

FIS

City of Anniston, Alabama

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

September 30, 2004

Hoyt W. Howell, Jr., Mayor
George K. Vick, Finance Director

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City of Anniston

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INTRODUCTORY SECTION



CITY OF ANNISTON

P. O. BOX 2168
ANNISTON, ALABAMA 36202

August 31, 2005

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Anniston:

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Anniston for the fiscal year ended September 30, 2004.

This report consists of management's representations concerning the finances of the City of Anniston. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Anniston has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Anniston's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Anniston's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Anniston's financial statements have been audited by Warren, Averett, Kimbrough & Marino, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Anniston for the fiscal year ended September 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Anniston's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Anniston was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements required the independent auditor to report not only the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Anniston's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Anniston's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Anniston, incorporated in 1883, is located in the northeast part of Alabama, which is geographically centered between Birmingham, Alabama and Atlanta, Georgia. The region is experiencing significant economic growth. The City of Anniston currently occupies a land area of 46.70 square miles and serves a population of 24,509. The City of Anniston is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Anniston is operating under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The mayor and council are elected on a non-partisan basis. The mayor is elected at-large and the four council members are elected by constituents of geographic wards, modified and reviewed by the Department of Justice following each census.

The City of Anniston provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. The City of Anniston also is financially accountable for a legally separate school district, a library, museums and other legally separate operations, which are reported separately within the City of Anniston's financial statements. Additional information on all of these legally separate entities can be found within the financial statements.

The annual budget serves as the foundation for the City of Anniston's financial planning and control. All agencies and departments of the City of Anniston are required to submit requests for appropriation to the government's manager. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review 35 days prior to September 30. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of Anniston's fiscal year. The appropriated budget is prepared by fund (e.g. general), function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department, with the approval of the manager. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 40 as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Anniston operates.

Local Economy. The City of Anniston currently operates in a relatively stable economic environment. The region has a varied manufacturing and industrial base that adds to the stability of the unemployment rate. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include a military installation with several sub-contractors, and a major automobile manufacturer with related industries. It appears that the Anniston Army Depot has benefited from the 2005 round of base realignments. A major medical facility that provides a large employment base of over 1,000 health care professionals and staff is within City limits. Additionally, Anniston is the seat of Calhoun County with a judicial complex to be significantly enhanced by the addition of a regional federal court complex, adding to the professional community.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, and money market arrangements. The maturities of the investments range from one to three years, with an average maturity of 12 months. The average yield on investments increases along with

the federal funds rate. This increased slightly in 2004. The federal funds rate has risen significantly in recent months and this should enable enhanced return on City investments in 2005 and beyond.

Risk management. The City of Anniston employs a comprehensive risk management strategy whereby risk factors are mitigated to the extent possible, and various insurance policies are in force for unforeseen circumstances and the welfare of City employees and their dependents. Premiums are paid to the Alabama Municipal Insurance Corporation for the general liability of the City. Additionally, property insurance is in force underwritten by the Philadelphia Insurance Company brokered by Banister-Downing (independent agent) of Anniston. Coverage for workman's compensation claims is purchased from the Municipal Workers Compensation Fund (a venture of the Alabama League of Municipalities). Employee health coverage is funded as incurred by the City with Blue Cross of Alabama serving as the claims processor. Re-insurance is provided by Symetra Insurance for specific health claims exceeding \$100,000 in the measurement year.

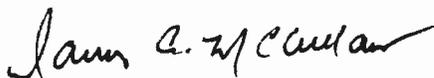
Pension and other post-employment benefits. There are two distinct defined benefit pension systems in place for City of Anniston employees. Sworn public safety employees participate in the Police and Firemen's Retirement Fund of the City of Anniston and must contribute ten percent of gross salary. This is matched by the City. This fund is enabled by Alabama statute. A fiduciary fund is included in these financial statements that highlights this fund. The remainder of the full-time employees participate in the Retirement Systems of Alabama, with non-elective contributions amounting to five percent of gross pay. In addition, all employees may elect to defer an additional portion of their salaries through a 457-B plan, currently utilizing the Retirement Systems of Alabama.

Health insurance coverage is made available to retirees through a resolution passed in fiscal year 1998.

Acknowledgements

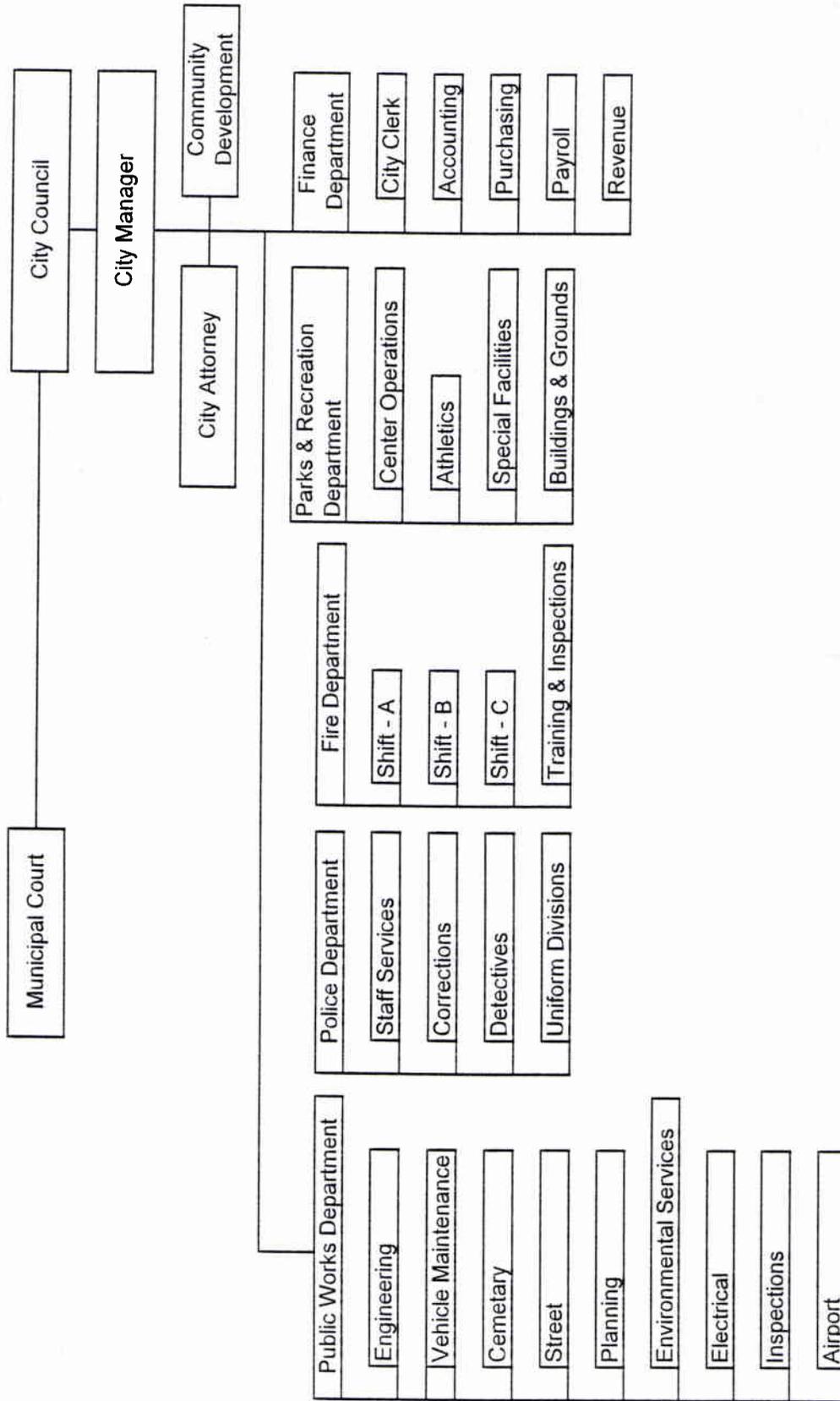
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to this document. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Anniston's finances.

Respectfully submitted,



Danny A. McCullars, CPA
Interim Finance Director

ORGANIZATIONAL CHART



OFFICIALS OF THE CITY OF ANNISTON

City Council

Hoyt W. "Chip" Howell, Jr., Mayor
John Norton
Herbert Palmore
Reverend Benjamin Little
Jeff Fink

City Manager

John Seymour, Jr.

Finance Director

George K. Vick

Assistant Finance Director

Danny A. McCullars, CPA

Other City Officials

Building	Charles Hill, Superintendent
City Clerk	Alan Atkinson, City Clerk
Environmental Services	David Hill, Superintendent
Fire	William Fincher, Chief
Grounds	Chris Roberts, Superintendent
Municipal Court	Vaughn Stewart, Judge
Municipal Garage	Herb McCarley, Superintendent
Police	John Dryden, Chief
Public Works	Dale Garrett, Director
Purchasing	Gary Barber, Purchasing Agent
Recreation	Tammy Chapman, Director
Streets	Phil Brown, Superintendent

Management's Discussion and Analysis

This section of the City of Anniston's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and in the financial statements, which follow this narrative.

Financial Highlights

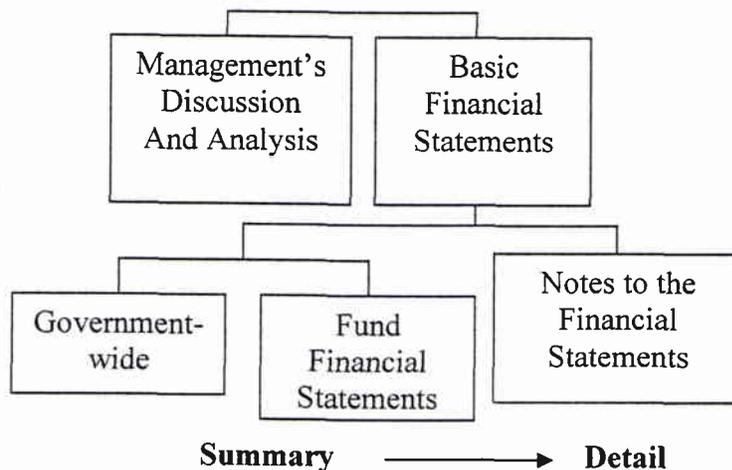
- The assets of the City of Anniston (primary government) exceeded its liabilities at the close of fiscal year 2004 by \$42.6 million. The assets of the City's component units exceeded their liabilities by \$25.8 million. Of the \$42.6 million in primary government net assets, \$8.45 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$18.35 million. The combined governmental funds fund balance decreased by \$933,634 in comparison with the prior year. Of the \$18.35 million in fund balance, \$9.54 million is available for spending at the government's discretion (unreserved fund balance).
- The general fund closed with a fund balance of \$9.54 million, down from \$10.68 million in 2003, and \$13.10 million in 2002. The 2004 ending general fund balance represents 37.6 percent of total general fund operating expenditures, compared with the ending general fund balance amounting to 39.4 percent of total operating expenditures in 2003 and 51.70 percent of total operating expenses in 2002.
- In the fiscal year 2004, the City of Anniston realized an excess of operational revenues over expenditures in the general fund of \$2,695,442. However, the general fund balance decreased by \$1,144,212 due to significant transfers from the general fund to capital projects and debt service. Included in the capital transfers is \$750,000 to fund the youth sports complex, \$1,200,000 to fund improvements to Bill Robison Parkway, and \$1,559,329 to service the debt of the City.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Anniston's basic financial statements. The basic financial statements consist of three components: 1. government-wide financial statements, 2. fund financial statements, and 3. notes to the financial statements (see figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the

financial condition of the City of Anniston. The following diagram shows how the required components of this annual report are arranged and relate to one another.

Required Components of Annual Financial Report (Figure 1)



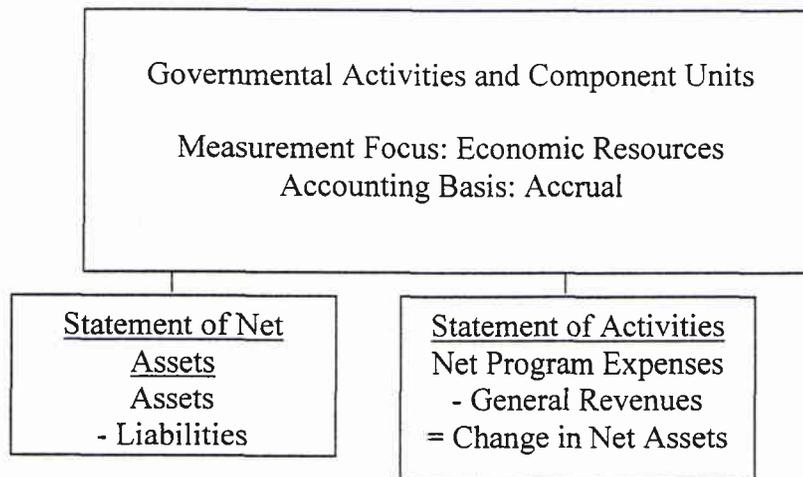
Government-wide financial statements

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

The government-wide financial statements of Anniston are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, parks and recreation, and general administration. Sales, use, and property taxes, charges for services, and state and federal grants finance most of these activities.
- *Discretely Presented Component units* – The City includes other legally separate entities in its report including the board of education, the museum complex, the public library, Spirit of Anniston, an industrial development board, and a school support entity. The City is financially accountable for these entities.

Government-wide Financial Statements



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

Fund Financial Statements

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

The City uses two types of funds:

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

The City of Anniston adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

Fund Financial Statements

Governmental Funds

Fiduciary Funds

Measurement Focus:
Current Financial
Resources
Accounting Basis:
Modified Accrual

Measurement Focus:
Economic Resources
Accounting Basis: Accrual

Balance Sheet
Assets = Liabilities + Fund
Balances

Statement of Net Assets
Assets – Liabilities = Net

Statement of Revenues,
Expenditures and Changes
in Fund Balance
Revenues – Expenditures
+ (-) Other Financing
Sources (Uses)

Statement of Changes in
Net Assets
Additions – Deductions
= Change in Net Assets

Statement of Revenues,
Expenditures and Changes
in Fund Balance

Notes to the Financial Statements

The notes provide additional information that is essential to 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 will follow this format. The changes in the financial statements are in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34. The City has not accounted for all infrastructure assets. The timeline for this presentation is no later than the fiscal year ended September 30, 2007. This deferral is allowable by GASB 34 due to the practical considerations of inventorying and valuing infrastructure.

Statement of Net Assets

	Governmental <u>Activities</u>	Component <u>Units</u>
ASSETS		
Cash and cash equivalents	\$16,442,754	\$6,156,580
Receivables net	2,296,659	3,145,225
Due from other governments	1,522,798	-
Inventories	21,381	43,967
Other assets	660,425	111,886
Internal assets	-	7,936,710
Net capital assets	34,467,219	16,626,292
Total assets	<u>\$55,411,236</u>	<u>\$34,020,660</u>

LIABILITIES

Accounts payable and accruals	\$1,295,374	\$2,062,842
Deferred revenue	740,412	2,762,304
Due to other funds	-	-
Accrued interest	73,813	-
Non-current liabilities:		
Bonds and warrants payable	1,047,296	-
Notes payable	244,321	37,011
Compensated absences	553,442	31,718
Due in more than one year		
Bonds and warrants payable	5,851,539	-
Notes payable	1,578,995	3,164,727
Compensated absences	1,410,700	118,639
Total liabilities	<u>12,795,892</u>	<u>8,177,241</u>

NET ASSETS

Invested in capital assets, net of debt	25,671,255	21,182,225
Restricted for:		
Capital Projects	2,550,448	2,371,899
Special Revenues	5,941,564	-
Unrestricted	<u>8,452,077</u>	<u>2,289,295</u>
Total net assets	<u>42,615,344</u>	<u>25,843,419</u>
Total Liabilities and Net Assets	<u><u>\$55,411,236</u></u>	<u><u>\$34,020,660</u></u>

The assets of the City of Anniston (*primary government*) exceeded its liabilities by \$42.61 million as of September 30, 2004. However, the largest portion (60 percent) reflects the City's investment in capital assets, less any related debt still outstanding that was issued to acquire those assets. It is of particular note that the debt outstanding includes school bonds, whose corresponding assets are not reflected in the \$42.61 million. The City of Anniston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional total of \$8.49 million represents net assets that are subject to external or Council placed restrictions on how they may be used. The remaining balance of \$8.45 million is unrestricted.

