

CITY OF OPELIKA, ALABAMA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2005

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LIST OF PRINCIPAL OFFICIALS OF THE CITY OF OPELIKA

ELECTED AND APPOINTED OFFICIALS

Gary Fuller, Mayor
J. Jerry Teel, Council President, Ward 3
Patricia A. Jones, Council Member, Ward 1
Clarence Harris, Jr., Council Member, Ward 2
Charles E. Smith, Council Member, Ward 4
Dr. William A. Lazenby, Council Member, Ward 5
Robert G. Shuman, City Clerk/Treasurer
Guy F. Gunter, III, City Attorney

DEPARTMENT HEADS

R. Mitchell Price, Contoller	Walter Dorsey, Engineering Director
John W. Findley, Jr., Information Technology Director	Alfred E. Cook, Economic Development Director
L.W. Harrelson, Jr., Parks and Recreation Director	Shirley C. Washington, Purchasing Agent
Lisa G. McLeod, Human Resources Director	Jerry B. Posey, Light and Power Director
Martin D. Ogren, Planning Director	Michelle W. Jones, Library Director
T. Michael Moore, Revenue Officer	Gene T. Adkins, Fire Chief
Thomas R. Mangham, Police Chief	

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CITY OF OPELIKA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2005
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FINANCIAL SECTION

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BRANTLEY, BOUCHER & FARR LLP
Certified Public Accountants

P.O. BOX 587
100 NORTH NINTH STREET
OPELIKA, ALABAMA 36803-0587

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Opelika, Alabama, as of and for the year ended September 30, 2005, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Opelika, Alabama, management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

As described in Note 3 to the financial statements, the financial statements referred to above include accumulated costs of utility systems that have been retired from service and does not include all indirect or overhead costs of additions, or cost of the sewer system incurred prior to December 1, 1965, which should be determined in order to conform with accounting principles generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the City of Opelika, Alabama, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Opelika, Alabama, as of September 30, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the matters discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the electric fund, and sewer fund for the primary government of the City of Opelika, Alabama, as of September 30, 2005, and the respective changes in financial position and cash flows,

where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, school tax special revenue fund, industrial access road grant capital projects fund, solid waste collection fund, and the aggregate remaining fund information for the primary government of the City of Opelika, Alabama, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof 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 March 22, 2006 on our consideration of the City of Opelika, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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 considered 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 XVIII and 41 through 51, are not a required part of the basic financial statements of the City's primary government 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 basic financial statements of the City of Opelika, Alabama's primary government. The introductory section, combining and individual nonmajor fund financial statements and supplemental schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules 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.



Opelika, Alabama
March 22, 2006

CITY OF OPELIKA, ALABAMA**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

As management of the City of Opelika, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. The City implemented Governmental Accounting Standards Board Statement 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments for the fiscal year ended September 30, 2003. As discussed in footnote 1, Statement 34 allows for certain transition treatments in regard to infrastructure.

FINANCIAL HIGHLIGHTS

- The City's current assets and capital assets increased as a result of various factors, the most important of which was the expenditure of grant proceeds for construction of both Dunlop Drive and Gateway Drive along with additional sewer filter plant capacity and additional electric system capacity for industrial expansion.
- The City did not issue bonds in 2005. The City's long-term liabilities decreased because the government made the normal principal payments on the bonds that it has outstanding. Last year the City issued the 2004 General Obligation School Warrants and appropriated the proceeds of the bonds to the Opelika Board of Education for

funding the renovation of Opelika Middle School. The City's education expenditures are less in 2005 because of the absence of the bond proceeds and the resultant appropriation.

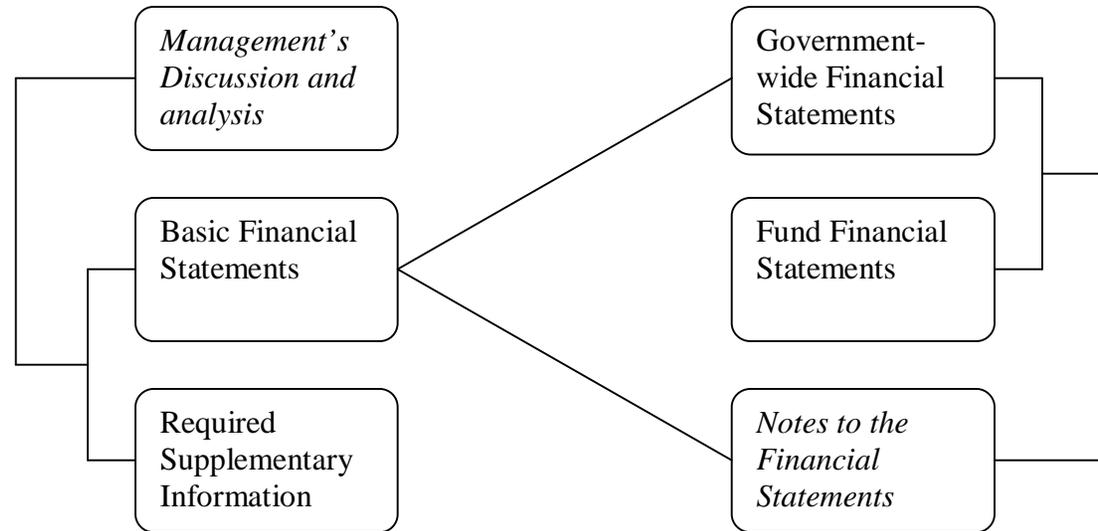
- Phases I and II of the Tiger Town retail complex were completed and Phase III was started. This, along with the increase in the sales and use tax rate from two and one half percent to three percent in July of 2003, provided a significant increase in sales and use tax revenue for the fiscal year ended September 30, 2005. The additional revenues from this increase were used by the Mayor and Council to:
 - 1) provide funding for debt service payments on two future projects. The first project is the City's participation in expanding the jail facilities of the Lee County Justice Center for the purpose of providing one countywide jail facility. The second capital project is for a new Parks and Recreation Center and recreation complex.
 - 2) provide funding for an increase in expenditures for resurfacing the City's streets and roads in addition to other infrastructure improvements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages **1** to **3**) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page **4**. For governmental activities, the statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The financial statements provide a dual focus on the primary government of the City as a whole and on individual major funds. Component units, although legally separate, for which the government is financially accountable are not included in these primary government financial statements. The omitted component units are the Opelika City Board of Education and the Opelika Industrial Development Authority. The reporting for the primary government of the City as a whole is provided by the Government-wide financial statements. The reporting for the individual major funds is provided by the fund financial statements. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. The following graphic may help you understand the financial statements.

Basic Annual Financial Report



Reporting the City as a whole

Our analysis of the City as a whole begins on page ***XI***. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. It is necessary to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City’s basic services are reported here, including the police, fire, public works, parks and recreation, and general administration. Property taxes, sales taxes, occupational licenses taxes, business licenses, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The operations of the City’s electric system, sewer system, and solid waste collection are reported here.

Reporting the City’s Most Significant Funds

Our analysis of the City’s major funds begins on page **XIV**. The fund financial statements begin on page **4** and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City’s two kinds of funds – *governmental* and *proprietary* – use different accounting approaches:

- *Governmental funds* – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides- whether to outside customers or to other units of the City – these services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide services for the City’s other programs and activities – such as the City’s Health Insurance and Workmen’s Compensation Funds.

THE CITY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of the government’s financial position. In the case of the City of Opelika, assets exceeded liabilities by \$30,706,757 as of September 30, 2005.

The largest portion of the City’s net assets reflects its investment in capital assets (e.g. land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay that debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City is presenting a comparative analysis of government-wide data below:

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	28,249,267	27,531,628	14,076,259	14,021,530	42,325,526	41,553,158
Capital assets	29,917,604	25,314,492	41,069,999	38,310,237	70,987,603	63,624,729
Total Assets	<u>58,166,871</u>	<u>52,846,120</u>	<u>55,146,258</u>	<u>52,331,767</u>	<u>113,313,129</u>	<u>105,177,887</u>
Long-term liabilities	56,272,015	59,220,236	11,315,797	11,804,074	67,587,812	71,024,310
Other liabilities	10,850,701	9,401,217	4,167,859	3,114,735	15,018,560	12,515,952
Total Liabilities	<u>67,122,716</u>	<u>68,621,453</u>	<u>15,483,656</u>	<u>14,918,809</u>	<u>82,606,372</u>	<u>83,540,262</u>
Net Assets:						
Invested in capital assets, net of related debt	15,427,450	8,754,817	30,078,814	27,906,458	45,506,264	36,661,275
Restricted	5,041,240	4,172,964	823,172	314,656	5,864,412	4,487,620
Unrestricted	(29,424,535)	(28,703,114)	8,760,616	9,191,844	(20,663,919)	(19,511,270)
Total Net Assets	<u>(8,955,845)</u>	<u>(15,775,333)</u>	<u>39,662,602</u>	<u>37,412,958</u>	<u>30,706,757</u>	<u>21,637,625</u>

The City's long-term liabilities include general obligation bonds and warrants, capital leases and compensated absences. Additional information can be found at Footnote 7.

The amount of Net Assets shown as Invested in Capital Assets, Net of Related Debt, includes \$9,183,473 of debt issued to finance acquisition of infrastructure assets which are not included in capital assets. Under GASB 34, infrastructure assets are subject to an extended implementation period. The City will implement the retroactive infrastructure provisions by September 30, 2007.

Restricted Net Assets includes those assets restricted for specific purposes by external parties or by statute.

Unrestricted Net Assets of \$(29,424,535) includes \$38,021,929 of debt issued to finance the acquisition of assets to benefit the City as a whole for which the City does not retain ownership. This includes outstanding debt issued for 1) constructing and equipping schools of \$21,517,802 2) constructing a portion of the Conference Center at Grand National Golf Course of \$4,160,217 3) developing the industrial park by the Opelika Industrial Development Authority of \$8,257,000 and 4) developing Tiger Town retail shopping area of \$4,086,910.

Changes in Net Assets

Charges for services increased primarily due to an increase in building permits and plan review fees. Sales and use taxes increased due to 1) an increase in the tax rate from two and a half to three percent and 2) due to the opening phases I and II of the Tiger Town retail shopping complex. License and permits revenue increased first as a result of an increase in jobs which resulted from a general increase in economic activity and second from an increase in construction permits.

Revenue from overall grants and contributions decreased due to a decrease in grant revenues and the completion of some capital and non-capital projects.

Economic development and urban rehabilitation expenditures remained level as the government expended funds for phase III of the Tiger Town shopping complex and completed spending on phases I and II of the project. Education expenditures decreased in 2005 because the 2004 appropriation included \$7,008,000 of proceeds from issuance of the 2004 GO School Warrants. The government did not issue bonds in 2005, so the education appropriation returned to normal amount of \$2.5 million from the general fund plus any ad valorem taxes remaining after payment of the debt service on the school bonds.

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	1,733,385	1,093,068	26,319,293	24,131,191	28,052,678	25,224,259
Operating grants and contributions	862,299	683,228	39,854	116,500	902,153	799,728
Capital grants and contributions	1,577,033	2,432,240	455,688	1,212,914	2,032,721	3,645,154
General revenues:						
Taxes:						
Property	5,981,634	5,731,267	-	-	5,981,634	5,731,267
Sales	13,606,331	11,777,250	-	-	13,606,331	11,777,250
Other	1,107,046	1,076,619	-	-	1,107,046	1,076,619
Licenses and permits	9,680,346	8,969,433	-	-	9,680,346	8,969,433
Grants and contributions not restricted to specific programs	247,283	833,143	-	-	247,283	833,143
Unrestricted investment earnings	360,486	248,776	291,896	193,180	652,382	441,956
Gain on sale of capital assets	200,842	-	-	-	200,842	-
Miscellaneous	500,296	166,028	-	-	500,296	166,028
Total revenues	35,856,981	33,011,052	27,106,731	25,653,785	62,963,712	58,664,837
Expenses:						
General government	4,156,615	4,041,499	-	-	4,156,615	4,041,499
Public safety	10,701,221	10,387,805	-	-	10,701,221	10,387,805
Public works	3,643,175	3,547,005	-	-	3,643,175	3,547,005
Health	263,872	268,506	-	-	263,872	268,506
Welfare	146,142	146,004	-	-	146,142	146,004
Culture and recreation	2,980,235	2,826,196	-	-	2,980,235	2,826,196
Education	3,866,675	11,042,776	-	-	3,866,675	11,042,776
Economic development and urban rehabilitation	2,818,269	2,788,924	-	-	2,818,269	2,788,924
Interest on long-term debt	2,386,186	2,243,565	-	-	2,386,186	2,243,565
Electric	-	-	19,153,469	17,588,674	19,153,469	17,588,674
Sewer	-	-	2,119,286	2,089,686	2,119,286	2,089,686
Solid Waste	-	-	1,659,435	1,611,873	1,659,435	1,611,873
Total Expenses	30,962,390	37,292,280	22,932,190	21,290,233	53,894,580	58,582,513
Increases in net assets before transfers	4,894,591	(4,281,228)	4,174,541	4,363,552	9,069,132	82,324
Transfers	1,924,897	2,383,043	(1,924,897)	(2,383,043)	-	-
Increase in net assets	6,819,488	(1,898,185)	2,249,644	1,980,509	9,069,132	82,324

THE CITY FUNDS

Governmental Funds

The focus of the City of Opelika's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds (as presented in the balance sheet on pages **4-5**, reported a combined fund balance of \$14,160,348. The General Fund's total fund balance is \$8,458,649 which is a decrease of \$1,304,850 or 13.36%. The General Fund's Undesignated Unreserved Fund Balance increased 18.47% from \$4,583,854 to 5,430,463. The designated for road improvements account decreased due to transfers that were authorized by the City Council for various construction projects. The reserve for encumbrances increased as purchase orders were issued for construction projects and public works management contracts.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Electric and Solid Waste Collection Fund's net assets increased significantly from fiscal year 2004. Net assets for the Electric Fund increased 4.6% and the net assets for the Solid Waste Collection Fund increased 8.6%. The net assets for the Sewer Fund increased significantly by 7.0% to a balance of \$18,612,322.

The Sewer Fund's net assets increased \$1,212,526. One third of this increase in net assets, or \$385,846, is from capital contributions from developers and capital contributions from grantors for improvements to the wastewater treatment plant. These capital contributions are one time revenue items and are not a part of the overall revenue and expense structure. The remaining two thirds are from operating revenue.

General Fund Budgetary Highlights

Over the course of the year, the City Council authorized several changes to the General Fund budget for fiscal year ending September 30, 2005. These adjustments are itemized below:

- 1) 1,644,426, appropriated for the construction of an extension to Gateway Drive
- 2) 1,500,000, appropriated to assist in public related infrastructure and site development
- 3) 225,000, appropriated for the reconstruction of White Road Bridge
- 4) 217,800, appropriated for the construction of an addition to the Lee Council of Government Building
- 5) 212,402, appropriated for the lease purchase of excavating equipment
- 6) 200,000, appropriated for the purchase of land
- 7) 197,796, appropriated to the Sewer Fund for the Hanwah sewer construction
- 8) 137,520, appropriated for the construction of JoAnn Drive
- 9) 110,000, appropriated for the Rocky Brook Road Culvert reconstruction
- 10) 49,500, appropriated for the removal of Priester Road Bridge

In addition to these adjustments, the Library Board contract authorized a budget carryover of \$98,500 and the budget resolution authorized encumbrance carry forwards of \$1,109,914.

The most significant variances in the budget comparison of actual amount to final budget are capital outlay and revenues from taxes and licenses and permits. Several construction projects were not completed by the end of the fiscal year and as a result capital outlay was under budget for the year. Thus, construction expenditures on these projects will continue into the next fiscal year. Revenues increased significantly over budget due to an increase in sales tax rates and the opening of the Tiger Town retail shopping complex. The general increase in economic activity and the resulting job creation produced an increase in occupational license fee revenue. In addition, the City's operating departments were collectively under budget by \$1.5 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Opelika's investment in capital assets for its governmental and business-type activities as of September 30, 2005, amounts to \$70,987,603 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, systems, improvements other than buildings, equipment, infrastructure and construction in progress. See footnote **5** for additional capital asset information.

This year's major additions include:

1) Dunlop Drive	2,469,643
2) Light & Power system additions	1,746,202
3) Wastewater Treatment Facility additions	1,646,038
4) Gateway Drive	1,426,130
5) Parks and Recreation Complex	533,628
6) Jo Ann Road	465,360
7) Avenue A Streetscape	347,912
8) Hanwah Sewer	223,825
9) Improvements to Springvilla Park	142,269
10) Construction of Cemetery Building	130,251

Capital Assets at Year End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	4,474,098	4,210,760	418,283	418,283	4,892,381	4,629,043
Buildings and improvements	5,446,565	5,537,869	102,293	115,522	5,548,858	5,653,391
System	-	-	30,220,883	29,664,309	30,220,883	29,664,309
Improvements other than buildings	2,867,300	2,847,471	-	-	2,867,300	2,847,471
Equipment	3,908,072	4,098,668	937,918	1,081,055	4,845,990	5,179,723
Infrastructure	9,627,409	6,411,196	-	-	9,627,409	6,411,196
Construction in process	3,594,160	2,208,528	9,390,622	7,031,068	12,984,782	9,239,596
Total	29,917,604	25,314,492	41,069,999	38,310,237	70,987,603	63,624,729

Debt Administration

At the end of fiscal year September 30, 2005, the City of Opelika had a total bonded debt and notes payable of \$67,716,928.

The general obligation bond rating of the City remains unchanged at A+ (Standard & Poor's) and A1 (Moody's) based on a stable outlook, expanding economy, and sound financial position. Maximum general obligation debt that cities can issue (with certain exclusions for debt issued for schools, sewers and storm sewers) is 20% of the assessed value of real and personal property. As of September 30, 2005, the City had approximately \$26,512,578 of available debt margin. See footnote 7 for additional information about the City's general long-term debt and other long-term liabilities.

Outstanding Debt at September 30, 2005

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	44,259,584	46,719,039	11,105,000	11,535,000	55,364,584	58,254,039
Other long-term debt	8,257,000	8,602,000	-	-	8,257,000	8,602,000
Capital leases	262,110	164,349	-	-	262,110	164,349
Deferred amounts on refunding	(180,255)	(213,533)	(37,519)	(43,366)	(217,774)	(256,899)
Unamortized premiums	1,046,661	1,208,405	115,383	135,733	1,162,044	1,344,138
Compensated absences	2,218,767	2,382,124	262,049	316,855	2,480,816	2,698,979
Claims and judgments	408,148	357,852	-	-	408,148	357,852
Total	56,272,015	59,220,236	11,444,913	11,944,222	67,716,928	71,164,458

ECONOMIC FACTORS

The City of Opelika's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for the business-type activities. One of these factors is the economy.

Opelika's economy remained strong during fiscal year 2005. The growth which began in 2004 – in retail, industry and residential, respectively – continued on through 2005, giving Opelika another record setting year in revenues and growth. The city issued the largest number of building permits in its history, recording \$187,845,000.00 in building permits.

The 80,000 square foot Jo-Ann Stores Distribution Center was completed and is now operational, employing 150 employees (of the 425 the company intends to bring on board). Maxforma Plastics – a Hyundai supplier – also opened the doors to its 80,000 square foot facility and has a work force of 125. Gambro Renal Products – a company out of Germany, which makes dialyzers for kidney dialysis – announced its plans to build a 100,000 squared foot facility in Opelika, making the largest single investment in Lee County's history of \$110 million. Gambro will employ 150 people when it opens for business somewhere toward the end of 2007. The total investments made by new industry to the City of Opelika for fiscal year 2005 are \$170 million.

During fiscal year 2005, two existing industries announced expansions to their operations. Twin City Wholesale added \$2 million in capital investment to their operations and hired an additional 10 people. The Opelika Auburn News (now a Media General Company) announced their plans to build a new publishing center, investing \$13.5 million toward the project, and adding 20 new employees. A third company, Quantegy, which had filed bankruptcy in December 2004 and laid off their 100 employees, was sold and re-opened its doors in early 2005, bringing back 100 employees. The grand total of investments from new and existing industries in 2005 was \$191.5 million.

The Tiger Town retail shopping complex continues to expand its commercial developments.

The unemployment rate of 3.6% remained well below the state and national averages. Property tax values have grown approximately 7% a year since fiscal 1994, including reappraisals.

Opelika's financial position is sound, with healthy reserve levels. The governmental activities revenues are derived primarily from a local three percent sales tax, a one and a half percent occupational license fee, ad valorem taxes and business licenses. Business-type activities revenues are derived from electric power sales, sewer charges, and solid waste collection fees.

FINANCIAL CONTACT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Controller's Office at 204 South Seventh Street, P.O. Box 390, Opelika, Alabama 36803-0390.

