

**CITY OF OPELIKA, ALABAMA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006**

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
John Seymour, City Administrator
Guy F. Gunter, III, City Attorney*

DEPARTMENT HEADS

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

CITY OF OPELIKA, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page and Officials of City of Opelika	I
Table of Contents	II

FINANCIAL SECTION

Independent Auditor's Report	III-IV
Required Supplementary Information (unaudited):	
Management's Discussion and Analysis	V-XVI

Basic Financial Statements:

Government-wide Financial Statements:	
Statement of Net Assets	1-2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7-8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Net Assets – Proprietary Funds	10-11
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	12
Statement of Cash Flows – Proprietary Funds	13-14
Notes to the Financial Statements	15-35

Required Supplementary Information (unaudited):

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund	36-45
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – School Tax Special Revenue Fund	46

Supplementary Information:

Combining and Individual Nonmajor Funds Statements and Supplemental Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	48
Combining Balance Sheet – Nonmajor Special Revenue Funds	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	50
Combining Balance Sheet – Nonmajor Debt Service Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds	52
Combining Balance Sheet – Nonmajor Capital Projects Funds	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	54
Combining Statement of Net Assets – Internal Service Funds	55
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	56
Combining Statement of Cash Flows – Internal Service Funds	57
Schedule of Debt – Governmental Funds	58
Schedule of Debt Service – Governmental Funds	59
Schedules of General Obligation and Other Long-Term Debt	60-70

Statistical Tables (unaudited):

General Governmental Expenditures by Function – Last Ten Fiscal Years	71
General Governmental Revenues by Source – Last Ten Fiscal Years	72
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures – Last Ten Years	73
Property Tax Levies in Lee County, Alabama – Last Ten Fiscal Years	74
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	75
Property Tax Rates – All Overlapping Governments	76
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita – Last Ten Fiscal Years	77
Computation of Legal Debt Margin	78
Computation of Overlapping Debt	79
Demographic Statistics – Last Ten Fiscal Years	80
Construction – Last Ten Fiscal Years	81
Principal Taxpayers	82
Miscellaneous Statistics	83

FINANCIAL SECTION

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, 2006, 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's 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 do 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, 2006, 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, 2006, and the respective changes in

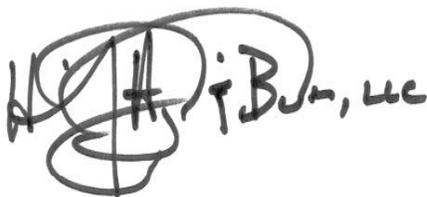
financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, solid waste collection fund, and the aggregate remaining fund information for the primary government of the City of Opelika, Alabama, as of September 30, 2006, 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 10, 2007 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 *Governmental 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 V through XVI and 36 through 46, 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 required 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.

A handwritten signature in black ink, appearing to read "H. J. Bunn, LLC". The signature is stylized and somewhat illegible due to the cursive nature of the writing.

Opelika, Alabama
March 10, 2006

City of Opelika, Alabama

Management's Discussion and Analysis For the Year Ended September 30, 2006 (Unaudited)

As management of the City of Opelika, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006.

FINANCIAL HIGHLIGHTS

- The City's current assets and capital assets increased as a result of various factors, the most important is the increase in tax and license revenue. In addition, recouped power costs in the electric utility fund as purchased power costs soared and as record hot weather resulted in record sales, which provided additional current assets in the business type funds.
- The City did not issue bonds in 2006, although it did enter into a \$1.9 million agreement to induce the Retirement Systems of Alabama to construct National Village residential development. The City's long-term liabilities decreased because the government made the normal principal payments on its outstanding bonds.
- The sales and use tax rate was increased from two and one half percent to three percent in July of 2003. This increase along with the construction of the Tiger Town retail complex in 2004 provided a significant increase in sales and use tax revenue for the subsequent fiscal years. The additional revenues from the ½% increase are being used by the Mayor and Council to:
 - 1) Provide funding for debt service payments for the City's participation in expanding the Jail facilities of the Lee County Justice Center for the purpose of providing one countywide jail facility.
 - 2) Provide additional funding for education.
 - 3) Provide for a new Sportsplex and Aquatics Center.
- The City continues to provide significant funding for capital assets. The City provides funding for equipment replacement in order to keep our work force efficient and safe. In addition, infrastructure is a priority for the City as is explained later in the capital assets section. The City continues to provide increased funding for resurfacing of the City's roads and streets. This year the resurfacing expenditures totaled \$1,789,005.
- The increase in assets along with a decrease in liabilities provides an increase in net assets. Net assets increased 49% in fiscal year 2006.

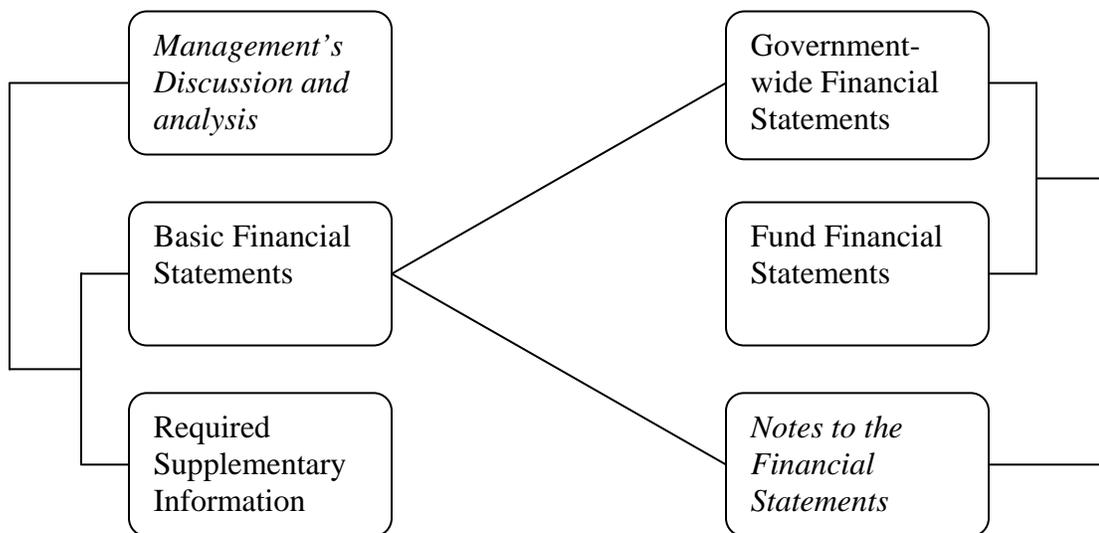
USING THIS ANNUAL REPORT

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 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 graph may help you better 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 VIII. One of the most important questions asked about the City’s finances is, “Is the City better off as a result of the year’s activities?” The Statement 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 XI. The fund financial statements begin on pages 4-5 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 \$45,999,727, as of September 30, 2006.

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:

CITY OF OPELIKA NET ASSETS

	Governmental		Business-type		Primary Government	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Current and other assets	31,540,809	28,249,267	15,477,707	14,076,259	47,018,516	42,325,526
Capital assets	33,760,972	29,917,604	43,389,919	41,069,999	77,150,891	70,987,603
Total assets	65,301,781	58,166,871	58,867,626	55,146,258	124,169,407	113,313,129
Long-term liabilities	52,719,341	56,272,015	11,273,777	11,315,797	63,993,118	67,587,812
Other Liabilities	9,091,122	10,850,701	5,085,440	4,167,859	14,176,562	15,018,560
Total Liabilities	61,810,463	67,122,716	16,359,217	15,483,656	78,169,680	82,606,372
	3,491,318	(8,955,845)	42,508,409	39,662,602	45,999,727	30,706,757
Net Assets:						
Invested in capital assets, net of related debt	21,124,933	15,427,450	32,436,488	30,078,814	53,561,421	45,506,264
Restricted	6,248,670	5,041,240	201,956	823,172	6,450,626	5,864,412
Unrestricted	(23,882,285)	(29,424,535)	9,869,965	8,760,616	(14,012,320)	(20,663,919)
Total net assets	3,491,318	(8,955,845)	42,508,409	39,662,602	45,999,727	30,706,757

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 \$8,495,000 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 \$(23,882,285) includes \$36,368,983 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 \$20,140,000, 2) constructing a portion of the Conference Center at Grand National Golf Course of \$4,265,000, 3) developing the industrial park by the Opelika Industrial Development Authority of \$7,892,000, 4) developing Tiger Town retail shopping area of \$3,096,983 and 5) an inducement agreement with the Retirement Systems of Alabama of \$975,000.

CITY OF OPELIKA CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 1,120,544	\$ 1,733,385	\$ 29,994,027	\$ 26,319,293	\$ 31,114,571	\$ 28,052,678
Operating grants and contributions	345,119	862,299	-	39,854	345,119	902,153
Capital grants and contributions	1,760,794	1,577,033	424,359	455,688	2,185,153	2,032,721
General Revenues:					-	-
Taxes:					-	-
Property	6,724,582	5,981,634	-	-	6,724,582	5,981,634
Sales	15,503,980	13,606,331	-	-	15,503,980	13,606,331
Other	2,013,782	1,107,046	-	-	2,013,782	1,107,046
Licenses and permits	11,541,539	9,680,346	-	-	11,541,539	9,680,346
Grants and contributions not restricted to specific programs	-	247,283	-	-	-	247,283
Unrestricted investment earnings	843,064	360,486	466,229	291,896	1,309,293	652,382
Gain on sale of capital assets	40,040	200,842	-	-	40,040	200,842
Miscellaneous	622,799	500,296	-	-	622,799	500,296
Total revenues	<u>40,516,243</u>	<u>35,856,981</u>	<u>30,884,615</u>	<u>27,106,731</u>	<u>71,400,858</u>	<u>62,963,712</u>
Expenses:						
General government	4,114,717	4,156,615	-	-	4,114,717	4,156,615
Public safety	10,697,533	10,701,221	-	-	10,697,533	10,701,221
Public works	3,773,252	3,643,175	-	-	3,773,252	3,643,175
Health	256,582	263,872	-	-	256,582	263,872
Welfare	131,925	146,142	-	-	131,925	146,142
Culture and recreation	3,422,754	2,980,235	-	-	3,422,754	2,980,235
Education	4,403,109	3,866,675	-	-	4,403,109	3,866,675
Economic development and urban rehabilitation	755,764	2,818,269	-	-	755,764	2,818,269
Interest on long term debt	2,394,839	2,386,186	-	-	2,394,839	2,386,186
Electric	-	-	22,028,379	19,153,469	22,028,379	19,153,469
Sewer	-	-	2,507,413	2,119,286	2,507,413	2,119,286
Solid Waste	-	-	1,621,621	1,659,435	1,621,621	1,659,435
Total Expenses	<u>29,950,475</u>	<u>30,962,390</u>	<u>26,157,413</u>	<u>22,932,190</u>	<u>56,107,888</u>	<u>53,894,580</u>
Increases in net assets before transfers	10,565,768	4,894,591	4,727,202	4,174,541	15,292,970	9,069,132
Transfers	1,881,395	1,924,897	(1,881,395)	(1,924,897)	-	-
Increase in net assets	<u>\$ 12,447,163</u>	<u>\$ 6,819,488</u>	<u>\$ 2,845,807</u>	<u>\$ 2,249,644</u>	<u>\$ 15,292,970</u>	<u>\$ 9,069,132</u>

Taxes and Licenses increased due to continued new retail store openings at the Tiger Town retail complex and other locations around the City. These new commercial locations have increased retail revenue and thus sales tax and business license revenue for the City.

In addition, Occupational License revenue collections were higher because an increase in the number of jobs in the City. Along with the increase in retail stores and the jobs that they create, several new manufacturing facilities and distribution centers are providing jobs.

Expenditures actually came in below the previous year. This is a result of holding departmental operating expenditures to about a 2.3% increase and a reduction in Economic development and urban rehabilitation expenditures. Last year the Economic development and urban rehabilitation expenditures included a grant for phase III of the Tiger Town shopping complex. The City's industrial grant expenditures were much less this year and helped to hold expenses below the prior year level.

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 four and five) reported a combined fund balance of \$20,239,678. The General Fund's total fund balance is \$13,500,552, which is an increase of \$5,041,903 or 60%. The General Fund's Unreserved, Undesignated Fund Balance increased 61% from \$5,430,463 to \$8,750,289. These increases are the result of hard work by the City's management team in both holding down increases in operating expenditures and in providing new commercial and manufacturing facilities for revenue growth.

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, Sewer and Solid Waste Collection Funds net assets increased significantly from fiscal year 2005. Net assets for the Electric Fund increased 3%, the Sewer Fund net assets increased 11% and the net assets for the Solid Waste Collection Fund increased 39%. The increases for all three funds can be attributed to investments in capital assets with some of the Sewer Fund increase attributable to a decrease in reserved net assets. This reduction in the Sewer Fund reserved net assets is a result of completion of an addition to the East Side Wastewater Treatment Facility. The Solid Waste Collection Fund purchased two automated refuse collection vehicles.

The Sewer Fund's net assets increased \$2,034,665. 16% of this increase in net assets, or \$327,622, is from capital contributions from developers and capital contributions from grantors for improvements to the wastewater treatment plant. In addition, \$961,554 was transferred from the Sportsplex and Aquatic Center Fund to reimburse the cost of sewer infrastructure for the Sportsplex project. Even though the Sewer Fund's net assets increased, the cash balance decreased \$573,292.

The Electric Utility Fund net assets increased \$534,322. Of this amount \$96,737 is from capital contributions from developers. The Electric Utility Fund cash balance increased \$102,852.

The 39% increase in the Solid Waste Fund's net assets totals \$218,754. The Solid Waste Fund's cash balance increased \$34,212.

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, 2006. These adjustments are itemized below:

- 1) 475,000, Appropriation for RSA inducement agreement debt service.
- 2) 285,161, Appropriated for Reconstruction of Deer Tract Road.
- 3) 284,221, Appropriated for Information Processing equipment upgrades.
- 4) 255,000, Appropriated insurance proceeds to Indian Pines Golf Authority for clubhouse.
- 5) 147,000, Appropriated for Gateway Drive extension.
- 6) 117,233, Appropriated for South Railroad Avenue Streetscape.
- 7) 100,000, Appropriated additional Sick Pay.
- 8) 88,300, Appropriated for Prosperity Drive.
- 9) 80,709, Appropriated for ESG contract amendments.
- 10) 23,670, Appropriated for demolition of old opera house.
- 11) 21,450, Appropriated for the Cemetery Building.
- 12) 20,953, Appropriated for a traffic signal at Gateway Drive.
- 13) 12,500, Appropriated for relocating the Shotwell Covered Bridge.

In addition to these adjustments, the Library Board contract authorized a budget carryover of \$105,165, a debt obligation of \$1,300,000 was authorized by the RSA inducement agreement and the budget resolution authorized encumbrance carry forwards of \$1,518,300.