Changes in Net Assets

	Program Revenues		Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants for Contributions</u>
				<u>Primary Governmental Activities</u>
				<u>Component Units</u>
Functions/Projects				
Primary government:				
Governmental activities:				
General government	\$12,917,217	\$2,345,816	\$2,066,479	\$847,383
Public safety	11,122,723	202,184		
Public Works	5,199,092	720,933		
Culture and recreation	2,689,472	954,576		
	<u>\$31,928,504</u>	<u>\$4,223,509</u>	<u>\$2,066,479</u>	<u>\$847,383</u>
Total				<u>\$(24,791,133)</u>
				<u>\$(6,236,831)</u>
General Revenues:				
Taxes: Sales, property, and other for general purposes			23,397,565	3,912,588
Miscellaneous income			937,447	820,549
General business licenses and permits			3,217,631	0
Grants and contributions not restricted to specific programs			187,003	710,040
Unrestricted investment earnings			208,252	72,840
Total Revenues			<u>27,947,898</u>	<u>5,516,017</u>
Change in net assets			3,156,765	(720,812)
Net asset - beginning			29,111,868	28,527,960
Adjustment for Capital Asset Valuation			10,346,711	(1,930,059)
Net asset - ending			<u>\$42,615,344</u>	<u>\$25,877,089</u>

Financial Analysis of the City's Funds

As noted earlier, the City of Anniston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Anniston's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Anniston's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Anniston. At the end of the current fiscal year, unreserved fund balance of the general fund was \$9,538,437, compared with \$10,682,649 at the end of 2003. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 37.6 percent of total general fund expenditures at the end of 2004, compared with 39.4 percent at September 30, 2003. The decrease is attributable, in part, to the funding of capital projects related to construction of the youth sports complex and re-working Bill Robison Parkway. Greater than expected operational revenues in 2004 prevented further erosion of this liquidity measure.

General Fund Budgetary Highlights

Revenues for the year were \$539,328 above the budgeted amount. The primary source for the excess is greater than anticipated sales tax collections.

All general categories realized a favorable variance in budgeted to actual expenditures except the non-departmental set of accounts, with its negative variance of \$506,070. This category contains a one time expenditure to the Department of Housing and Urban Development of \$470,306 that clears issues related to an examination of the City's Community Development Block Grant program.

The operational excess for the City's general fund totaled \$2,695,442, before internal transfers to capital, law enforcement, and debt service funds.

Capital Asset and Debt Administration

Capital Assets: The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2004 totals \$34,467,219 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, facilities and vehicles, as well as the collection at the Anniston Museum. This capital asset total does not include all infrastructure assets. The City is utilizing the compliance relief granted in GASB-34 for reporting of infrastructure including roads, bridges, drainage systems, tunnels, lighting systems, and sewer systems. Infrastructure assets must be retroactively included in the fiscal year that ends September 30, 2007.

Additional information about the City of Anniston's fixed assets can be found in the notes to the financial statements.

Long-term Debt: As of September 30, 2004, the City of Anniston had bonded debt outstanding of \$ 6,795,000. These are entirely general obligation bonds. In addition, the City is participating in regional economic development that specifically funded certain infrastructure at Honda Manufacturing of Alabama's plant in Lincoln, Alabama. The amount outstanding for this commitment is \$1,201,447. Additionally, the City has certain unsecured notes payable that total \$ 725,704, all for the purchase of certain real estate and equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The uncertain condition of the national economy driven by the ongoing conflict in the Middle East, domestic federal budget priorities, the concern for terrorism, as well as energy prices potentially could create instability for the local economy.

However, it appears that northeast Alabama stands to gain jobs for the largest regional employer in the military base realignment process concluding in fiscal year 2005. Further, interest in economic activity for this area remains consistent and the potential for developments that could have a positive budgetary impact remain strong.

There are no major unfunded Council projects projected for fiscal year 2005. This should enable the general fund balance to replace a portion of the deficits caused by significant construction projects funded in 2003 and 2004.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Anniston, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar, as it relates to the amounts included for these entities, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Anniston as of September 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, on our consideration of the City of Anniston'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

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vii through xv and 40 through 42, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anniston's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Anniston. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Warren, Averett, Kimbrough + Marino, LLC

Anniston, Alabama
July 29, 2005

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

City of Anniston

September 30, 2004

	Primary Government		
	Governmental Activities	Total	Component Units
ASSETS			
Cash, equity in pooled cash	\$ 16,442,754	\$ 16,442,754	\$ 6,156,580
Receivables net	2,296,659	2,296,659	3,145,225
Due from other governments	1,522,798	1,522,798	-
Inventories	21,381	21,381	43,967
Other assets	660,425	660,425	111,886
Internal assets	-	-	7,936,710
Net capital assets	<u>34,467,219</u>	<u>34,467,219</u>	<u>16,626,292</u>
Total Assets	<u>\$ 55,411,236</u>	<u>\$ 55,411,236</u>	<u>\$ 34,020,660</u>
LIABILITIES			
Accounts payable and accruals	\$ 1,295,374	\$ 1,295,374	\$ 2,062,842
Deferred revenue	740,412	740,412	2,762,304
Due to other funds	-	-	-
Accrued interest	73,813	73,813	-
Noncurrent liabilities:			
Due within one year			
Bonds and warrants payable	1,047,296	1,047,296	-
Notes payable	244,321	244,321	37,011
Compensated absences	553,442	553,442	31,718
Due in more than one year:			
Bonds and warrants payable	5,851,539	5,851,539	-
Notes payable	1,578,995	1,578,995	3,164,727
Compensated absences	1,410,700	1,410,700	118,639
Total Liabilities	<u>12,795,892</u>	<u>12,795,892</u>	<u>8,177,241</u>
NET ASSETS			
Invested in capital assets, net of debt	17,472,347	17,472,347	21,182,225
Invested in capital assets, Museum collections	8,198,908	8,198,908	-
Restricted for:			
Capital projects	2,550,448	2,550,448	2,371,899
Special revenues	5,820,800	5,820,800	-
Anniston museum	120,764	120,764	-
Unrestricted	<u>8,452,077</u>	<u>8,452,077</u>	<u>2,289,295</u>
Total Net Assets	<u>42,615,344</u>	<u>42,615,344</u>	<u>25,843,419</u>
Total Liabilities and Net Assets	<u>\$ 55,411,236</u>	<u>\$ 55,411,236</u>	<u>\$ 34,020,660</u>

The accompany notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

For the year ended
September 30, 2004

City of Anniston

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
	\$	\$	\$	\$	\$	\$
Activities:						
Governmental:						
Public protection						
Police	6,458,213	202,184	-	-	(6,256,029)	(6,256,029)
Fire	3,702,069	-	-	-	(3,702,069)	(3,702,069)
Other	962,441	-	-	-	(962,441)	(962,441)
Public works	5,199,092	720,933	-	-	(4,478,159)	(4,478,159)
Recreational	2,689,472	954,576	-	-	(1,734,896)	(1,734,896)
Nondepartmental	3,888,363	-	-	-	(3,888,363)	(3,888,363)
Other boards and agencies	4,077,559	-	-	-	(4,077,559)	(4,077,559)
Capital	-	-	-	847,383	847,383	847,383
Interest and fiscal charges	291,515	-	-	-	(291,515)	(291,515)
Miscellaneous	4,268	-	-	-	(4,268)	(4,268)
Total Governmental Activities	31,928,504	4,223,509	2,066,479	847,383	(24,791,133)	(24,791,133)
Total City	31,928,504	4,223,509	2,066,479	847,383	(24,791,133)	(24,791,133)
General Revenues:						
Taxes:						
Sales, property, other for general purposes					23,397,565	23,397,565
General business licenses and permits					3,217,631	3,217,631
Other general state shared revenues					187,003	187,003
Miscellaneous income					937,447	937,447
Bond and loan proceeds					-	-
Interest income					208,252	208,252
Total General Revenues					27,947,898	27,947,898
Change in Net Assets					3,156,765	3,156,765
Net Assets, Beginning of Year					29,111,868	29,111,868
Prior period adjustments (net)					10,346,711	10,346,711
Net Assets, Beginning of Year (restated)					39,458,579	39,458,579
Net Assets, End of Year					\$ 42,615,344	\$ 42,615,344

The accompanying notes are an integral part of these financial statements.

Governmental Funds
BALANCE SHEET

City of Anniston

September 30, 2004

	General Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, equity in pooled cash and investments	\$ 8,806,366	\$ 1,032,138	\$ 6,604,250	\$ 16,442,754
Receivables, net	1,761,920	-	534,739	2,296,659
Due from other funds	2,954,219	1,674,780	1,120,652	5,749,651
Due from other Governments	196,725	696,501	629,572	1,522,798
Inventories	21,381	-	-	21,381
Other assets	850	-	659,575	660,425
	<u>13,741,461</u>	<u>3,403,419</u>	<u>9,548,788</u>	<u>26,693,668</u>
Total Assets	\$ 13,741,461	\$ 3,403,419	\$ 9,548,788	\$ 26,693,668
LIABILITIES				
Accounts payable and accrued liabilities	\$ 952,647	\$ 62,331	\$ 280,396	\$ 1,295,374
Deferred revenue	83,504	-	656,908	740,412
Due to other funds	2,687,663	790,640	2,271,348	5,749,651
Compensated absences	479,210	-	74,232	553,442
	<u>4,203,024</u>	<u>852,971</u>	<u>3,282,884</u>	<u>8,338,879</u>
Total Liabilities	4,203,024	852,971	3,282,884	8,338,879
FUND BALANCES				
Reserved for:				
Special revenue funds	-	-	5,820,800	5,820,800
Future capital projects	-	2,550,448	-	2,550,448
Anniston Museum fund	-	-	120,764	120,764
Unreserved, reported in:				
General funds	9,538,437	-	-	9,538,437
Capital projects funds	-	-	-	-
Debt service funds	-	-	37	37
Special revenue funds	-	-	-	-
Anniston Museum fund	-	-	324,303	324,303
	<u>9,538,437</u>	<u>2,550,448</u>	<u>6,265,904</u>	<u>18,354,789</u>
Total Fund Balances	9,538,437	2,550,448	6,265,904	18,354,789
Total Liabilities and Fund Balances	\$ 13,741,461	\$ 3,403,419	\$ 9,548,788	\$ 26,693,668

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

City of Anniston	For the year ended September 30, 2004
Total fund balances for governmental funds	\$ <u>18,354,789</u>
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Governmental capital assets	\$ 52,302,852
Less: Accumulated depreciation	<u>(17,835,633)</u>
Total Capital Assets (Note 8)	<u>34,467,219</u>
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net assets.	
Accrued interest	(73,813)
Bonds and warrants payable	(6,898,835)
Notes payable	(1,823,316)
Compensated absences	<u>(1,410,700)</u>
	<u>(10,206,664)</u>
Net assets of governmental activities	\$ <u><u>42,615,344</u></u>

The accompanying notes are an integral part of these financial statements.

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

City of Anniston	For the year ended September 30, 2004			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 22,648,772	\$ -	\$ -	\$ 22,648,772
Licenses and permits	3,217,631	-	-	3,217,631
Charges for services	1,950,936	-	2,272,573	4,223,509
State and federal grants	-	847,383	2,066,479	2,913,862
Interest	190,185	18,067	-	208,252
Other	95,121	-	1,778,122	1,873,243
Appropriations	-	-	-	-
Total Revenues	28,102,645	865,450	6,117,174	35,085,269
Expenditures				
General government	1,962,358	202,952	3,114,026	5,279,336
Public safety	9,475,107	-	1,351,568	10,826,675
Public works	4,985,725	-	-	4,985,725
Recreation	2,656,002	-	-	2,656,002
Other boards and agencies	1,858,719	-	2,043,377	3,902,096
Nondepartmental	3,888,363	-	-	3,888,363
Capital Expenditures	580,929	2,753,133	-	3,334,062
Debt Service				
Principal	-	-	1,263,605	1,263,605
Miscellaneous	-	-	4,268	4,268
Interest and fees	-	-	291,515	291,515
Total Expenditures	25,407,203	2,956,085	8,068,359	36,431,647
Excess Revenues over (under) Expenditures	2,695,442	(2,090,635)	(1,951,185)	(1,346,378)
Other financing sources (uses)				
Operating transfers in	608,905	2,208,113	2,280,501	5,097,519
Operating transfers out	(4,448,559)	(123,648)	(525,312)	(5,097,519)
Total Other Financing Sources (Uses)	(3,839,654)	2,084,465	1,755,189	-
Net change in fund balance	(1,144,212)	(6,170)	(195,996)	(1,346,378)
Fund Balance, Beginning of Year	10,682,649	2,556,618	6,447,067	19,686,334
Prior Period Adjustment	-	-	14,833	14,833
Fund Balance, End of Year	\$ 9,538,437	\$ 2,550,448	\$ 6,265,904	\$ 18,354,789

The accompanying notes are an integral part of these financial statements.

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

City of Anniston	September 30, 2004
Net change in fund balances total governmental funds	\$ (1,346,378)
<p>The change in net assets reported for governmental activities in the statement of activities is different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives.</p>	
Expenditures for capital assets	\$ 4,583,437
Less: Current year depreciation	<u>(1,296,211)</u>
	3,287,226
<p>Bond proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Net Change in Long-Term Debt from Bond Proceeds, payment of principal, and refunding of debt	1,263,605
<p>Some expenses reported in the statement of activities do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>	
Change in long-term compensated absences	(47,688)
Change in net assets of governmental activities	<u>\$ 3,156,765</u>

The accompanying notes are an integral part of these financial statements.

Fiduciary Funds
STATEMENT OF FIDUCIARY NET ASSETS

City of Anniston

September 30, 2004

ASSETS

Investments, at Fair Value:

 U.S. Government Obligations and Corporate Bonds

\$ 11,527,661

 Equity Securities

11,587,146

23,114,807

Cash and Cash Equivalents

417,621

Total Assets

23,532,428

LIABILITIES

Liabilities

9,195

Total Liabilities

9,195

Net Assets held in trust for retirement benefits

\$ 23,523,233

The accompanying notes are an integral part of these financial statements.

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

City of Anniston

September 30, 2004

ADDITIONS TO NET ASSETS

Investment Income:

Net Appreciation in Fair Value of Investments	\$ 1,356,084
Interest	642,871
Dividends	152,402
	<u>2,151,357</u>
Less: Investment Expenses	(122,056)
	<u>2,029,301</u>

Contributions:

Employer	662,793
Employees	662,792
Public Utilities	321,460
	<u>1,647,045</u>

Total Additons to Net Assets

3,676,346

DEDUCTIONS FROM NET ASSETS

Benefits Paid Directly to Participants	2,776,021
Administrative Expenses	58,026
	<u>2,834,047</u>

Total Deductions From Net Assets

2,834,047

Net Increase

842,299

Net Assets Held in Trust for Retirement Benefits

Beginning of Year

22,680,934

End of Year

\$ 23,523,233

The accompanying notes are an integral part of these financial statements.