BASIC FINANCIAL STATEMENTS

CITY OF OPELIKA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

<i>ASSETS</i>	<i>GOVERNMENTAL ACTIVITIES</i>	<i>BUSINESS-TYPE ACTIVITIES</i>	<i>TOTAL</i>
Cash	\$ 12,206,536	\$ 4,539,467	\$ 16,746,003
Certificates of deposit	1,995,000	3,136,638	5,131,638
Receivables			
Accounts and unbilled service receivable, net		4,471,501	4,471,501
Sales and use tax	1,372,982	-	1,372,982
Occupational license tax	1,847,597	-	1,847,597
Property taxes	2,215,536	-	2,215,536
Fines and forfeitures	254,447	-	254,447
Other	149,514	36,736	186,250
Due from other governments	1,453,838	90,225	1,544,063
Due from other funds	-	-	-
Inventory of supplies, at cost	114,212	784,355	898,567
Restricted assets:			
Temporarily restricted:			
Cash in bank	-	822,473	822,473
Cash with fiscal agent	46,267	699	46,966
Receivable for property taxes, restricted for school purposes	3,864,163	-	3,864,163
Investments	1,343,453	-	1,343,453
Permanently restricted:			
Investments	507,348	-	507,348
Deferred charges and debt issue costs	759,609	191,679	951,288
Advances to other governments			
Due within one year	99,536	-	99,536
Due in more than one year			-
Other	19,229	2,486	21,715
Capital assets:			
Land	4,474,098	418,283	4,892,381
Building	10,075,846	264,695	10,340,541
Improvements other than buildings and system	4,094,991	57,772,837	61,867,828
Equipment	12,108,795	4,233,559	16,342,354
Infrastructure	9,861,205	-	9,861,205
Construction work in progress	3,594,160	9,390,622	12,984,782
Total original cost	44,209,095	72,079,996	116,289,091
Less: accumulated depreciation	(14,291,491)	(31,009,997)	(45,301,488)
Capital assets, net	29,917,604	41,069,999	70,987,603
Total assets	\$ 58,166,871	\$ 55,146,258	\$ 113,313,129

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
LIABILITIES			
Accounts payable	\$ 2,524,427	\$ 2,766,652	\$ 5,291,079
Accrued payroll and benefits	622,972	237,261	860,233
Debt service payable	722,930		722,930
Due to other funds	247,142	(247,142)	-
Due to other governments	329,332		329,332
Accrued interest payable	230,105	193,356	423,461
Unearned revenue	6,173,793	77,626	6,251,419
Long-term liabilities:			
Due within one year	4,711,342	495,000	5,206,342
Due in more than one year	51,560,673	10,820,797	62,381,470
Customer deposits	-	1,140,106	1,140,106
Total liabilities	<u>67,122,716</u>	<u>15,483,656</u>	<u>82,606,372</u>
NET ASSETS			
Net assets:			
Invested in capital assets, net of related debt	15,427,450	30,078,814	45,506,264
Restricted for:			
Capital projects	4,065,925	823,172	4,889,097
Debt service	380,867	-	380,867
Other purposes	594,448	-	594,448
Unrestricted	(29,424,535)	8,760,616	(20,663,919)
Total net assets	<u>\$ (8,955,845)</u>	<u>\$ 39,662,602</u>	<u>\$ 30,706,757</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2005

FUNCTIONS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:							
Governmental activities:							
General government	\$ 4,156,615	\$ 14,102	\$ 92,700	\$ -	\$ (4,049,813)	\$ -	\$ (4,049,813)
Public safety	10,701,221	606,118	44,240	4,896	(10,045,967)	-	(10,045,967)
Public works	3,643,175	874,924	477,900	1,544,086	(746,265)	-	(746,265)
Health	263,872	-	-	-	(263,872)	-	(263,872)
Welfare	146,142	-	58,142	-	(88,000)	-	(88,000)
Culture and recreation	2,980,235	238,241	47,949	28,051	(2,665,994)	-	(2,665,994)
Education	3,866,675	-	-	-	(3,866,675)	-	(3,866,675)
Economic development and urban rehabilitation	2,818,269	-	141,368	-	(2,676,901)	-	(2,676,901)
Interest on long-term debt	2,386,186	-	-	-	(2,386,186)	-	(2,386,186)
Total governmental activities	<u>30,962,390</u>	<u>1,733,385</u>	<u>862,299</u>	<u>1,577,033</u>	<u>(26,789,673)</u>	<u>-</u>	<u>(26,789,673)</u>
Business-type activities:							
Electric	19,153,469	21,943,124	7,390	69,842	-	2,866,887	2,866,887
Sewer	2,119,286	2,680,390	-	385,846	-	946,950	946,950
Solid waste	1,659,435	1,695,779	32,464	-	-	68,808	68,808
Total business-type activities	<u>22,932,190</u>	<u>26,319,293</u>	<u>39,854</u>	<u>455,688</u>	<u>-</u>	<u>3,882,645</u>	<u>3,882,645</u>
Total primary government	<u>\$ 53,894,580</u>	<u>\$ 28,052,678</u>	<u>\$ 902,153</u>	<u>\$ 2,032,721</u>	<u>(26,789,673)</u>	<u>3,882,645</u>	<u>(22,907,028)</u>
General revenues:							
Taxes:							
Property					5,981,634	-	5,981,634
Sales					13,606,331	-	13,606,331
Other					1,107,046	-	1,107,046
Licenses and permits					9,680,346	-	9,680,346
Grants and contributions not restricted to specific programs					247,283	-	247,283
Unrestricted investment earnings					360,486	291,896	652,382
Gain on sale of capital assets					200,842	-	200,842
Miscellaneous					500,296	-	500,296
Transfers					1,924,897	(1,924,897)	-
Total general revenues and transfers					<u>33,609,161</u>	<u>(1,633,001)</u>	<u>31,976,160</u>
Change in net assets					<u>6,819,488</u>	<u>2,249,644</u>	<u>9,069,132</u>
Net assets - beginning of year					<u>(15,775,333)</u>	<u>37,412,958</u>	<u>21,637,625</u>
Net assets - ending					<u>\$ (8,955,845)</u>	<u>\$ 39,662,602</u>	<u>\$ 30,706,757</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	GENERAL FUND	SCHOOL TAX SPECIAL REVENUE FUND	INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 4,004,218	\$ 274,969	\$ 593,575	\$ 5,454,648	\$ 10,327,410
Certificates of deposit	1,987,000	-	-	8,000	1,995,000
Receivables:					
Occupation license taxes	1,847,597	-	-	-	1,847,597
Sales and other taxes	1,372,982	-	-	-	1,372,982
Property taxes	2,215,536	3,864,163	-	-	6,079,699
Fines and forfeitures	254,447	-	-	-	254,447
Assessments	48,999	-	-	-	48,999
Accrued interest	17,156	-	-	3,092	20,248
Other	80,267	-	-	-	80,267
Due from other funds	1,237,900	-	4,800	183,593	1,426,293
Due from other governments	333,120	-	1,020,797	99,921	1,453,838
Advances to other governments	99,536	-	-	-	99,536
Inventories of supplies, at cost	114,212	-	-	-	114,212
Restricted assets:					
Cash with fiscal agent	-	-	-	46,267	46,267
Investments	-	-	-	1,850,801	1,850,801
 Total assets	 <u>\$ 13,612,970</u>	 <u>\$ 4,139,132</u>	 <u>\$ 1,619,172</u>	 <u>\$ 7,646,322</u>	 <u>\$ 27,017,596</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	GENERAL FUND	SCHOOL TAX SPECIAL REVENUE FUND	INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,670,994	\$ -	\$ 555,724	\$ 157,477	\$ 2,384,195
Retainage payable	56,409	-	-	-	56,409
Matured bonds and interest payable	-	-	-	722,930	722,930
Accrued payroll and benefits	641,767	-	-	1,894	643,661
Due to other funds	132,656	-	591,937	436,066	1,160,659
Due to other governments	3,783	325,549	-	-	329,332
Deferred revenue	2,648,712	3,813,583	1,020,797	76,970	7,560,062
Total liabilities	5,154,321	4,139,132	2,168,458	1,395,337	12,857,248
Fund balances:					
Reserved for advances to other governments	10,456	-	-	-	10,456
Reserved for encumbrances	1,498,303	-	-	220,547	1,718,850
Reserved for inventories of supplies	114,212	-	-	-	114,212
Reserved for law enforcement	24,827	-	-	-	24,827
Reserved for debt service	-	-	-	501,786	501,786
Reserved for permanent funds - nonexpendable	-	-	-	515,980	515,980
Unreserved:					
Designated for construction and debt service on roads	1,011,840	-	-	-	1,011,840
Designated for infrastructure improvements	40,770	-	-	-	40,770
Designated for capital asset additions	269,826	-	-	-	269,826
Designated for community activities	57,952	-	-	-	57,952
Unreserved, undesignated, reported in:					
General Fund	5,430,463	-	-	-	5,430,463
Special revenue funds	-	-	-	4,558,496	4,558,496
Capital projects funds	-	-	(549,286)	454,176	(95,110)
Total fund balances	8,458,649	-	(549,286)	6,250,985	14,160,348
Total liabilities and fund balances	\$ 13,612,970	\$ 4,139,132	\$ 1,619,172	\$ 7,646,322	\$ 27,017,596

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Total fund balances -- governmental funds \$ 14,160,348

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds. 29,917,604

Internal service funds are used by management to charge the costs of workmen's compensation insurance and employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 666,092

Receivables and other long-term assets, including receivables from other governments are not available to pay for current-period expenditures and therefore are deferred in the funds. 1,521,785

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Governmental bonds payable	\$	(52,778,694)	
Premiums, debt issuance and refunding costs		(106,797)	
Accrued interest payable		(230,105)	
Compensated absences		(2,106,078)	
		(2,106,078)	(55,221,674)

Net assets of governmental activities \$ (8,955,845)

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<u>GENERAL FUND</u>	<u>SCHOOL TAX SPECIAL REVENUE FUND</u>	<u>INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:					
Taxes:					
Property	\$ 2,156,823	\$ 3,824,810	\$ -	\$ -	\$ 5,981,633
Sales	13,606,331	-	-	-	13,606,331
Other	1,116,102	-	-	-	1,116,102
Occupational license fees	7,166,522	-	-	-	7,166,522
Business licenses and permits	3,228,705	-	-	-	3,228,705
Intergovernmental revenues	436,805	-	803,857	952,976	2,193,638
Charges for services	611,337	-	-	-	611,337
Fines and forfeitures	390,888	-	-	-	390,888
Investment income	280,445	-	-	206,365	486,810
Miscellaneous	239,400	-	-	29,721	269,121
Total revenues	<u>29,233,358</u>	<u>3,824,810</u>	<u>803,857</u>	<u>1,189,062</u>	<u>35,051,087</u>
Expenditures:					
Current:					
General government	3,656,156	-	-	44,129	3,700,285
Public safety	10,037,403	-	-	173,789	10,211,192
Public works	3,165,259	-	-	35,531	3,200,790
Health	262,817	-	-	-	262,817
Welfare	88,000	-	-	58,142	146,142
Culture and recreation	2,751,053	-	-	-	2,751,053
Education	2,501,877	1,364,798	-	-	3,866,675
Economic development and urban rehabilitation	1,972,036	-	-	141,478	2,113,514
Capital outlay:	4,094,917	-	1,882,388	810,761	6,788,066
Debt service:					
Principal retirement	430,808	-	-	2,545,000	2,975,808
Interest and fiscal charges	272,283	-	-	2,137,985	2,410,268
Bond issue costs	-	-	-	-	-
Total expenditures	<u>29,232,609</u>	<u>1,364,798</u>	<u>1,882,388</u>	<u>5,946,815</u>	<u>38,426,610</u>
Excess of revenues over (under) expenditures	<u>\$ 749</u>	<u>\$ 2,460,012</u>	<u>\$ (1,078,531)</u>	<u>\$ (4,757,753)</u>	<u>\$ (3,375,523)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<u>GENERAL FUND</u>	<u>SCHOOL TAX SPECIAL REVENUE FUND</u>	<u>INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Other financing sources (uses):					
Proceeds from debt issuance	\$ 160,000	\$ -	\$ -	\$ -	\$ 160,000
Capital lease	212,402	-	-	-	212,402
Proceeds of refunding bonds	-	-	-	-	-
Sale of capital assets	330,770	-	-	-	330,770
Transfers from governmental funds	13,354	-	411,875	6,773,291	7,198,520
Transfers from proprietary funds	2,134,384	-	-	-	2,134,384
Transfers to governmental funds	(3,947,022)	(2,460,012)	-	(791,486)	(7,198,520)
Transfers to proprietary funds	(209,487)	-	-	-	(209,487)
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>(1,305,599)</u>	<u>(2,460,012)</u>	<u>411,875</u>	<u>5,981,805</u>	<u>2,628,069</u>
Net change in fund balances	(1,304,850)	-	(666,656)	1,224,052	(747,454)
Fund balances, beginning of year	<u>9,763,499</u>	<u>-</u>	<u>117,370</u>	<u>5,026,933</u>	<u>14,907,802</u>
Fund balances, end of year	<u>\$ 8,458,649</u>	<u>\$ -</u>	<u>\$ (549,286)</u>	<u>\$ 6,250,985</u>	<u>\$ 14,160,348</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances - all governmental funds		\$	(747,454)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Expenditures for capital outlay		6,788,066	
Less: current year depreciation		<u>(1,511,052)</u>	5,277,014
Net effect of other transactions involving capital assets (i.e. disposals, transfers, and capital contributions) that are not recorded in the governmental funds.			
Capital contributions		162,396	
Transfer assets to proprietary fund		(706,370)	
Disposals at net book value		<u>(129,928)</u>	(673,902)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
			380,594
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt and related items follow:			
Principal amount of new debt		(372,402)	
Debt issuance and refunding costs		-	
Principal payments on outstanding debt		<u>2,975,800</u>	2,603,398
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds			
			184,451
Internal service funds are used by management to charge the costs of workmen's compensation and employee's health insurance to individual funds. The excess of expenditures over revenues and reversal of charges to enterprise funds is reported with governmental activities.			
			<u>(204,613)</u>
Change in net assets of governmental activities		\$	<u><u>6,819,488</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005

<i>ASSETS</i>	<i>ELECTRIC UTILITY</i>	<i>SEWER SYSTEM</i>	<i>SOLID WASTE COLLECTION</i>	<i>TOTALS</i>	<i>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</i>
Current assets:					
Cash	\$ 2,532,218	\$ 1,783,133	\$ 224,116	\$ 4,539,467	\$ 1,879,126
Certificates of deposit	3,136,638	-	-	3,136,638	-
Accounts and unbilled service receivable, net	4,210,102	197,004	64,395	4,471,501	-
Accrued interest	36,736	-	-	36,736	-
Due from other funds	60,953	175,012	25,054	261,019	185,862
Due from other governments	13,796	69,298	7,131	90,225	-
Inventory of supplies, at cost	784,355	-	-	784,355	-
Total current assets	<u>10,774,798</u>	<u>2,224,447</u>	<u>320,696</u>	<u>13,319,941</u>	<u>2,064,988</u>
Restricted assets:					
Cash in bank	-	822,473	-	822,473	-
Cash and investments with fiscal agent	-	699	-	699	-
Total restricted assets	<u>-</u>	<u>823,172</u>	<u>-</u>	<u>823,172</u>	<u>-</u>
Deferred charges:					
Unamortized bond issue costs	<u>-</u>	<u>191,679</u>	<u>-</u>	<u>191,679</u>	<u>-</u>
Capital assets					
Land	72,033	116,703	229,547	418,283	-
Building	199,066	21,823	43,806	264,695	-
System	30,095,970	27,676,867	-	57,772,837	-
Equipment	1,687,095	883,051	1,663,413	4,233,559	-
Construction work in progress	676,979	8,713,643	-	9,390,622	-
Total original cost	<u>32,731,143</u>	<u>37,412,087</u>	<u>1,936,766</u>	<u>72,079,996</u>	<u>-</u>
Less: accumulated depreciation	<u>(19,863,068)</u>	<u>(9,730,100)</u>	<u>(1,416,829)</u>	<u>(31,009,997)</u>	<u>-</u>
Capital assets, net	<u>12,868,075</u>	<u>27,681,987</u>	<u>519,937</u>	<u>41,069,999</u>	<u>-</u>
Other assets:					
Deposits	-	2,486	-	2,486	19,229
Total other assets	<u>-</u>	<u>2,486</u>	<u>-</u>	<u>2,486</u>	<u>19,229</u>
Total assets	<u>\$ 23,642,873</u>	<u>\$ 30,923,771</u>	<u>\$ 840,633</u>	<u>\$ 55,407,277</u>	<u>\$ 2,084,217</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2005

<i>LIABILITIES</i>	<i>ELECTRIC UTILITY</i>	<i>SEWER SYSTEM</i>	<i>SOLID WASTE COLLECTION</i>	<i>TOTALS</i>	<i>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</i>
Current liabilities:					
Accounts payable	\$ 1,869,536	\$ 868,102	\$ 29,014	\$ 2,766,652	83,823
Current portion of bonds payable	-	495,000	-	495,000	-
Accrued payroll and benefits	131,895	41,500	63,866	237,261	-
Due to other funds	1,518	9,846	2,513	13,877	698,638
Interest payable	-	193,356	-	193,356	-
Liability for unpaid claims	-	-	-	-	222,093
Deferred revenue	7,731	-	69,895	77,626	135,516
Total current liabilities	<u>2,010,680</u>	<u>1,607,804</u>	<u>165,288</u>	<u>3,783,772</u>	<u>1,140,070</u>
Noncurrent liabilities:					
Bonds payable, net of current portion and discount	-	10,687,864	-	10,687,864	-
Accrued employee benefits	73,982	15,781	43,170	132,933	-
Liability for unpaid claims	-	-	-	-	278,055
Customer deposits	1,062,531	-	77,575	1,140,106	-
Total noncurrent liabilities	<u>1,136,513</u>	<u>10,703,645</u>	<u>120,745</u>	<u>11,960,903</u>	<u>278,055</u>
Total liabilities	<u>3,147,193</u>	<u>12,311,449</u>	<u>286,033</u>	<u>15,744,675</u>	<u>1,418,125</u>
Net assets:					
Invested in capital assets, net of related debt	12,868,075	16,690,802	519,937	30,078,814	-
Restricted	-	823,172	-	823,172	-
Unrestricted	7,627,605	1,098,348	34,663	8,760,616	666,092
Total net assets	<u>\$ 20,495,680</u>	<u>\$ 18,612,322</u>	<u>\$ 554,600</u>	<u>\$ 39,662,602</u>	<u>\$ 666,092</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<i><u>ELECTRIC UTILITY</u></i>	<i><u>SEWER SYSTEM</u></i>	<i><u>SOLID WASTE COLLECTION</u></i>	<i><u>TOTALS</u></i>	<i><u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</u></i>
Operating revenues:					
Charges for services, net	\$ 21,910,779	\$ 2,659,484	\$ 1,672,324	\$ 26,242,587	\$ 2,008,107
Operating expenses:					
Power purchased	15,758,300	-	-	15,758,300	-
Personal services	1,376,797	673,648	857,056	2,907,501	-
Insurance claims and expenses	-	-	-	-	2,191,135
Other	949,910	624,406	737,996	2,312,312	-
Depreciation	1,104,879	602,501	96,388	1,803,768	-
Total operating expenses	<u>19,189,886</u>	<u>1,900,555</u>	<u>1,691,440</u>	<u>22,781,881</u>	<u>2,191,135</u>
Operating income (loss)	<u>2,720,893</u>	<u>758,929</u>	<u>(19,116)</u>	<u>3,460,706</u>	<u>(183,028)</u>
Nonoperating revenues (expenses):					
Investment revenue	213,413	71,314	7,169	291,896	62,062
Miscellaneous revenue	21,345	20,620	23,455	65,420	-
Interest expense and fiscal charges	-	(233,956)	-	(233,956)	-
Contributions from grantors	7,390	-	32,464	39,854	-
Gain (loss) on sale of capital assets	11,000	286	-	11,286	-
Other expenses	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>253,148</u>	<u>(141,736)</u>	<u>63,088</u>	<u>174,500</u>	<u>62,062</u>
Income before other revenues and transfers	<u>2,974,041</u>	<u>617,193</u>	<u>43,972</u>	<u>3,635,206</u>	<u>(120,966)</u>
Other revenues and transfers in (out):					
Capital contributions from developers and others	69,842	134,000	-	203,842	-
Capital contributions from grantors	-	251,846	-	251,846	-
Operating transfers in	-	209,487	-	209,487	-
Operating transfers (out)	(2,134,384)	-	-	(2,134,384)	-
Total other revenues and transfers	<u>(2,064,542)</u>	<u>595,333</u>	<u>-</u>	<u>(1,469,209)</u>	<u>-</u>
Change in net assets	909,499	1,212,526	43,972	2,165,997	(120,966)
Net assets, beginning of year	<u>19,586,181</u>	<u>17,399,796</u>	<u>510,628</u>		<u>787,058</u>
Net assets, end of year	<u>\$ 20,495,680</u>	<u>\$ 18,612,322</u>	<u>\$ 554,600</u>		<u>\$ 666,092</u>
				83,647	
				<u>\$ 2,249,644</u>	

Adjustment to reflect reversal of losses in Internal Service Funds
Change in net assets of business type activities