The most significant variances in the budget comparison of actual amount to final budget are Capital Outlay and revenues. 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 in almost every category. Taxes and Licenses increased due to growth of the Tiger Town retail shopping complex and in other areas of the City as well. The general increase in economic activity and the resulting job creation produced an increase in occupational license fee revenue. The agreement with Preston Holdings for \$254,000, was not completed until the 2007 fiscal year. In addition, the City's operating departments were collectively under budget \$1.2 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, 2006, amounts to \$77,150,891 (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) Resurfacing	\$1,789,005
2) Light & Power system additions	1,609,260
3) Wastewater Treatment Facility additions	794,957
4) Northeast Interceptor Sewer	587,983
5) Avenue A Streetscape	571,429
6) Prosperity Drive	483,945
7) Jo Ann Road	459,894
8) Gateway Drive	310,610
9) Parks and Recreation Complex	292,813

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 4,474,098	\$ 4,474,098	\$ 418,283	\$ 418,283	\$ 4,892,381	\$ 4,892,381
Buildings and improvements	5,276,866	5,446,565	91,531	102,293	5,368,397	5,548,858
System		-	38,902,570	30,220,883	38,902,570	30,220,883
Improvements other than buildings	2,793,017	2,867,300		-	2,793,017	2,867,300
Equipment	3,497,246	3,908,072	1,171,398	937,918	4,668,644	4,845,990
Infrastructure	14,839,333	9,627,409		-	14,839,333	9,627,409
Construction in process	2,880,412	3,594,160	2,806,137	9,390,622	5,686,549	12,984,782
Total	\$ 33,760,972	\$ 29,917,604	\$ 43,389,919	\$ 41,069,999	\$ 77,150,891	\$ 70,987,603

Debt Administration

At the end of fiscal year September 30, 2006, the City of Opelika had a total bonded debt and notes payable of \$64,109,178.

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, 2006, the City had approximately \$27,756,286 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 Year End:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 40,575,000	\$ 44,259,584	\$ 10,610,000	\$ 11,105,000	\$ 51,185,000	\$ 55,364,584
Other long-term debt	8,947,000	8,257,000	450,000	-	9,397,000	8,257,000
Capital leases	162,828	262,110	-	-	162,828	262,110
Deferred amounts of refunding	(146,977)	(180,255)	(31,672)	(37,519)	(178,649)	(217,774)
Unamortized premiums	884,918	1,046,661	95,033	115,383	979,951	1,162,044
Compensated absences	1,944,266	2,218,767	266,476	262,049	2,210,742	2,480,816
Claims and judgements	352,306	408,148	-	-	352,306	408,148
Total	\$ 52,719,341	\$ 56,272,015	\$ 11,389,837	\$ 11,444,913	\$ 64,109,178	\$ 67,716,928

ECONOMIC FACTORS

The economy of the City of Opelika displayed continued growth during fiscal year 2006. Jo-Ann Stores completed their distribution center and in addition Maxforma Plastics completed their manufacturing facility. Gambro Renal Products began construction on their facility to manufacture kidney dialyzer filters and they anticipate completion by late summer 2007 with expected production to begin in 2008. The Gambro capital investment is the largest single capital investment ever in the history of Lee County. Originally announced at \$110 million, it has grown now to \$130 million.

Unfortunately, Opelika has felt the pains of the downsizing of some of our older industries. Michelin/BF Goodrich announced a layoff but still remains one of Opelika's largest employers. The nationwide shrinking of the textile industry impacted Opelika when WestPoint Home announced the closure of one of the two mills that have been a part of the Opelika industrial landscape for over 70 years.

Other newer existing industries continue to grow and thrive in Opelika, hopefully providing opportunities for those displaced workers interested in new career paths. Mando has been extremely successful supplying Hyundai and has won additional contracts with GM and continues to add new employees. The Wal-Mart Distribution Center continues to add employees and Benteler, who supplies BMW and Mercedes, also continues to add employees.

Opelika was also fortunate to announce two new companies' plans to locate in Opelika. Robinson Steel announced its plans to locate its ninth satellite location in Opelika. A contract manufacturer of laser cut steel, Robinson Steel located in an existing building in the Fox Run Business Park. Daewon America joined with Opelika and Governor Bob Riley to announce its decision to build a manufacturing facility to produce springs and stabilizer bars to supply to Hyundai Motor Manufacturing of Alabama. They have already broken ground for this new facility and plan to be completed by end of August this year.

Commercially, the City of Opelika continues to grow. The TigerTown retail shopping complex continues adding new retailers and restaurants. Several retail stores and restaurants are currently under construction. In addition, a new development is underway that will bring additional hotels, shops and restaurants.

Opelika saw significant growth in residential areas during 2006. New neighborhoods and additions to existing ones brought new housing options for existing and prospective residents.

Many new businesses have found that downtown is just where they want to be. The new streetscape project is in full swing and has made a world of difference providing improved access while enhancing the natural beauty and historic charm of the area.

The Opelika Economic Development Department continued to receive national recognition for its hard work. Site Selection again recognized the efforts of the Opelika Economic Development Department in its Top Groups 2005 list in the Honorable Mention category.

In early 2006, the Economic Development Association of Alabama named Opelika the top community in Alabama for business recruitment for the year 2005.

Opelika also received the #1 rank in the South as "Small Market of the Year" by Southern Business and Development magazine, a professional publication that helps corporations around the country (and world) in their expansion, relocation and development decisions. The city earned its #1 status through its success in bringing Gambro, Jo-Ann, and Maxforma to the community in 2005.

The unemployment rate of 2.6% remained well below the state and national averages. Property tax values have grown approximately 7% over the last ten years, 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, 2006

<i>ASSETS</i>	<i>GOVERNMENTAL ACTIVITIES</i>	<i>BUSINESS-TYPE ACTIVITIES</i>	<i>TOTAL</i>
Cash and cash equivalents	\$ 14,150,654	\$ 4,624,997	\$ 18,775,651
Certificates of deposit	1,995,000	3,188,494	5,183,494
Receivables			
Accounts and unbilled service receivable, net	-	5,101,315	5,101,315
Sales and use tax	1,575,286	-	1,575,286
Occupational license tax	1,907,635	-	1,907,635
Property taxes	2,487,370	-	2,487,370
Fines and forfeitures	281,869	-	281,869
Other	436,076	43,253	479,329
Due from other governments	1,560,057	1,033,805	2,593,862
Inventory of supplies, at cost	102,228	1,113,957	1,216,185
Restricted assets:			
Temporarily restricted:			
Cash in bank	-	200,715	200,715
Cash with fiscal agent	46,627	1,241	47,868
Receivable for property taxes, restricted for school purposes	4,356,425	-	4,356,425
Investments	1,308,340	-	1,308,340
Permanently restricted:			
Investments	537,278	-	537,278
Deferred charges and debt issue costs	679,806	169,930	849,736
Other	116,158	-	116,158
Capital assets:			
Land	4,474,098	418,283	4,892,381
Building	10,150,453	264,695	10,415,148
Improvements other than buildings and system	4,146,038	68,136,197	72,282,235
Equipment	12,212,248	4,605,581	16,817,829
Infrastructure	15,347,237	-	15,347,237
Construction work in progress	2,880,412	2,806,137	5,686,549
Total original cost	49,210,486	76,230,893	125,441,379
Less: accumulated depreciation	(15,449,514)	(32,840,974)	(48,290,488)
Capital assets, net	33,760,972	43,389,919	77,150,891
Total assets	\$ 65,301,781	\$ 58,867,626	\$ 124,169,407

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

CITY OF OPELIKA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<i>LIABILITIES</i>			
Accounts payable	\$ 1,597,188	\$ 2,149,583	\$ 3,746,771
Accrued payroll and benefits	573,442	197,974	771,416
Debt service payable	680,004	-	680,004
Due to other funds	(1,118,847)	1,118,847	-
Due to other governments	228,066	-	228,066
Accrued interest payable	242,965	189,419	432,384
Unearned revenue	6,888,304	118,351	7,006,655
Long-term liabilities:			
Due within one year	4,411,854	1,090,000	5,501,854
Due in more than one year	48,307,487	10,183,777	58,491,264
Customer deposits	-	1,311,266	1,311,266
Total liabilities	<u>61,810,463</u>	<u>16,359,217</u>	<u>78,169,680</u>
<i>NET ASSETS</i>			
Net assets:			
Invested in capital assets, net of related debt	21,124,933	32,436,488	53,561,421
Restricted net assets	6,248,670	201,956	6,450,626
Unrestricted	(23,882,285)	9,869,965	(14,012,320)
Total net assets	<u>\$ 3,491,318</u>	<u>\$ 42,508,409</u>	<u>\$ 45,999,727</u>

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

CITY OF OPELIKA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006

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	\$ 4,114,717	\$ 11,952	\$ 93,788		\$ (4,008,977)	\$ -	\$ (4,008,977)
Public safety	10,697,533	706,159	-		(9,991,374)	-	(9,991,374)
Public works	3,773,252	53,725	48,422	1,760,794	(1,910,311)	-	(1,910,311)
Health	256,582	89,388			(167,194)	-	(167,194)
Welfare	131,925		44,425		(87,500)	-	(87,500)
Culture and recreation	3,422,754	259,320			(3,163,434)	-	(3,163,434)
Education	4,403,109				(4,403,109)	-	(4,403,109)
Economic development and urban rehabilitation	755,764		158,484		(597,280)	-	(597,280)
Interest on long-term debt	2,394,839				(2,394,839)	-	(2,394,839)
Total government activities	<u>29,950,475</u>	<u>1,120,544</u>	<u>345,119</u>	<u>1,760,794</u>	<u>(26,724,018)</u>	<u>-</u>	<u>(26,724,018)</u>
Business-type activities:							
Electric	22,028,379	24,932,721	-	96,737	-	3,001,079	3,001,079
Sewer	2,507,413	3,194,824	-	327,622	-	1,015,033	1,015,033
Solid waste	1,621,621	1,866,482	-	-	-	244,861	244,861
Total business-type activities	<u>26,157,413</u>	<u>29,994,027</u>	<u>-</u>	<u>424,359</u>	<u>-</u>	<u>4,260,973</u>	<u>4,260,973</u>
Total primary government	<u>\$ 56,107,888</u>	<u>\$ 31,114,571</u>	<u>\$ 345,119</u>	<u>\$ 2,185,153</u>	<u>(26,724,018)</u>	<u>4,260,973</u>	<u>(22,463,045)</u>
General revenues:							
Taxes:							
Property					6,724,582	-	6,724,582
Sales					15,503,980	-	15,503,980
Other					2,013,782	-	2,013,782
Licenses and permits					11,541,539	-	11,541,539
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					843,064	466,229	1,309,293
Gain on sale of capital assets					40,040	-	40,040
Miscellaneous					622,799	-	622,799
Transfers					1,881,395	(1,881,395)	-
Total general revenues and transfers					<u>39,171,181</u>	<u>(1,415,166)</u>	<u>37,756,015</u>
Change in net assets					<u>12,447,163</u>	<u>2,845,807</u>	<u>15,292,970</u>
Net assets - beginning of year					<u>(8,955,845)</u>	<u>39,662,602</u>	<u>30,706,757</u>
Net assets - end of year					<u>\$ 3,491,318</u>	<u>\$ 42,508,409</u>	<u>\$ 45,999,727</u>

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CITY OF OPELIKA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

<i>ASSETS</i>	<i>GENERAL FUND</i>	<i>SCHOOL TAX SPECIAL REVENUE FUND</i>	<i>OTHER GOVERNMENTAL FUNDS</i>	<i>TOTAL GOVERNMENTAL FUNDS</i>
Cash and cash equivalents	\$ 6,057,277	\$ 168,375	\$ 5,963,332	\$ 12,188,984
Certificates of deposit	1,987,000	-	8,000	1,995,000
Receivables:				
Occupation license taxes	1,907,635	-	-	1,907,635
Sales and other taxes	1,575,286	-	-	1,575,286
Property taxes	2,487,370	4,356,425	-	6,843,795
Fines and forfeitures	281,869	-	-	281,869
Assessments	42,159	-	-	42,159
Accrued interest	15,791	-	5,316	21,107
Other	372,810	-	-	372,810
Due from other funds	2,094,794	-	126,813	2,221,607
Due from other governments	1,327,948	-	232,109	1,560,057
Inventories of supplies, at cost	102,228	-	-	102,228
Restricted assets:				
Cash with fiscal agent	-	-	46,627	46,627
Investments	-	-	1,845,618	1,845,618
Total assets	\$ 18,252,167	\$ 4,524,800	\$ 8,227,815	\$ 31,004,782

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

CITY OF OPELIKA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

<i>LIABILITIES AND FUND BALANCES</i>	<i>GENERAL FUND</i>	<i>SCHOOL TAX SPECIAL REVENUE FUND</i>	<i>OTHER GOVERNMENTAL FUNDS</i>	<i>TOTAL GOVERNMENTAL FUNDS</i>
Liabilities:				
Accounts payable	\$ 1,335,791	\$ -	\$ 230,998	\$ 1,566,789
Matured bonds and interest payable	-	-	680,004	680,004
Accrued payroll and benefits	577,267	-	1,903	579,170
Due to other funds	22,749	-	399,540	422,289
Due to other governments	3,908	224,158	-	228,066
Deferred revenue	2,811,900	4,300,642	176,244	7,288,786
Total liabilities	4,751,615	4,524,800	1,488,689	10,765,104
Fund balances:				
Reserved for advances to other governments	2,311	-	-	2,311
Reserved for encumbrances	1,159,928	-	479,826	1,639,754
Reserved for inventories of supplies	102,228	-	-	102,228
Reserved for law enforcement	33,833	-	-	33,833
Reserved for debt service	-	-	513,725	513,725
Reserved for permanent funds - nonexpendable	-	-	546,325	546,325
Unreserved:				
Designated for construction and debt service on roads	1,757,592	-	-	1,757,592
Designated for infrastructure improvements	64,629	-	-	64,629
Designated for capital asset additions	1,573,700	-	-	1,573,700
Designated for community activities	56,042	-	-	56,042
Unreserved, undesignated, reported in:				
General fund	8,750,289	-	-	8,750,289
Special revenue funds	-	-	4,541,646	4,541,646
Capital projects funds	-	-	657,604	657,604
Total fund balances	13,500,552	-	6,739,126	20,239,678
Total liabilities and fund balances	\$ 18,252,167	\$ 4,524,800	\$ 8,227,815	\$ 31,004,782

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, 2006*

Total fund balances - governmental funds		\$ 20,239,678
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.		33,760,972
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.		784,490
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.		532,645
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
	Governmental long-term debt	\$ (49,684,828)
	Premiums, debt issuance and refunding costs	(58,136)
	Accrued interest payable	(242,965)
	Compensated absences	(1,840,538)
		<u>(51,826,467)</u>
Net assets of governmental activities		<u>\$ 3,491,318</u>