Component Units
STATEMENT OF NET ASSETS

City of Anniston

September 30, 2004

	Anniston City School Board	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board
ASSETS			
Cash and Temporary Investments	\$ 5,342,884	\$ 208,616	\$ 446,361
Inventories	39,815	-	-
Other assets	109,214	2,642	-
Receivables	3,134,238	10,237	-
Collections	-	-	-
Capital assets (net)	<u>15,713,611</u>	<u>274,866</u>	<u>-</u>
Total Assets	<u>\$ 24,339,762</u>	<u>\$ 496,361</u>	<u>\$ 446,361</u>
LIABILITIES			
Accounts payable and accruals	\$ 1,952,203	\$ 227	\$ -
Deferred revenue	2,762,304	-	-
Due within one year :			
Compensated absences	-	24,614	-
Note payable	37,011	-	-
Due after one year ;			
Compensated absences	118,639	-	-
Note payable	<u>2,984,727</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,854,884</u>	<u>24,841</u>	<u>-</u>
NET ASSETS			
Invested in Capital Assets	12,785,206	274,866	-
Restricted	2,086,432	68,986	21,369
Unrestricted	<u>1,613,240</u>	<u>127,668</u>	<u>424,992</u>
Total Net Assets	<u>16,484,878</u>	<u>471,520</u>	<u>446,361</u>
Total Liabilities and Net Assets	<u>\$ 24,339,762</u>	<u>\$ 496,361</u>	<u>\$ 446,361</u>

The accompanying notes are an integral part of these financial statements.

Component Units

**STATEMENT OF NET ASSETS
(CONTINUED)**

City of Anniston

September 30, 2004

	<u>Farley L. Berman Foundation Inc.</u>	<u>Anniston City Schools Foundation</u>	<u>Spirit of Anniston</u>	<u>Total</u>
ASSETS				
Cash and temporary investments	\$ 98,556	\$ 36,367	\$ 23,796	\$ 6,156,580
Inventories	4,152	-	-	43,967
Other assets	30	-	-	111,886
Receivables	750	-	-	3,145,225
Collections	7,936,710	-	-	7,936,710
Capital assets (net)	<u>185,443</u>	<u>-</u>	<u>452,372</u>	<u>16,626,292</u>
Total Assets	\$ <u>8,225,641</u>	\$ <u>36,367</u>	\$ <u>476,168</u>	\$ <u>34,020,660</u>
LIABILITIES				
Accounts payable and accruals	\$ 8,421	\$ -	\$ 101,991	\$ 2,062,842
Deferred revenue	-	-	-	2,762,304
Due within one year	-	-	-	-
Compensated absences	1,782	-	5,322	31,718
Note payable	-	-	-	37,011
Due after one year	-	-	-	-
Compensated absences	-	-	-	118,639
Note payable	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>3,164,727</u>
Total Liabilities	<u>10,203</u>	<u>-</u>	<u>287,313</u>	<u>8,177,241</u>
NET ASSETS				
Invested in capital assets	8,122,153	-	-	21,182,225
Restricted	827	-	194,285	2,371,899
Unrestricted	<u>92,458</u>	<u>36,367</u>	<u>(5,430)</u>	<u>2,289,295</u>
Total Net Assets	<u>8,215,438</u>	<u>36,367</u>	<u>188,855</u>	<u>25,843,419</u>
Total Liabilities and Net Assets	\$ <u>8,225,641</u>	\$ <u>36,367</u>	\$ <u>476,168</u>	\$ <u>34,020,660</u>

The accompanying notes are an integral part of these financial statements.

Component Units

STATEMENT OF ACTIVITIES

For the year ended
September 30, 2004

City of Anniston

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets							Totals
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Anniston City School Board	Public Library of Anniston/Calhoun County	Anniston Industrial Dev. Board	Farley L. Berman Foundation	Anniston City Schools Foundation	Spirit of Anniston	
Anniston City School Board										
Educational	\$ 19,974,181	\$ 13,103,029	\$ 333,142	\$ (5,113,490)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,113,490)
Total Anniston City School Board	1,424,520	13,103,029	333,142	(5,113,490)	-	-	-	-	-	(5,113,490)
Public Library of Anniston/Calhoun County										
Culture and Recreation	816,200	134,866	48,916	-	(578,030)	-	-	-	-	(578,030)
Total Public Library of Anniston	816,200	134,866	48,916	-	(578,030)	-	-	-	-	(578,030)
Anniston Industrial Development Board										
Community Development	17,212	-	-	-	-	27,398	-	-	-	27,398
Total Industrial Development Board	17,212	-	-	-	-	27,398	-	-	-	27,398
Farley L. Berman Foundation, Inc.										
Culture and recreation	205,423	70,625	-	-	-	-	(134,798)	-	-	(134,798)
Total Farley L. Berman Foundation	205,423	70,625	-	-	-	-	(134,798)	-	-	(134,798)
Anniston City Schools Foundation										
Educational	207,498	17,170	-	-	-	-	-	(190,328)	-	(190,328)
Total Anniston City Schools Foundation	207,498	17,170	-	-	-	-	-	(190,328)	-	(190,328)
Spirit of Anniston										
Community Development	318,472	11,966	-	-	-	-	-	-	(247,582)	(247,582)
Total Spirit of Anniston	318,472	11,966	-	-	-	-	-	-	(247,582)	(247,582)
Total Component Units										
	-	-	-	(5,113,490)	(578,030)	27,398	(134,798)	(190,328)	(247,582)	(6,236,830)
General Revenues:										
Property taxes for general, debt, capital purposes				2,800,546	-	-	-	-	-	2,800,546
Payment from City of Anniston				-	525,000	-	125,004	138,534	215,004	1,003,542
Payment from Calhoun County				-	108,500	-	-	-	-	108,500
Grants, entitlements and contributions not restricted to specific programs				710,040	-	-	-	-	-	710,040
Interest Income				61,643	2,741	7,043	963	442	8	72,840
Miscellaneous				815,299	2,925	-	-	2,242	-	820,466
Total General Revenues				4,387,528	639,166	7,043	125,967	141,218	215,012	5,515,934
Change in Net Assets				(725,962)	61,136	34,441	(8,831)	(49,110)	(32,570)	(720,896)
Net Assets, Beginning of Year				19,140,899	410,384	411,920	8,224,269	85,477	221,425	28,894,374
Adjustment for Valuation of Capital Assets				(1,930,059)	-	-	-	-	-	(1,930,059)
Net Assets, End of Year				\$ 16,484,878	\$ 471,520	\$ 446,361	\$ 8,215,438	\$ 36,367	\$ 188,855	\$ 25,843,419

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

City of Anniston

September 30, 2004

1. ORGANIZATION AND REPORTING ENTITY

A. Organization

The City of Anniston, Alabama, was incorporated in 1883 under the laws of the State of Alabama. The City operates under the Council/Manager form of government with a City Council consisting of five council members elected for concurrent terms of four years. One council member is elected at large by the qualified voters of the City and has the title of Mayor. The City Manager is appointed by the Council and has full administrative authority for the operations of the City.

B. Reporting Entity

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. This Statement was developed to make annual reports easier to understand and more useful to the people who use government financial information to make decisions.

As required by the accounting principles in the United States, these financial statements present the primary government ("the City") and its discretely presented component units, entities for which the government is considered financially accountable. Because the City appoints the Boards of Directors for these entities and there is a financial burden or benefit from the entities, they are considered governmental fund type and component units and are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit has a September 30 fiscal year-end.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

1. ORGANIZATION AND REPORTING ENTITY (CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation- Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is either on the City as a whole or major individual funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public works, public safety, etc.), which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with a function or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the governmental fund statements to the government-wide statements' governmental column.

The focus of this reporting model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type activities, as well as the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation- Government-wide and Fund Accounting (Continued)

In the fund financial statements, the City's accounting records are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on the specific activities or attaining certain objectives, in accordance with special regulations, restrictions or limitations.

The types of funds used in accounting for the financial operations of the City and their nature and purpose are as follows:

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental funds:

General Fund - The General Fund is the general operating fund of the City and is considered a major governmental fund. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement cost that are not paid through other funds, are paid from the General Fund.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation- Government-wide and Fund Accounting (Continued)

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Funds are considered non-major governmental funds.

Debt Service Funds – The Debt Service Funds are non-major governmental funds used to account for the repayment of principal and interest on the City's outstanding bond issues and other debt obligations of the City. Debt service funds used by the City are as follows:

1. 2003 General Obligation Warrants- This fund is used to refinance the 1994 General Obligation Warrants and the 1996 School Warrants.
2. Honda Funding Agreement- This agreement is an obligation of the City to pledge an amount to fund certain improvements to the Honda plant in Lincoln, Alabama.
3. Compass Bank Loan- This loan is used to borrow money to purchase a biomass incinerator unit.
4. Regions Bank Loan- This loan is used to borrow money to purchase Cane Creek Golf Course.
5. 1996 Garage Warrants- This fund is used for capital improvements to the garage building.
6. 1998 Warrants- This fund is used to refund other warrants.

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources for the acquisition or construction of major capital facilities. Capital Projects Funds used by the City are as follows:

- | | |
|-------------------------|----------------------------|
| 1. Electronics Drive | 6. Airport Grant |
| 2. Noble Street | 7. Henry Road |
| 3. Carver/Tucker Park | 8. Bill Robinson Parkway |
| 4. Youth Sports Complex | 9. Detention Pond |
| 5. Apron Taxiway | 10. Great American Station |

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation- Government-wide and Fund Accounting (Continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The Police and Fireman's Pension fund is a pension trust fund which accounts for the assets of the defined contribution benefit plan.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

C. Government-wide Financial Statements

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Financial Statements

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both "measurable and available" to finance current expenditures. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities (the City considers revenue available if it is collected within 60 days after year end). Gross receipts and selective sales and use taxes are considered available and measurable when the underlying exchange has occurred (i.e., September gross receipts taxes are recorded as revenue in September even though the taxpayers remit taxes in October) and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Property taxes are recognized as revenue when the enforceable legal claim has occurred. Grant revenues are recognized when all eligibility requirements have been met.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures (including capital outlay) are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt are exceptions to this rule and are recognized when due. Also, expenditures related to insurance claims, employee pension liability, compensated absences and the sinking fund are recognized when payable from expendable available financial resources in future years.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data presented in the accompanying 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 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.
6. All unencumbered appropriations lapse automatically at September 30.
7. State law prohibits any municipality from making expenditures in excess of budgeted amounts unless the actual revenue is more than the budgeted amounts.
8. Budgets for all funds are prepared in accordance with the modified accrual basis for accounting.

Budgeted amounts are as originally adopted by the City Council on October 1, 2003.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenue Recognition

Ad valorem taxes are assessed on property valuations and statutory liens are attached to such properties as of October 1st each year. These taxes are due October 1st, but do not become delinquent until January 1st, after which penalties are levied.

Other material revenue which is susceptible to accrual includes gross receipts, interest income and state-share revenue. Revenue which is not both available and measurable is thus not susceptible to accrual includes property and franchise taxes and business licenses.

G. Deferred Revenue

The fund financial statements include both unearned revenue and revenue that is not considered available to finance current expenditures. The government-wide financial statements include only unearned revenue.

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and Capital Projects Funds (Note 13). Encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures. Amounts encumbered roll over into the new year and the budgetary amounts are increased in the year the expenditure is recorded. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year-end. Encumbrances have been recorded in the General Fund and Capital Projects Fund.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

I. Pooled Cash and Investments

Pooled cash and investments consist of cash, government securities, certificates of deposit, and repurchase agreements. Cash balances and the requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled cash and investments is recorded as General Fund revenue and allocated between funds based upon balances (Note 3). In accordance with Governmental Accounting Standards Board Statement 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.

J. Inventories

All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories held by the General Fund consist principally of traffic engineering, municipal garage, public buildings, and electrical department supplies. Inventories are stated at cost.

K. Interfund Transfers

On fund financial statements, receivables and payables resulting from outstanding balances are classified as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The government-wide statements eliminate interfund transfers and receivables/payables as reported within the segregated governmental and business activities column. Only transfers and receivables/payables between the two columns appear in this statement, which zero in total.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

In the government-wide financial statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair market value on the date donated. The City capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur.

Depreciation is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	40 years
Improvements	40 years
Machinery and Equipment	5-10 years
Automotive Equipment	5 years
Office Equipment	5-10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Bond Discounts, Premiums and Issuance Costs

In the governmental funds, bond discounts, premiums and issuance costs are treated as period costs of the year of issue.

In the government-wide financial statements, bond discounts, premiums and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts/premiums are presented as a reduction/addition to the face amount of the bonds payable; whereas, issuance costs are recorded as other assets.

N. Compensated Absences

The City follows Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, which requires that accrued liabilities for future vacations and sick leave be recorded to the extent the future leaves (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements, amounts that would normally be paid with expendable available financial resources are recorded in the General Fund, and the amounts considered non-current are held in the long-term debt account group. Amounts paid or payable within sixty days are deemed to be payable from expendable financial resources.

O. Equity Classifications

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds and mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Equity Classifications (Continued)

2. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.
3. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. Fund balance is further classified as reserved or unreserved.

3. CASH, EQUITY IN POOLED CASH AND INVESTMENTS

A. Deposits

Cash balances available for investment by most City funds are maintained in pooled cash and investment accounts to improve investment opportunities. The equity in pooled cash and investment balances in the accompanying combined balance sheet represents the undivided interest of each respective fund in pooled accounts.

The City is restricted by State statute to investments in U.S. Government Treasury and Agency securities, certificates of deposit and money market accounts, repurchase agreements and reverse repurchase agreements, banker's acceptances and commercial paper. Each of the banks holding the City's deposits, as well as those of the Component Units, is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

3. CASH, EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

B. Primary Government

The City's primary government deposits, including certificates of deposit were fully insured or collateralized at September 30, 2004. At year-end, the carrying amount of the City's deposits was \$16,442,754. Included in the bank balances are certificates of deposit totaling \$3,858,600. Cash deposits and savings held at local banks are insured by the FDIC or collateralized by assets administered by the state treasurer's office in accordance with the "SAFE" program.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels are as follows:

Category 1 Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 Deposits which are not collateralized or insured.

Based on the three levels of risk, the City's cash deposits are classified as Category 1 deposits.