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<i>ELECTRIC UTILITY</i>	<i>SEWER SYSTEM</i>	<i>SOLID WASTE COLLECTION</i>	<i>TOTALS</i>	<i>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</i>
Cash flows from operating activities:					
Receipts from customers	\$ 19,304,557	\$ 2,757,025	\$ 1,671,414	\$ 23,732,996	\$ -
Receipts from other funds for services	664,045	-	-	664,045	2,019,731
Customer deposits received	339,115	-	43,125	382,240	-
Customer deposits returned	(221,845)	-	(26,975)	(248,820)	-
Payments to suppliers for goods and services	(16,178,238)	(495,623)	(739,369)	(17,413,230)	(399,439)
Payments to employees for services	(1,368,441)	(721,836)	(874,836)	(2,965,113)	-
Claims paid	-	-	-	-	(1,714,383)
Internal activity - payments (to) from other funds	299,958	7,056	(46,163)	260,851	-
Other receipts (payments)	21,345	20,628	7,455	49,428	-
Net cash provided by (used for) operating activities	<u>2,860,496</u>	<u>1,567,250</u>	<u>34,651</u>	<u>4,462,397</u>	<u>(94,091)</u>
Cash flows from noncapital financing activities:					
Repayments by other funds	-	-	-	-	372,616
Receipts from operating grants	36,953	-	96,911	133,864	-
Operating transfers from (to) other funds	(2,134,384)	209,487	-	(1,924,897)	-
Net cash (used for) noncapital financing activities	<u>(2,097,431)</u>	<u>209,487</u>	<u>96,911</u>	<u>(1,791,033)</u>	<u>372,616</u>
Cash flows from capital and related financing activities:					
Proceeds from issuance of debt	-	-	-	-	-
Debt issuance and refunding costs	-	-	-	-	-
Acquisition and construction of capital assets	(2,192,589)	(1,890,486)	(64,032)	(4,147,107)	-
Principal paid on debt maturities	-	(430,000)	-	(430,000)	-
Interest and fiscal fees paid on debt maturities	-	(343,840)	-	(343,840)	-
Capital contributions	69,842	939,596	-	1,009,438	-
Proceeds from sale of assets	11,000	786	16,000	27,786	-
Net cash used for capital and related financing activities	<u>(2,111,747)</u>	<u>(1,723,944)</u>	<u>(48,032)</u>	<u>(3,883,723)</u>	<u>-</u>
Cash flows from investing activities:					
Purchase of investment securities	(5,658,766)	(705,262)	-	(6,364,028)	-
Proceeds from sale and maturities of investment securities	4,922,128	1,736,482	-	6,658,610	-
Interest on investments	193,307	77,846	7,169	278,322	62,062
Net cash provided by (used for) investing activities	<u>(543,331)</u>	<u>1,109,066</u>	<u>7,169</u>	<u>572,904</u>	<u>62,062</u>
Net increase (decrease) in cash and cash equivalents	(1,892,013)	1,161,859	90,699	(639,455)	340,587
Cash and cash equivalents at beginning of year	<u>4,974,231</u>	<u>1,443,747</u>	<u>133,417</u>	<u>6,551,395</u>	<u>1,534,742</u>
Cash and cash equivalents at end of year	<u>\$ 3,082,218</u>	<u>\$ 2,605,606</u>	<u>\$ 224,116</u>	<u>\$ 5,911,940</u>	<u>\$ 1,875,329</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
STATEMENT OF CASH FLOWS, CONTINUED
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<u>ELECTRIC UTILITY</u>	<u>SEWER SYSTEM</u>	<u>SOLID WASTE COLLECTION</u>	<u>TOTALS</u>	<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 2,720,893	\$ 758,929	\$ (19,116)	\$ 3,460,706	\$ (183,028)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,104,879	602,501	96,388	1,803,768	-
Miscellaneous nonoperating income	21,345	20,620	7,455	49,420	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable and unbilled service receivable	(1,942,177)	(3,312)	8,870	(1,936,619)	-
(Increase) decrease in due from other funds	165,538	176,902	(24,049)	318,391	(4,047)
(Increase) decrease in due from other governments	136,010	100,853	-	236,863	-
(Increase) decrease in inventories	(72,421)	-	-	(72,421)	-
(Increase) decrease in other assets	-	8	-	8	-
Increase (decrease) in accounts payable	602,393	128,783	(1,373)	729,803	25,018
Increase (decrease) in accrued payroll and benefits	10,696	(6,340)	(18,194)	(13,838)	-
Increase (decrease) in liability for unpaid claims	-	-	-	-	52,296
Increase (decrease) in due to other funds	(1,590)	(169,846)	(22,114)	(193,550)	-
Increase (decrease) in deferred revenue	-	-	(9,780)	(9,780)	15,670
Increase (decrease) in accrued employee benefits	(2,340)	(41,848)	414	(43,774)	-
Increase (decrease) in customer deposits	117,270	-	16,150	133,420	-
Net cash provided by (used for) operating activities	<u>\$ 2,860,496</u>	<u>\$ 1,567,250</u>	<u>\$ 34,651</u>	<u>\$ 4,462,397</u>	<u>\$ (94,091)</u>
Non cash investing, capital and financing activities:					
Capital assets contributed by developers and others	\$ -	\$ 134,000	\$ -	\$ 134,000	\$ -
Net interest expense capitalized on construction projects	-	282,923	-	282,923	-
Bond interest payment made by another fund	-	-	-	-	-
Uncollected contributions from other governments	\$ 7,390	\$ 69,298	\$ 7,131	\$ 83,819	\$ -
Reconciliation of cash and cash equivalents to the combining balance sheet:					
Total cash and certificates of deposit	\$ 5,668,856	\$ 2,605,606	\$ 224,116	\$ 8,498,578	\$ 1,879,126
Less: Deposits not meeting the definition of cash equivalents	2,586,638	-	-	2,586,638	-
Cash and cash equivalents at end of year	<u>\$ 3,082,218</u>	<u>\$ 2,605,606</u>	<u>\$ 224,116</u>	<u>\$ 5,911,940</u>	<u>\$ 1,879,126</u>

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Opelika (City), incorporated in 1854, is a municipal corporation currently governed by a mayor-council form of government consisting of the mayor, elected at large, and five council members, elected from defined districts. Members of the City Council serve part-time and are responsible for adopting all legislative ordinances and setting policies of the City, including the appropriation of money. The Mayor is the full-time chief executive officer of the City and is responsible for the day-to-day management of the City in conjunction with the managers of several departments.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has elected not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

The City implemented GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, GASB Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures for the fiscal year ended September 30, 2003.

A. REPORTING ENTITY

These financial statements present information about the primary government, which is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Component units, although legally separate, for which the City is considered to be financially accountable are not included in these primary government financial statements. As a result, these primary government financial statements, because they do not include financial data of the component units of the City, do not purport to, and do not, present the financial statements of the reporting entity (primary government and component units) as defined by generally accepted accounting principles.

Component Units. The excluded component units are as follows:

Opelika City Board of Education is substantially reliant upon the City because the City Council appoints the members of the Board, levies taxes on behalf of the Board and issues debt on behalf of the Board. The legal liability for the general obligation debt issued for school purposes of \$21,610,000 at September 30, 2005 remains with the City. Ad valorem tax revenues restricted for school purposes collected by the City are used first to make required debt service payments on the general obligation debt issued for school purposes and the remainder is remitted to the Board. During 2005, the City collected \$3,824,811 of ad valorem taxes of which \$2,460,013 was used for debt service and \$1,346,800 was

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

remitted to the Board. At September 30, 2005, \$325,549 in collections had not been remitted and is included in amounts due to other governments. In addition, the City made an appropriation to the Board of \$2,501,877 for 2005. The Board issues separate financial statements which may be obtained from the administrative offices at 300 Simmons Street, Opelika, Alabama 36801.

City of Opelika Industrial Development Authority recruits industry and promotes economic development for the City of Opelika. The City Council appoints the members to the Authority's Board and has a revocable agreement with the Authority to make annual appropriations to the Authority for debt service on the Authority's 1998 Series A and B bonds and a general obligation to pay \$1,700,000 of the issue if the annual appropriation is not continued. These bonds are included in the City's long term debt. In 2005, the City paid \$494,344 in debt service payments for the Authority and appropriated an additional \$130,000 to the Authority. The Authority issues separate financial statements which may be obtained from the administrative offices at 204 South 7th Street, Opelika, Alabama 36801.

Related Organizations. The City's officials are also responsible for appointing the members of the board of other organizations, but the City's accountability for the organizations does not extend beyond making the appointments. These organizations are the Utilities Board of the City of Opelika, Medical Clinic Board of the City of Opelika, Housing Authority of the City of Opelika and Opelika Downtown Redevelopment Authority. For the fiscal year ended September 30, 2005, the City received \$23,225 in payments in lieu of property taxes from the Housing Authority of the City of Opelika.

Joint Ventures. The City is a participant in one joint venture in which it retains an ongoing financial interest and an ongoing financial responsibility, the Indian Pines Golf Course Joint Venture. The City is a party to an agreement with the City of Auburn, Alabama to own and operate the Indian Pines Golf Course. The joint venture agreement dated October 1, 1976, required capital contributions from each party, gave each party a 50% share in the venture's profits and losses and responsibility for 50% of any debt incurred. The City's initial contribution of \$589,200 was used to purchase the land and buildings. The cities lease the Indian Pines Golf Course to the Indian Pines Recreation Authority, a jointly governed organization. The Authority operates the golf course on a month-to-month basis with the lease terms continuing in force from the original lease which expired in 1979. The Indian Pines Golf Course Joint Venture had no debts outstanding at September 30, 2005 and no net income or loss for the fiscal year then ended. Because the joint venture has no operations, no financial statements are prepared. In July 2005 the clubhouse was destroyed by fire. Insurance proceeds of \$255,000 are recognized as revenue and will be appropriated to the Authority in 2006 to replace this building. In the government-wide statement of activities the insurance proceeds were reduced by the net book value of the building of \$34,361 resulting in a net gain on disposition of \$220,639.

Jointly Governed Organizations. The City, in conjunction with other governments, has created the following organizations. These organizations are not joint ventures because the City does not retain an ongoing financial interest or an ongoing financial responsibility.

The Lee-Russell Council of Governments is a regional planning and development commission organized to provide services to Lee and Russell Counties. The Council is governed by a ten member board composed of two appointees each from Opelika, Auburn, Lee County, Phenix City

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

and Russell County. The cities and counties are assessed fees based on their respective populations. The Council also receives income from administration of federal grants and other programs. The City appropriated \$372,600 to the Lee-Russell Council of Governments for the year ended September 30, 2005.

The Indian Pines Recreation Authority is a corporation created to operate the Indian Pines Golf Course that is owned under a joint venture agreement between the City of Auburn and the City of Opelika. The Authority has a five member board of directors; two each are selected by the City and the City of Auburn and the fifth member is appointed by the other four members. A lease agreement between the Authority and the two cities authorizes the Authority to operate and maintain the golf course. The City does not provide any funding for operations to the Indian Pines Recreation Authority.

East Alabama Mental Health Center is a corporation created to provide mental health services to the East Alabama area. The Corporation has thirty-three directors, three of whom are appointed by the City. The remainder are appointed by the various cities and counties in the area. The City appropriated \$45,000 to the East Alabama Mental Health Center for the year ended September 30, 2005.

Lee County Youth Development Center is a corporation created to provide youth services in Lee County. The board is composed of twelve members. Opelika, Auburn and Lee County each appoint four members. The City appropriated \$28,000 to the Lee County Youth Development Center for the year ended September 30, 2005.

East Alabama Medical Center is a corporation created to provide healthcare to the East Alabama area. The Board is composed of nine members. Opelika, Auburn and Lee County each appoint three members. The City appropriated \$289,476 to the East Alabama Medical Center for emergency medical services for the year ended September 30, 2005.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's basic financial statements include both government-wide, reporting the City as a whole, and fund financial statements, reporting the City's major funds. In the new reporting model, the focus is on either the City as a whole or major individual funds, within the fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works, economic development, library, and general administrative services are classified as governmental activities. The City's electric, sewer, and solid waste collection services are classified as business-type activities.

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 reported on a full accrual, economic resource basis, which includes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (e.g. general government, police, fire, public works, etc.) and business-type activities. In this statement gross expenses, including depreciation, are reduced by related program revenues (charges to customers or those who directly benefit from goods, services or privileges provided by a given function), operating grants, and capital grants. Program revenues must be directly associated with a function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants only. The net costs of the governmental activities functions and the business-type activities are covered by general government revenues which include sales and use taxes, occupational license taxes, property taxes, certain intergovernmental revenues, fines, permits and charges and interest income. The City first utilizes restricted resources to finance qualifying activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's business-type activities, electric distribution, sewer service, solid waste collection, and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The general fund allocates some costs of providing administrative services to the enterprise funds.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of individual funds. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions are segregated within funds for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each major fund is presented as a separate column on the fund financial statements; all non-major funds are aggregated and presented as a single column. The fund statements are presented on the 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 adjustment necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City has the following fund types:

Governmental Funds:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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

School Tax Special Revenue Fund accounts for the collection of property tax revenues restricted for school purposes and for the expenditures of such funds for debt service on debt issued for school purposes or appropriations to the school system.

Industrial Access Road Grant Fund accounts for the collection of industrial access road grants from the State of Alabama Department of Transportation and for the expenditure of such funds for the construction of the applicable roads.

Additionally, the City reports the following non-major fund types within the governmental fund type:

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

Debt service funds account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those being financed by business-type/proprietary funds.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Proprietary Funds:

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative and personnel expenses, repairs and supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds include the following fund types:

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
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Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. All the City's enterprise funds are major funds. They are as follows:

Electric Utility Fund accounts for providing electric distribution services to residential and commercial users. Activities of the fund include administration, operations and maintenance of the system, billing and collection activities, and system improvements. All costs are financed through charges to customers.

Sewer System Fund accounts for providing sewer services to residential and commercial users. Activities of the fund include administration, operations and maintenance of the system, and system improvements. Billing and collections are performed by the Utilities Board of the City of Opelika at no charge to the City. All costs are financed through charges to customers.

Solid Waste Collection Fund accounts for providing solid waste collection and disposal services to residential and small commercial users. All costs are financed through charges to customers.

Internal service funds account for operations that provide services to other departments of the City on a cost-reimbursement basis. The funds account for the self funded workmen's compensation insurance and the self funded employee health insurance. These funds are always considered non-major.

The City's internal service fund is presented in the proprietary funds financial statement. Because the principal users of the fund are the City's governmental activities, the financial statement of the internal service fund is included in the governmental activities column in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The City does not have any fiduciary funds.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures 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.

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Both the governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as certain expenditures related to compensated absences are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are sales taxes, occupational license taxes, property taxes, fines, intergovernmental revenue, interest revenue and miscellaneous taxpayer assessed taxes. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

All ad valorem taxes levied by the state, county and any municipality in Lee County are assessed and collected by the Revenue Commissioner of Lee County. Taxes are levied in June, due on October 1 and delinquent after January 1. Taxes collected by the Tax Collector within the fiscal year but remitted to the City after the fiscal year end are accrued. Ad valorem taxes not due until October 1 of the following fiscal year are recorded as receivable and deferred revenue as of the fiscal year end in which the taxes are levied. For the fiscal year ended September 30, 2005, ad valorem tax revenues are recorded in the General Fund and the School Tax Special Revenue Fund. Ad valorem tax revenues restricted for school purposes in excess of the amount required to make debt service payments on the general obligation debt issued for school purposes are paid to the Opelika City Board of Education and are included with the education appropriation.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met and the City has a legal claim to the resources, the revenue is recognized.

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

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D. CASH AND INVESTMENTS

Cash and cash equivalents include amounts in time and demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City, except for investments in money funds and treasury obligations administered for the City by a trustee or held in nonexpendable trust funds.

State statutes authorize the City to invest in deposit accounts and certificates of deposits with banks, in direct obligations of the United States Treasury Department and obligations of certain other federal agencies. The permanent fund authorizes additional types of investments. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. The unrealized gain or loss on investments is reflected in investment income.

E. RECEIVABLES

In the Electric Utility Fund and Sewer System Fund, revenues are recognized on the basis of monthly billings to customers for services provided. The City, therefore, extends credit to its customers. As a result of this billing method, the City accrues unbilled service revenue at the end of the fiscal period with respect to service provided but not billed at such date. In the Solid Waste Collection Fund, monthly billings are made before services are rendered. Therefore, such billings are reported as deferred revenues. The City analyzes current and past due accounts and provides an allowance for doubtful accounts for the accounts deemed uncollectible. Accounts receivable are reported net of the allowance of \$320,598 in the Electric Utility Fund and \$77,485 in the Solid Waste Collection Fund.

F. INVENTORIES

Inventories are valued at the lower of cost (average) or market. Inventories in governmental funds are offset by a reserve for inventories that indicates that portion of fund balance is not available for other subsequent expenditures.

G. RESTRICTED ASSETS

Restricted assets are those designated by ordinances or through external restrictions limiting asset use to specific purposes such as public school purposes, cemetery maintenance, construction, debt service, and utility system replacement and extension.

H. ADVANCES TO OTHER GOVERNMENTS

Noncurrent portions of other governments' loans receivable (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current

CITY OF OPELIKA
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assets. Current portions of other governments' loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources."

I. CAPITAL ASSETS

Capital assets, which include land, buildings, system, equipment, and construction in progress, are carried at cost. Property and equipment donations are recorded at their estimated fair value at the date of donation. Renewals and betterments are capitalized if they significantly extend the useful life of the asset. Repairs and maintenance are recorded as expenses. Interest is capitalized in the proprietary funds during the construction period for system additions. In 2005, interest of \$289,455 was capitalized.

All assets capitalized have an estimated useful life in excess of one year and are depreciated using the straight-line method. All land is capitalized. Capitalization thresholds and estimated useful lives are as follows:

	<u>Minimum Cost</u>	<u>Useful Life</u>
Buildings	\$ 10,000	20 – 75 years
Improvements other than buildings	\$ 10,000	5 – 20 years
Electric system	\$ 10,000	20 years
Sewer system	\$ 10,000	50 years
Infrastructure	\$ 50,000	10 – 50 years
Machinery and equipment	\$ 5,000	3 – 20 years

GASBS No. 34 requires the City to report and depreciate additions to infrastructure assets effective October 1, 2002. Infrastructure assets include roads, bridges, storm water drainage, and similar assets. These infrastructure assets are likely to be the largest asset class of the City. Neither their cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is required by fiscal years ending in 2007. The City will implement the retroactive infrastructure provisions within the fiscal year ended September 30, 2007.

J. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave except for that portion of the accumulated sick leave benefits that is estimated will be taken as "terminal leave" at retirement. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Current and long-term portions of vacation and sick pay are accrued in the government-wide and proprietary fund statements when incurred.

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K. LONG-TERM LIABILITIES

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

L. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETING AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except debt service and capital projects funds. On or before July 1 of each year, all departments of the City submit requests for appropriations to the City's mayor so that a budget may be prepared. Before October 1, the proposed budget is presented to the City's council for review and adoption.

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The appropriated budget is prepared by fund, function and department. The City's mayor may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

3. ACCOUNTING FOR SYSTEM ADDITIONS AND RETIREMENTS - ENTERPRISE FUNDS

Cost of materials, labor and overhead identified with additions and improvements are added to the cost of the electric distribution system. Materials removed (retired) from the system reduce the accumulated cost of the system and increase the materials and supplies inventory by the amount of estimated current realizable value of the items retired. However, some of the original cost of property that has been retired remains in the system accounts. Some indirect and overhead costs of retirements are accounted for as current operations costs. The City has not completed development of work order cost accounting procedures for costing additions to and retirements from its electrical distribution system in terms of accountable units of plant property.

Accumulated cost of the sewer system plant accounted for in the Sewer System Fund includes only that part of the City's sewer system financed from the revenue bonds issued in 1965 and subsequent sewer service charges revenues. The system accounts do not include cost of the sewer system plant accumulated prior to issue of the 1965 revenue bonds. Significant system additions are contracted and capitalized. However, system additions do not include the cost of materials, labor and overhead for self-constructed additions and some of the original cost of property that has been retired remains in the system accounts.

4. DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2005, the carrying amount of the City's deposits in financial institutions was \$22,700,114 and the bank balance was \$24,802,958. Of these amounts, 5,131,638 of the carrying amount and bank balance were held as certificates of deposit. The State of Alabama created the Security for Alabama Funds Enhancement (SAFE) Program which requires all public funds be deposited in Qualified Public Depositories. Under the SAFE Program, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. If a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
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SAFE pool collateral or other means to reimburse the loss. At September 30, 2005, all bank balances are considered insured because such balances were held in Qualified Public Depositories.

Investments and Cash with fiscal agents. The City has made all investments in accordance with its investment policy (see Note 1) and the requirements under which its bonds and warrants were issued, and other requirements as applicable. Investments and cash held by fiscal agents shown below are not registered in the City's name or insured and are held by the trustee.

<i>Investment Type</i>	<i>Cost</i>	<i>Fair Value</i>	<i>Percent Of Total</i>	<i>Maturity</i>	<i>Rating</i>	<i>Rating Agency</i>
Dreyfus Treasury Prime						
Cash Management MMF	\$ 544,128	\$ 544,128	29.4%	n/a	Unrated	n/a
Pioneer Treasury Reserve MMF	568,475	568,475	30.7%	n/a	AAA	S & P
Federated U.S. Treasury Cash						
Reserves MMF	114,866	114,866	6.3%	n/a	n/a	n/a
J.P. Morgan 100% U.S. Treasury						
Money Market	110,258	110,258	6.0%	n/a	n/a	n/a
Investment Company of America CL A	5,462	5,726	-	n/a	<<<<	Morningstar
Treasury Obligations Cash Equivalent Fund	12,218	12,218	1.0%	n/a	AAA	S&P/Moody's
Fidelity Advisor Equity Growth	50,000	43,683	2.4%	n/a	<<<<	Morningstar
Fidelity Advisor Mid Cap	50,000	67,262	3.7%	n/a	<<<<	Morningstar
Fidelity Advisor Equity Income I Share	50,000	58,203	3.1%	n/a	<<<<	Morningstar
FHLMC 5%	10,000	9,788	1.0%	12/28/12	AAA	S&P/Moody's
FHLB 3%	100,000	99,250	5.4%	11/16/09	AAA	S&P/Moody's
FHLB 5.02%	50,000	49,797	2.7%	9/16/11	AAA	S&P/Moody's
FHLB 4%	55,000	53,195	2.9%	4/6/11	AAA	S&P/Moody's
FHLB 4.65%	9,997	9,869	-	9/23/11	AAA	S&P/Moody's
FHLB 4.7%	4,991	4,848	-	1/5/12	AAA	S&P/Moody's
FFCB 5.04%	50,000	49,688	2.7%	1/14/13	AAA	S&P/Moody's
FNMA 4.125%	50,000	49,547	2.7%	9/14/12	AAA	S&P/Moody's
Total investments	<u>\$ 1,835,935</u>	<u>\$ 1,850,801</u>	<u>100.0%</u>			

Interest Rate Risk: The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: State law limits investments to direct obligations of the United States Treasury Department and obligations of certain other federal agencies. The government has no investment policy that would further limit its investment choices.