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

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CITY OF OPELIKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	GENERAL FUND	SCHOOL TAX SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Taxes:				
Property	\$ 2,389,420	\$ 4,335,162	\$ -	\$ 6,724,582
Sales	15,503,980	-	-	15,503,980
Other	1,211,676	-	-	1,211,676
Occupational license fees	7,874,160	-	-	7,874,160
Business licenses and permits	3,670,059	-	-	3,670,059
Intergovernmental revenues	479,905	-	3,393,959	3,873,864
Charges for services	578,195	-	-	578,195
Fines and forfeitures	470,775	-	-	470,775
Investment income	397,030	29,025	321,935	747,990
Miscellaneous	261,776	-	70,090	331,866
Total revenues	<u>32,836,976</u>	<u>4,364,187</u>	<u>3,785,984</u>	<u>40,987,147</u>
Expenditures:				
Current:				
General government	3,530,170	-	431,876	3,962,046
Public safety	10,253,052	-	26,738	10,279,790
Public works	3,110,958	-	112,664	3,223,622
Health	256,582	-	-	256,582
Welfare	87,500	-	44,425	131,925
Culture and recreation	3,222,800	-	-	3,222,800
Education	2,504,500	1,898,609	-	4,403,109
Economic development and urban rehabilitation	557,344	-	198,420	755,764
Capital outlay	2,316,152	-	2,908,565	5,224,717
Debt service:				
Principal retirement	750,705	-	3,535,000	4,285,705
Interest and fiscal charges	437,525	-	1,993,118	2,430,643
Bond issue costs	-	-	-	-
Total expenditures	<u>27,027,288</u>	<u>1,898,609</u>	<u>9,250,806</u>	<u>38,176,703</u>
Excess of revenues over (under) expenditures	<u>\$ 5,809,688</u>	<u>\$ 2,465,578</u>	<u>\$ (5,464,822)</u>	<u>\$ 2,810,444</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, 2006

	<u>GENERAL FUND</u>	<u>SCHOOL TAX SPECIAL REVENUE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Other financing sources (uses):				
Proceeds from debt issuance	\$ 1,300,000	\$ -	\$ -	\$ 1,300,000
Sale of capital assets	87,493	-	-	87,493
Transfers from governmental funds	232,137	-	7,988,755	8,220,892
Transfers from proprietary funds	2,842,949	-	(961,554)	1,881,395
Transfers to governmental funds	(5,230,363)	(2,465,578)	(524,951)	(8,220,892)
Transfers to proprietary funds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(767,784)</u>	<u>(2,465,578)</u>	<u>6,502,250</u>	<u>3,268,888</u>
Net change in fund balances	5,041,904	-	1,037,428	6,079,332
Fund balances, beginning of year	<u>8,458,648</u>	<u>-</u>	<u>5,701,698</u>	<u>14,160,346</u>
Fund balances, end of year	<u><u>\$ 13,500,552</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,739,126</u></u>	<u><u>\$ 20,239,678</u></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 BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - all governmental funds		\$ 6,079,332
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	\$ 5,224,717	
Less: current year depreciation	<u>(1,516,673)</u>	3,708,044
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	\$ 182,777	
Disposals at net book value	<u>(47,453)</u>	135,324
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		(880,979)
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	\$ (1,300,000)	
Debt issuance and refunding costs	-	
Principal payments on outstanding debt	<u>4,285,705</u>	2,985,705
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.		
		301,339
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>118,398</u>
Change in net assets of governmental activities		<u><u>\$ 12,447,163</u></u>

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

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CITY OF OPELIKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

<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	\$ 2,535,070	\$ 1,831,599	\$ 258,328	\$ 4,624,997	\$ 1,961,670
Certificates of deposit	3,188,494	-	-	3,188,494	-
Accounts and unbilled service receivable, net	4,777,249	215,666	108,400	5,101,315	-
Accrued interest	43,253	-	-	43,253	-
Due from other funds	-	173,888	-	173,888	3,249
Due from other governments	-	1,033,805	-	1,033,805	-
Inventory of supplies, at cost	1,113,957	-	-	1,113,957	-
Total current assets	<u>11,658,023</u>	<u>3,254,958</u>	<u>366,728</u>	<u>15,279,709</u>	<u>1,964,919</u>
Restricted assets:					
Cash in bank	-	200,715	-	200,715	-
Cash and investments with fiscal agent	-	1,241	-	1,241	-
Total restricted assets	<u>-</u>	<u>201,956</u>	<u>-</u>	<u>201,956</u>	<u>-</u>
Deferred charges:					
Unamortized bond issue costs	-	169,930	-	169,930	-
Capital assets:					
Land	72,033	116,703	229,547	418,283	-
Building	199,066	21,823	43,806	264,695	-
System	30,974,686	37,143,971	17,540	68,136,197	-
Equipment	1,874,645	848,351	1,882,585	4,605,581	-
Construction work in progress	1,949,133	857,004	-	2,806,137	-
Total original cost	<u>35,069,563</u>	<u>38,987,852</u>	<u>2,173,478</u>	<u>76,230,893</u>	<u>-</u>
Less: accumulated depreciation	<u>(20,999,417)</u>	<u>(10,402,424)</u>	<u>(1,439,133)</u>	<u>(32,840,974)</u>	<u>-</u>
Capital assets, net	<u>14,070,146</u>	<u>28,585,428</u>	<u>734,345</u>	<u>43,389,919</u>	<u>-</u>
Other assets					
Deposits	-	-	-	-	116,158
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,158</u>
 Total assets	 <u>\$ 25,728,169</u>	 <u>\$ 32,212,272</u>	 <u>\$ 1,101,073</u>	 <u>\$ 59,041,514</u>	 <u>\$ 2,081,077</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, 2006

<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	\$ 1,902,707	\$ 236,062	\$ 10,814	\$ 2,149,583	\$ 30,399
Current portion of bonds payable	-	1,090,000	-	1,090,000	-
Accrued payroll and benefits	124,341	7,516	66,117	197,974	-
Due to other funds	1,348,691	90	2,020	1,350,801	625,653
Interest payable	-	189,419	-	189,419	-
Liability for unpaid claims	-	-	-	-	190,960
Deferred revenue	8,762	-	109,589	118,351	132,163
Total current liabilities	<u>3,384,501</u>	<u>1,523,087</u>	<u>188,540</u>	<u>5,096,128</u>	<u>979,175</u>
Noncurrent liabilities:					
Bonds payable, net of current portion and discount	-	10,033,361	-	10,033,361	-
Accrued employee benefits	97,775	8,837	43,804	150,416	-
Liability for unpaid claims	-	-	-	-	259,346
Customer deposits	1,215,891	-	95,375	1,311,266	-
Total noncurrent liabilities	<u>1,313,666</u>	<u>10,042,198</u>	<u>139,179</u>	<u>11,495,043</u>	<u>259,346</u>
Total liabilities	<u>4,698,167</u>	<u>11,565,285</u>	<u>327,719</u>	<u>16,591,171</u>	<u>1,238,521</u>
Net assets:					
Invested in capital assets, net of related debt	14,070,146	17,631,997	734,345	32,436,488	-
Restricted	-	201,956	-	201,956	-
Unrestricted	6,959,856	2,813,034	39,009	9,811,899	842,556
Total net assets	<u>\$ 21,030,002</u>	<u>\$ 20,646,987</u>	<u>\$ 773,354</u>	<u>\$ 42,450,343</u>	<u>\$ 842,556</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, 2006

	<u><i>ELECTRIC UTILITY</i></u>	<u><i>SEWER SYSTEM</i></u>	<u><i>SOLID WASTE COLLECTION</i></u>	<u><i>TOTALS</i></u>	<u><i>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS</i></u>
Operating revenues:					
Charges for services, net	\$ 24,932,721	\$ 3,193,629	\$ 1,830,076	\$ 29,956,426	\$ 2,047,320
Operating expenses:					
Power purchased	18,479,388	-	-	18,479,388	-
Personal services	1,356,717	108,776	857,930	2,323,423	-
Insurance claims and expenses	2,069	16,946	-	19,015	1,965,930
Other	1,068,179	1,322,454	695,272	3,085,905	-
Depreciation	1,136,349	708,503	109,288	1,954,140	-
Total operating expenses	<u>22,042,702</u>	<u>2,156,679</u>	<u>1,662,490</u>	<u>25,861,871</u>	<u>1,965,930</u>
Operating income	<u>2,890,019</u>	<u>1,036,950</u>	<u>167,586</u>	<u>4,094,555</u>	<u>81,390</u>
Nonoperating revenues (expenses):					
Investment revenue	390,515	60,952	14,762	466,229	95,074
Miscellaneous revenue	-	945	16,239	17,184	-
Interest expense and fiscal charges	-	(353,608)	-	(353,608)	-
Contributions from grantors	-	-	-	-	-
Gain (loss) on sale of capital assets	-	250	20,167	20,417	-
Other expenses	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>390,515</u>	<u>(291,461)</u>	<u>51,168</u>	<u>150,222</u>	<u>95,074</u>
Income before other revenues and transfers	<u>3,280,534</u>	<u>745,489</u>	<u>218,754</u>	<u>4,244,777</u>	<u>176,464</u>
Other revenues and transfers in (out):					
Capital contributions from developers and others	96,737	161,918	-	258,655	-
Capital contributions from grantors	-	165,704	-	165,704	-
Operating transfers in	-	961,554	-	961,554	-
Operating transfers (out)	(2,842,949)	-	-	(2,842,949)	-
Total other revenues and transfers	<u>(2,746,212)</u>	<u>1,289,176</u>	<u>-</u>	<u>(1,457,036)</u>	<u>-</u>
Changes in net assets	534,322	2,034,665	218,754	2,787,741	176,464
Net assets, beginning of year	<u>20,495,680</u>	<u>18,612,322</u>	<u>554,600</u>		<u>666,092</u>
Net assets, end of year	<u>\$ 21,030,002</u>	<u>\$ 20,646,987</u>	<u>\$ 773,354</u>		<u>\$ 842,556</u>
				58,066	
				<u>\$ 2,845,807</u>	

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, 2006

	<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	\$ 24,366,605	\$ 3,174,967	\$ 1,825,765	\$ 29,367,337	\$ -
Receipts from other funds for premiums	-	-	-	-	2,043,967
Customer deposits	153,360	(2,486)	17,800	168,674	-
Payments to suppliers for goods and services	(18,775,819)	(1,954,494)	(713,472)	(21,443,785)	(150,353)
Payments to employees for services	(1,340,478)	(149,704)	(855,045)	(2,345,227)	-
Claims paid	(2,069)	(16,946)	-	(19,015)	(2,015,772)
Internal activity - payments (to) from other funds	1,408,126	(8,632)	24,561	1,424,055	-
Other receipts (payments)	(1,054,383)	365,452	23,370	(665,561)	-
Net cash provided by (used in) operating activities	<u>4,755,342</u>	<u>1,408,157</u>	<u>322,979</u>	<u>6,486,478</u>	<u>(122,158)</u>
Cash flows from noncapital financing activities:					
Repayments by other funds	-	-	-	-	109,628
Operating transfers from (to) other funds	(2,842,949)	961,554	-	(1,881,395)	-
Net cash (used for) noncapital financing activities	<u>(2,842,949)</u>	<u>961,554</u>	<u>-</u>	<u>(1,881,395)</u>	<u>109,628</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(2,241,683)	(2,023,867)	(325,832)	(4,591,382)	-
Principal paid on debt maturities	-	(645,000)	-	(645,000)	-
Interest and fiscal fees paid on debt maturities	-	(335,796)	-	(335,796)	-
Proceeds from sale of assets	-	1,250	22,303	23,553	-
Net cash used for capital and related financing activities	<u>(2,241,683)</u>	<u>(3,003,413)</u>	<u>(303,529)</u>	<u>(5,548,625)</u>	<u>-</u>
Cash flows from investing activities:					
Proceeds from sale and maturities of investment securities	48,144	-	-	48,144	-
Interest on investments	383,998	60,410	14,762	459,170	95,074
Net cash provided by (used for) investing activities	<u>432,142</u>	<u>60,410</u>	<u>14,762</u>	<u>507,314</u>	<u>95,074</u>
Net increase (decrease) in cash and cash equivalents	102,852	(573,292)	34,212	(436,228)	82,544
Cash and cash equivalents at beginning 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>
Cash and cash equivalents at end of year	<u>\$ 3,185,070</u>	<u>\$ 2,032,314</u>	<u>\$ 258,328</u>	<u>\$ 5,475,712</u>	<u>\$ 1,961,670</u>

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, 2006

	<u><i>ELECTRIC UTILITY</i></u>	<u><i>SEWER SYSTEM</i></u>	<u><i>SOLID WASTE COLLECTION</i></u>	<u><i>TOTALS</i></u>	<u><i>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS</i></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	\$ 2,890,019	\$ 1,036,950	\$ 167,586	\$ 4,094,555	\$ 81,390
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,136,349	708,503	109,288	1,954,140	-
Miscellaneous nonoperating income	-	945	16,239	17,184	-
Change in assets and liabilities:					
(Increase) decrease in account receivable and unbilled service receivable	(567,147)	(18,662)	(44,005)	(629,814)	-
(Increase) decrease in due from other funds	60,953	1,124	25,054	87,131	-
(Increase) decrease in due from other governments	13,796	364,507	7,131	385,434	-
(Increase) decrease in inventories	(329,602)	-	-	(329,602)	-
(Increase) decrease in other assets	-	(2,486)	-	(2,486)	(96,929)
Increase (decrease) in accounts payable	33,171	(632,040)	(18,200)	(617,069)	(53,424)
Increase (decrease) in accrued payroll and benefits	16,239	(40,928)	2,885	(21,804)	-
Increase (decrease) in liability for unpaid claims	-	-	-	-	(49,842)
Increase (decrease) in due to other funds	1,347,173	(9,756)	(493)	1,336,924	-
Increase (decrease) in deferred revenue	1,031	-	39,694	40,725	(3,353)
Increase (decrease) in customer deposits	153,360	-	17,800	171,160	-
Net cash provided by (used for) operating activities	<u>\$ 4,755,342</u>	<u>\$ 1,408,157</u>	<u>\$ 322,979</u>	<u>\$ 6,486,478</u>	<u>\$ (122,158)</u>
Non cash investing, capital and financing activities:					
Capital assets contributed by developers and others	\$ 97,775	\$ 327,622	\$ -	\$ 425,397	\$ -
Net interest expense capitalized on construction projects	\$ -	\$ 794,957	\$ -	\$ 794,957	\$ -
Obligation to RSA related to inducement agreement	\$ -	\$ 600,000	\$ -	\$ 600,000	\$ -
Reconciliation of cash and cash equivalents to the combining balance sheet:					
Total cash and certificates of deposit	\$ 5,723,564	\$ 2,032,314	\$ 258,328	\$ 8,014,206	\$ 1,961,670
Less: Deposits not meeting the definition of cash equivalents	2,538,494	-	-	2,538,494	-
Cash and cash equivalents at end of year	<u>\$ 3,185,070</u>	<u>\$ 2,032,314</u>	<u>\$ 258,328</u>	<u>\$ 5,475,712</u>	<u>\$ 1,961,670</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Opelika (the "City"), incorporated in 1854, is a municipal corporation currently governed by a 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 \$20,140,000 at September 30, 2006 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 2006, the City collected \$4,335,162 of ad valorem taxes of which \$2,465,579 was used for debt service and \$2,000,000 was remitted to the Board. At September 30, 2006, \$224,158 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 \$2,500,000 for 2006. The Board issues separate financial statements which may be obtained from the administrative offices at 300 Simmons Street, Opelika, Alabama 36801.