4. RECEIVABLES

Receivables at September 30, 2004, consist of the following:

Governmental Activities	
Receivables	
Taxes	\$ 1,518,207
Customers and other	778,452
Other Governmental units	1,522,798
Gross Receivables	3,819,457
Net receivables	\$ 3,819,457

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

5. ACCOUNTS PAYABLE

Payables at September 30, 2004, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Compensated Absences</u>	<u>Other Liabilities</u>	<u>Total Accounts Payable</u>
Governmental					
Activities:					
General Fund	\$ 372,625	\$ 58,401	\$ 479,210	\$ 521,621	\$ 1,431,857
Capital Projects	62,331				62,331
Other Governmental	<u>277,041</u>	<u>3,355</u>	<u>74,232</u>	<u>0</u>	<u>354,628</u>
Total Governmental					
Activities	<u>\$ 711,997</u>	<u>\$ 61,756</u>	<u>\$ 553,442</u>	<u>\$ 521,621</u>	<u>\$ 1,848,816</u>

6. INTERFUND TRANSFERS

Transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

Interfund transfers for the year ended September 30, 2004, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Debt Service Funds	-	1,559,329
Special Revenue Funds		
Drug Task Force	-	45,707
Brownfield Project	-	17,729
Municipal Court	480,000	-
LLEBG 2002	5,257	-
LLEBG 2003	-	12,542
LLEBG 2004	-	3,993
Ambulance Service Fund	-	35,423
Cane Creek Restaurant	-	72,721
Bulletproof Vest Fund	-	8,057
Capital Projects		
Apron Taxiway	-	64,290
Detention Pond	65,846	-
American Station	-	50,000
Bill Robinson Parkway	-	1,200,000

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

6. INTERFUND TRANSFERS (CONTINUED)

	Transfers In	Transfers Out
Henry Road	\$ -	\$ 21,462
Electric Drive	-	58,495
Youth Sports Complex	-	750,000
Carver/Tucker Park	-	23,811
Airport Grant	57,802	-
Anniston Museum	-	525,000
Total General Fund	608,905	4,448,559
Debt Service Funds		
Regions Bank Fund		
General Fund	1,559,329	-
Total Debt Service Fund	1,559,329	-
Anniston Museum	525,000	-
Total Anniston Museum	525,000	-
Special Revenue Funds		
Drug Task Force	45,707	-
Brownfield Project	17,729	-
Municipal Court	-	480,000
LLEBG 2002	-	5,257
LLEBG 2003	12,542	-
LLEBG 2004	3,993	-
Ambulance Service Fund	35,423	-
Cane Creek Restaurant	72,721	-
Bulletproof Vest Fund	8,057	-
Fire District Tax	-	40,055
Total Special Revenue Funds	196,172	525,312
Capital Projects Fund		
Bill Robinson Parkway	1,200,000	-
Apron Taxiway	64,290	-
Detention Pond	-	65,846
American Station	50,000	-
Electric Drive	58,495	-
Sports Complex	750,000	-
Carver/Tucker Park	23,811	-
Henry Road	21,462	-
Airport Grant	40,055	57,802
Total Capital Projects Fund	2,208,113	123,648
Total Interfund Transfers	\$ 5,097,519	\$ 5,097,519

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

7. INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as “due to/from other funds” include subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Interfund receivables and payables at September 30, 2004, are as follows:

	Interfund Payables	Interfund Receivables
Major Governmental Funds		
General Fund		
Capital Improvements Fund	\$ 1,012,883	\$ 790,640
Special Revenue Funds	<u>1,120,652</u>	<u>2,163,579</u>
Total General Fund	<u>2,687,663</u>	<u>2,954,219</u>
Capital Improvements Fund		
General Fund	<u>790,640</u>	<u>1,674,780</u>
Total Capital Improvements Fund	<u>790,640</u>	<u>1,674,780</u>
Special Revenue Funds		
General Fund	<u>2,271,348</u>	<u>1,120,652</u>
Total Special Revenue Fund	<u>2,271,348</u>	<u>1,120,652</u>
	<u>\$ 5,749,651</u>	<u>\$ 5,749,651</u>

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

8. CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets for the year ended September 30, 2004:

	<u>Capital Assets, Not Depreciated</u>		<u>Capital Assets, Depreciated</u>			
	<u>Land</u>	<u>Collections</u>	<u>Buildings and Improvements</u>	<u>Infrastructure</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Balance, October 1, 2003	\$ 5,957,778	\$ -	\$ 22,494,430	\$ -	\$ 8,146,548	\$ 36,598,756
Prior Period Adjustment	-	8,198,908	2,011,436	683,268	433,246	11,326,858
Balance, October 1, 2003 (restated)	5,957,778	8,198,908	24,505,866	683,268	8,579,794	47,925,614
Additions	595,000	-	1,212,986	1,871,929	903,522	4,583,437
Deletions	(15,000)	-	-	-	(191,199)	(206,199)
Balance, September 30, 2004	<u>6,537,778</u>	<u>8,198,908</u>	<u>25,718,852</u>	<u>2,555,197</u>	<u>9,292,117</u>	<u>52,302,852</u>
Accumulated Depreciation						
Balance, October 1, 2003	-	-	9,464,024	-	5,853,057	15,317,081
Prior Period Adjustment	-	-	1,005,718	-	216,623	1,222,341
Balance, October 1, 2003 (restated)	-	-	10,469,742	-	6,069,680	16,539,422
Additions	-	-	747,559	-	739,851	1,487,410
Deletions	-	-	-	-	(191,199)	(191,199)
Balance, September 30, 2004	<u>-</u>	<u>-</u>	<u>11,217,301</u>	<u>-</u>	<u>6,618,332</u>	<u>17,835,633</u>
Capital Assets, Net	\$ <u>6,537,778</u>	\$ <u>8,198,908</u>	\$ <u>14,501,551</u>	\$ <u>2,555,197</u>	\$ <u>2,673,785</u>	\$ <u>34,467,219</u>

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

9. LONG-TERM DEBT

The general and limited obligation bonds/warrants and notes of the City include the following at September 30, 2004:

\$6,415,000; 2003 Series General Obligation Warrants; due annually at rates ranging from 1.5% - 2.15% annum; maturing March 1, 2011.	\$ 5,505,000
\$1,800,000; 1998 Series General Obligation Warrants; due semi-annually at rates ranging from 3.60% - 4.75% per annum; maturing November 15, 2013.	1,290,000
\$180,000; 1996 Garage Building Warrants; annual principal payments of \$12,296 with a rate 5.5% per annum.	<u>103,835</u>
Total bonds, warrants, and other notes payable	\$ <u>6,898,835</u>
\$575,000; note payable to Regions Bank, annual principal payments of \$115,000 plus a variable interest rate, which is 3 month- LIBOR plus 210 basis points, currently 2.22%.	\$ 460,000
\$1,500,000; Honda Funding Agreement, First Commercial Bank, annual payments of \$145,984. Matures in February 2015.	1,201,447
\$300,000; note payable to Compass Bank, annual principal and interest payments of \$54,600, with a fixed interest rate of 7.18%.	<u>161,869</u>
Total Notes Payable	\$ <u>1,823,316</u>

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

9. LONG-TERM DEBT (CONTINUED)

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

**Bonds/Warrants/Other
Notes Payable**

Fiscal Year Ending September 30,	Principal	Interest	Total
2005	\$ 1,047,296	\$ 229,459	\$ 1,276,755
2006	1,063,000	159,710	1,222,710
2007	1,094,100	134,913	1,229,013
2008	1,119,521	106,669	1,226,190
2009	1,155,361	73,842	1,229,203
2010 - 2013	<u>1,419,557</u>	<u>81,674</u>	<u>1,501,231</u>
Total	\$ <u>6,898,835</u>	\$ <u>786,267</u>	\$ <u>7,685,102</u>

Notes Payable

Fiscal Year Ending September 30,	Principal	Interest	Total
2005	\$ 244,321	\$ 80,626	\$ 324,947
2006	251,500	70,740	322,240
2007	259,410	60,382	319,792
2008	230,770	50,284	281,054
2009	102,746	48,519	151,265
2010-2015	<u>734,569</u>	<u>141,335</u>	<u>875,904</u>
Total	\$ <u>1,823,316</u>	\$ <u>451,886</u>	\$ <u>2,275,202</u>

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

10. RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS

The City participates in two pension plans, which cover substantially all employees. Both of these plans are established by state law and are administered by outside trustees. The Retirement Systems of Alabama's accounts are not included in the accompanying financial statements; however, the accounts from the police and fireman's pension fund are included as a fiduciary fund.

City employees, who elect to be included, are covered by the Retirement System of Alabama. This plan is funded by contributions from employees and the City. This plan is a multi-employer state retirement system. The contribution rate is 5% for employees. Effective, January 1, 2001, the member contribution rate for certified full-time firefighters and certified full-time law enforcement officers increased to 6% of employee's compensation. The employer's rate is determined annually by the actuary for the Retirement Systems of Alabama. The employer's rate was determined to be 5.18% for September 30, 2004. The rate is composed of normal cost of 4.18% pre-retirement death benefit of .15%; administrative expenses of .18%; and accrued liability of 0.67%. The total combined payroll for the year ended September 30, 2004, was \$6,822,762. Both the employer's contribution of \$357,626 and the employee's contribution of \$345,351 have been made. The following schedule is based on the actual valuation as of September 30, 2003 (most recent information available) as provided by the Employer's Retirement System of Alabama.

Summary of Employee Census Data

Number of Members - Active	246
Number of Members - Retired	81
Annual Compensation - Active	\$6,822,762
Annual Allowance - Retired Members	\$942,608

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

10. RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS (CONTINUED)

Accounting Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/1998 ²	\$14,340,395	\$12,457,382	(\$1,883,013)	115.1%	\$5,065,149	(37.2%)
9/30/1999	\$15,114,565	\$13,884,961	(\$1,229,604)	108.9%	\$5,185,549	(23.7%)
9/30/2000	\$15,990,233	\$15,343,131	(\$647,102)	104.2%	\$5,900,297	(11.0%)
9/30/2001 ³	\$16,571,618	\$16,529,645	(\$41,973)	100.3%	\$6,762,334	(0.6%)
9/30/2002 ⁴	\$16,683,307	\$17,319,318	\$636,011	96.0%	\$6,588,264	10.0%
9/30/2003 ⁵	\$16,961,666	\$18,435,404	\$1,473,738	92.0%	\$6,822,762	21.6%

1. Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
2. Reflects change in asset valuation method to market value (as of September 30, 1998).
3. Reflects changes in actuarial assumptions (as of September 30, 2001). Also reflects effect of DROP if unit elected to enroll.
4. Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.
5. Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.

Valuation date	9/30/2003
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return	8%
Projected salary increases	4.61% - 7.75%
Includes inflation at	4.50%
Cost of living adjustments	None

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

10. RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS (CONTINUED)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Obligation (NPO)
9/30/2001	\$314,161	100.00%	\$0
9/30/2002	\$282,589	100.00%	\$0
9/30/2003	\$309,767	100.00%	\$0

Actuarial valuations are normally made on an annual basis by the State Retirement System. Contributions to the plan, expressed as a percentage of active number payrolls, should remain approximately level from year to year.

The Police and Fireman's Pension Fund is funded by contributions from employees, the City and a tax on certain utilities revenue. The plan covers all sworn members of the Police and Fire Departments of the City. Retirement benefits are paid to those members having continuous service for twenty (20) years if employed before June 1, 1979, and 25 continuous years of service if employed thereafter. An actuarial valuation of the plan is made biannually; however, contribution amounts are prescribed by state law and do not vary with the actuarial valuation. These contribution rates are as follows:

City contribution	10% of employee gross pay
Employees contribution	10% of employee gross pay
Certain public utilities	.5% of gross revenue

The most recent actuarial valuation was performed as of September 30, 2003, and contains the following information:

Accounting Information

Retirees and beneficiaries receiving benefits	150
Active plan members	189
Actuarial value of assets	\$ 25,704,942
Actuarial accrued liability	\$ 39,873,805
Covered payroll	\$ 5,565,899
Unfunded accrued liability as a percentage of covered payroll	254.57%

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

10. RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS (CONTINUED)

Contributions for 2004 fiscal year as follows:

Employee contribution	\$	662,792
City contribution	\$	662,793
Public utility tax	\$	321,460

Development of the Fund through September 30, 2004

Year Ended September 30	Employee Contributions	Employer Contributions	Public Utility Tax	Net Investment Return	Benefit Payments	Actuarial Value of Assets at End of Year
2004	\$ 662,792	\$ 662,793	\$ 321,460	\$ 2,209,301	\$ 2,776,021	\$ ***
2003	656,790	656,790	319,261	2,543,082	2,545,898	25,704,942
2002	638,550	638,550	329,501	2,308,281	2,396,883	***
2001	498,593	498,593	306,520	1,363,149	2,223,006	26,642,838
2000	518,756	518,756	277,334	2,187,279	2,115,144	26,198,989
1999	479,268	479,268	282,686	1,360,707	2,172,888	24,812,508
1998	500,147	500,147	281,198	1,286,393	1,639,513	24,383,467
1997	451,057	451,057	278,312	1,462,866	1,722,185	23,455,095
1996	484,606	484,606	265,725	1,319,208	1,644,434	22,533,988
1995	473,032	473,032	262,493	1,518,419	1,547,317	21,624,277
1994	405,448	405,448	268,745	1,429,842	1,524,440	20,444,618
1993	361,563	361,563	258,975	1,442,285	1,312,694	19,459,575
1992	304,103	304,103	257,923	1,837,120	1,088,110	18,347,883

***This information is unavailable due to actuarial report being issued every two years, the last report dated October 1, 2003.

Notes on Police and Fireman's Pension Fund

Valuation Date	9/30/03
Actuarial cost method	Projected unit credit Actuarial Cost Method
Asset valuation method	Market value less Unrecognized returns
Investment Rate of Return	8%
Projected salary increases	4.5% per year

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2004

11. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various litigations of which legal counsel and City management is 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.

12. RISK MANAGEMENT

The City is self-insured for employee's medical coverage for claims up to an expected level in aggregate. A specific and aggregate stop loss agreement is in effect with an outside insurance company. This will cover claims exceeding \$100,000 per eligible employee per year.

As of September 30, 2004, a liability for future claims is not recorded.

13. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to the fund balance of the Anniston Museum fund for \$14,833 which increased the total fund balances by \$14,833. A prior period adjustment was made to net assets to include the capital assets net of related accumulated depreciation held by the Anniston Museum and to record infrastructure not recorded in the prior year. This increased the balance of the invested in capital assets net of related debt by \$2,147,803 and invested in capital assets, Museum collections by \$8,198,908. The total net effect of the prior period adjustment was to increase total net assets by \$10,346,711.

***REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS***

**SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND BUDGET AND ACTUAL**

City of Anniston For the year ended
September 30, 2004

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Taxes			
Sales and use	\$ 15,880,000	\$ 16,588,020	\$ 708,020
General property taxes	4,203,600	4,034,052	(169,548)
Beverage taxes	132,683	141,079	8,396
Anniston Housing Authority	13,400	12,129	(1,271)
Water utility fees	360,000	349,082	(10,918)
Cigarette and tobacco	290,000	299,939	9,939
Gasoline	410,000	415,992	5,992
Bingo	132,000	120,774	(11,226)
Lodging	143,000	130,635	(12,365)
Rental	186,000	204,518	18,518
Total Taxes	<u>21,750,683</u>	<u>22,296,220</u>	<u>545,537</u>
Licenses and Permits			
Business licenses	2,350,000	2,340,608	(9,392)
Other licenses and penalties	772,150	877,023	104,873
Total Licenses and Permits	<u>3,122,150</u>	<u>3,217,631</u>	<u>95,481</u>
State Shared Revenues			
ABC Board	1,400	430	(970)
Financial Institution tax	-	165,119	165,119
Shares tax	111,000	111,004	4
Motor vehicles	81,500	75,999	(5,501)
Total State Shared Revenues	<u>193,900</u>	<u>352,552</u>	<u>158,652</u>
Charges for Services			
Garbage fees	701,364	690,934	(10,430)
Airport revenues	28,600	45,180	16,580
Rental income	28,000	28,063	63
Recreation Department fees	1,165,400	954,576	(210,824)
Public works receipts	38,930	29,999	(8,931)
Public safety receipts	252,500	202,184	(50,316)
Total Charges for Services	<u>2,214,794</u>	<u>1,950,936</u>	<u>(263,858)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND BUDGET AND ACTUAL
(CONTINUED)**

City of Anniston	For the year ended September 30, 2004		
	Budget	Actual	Variance Favorable (Unfavorable)
Recovery of Assets			
Sales of equipment	15,000	8,354	(6,646)
Sale of land	-	-	-
Insurance claims/refunds	500	567	67
Total Recovery of Assets	15,500	8,921	(6,579)
Miscellaneous Revenue	21,290	86,200	64,910
Interest Income	245,000	190,185	(54,815)
Total Revenues	\$ 27,563,317	\$ 28,102,645	\$ 539,328
Expenditures			
General Government			
Finance division	\$ 904,467	\$ 856,831	\$ 47,636
General division	146,628	175,885	(29,257)
City Council	170,456	169,755	701
Total General Government	1,221,551	1,202,471	19,080
Public Safety			
Police	5,245,047	5,273,780	(28,733)
Municipal Court	245,533	248,903	(3,370)
Detention facilities	438,073	405,519	32,554
Fire	3,616,540	3,546,905	69,635
Total Public Safety	9,545,193	9,475,107	70,086
Public Works			
General	298,443	201,987	96,456
Cemetery	103,357	128,800	(25,443)
Electrical	648,357	601,522	46,835
Engineering	245,372	221,641	23,731
Garage	159,856	151,100	8,756
Environmental services	920,847	922,753	(1,906)
Street Department	2,420,685	2,526,836	(106,151)
Airport	39,875	37,737	2,138
Planning	290,809	193,349	97,460
Total Public Works	5,127,601	4,985,725	141,876

**SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND BUDGET AND ACTUAL
(CONTINUED)**

City of Anniston	For the year ended September 30, 2004		
	Budget	Actual	Variance Favorable (Unfavorable)
Recreational			
Administration	1,484,215	1,462,734	21,481
Parks, facilities, and utilities	1,417,420	1,243,724	173,696
PARD programs	402,270	371,054	31,216
Building maintenance	798,735	759,887	38,848
Total Recreational	<u>4,102,640</u>	<u>3,837,399</u>	<u>265,241</u>
Non-Departmental			
Professional services	100,120	115,224	(15,104)
Utilities	35,000	38,815	(3,815)
Miscellaneous	3,231,179	3,718,330	(487,151)
Total Non-Departmental	<u>3,366,299</u>	<u>3,872,369</u>	<u>(506,070)</u>
Capital Outlay	<u>1,389,309</u>	<u>580,929</u>	<u>808,380</u>
Other Board and Agencies			
Anniston Calhoun County Library	525,000	525,000	-
AHS Scholarship Program	90,000	72,441	17,559
Anniston City Board of Education	700,000	699,996	4
Anniston City Schools Foundation	60,000	60,000	-
Berman Museum	125,000	125,004	(4)
Calhoun County Health Dept	17,500	17,496	4
Calhoun County Humane Society	36,000	36,000	-
Calhoun County Juvenile Court		(584)	584
Children's Services	3,500	3,504	(4)
Civil Defense	100	83	17
Civil Service Board	35,000	39,345	(4,345)
Community Enabler Developer	14,000	14,047	(47)
East Alabama Regional Planning	22,626	9,434	13,192
Human Resources Department	1,200	1,200	-
Museum of Natural History	525,000	525,000	-
Calhoun/Cleburne Mental Health	21,250	21,250	-
Alabama Coop Extension	2,000	2,004	(4)
Boys & Girls Clubs	6,000	6,000	-
NE Alabama Entrepreneur	2,500	2,496	4
Agency for Substance Abuse	3,000	3,000	-
Retired Senior Volunteer Program	3,500	3,504	(4)
Salvation Army	2,500	2,496	4
Spirit of Anniston/Mainstreet USA	185,000	215,004	(30,004)
Total Board and Agencies	<u>2,380,676</u>	<u>2,383,720</u>	<u>(3,044)</u>
Total Expenditures	<u>\$ 27,133,269</u>	<u>\$ 26,337,720</u>	<u>\$ 795,549</u>

City of Anniston
 Schedule of Expenditures of Federal Awards
 September 30, 2004

Grantor Agency/ Pass-through Grantor	Program Title	CFDA		Expenditures
		Number	Grant Number	
Department of Transportation				
Alabama Department of Transportation	Electronics Drive	20.205	IAR-008-000-004 and IAR-008-000-005	\$ 505,931
Alabama Department of Transportation	Henry Road	20.205	STPOA-7403	107,229
Federal Aviation Administration	Airport Improvement Program	20.106	3-01-0008-1801	2,990
Federal Aviation Administration	Apron Taxiway Improvement	20.106	3-01-0008-1700	64,883
Total Department of Transportation				681,033
Department of Housing and Urban Development				
Direct Grants	CDBG Grants	14.218	B-02-MC-01-0001	466,637
ADECA	Emergency Shelter	14.231	ESG-02-032	55,885
Total Department of Housing and Urban Development				522,522
Department of the Interior				
Direct Grants	Urban Park and Recreation Recovery Program	15.919	01-CITY-0100-0101	11,197
Total Department of the Interior				11,197
Department of Homeland Security				
Alabama Emergency Management Agency	Chemical Stockpile Emergency Preparedness Program	97.04	EMA-2002-CA-5029	1,055,628
Total Department of Homeland Security				1,055,628

City of Anniston
 Schedule of Expenditures of Federal Awards
 September 30, 2004

Department of Justice			
Direct Grants	Local Law Enforcement Block Grants Program	16,592	2002-LB-BX-1264
Direct Grants	Local Law Enforcement Block Grants Program	16,592	2003-LB-BX-0325
Direct Grants	Local Law Enforcement Block Grants Program	16,592	2004-LB-BX-0174
Direct Grants	Byrne Formula Grant Program	16,579	
Total Department of Justice		674,107	
Institute of Museum and Library Services			
Direct Grants	General Operating Support	45,301	IG-00-02-0725-02
Total Institute of Museum and Library Services		56,250	
Environmental Protection Agency			
Direct Grant	Brownfields Cooperative	66,818	BP-97433901
Total Environmental Protection Agency		25,285	
Department of Health and Human Services			
East Alabama Regional Planning and Development Commission	Grants for Supportive Services and Senior Centers	93,044	
Total Department of Health and Human Services		29,273	
Total Federal Financial Assistance		\$ 3,055,295	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

City of Anniston

September 30, 2004

1. **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Anniston and is presented on the modified accrual method of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

**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 City Council
City of Anniston, Alabama

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Anniston, Alabama, as of and for the year ended September 30, 2004, which collectively comprise the City of Anniston's basic financial statements and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Anniston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anniston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

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

Warren, Averett, Kimbrough + Marino, LLC

Anniston, Alabama
July 29, 2005

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

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

Compliance

We have audited the compliance of the City of Anniston, Alabama, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The City of Anniston's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Anniston's management. Our responsibility is to express an opinion on the City of Anniston's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Anniston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Anniston's compliance with those requirements.

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133
(CONTINUED)**

As described in items 2004-01 and 2004-02 in the accompanying schedule of findings and questioned costs, the City of Anniston, did not comply with the requirements regarding monitoring and allowable costs/cost principles that are applicable to its Community Development Block Grant and Highway Planning and Construction major programs. Compliance with such requirements is necessary, in our opinion, for the City of Anniston, to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Anniston, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control over Compliance

The management of the City of Anniston is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Anniston's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Anniston's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-01 and 2004-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133
(CONTINUED)**

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

Warren, Averett, Kimbrough + Marino, LLC

Anniston, Alabama
July 29, 2005

**CITY OF ANNISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2004**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Anniston.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the City of Anniston.
3. No instances of noncompliance material to the financial statements of the City of Anniston, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Reportable conditions in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in accordance with OMB Circular A-133. The condition is not reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for City of Anniston expresses a qualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The threshold used for distinguishing between Type A and B programs was \$300,000.
8. City of Anniston did not qualify as a low-risk auditee.

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant
20.2058	Highway Planning and Construction
97.040	Chemical Stockpile Emergency Preparedness Program

FINANCIAL STATEMENT FINDINGS

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

CITY OF ANNISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2004-01 **Community Development Block Grant, CFDA# 14.218, Sub-recipient monitoring.** Monitoring requirements for sub-recipients requires the identification of the source of federal funds to the sub-recipients. The contracts issued by the City of Anniston to the sub-recipients did not include the required disclosures concerning the source of the funding, (i.e., the proper CFDA numbers.)

Auditor's recommendation: The recommendation is for the contracts to sub-recipients to be updated to include the required information.

2004-02 **Highway Planning and Construction, CFDA# 20.205, Allowable costs/Cost principles.** The requirements for costs under the grant require the administrators of the grant to review Circular A-87 to determine if costs charged to the program are allowable costs. The administration for the program was unaware of this requirement and could not produce a copy of Circular A-87.

Auditor's recommendation: The recommendation is to assign an employee of the City of Anniston to review all requests for reimbursement against Circular A-87 to determine that all costs charged to the program are allowable.

**CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2004**

X3-1 **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Sufficient documentation was not located in the file.

Response: The City has created a file with proper documentation for review; proper contract compliance will be included in specifications for public works projects in the future. **Implemented.**

X3-2 **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** No documentation this project met a National Objective or resulted from an emergency nature. Activity was not carried out in compliance with HUD's contracting requirements. Files do not contain appropriate documents. Project was for installation of a water main, not sewer.

Response: Project qualified for the national objective as set forth in Section 570.208 (a) (3) of the regulations; contracting requirements were not required because all work was for account-work performed by the Anniston Water Works and Sewer Board. They are the only entity authorized for this activity. Proper documentation is now located in the file, which was mislabeled and has been corrected. **Implemented.**

X3-3 **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity was for repair/replacement of a water line located at 1630 Hanna Avenue. Information in the file states that the activity met the Water Board's criteria for participation and the Board would assist with in-kind service if the project were funded.

Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations; file was mislabeled and has been corrected; contracting requirements were not required because all work was for account-work performed by the Anniston Water Works and Sewer Board. They are the only entity authorized to perform the work required for this activity. Normal business procedures do not require on-going inspections; the file has been updated to include all invoices; CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**

X3-4 **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity consisted of shoring-up sills, replacing damaged joists, replacing framing members in the bathroom, installing sheet vinyl, replacing roofing, removing chimney, replacing decking and replacing damaged sheetrock. Insufficient documentation to justify the project met a national objective and was of an emergency nature. Files did not reflect work write ups to justify emergency

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

repairs. Insufficient documentation in the file to show this activity was carried out in compliance with HUD's contracting requirement, no appropriate contract documents, solicitation of bids, environmental reviews or progress/inspection reports. Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations; file was mislabeled as emergency, now corrected; repair was an eligible rehab activity; City is not a party to the contract, instead contract is between homeowner and contractor; HUD contracting requirements do not apply under residential rehabilitation; contract document is in file; final inspection form was signed by contractor, homeowner and staff; City Inspections Division issued work permits and conducted on site progress inspections. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**

X3-5 **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity involved extension of sanitary sewer trunk line for purpose of connecting four houses to City sewer system; also, proposals to connect improper washer lines and cap broken sewer lines. Only two proposals, one which appears to be duplicated.

Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was incorrectly categorized and has been corrected; Bids were taken, only two were submitted, one of which was late and did not qualify. The accepted bid stated that additional work may be required. Response: Additional work of \$1,000 was approved and this made the contract price a total of \$7005.89. Plumbing permit information was verified at each of the locations; HUD contracting requirement do not apply under residential rehabilitation. Contract documentation is located in the file for review. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**

X3-6 **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity involved repair of a City sewer line that had been broken for years. Officer identified broken sewer line as a pre-existing maintenance condition that allowed raw sewage to spill into the ditch. Response: File was mislabeled and has been corrected to reflect a Housing Rehabilitation activity, since this was a service line to a private residence. Activity met national objective under Section 570.208 (b) (2), activities to address the elimination of slums and blight on a spot basis. Due to immediate need, bids were solicited by phone and only one bid was received. Anniston Water Works and Sewer Boards state that they are not responsible for maintenance and upkeep of a private sewer line. Plumbing inspector approved completion of the work prior to payment.

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**

- X3-7** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity was incorrectly listed as a sewer line project; however, it is actually the replacing of two new commodes and seats, faucets, etc. Documentation was improper. Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been corrected to reflect a rehab activity. Proper documentation is located in the file, and final inspection was signed by contractor, homeowner and staff. Inspections conducted on site progress inspections and payment was made only after final inspection. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**
- X3-8** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity file reflects charges for the connection of a house sewer service line to sewer main in the street; however, file only contains P.O. Box, bill and memo to finance department; no documentation in file showing beneficiary information. Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been corrected to reflect a rehab activity. Work write up is now located in file; City is not party to the contract and HUD requirements do not apply under residential rehabilitation; contract documentation in located in file, and on-going and final inspections were performed by City Inspections Division. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**
- X3-9** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity and charges were for reinstallation of a sewer line at a residence; Incompliant with HUD's program requirements. Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been corrected to reflect a rehab activity. Work write ups are in the file; City is not a party to the contract; therefore, HUD contracting requirements do not apply. Contract documents are in the file, staff was onsite each day, and final inspection form was signed by all involved. Inspections conducted on site progress inspections and payment was made after final approval. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

- X3-10** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity did not have proper documentation to justify the project; File consisted of improper documentation. Response: Activity met a national objective set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and was corrected to reflect a rehab activity; documentation, work write ups, and contract documentation are now located in the file. City is not a party to the contract; therefore, HUD contracting requirements do not apply. On site inspections and final inspections were conducted by the City Inspections division. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**
- X3-11** **Community Development Block Grant, CFDA # 20.205, Sub-recipient monitoring.** Sub recipient's file contained no evidence the CCHC has carried out this activity; review of records in office disclosed all activities under this project were carried out by City's CDBG staff. Reviewer was unable to determine scope of activities, number of participants, or cost of work; no total construction cost per job was noted in file; amounts were listed with no work specified; no program year was specified; no evidence of monitoring. Response: Information is in files and documentation to verify that all recipients were eligible. Files are ready for review; Work write ups, list of clients to be served, bids, and contract documents are all in file. City is not party to contract; therefore, HUD requirements for contracting are not applicable. On site and final inspections were conducted and can be reviewed in the Inspections Office. File is maintained for each job, with a record of expenditures for each job. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**
- X3-12** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Description in program year action plan does not match the documentation in the file. File states that this was emergency repairs. Response: Project is erroneously listed as emergency repair and should have been ZHR under rehab activity; 3 categories for the ZHR, which should have been categorized as housing rehab. Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. Work write up, contract documentation, and final inspections are now in file. City is not party to contract; therefore, HUD contracting requirements do not apply. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**
- X3-13** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity described in project file state work was contracted to repair sewer line and charged as such. Billing was for repair of pipes under a sink, digging up a sewer line and auguring out the sewer line at above address. Response: Activity met a national objective as set forth in Section 570.208 (a) (3)

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

of the regulations. File was mislabeled and has been changed to rehab activity. Documentation of eligibility is located in the file, as well as the work write ups, the contract document and the inspections. City is not a party to the contract; therefore, HUD contracting requirements do not apply. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**

- X3-14** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity was classified as an emergency repair, and was not documented in accordance with HUD's regulatory requirements. Response: Activity met a national objective set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been changed to rehab activity. Documentation for eligibility, work write ups, contract document, final inspection form, on site progress inspections and final inspection are all located in the file. City is not a party to contract; therefore, contracting regulations are not applicable. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**
- X3-15** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Activity was performed as an emergency repair and was charged to sanitary sewer activity budget. Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been changed to reflect a rehab activity. Documentation verifying eligibility, write ups, contract documents, final inspection and on site progress inspections are located in the file. City is not a party to the contract; therefore, HUD contracting requirements do not apply. CDBG staff will complete an environmental checklist for each and every unit of rehab in the future. **Implemented.**
- X3-16** **Community Development Block Grant, CFDA # 20.205, Sub-recipient monitoring.** Program activity involved the review of sub recipient contracts. After a review of the file, contracts were not in full compliance with program requirements. Response: Documentation that all projects met a national objective is located in the file; all sub recipient contracts are in compliance with the program requirements outlined in 24 CFR 570.503. All requirements are included as an addendum in each file of the sub-recipient files. Documentation of monitoring is also located in each file. Documentation that contracts are in accordance with HUD requirements have been restructured in designated section for easier review. Updated file information is now located with each public service listed. **Implemented.**