CITY OF OPELIKA
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Custodial Credit Risk: For an investment, the custodial risk is the risk that in event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government's investments in the Dreyfus Treasury Prime Cash Management MMF, Pioneer Treasury Reserve MMF, Federated U.S. Treasury Cash Reserves MMF, J.P. Morgan 100% U.S. Treasury MMF, and Investment Company of America CL A Fund are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the government's name. The remaining investments are registered in the name of the City of Opelika Garden Hills Cemetery Trust Fund and held by the counterparty. The government has no policy on custodial credit risk.

Concentration of Credit Risk: The government places no limit on the amount that the government may invest in any one issuer. The percentage of the government's investments to the total investments is shown in the table above.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,210,760	\$ 278,358	\$ 15,020	\$ 4,474,098
Construction in process	2,208,528	2,092,002	706,370	3,594,160
Total capital assets not being depreciated	<u>6,419,288</u>	<u>2,370,360</u>	<u>721,390</u>	<u>8,068,258</u>
Capital assets being depreciated:				
Buildings and improvements	9,976,846	184,902	85,902	10,075,846
Improvements other than buildings	3,952,721	142,270	-	4,094,991
Equipment	11,522,798	890,041	304,044	12,108,795
Infrastructure	6,498,316	3,362,889	-	9,861,205
Total capital assets being depreciated	<u>31,950,681</u>	<u>4,580,102</u>	<u>389,946</u>	<u>36,140,837</u>
Less accumulated depreciation for:				
Buildings and improvements	4,438,977	241,845	51,541	4,629,281
Improvements other than buildings	1,105,250	122,441	-	1,227,691
Equipment	7,424,130	1,000,090	223,497	8,200,723
Infrastructure	87,120	146,676	-	233,796
Total accumulated depreciation	<u>13,055,477</u>	<u>1,511,052</u>	<u>275,038</u>	<u>14,291,491</u>
Total capital assets being depreciated, net	<u>18,895,204</u>	<u>3,069,050</u>	<u>114,908</u>	<u>21,849,346</u>
Governmental activities capital assets, net	<u>\$ 25,314,492</u>	<u>\$ 5,439,410</u>	<u>\$ 836,298</u>	<u>\$ 29,917,604</u>

CITY OF OPELIKA
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 418,283	\$ -	\$ -	\$ 418,283
Construction in process	7,031,068	2,603,589	244,035	9,390,622
Total capital assets not being depreciated	<u>7,449,351</u>	<u>2,603,589</u>	<u>244,035</u>	<u>9,808,905</u>
Capital assets being depreciated:				
Buildings and improvements	264,695	-	-	264,695
Systems	55,805,218	2,104,028	136,409	57,772,837
Equipment	4,306,765	125,674	198,880	4,233,559
Total capital assets being depreciated	<u>60,376,678</u>	<u>2,229,702</u>	<u>335,289</u>	<u>62,271,091</u>
Less accumulated depreciation for:				
Buildings and improvements	149,173	13,229	-	162,402
Systems	26,140,909	1,547,453	136,408	27,551,954
Equipment	3,225,710	268,311	198,380	3,295,641
Total accumulated depreciation	<u>29,515,792</u>	<u>1,828,993</u>	<u>334,788</u>	<u>31,009,997</u>
Total capital assets being depreciated, net	<u>30,860,886</u>	<u>400,709</u>	<u>501</u>	<u>31,261,094</u>
Business-type activities capital assets, net	<u>\$ 38,310,237</u>	<u>\$ 3,004,298</u>	<u>\$ 244,536</u>	<u>\$ 41,069,999</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 277,703
Public safety	540,083
Public works, including infrastructure	470,083
Culture and recreation	223,183
Total governmental activities depreciation expense	<u>\$ 1,511,052</u>
Business-type activities:	
Electric	\$ 1,130,104
Sewer	602,501
Solid waste	96,388
Total depreciation	<u>1,828,993</u>
Less amounts capitalized in construction	25,225
Total business-type activities depreciation expense	<u>\$ 1,803,768</u>

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
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6. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2005 consisted of the following:

<i>DUE TO</i>	<i>DUE FROM</i>							<i>Total</i>
	<i>General</i>	<i>Industrial Access Road Grants</i>	<i>Non-major Govern- mental</i>	<i>Internal Service</i>	<i>Electric Utility</i>	<i>Sewer System</i>	<i>Solid Waste Collection</i>	
General	\$ -	\$ 4,800	\$ 41,849	\$ -	\$ 60,953	\$ -	\$ 25,054	\$ 132,656
School Tax	-	-	-	-	-	-	-	-
Industrial Road Grant	591,937	-	-	-	-	-	-	591,937
Non-major Governmental	119,302	-	141,744	8	-	175,012	-	436,066
Internal Service	517,778	-	-	180,860	-	-	-	698,638
Electric Utility	-	-	-	1,518	-	-	-	1,518
Sewer System	8,883	-	-	963	-	-	-	9,846
Solid Waste Collection	-	-	-	2,513	-	-	-	2,513
Total	<u>\$ 1,237,900</u>	<u>\$ 4,800</u>	<u>\$ 183,593</u>	<u>\$ 185,862</u>	<u>\$ 60,953</u>	<u>\$ 175,012</u>	<u>\$ 25,054</u>	<u>\$ 1,873,174</u>

All balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<i>TRANSFER TO</i>	<i>TRANSFER FROM</i>				<i>Total</i>
	<i>General Fund</i>	<i>School Tax Special Revenue</i>	<i>Non-major Governmental</i>	<i>Electric Utility</i>	
General Fund	\$ -	\$ -	\$ 13,354	\$ 2,134,384	\$ 2,147,738
Sewer Fund	209,487	-	-	-	209,487
IAR Road Grant Fund	411,875	-	-	-	411,875
Non-major Governmental	3,535,147	2,460,012	778,132	-	6,773,291
Total	<u>\$ 4,156,509</u>	<u>\$ 2,460,012</u>	<u>\$ 791,486</u>	<u>\$ 2,134,384</u>	<u>\$ 9,542,391</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service funds as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) move budgeted contributions from proprietary funds to general fund.

CITY OF OPELIKA
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7. LONG-TERM LIABILITIES

Long-term liabilities at September 30, 2005 consisted of the following issues:

	<i>Governmental</i>	<i>Business-type</i>
Bonds:		
1989 General Obligation Sewer Warrants, Series SRF due in annual installments of \$450,000 to \$520,000 through August 15, 2011, bearing interest at 5%	\$ -	\$ 2,935,000
General Obligation Warrants, Series 1994-A with one remaining installment of \$735,000 on July 1, 2006, bearing interest rate of 5.60%	735,000	-
General Obligation School Warrants, Series 1996 due in annual installments of \$170,000 to \$280,000 through February 15, 2016, bearing interest rates of 4.50% to 5.20%	2,410,000	-
General Obligation Warrants, Series 1998 due in annual installments of \$100,000 to \$1,170,000 through July 1, 2014, bearing interest rates of 3.90% to 4.35%	8,265,000	-
Taxable Variable/Fixed Rate Industrial Development Revenue Bonds, Series 1998-A due in annual installments of \$115,000 to \$575,000 through June 1, 2023, bearing variable interest rate of 3.93% at September 30, 2005	6,140,000	-
Taxable Industrial Development Revenue Bonds, Series 1998-B due in annual installments of \$65,000 to \$210,000 through June 1, 2023, bearing variable rate of 5.05% at September 30, 2005. Rate determined annually at June 1, at the Treasury Rate plus 1.8% per annum	2,117,000	-
General Obligation Warrant, dated April 15, 1999 due in quarterly installments of \$9,284 through April 15, 2006. Payment includes interest at 5.22%	29,584	-
General Obligation School Warrants, Series 2000 due in annual installments of \$200,000 to \$515,000 through October 1, 2025, bearing interest rates of 4.70% to 5.60%	6,525,000	-
General Obligation Warrants, Series 2002, semiannual interest only payments of \$212,505 paid through August 1, 2012, annual installments of \$130,000 to \$330,000 starting February 1, 2013 through February 1, 2032, bearing interest rate of 4.30% to 5.125%	4,265,000	-
General Obligation Warrants, Series 2003, due in annual installments of \$1,710,000 to \$2,265,000 through April 1, 2023, bearing interest rates of 2.00% to 5.25%	15,784,676	8,247,864
General Obligation School Warrants, Series 2004 due in annual installments of \$180,000 to \$440,000 through March 1, 2029, bearing interest rates of 1.00% to 5.00%	6,991,730	-

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General obligation debt for purchase of land, due in annual installments of \$40,000 through October 1, 2008, bearing interest at 5.00%	120,000	-
Capital lease on communication equipment due in monthly installments of \$10,082 through February 9, 2006, including interest at 5.65%	49,708	-
Capital lease on excavator, due in annual installments of \$59,344 through February 9, 2006, including interest at 4.60%	212,402	-
Other liabilities:		
Compensated absences	2,218,767	262,049
Claims and judgments	408,148	-
	<hr/>	<hr/>
Total long-term liabilities	<u>\$ 56,272,015</u>	<u>\$ 11,444,913</u>

Long-term liability activity for the year was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Governmental activities					
Debt:					
General obligation bonds	\$ 46,719,039	\$ 160,000	\$ 2,619,455	\$ 44,259,584	\$ 3,604,584
Other long-term debt	8,602,000	-	345,000	8,257,000	255,000
Capital leases	164,349	212,402	114,641	262,110	99,282
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	55,485,388	372,402	3,079,096	52,778,694	3,958,866
Deferred amounts on refunding	(213,533)	-	(33,278)	(180,255)	-
Unamortized premiums	1,208,405	-	161,744	1,046,661	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total debt	56,480,260	372,402	3,207,562	53,645,100	3,958,866
Other liabilities:					
Compensated absences	2,382,124	439,424	602,781	2,218,767	622,383
Claims and judgments	357,852	210,654	160,358	408,148	130,093
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other liabilities	2,739,976	650,078	763,139	2,626,915	752,476
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 59,220,236	\$ 1,022,480	\$ 3,970,701	\$ 56,272,015	\$ 4,711,342

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Debt:					
General obligation debt	\$ 11,535,000	\$ -	\$ 430,000	\$ 11,105,000	\$ 495,000
Deferred amounts on refunding	(43,366)	-	(5,847)	(37,519)	-
Unamortized premiums and discounts	135,733	-	20,350	115,383	-
	<u>11,627,367</u>	<u>-</u>	<u>444,503</u>	<u>11,182,864</u>	<u>495,000</u>
Compensated absences	316,855	93,363	148,169	262,049	109,443
Total business-type activities	<u>\$ 11,944,222</u>	<u>\$ 93,363</u>	<u>\$ 592,672</u>	<u>\$ 11,444,913</u>	<u>\$ 604,443</u>

Payments on the governmental activities debt are made by the debt service funds or the general fund. The compensated absences liability for the governmental activities will be liquidated by the general fund. The claims and judgments liability for the governmental activities will be liquidated through the internal service funds described in Note 8.

General Obligation Warrants. The City issues general obligation warrants to provide funds for the acquisition of equipment and construction of major capital facilities for the municipality and the school system located therein. General obligation warrants are also issued to construct assets used in proprietary activities. These warrants are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation warrants have been issued to refund general obligation warrants.

General obligation warrants constitute general obligations of the City for the payment of which the full faith, credit and taxing power of the City are irrevocably pledged. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Other Long-Term Debt. The City authorized and approved the issuance of \$10,280,000 of revenue bonds (Industrial Development Revenue Bonds, Series 1998-A and 1998-B) by the Opelika Industrial Development Authority (Authority) for the purpose of acquiring real estate for an industrial park located partly inside and partly outside the corporate limits of the City of Opelika and within Lee County.

The bonds are secured by a first mortgage on the real estate and certain agreements between the Authority and the City of Opelika, known as the Reserve Agreement and the Annual Appropriation Agreement. The Reserve Agreement includes the unconditional and irrevocable general obligation of the City of Opelika to provide not less than \$1,700,000 to the Authority for payment of principal and interest on the bonds, which will remain in effect until the bonds are paid or retired, will not be subject to revocation or termination at the option of the City of Opelika and will be chargeable against the constitutional debt limit of the City of Opelika. The Annual Appropriation Agreement includes the conditional and revocable obligation of the City of Opelika to provide an amount equal to the annual debt service payments to the Authority for payment of the principal and

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

interest on the bonds payable in each such year, which will remain in effect until the bonds are fully paid and retired, will be subject to revocation and termination at the sole option of the City of Opelika at the end of any fiscal year (after the city shall have paid the amounts due for such year) and will be payable solely from current revenues and funds on hand of the City of Opelika for each fiscal year and will not constitute a “debt” of the City of Opelika and will not be chargeable against the constitutional debt limit of the City of Opelika. The Authority selected the variable rate option as of June 1, 2003 for the Series 1998-A bonds. The rate can be adjusted as often as weekly by the Remarketing Agent to the lowest rate that will result in the market value of the bonds being 100% of the principal amount thereof on the determination date. The Authority has the option to convert to a fixed rate for this series. The Series 1998-B bonds bear interest at a rate determined annually at June 1 equal to the Treasury Rate plus 1.8%.

The obligation of the City for the payments due under the Annual Appropriation Agreement is shown as other long term debt net of the \$1,700,000 which is shown as general obligation debt in accordance with the terms of the Reserve Agreement. The financing and bond documents of the Authority provide that the real estate for the industrial park will be sold at fair market value to any public or private person wishing to locate in the industrial park and the proceeds of such sale will be applied to the prepayment of the bonds. Through September 30, 2005, the Authority had applied \$500,000 of sales proceeds to the 1998A issue and \$123,000 of sales proceeds to the 1998B issue.

The City leases equipment under capital leases related to governmental activities expiring in various years through 2009. Lease payments are made by the general fund. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Depreciation of assets under capital leases is included in depreciation expense. At September 30, 2005, the property held under capital leases had a cost of \$775,611 and accumulated depreciation of \$246,024.

The following is a summary of future annual debt service payments on long-term obligations:

	<i>Governmental Activities</i>			
	<i>General Obligations</i>		<i>Other Long-term Debt</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2006	\$ 3,564,584	\$ 1,988,741	\$ 394,282	\$ 358,685
2007	3,475,000	1,820,835	326,854	338,951
2008	3,635,000	1,653,470	344,239	327,031
2009	3,790,000	1,479,652	331,735	314,411
2010	3,940,000	1,299,558	335,000	300,582
2011-2015	12,830,000	4,428,403	2,085,000	1,270,204
2016-2020	4,290,000	2,662,297	2,970,000	761,749
2021-2025	5,080,000	1,611,254	1,732,000	126,234
2026-2030	3,010,000	490,524	-	-
2031-2033	645,000	33,440	-	-
Total	<u>\$ 44,259,584</u>	<u>\$ 17,468,174</u>	<u>\$ 8,519,110</u>	<u>\$ 3,797,847</u>

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

<i>Business-type Activities</i>		
<i>General Obligation</i>		
	<i>Principal</i>	<i>Interest</i>
2006	\$ 495,000	\$ 495,650
2007	790,000	464,150
2008	830,000	424,150
2009	870,000	382,275
2010	845,000	338,525
2011-2015	2,735,000	1,200,997
2016-2020	2,660,000	700,896
2021-2025	1,880,000	128,775
Total	\$ 11,105,000	\$ 4,135,418

Advance Refundings. The City has entered into advance refunding transactions related to certain of its bonded debt. At the time of the issuance of the General Obligation Warrants, Series 1984, the City established a trust fund consisting of \$2,296,600 in United States Treasury Obligations. The principal and interest on the said United States Treasury Obligations will be sufficient when paid according to the respective terms to make full and timely payment of the principal and interest maturing on the General Obligation Refunding School Warrants of March 1, 1978 and General Obligation Refunding School Warrants of August 15, 1982. On February 15, 2002, \$540,000 of the General Obligation Refunding School Warrants of March 1, 1978 were called. The General Obligation Refunding School Warrants of August 15, 1982 were called in prior years.

On December 29, 1998 the City issued \$9,085,000 in General Obligation Warrants with an average interest rate of 4.1% of which \$8,489,509 was used to pay issuance costs and provide resources to purchase U.S. Government securities that were placed in irrevocable trust funds for the purpose of generating resources for all future debt service payments on \$7,625,000 of the 1994A General Obligation Warrants with average interest rates of approximately 5.9%. As a result, the refunded warrants are considered to be defeased and the liability for those warrants has been removed from the general long-term debt account group. The defeased portion of the 1994A Warrants was called on July 1, 2004.

The liability for the refunded warrants and the related securities and escrow accounts are not included in the accompanying financial statements as the City defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions mentioned above. Shown below is the outstanding principal balance as of September 30, 2005 of the bond issue which has been refunded and is payable from an escrow account:

General Obligation Refunding School Warrants, dated March 1, 1978	\$ 820,000
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CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The City has a Workmen's Compensation Insurance Fund (an internal service fund) to account for and finance its insured and uninsured risks of loss for worker's compensation claims. Under this program, the Fund provides coverage for a maximum of \$250,000 for each worker's compensation claim. The City purchases insurance, which is included in an administrative fee paid to the Municipal Workers Compensation Fund, Inc., for claims in excess of \$250,000. The City's aggregate retention for the accident year 2-1-04 to 2-1-05 is \$473,896, 2-1-03 to 2-1-04 is \$492,727, and 2-1-02 to 2-1-03 is \$405,490. Settled claims exceeded the City's retained risk for the accident year 2-1-99 to 2-1-00 and the excess was covered by the Municipal Workers Compensation Fund, Inc. in accordance with the contract.

All funds of the City participate in the program and make payments to the Workmen's Compensation Insurance Fund based on the Municipal Workers Compensation Fund, Inc. estimated premium rates which includes an actuarial estimate of the amount needed to pay claims incurred since inception of the fund and to establish a reserve for catastrophic losses. Accordingly, these payments are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund and Enterprise Funds.

The claims liability is \$408,148 at September 30, 2005. The balance is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This liability is calculated actuarially using an interest rate of 4.1% and includes 1) known claims, 2) claims that have been incurred but not reported, 3) previously closed claims which may reopen, and 4) allocated loss adjustment expenses. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Changes in the Fund's claims liability for the last three years were as follows:

	<i>Beginning Balance</i>	<i>Current Year Claims and Changes in Estimates</i>	<i>Claim Payments</i>	<i>Ending Balance</i>
<i>2002-2003</i>	\$ 300,287	398,033	224,281	\$ 474,039
<i>2003-2004</i>	\$ 474,039	330,721	446,908	\$ 357,852
<i>2004-2005</i>	\$ 357,852	210,654	160,358	\$ 408,148

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

The City has a Worker's Health Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss related to its self-insured employee health insurance plan. A residual equity transfer of \$732,000 from the Workmen's Compensation Insurance Fund to the Worker's Health Insurance Fund was authorized to provide the initial funding for the Worker's Health Insurance Fund. The Fund provides coverage for up to \$85,000 per individual covered under the plan. Individual Excess Loss coverage has been purchased to insure claims in excess of \$85,000 in any one year. For the year ended September 30, 2005, the City purchased \$1,000,000 of Aggregate Excess Loss Insurance which provides insurance coverage in the event that claims exceed the maximum recommended premium (attachment point) for the coverage period. The risk of loss was assumed by the City for claims in excess of total premiums paid to the Fund and less than the attachment point. Settled claims exceeded the premiums paid during the year. Liabilities exceeded assets as of September 30, 2005 resulting in a deficit fund balance of \$449,685. The Aggregate Excess Loss coverage was discontinued effective October 1, 2005.

The claims liability of \$116,410 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This liability includes an actuarially calculated amount for claims that have been incurred but not reported at the balance sheet date. Because actual liabilities for claims depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount.

Changes in the Fund's claims liability are as follows:

	<i>Beginning Balance</i>	<i>Current Year Claims and Changes in Estimates</i>	<i>Claim Payments</i>	<i>Ending Balance</i>
<i>2002-2003</i>	\$ 201,760	1,324,461	1,368,440	\$ 157,781
<i>2003-2004</i>	\$ 157,781	1,344,995	1,378,623	\$ 124,153
<i>2004-2005</i>	\$ 124,153	1,641,703	1,649,446	\$ 116,410

9. DEFINED BENEFIT PENSION PLANS

Plan Description. The City contributes to the Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies and departments.

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City of Opelika, Alabama. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) minimum guaranteed, and (2) formula, of which the formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members. Act 2000-669 provides that, effective January 1, 2001, at retirement, a certified police officer or firefighter will receive one additional year of creditable service for each five years of service (as a certified police officer or firefighter) in determining the retirement allowance.

The Employees' Retirement System was established October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the City authority to accept or reject various cost-of-living-adjustments (COLA's) granted to retirees. The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy. Plan members are required to contribute 5% of their annual covered salary except for certified full-time firefighters and law enforcement officers. Effective January 1, 2001, the member contribution rate for certified full-time firefighters and law enforcement officers increased to 6% of employee compensation. The City is required to contribute at an actuarially determined rate; the rate for the year ended September 30, 2005 was 8.52% of annual covered payroll. The contribution requirements of plan members and the City are established by state statute.

Annual Pension Cost. For 2005, the City's annual pension cost of \$1,219,737 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.61% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The City's unfunded actuarial accrued liability, if any, is being amortized at a level percentage of projected payrolls on an open basis.

