Professional services	80,000	80,000	189,500	(109,500)
Utilities	41,000	41,000	43,975	(2,975)
Projects	1,100,365	1,100,365	608,055	492,310
Workman's compensation insurance	400,000	400,000	436,061	(36,061)
Employer funded healthcare	2,205,000	2,556,000	2,872,410	(316,410)
Other insurance	480,000	480,000	508,867	(28,867)
Other boards and agencies	955,255	955,255	838,466	116,789
Miscellaneous	267,000	267,000	551,148	(284,148)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>7,572,660</b>	<b>7,965,560</b>	<b>8,149,679</b>	<b>(184,119)</b>

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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
<b>PUBLIC SAFETY</b>				
Police	7,635,019	7,249,519	7,424,749	(175,230)
Municipal court	312,803	286,803	293,979	(7,176)
Detention facilities	550,185	507,685	525,631	(17,946)
Fire	<u>5,346,622</u>	<u>5,063,872</u>	<u>5,183,783</u>	<u>(119,911)</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>13,844,629</u>	<u>13,107,879</u>	<u>13,428,142</u>	<u>(320,263)</u>
<b>PUBLIC WORKS</b>				
General	448,467	498,939	507,249	(8,310)
Cemetery	74,519	78,819	81,907	(3,088)
Electrical	709,764	695,764	692,239	3,525
Engineering	159,378	155,666	152,451	3,215
Garage	230,003	221,015	240,752	(19,737)
Environmental services	1,187,861	1,175,361	1,219,479	(44,118)
Street department	3,093,814	2,799,642	2,960,296	(160,654)
Airport	71,832	95,282	90,254	5,028
Planning	<u>364,109</u>	<u>323,579</u>	<u>340,781</u>	<u>(17,202)</u>
<b>TOTAL PUBLIC WORKS</b>	<u>6,339,747</u>	<u>6,044,067</u>	<u>6,285,408</u>	<u>(241,341)</u>
<b>CULTURE AND RECREATION</b>				
Administration	929,820	910,020	1,006,988	(96,968)
Parks, facilities, and utilities	2,444,410	2,483,810	2,541,705	(57,895)
PARD programs	353,226	353,226	393,436	(40,210)
Park maintenance	551,249	519,249	534,797	(15,548)
Anniston/Calhoun County Library	560,000	560,000	560,000	-
Anniston City Board of Education	1,455,000	1,455,000	1,576,600	(121,600)
Farley L. Bonham Museum	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
<b>TOTAL CULTURE AND RECREATION</b>	<u>6,433,705</u>	<u>6,421,305</u>	<u>6,753,526</u>	<u>(332,221)</u>
<b>DEBT SERVICE</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>TOTAL DEBT SERVICE</b>	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>34,190,741</u>	<u>33,538,811</u>	<u>34,616,755</u>	<u>(1,077,944)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,064,750</u>	<u>1,716,680</u>	<u>15,195</u>	<u>(1,701,485)</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Proceeds from sale of capital assets	-	-	68,495	(68,495)
Capital lease	-	-	21,549	(21,549)
Transfers in	970,000	970,000	534,568	435,432
Transfers out	<u>(2,256,245)</u>	<u>(2,908,245)</u>	<u>(2,339,744)</u>	<u>(568,501)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,286,245)</u>	<u>(1,938,245)</u>	<u>(1,715,132)</u>	<u>(223,113)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(221,495)</u>	<u>(221,565)</u>	<u>(1,699,937)</u>	<u>(1,478,372)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>10,134,412</u>	<u>10,134,412</u>	<u>10,134,412</u>	<u>-</u>
<b>FUND BALANCE, END</b>	<u>9,912,917</u>	<u>9,912,847</u>	<u>8,434,475</u>	<u>(1,478,372)</u>

See accompanying notes to the basic financial statements

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

**CITY OF ANNISTON, ALABAMA**

**SEPTEMBER 30, 2013**

	Municipal Court	Policemen's and Firemen's Retirement Fund
<b>ASSETS</b>		
Cash and cash equivalents	115,734	452,020
Investments, at fair value		
U.S. Government obligations	-	1,802,744
Municipal obligations	-	88,059
Corporate bonds	-	1,849,617
International obligations	-	85,835
Domestic equity securities	-	8,936,175
International equity securities	-	441,410
Collective investment fund	-	7,963,015
Timber	-	907,881
Real estate	-	1,052,734
Accounts receivable	-	330,756
<b>TOTAL ASSETS</b>	<b>115,734</b>	<b>23,910,246</b>
<b>LIABILITIES</b>		
Accounts payable	85,381	19,733
Due to general fund	30,353	
<b>TOTAL LIABILITIES</b>	<b>115,734</b>	<b>19,733</b>
<b>NET POSITION</b>		
Net Position Held in Trust for Pension Benefits (a schedule of funding progress is presented as required supplementary information)		23,890,513

See accompanying notes to the basic financial statements

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

**CITY OF ANNISTON, ALABAMA**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<u>Policemen's and Firemen's Retirement Fund</u>
<b>ADDITIONS</b>	
Contributions	
Employer	2,738,006
Employee	<u>1,082,078</u>
Total Contributions	3,820,084
Investment Earnings:	
Interest	149,371
Dividend	143,736
Net appreciation in fair value of investments	3,136,568
Net gain on investment	17,230
Miscellaneous	445
Total Investment Earnings	<u>3,447,350</u>
Less: Investment expenses	<u>(75,634)</u>
Net Investment Income	3,371,716
Total Additions	7,191,800
<b>DEDUCTIONS</b>	
Net depreciation in fair value of investments	232,831
Administrative expenses	128,033
Benefits paid directly to participants	<u>4,042,267</u>
Total Deductions	<u>4,403,131</u>
<b>NET INCREASE IN NET POSITION</b>	2,788,669
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	-
<b>NET POSITION, BEGINNING</b>	<u>21,101,844</u>
<b>NET POSITION, END</b>	<u>23,890,513</u>

See accompanying notes to the basic financial statements

**STATEMENT OF PROPRIETARY NET POSITION -  
 PROPRIETARY FUNDS**

**CITY OF ANNISTON, ALABAMA**

**SEPTEMBER 30, 2013**

	<u>MusAnn Corporation, Inc.</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash & cash equivalents	300,204
Prepaid expenses	547
Inventories	<u>67,236</u>
<b>Total Current Assets</b>	<u>367,987</u>
Property and equipment, net	<u>12,919</u>
<b>TOTAL ASSETS</b>	<u><u>380,906</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	1,546
Accrued payroll and withheld taxes	<u>1,234</u>
<b>Total Current Liabilities</b>	<u>2,780</u>
<b>TOTAL LIABILITIES</b>	<u>2,780</u>
<b>NET POSITION</b>	
Unrestricted	299,143
Temporarily restricted	<u>78,983</u>
<b>TOTAL NET POSITION</b>	<u><u>378,126</u></u>
<b>TOTAL</b>	<u><u>380,906</u></u>

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN PROPRIETARY FUND BALANCES -  
PROPRIETARY FUNDS**

**CITY OF ANNISTON, ALABAMA**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>MusAnn Corporation, Inc.</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Sales	63,185	-	63,185
Donations	48,000	-	48,000
Interest income	564	-	564
Discounts Earned	222	-	222
Other receipts - Store	362	-	362
<b>TOTAL REVENUES</b>	<b>112,333</b>	<b>-</b>	<b>112,333</b>
<b>EXPENDITURES</b>			
Bank fees	1,766	-	1,766
Depreciation expense	1,627	-	1,627
Insurance	305	-	305
Miscellaneous	422	-	422
Payroll expense	2,138	-	2,138
Postage	46	-	46
Professional fees	3,175	-	3,175
Purchases	37,426	-	37,426
Rent	7,800	-	7,800
Salaries	23,722	-	23,722
Supplies	1,645	-	1,645
<b>TOTAL EXPENDITURES</b>	<b>80,072</b>	<b>-</b>	<b>80,072</b>
<b>CHANGE IN NET POSITION</b>	<b>32,261</b>	<b>-</b>	<b>32,261</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>266,882</b>	<b>78,983</b>	<b>345,865</b>
<b>NET POSITION - END OF YEAR</b>	<b>299,143</b>	<b>78,983</b>	<b>378,126</b>