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

- X3-17** **Community Development Block Grant, CFDA # 20.205, Sub-recipient monitoring.** Sub-recipient was funded in Program Years 2001 and 2002 for \$180,000 to reconstruct approximately 20 housing units affordable to low income persons. (Habitat for Humanity) Response: Program compliance form is in the file showing that the sub-recipient was monitored during this time. City files do contain a valid sub-recipient agreement; information is in the files to document all expenditures reimbursed to Habitat; no new homes have been built by Habitat during the above mentioned years; all funds were used to purchase lots and to rehabilitate existing homes; files contain names and addresses of all families receiving assistance; acquisition of all lots were "willing buyer-willing seller" with no public takings; therefore, provisions of the Uniform Act do not apply. **Implemented.**
- X3-18** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** CDBG Low-Mod housing program consists of Emergency Home Repair Program, Zion Hill Rehabilitation Program, and Low and Moderate Income Housing Rehabilitation performed by Habitat for Humanity. Purpose is to abate existing hazardous living conditions and remove conditions that are a hazardous threat; seven files were reviewed; various deficiencies with each. Response: Documentation has been placed in the file to verify the source of applicant's assistance, which is from family members; activity met a national objective; homeowner is verified to be LMI. **Implemented.**
- X3-19** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** CDBG Low-Mod housing program consists of Emergency Home Repair Program, Zion Hill Rehabilitation Program, and Low and Moderate Income Housing Rehabilitation performed by Habitat for Humanity. Purpose is to abate existing hazardous living conditions and remove conditions that are a hazardous threat; seven files were reviewed; various deficiencies with each. Response: As of this date the work repairs conducted by the City are such that no painted surfaces are disturbed. All rehab work approved by the City is an exempt activity under the lead paint requirements. Contractors use safe work practices. **Implemented.**
- X3-20** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** CDBG Low-Mod housing program consists of Emergency Home Repair Program, Zion Hill Rehabilitation Program, and Low and Moderate Income Housing Rehabilitation performed by Habitat for Humanity. Purpose is to abate existing hazardous living conditions and remove conditions that are a hazardous threat; seven files were reviewed; various deficiencies with each. Response: Lead based paint regulations are routinely discussed during the initial interview with all clients advising them of lead-based hazards. CDBG office has

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

established a lead based paint file containing information relating to 24 CFR Part 35. The City will review each unit and the requested rehabilitation work to assure compliance. Signed notices are contained in the files. In the future, "Protect Your Family from Lead in your Home" booklet will be provided and signed for at the time of application. **Implemented.**

- X3-21** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** CDBG Low-Mod housing program consists of Emergency Home Repair Program, Zion Hill Rehabilitation Program, and Low and Moderate Income Housing Rehabilitation performed by Habitat for Humanity. Purpose is to abate existing hazardous living conditions and remove conditions that are a hazardous threat; seven files were reviewed; various deficiencies with each. Response: This finding is correct, while there was an environmental review record established for the Housing Rehab/Emergency Assistance activity, individual environmental checklists have not been completed on each single-family residence participating in the Housing Rehabilitation/Emergency Repair Program, as its city policy. This oversight will be corrected in the future, and all houses will be reviewed for environmental purposes. **Implemented.**
- X3-22** **Community Development Block Grant, CFDA # 20.205, Special tests and provisions.** Review indicates that the files for this project are not up to date and incomplete. Plan was not carried out properly. Response: In accordance with HUD's recommended corrective action, a Citizen Participation Plan meeting the requirements was prepared and the City of Anniston adopted the updated Citizens Participation Plan on Friday, June 22, 2004. **Implemented.**
- X3-23** **Community Development Block Grant, CFDA # 20.205, Special tests and provisions.** Certain files have been reviewed, while other files were not available. Response: Environmental training was conducted on July 22, 2004, provided by HUD Environmental Protection Specialist. City will prepare and submit all environmental documentation to the specialist for her review and approval. She will determine competency and when satisfied, she will notify the City and authorize the City to be responsible for all environmental requirements without further review on her part. **Implemented.**

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

- X3-24** **Community Development Block Grant, CFDA # 20.205, Special tests and provisions.** Individual activities have not been aggregated into projects that adequately analyze the separate and combined impacts of the activities, alternatives to the project, mitigation of the cumulative impacts and prescription of mitigation measures. Response: City will combine related activities into projects. An environmental review shall be conducted for those projects that consider the full environmental impact of the project. The City shall establish a teering review. City will follow the recommendation of the environmental specialist. **Implemented.**
- X3-25** **Community Development Block Grant, CFDA # 20.205, Special tests and provisions.** Written determination must be made to determine that projects are exempt or categorically excluded and not subject to the laws and authorities prior to expending HUD funds for applicable activities. Projects that are exempt do not require an environmental review, but this must be in writing. Response: Environmental training was conducted on July 22, 2004, provided by HUD Environmental Protection Specialist. City will prepare and submit all environmental documentation to the specialist for her review and approval. She will determine competency and when satisfied, she will notify the City and authorize the City to be responsible for all environmental requirements without further review on her part. **Implemented.**
- X3-26** **Community Development Block Grant, CFDA # 20.205, Special tests and provisions.** Funds must not be committed prior to a removal of grant condition, for projects that require full assessment or were categorically excluded and would have triggered compliance with laws and authorities at 58.5 if an environmental review had been conducted. Response: Environmental training was conducted on July 22, 2004, provided by HUD Environmental Protection Specialist. City will prepare and submit all environmental documentation to the specialist for her review and approval. She will determine competency and when satisfied, she will notify the City and authorize the City to be responsible for all environmental requirements without further review on her part. **Implemented.**
- X3-27** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Lots 8 and 9, in the Dent McCraw Subdivision were acquired in 2002 for \$100 each from the State of Alabama under the tax title law. Response: Habitat for Humanity of Calhoun County acquired these properties for land banking. Projected end use of these properties will be for the construction of low/moderate single-family homes. Tax deed from the state will be issued. Intent is to apply to quiet title; thereby, perfecting the title in order that a single-family unit can be built on these properties and transferable title can be used. **Implemented.**

CITY OF ANNISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2004

- X3-28** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Program funds were used to acquire two parcels with \$74,800 in program funds. Total acquisition was \$74,300, based on tax assessment value. Response: City acquired these parcels and both properties were vacant. The owner was notified that the City was interested in acquiring the property by voluntary transaction and was advised that the rules under the URA Act were not applicable. No relocation benefits were triggered by this acquisition. Appraisal is not required because it was a voluntary transaction, not a public taking. \$74,800 was offered and accepted; \$500 was used for earnest money, \$21,600 was paid on October 2, 2002 and \$52,700 was paid on October 10, 2002; totaling \$74,800. **Implemented.**
- X3-29** **Community Development Block Grant, CFDA # 20.205, Activities allowed or unallowed.** Various Council members were personally involved in directing staff to carry out activities that were not in keeping with the activities approved in the Action Plan. Response: City Attorney has issued a memorandum reiterating to the elected officials that this is a misdemeanor under Alabama law for such elected officials to direct or order any City employee or department head to do anything. This memorandum is also being copied to City staff to inform them of this violation of law. **Implemented.**

COMBINING FINANCIAL STATEMENTS

Capital Projects Funds

COMBINING BALANCE SHEET

City of Anniston

September 30, 2004

	Sports Complex	Electronics Drive	Noble Street	Carver/ Tucker Park	Apron Taxiway	Airport
ASSETS						
Cash	\$ 1,032,038	\$ -	\$ -	\$ -	\$ -	\$ 100
Investments	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Due from other funds	396,236	-	-	39,048	-	-
Due from other governments	-	257,092	133,512	196,000	18,753	5,376
Inventory	-	-	-	-	-	-
Total Assets	\$ 1,428,274	\$ 257,092	\$ 133,512	\$ 196,000	\$ 57,801	\$ 5,476
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued expenses	\$ 8,442	\$ -	\$ 2,900	\$ -	\$ -	\$ 20,837
Due to other funds	127,665	257,092	118,191	196,000	-	-
Deferred revenue	-	-	-	-	-	-
Warrants payable	-	-	-	-	-	-
Total Liabilities	136,107	257,092	121,091	196,000	-	20,837
Fund balances	1,292,167	-	12,421	-	57,801	(15,361)
Reserve for future projects	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 1,428,274	\$ 257,092	\$ 133,512	\$ 196,000	\$ 57,801	\$ 5,476

Capital Projects Funds

COMBINING BALANCE SHEET

City of Anniston

September 30, 2004

	Henry Road	Bill Robinson	Detention Pond	American Station	Total
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,032,138
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Due from other funds	-	1,189,496	-	50,000	1,674,780
Due from other governments	85,768	-	-	-	696,501
Inventory	-	-	-	-	-
Total Assets	\$ 85,768	\$ 1,189,496	\$ -	\$ 50,000	\$ 3,403,419
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 30,152	\$ 62,331
Due to other funds	85,768	-	-	5,924	790,640
Deferred revenue	-	-	-	-	-
Warrants payable	-	-	-	-	-
Total Liabilities	85,768	-	-	36,076	852,971
Fund balances	-	1,189,496	-	13,924	2,550,448
Reserve for future projects	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 85,768	\$ 1,189,496	\$ -	\$ 50,000	\$ 3,403,419

Capital Projects Funds

COMBINING SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE

City of Anniston						For the year ended
						September 30, 2004
	Sports Complex	Electronics Drive	Noble Street	Carver/ Tucker Park	Apron Taxiway	Airport
REVENUES						
Intergovernmental Revenues						
Federal and state grants	\$ -	\$ 505,931	\$ 133,512	\$ 49,000	\$ 58,394	\$ 5,376
State taxes	-	-	-	-	-	-
Other Operating Revenues	18,067	-	-	-	-	-
Interest on investments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	18,067	505,931	133,512	49,000	58,394	5,376
EXPENDITURES						
General	100,883	58,495	25,580	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Total Current Operations	100,883	58,495	25,580	-	-	-
Projects	655,799	505,931	1,376,518	11,197	64,883	2,990
Total Expenditures	756,682	564,426	1,402,098	11,197	64,883	2,990
Excess (Deficiency) of Revenues over Expenditures	(738,615)	(58,495)	(1,268,586)	37,803	(6,489)	2,386
Other Financing Sources (Uses)						
Transfers in (out)	750,000	58,495	-	23,811	64,290	(17,747)
Excess (deficiency) of Revenues over Expenditures and other Financing Sources	11,385	-	(1,268,586)	61,614	57,801	(15,361)
Fund Balance						
Beginning of Year	1,280,782	-	1,281,007	(61,614)	-	-
Fund Balance	\$ 1,292,167	\$ -	\$ 12,421	\$ -	\$ 57,801	\$ (15,361)
End of Year						

Capital Projects Funds

COMBINING SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
(CONTINUED)

City of Anniston

	Henry Road	Bill Robinson	Detention Pond	American Station	Total
REVENUES					
Intergovernmental Revenues					
Federal and state grants	\$ 85,767	\$ -	\$ 9,403	\$ -	\$ 847,383
State taxes	-	-	-	-	-
Other Operating Revenues	-	-	-	-	18,067
Interest on investments	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	85,767	-	9,403	-	865,450
EXPENDITURES					
General	-	10,504	-	7,490	202,952
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Total Current Operations	-	10,504	-	7,490	202,952
Projects	107,229	-	-	28,586	2,753,133
Total Expenditures	107,229	10,504	-	36,076	2,956,085
Excess (Deficiency) of Revenues over Expenditures	(21,462)	(10,504)	9,403	(36,076)	(2,090,635)
Other Financing Sources (Uses)					
Transfers in (out)	21,462	1,200,000	(65,846)	50,000	2,084,465
Excess (deficiency) of Revenues over Expenditures and other Financing Sources	-	1,189,496	(56,443)	13,924	(6,170)
Fund Balance					
Beginning of Year	-	-	56,443	-	2,556,618
Fund Balance End of Year	\$ -	\$ 1,189,496	\$ -	\$ 13,924	\$ 2,550,448

**Nonmajor Governmental Funds
(by fund types)**

COMBINING BALANCE SHEET

City of Anniston

September 30, 2004

	Special Revenue Funds	Debt Service Funds	Anniston Museum Fund	Total Other Governmental Funds
ASSETS				
Cash and certificates of deposit	\$ 6,076,536	\$ 37	\$ 527,677	\$ 6,604,250
Receivables net	534,739	-	-	534,739
Due from other governments	629,572	-	-	629,572
Due from other funds	1,120,652	-	-	1,120,652
Other assets	647,509	-	12,066	659,575
Total Assets	\$ 9,009,008	\$ 37	\$ 539,743	\$ 9,548,788
LIABILITIES				
Accounts payable and accruals	\$ 259,952	\$ -	\$ 20,444	\$ 280,396
Due to other funds	2,271,348	-	-	2,271,348
Deferred revenue	656,908	-	-	656,908
Accrual for sick leave	-	-	74,232	74,232
Total Liabilities	3,188,208	-	94,676	3,282,884
FUND BALANCES				
Reserved for:				
Special Revenue Funds	5,820,800	-	-	5,820,800
Anniston Museum Fund	-	-	120,764	120,764
Unreserved, reported in:	-	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	37	-	37
Anniston Museum Fund	-	-	324,303	324,303
Total Fund Balances	5,820,800	37	445,067	6,265,904
Total Liabilities and Fund Balance	\$ 9,009,008	\$ 37	\$ 539,743	\$ 9,548,788

**Nonmajor Governmental Funds
(by fund type)**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

City of Anniston	For the year ended September 30, 2004			
	Special Revenue Funds	Debt Service Funds	Anniston Museum Fund	Total Other Governmental Funds
Revenues				
Charges for services	\$ 2,135,446	\$ -	\$ 137,127	\$ 2,272,573
Operating grants and contributions	1,842,748	-	223,731	2,066,479
Capital grants and contributions	-	-	-	-
City appropriations	-	-	-	-
Other revenues	1,705,548	-	72,574	1,778,122
Total Revenues	<u>5,683,742</u>	<u>-</u>	<u>433,432</u>	<u>6,117,174</u>
Expenditures				
General	2,394,165	-	-	2,394,165
Public safety	1,351,568	-	-	1,351,568
Public works	-	-	-	-
Other	1,807,618	-	955,620	2,763,238
Debt service	-	1,559,388	-	1,559,388
Total Expenditures	<u>5,553,351</u>	<u>1,559,388</u>	<u>955,620</u>	<u>8,068,359</u>
Excess Revenues over (under)Expenditures	130,391	(1,559,388)	(522,188)	(1,951,185)
Other Financing Sources	<u>(329,140)</u>	<u>1,559,329</u>	<u>525,000</u>	<u>1,755,189</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(198,749)	(59)	2,812	(195,996)
Fund Balance Beginning of Year	6,019,549	96	427,422	6,447,067
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>14,833</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 5,820,800</u>	<u>\$ 37</u>	<u>\$ 445,067</u>	<u>\$ 6,265,904</u>

**Nonmajor Special Revenue Funds
COMBINING BALANCE SHEET**

City of Anniston	September 30, 2004								
	Seven Cent Gas Tax Fund	Five Cent Gas Tax Fund	Cemetery Trust Fund	Corrections Fund	Ambulance Service Fund	Cane Creek Restaurant	Fire District Tax Fund	Alabama Trust Fund	Emergency Shelter Grant
ASSETS									
Cash	\$ 340,998	\$ 239,385	\$ -	\$ 949,803	\$ 645,221	\$ 28,290	\$ 275,637	\$ 308,527	\$ -
Investments	-	-	16,500	695,000	-	-	1,689,100	-	-
Receivables	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	8,811	-	-	-	542,649	-	-
Due from other governments	12,845	11,126	-	-	-	-	23,842	-	-
Inventory/other assets	-	-	-	-	-	3,973	-	-	-
Total Assets	\$ 353,843	\$ 250,511	\$ 25,311	\$ 1,644,803	\$ 645,221	\$ 32,263	\$ 2,531,228	\$ 308,527	\$ -
LIABILITIES AND FUND BALANCE									
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 45,520	\$ 5,682	\$ 5,808	\$ -	\$ -	\$ -
Due to other funds	284,719	250,511	-	110,935	639,539	26,455	395,295	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Total Liabilities	284,719	250,511	-	156,455	645,221	32,263	395,295	-	-
Fund Balance Reserved	69,124	-	25,311	1,488,348	-	-	2,135,933	308,527	-
Total Liabilities and Fund Balance	\$ 353,843	\$ 250,511	\$ 25,311	\$ 1,644,803	\$ 645,221	\$ 32,263	\$ 2,531,228	\$ 308,527	\$ -