The 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 bonds if the annual appropriation is not continued. These bonds are included in the City's long term debt. In 2006, the City paid \$674,588 in debt service payments for the Authority and appropriated an additional \$125,000 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.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

Related Organizations. The City's officials are also responsible for appointing board members 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 the Opelika Downtown Redevelopment Authority of the City of Opelika. For the year ended September 30, 2006, the City received \$20,851 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 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, each party has 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 building which are included in capital assets. 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, 2006 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 were recognized as revenue during the year ended September 30, 2005. The \$255,000 was appropriated back to the Authority during the year ended September 30, 2006 to replace the clubhouse.

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 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 \$85,000 to the Lee-Russell Council of Governments for the year ended September 30, 2006.

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 to the Indian Pines Recreation Authority.

East Alabama Mental Health and Mental Retardation Board, Inc. 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, 2006.

Lee County Youth Development Center is a corporation created to provide youth services in Lee County. The board is composed of twelve members. The City, 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, 2006.

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, 2006.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

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). 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 resources 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.

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 of 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 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

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.

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 generally result from providing services in connection with a proprietary fund's principle 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:

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, cost 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.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

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 (police, fire, public works, etc.).

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 and 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.

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 Revenue Commissioner 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 a receivable and deferred revenue as of the fiscal year end in which the taxes are levied. For the fiscal year ended September 30, 2006, 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.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

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 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.

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. 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 allowances of \$376,802 in the Electric Utility Fund and \$85,969 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 a 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 assets. Current portions of other governments’ loans receivable (reported in “Due from” asset accounts) are considered “available spendable resources.”

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

I. 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 the portion of the accumulated sick leave benefits that is estimated to 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 the liability. Current and long-term portions of vacation and sick pay are accrued in the government-wide and proprietary fund statements when incurred.

J. 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 2006, interest of \$794,957 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.

K. LONG-TERM LIABILITIES

In the government-wide financial statements and proprietary fund financial statements, 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 or not withheld from the actual debt

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

L. NET ASSETS

Net assets represent 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.

NOTE 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.

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.

**NOTE 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.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2006, the carrying amount of the City's deposits in financial institutions was \$25,185,534 and the bank balance was \$24,159,860. Of these amounts, \$5,183,494 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 SAFE pool collateral or other means to reimburse the loss. At September 30, 2006, 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.

Investment Type	Cost	Fair Value	Percent of Total	Maturity	Rating	Rating Agency
Dreyfus Treasury Prime Cash Management MMF	\$ 873,907	\$ 873,907	47.4%	n/a	Unrated	n/a
Federated Treasury U.S. Treasury Cash Reserves MMF	207,398	207,398	11.2%	n/a	n/a	n/a
J.P. Morgan 100% U.S. Treasury Money Market	118,471	118,471	6.4%	n/a	n/a	n/a
Investment Company of America CL A	4,855	6,450	0.3%	n/a	Morningstar	****
Treasury Obligations Cash Equivalent Fund	105,640	105,640	5.7%	n/a	n/a	n/a
Fidelity Advisor Equity Growth	50,000	46,531	2.5%	n/a	Morningstar	***
Fidelity Advisor Mid Cap	50,000	60,590	3.3%	n/a	Morningstar	****
Fidelity Advisor Equity Income I Share	50,000	60,930	3.3%	n/a	Morningstar	****
FHLMC 5%	10,000	9,686	0.5%	12/28/2012	AAA	S&P
FHLB 5%	10,000	9,978	0.5%	2/9/2007	AAA	S&P
FHLB 5.02%	50,000	49,328	2.7%	9/16/2011	AAA	S&P
FHLB 5.25%	10,000	9,919	0.5%	10/27/2010	AAA	S&P
FHLB 6%	99,984	100,844	5.5%	4/25/2016	AAA	S&P
FHLB 6% N/C	10,000	10,019	0.5%	5/22/2012	AAA	S&P
FHLB 5.875%	10,000	9,988	0.5%	12/26/2014	AAA	S&P
FHLB 4%	55,000	52,748	2.9%	4/6/2011	AAA	S&P
FHLB 4.65%	9,997	9,772	0.5%	9/23/2011	AAA	S&P
FHLB 4.7%	4,991	4,887	0.3%	1/5/2012	AAA	S&P
FFCB 5.04%	50,000	49,125	2.7%	1/14/2013	AAA	S&P
FNMA 4.125%	50,000	49,407	2.7%	9/14/2012	AAA	S&P
Total investments	\$ 1,830,243	\$ 1,845,618	100.0%			

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.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS -CONTINUED

Credit Risk: State law limits investments to direct obligation 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.

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, Federated U.S. Treasury Cash Reserves MMF, J.P. Morgan 100% U.S. Treasury MMF, and Investment Company of America CLA 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.

NOTE 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	\$ 4,474,098	\$ -	\$ -	4,474,098
Construction in process	3,594,160	1,691,978	2,405,726	2,880,412
Total capital assets not being depreciated	8,068,258	1,691,978	2,405,726	7,354,510
Capital assets being depreciated:				
Buildings and improvements	10,075,846	74,607	-	10,150,453
Improvements other than buildings	4,094,991	51,047	-	4,146,038
Equipment	12,108,795	509,556	406,103	12,212,248
Infrastructure	9,861,205	5,486,032	-	15,347,237
Total capital assets being depreciated	36,140,837	6,121,242	406,103	41,855,976
Less accumulated depreciation for:				
Buildings and improvements	4,629,281	244,307	-	4,873,588
Improvements other than buildings	1,227,691	125,329	-	1,353,020
Equipment	8,200,723	872,929	358,650	8,715,002
Infrastructure	233,796	274,108	-	507,904
Total accumulated depreciation	14,291,491	1,516,673	358,650	15,449,514
Total capital assets being depreciated, net	21,849,346	4,604,569	47,453	26,406,462
Governmental activities capital assets, net	\$ 29,917,604	\$ 6,296,547	\$ 2,453,179	\$ 33,760,972

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 5 - CAPITAL ASSETS - CONTINUED

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 418,283	\$ -	\$ -	\$ 418,283
Construction in process	9,390,622	1,927,366	8,511,851	2,806,137
Total capital assets not being depreciated	<u>9,808,905</u>	<u>1,927,366</u>	<u>8,511,851</u>	<u>3,224,420</u>
Capital assets being depreciated:				-
Buildings and improvements	264,695	-	-	264,695
Systems	57,772,837	10,363,360	-	68,136,197
Equipment	4,233,559	511,697	139,675	4,605,581
Total capital assets being depreciated	<u>62,271,091</u>	<u>10,875,057</u>	<u>139,675</u>	<u>73,006,473</u>
Less accumulated depreciation for:				-
Buildings and improvements	162,402	10,761	-	173,163
Systems	27,569,494	1,664,133	-	29,233,627
Equipment	3,278,101	279,246	123,163	3,434,184
Total accumulated depreciation	<u>31,009,997</u>	<u>1,954,140</u>	<u>123,163</u>	<u>32,840,974</u>
Total capital assets being depreciated, net	<u>31,261,094</u>	<u>8,920,917</u>	<u>16,512</u>	<u>40,165,499</u>
				-
Business-type activities capital assets, net	<u>\$ 41,069,999</u>	<u>\$ 10,848,283</u>	<u>\$ 8,528,363</u>	<u>\$ 43,389,919</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 202,477
Public safety	516,891
Public works, including infrastructure	573,308
Culture and recreation	223,997
Total governmental activities depreciation expense	<u>\$ 1,516,673</u>
Business-type activities:	
Electric	\$ 1,136,349
Sewer	708,503
Solid Waste	109,288
Total depreciation	<u>\$ 1,954,140</u>

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 6 - INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2006 consisted of the following:

<i>DUE TO</i>	<i>DUE FROM</i>					<i>Total</i>
	<i>General</i>	<i>Non-major Governmental</i>	<i>Internal Service</i>	<i>Sewer System</i>		
General	\$ -	\$ 10,188	\$ 12,561	\$ -	\$ -	22,749
School Tax	-	-	-	-	-	-
Non-major Governmental	109,019	116,625	8	173,888	-	399,540
Internal Service	638,214	-	-	-	-	638,214
Electric Utility	1,347,560	-	1,131	-	-	1,348,691
Sewer System	-	-	90	-	-	90
Solid Waste Collection	-	-	2,020	-	-	2,020
Total	<u>\$ 2,094,793</u>	<u>\$ 126,813</u>	<u>\$ 15,810</u>	<u>\$ 173,888</u>	<u>\$ -</u>	<u>2,411,304</u>

All balances resulted from the time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and 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	\$ -	\$ -	\$ 232,137	\$ 2,842,949	\$ 3,075,086
Sewer Fund	-	-	961,554	-	961,554
Non-major Governmental	5,230,363	2,465,579	292,813	-	7,988,755
Total	<u>\$ 5,230,363</u>	<u>\$ 2,465,579</u>	<u>\$ 1,486,504</u>	<u>\$ 2,842,949</u>	<u>\$ 12,025,395</u>

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

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities at September 30, 2006 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%	\$ -	\$ 2,485,000
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%	2,240,000	-
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%	8,165,000	-
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 from 4.12% to 5.42% during the year ended September 30, 2006	5,840,000	-
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 6.85% at September 30, 2006. Rate determined annually at June 1, at the Treasury Rate plus 1.8% per annum	2,052,000	-
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%	6,325,000	-
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%	13,512,352	8,188,361
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%	6,805,589	-
General obligation debt for purchase of land, due in annual installments of \$40,000 through October 1, 2008, bearing interest at 5.00%	80,000	-
Capital lease on excavator, due in annual installments of \$59,344 through February 9, 2009, including interest at 4.60%	162,828	-
RSA Inducement Agreement, due in monthly payments totaling \$79,166, through March 31, 2008	975,000	450,000
Other Liabilities:		
Compensated Absences	1,944,266	266,476
Claims and judgments	352,306	-
Total long-term liabilities	\$ 52,719,341	\$ 11,389,837

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Debt:					
General Obligation Bonds	\$ 44,259,584	\$ -	\$ 3,684,584	\$ 40,575,000	\$ 3,435,000
Other long-term debt	8,377,000	1,300,000	730,000	8,947,000	925,000
Capital leases	262,110	-	99,282	162,828	51,854
	<u>52,898,694</u>	<u>1,300,000</u>	<u>4,513,866</u>	<u>49,684,828</u>	<u>4,411,854</u>
Deferred amounts on refunding	(180,255)	-	(33,278)	(146,977)	-
Unamortized premiums	1,046,661	-	161,743	884,918	-
Total debt	<u>53,765,100</u>			<u>50,422,769</u>	<u>4,411,854</u>
Other liabilities					
Compensated absences	2,218,767			1,944,266	-
Claims and judgments	408,148			352,306	92,960
Total other liabilities	<u>2,626,915</u>			<u>2,296,572</u>	<u>92,960</u>
Total governmental activities	<u>\$ 56,392,015</u>			<u>\$ 52,719,341</u>	<u>\$ 4,504,814</u>
	<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 Bonds	\$ 11,105,000	\$ -	\$ 495,000	\$ 10,610,000	\$ 790,000
Other long-term debt	-	600,000	150,000	450,000	300,000
Deferred amounts on refunding	(37,519)	-	(5,847)	(31,672)	-
Unamortized premiums and discounts	115,383	-	20,350	95,033	-
	<u>11,182,864</u>			<u>11,123,361</u>	<u>\$ 1,090,000</u>
Compensated absences	262,049			266,476	
Total business-type activities	<u>\$ 11,444,913</u>			<u>\$ 11,389,837</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.

The City issued \$7,145,000 General Obligation School Warrants, Series 2004-A dated March 1, 2004. The warrants were issued (1) to finance the costs of acquiring, constructing and equipping various improvements to the Board of Education's schools, including the renovation of the Board of Education's middle school, and (2) to pay the costs of issuing the Series 2004-A Warrants. The Warrants mature annually on March 1 from 2005 to 2029. Interest is payable on each March 1 and September 1, beginning September 1, 2004.

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.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

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, 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 and will be chargeable against the constitutional debt limit of the City. The Annual Appropriation Agreement includes the conditional and revocable obligation of the City to provide an amount equal to the annual debt service payments to the Authority for payment of the principal and 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 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 for each fiscal year and will not constitute a "debt" of the City and will not be chargeable against the constitution debt limit of the City. 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 prepayment of the bonds. Through September 30, 2006, the Authority had applied \$610,000 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, 2006, the property held under capital leases had a cost of \$247,202 and accumulated depreciation of \$24,720.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 7 - LONG-TERM LIABILITIES -CONTINUED

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>
2007	\$ 3,435,000	\$ 1,810,835	\$ 976,854	\$ 460,492
2008	3,595,000	1,647,470	709,239	446,420
2009	3,750,000	1,477,652	411,735	425,435
2010	3,940,000	1,299,558	335,000	402,847
2011	3,550,000	1,138,417	360,000	383,725
2012 - 2016	10,295,000	3,880,493	2,240,000	1,578,655
2017 - 2021	4,195,000	2,466,562	3,185,000	836,053
2022 - 2026	4,790,000	1,331,561	892,000	59,590
2027 - 2031	2,695,000	357,246	-	-
2032	330,000	8,456	-	-
Total	\$ 40,575,000	\$ 15,418,250	\$ 9,109,828	\$ 4,593,216

	<i>Business-type Activities</i>	
	<i>General Obligations</i>	
	<i>Principal</i>	<i>Interest</i>
2007	\$ 1,090,000	\$ 464,150
2008	980,000	424,150
2009	870,000	382,275
2010	845,000	338,525
2011	940,000	297,043
2012 - 2016	2,285,000	1,085,868
2017 - 2021	2,770,000	589,483
2022 - 2026	1,280,000	58,275
	\$ 11,060,000	\$ 3,639,769

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 accounts group. The defeased portion of the 1994-A Warrants was called on July 1, 2004.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 7 - LONG-TERM LIABILITIES -CONTINUED

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, 2006 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

NOTE 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 up to 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 2-1-05 to 2-1-06 is \$597,247, 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.

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 include 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 \$356,306 at September 30, 2006. 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 4.5% 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>Current Year Claims</i>			
	<i>Beginning Balance</i>	<i>and Changes in Estimates</i>	<i>Claim Payments</i>	<i>Ending Balance</i>
2003-2004	\$ 474,039	330,721	446,908	\$ 357,852
2004-2005	\$ 357,852	210,654	160,358	\$ 408,148
2005-2006	\$ 408,148	56,679	112,521	\$ 352,306

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

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 8 - RISK MANAGEMENT - CONTINUED

individual covered under the plan. Individual Excess Loss coverage has been purchased to insure claims in excess of \$85,000 in any one year. Settled claims exceeded the premiums paid during the year. Liabilities exceeded assets as of September 30, 2006 resulting in a deficit fund balance of \$633,413.

