

*CITY OF OPELIKA, ALABAMA*

*FINANCIAL STATEMENTS*

*FOR THE FISCAL YEAR ENDED*

*SEPTEMBER 30, 2004*

***LIST OF PRINCIPAL OFFICIALS OF THE CITY OF OPELIKA***

***ELECTED AND APPOINTED OFFICIALS 2000-2004***

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

***ELECTED AND APPOINTED OFFICIALS 2004-2008***

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

***DEPARTMENT HEADS***

R. Mitchell Price, Controller  
John W. Findley, Jr., Information Technology Director  
Alfred F. Cook, Economic Development Director  
Lisa G. McLeod, Human Resources Director  
Martin D. Ogren, Planning Director  
T. Michael Moore, Revenue Officer  
Thomas R. Mangham, Police Chief

Charles R. Thomas, Engineering Director  
Bart S. Van Nieuwenhuise, Public Works Director  
L.W. Harrelson, Jr., Parks and Recreation Director  
Shirley C. Washington, Purchasing Agent  
Jerry B. Posey, Light and Power Director  
Michelle W. Jones, Library Director  
Gene T. Adkins, Fire Chief

**CITY OF OPELIKA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

	<i><b>Page</b></i>
<i>Title Page</i>	I
<i>Officials of City of Opelika</i>	II
<i>Table of Contents</i>	III-IV

**FINANCIAL SECTION**

<i>Independent Auditor's Report</i>	V-VI
<i>Required Supplementary Information (unaudited):</i>	
<i>    Management's Discussion and Analysis</i>	VII-XVIII

**Basic Financial Statements:**

*Government-wide Financial Statements:*

<i>    Statement of Net Assets</i>	1-2
<i>    Statement of Activities</i>	3

*Fund Financial Statements:*

<i>    Balance Sheet - Governmental Funds</i>	4-5
<i>    Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets</i>	6
<i>    Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</i>	7-8
<i>    Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities</i>	9
<i>    Statement of Net Assets - Proprietary Funds</i>	10-11
<i>    Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds</i>	12
<i>    Statement of Cash Flows - Proprietary Funds</i>	13-14
<i>    Notes to the Financial Statements</i>	15-41

**Required Supplementary Information (unaudited):**

<i>    Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget to Actual - General Fund</i>	42-51
<i>    Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget to Actual - School Tax Special Revenue Fund</i>	52

**CITY OF OPELIKA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**TABLE OF CONTENTS**

**Supplementary Information:**

**Combining and Individual Nonmajor Funds Statements and Supplemental Schedules:**

<i>Combining Balance Sheet - Nonmajor Governmental Funds</i>	53
<i>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds</i>	54
<i>Combining Balance Sheet - Nonmajor Special Revenue Funds</i>	55
<i>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds</i>	56
<i>Combining Balance Sheet - Nonmajor Debt Service Funds</i>	57
<i>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds</i>	58
<i>Combining Balance Sheet - Nonmajor Capital Projects Funds</i>	59
<i>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds</i>	60
<i>Combining Statement of Net Assets - Internal Service Funds</i>	61
<i>Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds</i>	62
<i>Combining Statement of Cash Flows - Internal Service Funds</i>	63
<i>Schedule of Debt - Governmental Funds</i>	64
<i>Schedule of Debt Service - Governmental Funds</i>	65
<i>Schedules of General Obligation and Other Long-Term Debt</i>	66-76

**Statistical Tables (unaudited):**

<i>General Governmental Expenditures by Function - Last Ten Fiscal Years</i>	77
<i>General Governmental Revenues by Source - Last Ten Fiscal Years</i>	78
<i>Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures - Last Ten Years</i>	79
<i>Property Taxes Levied in Lee County, Alabama - Last Ten Fiscal Years</i>	80
<i>Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years</i>	81
<i>Property Tax Rates - All Overlapping Governments</i>	82
<i>Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita - Last Ten Fiscal Years</i>	83
<i>Computation of Legal Debt Margin</i>	84
<i>Computation of Overlapping Debt</i>	85
<i>Demographic Statistics - Last Ten Fiscal Years</i>	86
<i>Construction - Last Ten Fiscal Years</i>	87
<i>Principal Taxpayers</i>	88
<i>Miscellaneous Statistics</i>	89

***FINANCIAL SECTION***

**BRANTLEY, BOUCHER & FARR LLP**  
Certified Public Accountants

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

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Opelika, Alabama, as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Opelika, Alabama, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The financial statements referred to above include only the primary government of the City of Opelika, Alabama, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, and for the reasons described in the third paragraph, 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, 2004, 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 matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Opelika, Alabama, as of September 30, 2004, 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 January 14, 2005 on our consideration of the City of Opelika, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages VII through XVIII and 42 through 52, are not a required part of the basic financial statements of the City's primary government but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Opelika, Alabama's primary government. The 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 statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Opelika, Alabama  
January 14, 2005

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004  
(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, 2004. The City implemented Governmental Accounting Standards Board Statement 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments for the first time last year. As discussed in footnote 1, Statement 34 allows for certain transition treatments in regards to infrastructure.