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

Trend Information

<i><u>Fiscal</u></i> <i><u>Year</u></i> <i><u>Ending</u></i>	<i><u>Annual</u></i> <i><u>Pension</u></i> <i><u>Contribution (APC)</u></i>	<i><u>Percentage</u></i> <i><u>of APC</u></i> <i><u>Contributed</u></i>	<i><u>Net</u></i> <i><u>Pension</u></i> <i><u>Obligation (NPO)</u></i>
9/30/02	\$ 753,500	100 %	\$ -
9/30/03	\$ 970,329	100 %	\$ -
9/30/04	\$ 1,069,489	100 %	\$ -

Schedule of Funding Progress

<i><u>Actuarial</u></i> <i><u>Valuation</u></i> <i><u>Date</u></i>	<i><u>Actuarial</u></i> <i><u>Value of</u></i> <i><u>Assets</u></i> <i><u>(a)</u></i>	<i><u>Actuarial Accrued</u></i> <i><u>Liability (AAL)</u></i> <i><u>-Entry Age</u></i> <i><u>(b)</u></i> <i><u>*</u></i>	<i><u>Unfunded</u></i> <i><u>AAL</u></i> <i><u>(UAAL)</u></i> <i><u>(b-a)</u></i>	<i><u>Funded</u></i> <i><u>Ratio</u></i> <i><u>(a/b)</u></i>	<i><u>Covered</u></i> <i><u>Payroll</u></i> <i><u>(c)</u></i>	<i><u>UAAL as a</u></i> <i><u>Percentage of</u></i> <i><u>Covered Payroll</u></i> <i><u>((b-a)/c)</u></i>
9/30/02	\$ 35,357,567	\$ 41,433,278	\$ 6,075,711	85.3 %	\$ 12,976,999	46.8 %
9/30/03	\$ 36,770,563	\$ 44,372,520	\$ 7,601,957	82.9 %	\$ 13,515,965	56.2 %
9/30/04	\$ 38,350,983	\$ 46,189,882	\$ 7,838,898	83.0 %	\$ 13,558,002	57.8 %

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

10. POWER SALES CONTRACT

The City is a member of the Alabama Municipal Electric Authority (“Authority”). Pursuant to a contract dated May 1, 1986 and amended July 1, 1996, the City has agreed to purchase all of its electric requirements for resale through December 31, 2035 from the Authority except for the City’s allocation of electricity from the Southeastern Power Administration. The Electric Utility Fund purchased \$13,941,936 under this contract in 2005. The City has committed to maintain electric rates at amounts which will produce revenues sufficient to pay all amounts due under the contract and has pledged the electric revenues and any other revenues of the City which may be lawfully pledged to secure its obligation. Further, the City has entered into a “Guaranty and Indemnity Agreement” with Alabama Power Company which requires the City to pay its proportionate share of any shortfall by the Authority of funds to pay any obligations due under contracts with Alabama Power Company.

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

11. COMMITMENTS AND CONTINGENCIES

On July 6, 2004, the Council passed a resolution expressing its intent to acquire, develop, and construct for general municipal purposes a recreation complex and related facilities to be located on Andrews Road, including, but not limited to, an indoor pool, gymnasium, exercise rooms, and soccer fields. The Council intends to issue warrants in a principal amount not to exceed \$8,000,000 to pay or reimburse the cost of acquiring, developing, and constructing the facilities and to issue such additional amount of warrants as may be necessary to fund any required reserve for the warrants, to pay interest expense during the acquisition and construction period and during a reasonable start-up period and to pay the costs of issuing the warrants. Further, the Council expressed its official intent to appropriate, in addition to those funds to be derived from the issuance of tax-exempt warrants, an amount not to exceed \$1,500,000 for architectural and engineering services and for those costs associated with the installation of utilities and sewer expansion to serve the facility. As of September 30, 2005, \$533,628 of this amount had been expended. Utility expansion is in process in conjunction with other projects and bonds have not been issued.

On September 29, 2004, the Council passed a resolution approving an agreement with the Lee County Commission regarding funding for the expansion of the consolidated jail in cooperation with Lee County and the City of Auburn. In this agreement the Council expressed its intent to appropriate approximately \$300,000 per year for 25 years for this project. The agreement states that Opelika is not legally obligated to make appropriations for the Annual Payments and that the agreement would not create a debt of Opelika within the meaning of Section 225 of the Constitution of the State of Alabama.

The City is a party to an agreement with the Alabama Department of Transportation (State) whereby the State will construct approximately \$4,000,000 of improvements to a road within the City limits using Federal Aid funds available to the State from the Federal Highway Administration (FHWA). Under this agreement, the project will be administered by the State and all costs will be financed, when eligible for Federal participation, on the basis of 80% Federal funds and 20% City funds up to a maximum of approximately \$3,200,000 of Federal funds as approved by the Auburn-Opelika Metropolitan Planning Organization (MPO) in its Transportation Improvement Program. Costs in excess of the Federal fund maximum must be funded by the City or by reprogramming funds designated for future projects by the MPO so that additional Federal funds could be applied to a current project. Costs to complete the construction, engineering and inspection of the project have exceeded the above original cost of \$4,000,000. The City has recorded an additional liability of \$684,000 at September 30, 2005 which is the estimated amount of the City's cost in excess of the \$700,000 previously paid by the City.

The City is a party to other 80/20 cost sharing agreements with the Alabama Department of Transportation (State) in which the City will pay 100% of the costs over a fixed amount. The liability, if any, is not determinable as of September 30, 2005.

CITY OF OPELIKA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

On August 16, 2005 the City entered an incentive agreement to encourage the development of a major residential project expected to consist of patio homes, town homes, condominiums and apartment buildings off of Veterans Parkway. The City has agreed to make a contribution to the developer in the amount of \$254,000 in order to assist in the payment of a portion of the cost of the construction of the proposed street and related infrastructure.

On August 25, 2005 the City entered an agreement to pay the expected annual fee of \$25,000 to provide a letter of credit for \$2,500,000 between the Opelika Industrial Development Authority and Southeast Alabama Gas District (SEAGD) to satisfy the conditions of a Gas Service Agreement for the Northeast Opelika Industrial Park.

On September 20, 2005, the City entered an agreement with ESG Operations, Inc., effective November 1, 2005, to operate, manage and provide those services currently provided by the following divisions of the City (including maintenance of facilities): 1) streets division, grounds maintenance division, building maintenance division, auto shop division, and cemeteries division of the Public Works Department; 2) wastewater treatment division and wastewater collection division of the Engineering Department, and, effective January 2, 2006, building maintenance division and grounds division of the Parks and Recreation Department. The City will provide for all capital expenditures and electric service. Base fee for provision of these services is \$3,440,000 per year payable in monthly installments. The initial term of the agreement is ten years commencing on November 1, 2005. The agreement includes termination clauses for both parties.

The City is a party to various inducement agreements with new industries that have constructed or have committed to construct various manufacturing and distribution facilities. These agreements include, among other things, commitments to make annual payments of \$264,000 to \$305,000 for ten years if certain employment benchmarks are met. Employment measurement points and payment times vary based on the industry's start dates.

Various lawsuits are pending against the City. In addition, several claims have been filed which have not yet resulted in lawsuits. The liability, if any, associated with these matters is not determinable at September 30, 2005.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowance, if any, will be immaterial.

12. SUBSEQUENT EVENT

On March 21, 2006 the City entered a Development Inducement Agreement between the City of Opelika, the Retirement Systems of Alabama (RSA) and the Utilities Board of the City of Opelika to induce RSA to develop and construct a planned residential community to consist of approximately 800 to 1,000 high quality homes and condominiums which will be known as "National Village". The City will pay RSA \$79,167 per month for 24 months for a total of \$1,900,000 beginning on April 30, 2006. The City will also acquire and construct a new fire station in sufficient proximity to provide a six-minute response time. Said fire station will be constructed within 24 months following notification from RSA to proceed with such construction.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2005

<i>DESCRIPTION</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Revenues:				
Taxes:				
Sales	\$ 11,787,000	\$ 11,787,000	\$ 13,606,331	\$ 1,819,331
Property:				
Property	2,349,000	2,349,000	2,129,028	(219,972)
Payments in lieu of taxes	18,000	18,000	27,795	9,795
	<u>2,367,000</u>	<u>2,367,000</u>	<u>2,156,823</u>	<u>(210,177)</u>
Other:				
Gasoline	668,000	668,000	669,355	1,355
Cigarette	115,000	115,000	113,459	(1,541)
Rental	263,000	263,000	319,628	56,628
Wine	13,000	13,000	13,660	660
	<u>1,059,000</u>	<u>1,059,000</u>	<u>1,116,102</u>	<u>57,102</u>
Total taxes	<u>15,213,000</u>	<u>15,213,000</u>	<u>16,879,256</u>	<u>1,666,256</u>
Special assessments:	<u>8,000</u>	<u>8,000</u>	<u>5,996</u>	<u>(2,004)</u>
Licenses and permits:				
Occupational	<u>6,943,000</u>	<u>6,943,000</u>	<u>7,166,522</u>	<u>223,522</u>
Business:				
General	1,724,000	1,724,000	2,078,943	354,943
Lodging	329,000	329,000	356,531	27,531
Franchise fee	83,000	83,000	78,350	(4,650)
	<u>2,136,000</u>	<u>2,136,000</u>	<u>2,513,824</u>	<u>377,824</u>
Permits and inspections	<u>167,000</u>	<u>167,000</u>	<u>714,881</u>	<u>547,881</u>
Total licenses and permits	<u>9,246,000</u>	<u>9,246,000</u>	<u>10,395,227</u>	<u>1,149,227</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>DESCRIPTION</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Intergovernmental revenue:				
Shared county revenue:				
Motor vehicle license	78,000	78,000	99,756	21,756
Shared state revenue:				
Bank excise tax	49,000	49,000	60,494	11,494
Business privilege tax	68,000	68,000	67,132	(868)
Share of liquor tax profits	54,000	54,000	68,982	14,982
State asset forfeiture	-	4,714	8,330	3,616
	<u>171,000</u>	<u>175,714</u>	<u>204,938</u>	<u>29,224</u>
Shared federal revenue:				
Federal asset forfeiture	-	7,490	-	(7,490)
	<u>-</u>	<u>7,490</u>	<u>-</u>	<u>(7,490)</u>
Other:				
Grants				
Federal	-	7,508	67,111	59,603
State	-	-	-	-
Lee County	25,000	45,000	65,000	20,000
	<u>25,000</u>	<u>52,508</u>	<u>132,111</u>	<u>79,603</u>
Total intergovernmental revenue	<u>274,000</u>	<u>313,712</u>	<u>436,805</u>	<u>123,093</u>
Charges for services:				
Administration:				
Water Works Board	13,333	13,333	12,092	(1,241)
Other governments	-	-	-	-
	<u>13,333</u>	<u>13,333</u>	<u>12,092</u>	<u>(1,241)</u>
Public safety:				
Board of Education	15,000	15,000	15,000	-
City of Montgomery	-	7,718	11,030	3,312
City of Auburn	-	-	68,017	68,017
Water Works Board	65,000	65,000	67,306	2,306
Other	50,000	50,000	50,000	-
Towing, fire calls, and fire training	-	4,329	5,929	1,600
	<u>130,000</u>	<u>142,047</u>	<u>217,282</u>	<u>75,235</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>DESCRIPTION</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Public works:				
Other governments	11,000	11,000	18,658	7,658
Other	-	-	68,197	68,197
	<u>11,000</u>	<u>11,000</u>	<u>86,855</u>	<u>75,855</u>
Health:				
Graves and monuments	70,000	70,000	69,588	(412)
Evergreen Cemetery	6,000	6,000	3,600	(2,400)
	<u>76,000</u>	<u>76,000</u>	<u>73,188</u>	<u>(2,812)</u>
Culture and recreation:				
Entry fees and concessions	219,000	221,000	221,920	920
Total charges for services	449,333	463,380	611,337	147,957
Fines and forfeitures:				
Public safety:				
Fines and costs	498,000	498,000	374,567	(123,433)
Culture and recreation:				
Fines	-	-	16,321	16,321
Total fines and forfeits	498,000	498,000	390,888	(107,112)
Miscellaneous revenues:				
Interest earnings	153,000	153,000	280,445	127,445
Other:				
Rental income	43,000	43,000	53,263	10,263
Contributions	11,000	14,912	8,527	(6,385)
Cemetery lots	81,000	81,000	61,375	(19,625)
Miscellaneous	91,000	159,100	110,239	(48,861)
Total other	226,000	298,012	233,404	(64,608)
Total miscellaneous revenues	<u>379,000</u>	<u>451,012</u>	<u>513,849</u>	<u>62,837</u>
Total revenues	<u>26,067,333</u>	<u>26,193,104</u>	<u>29,233,358</u>	<u>3,040,254</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Expenditures:				
Current:				
General government:				
Mayor:				
Personal services	101,068	101,068	101,954	886
Other	161,153	53,794	24,013	(29,781)
Total mayor	<u>262,221</u>	<u>154,862</u>	<u>125,967</u>	<u>(28,895)</u>
Administration:				
Personal services	166,813	166,861	120,768	(46,093)
Other	253,821	290,524	199,015	(91,509)
Total administration	<u>420,634</u>	<u>457,385</u>	<u>319,783</u>	<u>(137,602)</u>
Legislative - City Clerk:				
Personal services	122,013	122,013	119,791	(2,222)
Other	254,544	205,044	203,335	(1,709)
Total legislative	<u>376,557</u>	<u>327,057</u>	<u>323,126</u>	<u>(3,931)</u>
Other:				
Revenue:				
Personal services	193,437	193,437	191,386	(2,051)
Other	26,311	33,244	26,152	(7,092)
Total revenue	<u>219,748</u>	<u>226,681</u>	<u>217,538</u>	<u>(9,143)</u>
Accounting:				
Personal services	225,073	202,494	193,826	(8,668)
Other	91,728	116,192	96,512	(19,680)
Total accounting	<u>316,801</u>	<u>318,686</u>	<u>290,338</u>	<u>(28,348)</u>
Community relations:				
Personal services	49,961	49,961	51,305	1,344
Other	105,000	100,803	59,253	(41,550)
Total community relations	<u>154,961</u>	<u>150,764</u>	<u>110,558</u>	<u>(40,206)</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Information technology:				
Personal services	390,044	390,044	355,349	(34,695)
Other	378,411	370,615	332,615	(38,000)
	<u>768,455</u>	<u>760,659</u>	<u>687,964</u>	<u>(72,695)</u>
Judicial:				
Personal services	206,936	206,936	190,081	(16,855)
Other	119,712	119,712	100,832	(18,880)
	<u>326,648</u>	<u>326,648</u>	<u>290,913</u>	<u>(35,735)</u>
Human resources administration:				
Personal services	169,375	169,375	169,726	351
Other	89,221	144,876	98,623	(46,253)
	<u>258,596</u>	<u>314,251</u>	<u>268,349</u>	<u>(45,902)</u>
Planning:				
Personal services	211,741	211,741	187,260	(24,481)
Other	28,743	28,773	24,864	(3,909)
	<u>240,484</u>	<u>240,514</u>	<u>212,124</u>	<u>(28,390)</u>
Purchasing:				
Personal services	128,363	128,363	124,288	(4,075)
Other	10,660	11,070	6,511	(4,559)
	<u>139,023</u>	<u>139,433</u>	<u>130,799</u>	<u>(8,634)</u>
Nondepartmental:				
Auburn-Opelika Airport	51,647	51,647	21,647	(30,000)
Lee-Russell Council of Governments	144,200	372,600	372,600	-
Opelika Chamber of Commerce	61,450	61,450	61,450	-
Opelika Industrial Development Authority	130,000	130,000	130,000	-
Lee County Extension Service	10,000	10,000	10,000	-
Envision Opelika	50,000	54,500	54,500	-
Downtown Development Authority	4,500	4,500	4,500	-
Main Street, Inc.	18,000	18,000	18,000	-
J. W. Darden Foundation	-	6,000	6,000	-
	<u>469,797</u>	<u>708,697</u>	<u>678,697</u>	<u>(30,000)</u>
Total other	<u>2,894,513</u>	<u>3,186,333</u>	<u>2,887,280</u>	<u>(299,053)</u>
Total general government	<u>3,953,925</u>	<u>4,125,637</u>	<u>3,656,156</u>	<u>(469,481)</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Public safety:				
Police:				
Personal services	5,156,922	5,163,033	5,034,379	(128,654)
Other	935,877	1,091,442	935,303	(156,139)
Total police	<u>6,092,799</u>	<u>6,254,475</u>	<u>5,969,682</u>	<u>(284,793)</u>
Fire:				
Personal services	3,467,880	3,619,994	3,390,996	(228,998)
Other	376,184	382,579	344,749	(37,830)
Total fire	<u>3,844,064</u>	<u>4,002,573</u>	<u>3,735,745</u>	<u>(266,828)</u>
Other:				
Nondepartmental:				
National Guard	1,000	1,000	1,000	-
Juvenile Court	10,000	10,000	10,000	-
Lee County Emergency Management	31,500	31,500	31,500	-
Emergency Medical Service	289,476	289,476	289,476	-
Total other	<u>331,976</u>	<u>331,976</u>	<u>331,976</u>	<u>-</u>
Total public safety	<u>10,268,839</u>	<u>10,589,024</u>	<u>10,037,403</u>	<u>(551,621)</u>
Public works:				
Highways and streets:				
Personal services	699,881	701,383	631,365	(70,018)
Other	116,251	117,538	142,100	24,562
Total highways and streets	<u>816,132</u>	<u>818,921</u>	<u>773,465</u>	<u>(45,456)</u>
Engineering:				
Personal services	515,032	515,512	485,899	(29,613)
Other	233,634	256,039	175,432	(80,607)
Total engineering	<u>748,666</u>	<u>771,551</u>	<u>661,331</u>	<u>(110,220)</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Other:				
Administration:				
Personal services	171,248	171,249	167,660	(3,589)
Other	77,966	75,703	70,910	(4,793)
	<u>249,214</u>	<u>246,952</u>	<u>238,570</u>	<u>(8,382)</u>
Cemetery:				
Personal services	145,699	145,699	119,726	(25,973)
Other	60,422	59,333	54,660	(4,673)
	<u>206,121</u>	<u>205,032</u>	<u>174,386</u>	<u>(30,646)</u>
Automotive shop:				
Personal services	338,130	338,130	299,431	(38,699)
Other	32,367	26,030	28,838	2,808
	<u>370,497</u>	<u>364,160</u>	<u>328,269</u>	<u>(35,891)</u>
Building maintenance:				
Personal services	220,354	220,354	199,227	(21,127)
Other	72,319	67,069	61,735	(5,334)
	<u>292,673</u>	<u>287,423</u>	<u>260,962</u>	<u>(26,461)</u>
Inspection:				
Personal services	230,878	230,878	227,330	(3,548)
Other	20,079	49,859	24,829	(25,030)
	<u>250,957</u>	<u>280,737</u>	<u>252,159</u>	<u>(28,578)</u>
Ground maintenance:				
Personal services	346,150	346,150	303,488	(42,662)
Other	148,797	169,507	172,629	3,122
	<u>494,947</u>	<u>515,657</u>	<u>476,117</u>	<u>(39,540)</u>
Total other	<u>1,864,409</u>	<u>1,899,961</u>	<u>1,730,463</u>	<u>(169,498)</u>
Total public works	<u>3,429,207</u>	<u>3,490,433</u>	<u>3,165,259</u>	<u>(325,174)</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Health:				
Animal control:				
Personal services	32,866	32,866	33,361	495
Other	5,128	5,128	4,482	(646)
	<u>37,994</u>	<u>37,994</u>	<u>37,843</u>	<u>(151)</u>
Other:				
Nondepartmental:				
Lee County Health Department	45,000	45,000	50,144	5,144
East Alabama Mental Health	45,000	45,000	45,000	-
East Alabama Regional Solid Waste Disposal Authority				-
Valley Haven School	1,000	1,000	1,000	-
Lee County Humane Society	61,724	61,724	56,580	(5,144)
Sickle Cell Association	1,500	1,500	1,250	(250)
J.W. Darden Foundation				-
Substance Abuse	45,000	45,000	45,000	-
Employers Child Care Alliance	5,000	5,000	5,000	-
Red Cross	-	21,000	21,000	-
Total other	<u>204,224</u>	<u>225,224</u>	<u>224,974</u>	<u>(250)</u>
Total health	<u>242,218</u>	<u>263,218</u>	<u>262,817</u>	<u>(401)</u>
Welfare:				
Other:				
Nondepartmental:				
East Alabama Services for the Elderly	2,500	10,000	10,000	-
Lee County Youth Development Center	28,000	28,000	28,000	-
Boy and Girls Clubs	25,000	29,000	29,000	-
Council on Human Relations	18,000	18,000	18,000	-
Other	-	3,000	3,000	-
Total welfare	<u>73,500</u>	<u>88,000</u>	<u>88,000</u>	<u>-</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Culture and recreation:				
Parks and recreation:				
Personal services	1,343,562	1,343,562	1,316,230	(27,332)
Other	928,418	952,958	882,886	(70,072)
Total parks and recreation	<u>2,271,980</u>	<u>2,296,520</u>	<u>2,199,116</u>	<u>(97,404)</u>
Library:				
Personal services	335,054	335,054	287,964	(47,090)
Other	136,899	241,170	179,473	(61,697)
Total library	<u>471,953</u>	<u>576,224</u>	<u>467,437</u>	<u>(108,787)</u>
Other:				
Nondepartmental:				
Opelika Tree Commission	7,000	7,000	7,000	-
Keep Opelika Beautiful	35,000	35,000	35,000	-
Museum of East Alabama	24,000	27,500	27,500	-
Opelika Arts Association	15,000	15,000	15,000	-
Total other	<u>81,000</u>	<u>84,500</u>	<u>84,500</u>	<u>-</u>
Total culture and recreation	<u>2,824,933</u>	<u>2,957,244</u>	<u>2,751,053</u>	<u>(206,191)</u>
Economic Development:				
Personal services	224,980	224,980	232,807	7,827
Other	145,853	193,908	95,257	(98,651)
Total	<u>370,833</u>	<u>418,888</u>	<u>328,064</u>	<u>(90,824)</u>
Nondepartmental:				
Industrial grant	-	1,500,000	1,643,972	143,972
Total economic development	<u>370,833</u>	<u>1,918,888</u>	<u>1,972,036</u>	<u>53,148</u>
Education:	<u>2,500,000</u>	<u>2,501,800</u>	<u>2,501,877</u>	<u>77</u>
Capital Outlay:	<u>933,200</u>	<u>4,637,265</u>	<u>4,094,917</u>	<u>(542,348)</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
YEAR ENDED SEPTEMBER 30, 2005