The claims liability of \$109,165 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 the 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>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
<i>2005-2006</i>	\$ 116,410	1,562,795	1,570,040	\$109,165

NOTE 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.

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 ten 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 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 for 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.

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 9 - DEFINED BENEFIT PENSION PLANS – CONTINUED

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, 2006 was 9.91% of annual covered payroll. The contribution requirements of plan members and the City are established by state statute.

Annual Pension Cost. For 2006, the City's annual pension cost of \$1,793,365 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2005 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 increase ranging from 4.61% to 7.75% per year, and (c) 0.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.50%. 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 as a level percentage of projected payrolls. The remaining amortization period is 20 years.

Trend Information

<i>Fiscal Year Ending</i>	<i>Annual Pension Contribution (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation (NPO)</i>
9/30/2003	\$ 970,329	100%	\$ -
9/30/2004	\$ 1,069,489	100%	\$ -
9/30/2005	\$ 1,219,737	100%	\$ -

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) - Entry Age (b)*</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
9/30/2003	\$ 36,770,563	\$ 44,372,520	\$ 7,601,957	82.9%	\$ 13,515,965	56.2%
9/30/2004	\$ 38,350,983	\$ 46,189,882	\$ 7,838,899	83.0%	\$ 13,558,002	57.8%
9/30/2005	\$ 39,997,697	\$ 51,388,166	\$ 11,390,469	77.8%	\$ 14,448,369	78.8%

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

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 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 \$16,592,953 under this contract in 2006. 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.

NOTE 11 - COMMITMENTS AND CONTIGENCIES

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, and 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 cost associated with the installation of utilities and sewer expansion to serve the facility. As of September 30, 2006, \$826,441 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 \$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, 2006 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, 2006.

On August 16, 2005, the City entered into 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

CITY OF OPELIKA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 11 - COMMITMENTS AND CONTIGENCIES- CONTINUED

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.

The City entered an agreement with ESG Operations, Inc. ("ESG") effective November 1, 2005, to operate, manage and provide services that the following divisions of the City were previously providing: 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 \$3,559,863 per year payable in monthly installments. Included in the base fee is the repair and maintenance budget. The agreement states that if the budget is exceeded then the City is obligated to reimburse ESG and if the budget is not exceeded then the City is reimbursed the difference between the actual repair and maintenance expenditures and the budgeted amount. At the end of the contract year, \$174,478 remained in the repair and maintenance budget and was reimbursed to the City. At September 30, 2006, the City has recorded \$159,938 in receivables related to the reimbursement. 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 items, 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 industries' start dates.

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 know as "National Village". The City will pay RSA \$79,167 per month for 24 months for a total of \$1,900,000. At September 30, 2006, the City's obligation to pay RSA totaled \$1,425,000. These payments commenced 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.

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, 2006.

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 the expenditures disallowed under terms of the grant. City management believes such disallowance, if any, will be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Revenues:				
Taxes:				
Sales	\$ 13,817,000	\$ 13,817,000	\$ 15,503,980	\$ 1,686,980
Property:				
Property:	2,169,000	2,169,000	2,368,569	199,569
Payments in lieu of taxes	20,000	20,000	20,851	851
	<u>2,189,000</u>	<u>2,189,000</u>	<u>2,389,420</u>	<u>200,420</u>
Other:				
Gasoline	671,000	671,000	669,924	(1,076)
Cigarette	112,000	112,000	113,605	1,605
Rental	289,000	289,000	413,511	124,511
Wine	13,000	13,000	14,638	1,638
	<u>1,085,000</u>	<u>1,085,000</u>	<u>1,211,678</u>	<u>126,678</u>
Total taxes	<u>17,091,000</u>	<u>17,091,000</u>	<u>19,105,078</u>	<u>2,014,078</u>
Special assessments:	<u>7,000</u>	<u>7,000</u>	<u>6,264</u>	<u>(736)</u>
Licenses and permits:				
Occupational	<u>7,190,000</u>	<u>7,190,000</u>	<u>7,874,160</u>	<u>684,160</u>
Business:				
General	1,982,000	1,982,000	2,593,741	611,741
Lodging	381,000	381,000	388,571	7,571
Franchise fee	79,000	79,000	94,104	15,104
	<u>2,442,000</u>	<u>2,442,000</u>	<u>3,076,416</u>	<u>634,416</u>
Permits and inspections	<u>260,000</u>	<u>260,000</u>	<u>593,643</u>	<u>333,643</u>
Total licenses and permits	<u>9,892,000</u>	<u>9,892,000</u>	<u>11,544,219</u>	<u>1,652,219</u>

UNAUDITED

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

<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	97,000	97,000	93,032	(3,968)
Shared state revenue:				
Bank excise tax	33,000	33,000	146,467	113,467
Business privilege tax	76,000	76,000	67,635	(8,365)
Share of liquor tax profits	74,000	74,000	78,019	4,019
State asset forfeiture	-	11,935	21,330	9,395
	<u>183,000</u>	<u>194,935</u>	<u>313,451</u>	<u>118,516</u>
Shared federal revenue:				
Federal asset forfeiture	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other:				
Grants				
Federal	-	-	48,165	48,165
State	-	-	257	257
Lee County	10,000	10,000	-	(10,000)
	<u>10,000</u>	<u>10,000</u>	<u>48,422</u>	<u>38,422</u>
Total intergovernmental revenue	<u>290,000</u>	<u>301,935</u>	<u>454,905</u>	<u>152,970</u>
Charges for services:				
Administration				
Water Works Board	-	-	-	-
Other governments	12,000	12,000	11,952	(48)
	<u>12,000</u>	<u>12,000</u>	<u>11,952</u>	<u>(48)</u>
Public safety:				
Board of Education	12,000	12,000	15,000	3,000
City of Montgomery	-	-	-	-
City of Auburn	-	-	-	-
Water Works Board	70,000	70,000	66,744	(3,256)
Other	68,000	68,000	122,700	54,700
Towing, fire calls, and fire training	-	-	5,825	5,825
	<u>150,000</u>	<u>150,000</u>	<u>210,269</u>	<u>60,269</u>

UNAUDITED

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

<i>DESCRIPTION</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Health:				
Graves and monuments	74,000	67,000	89,388	22,388
Evergreen cemetery	-	7,000	-	(7,000)
	<u>74,000</u>	<u>74,000</u>	<u>89,388</u>	<u>15,388</u>
Culture and recreation:				
Entry fees and concessions	275,000	275,000	291,587	16,587
Total charges for services	<u>511,000</u>	<u>511,000</u>	<u>603,196</u>	<u>92,196</u>
Fines and forfeitures:				
Public safety:				
Fines and costs	450,000	450,000	470,775	20,775
Culture and recreation:				
Fines	-	-	-	
Total fines and forfeits	<u>450,000</u>	<u>450,000</u>	<u>470,775</u>	<u>20,775</u>
Miscellaneous revenues:				
Interest earnings	291,000	291,000	397,030	106,030
Other:				
Rental income	12,000	12,000	11,186	(814)
Contributions	-	15,442	56,683	41,241
Cemetery lots	59,000	59,000	81,700	22,700
Miscellaneous	93,000	93,000	105,940	12,940
Total other	<u>164,000</u>	<u>179,442</u>	<u>255,509</u>	<u>76,067</u>
Total miscellaneous revenues	<u>455,000</u>	<u>470,442</u>	<u>652,539</u>	<u>182,097</u>
Total revenues	<u>28,696,000</u>	<u>28,723,377</u>	<u>32,836,976</u>	<u>4,113,599</u>

UNAUDITED

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

<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	106,100	106,100	104,708	(1,392)
Other	431,300	290,999	58,619	(232,380)
Total mayor	<u>537,400</u>	<u>397,099</u>	<u>163,327</u>	<u>(233,772)</u>
Administration:				
Personal services	165,619	165,619	168,221	2,602
Other	214,700	363,001	312,658	(50,343)
Total administration	<u>380,319</u>	<u>528,620</u>	<u>480,879</u>	<u>(47,741)</u>
Legislative - City Clerk:				
Personal services	123,149	123,149	123,941	792
Other	282,452	232,452	198,876	(33,576)
Total legislative	<u>405,601</u>	<u>355,601</u>	<u>322,817</u>	<u>(32,784)</u>
Other:				
Revenue:				
Personal services	401,181	410,636	401,863	(8,773)
Other	(218,091)	(214,778)	(216,616)	(1,838)
	<u>183,090</u>	<u>195,858</u>	<u>185,247</u>	<u>(10,611)</u>
Accounting:				
Personal services	285,570	277,288	229,541	(47,747)
Other	28,155	47,949	24,560	(23,389)
	<u>313,725</u>	<u>325,237</u>	<u>254,101</u>	<u>(71,136)</u>
Community relations:				
Personal services	52,441	52,441	52,226	(215)
Other	69,850	79,660	42,666	(36,994)
	<u>122,291</u>	<u>132,101</u>	<u>94,892</u>	<u>(37,209)</u>

UNAUDITED

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

<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	575,949	575,949	548,257	(27,692)
Other	131,932	137,523	129,537	(7,986)
	<u>707,881</u>	<u>713,472</u>	<u>677,794</u>	<u>(35,678)</u>
Judicial:				
Personal services	207,346	207,346	207,141	(205)
Other	123,560	123,560	102,030	(21,530)
	<u>330,906</u>	<u>330,906</u>	<u>309,171</u>	<u>(21,735)</u>
Human resources administration:				
Personal services	177,352	177,352	179,016	1,664
Other	89,874	144,556	84,390	(60,166)
	<u>267,226</u>	<u>321,908</u>	<u>263,406</u>	<u>(58,502)</u>
Planning:				
Personal services	233,652	233,652	167,748	(65,904)
Other	23,740	31,772	33,336	1,564
	<u>257,392</u>	<u>265,424</u>	<u>201,084</u>	<u>(64,340)</u>
Purchasing:				
Personal services	191,665	191,665	196,094	4,429
Other	(23,808)	(23,253)	(28,589)	(5,336)
	<u>167,857</u>	<u>168,412</u>	<u>167,505</u>	<u>(907)</u>
Nondepartmental:				
Auburn-Opelika Airport	51,647	51,647	21,647	(30,000)
Lee-Russell Council of Governments	80,000	85,000	85,000	-
Opelika Chamber of Commerce	61,450	61,450	61,450	-
Opelika Industrial Development Authority	125,000	125,000	125,000	-
Lee County Extension Service	10,000	10,000	10,000	-
Envision Opelika	50,000	64,850	64,850	-
Downtown Development Authority	4,500	4,500	4,500	-
Main Street, Inc.	18,000	18,000	18,000	-
Other	-	19,500	19,500	-
	<u>400,597</u>	<u>439,947</u>	<u>409,947</u>	<u>(30,000)</u>
Total other	2,750,965	2,893,265	2,563,147	(330,118)
Total general government	<u>4,074,285</u>	<u>4,174,585</u>	<u>3,530,170</u>	<u>(644,415)</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

FUNCTION/DEPARTMENT/OBJECT	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Public safety:				
Police:				
Personal services	5,209,584	5,195,413	5,200,545	5,132
Other	1,028,508	1,147,713	942,722	(204,991)
Total police	<u>6,238,092</u>	<u>6,343,126</u>	<u>6,143,267</u>	<u>(199,859)</u>
Fire:				
Personal services	3,424,603	3,463,555	3,416,820	(46,735)
Other	389,826	397,052	360,989	(36,063)
Total fire	<u>3,814,429</u>	<u>3,860,607</u>	<u>3,777,809</u>	<u>(82,798)</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>10,384,497</u>	<u>10,535,709</u>	<u>10,253,052</u>	<u>(282,657)</u>
Public works:				
Highways and streets				
Personal services	89,723	89,723	67,247	(22,476)
Other	603,820	628,768	764,521	135,753
Total highways and streets	<u>693,543</u>	<u>718,491</u>	<u>831,768</u>	<u>113,277</u>
Engineering:				
Personal services	533,475	521,175	500,406	(20,769)
Other	706,400	116,802	88,599	(28,203)
Total engineering	<u>1,239,875</u>	<u>637,977</u>	<u>589,005</u>	<u>(48,972)</u>

UNAUDITED

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

<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	39,909	60,283	76,539	16,256
Other	205,785	213,170	212,804	(366)
	<u>245,694</u>	<u>273,453</u>	<u>289,343</u>	<u>15,890</u>
Cemetery:				
Personal services	16,463	27,455	23,505	(3,950)
Other	135,517	147,074	137,330	(9,744)
	<u>151,980</u>	<u>174,529</u>	<u>160,835</u>	<u>(13,694)</u>
Automotive shop:				
Personal services	48,504	117,869	102,160	(15,709)
Other	239,249	253,645	217,115	(36,530)
	<u>287,753</u>	<u>371,514</u>	<u>319,275</u>	<u>(52,239)</u>
Building maintenance:				
Personal services	30,887	34,515	24,276	(10,239)
Other	223,113	231,259	216,093	(15,166)
	<u>254,000</u>	<u>265,774</u>	<u>240,369</u>	<u>(25,405)</u>
Inspection:				
Personal services	214,240	227,307	245,603	18,296
Other	22,700	46,370	39,743	(6,627)
	<u>236,940</u>	<u>273,677</u>	<u>285,346</u>	<u>11,669</u>
Ground maintenance:				
Personal services	51,502	55,410	30,984	(24,426)
Other	376,192	389,661	364,033	(25,628)
	<u>427,694</u>	<u>445,071</u>	<u>395,017</u>	<u>(50,054)</u>
Total other	<u>1,604,061</u>	<u>1,804,018</u>	<u>1,690,185</u>	<u>(113,833)</u>
Total public works	<u>3,537,479</u>	<u>3,160,486</u>	<u>3,110,958</u>	<u>(49,528)</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

<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	34,921	34,921	36,372	1,451
Other	8,450	8,450	4,239	(4,211)
	<u>43,371</u>	<u>43,371</u>	<u>40,611</u>	<u>(2,760)</u>
Other:				
Nondepartmental:				
Lee County Health Department	45,000	45,000	45,000	-
East Alabama Mental Health	45,000	45,000	45,000	-
Valley Haven School	1,000	1,000	1,000	-
Lee County Humane Society	61,724	68,171	68,171	-
Sickle Cell Association	1,500	1,500	1,500	-
Substance Abuse	45,000	45,000	45,000	-
Other	-	10,300	10,300	-
Total other	<u>199,224</u>	<u>215,971</u>	<u>215,971</u>	<u>-</u>
Total health	<u>242,595</u>	<u>259,342</u>	<u>256,582</u>	<u>(2,760)</u>
Welfare:				
Other:				
Nondepartmental:				
East Alabama Services for the Elderly	10,000	10,000	10,000	-
Lee County Youth Development Center	28,000	28,000	28,000	-
Boys and Girls Clubs	25,000	25,000	25,000	-
Council on Human Relations	18,000	18,000	18,000	-
Other	-	11,000	11,000	-
Total welfare	<u>81,000</u>	<u>92,000</u>	<u>92,000</u>	<u>-</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