**FINANCIAL HIGHLIGHTS**

- The City's capital assets increased primarily due to expenditure of bond proceeds for construction of the infrastructure for a retail-shopping complex (Tiger Town Project) and construction of additional wastewater treatment plant capacity for industrial expansion.
- The City's long-term liabilities increased because of the issuance of the 2004 General Obligation School Warrants. The City's education expenditures increased due to the appropriation of these bond proceeds to the Opelika City Board of Education for funding the renovation of Opelika Middle School.
- The City's net assets were essentially unchanged from the prior year because the \$2 million increase in business-type activities was offset by a \$2 million decrease in governmental activities. The governmental activities decrease can be attributed to the increase in long-term liabilities for the new school debt that was not offset by acquisition of an asset because the proceeds were appropriated to the Opelika City Board of Education. The increase in business-type activities was due to a full year of revenues at the new sewer rates approved in the prior year.

- The City had a \$2.5 million increase in sales and use tax revenue for the fiscal year ended September 30, 2004. Sales tax rates were increased from two and one half percent to three percent in July of 2003. Fiscal year 2004 included twelve months at the increased rate. The additional revenues from this increase were used by the Mayor and Council to:
  - 1) fund an addition to the education appropriation and,
  - 2) provide funding for debt service payments on two future projects. The first project is the City's participation in expanding the Jail facilities of the Lee County Justice Center for the purpose of providing one countywide jail facility. The second capital project is for a new Parks and Recreation Center and recreation complex.

## **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. For governmental activities, the statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements start on page 4. Fund financial statements 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. Contact information for the component units is included in the footnotes to the financial statements. The reporting for the primary government of the City as a whole is provided by the government-wide financial statements. The reporting for the individual major funds is provided by the fund financial statements. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. The following graphic may help you understand the primary government financial statements.

## Basic Annual Financial Report

*Management's  
Discussion and  
analysis*

Government-  
wide Financial  
Statements

Basic Financial  
Statements

Fund Financial  
Statements

Required  
Supplementary  
Information

*Notes to the  
Financial  
Statements*

## Reporting the City as a whole

Our analysis of the City as a whole begins on page **XI**. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The 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 police, fire, public works, parks and recreation, and general administration. Property taxes, sales taxes, occupational license taxes, business licenses, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The operations of the City's, electric system, sewer system, and solid waste collection are reported here.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page **XIV**. The fund financial statements begin on page 4 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law or by bond covenants. The City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements 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 following 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 a government's financial position. In the case of the City of Opelika, assets exceeded liabilities by \$21.6 million, as of September 30, 2004.

The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, building, utility systems, equipment, improvements other than buildings, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that 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 Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
	Current and other assets	27,531,628	29,960,828	14,021,530	17,257,144	41,553,158
Capital assets	<u>25,314,492</u>	<u>21,235,160</u>	<u>38,310,237</u>	<u>32,356,163</u>	<u>63,624,729</u>	<u>53,591,323</u>
Total Assets	<u>52,846,120</u>	<u>51,195,988</u>	<u>52,331,767</u>	<u>49,613,307</u>	<u>105,177,887</u>	<u>100,809,295</u>
Long term liabilities	59,220,236	55,470,694	11,627,367	12,188,230	70,847,603	67,658,924
Other liabilities	<u>9,401,217</u>	<u>9,602,442</u>	<u>3,291,442</u>	<u>2,242,160</u>	<u>12,692,659</u>	<u>11,844,602</u>
Total Liabilities	<u>68,621,453</u>	<u>65,073,136</u>	<u>14,918,809</u>	<u>14,430,390</u>	<u>83,540,262</u>	<u>79,503,526</u>
Net Assets:						
Invested in capital assets, net of related debt	8,754,817	3,858,518	27,906,458	26,557,862	36,661,275	30,416,380
Restricted	4,172,964	3,539,355	314,656	41,523	4,487,620	3,580,878
Unrestricted	<u>(28,703,114)</u>	<u>(21,275,021)</u>	<u>9,191,844</u>	<u>8,583,532</u>	<u>(19,511,270)</u>	<u>(12,691,489)</u>
Total Net Assets	<u>(15,775,333)</u>	<u>(13,877,148)</u>	<u>37,412,958</u>	<u>35,182,917</u>	<u>21,637,625</u>	<u>21,305,769</u>