See accompanying notes to the basic financial statements

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**CITY OF ANNISTON, ALABAMA**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>MusAnn Corporation, Inc.</u>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 63,547
Donations received	48,000
Discounts earned	222
Interest received	564
Cash paid for purchases	(79,480)
Cash paid for operating expenditures	(41,774)
<b>Net Cash Flows (Used in) Operating Activities</b>	<u>(8,921)</u>
<b>Net Decrease in Cash</b>	(8,921)
Cash and Cash Equivalents, Beginning	<u>309,125</u>
Cash and Cash Equivalents, End	<u>300,204</u>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities</b>	
Increase in Unrestricted Net Position	32,261
<b>Adjustments to Reconcile Increase in Unrestricted Net Assets to Net Cash Provided By Operating Activities</b>	
Depreciation and amortization	1,627
(Increase) Decrease in:	
Inventory	(42,054)
Prepaid Expenses	(547)
Increase (Decrease) in:	
Accounts payable	(12)
Accrued payroll and withheld taxes	(196)
	<u>(41,182)</u>
<b>Net Cash Flows (Used in) Operating Activities</b>	<u>(8,921)</u>

See accompanying notes to the basic financial statements

**NOTES TO THE FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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.

**Discretely Presented Component Units**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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 <b>Anniston Museum Endowment Corporation</b> 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 <b>Museum League</b> 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 <b>Anniston Public Building Authority</b> was established to account for the construction and ongoing maintenance of City buildings. The Authority is fiscally dependent upon the City since the Authority cannot issue bonded debt directly.	The bonded debt must be issued through the City which the Council must approve.	Separate financial statements are not prepared.
The <b>MusAnn Corporation, Inc.</b> 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 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 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, 2013**

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**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 *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 Fire Tax Fund* accounts for the collection of special tax and revenue restricted expenditures for specific purpose.

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

The *Special Revenue CDBG Fund* accounts for the collection of federal grant money and revenue restricted expenditures for specific purpose.

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

The *Special Revenue Drug Task Force Consortium Fund* accounts for the collection of special tax and revenue restricted 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.

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Investments**

Cash consists of demand deposits, and investments consist of government securities and certificates of deposit. Cash balances and the requirements of all funds are considered in determining the amount to be invested. Interest earned on cash and investments is recorded as General Fund revenue and allocated between funds based upon balances. In accordance with Governmental Accounting Standards Board No. 31, Accounting for Financial Reporting for Certain Investments and for External Investment Pools, the City reports its money market investments and investments in short term debt securities that have remaining maturities of one year or less at amortized cost. All other investments are stated at fair value based on quoted market prices.

**E. Interfund Receivables and Payables**

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

**F. Management Estimates**

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

**G. Inventories**

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

**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:

Asset	Years
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, 2013**

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**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, 2013**

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**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, 2013**

**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 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	\$ (38,125,000)
Deferred charge (to be amortized as interest expense)	383,943
Issuance discounts and premiums (to be amortized as interest expense)	316,281
Intergovernmental agreement	(276,251)
Capital lease	(563,270)
Accrued interest payable	(322,413)
Compensated absences	(2,327,007)
OPEB Obligations	<u>(4,216,152)</u>
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	<u>\$ (45,129,869)</u>

*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	\$ 10,148,132
Net value of assets disposed or transferred to proprietary funds	(33,626)
Depreciation expense	<u>(5,262,964)</u>
Net Adjustment to increase net change in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ 4,851,542</u>

**FOR THE YEAR ENDED SEPTEMBER 30, 2013****NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

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	\$ (21,549)
Amortization of long-term debt related, premiums, discounts, etc.	(45,017)
Principal repayments (including refunding proceeds to escrow agent)	<u>585,070</u>
Net adjustment to increase net change in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ 518,504</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	\$ 228,640
OPEB Obligations	(778,369)
Accrued interest	<u>304,809</u>
Net adjustment to decrease net change in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ (244,920)</u>

*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	\$ 8,925,355
Collection	8,342,992
Improvements other than Buildings	3,161,685
Less: Accumulated depreciation-Improvements other than Buildings	(327,405)
Buildings & Improvements	64,639,239
Less: Accumulated depreciation-Buildings & Improvements	(19,431,738)
Machinery & Equipment	13,933,702
Less: Accumulated depreciation-Machinery & Equipment	(9,538,105)
Infrastructure	105,429,666
Less: Accumulated depreciation-Infrastructure	<u>(68,616,655)</u>
Net adjustment to increase fund balance - total government funds to arrive at net position - governmental activities	<u>\$ 106,518,736</u>

**FOR THE YEAR ENDED SEPTEMBER 30, 2013****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, 2013.

<b>General Government</b>	
Finance Division	\$ 11,773
General Division	2,390
City Council	3,686
Professional Services	109,500
Utilities	2,975
Workman's Compensation Insurance	36,061
Employer Funded Healthcare	316,410
Other Insurance	28,867
Miscellaneous	284,148
<b>Public Safety</b>	
Police	175,230
Municipal Court	7,113
Detention Facilities	17,946
Fire	119,991
<b>Public Works</b>	
General	8,310
Cemetery	3,088
Garage	19,737
Environmental Services	44,118
Street Department	160,654
Planning	17,202
<b>Culture and Recreations</b>	
Administration	96,968
Parks, facilities and utilities	57,895
PARD Program	40,210
Park Maintenance	15,548
Anniston City Board of Education	121,600

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013, all of the deposits of the City were fully collateralized in accordance with the state statutes.

As of September 30, 2013, 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	\$ 3,893,269
Government securities	245 days	501,285
Money market	N/A	455,075
		<u>\$ 4,849,629</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, 2013****NOTE 5 RECEIVABLES**

Receivables at September 30, 2013, for the City's individual funds, including the applicable allowances for uncollectible accounts are as follows:

<u>Receivables</u>	<u>General</u>	<u>Special Revenue CDBG</u>	<u>Special Revenue HOME</u>	<u>Non-Major Governmental</u>	<u>Total</u>
Taxes	\$ 2,045,809	\$ -	\$ -	\$ -	\$ 2,045,809
Accounts	178,958	-	-	3,673	182,631
Notes	-	741,794	1,220,009	680,497	2,642,300
Gross Receivable	2,224,767	741,794	1,220,009	684,170	4,870,740
Less Allowance for Uncollectible	-	-	-	(121,600)	(121,600)
Net Total Receivable	<u>\$ 2,224,767</u>	<u>\$ 741,794</u>	<u>\$ 1,220,009</u>	<u>\$ 562,570</u>	<u>\$ 4,749,140</u>

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2013****NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013 is as follows:

<u>Governmental Activities</u>	<u>Balance 9/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/13</u>
<b>Non-Depreciable</b>					
Land	\$ 8,734,825	\$ 190,530	-	-	\$ 8,925,355
Collections	8,329,797	13,195	-	-	8,342,992
Construction in Progress	25,316,719	-	-	(25,316,719)	
	<u>42,381,341</u>	<u>203,725</u>	<u>-</u>	<u>-</u>	<u>17,268,347</u>
<b>Depreciable</b>					
Buildings & Improvements	31,270,439	33,740,885	(372,085)	-	64,639,239
Machinery & Equipment	14,147,885	647,323	(891,506)	-	13,933,702
Improvements other than buildings	2,318,767	842,918	-	-	3,161,685
Infrastructure	105,429,666	-	-	-	105,429,666
Total other Capital Assets	<u>153,166,757</u>	<u>35,261,126</u>	<u>(1,263,591)</u>	<u>-</u>	<u>187,164,292</u>
Total Capital Assets	195,548,098	35,464,851	(1,263,591)	(25,316,719)	204,432,639
<b>Accumulated Depreciation</b>					
Buildings	18,152,678	1,624,844	(345,784)	-	19,431,738
Machinery & Equipment	9,552,424	869,862	(884,181)	-	9,538,105
Improvements other than Bldgs	252,727	74,678	-	-	327,405
Infrastructure	65,923,075	2,693,580	-	-	68,616,655
Total Accumulated Depreciation	<u>93,880,904</u>	<u>5,262,964</u>	<u>(1,229,965)</u>	<u>-</u>	<u>97,913,903</u>
Governmental Activities Capital Assets, net	<u>\$ 101,667,194</u>	<u>\$ 30,201,887</u>	<u>\$ (33,626)</u>	<u>\$ (25,316,719)</u>	<u>\$ 106,518,736</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 855,236
Public Safety	802,433
Public Works	2,919,070
Housing and Development	101,318
Culture and Recreation	584,907
	<u>\$ 5,262,964</u>

FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 6 CAPITAL ASSETS (continued)

<u>Business Type Activities</u>	<u>Balance 9/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 9/30/13</u>
Property	30,884	-	-	-	30,884
Furniture and Fixtures	27,925	-	-	-	27,925
	<u>58,809</u>	-	-	-	<u>58,809</u>
Accumulated Depreciation	(44,263)	(1,627)	-	-	(45,890)
	<u>14,546</u>	<u>(1,627)</u>	-	-	<u>12,919</u>

<u>Component Units:</u>	<u>Balance 9/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/13</u>
<b>Non-Depreciable</b>				
Land	\$ 1,404,063	\$ -	\$ -	\$ 1,404,063
Collections	8,710,356	17,985	-	8,728,341
	<u>10,114,419</u>	<u>17,985</u>	-	<u>10,132,404</u>
<b>Depreciated</b>				
Collections	831,290	-	-	831,290
Buildings	17,048,132	-	-	17,048,132
Building Improvements	15,709,106	32,829	-	15,741,935
Vehicles	745,710	88,016	-	833,726
Machinery & Equipment	2,003,885	38,785	-	2,042,670
Total other Capital Assets	<u>36,338,123</u>	<u>159,630</u>	-	<u>36,497,753</u>
Total Capital Assets	46,452,542	177,615	-	46,630,157
<b>Accumulated Depreciation</b>				
Collections	740,860	45,451	-	786,311
Buildings	11,052,512	325,968	-	11,378,480
Building Improvements	6,151,319	547,776	-	6,699,095
Land Improvements	205,524	-	-	205,524
Vehicles	526,434	17,581	-	544,015
Machinery & Equipment	1,451,545	130,313	-	1,581,858
Total Accumulated Depreciation	<u>20,128,194</u>	<u>1,067,089</u>	-	<u>21,195,283</u>
Governmental Activities Capital Assets, net	<u>\$ 26,324,348</u>	<u>\$ (889,474)</u>	<u>\$ -</u>	<u>\$ 25,434,874</u>

**FOR THE YEAR ENDED SEPTEMBER 30, 2013****NOTE 7 LONG-TERM DEBT****Primary Government**

Long-term liability activity for the year ended September 30, 2013 is as follows:

	Balance 9/30/12	Additions	Reductions	Balance 9/30/13	Due Within One Year	Due In More Than One Year
<b>Governmental activities</b>						
Bonds and warrants	\$ 38,370,000	\$ -	\$ 245,000	\$ 38,125,000	\$ 1,070,000	\$ 37,055,000
Less deferred amounts						
Unamortized refunding	(3,711)	-	(206)	(3,505)	-	(3,505)
Unamortized discount	(401,061)	-	(20,623)	(380,438)	-	(380,438)
<b>Total Bonds and Warrants</b>	<b>37,965,228</b>	<b>-</b>	<b>224,171</b>	<b>37,741,057</b>	<b>1,070,000</b>	<b>36,671,057</b>
<b>Intergovernmental</b>						
Agreement	394,990	-	118,739	276,251	131,340	144,911
Capital lease payable	763,053	21,549	221,331	563,271	217,882	345,389
Compensated absences	2,555,647	-	228,640	2,327,007	511,129	1,815,878
Net OPEB Obligations	3,437,783	1,290,700	512,332	4,216,151	388,100	3,828,051
<b>Governmental activities Long-Term Liabilities</b>	<b>\$ 45,116,701</b>	<b>\$ 1,312,249</b>	<b>\$ 1,305,213</b>	<b>\$ 45,123,737</b>	<b>\$ 2,318,451</b>	<b>\$ 42,805,286</b>

**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.

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.

**FOR THE YEAR ENDED SEPTEMBER 30, 2013****NOTE 7 LONG-TERM DEBT (continued)****Bonds and Warrants. (continued)**

Annual debt service requirements to amortize bonds and warrants outstanding, as of September 30, 2013 follow:

Fiscal Year Ended September 30	Governmental Activity		
	Principal	Interest	Total
2014	1,070,000	1,699,784	2,769,784
2015	1,095,000	1,674,209	2,769,209
2016	1,125,000	1,646,784	2,771,784
2017-2021	6,140,000	7,703,250	13,843,250
2022-2026	7,290,000	6,395,912	13,685,912
2027-2031	9,020,000	4,507,406	13,527,406
2032-2036	6,880,000	2,139,895	9,019,895
2037-2041	3,730,000	92,897	3,822,897
2042-2043	1,775,000	89,875	1,864,875
Total	\$ 38,125,000	\$25,950,012	\$ 64,075,012

**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, 2013 was \$276,251.

Annual debt service requirements to amortize the intergovernmental agreement outstanding, as of September 30, 2013 follow:

Fiscal Year Ended September 30	Governmental Activity		
	Principal	Interest	Total
2014	131,340	14,512	145,852
2015	144,911	7,486	152,397
Total	\$ 276,251	\$ 21,998	\$ 298,249

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 7 LONG-TERM DEBT (continued)**

**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, 2013:

	<b>Governmental Activities</b>
Equipment	\$ 793,510
Less: Accumulated Depreciation	(313,806)
Net After Accumulated Depreciation	479,704
Non Capitalized Equipment	179,611
Total	<u>\$ 659,315</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, 2013:

	<b>Governmental Activities</b>
<b>Fiscal Year End September 30,</b>	
2014	237,591
2015	213,963
2016	131,043
2017	11,787
2018	3,413
Total Minimum Lease Payment	597,211
Less amount representing interest	(33,940)
Present value of future minimum lease payments	<u>\$ 563,271</u>

**Component Unit: Anniston City Board of Education**

Long-term liability activity for the year ended September 30, 2013 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>
<b>Governmental activities</b>						
2003 Pool Bond	\$ 701,295	-	\$ 46,902	\$ 654,393	\$ 48,571	\$ 605,822
QZAB	2,000,000	-	-	2,000,000	-	2,000,000
<b>Governmental activities</b>						
Long- Term Liabilities	<u>\$ 2,701,295</u>	<u>-</u>	<u>\$ 46,902</u>	<u>\$ 2,654,393</u>	<u>\$ 48,571</u>	<u>\$ 2,605,822</u>

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 7 LONG-TERM DEBT (continued)**

**Component Unit: Anniston City Board of Education (continued)**

**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, 2013 follow:

Fiscal Year Ended September 30	Governmental Activity		
	Principal	Interest	Total
2014	\$ 48,571	\$ 26,224	\$ 74,795
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	<u>\$ 654,393</u>	<u>\$ 160,625</u>	<u>\$ 815,018</u>

**NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Fire Tax Fund	\$ 19,235
General Fund	Public Building	129,382
General Fund	Non Major	2,279,749
CDBG	HOME	63,353
Drug Task Fund	Non Major	240,333
Non Major	Non Major	70,373
		<u>\$ 2,802,425</u>

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)**

Interfund transfers for the year ended September 30, 2013 were:

<u>Transfers In</u>	<u>General Fund</u>	<u>Drug Task Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 124,000	\$ 410,568	\$ 534,568
Public Building Authority	822,412	-	-	822,412
Drug Task Force	124,000	245,620	-	369,620
Nonmajor Governmental Fund	1,393,332	-	760,905	2,154,237
Nonmajor Governmental Fund	-	-	-	-
	<u>\$ 2,339,744</u>	<u>\$ 369,620</u>	<u>\$ 1,171,473</u>	<u>\$ 3,880,837</u>

These transfers were used to assist other funds in meeting operating requirements for the year ended September 30, 2013.