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Debt Service:				
Principal	390,806	390,806	430,808	40,002
Interest	252,620	252,620	272,283	19,663
Bond issue costs	-	-	-	-
Total debt service	<u>643,426</u>	<u>643,426</u>	<u>703,091</u>	<u>59,665</u>
Total expenditures	<u>25,240,081</u>	<u>31,214,935</u>	<u>29,232,609</u>	<u>(1,982,326)</u>
Excess of revenues over (under) expenditures	<u>827,252</u>	<u>(5,021,831)</u>	<u>749</u>	<u>5,022,580</u>
Other financing sources (uses):				
Proceeds from debt issuance	-	160,000	160,000	-
Capital lease	-	212,402	212,402	-
Sale of fixed assets	18,000	18,000	330,770	312,770
Transfers from Electric Utility Fund	2,134,384	2,134,384	2,134,384	-
Transfers from Sewer Fund	-	-	-	-
Transfers from Solid Waste Collection Fund	-	-	-	-
Transfers from Garden Hills Cemetery Trust Fund	18,000	18,000	13,174	(4,826)
Transfers from General Obligation Debt Service Fund	-	-	180	180
Transfers from IAR Grant Funds	-	-	-	-
Transfers to General Obligation Debt Service Funds	(2,110,000)	(2,110,000)	(2,025,885)	84,115
Transfers to County Jail/Parks and Recreation Fund	(1,164,500)	(1,164,500)	(1,421,326)	(256,826)
Transfers to Enterprise Funds	(11,669)	(243,204)	(209,487)	33,717
Transfers to Garden Hills Cemetery Perpetual Care Trust Fund	(12,000)	(12,000)	(21,212)	(9,212)
Transfers to Community Development Fund	(252,823)	(486,285)	(478,599)	7,686
Transfers to Capital Projects Fund	-	-	-	-
Total other financing sources (uses)	<u>(1,380,608)</u>	<u>(1,473,203)</u>	<u>(1,305,599)</u>	<u>167,604</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(553,356)</u>	<u>(6,495,034)</u>	<u>(1,304,850)</u>	<u>5,190,184</u>
Fund balance, beginning of year	<u>9,763,499</u>	<u>9,763,499</u>	<u>9,763,499</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,210,143</u>	<u>\$ 3,268,465</u>	<u>\$ 8,458,649</u>	<u>\$ 5,190,184</u>

CITY OF OPELIKA
SCHOOL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Revenues:				
Taxes:				
Property	\$ 3,813,000	\$ 3,813,000	\$ 3,824,810	\$ 11,810
Total revenues	<u>3,813,000</u>	<u>3,813,000</u>	<u>3,824,810</u>	<u>11,810</u>
Expenditures:				
Current:				
Education	<u>1,346,800</u>	<u>1,346,800</u>	<u>1,364,798</u>	<u>17,998</u>
Total expenditures	<u>1,346,800</u>	<u>1,346,800</u>	<u>1,364,798</u>	<u>17,998</u>
Excess of revenues over (under) expenditures	<u>2,466,200</u>	<u>2,466,200</u>	<u>2,460,012</u>	<u>(6,188)</u>
Other financing sources (uses):				
Transfers to Other Funds	<u>(2,466,200)</u>	<u>(2,466,200)</u>	<u>(2,460,012)</u>	<u>6,188</u>
Total other financing sources (uses)	<u>(2,466,200)</u>	<u>(2,466,200)</u>	<u>(2,460,012)</u>	<u>6,188</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Unaudited

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL NONMAJOR FUNDS STATEMENTS

SPECIAL REVENUE FUNDS are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

DEBT SERVICE FUNDS are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

PERMANENT FUNDS are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for government's programs.

CITY OF OPELIKA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>GARDEN HILLS CEMETERY PERMANENT FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS					
Cash and cash equivalents	\$ 4,902,522	\$ 54,002	\$ 498,124	\$ -	\$ 5,454,648
Cash with fiscal agent	-	-	46,267	-	46,267
Certificates of deposit	-	8,000	-	-	8,000
Investments	5,726	1,337,727	-	507,348	1,850,801
Receivables	-	-	21	3,071	3,092
Due from other funds	35,462	139,500	-	8,631	183,593
Due from other governments	99,921	-	-	-	99,921
Total assets	<u>\$ 5,043,631</u>	<u>\$ 1,539,229</u>	<u>\$ 544,412</u>	<u>\$ 519,050</u>	<u>\$ 7,646,322</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 156,653	\$ -	\$ -	\$ 824	\$ 157,477
Retainage payable	-	-	-	-	-
Accrued payroll and benefits	1,894	-	-	-	1,894
Due to other funds	119,307	314,513	-	2,246	436,066
Due to other governments	-	-	-	-	-
Deferred revenue	76,970	-	-	-	76,970
Matured bonds and interest payable	-	722,930	-	-	722,930
Total liabilities	<u>354,824</u>	<u>1,037,443</u>	<u>-</u>	<u>3,070</u>	<u>1,395,337</u>
Fund balances:					
Reserved for encumbrances	130,311	-	90,236	-	220,547
Reserved for debt service	-	501,786	-	-	501,786
Unreserved, undesignated	4,558,496	-	454,176	515,980	5,528,652
Total fund balances	<u>4,688,807</u>	<u>501,786</u>	<u>544,412</u>	<u>515,980</u>	<u>6,250,985</u>
Total liabilities and fund balances	<u>\$ 5,043,631</u>	<u>\$ 1,539,229</u>	<u>\$ 544,412</u>	<u>\$ 519,050</u>	<u>\$ 7,646,322</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>GARDEN HILLS CEMETERY PERMANENT FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
Revenues:					
Intergovernmental	\$ 594,588	\$ -	\$ 358,388	\$ -	\$ 952,976
Investment income	133,594	17,980	18,847	35,944	206,365
Contributions	6,882	-	-	-	6,882
Other	-	-	22,839	-	22,839
Total revenues	<u>735,064</u>	<u>17,980</u>	<u>400,074</u>	<u>35,944</u>	<u>1,189,062</u>
Expenditures:					
Current:					
General government	40,894	-	-	3,235	44,129
Public safety	173,789	-	-	-	173,789
Public works	35,531	-	-	-	35,531
Welfare	58,142	-	-	-	58,142
Culture and recreation	-	-	-	-	-
Education	-	-	-	-	-
Economic development and urban rehabilitation	141,478	-	-	-	141,478
Capital outlay:	277,133	-	533,628	-	810,761
Debt service:					
Principal retirement	-	2,545,000	-	-	2,545,000
Interest	-	2,137,985	-	-	2,137,985
Bond issue costs	-	-	-	-	-
Total expenditures	<u>726,967</u>	<u>4,682,985</u>	<u>533,628</u>	<u>3,235</u>	<u>5,946,815</u>
Excess of revenues over (under) expenditures	<u>8,097</u>	<u>(4,665,005)</u>	<u>(133,554)</u>	<u>32,709</u>	<u>(4,757,753)</u>
Other financing sources (uses):					
Proceeds of general long term debt	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-
Transfers from governmental funds	1,488,050	4,730,401	533,628	21,212	6,773,291
Transfers from proprietary funds	-	-	-	-	-
Transfers to governmental funds	(533,628)	(180)	(244,504)	(13,174)	(791,486)
Transfers to proprietary funds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>954,422</u>	<u>4,730,221</u>	<u>289,124</u>	<u>8,038</u>	<u>5,981,805</u>
Excess of revenues and other sources over (under) expenditures and other uses	962,519	65,216	155,570	40,747	1,224,052
Fund balances, beginning of year	<u>3,726,288</u>	<u>436,570</u>	<u>388,842</u>	<u>475,233</u>	<u>5,026,933</u>
Fund balances, end of year	<u>\$ 4,688,807</u>	<u>\$ 501,786</u>	<u>\$ 544,412</u>	<u>\$ 515,980</u>	<u>\$ 6,250,985</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

7¢ State Gasoline Tax Fund - This fund is used to account for the government's share of revenues to be used exclusively for the purposes of paying the costs of transportation planning, the construction, reconstruction, maintenance, widening, alteration and improvement of public roads, bridges, streets and other public ways.

4¢ State Gasoline Tax Fund - This fund is used to account for the government's share of revenues to be used exclusively for the purposes of paying the costs of resurfacing, restoring, and rehabilitating roads, bridges and streets, and bridge replacement and road construction.

Capital Improvement Fund - This fund is used to account for the government's share of revenues to be used exclusively for exclusively for the purposes of paying the costs of capital improvements or the renovation of capital improvements or to retire debt associated with capital improvements.

Road Maintenance Fund - This fund is used to account for the repair, maintenance, and improvement of all county roads within the city limits.

Community Development - This fund is used to account for the community development block grants that are funding revitalization projects for substandard housing in the government's jurisdiction and other grant revenues for community improvements.

Sales Tax Jail/Rec Fund - This fund is used to account for the portion of the sales tax that the government intends to use to fund payments to Lee County Commission for jail improvements and payments for construction of a recreation center.

Rosemere Cemetery Fund - This fund is used to account for the government's share of revenues to be used exclusively for the perpetual care, maintenance, and preservation of the graves in this cemetery.

Friends of the Lewis E. Cooper, Jr. Memorial Library Trust Fund - This fund is used to account for donations received and related interest income. The principal and interest income can be used to acquire and improve library facilities and materials.

CITY OF OPELIKA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2005

ASSETS	<i>7¢ STATE GASOLINE TAX FUND</i>	<i>4¢ STATE GASOLINE TAX FUND</i>	<i>CAPITAL IMPROVEMENT FUND</i>	<i>COMMUNITY DEVELOPMENT FUND</i>	<i>ROAD MAINTENANCE FUND</i>	<i>SALES TAX JAIL/REC FUND</i>	<i>ROSEMERE CEMETERY FUND</i>	<i>COOPER LIBRARY EXPENDABLE TRUST FUND</i>	<i>COMBINED TOTALS</i>
Cash	\$ 130,609	\$ 71,421	\$ 152,024	\$ 97,044	\$ 2,217,174	\$ 2,203,870	\$ 30,380	\$ -	\$ 4,902,522
Investments	-	-	-	-	-	-	-	5,726	5,726
Due from other funds	-	-	-	3,712	-	31,750	-	-	35,462
Due from other governments	13,704	10,636	-	75,581	-	-	-	-	99,921
Total assets	<u>\$ 144,313</u>	<u>\$ 82,057</u>	<u>\$ 152,024</u>	<u>\$ 176,337</u>	<u>\$ 2,217,174</u>	<u>\$ 2,235,620</u>	<u>\$ 30,380</u>	<u>\$ 5,726</u>	<u>\$ 5,043,631</u>
 LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 313	\$ 5,665	\$ 49,105	\$ 23,085	\$ -	\$ 77,775	\$ 710	\$ -	\$ 156,653
Retainage payable	-	-	-	-	-	-	-	-	-
Accrued payroll and benefits	-	-	-	1,894	-	-	-	-	1,894
Due to other funds	-	39,769	-	79,538	-	-	-	-	119,307
Due to other governments	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	76,970	-	-	-	-	76,970
Total liabilities	<u>313</u>	<u>45,434</u>	<u>49,105</u>	<u>181,487</u>	<u>-</u>	<u>77,775</u>	<u>710</u>	<u>-</u>	<u>354,824</u>
Fund balances:									
Reserved for encumbrances	16,551	2,836	48,924	-	60,000	-	2,000	-	130,311
Unreserved, undesignated	127,449	33,787	53,995	(5,150)	2,157,174	2,157,845	27,670	5,726	4,558,496
Total fund balance	<u>144,000</u>	<u>36,623</u>	<u>102,919</u>	<u>(5,150)</u>	<u>2,217,174</u>	<u>2,157,845</u>	<u>29,670</u>	<u>5,726</u>	<u>4,688,807</u>
Total liabilities and fund balances	<u>\$ 144,313</u>	<u>\$ 82,057</u>	<u>\$ 152,024</u>	<u>\$ 176,337</u>	<u>\$ 2,217,174</u>	<u>\$ 2,235,620</u>	<u>\$ 30,380</u>	<u>\$ 5,726</u>	<u>\$ 5,043,631</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<i>7¢ STATE GASOLINE TAX FUND</i>	<i>4¢ STATE GASOLINE TAX FUND</i>	<i>CAPITAL IMPROVEMENT FUND</i>	<i>COMMUNITY DEVELOPMENT FUND</i>	<i>ROAD MAINTENANCE FUND</i>	<i>SALES TAX JAIL/REC FUND</i>	<i>ROSEMERE CEMETERY FUND</i>	<i>COOPER LIBRARY EXPENDABLE TRUST FUND</i>	<i>COMBINED TOTALS</i>
Revenues:									
Intergovernmental:									
Shared state gasoline tax	\$ 80,035	\$ 62,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,645
Alabama trust fund	-	-	127,583	-	-	-	-	-	127,583
Federal grants	-	-	-	324,360	-	-	-	-	324,360
State grants	-	-	-	-	-	-	-	-	-
Total intergovernmental	<u>80,035</u>	<u>62,610</u>	<u>127,583</u>	<u>324,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>594,588</u>
Miscellaneous:									
Interest	3,582	820	3,938	197	57,916	66,184	293	664	133,594
Contributions	-	-	-	-	-	-	6,882	-	6,882
Total miscellaneous	<u>3,582</u>	<u>820</u>	<u>3,938</u>	<u>197</u>	<u>57,916</u>	<u>66,184</u>	<u>7,175</u>	<u>664</u>	<u>140,476</u>
Total revenues	<u>83,617</u>	<u>63,430</u>	<u>131,521</u>	<u>324,557</u>	<u>57,916</u>	<u>66,184</u>	<u>7,175</u>	<u>664</u>	<u>735,064</u>
Expenditures:									
Current:									
General government	-	-	-	40,894	-	-	-	-	40,894
Public safety	-	-	-	10,910	-	162,879	-	-	173,789
Public works	5,990	16,880	-	-	-	-	12,661	-	35,531
Welfare	-	-	-	58,142	-	-	-	-	58,142
Culture and recreation	-	-	-	-	-	-	-	-	-
Economic development and urban rehabilitation	-	-	-	141,478	-	-	-	-	141,478
Total current expenditures	<u>5,990</u>	<u>16,880</u>	<u>-</u>	<u>251,424</u>	<u>-</u>	<u>162,879</u>	<u>12,661</u>	<u>-</u>	<u>449,834</u>
Capital Outlay	-	50,289	64,568	162,276	-	-	-	-	277,133
Total expenditures	<u>5,990</u>	<u>67,169</u>	<u>64,568</u>	<u>413,700</u>	<u>-</u>	<u>162,879</u>	<u>12,661</u>	<u>-</u>	<u>726,967</u>
Excess of revenues over (under) expenditures	<u>77,627</u>	<u>(3,739)</u>	<u>66,953</u>	<u>(89,143)</u>	<u>57,916</u>	<u>(96,695)</u>	<u>(5,486)</u>	<u>664</u>	<u>8,097</u>
Other financing sources (uses):									
Transfers from governmental funds	-	-	-	66,724	-	1,421,326	-	-	1,488,050
Transfers from proprietary funds	-	-	-	-	-	-	-	-	-
Transfers to governmental funds	-	-	-	-	-	(533,628)	-	-	(533,628)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,724</u>	<u>-</u>	<u>887,698</u>	<u>-</u>	<u>-</u>	<u>954,422</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>77,627</u>	<u>(3,739)</u>	<u>66,953</u>	<u>(22,419)</u>	<u>57,916</u>	<u>791,003</u>	<u>(5,486)</u>	<u>664</u>	<u>962,519</u>
Fund balances, beginning of year	66,373	40,362	35,966	17,269	2,159,258	1,366,842	35,156	5,062	3,726,288
Fund balances, end of year	<u>\$ 144,000</u>	<u>\$ 36,623</u>	<u>\$ 102,919</u>	<u>\$ (5,150)</u>	<u>\$ 2,217,174</u>	<u>\$ 2,157,845</u>	<u>\$ 29,670</u>	<u>\$ 5,726</u>	<u>\$ 4,688,807</u>

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NONMAJOR DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

CITY OF OPELIKA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2005

<i>ASSETS</i>	<i>GENERAL OBLIGATION WARRANTS</i>	<i>GENERAL OBLIGATION REFUNDING SCHOOL WARRANTS</i>	<i>GENERAL OBLIGATION SCHOOL WARRANTS</i>	<i>COMBINED TOTALS</i>
Cash and cash equivalents	\$ 47,942	\$ 2,672	\$ 3,388	\$ 54,002
Certificates of deposit	8,000	-	-	8,000
Investments	858,197	2,396	477,134	1,337,727
Due from other funds	-	-	139,500	139,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 914,139</u>	<u>\$ 5,068</u>	<u>\$ 620,022</u>	<u>\$ 1,539,229</u>
 <i>LIABILITIES AND FUND BALANCE</i> 				
Liabilities:				
Due to other funds	\$ 314,513	\$ -	\$ -	\$ 314,513
Matured bonds and interest payable	220,959	-	501,971	722,930
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	535,472	-	501,971	1,037,443
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved , undesignated	378,667	5,068	118,051	501,786
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	378,667	5,068	118,051	501,786
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 914,139</u>	<u>\$ 5,068</u>	<u>\$ 620,022</u>	<u>\$ 1,539,229</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<u>GENERAL OBLIGATION</u>	<u>GENERAL OBLIGATION REFUNDING SCHOOL WARRANTS</u>	<u>GENERAL OBLIGATION SCHOOL WARRANTS</u>	<u>COMBINED TOTALS</u>
Revenues:				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous:	-	-	-	-
Investment income	12,603	151	5,226	17,980
Total revenues	<u>12,603</u>	<u>151</u>	<u>5,226</u>	<u>17,980</u>
Expenditures:				
Debt service:				
Principal retirement	1,145,000	-	1,400,000	2,545,000
Interest and fiscal charges	1,082,418	1,487	1,054,080	2,137,985
Bond issue costs	-	-	-	-
Total expenditures	<u>2,227,418</u>	<u>1,487</u>	<u>2,454,080</u>	<u>4,682,985</u>
Excess of revenues over (under) expenditures	<u>(2,214,815)</u>	<u>(1,336)</u>	<u>(2,448,854)</u>	<u>(4,665,005)</u>
Other financing sources (uses):				
Proceeds of general long term debt	-	-	-	-
Proceeds of refunding bonds	-	-	-	-
Transfers from governmental funds	2,270,389	1,487	2,458,525	4,730,401
Transfers from proprietary funds	-	-	-	-
Transfers to governmental funds	(180)	-	-	(180)
Transfers to proprietary funds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>2,270,209</u>	<u>1,487</u>	<u>2,458,525</u>	<u>4,730,221</u>
Excess of revenues and other sources over (under) expenditures and other uses	55,394	151	9,671	65,216
Fund balances, beginning of year	<u>323,273</u>	<u>4,917</u>	<u>108,380</u>	<u>436,570</u>
Fund balances, end of year	<u>\$ 378,667</u>	<u>\$ 5,068</u>	<u>\$ 118,051</u>	<u>\$ 501,786</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Industrial Access Road Construction Fund - This fund is used to account for the construction of industrial access roads funded by state industrial access road grants.

Storm Sewer Construction Fund - This fund is used to account for the construction of storm sewer improvements. A \$3,440,000 bond issue and other governmental resources are being used to finance this improvement project.

Road Construction Fund - This fund is used to account for the construction of roads and road improvements. Proceeds of the 1994A GO Warrants are being used to finance these projects.

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED SEPTEMBER 30, 2005

<i>ASSETS</i>	<i>RECREATION CENTER</i>	<i>TIGER TOWN PROJECT</i>	<i>ROAD CONSTRUCTION</i>	<i>TOTALS</i>
Cash	\$ -	\$ -	\$ 498,124	498,124
Cash with fiscal agent	-	46,267	-	46,267
Receivables	-	21	-	21
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ 46,288</u>	<u>\$ 498,124</u>	<u>544,412</u>
 <i>LIABILITIES AND FUND BALANCES</i>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-
Accrued payroll and benefits	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Fund balances:				
Reserved for encumbrances	-	30,236	60,000	90,236
Unreserved, undesignated	-	16,052	438,124	454,176
Total fund balance	<hr/>	<hr/>	<hr/>	<hr/>
	-	46,288	498,124	544,412
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 46,288</u>	<u>\$ 498,124</u>	<u>\$ 544,412</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<i>RECREATION CENTER</i>	<i>TIGER TOWN PROJECT</i>	<i>ROAD CONSTRUCTION</i>	<i>TOTALS</i>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 358,388	358,388
Interest	-	5,456	13,391	18,847
Other	-	7,819	15,020	22,839
Total revenues	<u>-</u>	<u>13,275</u>	<u>386,799</u>	<u>400,074</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development and urban rehabilitation	-	-	-	-
Total current expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay	533,628	-	-	533,628
Total expenditures	<u>533,628</u>	<u>-</u>	<u>-</u>	<u>533,628</u>
Excess of revenues over (under) expenditures	<u>(533,628)</u>	<u>13,275</u>	<u>386,799</u>	<u>(133,554)</u>
Other financing sources (uses):				
Transfers from governmental funds	533,628	-	-	533,628
Transfers from proprietary funds	-	-	-	-
Transfers to governmental funds	-	(244,504)	-	(244,504)
Total other financing sources (uses)	<u>533,628</u>	<u>(244,504)</u>	<u>-</u>	<u>289,124</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>(231,229)</u>	<u>386,799</u>	<u>155,570</u>
Fund balances, beginning of year	<u>-</u>	<u>277,517</u>	<u>111,325</u>	<u>388,842</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 46,288</u>	<u>\$ 498,124</u>	<u>544,412</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis.