FUNCTION/DEPARTMENT/OBJECT	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Culture and recreation:				
Parks and recreation:				
Personal services	1,162,799	1,201,861	1,210,022	8,161
Other	1,118,898	1,190,247	1,152,040	(38,207)
Total parks and recreation	<u>2,281,697</u>	<u>2,392,108</u>	<u>2,362,062</u>	<u>(30,046)</u>
Library:				
Personal services	359,714	359,714	316,733	(42,981)
Other	159,400	268,187	193,505	(74,682)
Total library	<u>519,114</u>	<u>627,901</u>	<u>510,238</u>	<u>(117,663)</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	24,000	24,000	-
Opelika Arts Association	15,000	15,000	15,000	-
Indian Pines Recreational Authority	-	255,000	255,000	-
Other	-	14,500	14,500	-
Total other	<u>81,000</u>	<u>350,500</u>	<u>350,500</u>	<u>-</u>
Total culture and recreation	<u>2,881,811</u>	<u>3,370,509</u>	<u>3,222,800</u>	<u>(147,709)</u>
Economic Development:				
Personal services	225,231	225,231	232,634	7,403
Other	197,436	205,436	133,633	(71,803)
Total	<u>422,667</u>	<u>430,667</u>	<u>366,267</u>	<u>(64,400)</u>
Nondepartmental:				
Incentives	329,000	329,000	75,000	(254,000)
Industrial grant	125,000	125,000	116,077	(8,923)
Total	<u>454,000</u>	<u>454,000</u>	<u>191,077</u>	<u>(262,923)</u>
Total economic development	<u>876,667</u>	<u>884,667</u>	<u>557,344</u>	<u>(327,323)</u>
Education:	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>
Capital Outlay:	<u>1,120,375</u>	<u>3,800,966</u>	<u>2,316,152</u>	<u>(1,484,814)</u>

CITY OF OPELIKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

<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	425,707	750,707	750,705	(2)
Interest	229,070	229,070	437,525	208,455
Trustee fees	-	-	-	-
Total debt service	<u>654,777</u>	<u>979,777</u>	<u>1,188,230</u>	<u>208,453</u>
Total expenditures	<u>26,353,486</u>	<u>29,758,041</u>	<u>27,027,288</u>	<u>(2,730,753)</u>
Excess of revenues over (under) expenditures	<u>2,342,514</u>	<u>(1,034,664)</u>	<u>5,809,688</u>	<u>6,844,352</u>
Other financing sources (uses):				
Proceeds from debt issuance	-	1,300,000	1,300,000	-
Capital lease	-	-	-	-
Sale of fixed assets	-	-	87,493	(87,493)
Transfers from Electric Utility Fund	2,805,611	2,842,949	2,842,949	-
Transfers from Sewer Fund	-	-	-	-
Transfers from Solid Waste Collection Fund	-	-	-	-
Transfers from Nonmajor Capital Project Fund	-	-	196,865	(196,865)
Transfers from Garden Hills Cemetery Trust Fund	18,000	18,000	14,755	3,245
Transfers from General Obligation Debt Service Fund	300	300	20,517	(20,217)
Transfers to IAR Grant Funds	(334,592)	(543,125)	(413,220)	(129,905)
Transfers to General Obligation Debt Service Funds	(3,342,000)	(3,342,000)	(3,058,318)	(283,682)
Transfers to County Jail/Parks and Recreation Fund	(1,502,833)	(1,502,833)	(1,737,775)	234,942
Transfers to Enterprise Funds	-	-	-	-
Transfers to Garden Hills Cemetery Perpetual Care Trust Fund	(12,000)	(12,000)	(21,050)	9,050
Transfers to Community Development Fund	-	-	-	-
Transfers to Capital Projects Fund	-	-	-	-
Total other financing sources (uses)	<u>(2,367,514)</u>	<u>(1,238,709)</u>	<u>(767,784)</u>	<u>(470,925)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(25,000)</u>	<u>(2,273,373)</u>	<u>5,041,904</u>	<u>7,315,277</u>
Fund balance, beginning of year	<u>8,458,648</u>	<u>8,458,648</u>	<u>8,458,648</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,433,648</u>	<u>\$ 6,185,275</u>	<u>\$ 13,500,552</u>	<u>\$ 7,315,277</u>

UNAUDITED

CITY OF OPELIKA
SCHOOL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Revenues:				
Taxes:				
Property	\$ 3,544,000	\$ 3,544,000	\$ 4,364,187	\$ 820,187
Total revenues	<u>3,544,000</u>	<u>3,544,000</u>	<u>4,364,187</u>	<u>820,187</u>
Expenditures:				
Current:				
Education	1,078,700	1,078,700	1,898,609	819,909
Total expenditures	<u>1,078,700</u>	<u>1,078,700</u>	<u>1,898,609</u>	<u>819,909</u>
Excess of revenues over (under) expenditures	<u>2,465,300</u>	<u>2,465,300</u>	<u>2,465,578</u>	<u>278</u>
Other financing sources (uses):				
Transfers to Other Funds	<u>(2,465,300)</u>	<u>(2,465,300)</u>	<u>(2,465,578)</u>	<u>(278)</u>
Total other financing sources (uses)	<u>(2,465,300)</u>	<u>(2,465,300)</u>	<u>(2,465,578)</u>	<u>(278)</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, 2006

	<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	\$ 4,993,582	\$ 57,727	\$ 912,023	\$ -	\$ 5,963,332
Cash with fiscal agent	-	-	46,627	-	46,627
Certificates of deposit	-	8,000	-	-	8,000
Investments	6,450	1,301,890	-	537,278	1,845,618
Receivables	-	-	-	5,316	5,316
Due from other funds	-	116,625	-	10,188	126,813
Due from other governments	55,865	-	176,244	-	232,109
	<u>\$ 5,055,897</u>	<u>\$ 1,484,242</u>	<u>\$ 1,134,894</u>	<u>\$ 552,782</u>	<u>\$ 8,227,815</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 61,382	\$ -	\$ 168,747	\$ 869	\$ 230,998
Retainage Payable	-	-	-	-	-
Accrued payroll and benefits	1,903	-	-	-	1,903
Due to other funds	8	290,513	103,431	5,588	399,540
Due to other governments	-	-	-	-	-
Deferred revenues	-	-	176,244	-	176,244
Matured bonds and interest payable	-	680,004	-	-	680,004
Total liabilities	<u>63,293</u>	<u>970,517</u>	<u>448,422</u>	<u>6,457</u>	<u>1,488,689</u>
Fund Balances:					
Reserved for encumbrances	450,958	-	28,868	546,325	1,026,151
Unreserved, undesignated	4,541,646	513,725	657,604	-	5,712,975
Total fund balance	<u>4,992,604</u>	<u>513,725</u>	<u>686,472</u>	<u>546,325</u>	<u>6,739,126</u>
Total liabilities and fund balances	<u>\$ 5,055,897</u>	<u>\$ 1,484,242</u>	<u>\$ 1,134,894</u>	<u>\$ 552,782</u>	<u>\$ 8,227,815</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	<i>SPECIAL REVENUE FUNDS</i>	<i>DEBT SERVICE FUNDS</i>	<i>CAPITAL PROJECTS FUNDS</i>	<i>GARDEN HILLS CEMETERY PERMANENT FUND</i>	<i>TOTAL NONMAJOR GOVERNMENTAL FUNDS</i>
Revenues:					
Intergovernmental	\$ 1,262,728	\$ -	\$ 2,131,231	\$ -	\$ 3,393,959
Investments income	224,758	36,677	45,003	15,497	321,935
Contributions	3,269	-	-	-	3,269
Other	-	-	54,863	11,958	66,821
Total revenues	<u>1,490,755</u>	<u>36,677</u>	<u>2,231,097</u>	<u>27,455</u>	<u>3,785,984</u>
Expenditures:					
Current:					
General government	428,472	-	-	3,404	431,876
Public safety	26,738	-	-	-	26,738
Public works	112,664	-	-	-	112,664
Welfare	44,425	-	-	-	44,425
Culture and recreation	-	-	-	-	-
Education	-	-	-	-	-
Economic development and urban rehabilitation	198,420	-	-	-	198,420
Capital outlay	847,297	-	2,061,268	-	2,908,565
Debt service:					
Principal retirement	-	3,535,000	-	-	3,535,000
Interest	-	1,993,118	-	-	1,993,118
Bond issue costs	-	-	-	-	-
Total expenditures	<u>1,658,016</u>	<u>5,528,118</u>	<u>2,061,268</u>	<u>3,404</u>	<u>9,250,806</u>
Excess of revenues over (under) expenditures	<u>(167,261)</u>	<u>(5,491,441)</u>	<u>169,829</u>	<u>24,051</u>	<u>(5,464,822)</u>
Other financing sources (uses):					
Proceeds of general long term debt	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-
Transfers from governmental funds	1,737,802	5,523,897	706,006	21,050	7,988,755
Transfers from proprietary funds	(961,554)	-	-	-	(961,554)
Transfers to governmental funds	(292,814)	(20,517)	(196,865)	(14,755)	(524,951)
Transfers to proprietary funds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>483,434</u>	<u>5,503,380</u>	<u>509,141</u>	<u>6,295</u>	<u>6,502,250</u>
Excess of revenues and other sources over (under) expenditures and other uses	316,173	11,939	678,970	30,346	1,037,428
Fund balances, beginning of year	4,676,431	501,786	7,502	515,979	5,701,698
Fund balances, end of year	<u>\$ 4,992,604</u>	<u>\$ 513,725</u>	<u>\$ 686,472</u>	<u>\$ 546,325</u>	<u>\$ 6,739,126</u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

\$.07 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.

\$.04 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 road construction.

Capital Improvement 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 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, 2006

	<u>\$0.07 STATE GASOLINE TAX FUND</u>	<u>\$0.04 STATE GASOLINE TAX FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>ROAD MAINTENANCE FUND</u>	<u>SALES TAX JAIL/REC FUND</u>	<u>ROSEMERE CEMENTERY FUND</u>	<u>LODGING TAX FUND</u>	<u>COOPER LIBRARY EXPENDABLE TRUST FUND</u>	<u>COMBINED TOTALS</u>
ASSETS										
Cash	\$ 137,507	\$ 34,944	\$ 217,335	\$ 25,000	\$ 2,098,027	\$ 2,381,345	\$ 21,201	\$ 78,223	\$ -	\$ 4,993,582
Investments	-	-	-	-	-	-	-	-	6,450	6,450
Due from other governments	13,321	10,410	-	13,855	-	-	-	18,279	-	55,865
Total assets	<u>\$ 150,828</u>	<u>\$ 45,354</u>	<u>\$ 217,335</u>	<u>\$ 38,855</u>	<u>\$ 2,098,027</u>	<u>\$ 2,381,345</u>	<u>\$ 21,201</u>	<u>\$ 96,502</u>	<u>\$ 6,450</u>	<u>\$ 5,055,897</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable	\$ -	\$ 2,514	\$ 13,419	\$ 13,320	\$ 26,314	\$ 5,535	\$ -	\$ 280	\$ -	\$ 61,382
Retainage Payable	-	-	-	-	-	-	-	-	-	-
Accrued payroll and benefits	-	-	-	1,903	-	-	-	-	-	1,903
Due to other funds	-	-	-	8	-	-	-	-	-	8
Due to other governments	-	-	-	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>2,514</u>	<u>13,419</u>	<u>15,231</u>	<u>26,314</u>	<u>5,535</u>	<u>-</u>	<u>280</u>	<u>-</u>	<u>63,293</u>
Fund balances:										
Reserved for encumbrances	-	-	173,855	29,745	60,000	187,358	-	-	-	450,958
Unreserved, undesignated	150,828	42,840	30,061	(6,121)	2,011,713	2,188,452	21,201	96,222	6,450	4,541,646
Total fund balance	<u>150,828</u>	<u>42,840</u>	<u>203,916</u>	<u>23,624</u>	<u>2,071,713</u>	<u>2,375,810</u>	<u>21,201</u>	<u>96,222</u>	<u>6,450</u>	<u>4,992,604</u>
Total liabilities and fund balances	<u>\$ 150,828</u>	<u>\$ 45,354</u>	<u>\$ 217,335</u>	<u>\$ 38,855</u>	<u>\$ 2,098,027</u>	<u>\$ 2,381,345</u>	<u>\$ 21,201</u>	<u>\$ 96,502</u>	<u>\$ 6,450</u>	<u>\$ 5,055,897</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	<u>\$0.07 STATE GASOLINE TAX FUND</u>	<u>\$0.04 STATE GASOLINE TAX FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>ROAD MAINTENANCE FUND</u>	<u>SALES TAX JAIL/REC FUND</u>	<u>ROSEMERE CEMETERY FUND</u>	<u>LODGING TAX FUND</u>	<u>COOPER LIBRARY EXPENDABLE TRUST FUND</u>	<u>COMBINED TOTALS</u>
Revenues:										
Intergovernmental:										
Shared state gasoline tax	\$ 79,019	\$ 61,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,891
Alabama trust fund	-	-	139,905	-	-	-	-	-	-	139,905
Lodging fees	-	-	-	-	-	-	-	136,158	-	136,158
Federal Grants	-	-	-	845,774	-	-	-	-	-	845,774
State Grants	-	-	-	-	-	-	-	-	-	-
Total intergovernmental	<u>79,019</u>	<u>61,872</u>	<u>139,905</u>	<u>845,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,158</u>	<u>-</u>	<u>1,262,728</u>
Miscellaneous:										
Interest	7,808	2,341	7,600	78	95,659	110,012	536	-	724	224,758
Contributions	-	-	-	-	-	-	3,269	-	-	3,269
Total miscellaneous	<u>7,808</u>	<u>2,341</u>	<u>7,600</u>	<u>78</u>	<u>95,659</u>	<u>110,012</u>	<u>3,805</u>	<u>-</u>	<u>724</u>	<u>228,027</u>
Total revenues	<u>86,827</u>	<u>64,213</u>	<u>147,505</u>	<u>845,852</u>	<u>95,659</u>	<u>110,012</u>	<u>3,805</u>	<u>136,158</u>	<u>724</u>	<u>1,490,755</u>
Expenditures:										
Current:										
General government	-	-	-	53,017	-	375,455	-	-	-	428,472
Public safety	-	-	-	26,738	-	-	-	-	-	26,738
Public works	79,999	20,391	-	-	-	-	12,274	-	-	112,664
Welfare	-	-	-	44,425	-	-	-	-	-	44,425
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Economic development and urban rehabilitation	-	-	-	158,484	-	-	-	39,936	-	198,420
Total current expenditures	<u>79,999</u>	<u>20,391</u>	<u>-</u>	<u>282,664</u>	<u>-</u>	<u>375,455</u>	<u>12,274</u>	<u>39,936</u>	<u>-</u>	<u>810,719</u>
Capital outlay	-	37,605	46,508	522,064	241,120	-	-	-	-	847,297
Total expenditures	<u>79,999</u>	<u>57,996</u>	<u>46,508</u>	<u>804,728</u>	<u>241,120</u>	<u>375,455</u>	<u>12,274</u>	<u>39,936</u>	<u>-</u>	<u>1,658,016</u>
Excess revenues over (under) expenditures	<u>6,828</u>	<u>6,217</u>	<u>100,997</u>	<u>41,124</u>	<u>(145,461)</u>	<u>(265,443)</u>	<u>(8,469)</u>	<u>96,222</u>	<u>724</u>	<u>(167,261)</u>
Other financing resources (uses):										
Transfers from governmental funds	-	-	-	27	-	1,737,775	-	-	-	1,737,802
Transfers from proprietary funds	-	-	-	-	-	(961,554)	-	-	-	(961,554)
Transfers to governmental funds	-	-	-	(1)	-	(292,813)	-	-	-	(292,814)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>483,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,434</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>6,828</u>	<u>6,217</u>	<u>100,997</u>	<u>41,150</u>	<u>(145,461)</u>	<u>217,965</u>	<u>(8,469)</u>	<u>96,222</u>	<u>724</u>	<u>316,173</u>
Fund balances, beginning of year	144,000	36,623	102,919	(17,526)	2,217,174	2,157,845	29,670	-	5,726	4,676,431
Fund balances, end of year	<u>\$ 150,828</u>	<u>\$ 42,840</u>	<u>\$ 203,916</u>	<u>\$ 23,624</u>	<u>\$ 2,071,713</u>	<u>\$ 2,375,810</u>	<u>\$ 21,201</u>	<u>\$ 96,222</u>	<u>\$ 6,450</u>	<u>\$ 4,992,604</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, 2006