**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, 2013**

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**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, 2013**

**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, 2013. All contributions have been made.

Fiscal Year Ended September 30	Contributions		
	Employer	Employee	Total
2013	\$ 606,636	\$ 429,521	\$ 1,036,157

The following schedule is based on the actuarial valuation as of September 30, 2012 (most recent information available) as provided by the Employees' Retirement System of Alabama:

**Summary of Employee Census Data  
Effective For Period Beginning October 1, 2012**

Number of active members	220
Annual compensation	\$ 7,367,995
Number of Retired members and beneficiaries	95
Annual Retirement allowance	\$ 1,305,797

**Required Employer Contributions  
Effective For Period Beginning October 1, 2012**

Normal cost	4.12%
Accrued Liability	4.56%
Pre-retirement death benefit	0.15%
Administrative Expense	<u>0.18%</u>
Total	9.01%
5% Employer contribution factor (9.01% / 5%)	1.802000
6% Employer contribution factor (9.01% / 6%)	1.501667

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

Normal cost	1.90%
Accrued Liability	4.61%
Pre-retirement death benefit	0.15%
Administrative Expense	<u>0.18%</u>
Total	6.84%
7.5% Employer contribution factor (6.84% / 7.5%)	.912000
8.5% Employer contribution factor (6.84% / 8.5%)	.804706

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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>
9/30/2012	\$ 17,995,708	\$ 25,265,943	71.2%	(\$ 7,270,235)	\$ 7,265,216	100%

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. An

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**NOTE 9 RETIREMENT PLANS (Continued)**

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

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, 2012, and contains the following information:

Valuation date	October 1, 2012
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	26 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, 2013. All contributions have been made.

<u>Fiscal Period Ending</u>	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
September 30, 2013	\$ 2,738,006	\$ 1,082,078	\$ 3,820,084

The following schedule is based on the actuarial valuation as of October 1, 2012 (most recent information available):

**Summary of Employee Census Data**

Number of active members	170
Annual compensation	\$ 7,687,605
Number of Retired members and beneficiaries	168
Annual Retirement allowance	\$ 3,688,668

**Required Employer Contributions**

Normal cost	14.7%
Accrued Liability	<u>26.2%</u>
Total	40.9%

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, 2013**

**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, 2012, 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
10/1/2012	\$ 21,101,844	\$ 61,571,576	34.3%	(\$ 40,469,732)	\$ 7,687,605	526.40%

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, 2013**

**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, 2012

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

*Contributions*

The City contributed \$512,332 to the OPEB Health Care Plan in fiscal year 2013. 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	\$ 1,296,400
Annual OPEB Cost	1,296,400
Interest on net OPEB obligation	141,000
Adjustment on net OPEB obligation	(146,700)
Actual Contribution	<u>(512,332)</u>
Increase in net OPEB obligation.	778,368
Net OPEB obligation, September 30, 2012	3,437,783
Net OPEB obligation, September 30, 2013	<u>\$ 4,216,151</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

*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%

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**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, 2011. The assumptions used in the October 1, 2011 actuarial valuation are as follows:

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

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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 maintains insurance coverage with the Alabama Municipal Insurance Corporation. The City believes the coverage is adequate to preclude any significant risk exposure. The City is self-insured for employee's medical coverage for claims up to an expected level. A specific stop loss agreement is in effect with an outside insurance company. This will cover claims exceeding \$125,000 per eligible employee per year with an outside company. As of September 30, 2013, 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, 2013****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.

**NOTE 14 ACCOUNTING STANDARDS**

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 63 provides guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

Statement No. 65 "*Items Previously Reported as Assets and Liabilities*"- the objective of Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). This statement will become effective for the City in fiscal year 2014.

Statement No. 68, "*Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement will become effective for the City in fiscal year 2015. Management has not yet determined the impact of this Statement on the financial statements.

**NOTE 15 PRIOR PERIOD CORRECTION OF ERROR**

In a test of amounts Due from Other Governmental Entities, we discovered that the beginning balance of the amount due from HUD in the CDBG Special Revenue Fund was overstated by \$209,561. It was determined at September 30, 2013, the amount due from HUD was \$13,043; however the general ledger indicated amount due was \$222,604. Accordingly, the beginning balance was overstated by \$209,561.

**CDBG Special Revenue Fund**

Fund Balance- October 1, 2012	\$ 231,318
Correction of error	( 209,561)
Fund Balance-October 1, 2012-Restated	<u>\$ 21,757</u>

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**NOTE 16 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 17 SUBSEQUENT EVENTS**

In preparing the financial statements, management evaluated subsequent events through June 16, 2014, the date the financial statements were available to be issued, and have determined that no subsequent event, except as discussed below, has occurred that requires additional disclosures in the Notes to the Financial Statements.

The Policemen's and Firemen's Retirement Fund is funded by contributions from employees and 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.

According to the Act, effective on and after October 1, 2012, subject to subsection (b) of the Act, the City of Anniston shall contribute to the trust out of the City of Anniston treasury, such amounts that are sufficient to meet the normal cost of the plan and to amortize the plan's unfunded liability, if any, within 30 years. Furthermore, the net increase, if any, in the plan's unfunded liability arising from significant amendments to the plan, changes in actual assumptions, changes in funding methods, or actuarial gains or losses shall be amortized within 30 years. For the year ended September 30, 2013 and 2014, the amount due to the Policemen's and Firemen's Retirement Fund for the minimum funding requirement is \$ 696,000 for fiscal year 2013 and 2014. The City of Anniston intends to pay the amount due by September 30, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION**

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FOR THE YEAR ENDED SEPTEMBER 30, 2013

SCHEDULE OF FUNDING PROGRESS

Retirement Systems of Alabama

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liabilities (AAL) Entry Age (b) <sup>1</sup>	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll of ((b-a)/c)
9/30/2007	\$ 19,804,701	\$ 21,957,493	\$ 2,152,792	90.2%	\$ 6,870,025	31.3%
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 <sup>2</sup>	19,237,752	25,741,050	6,503,298	74.7%	7,367,995	88.3%
9/30/2011 <sup>4</sup>	18,586,518	26,010,836	7,424,318	71.5%	7,417,861	100.1%
9/30/2012 <sup>5</sup>	17,995,708	25,210,299	7,214,591	71.4%	7,265,216	99.3%
9/30/2012 <sup>3,5</sup>	17,995,708	25,265,943	7,270,235	71.2%	7,265,216	100.1%

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

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

<sup>3</sup> 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.

<sup>4</sup> Reflects changes in actuarial assumptions.

<sup>5</sup> Reflects changes to interest smoothing methodology.

\* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

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))
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%

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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%

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

\*\*First year of implementation

**COMBINING FUND STATEMENTS**

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**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF ANNISTON, ALABAMA**

**SEPTEMBER 30, 2013**

	Nonmajor Debt Service Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Improvement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash	-	4,143,043	-	4,143,043
Investments	-	340,723	-	340,723
Cash bond on hand	-	18,160	-	18,160
Taxes receivable	-	-	-	-
Accounts receivable	-	3,673	-	3,673
Notes receivable	-	558,897	-	558,897
Interest receivable	-	-	-	-
Prepaid items	-	12,571	-	12,571
Due from other funds	-	67,991	2,382	70,373
Due from agency funds	-	-	-	-
Due from other governments	-	101,894	938	102,832
Restricted cash	-	-	153,898	153,898
<b>TOTAL ASSETS</b>	<b>-</b>	<b>5,246,952</b>	<b>157,218</b>	<b>5,404,170</b>
<b>LIABILITIES</b>				
Accounts payable	-	38	6,890	6,928
Accrued liabilities	-	21,820	-	21,820
Cash bond liabilities	-	123,785	-	123,785
Due to other funds	-	1,035,032	345,148	1,380,180
Due to agency funds	-	48,132	-	48,132
Due to other governments	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,228,807</b>	<b>352,038</b>	<b>1,580,845</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Income earned in future periods	-	168,207	-	168,207
Fees collected in advance	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>168,207</b>	<b>-</b>	<b>168,207</b>
<b>Nonspendable</b>				
Prepaid items	-	-	-	-
<b>Restricted for:</b>				
Judicial	-	67,637	-	67,637
Public safety	-	1,832,944	-	1,832,944
Road improvements	-	873,356	2,382	875,738
Court activities	-	-	-	-
Culture and recreation	-	27,307	-	27,307
Housing and development	-	-	-	-
Capital Outlay	-	-	-	-
<b>Committed for:</b>				
Culture and recreation	-	960,358	-	960,358
Capital Projects	-	-	153,898	153,898
<b>Assigned for:</b>				
Housing and development	-	561,420	-	561,420
Unassigned	-	(473,084)	(351,100)	(824,184)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>-</b>	<b>3,849,938</b>	<b>(194,820)</b>	<b>3,655,118</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>-</b>	<b>5,246,952</b>	<b>157,218</b>	<b>5,404,170</b>

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, 2013**

	Nonmajor Debt Service Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Improvement Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	-	425,075	108,490	533,565
Fines and forfeitures	-	745,135	-	745,135
Charges for services	-	232,008	-	232,008
Taxes	-	751,476	-	751,476
Interest earned	-	5,790	105,231	111,021
Miscellaneous	-	175,106	-	175,106
<b>TOTAL REVENUES</b>	-	2,334,590	213,721	2,548,311
<b>EXPENDITURES</b>				
General government	-	450	-	450
Judicial	-	-	-	-
Public safety	-	442,505	-	442,505
Public works	-	-	187,312	187,312
Culture and recreation	-	954,998	-	954,998
Public facilities	-	-	-	-
Housing and development	-	59,016	-	59,016
Capital outlay	-	1,391,300	285,363	1,676,663
Debt Service				
Principal	340,070	-	245,000	585,070
Interest	48,939	-	307,790	356,729
Bond Exchange Cost	3,253	-	4,580	7,833
<b>TOTAL EXPENDITURES</b>	392,262	2,848,269	1,030,045	4,270,576
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(392,262)	(513,679)	(816,324)	(1,722,265)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	-	-
Transfers in	392,262	971,264	790,711	2,154,237
Transfers out	-	(1,188,536)	(352,557)	(1,541,093)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	392,262	(217,272)	438,154	613,144
<b>NET CHANGE IN FUND BALANCES</b>	-	(730,951)	(378,170)	(1,109,121)
<b>FUND BALANCES (DEFICIT), BEGINNING</b>	-	4,580,889	183,350	4,764,239
<b>FUND BALANCES (DEFICIT), END</b>	-	3,849,938	(194,820)	3,655,118

See accompanying notes to the basic financial statements

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

**CITY OF ANNISTON, ALABAMA**

**SEPTEMBER 30, 2013**

	Museum of Natural History Fund	Gasoline Fund	Seven Cent Gas Fund	Alabama Trust Fund	Corrections Fund	Emergency Shelter Grant Fund
<b>ASSETS</b>						
Cash and cash equivalents	896,968	139,607	301,850	556,156	1,278,415	-
Investments	75,000	-	-	-	265,723	-
Cash bonds on hand	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-
Accounts receivable	3,673	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Prepaid items	12,571	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from agency funds	-	-	-	-	-	-
Due from other governments	-	5,730	7,293	-	-	-
<b>TOTAL ASSETS</b>	<b>988,212</b>	<b>145,337</b>	<b>309,143</b>	<b>556,156</b>	<b>1,544,138</b>	<b>-</b>
<b>LIABILITIES</b>						
Accounts payable	6,034	-	-	5,264	-	-
Accrued liabilities	21,820	-	-	-	-	-
Cash Bonds liabilities	-	-	-	-	-	-
Due to other funds	-	131,394	-	622	-	142
Due to agency funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>27,854</b>	<b>131,394</b>	<b>-</b>	<b>5,886</b>	<b>-</b>	<b>142</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Income earned in future periods	-	-	-	-	-	-
Fees collected in advance	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted for:	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	1,544,138	-
Road improvements	-	13,943	309,143	550,270	-	-
Court activities	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Committed for:	-	-	-	-	-	-
Culture and recreation	960,358	-	-	-	-	-
Assigned for:	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(142)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>960,358</b>	<b>13,943</b>	<b>309,143</b>	<b>550,270</b>	<b>1,544,138</b>	<b>(142)</b>
<b>TOTAL</b>	<b>988,212</b>	<b>145,337</b>	<b>309,143</b>	<b>556,156</b>	<b>1,544,138</b>	<b>-</b>

See accompanying notes to the basic financial statements

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

**CITY OF ANNISTON, ALABAMA**

**SEPTEMBER 30, 2013**

	Federal Seized Assets Fund	State Seized Assets Fund	Public Safety Grant Fund	Bulletproof Vest Grant Fund	Airport Wildlife Fund	Airport Grant 2009 Fund
<b>ASSETS</b>						
Cash and cash equivalents	105,615	13,870	-	-	-	-
Investments	-	-	-	-	-	-
Cash bonds on hand	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Due from other funds	-	-	5,711	-	-	-
Due from agency funds	-	-	-	-	-	-
Due from other governments	-	-	38,293	3,884	14,635	32,059
<b>TOTAL ASSETS</b>	<b>105,615</b>	<b>13,870</b>	<b>44,004</b>	<b>3,884</b>	<b>14,635</b>	<b>32,059</b>
<b>LIABILITIES</b>						
Accounts payable	-	-	-	-	-	(11,602)
Accrued liabilities	-	-	-	-	-	-
Cash Bonds liabilities	-	-	-	-	-	-
Due to other funds	47,282	13,895	75,636	5,090	14,635	16,354
Due to agency funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>47,282</b>	<b>13,895</b>	<b>75,636</b>	<b>5,090</b>	<b>14,635</b>	<b>4,752</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Income earned in future periods	-	-	-	-	-	-
Fees collected in advance	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid items	-	-	-	-	-	-
Restricted for:						
Judicial	-	-	-	-	-	-
Public safety	58,333	(25)	-	-	-	-
Road improvements	-	-	-	-	-	-
Court activities	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	27,307
Housing and development	-	-	-	-	-	-
Committed for:						
Culture and recreation	-	-	-	-	-	-
Assigned for:						
Housing and development	-	-	-	-	-	-
Unassigned	-	-	(31,632)	(1,206)	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>58,333</b>	<b>(25)</b>	<b>(31,632)</b>	<b>(1,206)</b>	<b>-</b>	<b>27,307</b>
<b>TOTAL</b>	<b>105,615</b>	<b>13,870</b>	<b>44,004</b>	<b>3,884</b>	<b>14,635</b>	<b>32,059</b>