## CITY OF OPELIKA CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Primary Government	
	2004	2003	2004	2003	2004	2003
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	1,093,098	985,992	24,131,191	23,757,609	25,224,259	24,743,601
Operating grants and contributions	693,228	182,975	116,500	-	799,728	182,975
Capital grants and contributions	2,432,240	1,522,772	1,212,914	355,695	3,645,154	1,879,457
<b>General revenues:</b>						
<b>Taxes:</b>						
Property	5,731,257	4,768,820			5,731,257	4,768,820
Sales	11,777,250	9,207,021			11,777,250	9,207,021
Other	1,076,619	995,560			1,076,619	995,560
Special Assessments	-	27,106			-	27,106
Licenses and permits	8,969,433	8,624,994			8,969,433	8,624,994
<b>Grants and contributions not</b>						
restricted to specific programs	833,143	307,352			833,143	307,352
Unrestricted investment earnings	248,776	295,657	193,180	177,180	441,956	463,847
Miscellaneous	165,028	155,509	-	-	165,028	155,509
<b>Total revenues</b>	<b>33,011,052</b>	<b>27,095,768</b>	<b>25,653,785</b>	<b>24,291,474</b>	<b>58,664,837</b>	<b>51,357,242</b>
<b>Expenses:</b>						
General government	4,041,469	3,844,898			4,041,469	3,844,898
Public safety	10,387,805	9,937,213			10,387,805	9,937,213
Public works	3,547,005	3,465,854			3,547,005	3,465,854
Health	268,506	249,682			268,506	249,682
Welfare	146,004	277,799			146,004	277,799
Culture and recreation	2,826,195	2,734,715			2,826,195	2,734,715
Education	11,042,776	2,825,794			11,042,776	2,825,794
Economic development and urban rehabilitation	2,788,924	405,908			2,788,924	405,908
Interest on long-term debt	2,243,565	2,357,391			2,243,565	2,357,391
Electric			17,598,674	17,492,049	17,598,674	17,492,049
Sewer			2,099,696	2,054,164	2,099,696	2,054,164
Solid Waste			1,611,873	1,757,163	1,611,873	1,757,163
<b>Total Expenses</b>	<b>37,292,280</b>	<b>26,099,244</b>	<b>21,290,233</b>	<b>21,313,376</b>	<b>58,592,513</b>	<b>47,412,620</b>
Increase in net assets before transfers	(4,281,228)	965,524	4,363,552	2,978,098	82,324	3,944,622
Payment on behalf of City of Opelika	-	395,000			-	395,000
Transfers	2,363,043	3,197,353	(2,363,043)	(3,197,353)	-	-
<b>Increase in net assets</b>	<b>(1,898,185)</b>	<b>4,698,877</b>	<b>1,990,509</b>	<b>(219,265)</b>	<b>82,324</b>	<b>4,339,622</b>

The City's long-term liabilities include general obligation bonds and warrants, capital leases and compensated absences. Additional information can be found at Footnote 8.

The amount of Net Assets shown as Invested in Capital Assets, Net of Related Debt, includes \$10,676,344 of debt issued to finance acquisition of infrastructure assets that 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 \$(28,703,114) includes \$35,696,643 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 \$22,938,405, 2) constructing a portion of the Conference Center at Grand National Golf Course of \$4,156,238, and 3) developing the industrial park by the Opelika Industrial Development Authority of \$8,602,000.

*Governmental Activities* - Sales and use taxes increased \$2.5 million or 28% due to a 1/2% increase in the tax rate and the opening of some of the stores in a new retail-shopping complex. Property Taxes increased \$1 million or 20% due to reappraisal by the Lee County Revenue Commissioner. Revenue from operating grants and contributions increased due to an increase in grant revenues for non-capital expenditures. Revenue from operating and capital grants and contributions increased \$1.5 due to various contributions of land for 1) location of a new recreation center, 2) public roads in industrial and commercial developments, and a building for use in various community activities; as well as grants for construction of infrastructure, public safety equipment, and health, welfare and urban rehabilitation.