	GENERAL OBLIGATION WARRANTS	GENERAL OBLIGATION REFUNDING SCHOOL WARRANTS	GENERAL OBLIGATION SCHOOL WARRANTS	COMBINED TOTALS
ASSETS				
Cash	\$ 52,539	\$ 2,788	\$ 2,400	\$ 57,727
Certificates of deposit	8,000	0	0	8,000
Investments	796,848	2,490	502,552	1,301,890
Due from other funds	-	-	116,625	116,625
Due from other governments	-	-	-	-
Total assets	<u>\$ 857,387</u>	<u>\$ 5,278</u>	<u>\$ 621,577</u>	<u>\$ 1,484,242</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 290,513	\$ -	\$ -	\$ 290,513
Matured bonds and interest payable	190,209	-	489,795	680,004
Total liabilities	<u>480,722</u>	<u>-</u>	<u>489,795</u>	<u>970,517</u>
Fund balances:				
Reserved for debt service	376,665	5,278	131,782	513,725
Unreserved, undesignated	-	-	-	-
Total fund balance	<u>376,665</u>	<u>5,278</u>	<u>131,782</u>	<u>513,725</u>
Total liabilities and fund balances	<u>\$ 857,387</u>	<u>\$ 5,278</u>	<u>\$ 621,577</u>	<u>\$ 1,484,242</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	GENERAL OBLIGATION WARRANTS	GENERAL OBLIGATION REFUNDING SCHOOL WARRANTS	GENERAL OBLIGATION SCHOOL WARRANTS	COMBINED TOTALS
Revenues:				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous:				
Investment income	25,957	210	10,510	36,677
Total revenues	<u>25,957</u>	<u>210</u>	<u>10,510</u>	<u>36,677</u>
Expenditures:				
Debt service:				
Principal retirement	2,065,000	-	1,470,000	3,535,000
Interest and fiscal charges	1,000,760	1,523	990,835	1,993,118
Bond issue costs	-	-	-	-
Total expenditures	<u>3,065,760</u>	<u>1,523</u>	<u>2,460,835</u>	<u>5,528,118</u>
Excess of revenues over (under) expenditures	<u>(3,039,803)</u>	<u>(1,313)</u>	<u>(2,450,325)</u>	<u>(5,491,441)</u>
Other financing sources (uses):				
Proceeds of general long term debt	-	-	-	-
Proceeds of refunding bonds	-	-	-	-
Transfers from governmental funds	3,058,318	1,523	2,464,056	5,523,897
Transfers from proprietary funds	-	-	-	-
Transfers to governmental funds	(20,517)	-	-	(20,517)
Transfers to proprietary funds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>3,037,801</u>	<u>1,523</u>	<u>2,464,056</u>	<u>5,503,380</u>
Excess of revenue and other sources over (under) expenditures and other uses	(2,002)	210	13,731	11,939
Fund balances, beginning of year	378,667	5,068	118,051	501,786
Fund balances, end of year	<u>\$ 376,665</u>	<u>\$ 5,278</u>	<u>\$ 131,782</u>	<u>\$ 513,725</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

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

Recreation Center Fund – This fund is used to account for the construction of the new recreation facility funded by sales taxes.

Tiger Town Project Fund – This fund is used to account for the construction for the Tiger Town development. Proceeds of the 2003 GO Warrants are being used to finance this 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.

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

CITY OF OPELIKA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2006

<i>ASSETS</i>	<i>RECREATION CENTER</i>	<i>TIGER TOWN PROJECT</i>	<i>ROAD CONSTRUCTION</i>	<i>INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS</i>	<i>TOTALS</i>
Cash	\$ -	\$ -	\$ 522,603	\$ 389,420	\$ 912,023
Cash with fiscal agent	-	46,627	-	-	46,627
Receivables	-	-	-	-	-
Due from other governments	-	-	-	176,244	176,244
Due from other funds	-	-	-	-	-
 Total assets	 <u>\$ -</u>	 <u>\$ 46,627</u>	 <u>\$ 522,603</u>	 <u>\$ 565,664</u>	 <u>\$ 1,134,894</u>
 <i>LIABILITIES AND FUND BALANCES</i>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 168,747	\$ 168,747
Retainage payable	-	-	-	-	-
Accrued payroll and benefits	-	-	-	-	-
Due to other funds	-	-	-	103,431	103,431
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	176,244	176,244
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>448,422</u>	<u>448,422</u>
Fund balances:					
Reserved for encumbrances	-	-	-	28,868	28,868
Unreserved, undesignated	-	46,627	522,603	88,374	657,604
Total fund balance	<u>-</u>	<u>46,627</u>	<u>522,603</u>	<u>117,242</u>	<u>686,472</u>
 Total liabilities and fund balances	 <u>\$ -</u>	 <u>\$ 46,627</u>	 <u>\$ 522,603</u>	 <u>\$ 565,664</u>	 <u>\$ 1,134,894</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	<u>RECREATION CENTER</u>	<u>TIGER TOWN PROJECT</u>	<u>ROAD CONSTRUCTION</u>	<u>INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS</u>	<u>TOTALS</u>
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 2,131,231	\$ 2,131,231
Interest	-	339	24,479	20,185	45,003
Other	-	-	-	54,863	54,863
Total revenues	<u>-</u>	<u>339</u>	<u>24,479</u>	<u>2,206,279</u>	<u>2,231,097</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>	<u>-</u>
Capital outlay	292,813	-	-	1,768,455	2,061,268
Total expenditures	<u>292,813</u>	<u>-</u>	<u>-</u>	<u>1,768,455</u>	<u>2,061,268</u>
Excess of revenue over (under) expenditures	<u>(292,813)</u>	<u>339</u>	<u>24,479</u>	<u>437,824</u>	<u>169,829</u>
Other financing sources (uses):					
Transfers from governmental funds	292,813	-	-	413,193	706,006
Transfers from proprietary funds	-	-	-	-	-
Transfers to governmental funds	-	-	-	(196,865)	(196,865)
Total other financing sources (uses)	<u>292,813</u>	<u>-</u>	<u>-</u>	<u>216,328</u>	<u>509,141</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>339</u>	<u>24,479</u>	<u>654,152</u>	<u>678,970</u>
Fund balances, beginning of year	<u>-</u>	<u>46,288</u>	<u>498,124</u>	<u>(536,910)</u>	<u>7,502</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 46,627</u>	<u>\$ 522,603</u>	<u>\$ 117,242</u>	<u>\$ 686,472</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 for costs associated with employee health insurance.

CITY OF OPELIKA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2006

	WORKMEN'S COMPENSATION INSURANCE FUND	WORKER'S HEALTH INSURANCE FUND	COMBINED TOTALS
ASSETS			
Current assets:			
Cash	\$ 1,961,670	\$ -	\$ 1,961,670
Due from other funds	3,249	-	3,249
Total current assets	<u>1,964,919</u>	<u>-</u>	<u>1,964,919</u>
Other assets:			
Deposits	<u>19,229</u>	<u>96,929</u>	<u>116,158</u>
Total assets	<u>\$ 1,984,148</u>	<u>\$ 96,929</u>	<u>\$ 2,081,077</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 11,547	\$ 18,852	\$ 30,399
Due to other funds	144,326	481,327	625,653
Liability for unpaid claims	92,960	98,000	190,960
Deferred revenues	<u>-</u>	<u>132,163</u>	<u>132,163</u>
Total current liabilities	<u>248,833</u>	<u>730,342</u>	<u>979,175</u>
Long-term liabilities:			
Liability for unpaid claims	<u>259,346</u>	<u>-</u>	<u>259,346</u>
Total liabilities	<u>508,179</u>	<u>730,342</u>	<u>1,238,521</u>
NET ASSETS			
Unrestricted net assets	<u>1,475,969</u>	<u>(633,413)</u>	<u>842,556</u>
Total net assets	<u>\$ 1,475,969</u>	<u>\$ (633,413)</u>	<u>\$ 842,556</u>

CITY OF OPELIKA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	WORKMEN'S COMPENSATION INSURANCE FUND	WORKER'S HEALTH INSURANCE FUND	COMBINED TOTALS
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Charges for insurance	\$ 437,172	\$ 1,610,148	\$ 2,047,320
Operating expenses:			
Insurance claims and expenses	<u> 172,054</u>	<u> 1,793,876</u>	<u> 1,965,930</u>
Operating income (loss)	<u> 265,118</u>	<u> (183,728)</u>	<u> 81,390</u>
Nonoperating revenues and (expenses):			
Interest revenue	<u> 95,074</u>	<u> -</u>	<u> 95,074</u>
Change in net assets	360,192	(183,728)	176,464
Net assets, beginning of year	<u> 1,115,777</u>	<u> (449,685)</u>	<u> 666,092</u>
Net assets, end of year	<u><u> \$ 1,475,969</u></u>	<u><u> \$ (633,413)</u></u>	<u><u> \$ 842,556</u></u>

CITY OF OPELIKA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	WORKMEN'S COMPENSATION INSURANCE FUND	WORKER'S HEALTH INSURANCE FUND	COMBINED TOTALS
Cash flows from operating activities:			
Receipts from other funds for premiums	\$ 437,172	\$ 1,606,795	\$ 2,043,967
Payments to suppliers and others	(45,660)	(104,693)	(150,353)
Claims paid	(227,896)	(1,787,876)	(2,015,772)
Net cash provided by (used in) operating activities	<u>163,616</u>	<u>(285,774)</u>	<u>(122,158)</u>
Cash flows from noncapital financing activities:			
Receipt (payment) on interfund balance	(176,146)	285,774	109,628
Net cash provided by (used in) noncapital investing activities	<u>(176,146)</u>	<u>285,774</u>	<u>109,628</u>
Cash flows from investing activities:			
Interest on investments	95,074	-	95,074
Net cash provided by investing activities	<u>95,074</u>	<u>-</u>	<u>95,074</u>
Net increase in cash and cash equivalents	82,544	-	82,544
Cash and cash equivalents - beginning of year	1,879,126	-	1,879,126
Cash and cash equivalents - end of year	<u>\$ 1,961,670</u>	<u>\$ -</u>	<u>\$ 1,961,670</u>
Reconciliation of operating income (loss) to net cash provided			
by (used in) operating activities:			
Operating income (loss)	\$ 265,118	\$ (183,728)	\$ 81,390
Change in assets and liabilities:			
Deposits	-	(96,929)	(96,929)
Accounts payable	(45,660)	(7,764)	(53,424)
Liability for unpaid claims	(55,842)	6,000	(49,842)
Deferred revenue	-	(3,353)	(3,353)
Net cash provided by (used in) operating activities	<u>\$ 163,616</u>	<u>\$ (285,774)</u>	<u>\$ (122,158)</u>

SUPPLEMENTAL SCHEDULES

CITY OF OPELIKA
SCHEDULE OF DEBT
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

Amount available and to be provided for the payment of long-term debt:

General obligation debt:

Amount available in debt service funds	\$ 369,598
Amount to be provided (for principal)	44,178,246

Other long-term debt:

Amount available in debt service funds	-
Amount to be provided (for principal)	7,329,828
Total available and to be provided	<u>\$ 51,877,672</u>

Long-term debt outstanding:

General obligation debt:

Serial bonds and warrants:

Warrants issued 1996, due serially to February 15, 2016	\$ 2,240,000
Warrants issued 1998, due in installments to July 1, 2014	8,165,000
Warrants issued 2000, due in installments to October 1, 2025	6,325,000
Warrants issued 2002, due in installments to February 1, 2032	4,265,000
Warrants issued 2003, due in installments to April 1, 2023	12,800,000
Warrants issued 2004, due in installments to March 1, 2029	6,780,000
Total general obligation serial bonds and warrants	<u>40,575,000</u>

Other:

Vacation, sick leave, workmen's compensation claims and other	2,192,844
Contract issued 2004, due in installments to October 1, 2008	80,000
Reserve Agreement dated as of June 1, 1998 with the Opelika Industrial Development Authority	1,700,000
Total general obligation other	<u>3,972,844</u>
Total general obligation debt	44,547,844

Other long-term debt

Capital lease - public works equipment	162,828
RSA Inducement Agreement	975,000
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	6,192,000
Total other long-term debt	<u>7,329,828</u>
Total long-term debt	<u>\$ 51,877,672</u>