See accompanying notes to the basic financial statements

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

**CITY OF ANNISTON, ALABAMA**

**SEPTEMBER 30, 2013**

	JAG Recovery Act Grant Fund	JAG 2009 Grant Fund	JAG 2011 Grant Fund	UDAG Revolving Loan Fund	JAG 2012 Grant Fund	City Court Fund
<b>ASSETS</b>						
Cash and cash equivalents	450	441	331	2,865	37,831	159,210
Investments	-	-	-	-	-	-
Cash bonds on hand	-	-	-	-	-	18,160
Taxes receivable	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Notes receivable	-	-	-	558,897	-	-
Interest receivable	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	62,184
Due from agency funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>450</b>	<b>441</b>	<b>331</b>	<b>561,762</b>	<b>37,831</b>	<b>239,554</b>
<b>LIABILITIES</b>						
Accounts payable	-	-	-	342	-	-
Accrued liabilities	-	-	-	-	-	-
Cash Bonds liabilities	-	-	-	-	-	123,785
Due to other funds	7,991	954	9,752	-	38,902	-
Due to agency funds	-	-	-	-	-	48,132
Due to other governments	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>7,991</b>	<b>954</b>	<b>9,752</b>	<b>342</b>	<b>38,902</b>	<b>171,917</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Income earned in future periods	-	-	-	-	-	-
Fees collected in advance	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted for:	-	-	-	-	-	-
Judicial	-	-	-	-	-	67,637
Public safety	-	-	(9,421)	-	(1,071)	-
Road improvements	-	-	-	-	-	-
Court activities	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Committed for:	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Assigned for:	-	-	-	-	-	-
Housing and development	-	-	-	561,420	-	-
Unassigned	(7,541)	(513)	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(7,541)</b>	<b>(513)</b>	<b>(9,421)</b>	<b>561,420</b>	<b>(1,071)</b>	<b>67,637</b>
<b>TOTAL</b>	<b>450</b>	<b>441</b>	<b>331</b>	<b>561,762</b>	<b>37,831</b>	<b>239,554</b>

See accompanying notes to the basic financial statements

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

**CITY OF ANNISTON, ALABAMA**

**SEPTEMBER 30, 2013**

	Cemetery Fund	Drug Task Force Office Fund	JAG 2010 Grant Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
Cash and cash equivalents	-	649,434	-	4,143,043
Investments	-	-	-	340,723
Cash bonds on hand	-	-	-	18,160
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	3,673
Notes receivable	-	-	-	558,897
Interest receivable	-	-	-	-
Prepaid items	-	-	-	12,571
Due from other funds	-	-	96	67,991
Due from agency funds	-	-	-	-
Due from other governments	-	-	-	101,894
<b>TOTAL ASSETS</b>	<b>-</b>	<b>649,434</b>	<b>96</b>	<b>5,246,952</b>
<b>LIABILITIES</b>				
Accounts payable	-	-	-	38
Accrued liabilities	-	-	-	21,820
Cash Bonds liabilities	-	-	-	123,785
Due to other funds	432,050	240,333	-	1,035,032
Due to agency funds	-	-	-	48,132
Due to other governments	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>432,050</b>	<b>240,333</b>	<b>-</b>	<b>1,228,807</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Income earned in future periods	-	168,207	-	168,207
Fees collected in advance	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>168,207</b>	<b>-</b>	<b>168,207</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:	-	-	-	-
Judicial	-	-	-	67,637
Public safety	-	240,894	96	1,832,944
Road improvements	-	-	-	873,356
Court activities	-	-	-	-
Culture and recreation	-	-	-	27,307
Housing and development	-	-	-	-
Committed for:	-	-	-	-
Culture and recreation	-	-	-	960,358
Assigned for:	-	-	-	-
Housing and development	-	-	-	561,420
Unassigned	(432,050)	-	-	(473,084)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(432,050)</b>	<b>240,894</b>	<b>96</b>	<b>3,849,938</b>
<b>TOTAL</b>	<b>-</b>	<b>649,434</b>	<b>96</b>	<b>5,246,952</b>

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, 2013**

	Museum of Natural History Fund	Gasoline Fund	Seven Cent Gas Fund	Alabama Trust Fund	Corrections Fund	Emergency Shelter Grant Fund
<b>REVENUES</b>						
Intergovernmental	34,300	-	-	-	-	57,874
Fines and forfeitures	-	-	-	-	293,434	-
Charges for services	232,008	-	-	-	-	-
Taxes	25,000	91,510	113,325	521,641	-	-
Interest earned	2,399	-	-	-	2,977	-
Miscellaneous	170,894	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>464,601</b>	<b>91,510</b>	<b>113,325</b>	<b>521,641</b>	<b>296,411</b>	<b>57,874</b>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	35,660	-	-
Public works	-	-	-	-	-	-
Culture and recreation	907,336	-	-	-	-	-
Public facilities	-	-	-	-	-	-
Housing and development	-	-	-	-	-	59,016
Capital outlay	133,075	-	-	1,258,225	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,040,411</b>	<b>-</b>	<b>-</b>	<b>1,293,885</b>	<b>-</b>	<b>59,016</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(575,810)</b>	<b>91,510</b>	<b>113,325</b>	<b>(772,244)</b>	<b>296,411</b>	<b>(1,142)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of assets	-	-	-	-	-	-
Transfers in	555,000	344,027	-	-	-	-
Transfers out	-	-	(344,027)	-	(534,568)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>555,000</b>	<b>344,027</b>	<b>(344,027)</b>	<b>-</b>	<b>(534,568)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(20,810)</b>	<b>435,537</b>	<b>(230,702)</b>	<b>(772,244)</b>	<b>(238,157)</b>	<b>(1,142)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING</b>	<b>981,168</b>	<b>(421,594)</b>	<b>539,845</b>	<b>1,322,514</b>	<b>1,782,295</b>	<b>1,000</b>
<b>FUND BALANCES (DEFICIT), END</b>	<b>960,358</b>	<b>13,943</b>	<b>309,143</b>	<b>550,270</b>	<b>1,544,138</b>	<b>(142)</b>

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, 2013**

	Federal Seized Assets Fund	State Seized Assets Fund	Public Safety Grant Fund	Bulletproof Vest Grant Fund	Airport Wildlife Fund	Airport Grant 2009 Fund
<b>REVENUES</b>						
Intergovernmental	-	10,000	151,655	5,532	21,644	23,635
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Taxes	-	-	-	-	-	-
Interest earned	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	-	10,000	151,655	5,532	21,644	23,635
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	8,149	13,538	197,632	11,064	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	22,783	24,879
Public facilities	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	8,149	13,538	197,632	11,064	22,783	24,879
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(8,149)	(3,538)	(45,977)	(5,532)	(1,139)	(1,244)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of assets	-	-	-	-	-	-
Transfers in	-	-	-	5,532	1,139	1,244
Transfers out	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	5,532	1,139	1,244
<b>NET CHANGE IN FUND BALANCES</b>	(8,149)	(3,538)	(45,977)	-	-	-
<b>FUND BALANCES (DEFICIT), BEGINNING</b>	66,482	3,513	14,345	(1,206)	-	27,307
<b>FUND BALANCES (DEFICIT), END</b>	58,333	(25)	(31,632)	(1,206)	-	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, 2013**

	JAG Recovery Act Grant Fund	JAG 2009 Grant Fund	JAG 2011 Grant Fund	UDAG Revolving Loan Fund	JAG 2012 Grant Fund	City Court Fund
<b>REVENUES</b>						
Intergovernmental	-	-	38,885	-	59,299	22,155
Fines and forfeitures	-	-	-	-	-	24,682
Charges for services	-	-	-	-	-	-
Taxes	-	-	-	-	-	-
Interest earned	-	-	-	407	-	-
Miscellaneous	-	-	-	283	-	-
<b>TOTAL REVENUES</b>	-	-	38,885	690	59,299	46,837
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	17,738	-	60,370	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Public facilities	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	17,738	-	60,370	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	21,147	690	(1,071)	46,837
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	-	-	21,147	690	(1,071)	46,837
<b>FUND BALANCES (DEFICIT), BEGINNING</b>	(7,541)	(513)	(30,568)	560,730	-	20,800
<b>FUND BALANCES (DEFICIT), END</b>	(7,541)	(513)	(9,421)	561,420	(1,071)	67,637