Workmen's Compensation Internal Service Fund - This fund is used to account for the accumulation and allocation of costs associated with workmen's compensation insurance.

Worker's Health Insurance Internal Service Fund - This fund is used to account for the accumulation and allocation of costs associated with employee health insurance.

CITY OF OPELIKA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2005

	<u>WORKMEN'S COMPENSATION INSURANCE FUND</u>	<u>WORKER'S HEALTH INSURANCE FUND</u>	<u>TOTALS</u>
ASSETS			
Current assets:			
Cash	\$ 1,879,126	\$ -	\$ 1,879,126
Accounts receivable	-	-	-
Accrued interest	-	-	-
Due from other funds	5,002	180,860	185,862
Total current assets	<u>1,884,128</u>	<u>180,860</u>	<u>2,064,988</u>
Other assets:			
Deposits	<u>19,229</u>	<u>-</u>	<u>19,229</u>
Total assets	<u>\$ 1,903,357</u>	<u>\$ 180,860</u>	<u>\$ 2,084,217</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 57,207	\$ 26,616	\$ 83,823
Due to other funds	322,225	376,413	698,638
Liability for unpaid claims	130,093	92,000	222,093
Deferred revenue	-	135,516	135,516
Total current liabilities	<u>509,525</u>	<u>630,545</u>	<u>1,140,070</u>
Long-term liabilities:			
Liability for unpaid claims	<u>278,055</u>	<u>-</u>	<u>278,055</u>
Total liabilities	<u>787,580</u>	<u>630,545</u>	<u>1,418,125</u>
NET ASSETS			
Unrestricted	1,115,777	(449,685)	666,092
Total net assets	<u>\$ 1,115,777</u>	<u>\$ (449,685)</u>	<u>\$ 666,092</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<u>WORKMEN'S COMPENSATION INSURANCE FUND</u>	<u>HEALTH INSURANCE FUND</u>	<u>TOTALS</u>
Operating revenues:			
Charges for insurance	\$ 494,464	\$ 1,513,643	\$ 2,008,107
Operating expenses:			
Insurance claims and expenses	<u>294,020</u>	<u>1,897,115</u>	<u>2,191,135</u>
Operating income (loss)	<u>200,444</u>	<u>(383,472)</u>	<u>(183,028)</u>
Nonoperating revenues and (expenses):			
Interest revenue	<u>62,062</u>	<u>-</u>	<u>62,062</u>
Change in net assets	262,506	(383,472)	(120,966)
Net assets, beginning of year	<u>853,271</u>	<u>(66,213)</u>	<u>787,058</u>
Net assets, end of year	<u>\$ 1,115,777</u>	<u>\$ (449,685)</u>	<u>\$ 666,092</u>

CITY OF OPELIKA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	WORKMEN'S COMPENSATION INSURANCE FUND	HEALTH INSURANCE FUND	TOTALS
Cash flows from operating activities:			
Receipts from other funds for premiums	490,417	1,529,314	2,019,731
Payments to suppliers and others	(118,748)	(280,691)	(399,439)
Claims paid	(89,347)	(1,625,036)	(1,714,383)
Net cash provided (used) by operating activities	<u>282,322</u>	<u>(376,413)</u>	<u>(94,091)</u>
Cash flows from noncapital financing activities:			
Receipt (payment) on interfund balance	(3,797)	376,413	372,616
Net cash provided (used) by noncapital financing activities	<u>(3,797)</u>	<u>376,413</u>	<u>372,616</u>
Cash flows from investing activities:			
Interest on investments	62,062	-	62,062
Net cash provided (used) by investing activities	<u>62,062</u>	<u>-</u>	<u>62,062</u>
Net increase (decrease) in cash and cash equivalents	340,587	-	340,587
Cash and cash equivalents at beginning of year	1,534,742	-	1,534,742
Cash and cash equivalents at end of year	<u>\$ 1,875,329</u>	<u>\$ -</u>	<u>\$ 1,875,329</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 200,444	\$ (383,472)	\$ (183,028)
Change in assets and liabilities:			
(Increase) decrease in due from other funds	(4,047)	-	(4,047)
(Increase) decrease in accounts receivable	-	-	-
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in deposits	-	-	-
Increase (decrease) in accounts payable	35,629	(10,611)	25,018
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in liability for unpaid claims	50,296	2,000	52,296
Increase (decrease) in deferred revenue	-	15,670	15,670
Net cash provided (used) by operating activities	<u>\$ 282,322</u>	<u>\$ (376,413)</u>	<u>\$ (94,091)</u>

SUPPLEMENTAL SCHEDULES

CITY OF OPELIKA
GOVERNMENTAL FUNDS
SCHEDULE OF DEBT
YEAR ENDED SEPTEMBER 30, 2005

	2005
Amount available and to be provided for the payment of long-term debt:	
General obligation debt:	
Amount available in debt service funds	\$ 337,819
Amount to be provided (for principal)	48,248,680
Other long term debt:	
Amount available in debt service funds	-
Amount to be provided (for principal)	6,819,110
Total available and to be provided	\$ 55,405,609
Long-term debt outstanding:	
General obligation debt:	
Serial bonds and warrants:	
Warrants issued 1994, due serially to July 1, 2014	\$ 735,000
Warrants issued 1996, due serially to February 15, 2016	2,410,000
Warrants issued 1998, due in installments to July 1, 2014	8,265,000
Warrant issued 1999, due in installments to April 15, 2006	29,584
Warrants issued 2000, due in installments to October 1, 2025	6,525,000
Warrants issued 2002, due in installments to February 1, 2032	4,265,000
Warrants issued 2003, due in installments to April 1, 2023	14,945,000
Warrants issued 2004, due in installments to March 1, 2029	6,965,000
Total general obligation serial bonds and warrants	44,139,584
Other:	
Vacation, sick leave, workmen's compensation claims and other	2,626,915
Contract issued 2004, due in installments to October 1, 2008	120,000
Reserve Agreement dated as of June 1, 1998 with the Opelika Industrial Development Authority	1,700,000
Total general obligation other	4,446,915
Total general obligation debt	48,586,499
Other long-term debt:	
Capital lease - public works equipment	212,402
Capital lease - public safety equipment	49,708
Anticipated payments for principal due in accordance with the Annual Appropriation Agreement dated June 1, 1998 between the City of Opelika and the Opelika Industrial Development Authority	6,557,000
Total other long-term debt	6,819,110
Total long-term debt	\$ 55,405,609

CITY OF OPELIKA
GOVERNMENTAL FUNDS
SCHEDULE OF DEBT SERVICE
SEPTEMBER 30, 2005

	<i>General Obligation Bonds and Warrants</i>		<i>Other Long-Term Debt</i>		<i>Total General Long-Term Debt</i>		<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	
2006	\$ 3,564,584	\$ 1,988,741	\$ 394,282	\$ 358,685	\$ 3,958,866	\$ 2,347,426	\$ 6,306,292
2007	3,435,000	1,814,835	366,854	344,951	3,801,854	2,159,786	5,961,640
2008	3,595,000	1,649,470	384,239	331,031	3,979,239	1,980,501	5,959,740
2009	3,750,000	1,477,652	371,735	316,411	4,121,735	1,794,063	5,915,798
2010	3,940,000	1,299,558	335,000	300,582	4,275,000	1,600,140	5,875,140
2011	3,550,000	1,138,417	360,000	286,520	3,910,000	1,424,937	5,334,937
2012	2,975,000	1,001,100	385,000	271,420	3,360,000	1,272,520	4,632,520
2013	3,260,000	865,164	415,000	255,281	3,675,000	1,120,445	4,795,445
2014	2,085,000	750,262	445,000	237,852	2,530,000	988,114	3,518,114
2015	960,000	654,636	480,000	219,131	1,440,000	873,767	2,313,767
2016	1,015,000	609,331	515,000	198,923	1,530,000	808,254	2,338,254
2017	765,000	568,604	550,000	177,228	1,315,000	745,832	2,060,832
2018	800,000	533,219	590,000	154,045	1,390,000	687,264	2,077,264
2019	835,000	495,456	635,000	129,178	1,470,000	624,634	2,094,634
2020	875,000	455,687	680,000	102,375	1,555,000	558,062	2,113,062
2021	920,000	413,596	730,000	73,690	1,650,000	487,286	2,137,286
2022	965,000	368,515	785,000	42,873	1,750,000	411,388	2,161,388
2023	1,015,000	320,214	217,000	9,671	1,232,000	329,885	1,561,885
2024	1,060,000	269,225	-	-	1,060,000	269,225	1,329,225
2025	1,120,000	215,344	-	-	1,120,000	215,344	1,335,344
2026	630,000	158,263	-	-	630,000	158,263	788,263
2027	660,000	128,747	-	-	660,000	128,747	788,747
2028	695,000	97,687	-	-	695,000	97,687	792,687
2029	725,000	65,084	-	-	725,000	65,084	790,084
2029	300,000	40,744	-	-	300,000	40,744	340,744
2031	315,000	24,984	-	-	315,000	24,984	339,984
2032	330,000	8,456	-	-	330,000	8,456	338,456
Vacation, sick, and other:	-	-	2,626,915	-	2,626,915	-	2,626,915
	<u>\$ 44,139,584</u>	<u>\$ 17,412,992</u>	<u>\$ 11,266,025</u>	<u>\$ 3,809,847</u>	<u>\$ 55,405,609</u>	<u>\$ 21,222,839</u>	<u>\$ 76,628,448</u>

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

GENERAL OBLIGATION WARRANTS, SERIES 1994-A

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
\$ 735,000	2006	5.60%	\$ <u>735,000</u>	\$ <u>41,160</u>	\$ <u>776,160</u>
			\$ <u><u>735,000</u></u>	\$ <u><u>41,160</u></u>	\$ <u><u>776,160</u></u>

Note: Warrants mature on July 1, year as indicated. Interest is paid semi-annually on July 1 and January 1.
 For road construction.

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 1996

<i>TOTAL PRINCIPAL OUTSTANDING</i>	<i>YEAR</i>	<i>INTEREST RATE</i>	<i>ANNUAL PRINCIPAL PAYMENTS</i>	<i>ANNUAL INTEREST PAYMENTS</i>	<i>TOTAL PRINCIPAL & INTEREST</i>
\$ 2,410,000	2006	4.50%	\$ 170,000	\$ 116,250	\$ 286,250
2,240,000	2007	4.60%	180,000	108,285	288,285
2,060,000	2008	4.70%	185,000	99,798	284,798
1,875,000	2009	4.80%	195,000	90,770	285,770
1,680,000	2010	4.90%	205,000	81,068	286,068
1,475,000	2011	5.00%	215,000	70,670	285,670
1,260,000	2012	5.10%	225,000	59,557	284,557
1,035,000	2013	5.20%	240,000	47,580	287,580
795,000	2014	5.20%	250,000	34,840	284,840
545,000	2015	5.20%	265,000	21,450	286,450
280,000	2016	5.20%	280,000	7,280	287,280
			<u>\$ 2,410,000</u>	<u>\$ 737,548</u>	<u>\$ 3,147,548</u>

Note: Warrants mature February 15, year as indicated. Interest is paid semi-annually on February 15 and August 15.
For school improvements and construction.

CITY OF OPELIKA
SCHEDULE OF LONG TERM DEBT
SEPTEMBER 30, 2005

**ANTICIPATED PAYMENTS FOR INDUSTRIAL DEVELOPMENT AUTHORITY'S SERIES 1998A INDUSTRIAL
DEVELOPMENT REVENUE BONDS**

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE *	ANNUAL PRINCIPAL PAYMENTS **	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 6,140,000	2006	3.93%	\$ 190,000	\$ 241,302	\$ 431,302
5,950,000	2007	3.93%	210,000	233,835	443,835
5,740,000	2008	3.93%	225,000	225,582	450,582
5,515,000	2009	3.93%	240,000	216,740	456,740
5,275,000	2010	3.93%	255,000	207,308	462,308
5,020,000	2011	3.93%	275,000	197,286	472,286
4,745,000	2012	3.93%	295,000	186,479	481,479
4,450,000	2013	3.93%	315,000	174,885	489,885
4,135,000	2014	3.93%	335,000	162,506	497,506
3,800,000	2015	3.93%	360,000	149,340	509,340
3,440,000	2016	3.93%	385,000	135,192	520,192
3,055,000	2017	3.93%	410,000	120,062	530,062
2,645,000	2018	3.93%	440,000	103,949	543,949
2,205,000	2019	3.93%	470,000	86,657	556,657
1,735,000	2020	3.93%	505,000	68,186	573,186
1,230,000	2021	3.93%	540,000	48,339	588,339
690,000	2022	3.93%	575,000	27,117	602,117
115,000	2023	3.93%	115,000	4,520	119,520
			\$ 6,140,000	\$ 2,589,285	\$ 8,729,285

* A constant rate of 3.93% is assumed for disclosure purposes which is the variable rate in effect at 9-30-05. The Industrial Development Authority adopted the variable rate option at June 1, 2003. The variable rate is adjusted weekly by the Remarketing Agent. The variable rate is determined by the Remarketing Agent as the lowest rate which will, in the opinion of the Remarketing Agent, result in the market value of the bonds being 100% of the principal amount thereof on the determination date.

** The sum of the anticipated payments under the 1998A and 1998B issues is equal to the sum of the Reserve Agreement and the Annual Appropriation Agreement shown on the Comparative Statements of General Long Term Debt.

Note: Warrants mature on June 1, year as indicated. Interest is paid semi-annually on December 1 and June 1 as indicated.

CITY OF OPELIKA
SCHEDULE OF LONG TERM DEBT
SEPTEMBER 30, 2005

ANTICIPATED PAYMENTS FOR INDUSTRIAL DEVELOPMENT AUTHORITY'S SERIES 1998B INDUSTRIAL DEVELOPMENT REVENUE BONDS

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE *	ANNUAL PRINCIPAL PAYMENTS **	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 2,117,000	2006	5.05%	\$ 65,000	\$ 106,909	\$ 171,909
2,052,000	2007	5.05%	65,000	103,626	168,626
1,987,000	2008	5.05%	65,000	100,344	165,344
1,922,000	2009	5.05%	75,000	97,061	172,061
1,847,000	2010	5.05%	80,000	93,274	173,274
1,767,000	2011	5.05%	85,000	89,234	174,234
1,682,000	2012	5.05%	90,000	84,941	174,941
1,592,000	2013	5.05%	100,000	80,396	180,396
1,492,000	2014	5.05%	110,000	75,346	185,346
1,382,000	2015	5.05%	120,000	69,791	189,791
1,262,000	2016	5.05%	130,000	63,731	193,731
1,132,000	2017	5.05%	140,000	57,166	197,166
992,000	2018	5.05%	150,000	50,096	200,096
842,000	2019	5.05%	165,000	42,521	207,521
677,000	2020	5.05%	175,000	34,189	209,189
502,000	2021	5.05%	190,000	25,351	215,351
312,000	2022	5.05%	210,000	15,756	225,756
102,000	2023	5.05%	102,000	5,151	107,151
			\$ 2,117,000	\$ 1,194,883	\$ 3,311,883

* Rate will be determined annually, June 1, at the Treasury Rate plus one and eight-tenths percent per annum. At 6-1-05 the rate was 5.05%.

** The sum of the anticipated payments under the 1998A and 1998B issues is equal to the sum of the Reserve Agreement and the Annual Appropriation Agreement shown on the Comparative Statements of General Long Term Debt.

Note: Principal payments due on June 1, year as indicated. Interest is paid semi-annually on December 1 and June 1.

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

GENERAL OBLIGATION WARRANTS, SERIES 1998

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
\$ 8,265,000	2006	3.90%	100,000	348,013	448,013
8,165,000	2007	4.10%	880,000	344,112	1,224,112
7,285,000	2008	4.10%	920,000	308,033	1,228,033
6,365,000	2009	4.10%	955,000	270,313	1,225,313
5,410,000	2010	4.20%	1,000,000	231,158	1,231,158
4,410,000	2011	4.25%	1,035,000	189,157	1,224,157
3,375,000	2012	4.25%	1,080,000	145,170	1,225,170
2,295,000	2013	4.30%	1,125,000	99,270	1,224,270
1,170,000	2014	4.35%	1,170,000	50,895	1,220,895
			\$ 8,265,000	\$ 1,986,121	\$ 10,251,121

Note: Warrants mature on July 1, year as indicated. Interest is paid semi-annually on January 1 and July 1.
 Refund 1994A Road Construction Warrants.

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

GENERAL OBLIGATION WARRANT, FIRST AMERICAN BANK - POLICE CONSOLE

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
\$ 29,584	2006	5.22%	\$ 29,584	\$ 811	\$ 30,395
			<u>\$ 29,584</u>	<u>\$ 811</u>	<u>\$ 30,395</u>

Note: Payments of \$9,285 are due quarterly.

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 2000

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
\$ 6,525,000	2006	4.70%	\$ 200,000	\$ 346,340	\$ 546,340
6,325,000	2007	4.75%	200,000	336,940	536,940
6,125,000	2008	4.80%	215,000	327,440	542,440
5,910,000	2009	4.85%	225,000	317,120	542,120
5,685,000	2010	5.00%	235,000	306,208	541,208
5,450,000	2011	4.90%	250,000	294,458	544,458
5,200,000	2012	5.00%	260,000	282,208	542,208
4,940,000	2013	5.10%	275,000	269,208	544,208
4,665,000	2014	5.20%	285,000	255,182	540,182
4,380,000	2015	5.25%	300,000	240,362	540,362
4,080,000	2016	5.30%	320,000	224,612	544,612
3,760,000	2017	5.35%	335,000	207,652	542,652
3,425,000	2018	5.40%	355,000	189,730	544,730
3,070,000	2019	5.45%	370,000	170,560	540,560
2,700,000	2020	5.50%	390,000	150,396	540,396
2,310,000	2021	5.50%	415,000	128,945	543,945
1,895,000	2022	5.60%	435,000	106,120	541,120
1,460,000	2023	5.60%	460,000	81,760	541,760
1,000,000	2024	5.60%	485,000	56,000	541,000
515,000	2025	5.60%	515,000	28,840	543,840
			\$ 6,525,000	\$ 4,320,081	\$ 10,845,081

Note: Warrants mature on October 1, year as indicated. Interest is paid semi-annually on April 1 and October 1 as indicated.

CITY OF OPELIKA
SCHEDULE OF LONG TERM DEBT
SEPTEMBER 30, 2005

CAPITAL LEASE FOR COMMUNICATIONS EQUIPMENT

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
\$ 49,708	2006	5.65%	\$ 49,708	\$ 704	\$ 50,412
			<u>\$ 49,708</u>	<u>\$ 704</u>	<u>\$ 50,412</u>

Note: Payment of \$10,082 is due monthly, years as indicated.

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

GENERAL OBLIGATION WARRANTS, SERIES 2002

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 4,265,000	2006	-	-	\$ 212,505	\$ 212,505
4,265,000	2007	-	-	212,505	212,505
4,265,000	2008	-	-	212,505	212,505
4,265,000	2009	-	-	212,505	212,505
4,265,000	2010	-	-	212,505	212,505
4,265,000	2011	-	-	212,505	212,505
4,265,000	2012	-	-	212,505	212,505
4,265,000	2013	4.300%	130,000	209,710	339,710
4,135,000	2014	4.450%	135,000	203,911	338,911
4,000,000	2015	4.550%	140,000	197,723	337,723
3,860,000	2016	4.650%	150,000	191,050	341,050
3,710,000	2017	4.750%	155,000	183,881	338,881
3,555,000	2018	4.800%	160,000	176,360	336,360
3,395,000	2019	4.900%	170,000	168,355	338,355
3,225,000	2020	4.950%	180,000	159,735	339,735
3,045,000	2021	5.000%	190,000	150,530	340,530
2,855,000	2022	5.000%	200,000	140,780	340,780
2,655,000	2023	5.100%	210,000	130,425	340,425
2,445,000	2024	5.100%	220,000	119,460	339,460
2,225,000	2025	5.100%	230,000	107,985	337,985
1,995,000	2026	5.100%	240,000	96,000	336,000
1,755,000	2027	5.100%	255,000	83,378	338,378
1,500,000	2028	5.125%	270,000	69,956	339,956
1,230,000	2029	5.125%	285,000	55,734	340,734
945,000	2030	5.125%	300,000	40,744	340,744
645,000	2031	5.125%	315,000	24,984	339,984
330,000	2032	5.125%	330,000	8,456	338,456
			<u>\$ 4,265,000</u>	<u>\$ 4,006,693</u>	<u>\$ 8,271,693</u>

Note: Warrants mature on February 1, year as indicated. Interest is paid semi-annually on February 1 and August 1 as indicated. Appropriation for construction of conference center.