Nonmajor Special Revenue Funds
COMBINING BALANCE SHEET
(CONTINUED)

September 30, 2004

City of Anniston

	FEMA Hazmat	Bulletproof Vest Fund	LLEBG 2004	LLEBG 2003	LLEBG 2002	Community Development Fund	Municipal Court	Urban Development Action Grant
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ 114,205	\$ 15	\$ 6,376	\$ 218,684	\$ 221,184
Investments	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	534,739	-	-
Due from other funds	-	5,132	35,936	-	-	-	33,188	-
Due from other governments	166,452	-	-	-	-	260,321	-	-
Inventory/other assets	-	-	-	-	-	-	-	643,536
Total Assets	\$ 166,452	\$ 5,132	\$ 35,936	\$ 114,205	\$ 15	\$ 801,436	\$ 251,872	\$ 864,720
LIABILITIES AND FUND BALANCE								
Accounts payable and accrued expenses	\$ 70,743	\$ -	\$ 3,834	\$ 40,244	\$ 33	\$ 3,505	\$ 55,702	\$ -
Due to other funds	96,952	-	13,002	69,132	16	262,516	-	-
Deferred revenue	-	-	-	-	-	470,306	-	186,602
Total Liabilities	167,695	-	16,836	109,376	49	736,327	55,702	186,602
Fund Balance Reserved	(1,243)	5,132	19,100	4,829	(34)	65,109	196,170	678,118
Total Liabilities and Fund Balance	\$ 166,452	\$ 5,132	\$ 35,936	\$ 114,205	\$ 15	\$ 801,436	\$ 251,872	\$ 864,720

**Nonmajor Special Revenue Funds
COMBINING BALANCE SHEETS
(CONTINUED)**

September 30, 2004

City of Anniston

	Drug Task Force	Constantine Lincoln Park	Quintard Traffic Signal	Drug Task Force Office	Federal Seized Assets	Brownfield Project	Urban Forestry Grant	Cane Creek Subdivision	Totals
ASSETS									
Cash	\$	\$	\$	\$ 179,142	\$ 138,469	\$	\$	\$	3,665,936
Investments				10,000					2,410,600
Receivables									534,739
Due from other funds	80,488					74,498		494,936	1,120,652
Due from other governments									629,572
Inventory/other assets									647,509
Total Assets	<u>\$ 80,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,142</u>	<u>\$ 138,469</u>	<u>\$ 74,498</u>	<u>\$ -</u>	<u>\$ 494,936</u>	<u>\$ 9,009,008</u>
LIABILITIES AND FUND BALANCE									
Accounts payable and accrued expenses	\$ 28,881	\$	\$	\$	\$	\$	\$	\$	259,952
Due to other funds	45,688	217	1,873			74,498			2,271,348
Deferred revenue									656,908
Total Liabilities	<u>74,569</u>	<u>217</u>	<u>1,873</u>	<u>-</u>	<u>-</u>	<u>74,498</u>	<u>-</u>	<u>-</u>	<u>3,188,208</u>
Fund Balance Reserved	<u>5,919</u>	<u>(217)</u>	<u>(1,873)</u>	<u>189,142</u>	<u>138,469</u>	<u>-</u>	<u>-</u>	<u>494,936</u>	<u>5,820,800</u>
Total Liabilities and Fund Balance	<u>\$ 80,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,142</u>	<u>\$ 138,469</u>	<u>\$ 74,498</u>	<u>\$ -</u>	<u>\$ 494,936</u>	<u>\$ 9,009,008</u>

Nonmajor Special Revenue Funds

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

City of Anniston

September 30, 2004

	Seven Cent Gas Tax Fund	Five Cent Gas Tax Fund	Cemetery Trust Fund	Corrections Fund	Ambulance Service Fund	Cane Creek Restaurant	Fire District Tax Fund	Alabama Trust Fund	Emergency Shelter Grant
Revenues									
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 618,108	\$ 141,719	\$ -	\$ -	\$ -
Operating grants and contributions	-	-	-	-	-	-	-	-	55,885
Capital grants and contributions	-	-	-	-	-	-	-	-	-
General revenues	170,533	133,418	283	310,348	282	549	676,005	108,087	-
Total Revenues	170,533	133,418	283	310,348	618,390	142,268	676,005	108,087	55,885
Expenditures									
General	-	-	-	-	653,782	133,912	55,134	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Other	284,719	250,526	25	156,477	30	81,077	719,861	-	55,885
Total Expenditures	284,719	250,526	25	156,477	653,812	214,989	774,995	-	55,885
Excess Revenues over (under) Expenditures	(114,186)	(117,108)	258	153,871	(35,422)	(72,721)	(98,990)	108,087	-
Other Financing Sources	-	-	-	-	35,422	72,721	(40,055)	-	-
Excess (deficiency) of revenues over expenditures and other financing	(114,186)	(117,108)	258	153,871	-	-	(139,045)	108,087	-
Fund Balance, Beginning of Year	183,310	117,108	25,053	1,334,477	-	-	2,274,978	200,440	-
Fund Balance, End of Year	\$ 69,124	\$ -	\$ 25,311	\$ 1,488,348	\$ -	\$ -	\$ 2,135,933	\$ 308,527	\$ -

Nonmajor Special Revenue Funds

COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(CONTINUED)

For the year ended
September 30, 2004

City of Anniston

	FEMA Hazmat	Bulletproof Vest Fund				LLEBG 2003	LLEBG 2002	Community Development	Municipal Court	Urban Development Action Grant
		LLEBG 2004	LLEBG 2003	LLEBG 2002	Community Development					
Revenues										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,375,619	\$ -	
Operating grants and contributions	776,231	-	35,936	-	-	-	457,263	-	-	
Capital grants and contributions	-	-	-	-	-	-	-	-	-	
General revenues	-	-	4,758	321	321	599	4,422	-	63,310	
Total Revenues	776,231	-	35,936	4,758	321	599	4,422	1,380,041	63,310	
Expenditures										
General	1,055,628	1,191	-	-	-	2,363	466,637	-	16	
Public safety	-	-	-	-	-	-	-	713,538	-	
Other	-	-	20,829	124,980	57,986	-	-	6	23,350	
Total Expenditures	1,055,628	1,191	20,829	124,980	57,986	-	-	713,544	23,366	
Excess Revenues over (under) Expenditures	(279,397)	(1,191)	15,107	(120,222)	(60,028)	(8,775)	666,497	(480,000)	39,944	
Other Financing Sources	-	8,057	3,993	12,542	(5,257)	-	-	-	-	
Excess (deficiency) of revenues over expenditures and other financing sources	(279,397)	6,866	19,100	(107,680)	(65,285)	(8,775)	186,497	-	39,944	
Fund Balance, Beginning of Year	278,154	(1,734)	-	112,509	65,251	73,884	9,673	-	638,174	
Fund Balance, End of Year	\$ (1,243)	\$ 5,132	\$ 19,100	\$ 4,829	\$ (34)	\$ 65,109	\$ 196,170	\$ -	\$ 678,118	

Nonmajor Special Revenue Funds
COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(CONTINUED)

For the year ended
September 30, 2004

											For the year ended	
											September 30, 2004	
	Drug Task Force	Constantine Lincoln Park Project	Quintard Traffic Signal	Drug Task Force Office	Federal Seized Assets	Brownfield Project	Cane Creek Subdivision	Urban Forestry Grant	Totals			
Revenues												
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,135,446
Operating grants and contributions	317,992	-	-	199,441	-	-	-	-	-	-	-	1,842,748
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-	-	-
General revenues	58,659	-	-	163,634	1,284	9,056	-	-	-	-	-	1,705,548
Total Revenues	<u>376,651</u>	<u>-</u>	<u>-</u>	<u>363,075</u>	<u>1,284</u>	<u>9,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,683,742</u>
Expenditures												
General	-	217	-	-	-	25,285	-	-	-	-	-	2,394,165
Public safety	470,311	-	-	167,719	-	-	-	-	-	-	-	1,351,568
Other	-	-	-	31,867	-	-	-	-	-	-	-	1,807,618
Total Expenditures	<u>470,311</u>	<u>217</u>	<u>-</u>	<u>199,586</u>	<u>-</u>	<u>25,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,553,351</u>
Excess Revenues over (under) Expenditures	<u>(93,660)</u>	<u>(217)</u>	<u>-</u>	<u>163,489</u>	<u>1,284</u>	<u>(16,229)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,391</u>
Other Financing Sources	<u>85,958</u>	<u>-</u>	<u>-</u>	<u>(40,250)</u>	<u>-</u>	<u>17,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(329,140)</u>
Excess (deficiency) of revenues over expenditures and other financing sources	<u>(7,702)</u>	<u>(217)</u>	<u>-</u>	<u>123,239</u>	<u>1,284</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(198,749)</u>
Fund Balance, Beginning of Year	<u>13,621</u>	<u>-</u>	<u>(1,873)</u>	<u>65,903</u>	<u>137,185</u>	<u>(1,500)</u>	<u>494,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,019,549</u>
Fund Balance, End of Year	<u>\$ 5,919</u>	<u>\$ (217)</u>	<u>\$ (1,873)</u>	<u>\$ 189,142</u>	<u>\$ 138,469</u>	<u>\$ -</u>	<u>\$ 494,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,820,800</u>

Debt Service Funds
COMBINING BALANCE SHEET

City of Anniston

September 30, 2004

ASSETS

Cash and Certificates of Deposit	\$	37
Receivables Net		-
Due from Other Funds and Governments		-
Other Assets		-
Total Assets	\$	<u>37</u>

FUND BALANCES

Reserved for Debt Service Funds		<u>37</u>
Total Fund Balance		<u>37</u>
Total Liabilities and Fund Balance	\$	<u>37</u>

Debt Service Funds
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

City of Anniston	For the year ended September 30, 2004
Revenues	
Taxes	\$ -
Interest	-
Proceeds from new debt	-
Total Revenues	-
Expenditures	
Principal retirement	1,263,605
Interest charges and transfer fees	291,515
Miscellaneous	4,268
Total Expenditures	1,559,388
Excess (deficiency) of revenue over expenditures	(1,559,388)
Other financing sources	
Transfers in	1,559,329
Excess (deficit) of revenue and other sources over expenditures and other uses	(59)
Fund Balance, Beginning of Year (as restated)	96
Fund Balance, End of Year	\$ 37

STATISTICAL SECTION

GENERAL GOVERNMENTAL REVENUES BY SOURCE

For the year ended
September 30, 2004

City of Anniston

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Other Operating Revenues	Totals
1990	\$ 12,260,401	\$ 2,254,398	\$ 1,490,681	\$ 770,561	\$ 663,223	\$ 1,994,006	\$ 19,433,270
1991	12,463,277	2,387,073	1,283,264	936,285	942,137	1,318,774	19,330,810
1992	14,345,789	2,439,495	2,845,239	1,120,086	1,027,931	655,788	22,434,328
1993	17,295,221	2,477,952	1,984,304	1,173,426	936,902	6,230,486	30,098,291
1994	17,591,457	2,616,366	1,428,484	1,284,035	1,051,835	7,330,132	31,302,309
1995	18,727,569	2,666,025	1,771,145	1,505,557	1,060,284	2,650,918	28,381,498
1996	18,761,145	2,676,145	1,991,987	1,560,256	1,143,106	1,476,852	27,609,491
1997	20,386,033	2,844,874	2,255,968	1,541,813	1,014,993	2,739,658	30,783,339
1998	19,171,957	2,860,808	175,825	1,489,299	1,020,782	770,193	25,488,864
1999	19,910,863	2,878,925	162,361	1,397,546	25,689 *	1,299,166	25,674,550
2000	19,138,779	2,918,267	178,257	1,370,752	3,964 *	1,622,967	25,232,986
2001	19,637,484	3,135,341	253,719	1,452,703	-	1,892,308	26,371,555
2002	21,099,057	3,359,187	205,103	1,315,850	-	1,079,619	27,058,816
2003	20,813,759	3,094,667	-	2,016,730	-	543,306	26,468,462
2004	22,648,772	3,217,631	2,913,862	4,223,509	-	2,081,495	35,085,269

*This amount is not comparable to past years due to a change in classification for court revenues from the General Fund to two Special Revenue Funds.

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

September 30, 2004

City of Anniston

Fiscal Year	General Government	Public Safety	Public Works	Recreation	Other Boards & Functions	Debt Services	Capital Outlay	City Board of Education	Totals
1990	\$ 1,839,390	\$ 5,451,477	\$ 3,457,673	\$ 1,969,980	\$ 1,368,591	\$ 1,970,607	\$ 6,907,243	\$ 1,247,033	\$ 24,211,994
1991	1,981,125	5,186,443	3,483,836	2,096,009	1,283,566	1,972,857	2,757,238	1,060,024	19,821,098
1992	2,297,071	5,679,652	3,627,859	2,336,943	1,398,220	1,968,641	3,902,281	1,166,687	22,377,354
1993	2,879,173	6,096,465	3,974,778	2,622,519	1,512,172	1,613,371	1,775,062	1,233,851	21,707,391
1994	3,759,041	6,801,532	4,569,423	2,522,281	1,722,312	1,388,160	2,023,300	1,680,888	24,466,937
1995	2,731,571	7,329,401	4,541,047	2,741,367	1,724,949	1,916,167	6,329,616	1,730,828	29,044,946
1996	2,917,283	8,106,794	4,538,096	2,872,552	1,790,939	2,033,059	3,848,921	1,739,278	27,846,922
1997	2,893,958	8,367,569	4,421,333	2,984,582	2,298,812	2,433,107	2,995,048	1,442,512	27,836,921
1998	3,657,746	8,020,112	4,470,958	2,590,672	1,586,965	4,266,327	5,696,398	1,186,664	31,475,842
1999	2,611,689	7,613,435	4,558,060	2,527,650	2,345,624 *	2,046,967	6,875,437	150,365	28,729,227
2000	4,738,949	7,342,895	4,475,431	2,669,647	2,387,482 *	2,089,958	7,050,798	302,008	31,057,168
2001	4,173,703	7,914,733	4,850,721	3,416,426	2,804,683	1,434,445	4,107,831	606,227	29,308,769
2002	5,710,152	7,637,435	4,329,638	2,896,191	2,944,431	1,434,992	3,598,017	841,224	29,392,080
2003	4,638,203	8,838,167	4,948,718	3,836,855	3,126,112	1,097,740	1,739,299	1,004,574	29,229,668
2004	8,613,398	10,826,675	4,985,725	2,656,002	3,902,096	1,559,388	3,334,605	699,996	36,577,885

PROPERTY TAXES LEVIED IN CALHOUN COUNTY, ALABAMA

For the year ended September 30, 2004					
City of Anniston					
Year Beginning Oct-01	Assessed Valuation	Total Taxes Levied	Uncollected at Sale Date		
			Amount	Percentage	
1993	\$ 142,700,854	\$ 2,555,200	\$ 39,455	1.54%	
1994	146,690,151	2,610,732	20,578	0.79%	
1995	148,860,149	2,816,014	24,217	0.86%	
1996	153,152,222	2,645,567	13,114	0.50%	
1997	152,990,838	2,968,963	46,650	1.57%	
1998	158,123,167	3,060,710	27,756	0.91%	
1999	182,891,787	3,056,883	29,482	1.04%	
2000	180,626,480	3,222,424	41,461	1.29%	
2001	240,320,072	3,869,613	32,182	1.20%	
2002	200,953,661	3,866,486	31,335	1.21%	
2003	281,583,930	3,963,333	73,471	1.85%	
2004	286,246,820	3,992,563	28,152	0.71%	

Source: Calhoun County Tax Collector and Calhoun County Tax Assessor

All ad valorem taxes levied by the State, County and any municipality in Calhoun County are assessed by the Tax Collector of Calhoun County.

**PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS**

For the year ended
September 30, 2004

City of Anniston

The tax rates shown below were effective October 1, 1979, except the Fire District Tax, which became effective October 1, 1996. Composition of the tax rate per hundred dollars of assessed valuations is as follows:

State of Alabama		
General Fund (no limit as to time)	\$	0.25
Soldier fund (no limit as to time)		0.10
School Fund (no limit as to time)		0.30
Total		0.65
Calhoun County Tax		
General Fund (no limit as to time)		0.65
Road and Bridges Fund (no limit as to time)		0.30
Total		0.95
County Schools		
General School Fund		0.15
General School Fund		0.40
Total (shared with City Schools based on average daily attendance)		0.55
Total Calhoun County		1.50
Fire District Tax		0.30
City of Anniston Municipal Tax		
General Municipal Purposes (no limit as to time)		1.27
Public School Uses (voted to September 30, 2003)		0.63
Public School Operation (voted to September 30, 2003)		0.30
Total		2.20
Special Schools Tax		
Public School Uses (School District Levy) (voted to September 30, 2007)		0.50
Total City of Anniston		2.70
Grand Total	\$	5.15

Taxes due October 1 and delinquent January 1 (Discounts allowed: None)
 Penalties for delinquency: \$2.50 plus 12% interest
 Tax sale date: usually June

ASSESSED VALUE OF ALL TAXABLE PROPERTY

For the year ended
September 30, 2004

City of Anniston

Assessment Date Oct. 1	Class I	Class II	Class III	Subtotal Assessed Property	Automobile	Total Assessed Value
	Public Utility 30% Assessment	Commercial 20% Assessment	Residential 10% Assessment		Assessed Value	
1994	\$ 16,016,440	\$ 89,475,436	\$ 31,605,773	\$ 137,097,649	\$ 12,199,040	\$ 149,296,689
1995	14,879,660	88,866,675	31,281,774	135,028,109	13,832,040	148,860,149
1996	14,966,840	91,755,286	31,776,616	138,498,742	14,653,480	153,152,222
1997	14,456,400	104,943,634	33,590,804	152,990,838	12,121,994	165,112,832
1998	14,918,160	108,770,018	34,434,989	158,123,167	18,470,680	176,593,847
1999	19,114,670	124,279,445	39,497,672	182,891,787	19,359,500	202,251,287
2000	19,496,732	121,632,079	39,497,669	180,626,480	22,753,826	203,380,306
2001	24,316,476	169,234,207	46,769,389	240,320,072	27,985,220	268,305,292
2002	22,372,100	145,830,215	46,899,943	215,102,258	28,587,120	243,689,378
2003	25,084,360	209,604,290	46,895,280	281,583,930	29,509,020	311,092,950
2004	24,719,240	213,625,020	47,424,800	285,769,060	29,868,300	315,637,360

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION
BONDED DEBT PER CAPITA**

For the year ended
September 30, 2004

City of Anniston

Fiscal Year Ended	Census	Number	Assessed Value	Gross Bonded Debt	General Debt Service Funds	Net Bonded Debt	Ratio of Net	
							Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1992	1990	26,638	\$ 142,351,773	\$ 12,700,000	\$ 13,011	\$ 12,686,989	8.91%	477
1993	1990	26,638	142,700,854	11,448,000	147,988	11,300,012	7.90%	424
1994	1990	26,638	146,690,151	15,325,407	6,985,000	8,340,407	5.58%	313
1995	1990	26,638	148,860,149	13,414,310	151,691	13,262,619	8.66%	498
1996	1990	26,638	153,152,222	15,906,296	6,621	15,899,675	10.30%	597
1997	1990	26,638	152,990,838	14,072,616	6,083	14,066,533	8.52%	528
1998	1990	26,638	176,593,847	12,642,446	42,832	12,599,614	7.13%	472
1999	1990	26,638	202,251,287	11,335,960	10,979	11,324,981	5.59%	424
2000	2000	24,276	203,380,306	11,326,630	7,972	11,318,658	5.57%	466
2001	2000	24,509	240,320,072	10,275,818	99	10,275,719	4.28%	419
2002	2000	24,509	200,953,661	9,426,345	96	9,426,249	4.69%	385
2003	2000	24,509	281,583,930	7,925,418	96	7,925,322	2.80%	324
2004	2000	24,509	286,246,820	6,898,835	37	6,898,798	2.41%	281

Property is assessed on the following basis:

Class I Public Utility	30%
Class II Commercial	20%
Class III Residential	10%

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

<u>City of Anniston</u>	<u>For the year ended September 30, 2004</u>		
	<u>Gross Debt Less Debt Service Cash</u>	<u>Percentage of Debt Applicable to City of Anniston</u>	<u>City of Anniston Debt Burden</u>
City of Anniston			
Gross Warrants	\$ 6,898,835		\$
Less: Debt service funds assets	37		
Direct Net Debt	<u>6,898,872</u>	<u>100%</u>	<u>6,898,872</u>
Overlapping Debt	None	None	None
Total Direct and Overlapping Debt			<u>\$ 6,898,872</u>

COMPUTATION OF LEGAL DEBT MARGIN

City of Anniston	For the year ended September 30, 2004
Assessed value of real and personal property	\$ 286,246,820
Debt limit, twenty percent of assessed value (constitutional limit)	57,249,364
Outstanding general obligation bonds:	
General obligation bonds	
Total	<u>(6,898,835)</u>
Legal Debt Margin	<u>\$ 50,350,529</u>
 <i>Note: Section 255, as amended, Constitution of State of Alabama, limits debt of the City of Anniston to twenty percent of the assessed value of taxable property. Excluded from this limitation are bonds issued for schools.</i>	
Overlapping debt	
Total Direct and Overlapping Debt	<u>\$ 6,898,835</u>

SCHEDULE OF INSURANCE IN FORCE

City of Anniston For the year ended
September 30, 2004

Company Name	Types of Coverage	Policy Number	From	To	Liability Limits	Annual Premiums
Philadelphia Insurance	Fire and lightning extended coverage all building and contents	HULT 100126	04/01/03	04/01/04	\$ 41,443,687	\$ 50,593
Alabama Municipal	Automobile Liability	AL0090611134071	10/14/04	10/14/05	Automobile liability- \$3,000,000 limit Uninsured motorist-	
Alabama Municipal	Commercial General Liability/ Public Officials, Errors & Omissions, Employee Benefits	AL0090611134042	10/14/03	10/14/05	3,000,000	
Alabama Municipal	Law Enforcement Officer's Comprehensive Liability	AL0090611134042	10/14/03	10/14/05	3,000,000	
Alabama Municipal	Public Employees' Blanket Bond- Faithful Performance	AL0090611134042	10/14/03	10/14/05	25,000 each	382,429
Municipal Workers Comp. Fund, Inc.	Workmen's Compensation	001-2003-00169-00	02/01/03	01/31/04	1,500,000	371,731
Alabama Municipal	Public Official Bond - City Clerk	ALB200920	10/03/03	10/02/04	10,000	50
Alabama Municipal	Public Official Bond - City Manager	ALB200920	10/01/03	10/02/04	50,000	175
Alabama Municipal	Public Official Bond - Finance Director	ALB200920	10/01/03	10/02/04	50,000	450
Alabama Municipal	Public Official Bond - Mayor	ALB200920	10/03/03	10/02/04	10,000	50
Employees Mutual	Fidelity Bond - Polygraph Examiner	SI99043	10/01/03	10/01/04	5,000	50
Employees Mutual	Fidelity Bond - Polygraph Examiner	TI1835	12/04/03	12/04/04	5,000	50
Alabama Municipal	Public Official Bond - Municipal Court Clerks (4)	ALB200920	10/01/03	10/02/04	10,000 each	200

BUSINESS STATISTICS

City of Anniston

September 30, 2004

Year	Deposits (1)	Building Permits*(2) (Private Construction)	Non-agricultural (3) Placement (No.)	Job (3) Application (No.)	Unemployment (4) Claims (No.)
1994	\$ 391,817,000	15,618,222	1,878	6,565	19,439
1995	576,436,000	44,232,044	1,741	7,648	18,670
1996	566,016,000	21,273,321	1,645	8,504	14,808
1997	675,742,000	25,190,925	2,009	9,130	13,127
1998	663,826,000	27,646,160	1,611	8,123	13,039
1999	649,055,000	20,663,426	7,968	12,220	9,343
2000	654,975,000	32,502,965	2,028	13,480	12,672
2001	708,032,000	48,694,877	2,341	14,588	15,652
2002	750,869,000	28,820,702	1,413	16,124	9,913
2004	783,358,000	43,653,879	1,643	19,337	*

Source: (1) Federal Reserve Bank of Atlanta

(2) Center for Business and Economic Research - The University of Alabama/City of Anniston Planning Department

*Does not include retail sales volume for 2002. Center suspended stats for 2002. They are changing their data retrieval

(3) Alabama State Employment Service

(4) Alabama State Unemployment Service

* Information not available at time of report

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED
DEBT TO TOTAL GENERAL EXPENDITURES**

City of Anniston					For the year ended September 30, 2004
Fiscal Year	Principal	Interest	Debt Service	Expenditures	Ratio of Debt Service to General Expenditures (Percentage)
1989	\$ 600,000	\$ 752,078	\$ 1,352,078	\$ 16,304,885	8%
1990	895,000	1,069,099	1,964,099	16,316,751	12%
1991	956,000	1,010,578	1,966,578	15,873,406	12%
1992	1,012,000	951,589	1,963,589	16,428,474	12%
1993	1,217,000	644,749	1,861,749	17,578,841	11%
1994	1,173,000	689,144	1,862,144	20,385,778	9%
1995	1,224,000	681,500	1,905,500	21,801,446	9%
1996	1,310,000	712,383	2,022,383	23,278,879	9%
1997	1,556,000	877,107	2,433,107	22,821,916	11%
1998*	3,212,170	768,590	3,980,760	22,852,403	18%
1999	1,412,199	634,768	2,046,967	21,811,906	9%
2000	1,509,330	580,628	2,089,958	24,308,813	9%
2001	838,809	595,636	1,434,445	25,023,785	6%
2002	885,222	549,770	1,434,992	25,269,367	6%
2003	524,826	555,039	1,079,865	27,127,354	4%
2004	1,263,605	291,515	1,555,120	35,085,269	4%

*Includes 1994-A Refunding Escrow Payment (Note 2).

2004 AD VALOREM TAX PRINCIPAL TAXPAYERS

City of Anniston	For the year ended September 30, 2004	
	<u>Assessed Value</u>	<u>Municipal Tax</u>
Alabama Power Company	\$ 8,805,400	\$ 453,478
Bell South Telecommunications	6,608,500	340,338
Union Foundry Company/McWane, Inc.	5,535,080	285,057
McWane, Inc./M & H Valve Company	2,725,600	140,368
Deltacom, Inc.	5,160,460	265,764
Werner Company	2,965,600	152,728
Alabama Gas Corporation	1,926,900	99,235
North American Bus Industries, Inc.	1,938,160	103,529
Cane Creek L.L.C.	1,760,180	90,872
Solutia, Inc.	<u>1,714,720</u>	<u>88,310</u>
Total	<u>\$ 39,140,600</u>	<u>\$ 2,019,679</u>

SCHEDULE OF GENERAL OBLIGATION WARRANTS OUTSTANDING

City of Anniston				For the year ended September 30, 2004
<u>General Obligation</u>	<u>Election</u>	<u>Issued</u>		
			<u>September 30, 2004</u>	
2004 General Obligation Warrant	\$ -	\$ -	\$	5,505,000
Refunding	-	-		1,290,000
Building warrants	-	-		<u>103,835</u>
Total	<u>\$ -</u>	<u>\$ -</u>	\$	<u>6,898,835</u>

MISCELLANEOUS STATISTICAL DATA

For the year ended
September 30, 2004

City of Anniston

<p>Date of Incorporation: February 4, 1979</p> <p>Form of Government: Council/Manager</p> <p>Area: 46.70 Square Miles</p> <p>Miles of Paved Streets: 222</p> <p>Miles of Sewers:</p> <p style="padding-left: 20px;">Sanitary 213</p> <p style="padding-left: 20px;">Storm 1,005</p> <p style="padding-left: 20px;">(Additional area not mapped or measured at end of 2004)</p> <p>City Employees:</p> <p style="padding-left: 20px;">Police Department 125</p> <p style="padding-left: 20px;">Fire Department 95</p> <p style="padding-left: 20px;">Public Works 79</p> <p style="padding-left: 20px;">Miscellaneous 128</p> <p style="padding-left: 20px;">Planning 5</p> <p style="padding-left: 40px;"><u>432</u></p> <p>Public Schools:</p> <p style="padding-left: 20px;">Elementary (K-5) 5</p> <p style="padding-left: 20px;">Middle (6-8) 1</p> <p style="padding-left: 20px;">High (9-12) 1</p> <p style="padding-left: 20px;">Vocational/Tech 1</p> <p style="padding-left: 40px;"><u>8</u></p> <p>School Enrollment: 2,582</p> <p>Number Annual H.S. Graduates: 93</p> <p>Libraries:</p> <p style="padding-left: 20px;">Central 1</p> <p style="padding-left: 20px;">Branches 1</p> <p style="padding-left: 20px;">Bookmobiles 1</p>	<p>Recreation:</p> <p style="padding-left: 20px;">Number of Parks 36</p> <p style="padding-left: 20px;">Acres of Parks 892</p> <p style="padding-left: 20px;">Golf Courses (Public & Private) 3</p> <p style="padding-left: 20px;">Tennis Courts 10</p> <p style="padding-left: 20px;">Community Centers 8</p> <p style="padding-left: 20px;">Softball Complexes 1</p> <p>Public Safety:</p> <p style="padding-left: 20px;">Number of Fire Stations 6</p> <p style="padding-left: 20px;">Number of Police Stations 1</p> <p style="padding-left: 20px;">Fire Insurance Classification 2</p> <p>Population:</p> <p style="padding-left: 20px;">1900 Federal Census 9,695</p> <p style="padding-left: 20px;">1910 Federal Census 12,794</p> <p style="padding-left: 20px;">1920 Federal Census 17,734</p> <p style="padding-left: 20px;">1930 Federal Census 22,345</p> <p style="padding-left: 20px;">1940 Federal Census 25,523</p> <p style="padding-left: 20px;">1950 Federal Census 31,066</p> <p style="padding-left: 20px;">1960 Federal Census 33,657</p> <p style="padding-left: 20px;">1970 Federal Census 31,533</p> <p style="padding-left: 20px;">1980 Federal Census 29,185</p> <p style="padding-left: 20px;">1990 Federal Census 26,638</p> <p style="padding-left: 20px;">2000 Federal Census 24,276</p> <p style="padding-left: 20px;">2000 Federal Census 24,509</p> <p>With the annexation of Blue Mountain in 2001 the population increased by 233 within the City limits.</p> <p>Meeting Facilities:</p> <p style="padding-left: 20px;">City Meeting Center 1</p>
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