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, 2013**

	Cemetary Fund	Drug Task Force Office Fund	JAG 2010 Grant Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>				
Intergovernmental	-	-	96	425,075
Fines and forfeitures	-	427,019	-	745,135
Charges for services	-	-	-	232,008
Taxes	-	-	-	751,476
Interest earned	-	7	-	5,790
Miscellaneous	-	3,929	-	175,106
<b>TOTAL REVENUES</b>	-	430,955	96	2,334,590
<b>EXPENDITURES</b>				
General government	450	-	-	450
Judicial	-	-	-	-
Public safety	-	98,354	-	442,505
Public works	-	-	-	-
Culture and recreation	-	-	-	954,998
Public facilities	-	-	-	-
Housing and development	-	-	-	59,016
Capital outlay	-	-	-	1,391,300
<b>TOTAL EXPENDITURES</b>	450	98,354	-	2,848,269
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(450)	332,601	96	(513,679)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	-	-
Transfers in	-	64,322	-	971,264
Transfers out	-	(309,941)	-	(1,188,536)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	(245,619)	-	(217,272)
<b>NET CHANGE IN FUND BALANCES</b>	(450)	86,982	96	(730,951)
<b>FUND BALANCES (DEFICIT), BEGINNING</b>	(431,600)	153,912	-	4,580,889
<b>FUND BALANCES (DEFICIT), END</b>	(432,050)	240,894	96	3,849,938

See accompanying notes to the basic financial statements

**COMPLIANCE SECTION**

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## Kemp & Associates, CPA PC

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Certified Public Accountants  
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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, 2013, 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 January 22, 2014.

#### **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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as items 2013-01 and 2013-02 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as items 2013-03 and 2013-04 to be significant deficiencies.

## **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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and questioned costs as item 2013-05.

## **City of Anniston, Alabama's Response to Findings**

City of Anniston, Alabama's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Anniston, Alabama's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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

June 16, 2014



## **Kemp & Associates, CPA PC**

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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, 2013. 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 general 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, 2013.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-05. Our opinion of each major federal program is not modified with respect to these matters.

City of Anniston, Alabama's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Anniston, Alabama response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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.

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. As discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-05 to be significant deficiencies.

City of Anniston, Alabama's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Anniston, Alabama's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Kerry & Associates, CPA PC*

Kerry & Associates, CPAs PC  
Anniston, Alabama  
June 16, 2014

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<b>Federal Grantor/Pass-Through Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation</b>		
Passed through the Alabama Department of Transportation		
2009 Airport Grant	20.106	\$ 45,279
Transportation Improvement Program	20.205	22,814
Transportation Improvement Program	20.205	31,913
Subtotal Transportation Improvement Program		<u>54,727</u>
Total U.S. Department of Transportation		<u>100,006</u>
<b>U.S. Department of Justice</b>		
Direct Award		
Justice Assistance Grant	16.738	77,037
Bulletproof Vest Partnership Program	16.607	5,532
COPS Hiring Program – Recovery Act	16.710	144,050
Subtotal Direct Awards		<u>226,619</u>
Passed through the Alabama Department of Economic and Community Affairs		
Justice Assistance Grant	16.738	<u>148,343</u>
Subtotal Alabama Department of Economic and Community Affairs		<u>148,343</u>
Total U.S. Department of Justice		<u>374,962</u>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Award		
Community Development Block Grants – Recovery Act	14.253	222,367
Emergency Shelter Grant Program	14.231	112,779
HOME Investment Partnership Grant Program	14.239	834,680
Total U.S. Department of Housing and Urban Development		<u>1,169,826</u>
<b>U.S. Department of Defense</b>		
Direct Award		
Surplus from the Defense Reutilization and Marketing Service	12.unknown	<u>180,000</u>
Total U.S. Department of Defense		<u>180,000</u>
<b>Appalachian Regional Commission</b>		
Direct Award		
Chief Ladiga Trail Development	23.unknown	<u>36,880</u>
Total Appalachian Regional Commission		<u>36,880</u>
Total Expenditures of Federal Awards		<u>\$ 1,861,674</u>

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**NOTE 1. BASIS OF PRESENTATION**

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

**NOTE 2. SUBRECIPIENTS**

During the fiscal year ended September 30, 2013, 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	\$ 59,766
Emergency Shelter Grant Program	14.231	111,780
		<u>\$ 171,546</u>

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

**Financial Statements**

Type of auditor's report issued Unqualified

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

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

Noncompliance material to financial statements noted?  X  yes   no

**Federal Awards**

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

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

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

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

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnership Grant Program
16.710	COPS Hiring Program

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, 2013**

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**2013 SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES****2013 -01 - Anniston Museum Complex Operations-Internal Control****MATERIAL WEAKNESS**

*Conditions:* At the request of the City's management, we performed a "Special Examination Report of the Anniston Museum Complex." The following is a summary of the report:

1. MusAnn Corporation, Inc. - A blended component unit:
  - a. In our testing of processing invoices and payments, we discovered violations of policies procedures.
  - b. In our testing of online purchases, we discovered the staff did not following policies and procedures.
  - c. The annual budget as required in accordance with "By-Laws" was not developed for approval.
  - d. We noted several weaknesses in the internal control over personnel and payroll processing and reporting.
  
2. Anniston Museum of Natural History - A department of the City:
  - a. In our testing of processing invoices and payments, we discovered violations of policies and procedures.
  - b. In our testing of online purchases, we discovered the staff did not following policies and procedures.
  - c. We noted several weaknesses in the internal control over personnel and payroll processing and reporting.
  - d. We determined that administrators did not file the "Statement of Economic Interest" as required by Alabama Ethics Law.
  - e. The City's management failed to properly monitor the Museum's operations. Monitoring operations is an essential element of an effective internal controls system.

*Criteria:* A detail explanation of the criteria that we used to base our findings on is in the "Special Examination Report of the Anniston Museum Complex".

*Causes:* Executive Director and Business Manager of the MusAnn Corporation, Inc. and Anniston Museum of Natural History failed to follow policies and procedures. The City failed to properly monitor the Anniston Museum of Natural History.

*Effect:* Failure to both follow policies and procedures and monitor resulted in potentially having unallowed expenses recorded, misclassified expenses, potentially having allowed excess compensation, and violating laws and regulations.

*Recommendations:* Our recommendations are detailed in the "Special Examination Report of the Anniston Museum Complex".

*Views of Responsible Officials:* The City has implemented a corrective action plan, see attached.

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**2013 SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2013-02 - Due from Other Governmental Entities was overstated.**

**MATERIAL WEAKNESS**

*Conditions:* In a test of amounts Due from Other Governmental Entities, we discovered that the beginning balance of the amount due from HUD in the CDBG Special Revenue Fund was overstated by \$209,561.06. It was determined at September 30, 2013, the amount due from HUD was \$13,043.37; however the general ledger indicated amount due was \$222,604.43. According to the staff, the beginning balance was overstated by \$209,561.06.

*Criteria:* Internal controls should have been in place that provides reasonable assurance that amounts Due from Other Governmental Entities is recorded at the appropriate balance.

*Causes:* Finance Department failure to record prior year adjusting entries and follow up on actual amount due from HUD.

*Effect:* Failure to record prior year adjusting entries resulted in overstatement in amount due from HUD, on the financial statements. An adjusting entry has been made to adjust account to appropriate balance.

*Recommendations:* We recommend prior to close out of the general ledger in preparation of the financial statements that the City verify the correct amounts due from other governmental entities as well as other accounts receivables.

*Views of Responsible Officials:* The City has implemented a corrective action plan, see attached.

**FOR THE YEAR ENDED SEPTEMBER 30, 2013****2013 SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)****2013-03 - Expenditures exceeded the budget that was adopted and approved by the City Council.****SIGNIFICANT DEFICIENCY**

*Conditions:* The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing October 1.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through the passage of a resolution.
4. The City Manager is authorized to transfer budgeted amounts within departments of any fund; however, any revisions to the total expenditures of any fund or department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all governmental funds.

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

The following funds had excesses of actual expenditures over budgeted amounts as originally adopted, or as amended by the City Council for the fiscal year ended September 30, 2013.