Public safety expenditures are the largest single expense category. Both police and fire services are included in the total of \$10.3 million. The increase of \$.4 million represents a 4.5% increase. Included in the total expense is \$.6 of depreciation. Economic development and urban rehabilitation expenditures increased \$2.3 million due to non capital expenditures for the Tiger Town retail/commercial development project. The Education expenditures increased because \$7 million of the proceeds from issuance of the 2004 GO School Warrants was appropriated to the Opelika Board of Education for renovation of Opelika Middle School. In addition, \$.8 million of the increase in sales tax revenue was added to the prior year education appropriation of \$1.7 million for a total of regular appropriation of \$2.5 million.

*Business-Type Activities* - Charges for services were essentially unchanged from the prior year. Capital grants and contributions increased \$.8 million due to revenue from a federal grant for construction of improvements to one of the wastewater treatment plants.

## THE CITY FUNDS

### Governmental Funds

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

As the City completed the year, its governmental funds, as presented in the balance sheet on pages 4 to 5, reported a combined fund balance of \$14.9 million. The General Fund's total fund balance is \$9.8 million that is essentially unchanged from the prior year. The Tiger Town Capital Projects Fund fund balance decreased by \$4.7 million due to expenditures of bond proceeds for infrastructure and economic development of the retail-shopping complex as intended. The Industrial Access Road Grant Fund shows an increase in fund balance of \$.6 million primarily due to transfers in from the General Fund to provide matching funds for the state grants received to fund construction of roads for industrial development purposes. Other Governmental Funds increased by \$1.2 million due to the accumulation of funds from transfers from the General Fund for construction of a new recreation center and for payments to the Lee County Commission for a portion of the costs of an addition to the county's detention facility.

### Proprietary Funds

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

The Electric and Solid Waste Collection Fund's net assets were essentially unchanged from fiscal year 2003. Net assets for the Electric Fund increased 2.3% and the net assets for the Solid Waste Collection Fund increased less than 1%. The net assets for the Sewer Fund on the other hand increased by 13.4% to a balance of \$17.4 million.

The Sewer Fund's net assets increased \$2 million. Approximately 74% of this increase in net assets, or \$1.5 million is from capital contributions from developers and capital contributions from grantors for improvements to the wastewater treatment plant. The principal assets contributed were \$.5 million for the sewer lines at Tiger Town from the Tiger Town Capital Projects Fund and \$1 million from a federal grant for the improvements to the wastewater treatment plant. These capital contributions are one-time revenue items and are not a part of the overall revenue and expense structure. The remaining one third is from operating revenue.

### General Fund Budgetary Highlights

Over the course of the year, the City Council authorized several changes to the General Fund budget for fiscal year ending September 30, 2004. These adjustments are itemized below:

- 1) \$1,841,287, appropriated for the Gateway Drive Extension project.
- 2) 947,550, appropriated for the Dunlop Road project.
- 3) 868,700, appropriated for the Frederick Road, Gateway Drive to the Auburn city limits.
- 4) 75,000, appropriated for the purchase of real estate near Floral Park.
- 5) 38,468, appropriated from asset forfeitures to upgrade computers at the Police Department.
- 6) 31,364 appropriated for purchase of vehicles for Mayor and Revenue Department
- 7) 28,710, appropriated for beautification to Keep Opelika Beautiful
- 8) 25,900, appropriated for matching funds for the Springvilla grant.
- 9) 25,000, appropriated for the Emergency Management Agency for five outdoor warning sirens.
- 10) 22,500, appropriated for purchase land in the downtown business district for parking.

The most significant variances in the budget comparison of actual amount to final budget are Education, Capital Outlay and Proceeds from general long-term debt. As stated earlier in the financial highlights, the City Council authorized the issuance of the 2004 School Warrants for approximately \$7 million. These bonds are recorded as proceeds from issuance of debt. On the other side of the transaction, the proceeds from this issue were appropriated to the Opelika City Schools under the Education classification. This resulted in a significant increase in the education appropriation over the budgeted amount.

In addition, the budgeted project cost for 1) Frederick Road from Gateway Drive to the Auburn City limits and 2) Gateway Drive Extension significantly exceeded the amount that was actually spent on these projects in 2004. If we exclude the variances for Education and Capital Outlay, the actual amount of total expenditures would be about 4% under budget.