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

GENERAL OBLIGATION WARRANTS, SERIES 2003A

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
\$ 14,945,000	2006	5.00%	\$ 2,145,000	\$ 651,292	\$ 2,796,292
12,800,000	2007	5.00%	1,985,000	548,042	2,533,042
10,815,000	2008	5.00%	2,075,000	446,543	2,521,543
8,740,000	2009	5.00%	2,175,000	340,293	2,515,293
6,565,000	2010	5.00%	2,290,000	228,668	2,518,668
4,275,000	2011	3.30-4.00%	1,835,000	138,778	1,973,778
2,440,000	2012	5.25%	1,185,000	75,032	1,260,032
1,255,000	2013	3.50%	1,255,000	21,962	1,276,962
			<u>\$ 14,945,000</u>	<u>\$ 2,450,610</u>	<u>\$ 17,395,610</u>

Note: Warrants mature on April 1, year as indicated. Interest is paid semi-annually on April 1 and October 1 as indicated.

Bonds issued for current refunding of Series 1993A&B and to provide funding for public portion of new commercial development.

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 2004

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 6,965,000	2006	1.75%	\$ 185,000	\$ 266,370	\$ 451,370
6,780,000	2007	4.00%	190,000	260,951	450,951
6,590,000	2008	4.00%	200,000	253,151	453,151
6,390,000	2009	2.50%	200,000	246,651	446,651
6,190,000	2010	4.00%	210,000	239,951	449,951
5,980,000	2011	2.70%	215,000	232,849	447,849
5,765,000	2012	2.95%	225,000	226,628	451,628
5,540,000	2013	5.00%	235,000	217,434	452,434
5,305,000	2014	5.00%	245,000	205,434	450,434
5,060,000	2015	3.30%	255,000	195,101	450,101
4,805,000	2016	3.40%	265,000	186,389	451,389
4,540,000	2017	3.50%	275,000	177,071	452,071
4,265,000	2018	3.60%	285,000	167,129	452,129
3,980,000	2019	3.70%	295,000	156,541	451,541
3,685,000	2020	3.63%	305,000	145,556	450,556
3,380,000	2021	3.75%	315,000	134,121	449,121
3,065,000	2022	4.00%	330,000	121,615	451,615
2,735,000	2023	4.05%	345,000	108,029	453,029
2,390,000	2024	4.10%	355,000	93,765	448,765
2,035,000	2025	4.25%	375,000	78,519	453,519
1,660,000	2026	4.25%	390,000	62,263	452,263
1,270,000	2027	4.25%	405,000	45,369	450,369
865,000	2028	4.25%	425,000	27,731	452,731
440,000	2029	4.25%	440,000	9,350	449,350
			<u>\$ 6,965,000</u>	<u>\$ 3,857,968</u>	<u>\$ 10,822,968</u>

Note: Warrants mature on March 1, year as indicated. Interest is paid semi-annually on March 1 and September 1 as indicated.

CITY OF OPELIKA
SCHEDULE OF LONG TERM DEBT
SEPTEMBER 30, 2005

MUNICIPAL LEASE WALKING EXCAVATOR - 2005

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
\$ 212,402	2006	4.60%	\$ 49,574	\$ 9,770	\$ 59,344
162,828	2007	-	51,854	7,490	59,344
110,974	2008	-	54,239	5,105	59,344
56,735	2009	-	56,735	2,610	59,345
			<u>\$ 212,402</u>	<u>\$ 24,975</u>	<u>\$ 237,377</u>

Note: Payment due annually on August 15.

The notes to the financial statements are an integral part of this statement.

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

TORBERT BOULEVARD LAND

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
\$ 120,000	2006	5.00%	-	-	-
120,000	2007	5.00%	40,000	6,000	46,000
80,000	2008	5.00%	40,000	4,000	44,000
40,000	2009	5.00%	40,000	2,000	42,000
			<u>\$ 120,000</u>	<u>\$ 12,000</u>	<u>\$ 132,000</u>

Note: Payment due annually on October 1.

The notes to the financial statements are an integral part of this statement.

STATISTICAL TABLES

CITY OF OPELIKA
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

<i>FISCAL YEAR</i>	<i>GENERAL GOVERNMENT</i>	<i>PUBLIC SAFETY</i>	<i>PUBLIC WORKS</i>	<i>HEALTH</i>	<i>WELFARE</i>	<i>CULTURE AND RECREATION</i>	<i>EDUCATION</i>	<i>ECONOMIC DEVELOPMENT AND URBAN REHABILITATION</i>	<i>DEBT SERVICE</i>	<i>TOTAL</i>
1996	\$ 2,205,343	\$ 6,950,248	\$ 2,201,352	\$ 239,707	\$ 64,000	\$ 1,526,811	\$ 5,202,425	\$ 220,015	\$ 5,353,005	\$ 23,962,906
1997	4,466,879	7,186,031	2,322,236	228,786	61,500	1,687,314	1,700,000	155,587	4,638,749	22,447,082
1998	2,526,029	7,776,230	2,471,358	237,887	66,500	1,908,453	1,700,000	316,115	4,323,309	21,325,881
1999	2,440,078	8,065,045	2,610,691	253,337	66,500	2,002,084	1,700,000	438,065	4,667,078	22,242,878
2000	2,790,444	8,436,290	3,256,986	272,612	71,500	2,244,672	1,700,000	326,026	4,032,706	23,131,236
2001	2,877,934	9,126,114	3,064,511	267,515	81,500	2,272,254	9,737,250	336,942	4,766,599	32,530,619
2002	2,962,915	8,663,351	3,961,699	243,370	67,500	6,219,488	2,713,896	401,557	6,866,487	32,100,263
2003	3,324,811	9,194,903	2,927,147	248,759	277,799	2,457,171	2,825,794	403,121	5,810,133	27,469,638
2004	3,443,635	9,784,324	3,070,000	268,529	146,004	2,595,527	11,042,776	2,789,186	5,706,286	38,846,267
2005	3,700,285	10,211,192	3,200,790	262,817	146,142	2,751,053	3,866,675	2,113,514	5,386,076	31,638,544

Note:

(1) Includes General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Capital outlay expenditures are not included.

Unaudited

CITY OF OPELIKA
GENERAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>TAXES</u>	<u>LICENSES AND PERMITS</u>	<u>INTERGOVERN- MENTAL</u>	<u>CHARGES FOR SERVICES</u>	<u>FINES AND FORFEITS</u>	<u>MISCELLANEOUS</u>	<u>TOTAL</u>
1996	\$ 11,345,346	\$ 7,338,106	\$ 995,694	\$ 304,492	\$ 284,433	\$ 1,424,855	\$ 21,692,926
1997	11,818,881	7,804,558	770,933	311,337	251,008	1,313,052	22,269,769
1998	12,124,741	7,624,376	1,054,549	381,605	208,507	1,306,331	22,700,109
1999	12,328,704	7,975,739	972,475	239,413	183,212	3,228,573	24,928,116
2000	12,519,647	8,160,362	2,194,576	321,664	199,968	1,132,069	24,528,286
2001	13,371,139	8,399,219	994,460	355,490	283,654	1,063,060	24,467,022
2002	14,095,055	8,625,544	2,333,976	506,474	305,926	701,568	26,568,543
2003	14,970,194	8,772,293	1,523,655	481,568	360,832	489,509	26,598,051
2004	18,580,579	9,188,628	2,123,240	497,290	404,734	533,335	31,327,806
2005	20,704,066	10,395,227	2,193,638	611,337	390,888	755,931	35,051,087

Note:

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds (assessments are not included). Capital outlay expenditures are not included.

Unaudited

CITY OF OPELIKA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO
TOTAL GENERAL EXPENDITURES (1)
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL DEBT SERVICE</u>	<u>TOTAL GENERAL EXPENDITURES</u>	<u>RATIO OF DEBT SERVICE TO GENERAL EXPENDITURES</u>
1996	\$ 2,912,879	\$ 2,440,126	\$ 5,353,005	\$ 23,962,906	22.3
1997	2,641,632	1,997,117	4,638,749	22,447,082	20.7
1998	2,425,963	1,897,346	4,323,309	21,325,881	20.3
1999	2,422,618	2,244,460	4,667,078	22,242,878	21.0
2000	1,814,460	2,218,246	4,032,706	23,131,236	17.4
2001	2,113,064	2,653,535	4,766,599	32,530,619	14.7
2002	4,367,796	2,498,691	6,866,487	32,100,263	21.4
2003	3,117,012 (2)	2,693,121	5,810,133	27,469,638	21.2
2004	3,266,247	2,440,039	5,706,286	38,846,267	14.7
2005	2,975,808	2,410,268	5,386,076	31,638,544	17.0

Notes:

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(2) Does not include effect of current refunding principal payments of \$9,654,000 on 1993A and 1993B bonds.

Unaudited

CITY OF OPELIKA
PROPERTY TAX LEVIES IN LEE COUNTY, ALABAMA
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>TOTAL TAX LEVY</u>	
1996	19,789,819	(1)
1997	20,157,852	(1)
1998	21,776,489	(1)
1999	23,405,495	(1)
2000	28,166,617	(1)
2001	32,081,744	(1)
2002	33,783,586	(1)
2003	37,275,288	(1)
2004	45,758,571	(1)
2005	47,873,371	(1)

Unaudited

(1) Source: Lee County Revenue Commissioner

CITY OF OPELIKA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY (2)		TOTAL		RATIO OF TOTAL ASSESSED VALUE TO TOTAL ESTIMATED ACTUAL VALUE
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	
1996	\$ 88,742,960 (1)	\$ 665,738,635 (1)	\$ 45,285,510 (1)	\$ 215,643,383 (1)	\$ 134,028,470 (1)	\$ 881,382,018 (1)	15.0
1997	89,221,620 (1)	669,329,482 (1)	54,903,760 (1)	264,166,500 (1)	144,125,380 (1)	933,495,982 (1)	15.4
1998	102,725,740	662,530,733	46,031,420	230,157,100	148,757,160	892,687,833	16.7
1999	108,115,540	675,722,125	39,986,100	199,930,500	148,101,640	875,652,625	16.9
2000	127,404,180	832,838,200	44,836,820	224,184,100	172,241,000	1,057,022,300	16.3
2001	139,945,800	868,783,400	45,378,300	251,568,700	185,324,100	1,120,352,100	16.5
2002	149,100,280	953,727,100	46,759,380	233,796,900	195,859,660	1,187,524,000	16.5
2003	151,285,640	965,124,566	47,091,260	235,456,300	198,376,900	1,200,580,866	16.5
2004	173,696,900	1,130,985,700	57,375,080	275,110,033	231,071,980	1,406,095,733	16.4
2005	184,161,880	1,209,773,100	51,971,380	258,795,430	236,133,260	1,468,568,530	16.1

Property is assessed as a percentage of appraised value on the following basis:

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

Unaudited

Source - Lee County Tax Assessor

(1) Tax Assessor unable to provide. Amounts shown are estimates based on information provided by Tax Assessor.

(2) excludes value of motor vehicles.

Note: Ad Valorem Taxes are assessed and collected for the City of Opelika by Lee County.

CITY OF OPELIKA
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS

The tax rates shown below were effective for periods as indicated. (Composition of tax rate per hundred dollars of assessed valuation.)

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 State of Alabama			0.65

Lee County

County Tax:

General Fund (no limit as to time)		0.65	
Road Fund (no limit as to time)		0.30	
Dependent Children		0.15	
Hospital (no limit as to time)		0.25	
Total			1.35

County Schools:

General School Fund (no limit as to time)		0.50	
Total (shared with City schools based on average daily attendance)			0.50
Total Lee County			1.85

City of Opelika

Municipal Tax:

General municipal purposes (no limit as to time)		0.50	
Debt Service (no limit as to time)		0.50	
Public school uses (exclusively for support and furtherance of education) (voted to Sept. 30, 2024)		1.00	
Public school uses (exclusively for support and furtherance of education) (voted to Sept. 30, 2018)		0.60	
Total			2.60

Special School Tax:

Special School Tax (voted to Sept. 30, 2021)		0.30	
Total			0.30

Total City of Opelika			2.90
Total tax rate			\$ 5.40

Notes:

Unaudited

Source: Lee County Tax Assessor

Taxes due - October 1

Taxes delinquent - January 1

Penalties for delinquency - \$2.50 plus 6% interest

Tax sale date - Usually May or June

CITY OF OPELIKA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<i>FISCAL YEAR ENDED</i>	<i>POPULATION</i>		<i>ASSESSED VALUE</i>	<i>GROSS BONDED DEBT</i>	<i>GENERAL DEBT SERVICE FUNDS</i>	<i>NET BONDED DEBT</i>	<i>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</i>	<i>NET BONDED DEBT PER CAPITA</i>
	<i>CENSUS</i>	<i>NUMBER</i>						
1995	1990	22,122	\$ 134,028,470 (1)	\$ 38,383,727	\$ 2,588,751	\$ 35,794,976	26.71	\$ 1,618
1996	1990	22,122	144,125,380 (1)	39,046,836	1,890,591	37,156,245	25.78	1,680
1997	1990	22,122	148,757,160 (1)	38,701,268	1,829,810	36,871,458	24.79	1,667
1998	1990	22,122	148,757,160	36,631,856 (2)	1,963,696	34,668,160	23.31	1,567
1999	1990	22,122	148,101,640	36,533,067 (2)	1,897,703	34,635,364	23.39	1,566
2000	2000	23,498	172,241,000	35,004,550 (2)	1,916,847	33,087,703	19.21	1,408
2001	2000	23,498	185,324,100	40,460,485 (2)	1,949,093	38,511,392	20.78	1,639
2002	2000	23,498	195,859,660	40,720,908 (2)	396,030	40,324,878	20.59	1,716
2003	2000	23,498	198,376,900	46,883,065 (2)	304,989	46,578,076	23.48	1,982
2004	2000	23,498	231,071,980	51,159,015 (2)	310,621	50,848,394	22.01	2,164
2005	2000	23,498	236,133,260	48,586,499	337,819	48,248,680	20.43	2,053

Unaudited

(1) Tax Assessor unable to provide. Amounts shown are estimates based on information provided by Tax Assessor.

(2) Does not include long-term debt that is not a general obligation of the government.

CITY OF OPELIKA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2005

Assessed value of real and personal taxable property as of 9-30-04 (including motor vehicles and excluding exempt property) (2)		\$	<u>249,026,528</u>
Debt limit, twenty percent of assessed value (constitutional limitation) (1)		\$	49,805,306
Outstanding General Obligation Debt:			
Debt in governmental activities	44,139,584		
Debt in business-type activities	11,105,000		
Obligation per Reserve Agreement with Industrial Development Authority	1,700,000		
Other long-term liabilities	<u>2,226,078</u>		
Total general obligation debt for computation			59,170,662
Less: Bonds exempted from legal debt limit (1):			
Bonds issued for schools:			
1996 General Obligation School Warrants	2,410,000		
2000 General Obligation School Warrants	6,525,000		
2003 General Obligation Warrants, Series 2003A (portion refunding 1993A warrants)	5,710,000		
2004 General Obligation School Warrants	<u>6,965,000</u>		
Total	<u>21,610,000</u>		
Bonds issued for sewers:			
1989 General Obligation Sewer Warrants, SRF-1,2 and 3	2,935,000		
2003 General Obligation Warrants, Series 2003A (portion issued for treatment plant construction)	6,145,000		
2003 General Obligation Warrants, Series 2003A (portion issued for Tiger Town sewer construction)	2,507,934		
2003 General Obligation Warrants, Series 2003A (portion refunding 1993B warrants)	<u>2,025,000</u>		
Total	<u>13,612,934</u>		
Bonds issued for storm sewers:			
2003 General Obligation Warrants, Series 2003A (portion refunding 1993B warrants)	<u>655,000</u>		
Total exempt bonds			<u>35,877,934</u>
NET BONDED INDEBTEDNESS			<u>23,292,728</u>
LEGAL DEBT MARGIN		\$	<u>26,512,578</u>

Unaudited

(1) Section 225, as amended, Constitution of State of Alabama, limits debt of the City of Opelika to twenty percent of the assessed value of property.

Excluded from this limitation are bonds issued for schools, water works, sewers and assessed improvements.

(2) Per Lee County Revenue Commissioner

CITY OF OPELIKA
COMPUTATION OF OVERLAPPING DEBT
SEPTEMBER 30, 2005

	<u>GROSS DEBT LESS DEBT SERVICE ASSETS</u>	<u>PERCENTAGE OF DEBT APPLICABLE CITY OF OPELIKA</u>	<u>CITY OF OPELIKA DEBT BURDEN</u>
City of Opelika			
Gross bonded debt (1)	\$ 48,586,499		
Other long-term debt	6,819,110		
Total long-term debt	<u>55,405,609</u>		
Less: amounts available for debt service	<u>337,819</u>		
Direct net debt	<u>\$ 55,067,790</u>	100.0%	\$ 55,067,790
Overlapping Debt:			
Lee County, Alabama (fiscal year ending September 30, 2005)			
Net overlapping debt	<u>\$ 21,551,182</u>	23.5%	<u>5,064,528</u>
Total direct and overlapping debt			<u>\$ 60,132,318</u>

Notes:

Unaudited

- (1) Does not include general obligation debt reported by the enterprise funds
- (2) FY 03 rate used due to FY 04 rate not provided by Lee County

CITY OF OPELIKA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<i>FISCAL YEAR</i>	<i>POPULATION</i>	<i>PER CAPITA INCOME</i>	<i>MEDIAN AGE</i>	<i>PERCENT OF HIGH SCHOOL GRADUATES AMONG PERSONS OVER 25</i>	<i>SCHOOL ENROLLMENT</i>	<i>UNEMPLOYMENT RATE</i>
1995	22,122	6,145	28.3	58.0	7,275	4.80%
1996	22,122	6,145	28.3	58.0	7,200	3.20%
1997	22,122	6,145	28.3	58.0	7,281	3.80%
1998	22,122	6,145	28.3	58.0	7,237	3.40%
1999	22,122	16,887	34.1	73.2	7,764	3.50%
2000	23,498	17,571	34.1	73.2	7,770	3.40%
2001	23,498	17,848	34.1	69.9	8,009	3.50%
2002	23,774	18,639	34.4	72.5	8,070	3.70%
2003	24,232	19,091	34.0	76.2	8,226	3.90%
2004	23,269	18,023	35.2	76.4	8,495	3.80%
2005	23804	20254	35.2	78.2	7,800	3.60%

Unaudited
Source: City of Opelika

CITY OF OPELIKA
CONSTRUCTION
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>COMMERCIAL CONSTRUCTION (1)</u>		<u>RESIDENTIAL CONSTRUCTION (1)</u>	
	<u>NUMBER OF UNITS</u>	<u>VALUE</u>	<u>NUMBER OF UNITS</u>	<u>VALUE</u>
1996	24	\$ 11,970,085	307	\$ 18,766,608
1997	23	7,668,051	126	10,366,339
1998	27	4,410,480	133	11,793,339
1999	29	57,988,372	91	10,177,283
2000	27	10,783,158	75	9,258,241
2001	21	21,481,875	75	9,009,212
2002	47	39,581,130	72	8,694,715
2003	28	22,130,394	109	14,307,453
2004	50	48,966,739	150	18,702,963
2005	40	109,523,664	160	25,321,272

Notes:

Unaudited

(1) Amounts shown are new construction only.

CITY OF OPELIKA
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2005

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>ASSESSED VALUATION</u>	<u>TAX COLLECTED</u>	<u>PERCENT OF TOTAL ASSESSED VALUATION</u>
Uniroyal/Michelin Tire	Tire manufacturer	\$ 31,961,960	\$ 1,593,900	13.54%
Walmart	Wholesale product distributor	11,329,280	398,141	4.80%
BellSouth Telecommunications, Inc.	Communication services	4,037,100	218,003	1.71%
JDN Realty	Real estate	3,126,760	168,845	1.32%
Grand National Lodge Corporation	Hotel/conference center	3,033,980	163,835	1.28%
Fiskars Consumer Products, Inc.	Consumer products	2,017,800	108,961	0.85%
International Paper Company	Timber products	1,975,340	106,668	0.84%
Opelika Portfolio	Magnetic tape manufacturer	1,784,180	96,346	0.76%
WCB Alabama Inc.	Grill manufacturer	3,099,100	96,072	1.31%
Alabama Gas Corporation	Utility	<u>1,333,020</u>	<u>71,983</u>	<u>0.56%</u>
Total assessed value and tax collected for ten largest taxpayers		63,698,520	3,022,754	26.98%
Total assessed value of other taxpayers		<u>172,434,740</u>		<u>73.02%</u>
Total assessed value of all taxpayers		<u><u>\$ 236,133,260</u></u>		<u><u>100.00%</u></u>

Notes:

Unaudited

Source: Lee County Revenue Commissioner

Quantegy, magnetic tape manufacturer, had the third largest assessed valuation of \$5,255,120 but no tax collected due to bankruptcy protection.

Amounts shown are assessed at 10-1-04 and collected during fiscal year ended 9-30-05.

CITY OF OPELIKA
MISCELLANEOUS STATISTICS (1)
SEPTEMBER 30, 2005

Date of Incorporation	1854
Form of Government	Mayor-Council
Area	57 square miles
Miles of Streets:	
Paved	212
Unpaved	4
Fire Protection:	
Number of stations	4
Number of firefighters, paramedics and other personnel	69
Police Protection:	
Number of stations	1
Number of police officers and other personnel	110
Education:	
Attendance centers:	
Primary, intermediate and middle schools	7
Secondary schools	1
State colleges	1
Number of students	7,800
Auburn University, in adjoining Auburn, Alabama	23,333 enrollment
Sewers:	
Sanitary sewers	243 miles
Building permits:	
Number of permits	1,634
Estimated value of new construction and improvements	\$187,845,814
Recreation and culture:	
Number of parks and playgrounds	13 with 488 acres
Number of community centers	2
Number of golf courses (public and private)	3
Number of tennis courts	12
Number of libraries	1
Number of volumes	58,000 (approximate)
City employees	437

(1) Unaudited