<b>General Government</b>	
Finance Division	\$ 11,773
General Division	2,390
City Council	3,686
Professional Services	109,500
Utilities	2,975
Workman's Compensation Insurance	36,061
Employer Funded Healthcare	316,410
Other Insurance	28,867
Miscellaneous	284,148
<b>Public Safety</b>	
Police	175,230
Municipal Court	7,113
Detention Facilities	17,946
Fire	119,991
<b>Public Works</b>	
General	8,310
Cemetery	3,088
Garage	19,737
Environmental Services	44,118
Street Department	160,654
Planning	17,202

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**2013 SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)****2013-03 - Expenditures exceeded the budget that was adopted and approved by the City Council (Continued).****Culture and Receptions**

Administration	96,968
Parks, facilities and utilities	57,895
PARD Program	40,210
Park Maintenance	15,548
City Bd of Education - appropriation	121,600

*Criteria:* Per State Law, the City's expenditures should not exceed budget amounts, unless revenues exceed budget amounts to cover the expenditure. As an essential part of internal controls, the budget is monitored to 1). monitor expenditures and 2). identify areas where misstatements and fraud could potentially occur.

*Causes:* After the budget was amended on July 1, 2013, the City had major unexpected expenditures. The expenditures affect several line items of the budget. The expenditures were approved by City Council; however, the budget was not amended to reflect the expenditures.

*Effect:* In order for the City to be in compliance with State Law, the City must stay within the approved budget. Failure to amend the budget to include the purchase of the Victoria Inn & Suites and the Retirement Buyout resulted in the City exceeding its budget.

*Recommendations:* We recommend the Finance Department periodically prepare financial reports to compare year-to-date expenditures with budgeted amounts. The City Council should only approve expenditure resolutions that are within the budget. If an expenditure resolution is not within the budget, the budget needs to be amended and approved by City Council.

*Views of Responsible Officials:* The City agrees with the finding and corrective procedures have been implemented.

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**2013 SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)****2013-04 – Capital Assets was understated.****SIGNIFICANT DEFICIENCY**

*Conditions:* The City's capitalization policy is to capitalize a capital asset with a purchase cost of \$5,000 or higher. In our review of fixed assets, we discovered three capital assets with a total cost of \$69,000 were not capitalized in accordance with the capitalization policy.

*Criteria:* Internal controls should have been in place that provide reasonable assurance that capital purchases over \$5,000 or higher are capitalized.

*Causes:* Finance Department failure to review capital expenditures and identify capital purchases over \$5,000.

*Effect:* Failure to capitalize the assets resulted in understatement in capitalized assets and overstatement of expenditures of \$69,000 on the financial statements. An adjusting entry has been made to adjust the account to the appropriate balance.

*Recommendations:* We recommend prior to close out of the general ledger in preparation of the financial statements that the City review capital expenditures and identify and reclassify expenditures over \$5,000 for an asset with a life over two years to capital assets.

*Views of Responsible Officials:* The City agrees with the finding and corrective procedures have been implemented.

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**2013 SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COST****Department of Housing and Urban Development****2013-5 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.

*Criteria:* Documentation verifying that the City provided assistance that meet criteria set by HUD should be maintained.

*Cause:* Clear procedures were not in place to ensure that documentation that satisfied HUD’s requirements were properly maintained. The management of the Community Development Department, which is responsible for the HUD programs, changed in October 2013 as a response to previous audit findings.

*Effect:* The cost of the assistance may be disallowed and refunded to HUD if documentation is not provided.

*Recommendation:* The City needs to establish a method (such as, checklists) to ensure that all required documentation are received from homeowners and that bids were performed, monitoring was performed, disbarment checked, and all signed agreements are maintained.

*Views of Responsible Officials and Planned Corrective Actions:* The City has implemented a corrective action plan, see attached.

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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**2012 - SECTION II- FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None

**2012 - SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COST**

During testing of compliance performed for the period of October 1, 2011 thru September 30, 2012, we did not have any findings.

During the course of our audit, U.S. Department of Housing and Urban Development (HUD) released results of an "On-site Monitoring Review" they performed on the HOME Investment Partnership Program (Home) (CFDA 14.239). The monitoring report released was dated September 17, 2012. The following are five findings determined by HUD:

**Department of Housing and Urban Development****2012-01 - HOME Income Limits**

*Condition:* The participating jurisdiction (PJ) funded the Northeast Alabama CDC (CHDO) to acquire, rehabilitate, and rent three houses. The CHDO completed two of the houses and rented one of them to an over income family.

*Current Status:* The recommendation was adopted April 2013. No similar findings were noted in 2013 audit.

**2012-02 - Program Income Usage**

*Condition:* Since the inception of the HOME program, the city reported to HUD in the IDIS system it had received \$3,866.62 in program income. Specifically, the city reported it had received program amounts of \$397.99 in 2009, \$2,246.08 in 2010, and \$1,222.55 in 2011. During the on-site review of program income, our financial analyst requested the city accounting records for program income receipts during the time frame of February 1, 2012 - July 31, 2012. Said records showed that the city had received \$7,911.73 in program income over the six month period. During the six month period reviewed, the city had received \$4,045.11 more in program income than had been reported over the entire program. As such, it is clear the city has failed to correctly report and use in IDIS program income.

*Current Status:* The recommendation was adopted in April 2013. No similar findings were noted in 2013 audit.

**2012-03 - Incorrect reporting**

*Condition:* As noted above, the city has not been reporting program income that it has received. Additionally, the city has been drawing down funds for entitlement costs under the administrative funds in IDIS. Under IDIS activity numbers 584 and 633, the city made draws for entitlement cost, yet drew those cost under the administrative fund type. Under activity 622, the city's HOME administration activity, the city made a draw for entitlement cost under the administration activity and with the administration fund type.

*Current Status:* The recommendation was adopted in April 2013. No similar findings were noted in 2013 audit.

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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**2012 - SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COST (CONTINUED)****2012-04 - Procurement – Contractor**

*Condition:* The city failed to advertise for a seal bid for IDIS activity 584. The city used the sealed bid process to procure a contractor for a housing rehabilitation project. However, the city only sent bid packages out to contractors on its pre-qualified list. This is not only a requirement of the federal regulations cited below, but part of the city's procurement policy, which is more stringent than the federal requirements and therefore must be followed.

*Current Status:* The recommendation was adopted in April 2013. No similar findings were noted in the 2013 audit.

**2012-05 - Procurement – Consultants**

*Condition:* Based on documentation provided and reviewed, the grantee failed to comply with the procurement requirements of 24 CFR§85.36, as well as the city's own procurement policy in its procurement of consulting services for the HOME program for the city and paid for with HOME funds. While on-site, multiple requests were made for documentation of procurement that was done for the purpose of obtaining HOME consulting services. The city was unable to provide any documentation that would indicate any procurement was completed.

*Current Status:* The recommendation was adopted April 2013. No similar findings were noted in 2013 audit.



**CITY OF ANNISTON**  
P.O. Box 2168  
ANNISTON, AL 36202

Please find below the responses to the audit findings for the year ended September 30, 2013.

2013-01: As of April 2014, the City formed the Department of Museum Operations to manage the City's museum assets. The City has brought financial operations of the Anniston Museum of Natural History, a department of the City, and MusAnn Corporation, Inc. into the Financial Department of the City. All purchasing, personnel related transactions, budgeting and other related operations will run through the Finance Department in accordance with established City policy. MusAnn Corporation, Inc. will be dissolved before 9/30/2014 and its assets rolled directly into the City.

2013-02: All receivables will be reconciled yearly during year-end close out to prevent overstatement.

2013-03: The Finance Department now prepares monthly budget to actual reports that are presented to the City Council for review. A cumulative list of anticipated expenditures outside of budget is presented with this report. Additional budget amendments will be made as necessary as approved by the City Council.

2013-04: Expenditures will be reviewed to find and class capital purchases appropriately for inclusion in the capital assets listing.

2013-05: Checklists have been prepared for the files and the contents of the files will be updated.

Name: B. L. Peltz

Title: INTERIM FINANCE DIRECTOR