CITY OF OPELIKA
SCHEDULE OF DEBT SERVICE
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	<i>General Obligation Bonds and Warrants</i>		<i>Other Long-term Debt</i>		<i>Total General Long-term Debt</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 3,435,000	\$ 1,810,835	\$ 976,854	\$ 460,492	\$ 4,411,854	\$ 2,271,327	\$ 6,683,181
2008	3,595,000	1,647,470	709,239	446,420	4,304,239	2,093,890	6,398,129
2009	3,750,000	1,477,652	411,735	425,435	4,161,735	1,903,087	6,064,822
2010	3,940,000	1,299,558	335,000	402,847	4,275,000	1,702,405	5,977,405
2011	3,550,000	1,138,417	360,000	383,725	3,910,000	1,522,142	5,432,142
2012	2,975,000	1,001,100	385,000	363,190	3,360,000	1,364,290	4,724,290
2013	3,260,000	865,164	415,000	341,242	3,675,000	1,206,406	4,881,406
2014	2,085,000	750,262	445,000	317,540	2,530,000	1,067,802	3,597,802
2015	960,000	654,636	480,000	292,082	1,440,000	946,718	2,386,718
2016	1,015,000	609,331	515,000	264,602	1,530,000	873,933	2,403,933
2017	765,000	568,604	550,000	235,100	1,315,000	803,704	2,118,704
2018	800,000	533,219	590,000	203,575	1,390,000	736,794	2,126,794
2019	835,000	495,456	635,000	169,760	1,470,000	665,216	2,135,216
2020	875,000	455,687	680,000	133,312	1,555,000	588,999	2,143,999
2021	920,000	413,596	730,000	94,307	1,650,000	507,903	2,157,903
2022	965,000	368,515	785,000	52,402	1,750,000	420,917	2,170,917
2023	1,015,000	320,214	107,000	7,188	1,122,000	327,402	1,449,402
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
2030	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, other:	-	-	2,192,844	-	2,192,844	-	2,192,844
	<u>\$ 40,575,000</u>	<u>\$ 15,418,250</u>	<u>\$ 11,302,672</u>	<u>\$ 4,593,219</u>	<u>\$ 51,877,672</u>	<u>\$ 20,011,469</u>	<u>\$ 71,889,141</u>

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2006

GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 1996

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 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
			\$ 2,240,000	\$ 621,298	\$ 2,861,298

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

CITY OF OPELIKA
SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2006

**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
\$ 5,840,000	2007	5.35%	\$ 210,000	\$ 312,440	\$ 522,440
5,630,000	2008	5.35%	225,000	301,205	526,205
5,405,000	2009	5.35%	240,000	289,168	529,168
5,165,000	2010	5.35%	255,000	276,328	531,328
4,910,000	2011	5.35%	275,000	262,685	537,685
4,635,000	2012	5.35%	295,000	247,973	542,973
4,340,000	2013	5.35%	315,000	232,190	547,190
4,025,000	2014	5.35%	335,000	215,338	550,338
3,690,000	2015	5.35%	360,000	197,415	557,415
3,330,000	2016	5.35%	385,000	178,155	563,155
2,945,000	2017	5.35%	410,000	157,558	567,558
2,535,000	2018	5.35%	440,000	135,623	575,623
2,095,000	2019	5.35%	470,000	112,083	582,083
1,625,000	2020	5.35%	505,000	86,938	591,938
1,120,000	2021	5.35%	540,000	59,920	599,920
580,000	2022	5.35%	575,000	31,030	606,030
5,000	2023	5.35%	5,000	201	5,201
			<u>\$ 5,840,000</u>	<u>\$ 3,096,250</u>	<u>\$ 8,936,250</u>

* A constant rate of 5.35% is assumed for disclosure purposes which is the variable rate in effect at 9-30-06.

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, each 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, 2006

**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
\$ 2,052,000	2007	6.85%	\$ 65,000	\$ 140,562	\$ 205,562
1,987,000	2008	6.85%	65,000	136,110	201,110
1,922,000	2009	6.85%	75,000	131,657	206,657
1,847,000	2010	6.85%	80,000	126,520	206,520
1,767,000	2011	6.85%	85,000	121,040	206,040
1,682,000	2012	6.85%	90,000	115,217	205,217
1,592,000	2013	6.85%	100,000	109,052	209,052
1,492,000	2014	6.85%	110,000	102,202	212,202
1,382,000	2015	6.85%	120,000	94,667	214,667
1,262,000	2016	6.85%	130,000	86,447	216,447
1,132,000	2017	6.85%	140,000	77,542	217,542
992,000	2018	6.85%	150,000	67,952	217,952
842,000	2019	6.85%	165,000	57,677	222,677
677,000	2020	6.85%	175,000	46,375	221,375
502,000	2021	6.85%	190,000	34,387	224,387
312,000	2022	6.85%	210,000	21,372	231,372
102,000	2023	6.85%	102,000	6,987	108,987
			\$ 2,052,000	\$ 1,475,766	\$ 3,527,766

* Rate will be determined annually, June 1 at the Treasury Rate plus one eighth-tenths percent annum. At June 30, 2006, the rate was 6.85%

** 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, 2006

GENERAL OBLIGATION WARRANTS, SERIES 1998

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 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
			\$ 8,165,000	\$ 1,638,108	\$ 9,803,108

Note: Warrants mature on July 1, each 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, 2006

GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 2000

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 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
			\$ 6,325,000	\$ 3,973,741	\$ 10,298,741

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

CITY OF OPELIKA
SCHEDULE OF GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2006

GENERAL OBLIGATION WARRANTS, SERIES 2002

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 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
			\$ 4,265,000	\$ 3,794,187	\$ 8,059,187

Note: Warrants mature on February 1, each year as indicated. Interest 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, 2006

GENERAL OBLIGATION WARRANTS, SERIES 2003A

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 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
			\$ 12,800,000	\$ 1,799,318	\$ 14,599,318

Note: Warrants mature on April 1, each 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, 2006

GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 2004

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 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>\$ 6,780,000</u>	<u>\$ 3,591,598</u>	<u>\$ 10,371,598</u>

Note: Warrants mature on March 1, each 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, 2006

MUNICIPAL LEASE WALKING EXCAVATOR - 2005

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 162,828	2007	4.60%	\$ 51,854	\$ 7,490	\$ 59,344
110,974	2008	4.60%	54,239	5,105	59,344
56,735	2009	4.60%	56,735	2,610	59,345
			<u>\$ 162,828</u>	<u>\$ 15,205</u>	<u>\$ 178,033</u>

Note: Payment due annually on August 15

CITY OF OPELIKA
SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2006

LAND

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS	ANNUAL INTEREST PAYMENTS	TOTAL PRINCIPAL & INTEREST
\$ 80,000	2007	5.00%	\$ -	\$ -	\$ -
80,000	2008	5.00%	40,000	4,000	44,000
40,000	2009	5.00%	40,000	2,000	42,000
			<u>\$ 80,000</u>	<u>\$ 6,000</u>	<u>\$ 86,000</u>

Note: Payment due annually on October 1

CITY OF OPELIKA
SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2006

RSA INDUCEMENT AGREEMENT

TOTAL PRINCIPAL OUTSTANDING	YEAR	INTEREST RATE	ANNUAL PRINCIPAL PAYMENTS
\$ 975,000	2007	0.00%	\$ 650,000
325,000	2008	0.00%	325,000
			<u>\$ 975,000</u>

Note: Payment due monthly

STATISTICAL TABLES

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

<u>FISCAL YEAR</u>	<u>GENERAL GOVERNMENT</u>	<u>PUBLIC SAFETY</u>	<u>PUBLIC WORKS</u>	<u>HEALTH</u>	<u>WELFARE</u>	<u>CULTURE AND RECREATION</u>	<u>EDUCATION</u>	<u>ECONOMIC DEVELOPMENT AND URBAN REHABILITATION</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
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
2006	3,962,046	10,279,790	3,223,622	256,582	131,925	3,222,800	4,403,109	755,764	6,716,348	32,951,986

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 GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<i>FISCAL YEAR</i>	<i>TAXES</i>	<i>LICENSES AND PERMITS</i>	<i>INTERGOVERN- MENTAL</i>	<i>CHARGES FOR SERVICES</i>	<i>FINES AND FORFEITS</i>	<i>MISCELLANEOUS</i>	<i>TOTAL</i>
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
2006	23,440,238	11,544,219	3,873,864	578,195	470,775	1,079,856	40,987,147

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>
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	2,693,121	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
2006	4,285,705	2,430,643	6,716,348	32,951,986	20.0

Note:

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

Unaudited

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

<u>FISCAL YEAR</u>	<u>TOTAL TAX LEVY</u>
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)
2006	51,107,068 (1)

(1) Source: Lee County Revenue Commissioner

Unaudited

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	
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	184,368,960	1,210,213,500	59,132,740	283,768,967	243,501,700	1,493,982,467	16.3
2006	201,967,180	1,317,886,300	59,886,928	287,420,507	261,854,108	1,605,306,807	16.3

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 Revenue Commissioner

(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.)

<u>State of Alabama</u>			
General Fund (no limit as to time)	\$	0.25	
Solider Fund (no limit as to time)		0.10	
School Fund (no limit as to time)		0.30	
Total State of Alabama		0.65	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
<u>City of Opelika</u>			
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 Revenue Commissioner

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

FISCAL YEAR ENDED	POPULATION		ASSESSED VALUE	GROSS BONDED DEBT	GENERAL DEBT SERVICE FUNDS	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
	CENSUS	NUMBER						
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	243,501,700	48,586,499	337,819	48,248,680	19.81	2,053
2006	2000	23,498	261,854,108	44,547,844	369,598	44,178,246	16.87	1,880

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, 2006

Assessed value of real and personal taxable property as of 9-30-05 (including motor vehicles and excluding exempt property) (2)		\$ 251,763,088
Debt limit, twenty percent of assessed value (constitutional limitation) (1)		\$ 50,352,618
Outstanding General Obligation Debt:		
Debt in governmental activities	\$ 40,575,000	
Debt in business-type activities	10,610,000	
Obligation per Reserve Agreement with Industrial Development Authority	1,700,000	
Other long-term liabilities	<u>3,345,538</u>	
Total general obligation debt for computation		\$ 56,230,538
Less: Bonds exempted from legal debt limit (1):		
Bonds issued for schools:		
1996 General Obligation School Warrants	2,240,000	
2000 General Obligation School Warrants	6,325,000	
2003 General Obligation Warrants, Series 2003A (portion refunding 1993A School Warrants)	4,795,000	
2004 General Obligation School Warrants	<u>6,780,000</u>	
Total	20,140,000	
Bonds issued for sewers:		
RSA Inducement Agreement	450,000	
1989 General Obligation Sewer Warrants, SRF-1,2 and 3	2,105,000	
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>1,980,000</u>	
Total	13,187,934	
Bonds issued for storm sewers:		
2003 General Obligation Warrants, Series 2003A (portion refunding 1993B warrants)	<u>330,000</u>	
Total exempt bonds		<u>33,657,934</u>
 NET BONDED INDEBTEDNESS		 <u>22,572,604</u>
 LEGAL DEBT MARGIN		 <u>\$ 27,780,014</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, 2006

	<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)	\$ 44,651,572		
Other long-term debt	<u>7,226,100</u>		
Total long-term debt	51,877,672		
Less: amounts available for debt service	<u>369,598</u>		
Direct net debt	<u><u>\$ 51,508,074</u></u>	100%	\$ 51,508,074
Overlapping Debt			
Lee County, Alabama (fiscal year ending September 30, 2006)			
Net overlapping debt	<u><u>\$ 21,169,251</u></u>	22.2%	<u>4,699,574</u>
Total direct and overlapping debt			<u><u>\$ 56,207,648</u></u>

Notes:

Unaudited

(1) Does not include general obligation debt reported by the enterprise funds

CITY OF OPELIKA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

FISCAL YEAR		POPULATION	PER CAPITA INCOME		MEDIAN AGE	PERCENT OF HIGH SCHOOL GRADUATES AMONG PERSONS OVER 25	SCHOOL ENROLLMENT	UNEMPLOYMENT RATE
1997	(2)	22,122	\$6,145	(1)	28.3	58.0	7,281	3.8%
1998	(2)	22,122	6,145	(1)	28.3	58.0	7,237	3.4%
1999	(2)	22,122	16,887		34.1	73.2	7,764	3.5%
2000	(3)	23,498	17,571		34.1	73.2	7,770	3.4%
2001	(3)	23,498	17,848		34.1	69.9	8,009	3.5%
2002	(4)	23,774	18,639		34.4	72.5	8,070	3.7%
2003	(4)	24,232	19,091		34.0	76.2	8,226	3.9%
2004	(4)	23,269	18,023		35.2	76.4	8,495	3.8%
2005	(4)	23,804	20,254		35.2	78.2	7,800	3.6%
2006	(4)	24,621	22,615		36.2	78.2	8,050	2.6%

Unaudited

(1) In 1979 dollars

(2) Source: 1990 Federal Census

(3) Source: 2000 Federal Census

(4) Source: U.S. Census Bureau Population Estimate

CITY OF OPELIKA
CONSTRUCTION
LAST TEN FISCAL YEARS

FISCAL YEAR	COMMERCIAL CONSTRUCTION (1)		RESIDENTIAL CONSTRUCTION (1)	
	NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE
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
2006	53	76,002,929	245	39,559,464

Notes:

Unaudited

(1) Amounts shown are new construction only.

CITY OF OPELIKA
PRINCIPAL TAXPAYERS
 SEPTEMBER 30, 2006

TAXPAYER	TYPE OF BUSINESS	ASSESSED VALUATION	TAX COLLECTED	PERCENT OF TOTAL ASSESSED VALUATION
Uniroyal/Michelin Tire	Tire manufacturer	\$ 31,729,160	\$ 1,591,255	12.1%
Wal-Mart	Wholesale product distributor	11,197,000	360,532	4.3%
Quantegy, Inc.	Magnetic tape manufacturer	4,886,480	277,008	1.9%
Tiger Town, LTD	Commercial real estate	5,072,620	273,921	1.9%
Bell South Telecommunications, Inc.	Communication services	3,884,720	209,775	1.5%
Bentler	Manufacturer	3,849,760	185,538	1.5%
JDN Realty	Real estate	3,298,700	178,129	1.3%
Grand National Lodge Corp.	Hotel/Conference center	3,039,740	164,146	1.2%
WCB Alabama Inc.	Grill manufacturer	3,297,240	102,214	1.3%
Opelika Portfolio L.P. (Lowe's)	Retail	<u>1,867,660</u>	<u>100,854</u>	<u>0.7%</u>
Total assessed value and tax collected for ten largest taxpayers		72,123,080	3,443,372	27.5%
Total assessed value of other taxpayers		<u>189,731,028</u>		<u>72.5%</u>
Total assessed value of all taxpayers		<u><u>\$ 261,854,108</u></u>		<u><u>100.0%</u></u>

Notes:

Unaudited

Source: Lee County Revenue Commissioner

Amounts shown are assessed at 10-1-05 and collected during fiscal year ended 9-30-06

CITY OF OPELIKA
MISCELLANEOUS STATISTICS (1)
SEPTEMBER 30, 2006

Date of Incorporation	1854
Form of Government	Mayor-Council
Area	57 square miles
Miles of Streets:	
Paved	214
Unpaved	4
Fire Protection:	
Number of stations	4
Number of firefighters, paramedics and other personnel	68
Police Protection:	
Number of stations	1
Number of police officers and other personnel	103
Education:	
Attendance centers:	
Primary, intermediate and middle schools	7
Secondary schools	1
State colleges	1
Number of students	8,050
Auburn University, in adjoining Auburn, Alabama	23,547 enrollment
Sewers:	
Sanitary sewers	247 miles
Building permits:	
Number of permits	2,130
Estimated value of new construction and improvements	\$156,630,888
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	65,000 (approximate)
City employees	367

(1) Unaudited