**CAPITAL ASSETS 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, 2004, amounts to \$63.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, utility 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) Tiger Town Project (Roads, Drainage and Land)	1,439,627
2) Tiger Town Project (Sewer lines)	454,495
3) Dunlop Drive	1,057,753
4) Gateway Drive Extension	154,018
5) Wastewater Treatment Facility additions	5,644,987
6) Light & Power system additions	1,253,006
7) Light and Power Fiber Optic Cable additions	83,295

Above additions do not include transfers from construction in process for completed projects. The most significant of which was infrastructure and land for the Tiger Town project. The total cost of the project was approximately \$8 million which consisted of land \$.4 million, infrastructure \$4.6 million, sewer lines \$.5 million, water lines \$.7 million and \$2 million of other economic development expenditures which were not capitalized.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	4,210,760	2,435,381	418,283	419,282	4,629,043	2,854,663
Buildings and improvements	5,537,868	5,318,186	115,522	128,751	5,653,390	5,446,937
System	-	-	29,664,309	29,127,928	29,664,309	29,127,928
Improvements other than buildings	2,847,471	2,799,578	-	-	2,847,471	2,799,578
Equipment	4,098,668	4,746,796	1,081,055	1,178,971	5,179,723	5,925,767
Infrastructure	6,411,196	1,239,414	-	-	6,411,196	1,239,414
Construction in process	2,208,528	4,695,805	7,031,068	1,501,231	9,239,596	6,197,036
<b>Total</b>	<b>25,314,491</b>	<b>21,235,160</b>	<b>38,310,237</b>	<b>32,356,163</b>	<b>63,624,728</b>	<b>53,591,323</b>

## Debt Administration

At the end of fiscal year September 30, 2004, the City of Opelika had a total bonded debt and notes payable of \$71,164,458. In 2004, the City issued approximately \$7,000,000 of general obligation warrants to fund the renovation of Opelika Middle School to be repaid from property taxes restricted for school purposes.

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, 2004, the City had approximately \$21,000,000 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	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	46,719,039	42,411,750	11,535,000	11,935,000	58,254,039	54,346,750
Other long-term debt	8,602,000	8,827,000	-	-	8,602,000	8,827,000
Capital leases	164,349	366,303	-	-	164,349	366,303
Deferred amounts of refunding	(213,533)	(246,811)	(43,366)	(49,213)	(256,899)	(296,024)
Unamortized premiums	1,208,405	1,341,137	135,733	156,083	1,344,138	1,497,220
Compensated absences	2,382,124	2,297,276	316,855	278,290	2,698,979	2,575,566
Claims and judgements	357,852	474,039	-	-	357,852	474,039
<b>Total</b>	<b>59,220,236</b>	<b>55,470,694</b>	<b>11,944,222</b>	<b>12,320,160</b>	<b>71,164,458</b>	<b>67,790,854</b>

## **ECONOMIC FACTORS**

The City of Opelika's elected and appointed officials considered many factors when setting the fiscal year 2004 budget, tax rates and fees that will be charged for the business-type activities. One of these factors is the economy.

Opelika's economy, which was once a textile manufacturing based economy is expanding into an economy with new commercial, residential and industrial developments. The city has benefited from the growth of the automotive industry in Alabama. Uniroyal/Michelin remains the largest industry in Opelika, with Benteler Automotive, a Hyundai parts supplier and Mando, another automotive supplier building new plants in the city in 2004. Both Benteler and Mando have announced plans for expansion at the Opelika facilities. However, Quantegy, Inc., a magnetic tape manufacturer declared bankruptcy in December, 2004 resulting in the layoff of over 100 workers. Also in December, 2004, Jo-Ann Stores, Inc., an Ohio based fabric retailer, has announced plans to begin construction during 2005 of a 700,000 sq ft distribution center that will eventually employ 425 workers.

Tiger Town, a new commercial development, opened in 2004. Construction of Phase III of this project is underway and new stores will open in the summer and fall of 2005.

The unemployment rate of 3.9% remained well below the state and national averages of 5.7% and 5.5%, respectively. Property tax values have grown approximately 7% a year since fiscal 1994, including reappraisals, although there is notable concentration as the top ten ad valorem taxpayers represent almost 25% of the tax base. However, as Bentler, Mando and Tiger Town enter the tax rolls in fiscal 2005, this concentration should decline.

Opelika's financial position is sound, with healthy reserve levels. 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. For 2005 budgeted revenues are essentially equal to actual revenues in 2004 for both governmental activities and business-type activities. Budgeted expenditures for the general fund exceed revenues by \$.5 million with business type activities budgeted for \$.5 million net income.

## **FINANCIAL CONTACT**

This financial report is designed to provide our citizens, taxpayers, customers, 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, 2004**

<i>ASSETS</i>	<i>GOVERNMENTAL ACTIVITIES</i>	<i>BUSINESS-TYPE ACTIVITIES</i>	<i>TOTAL</i>
Cash	\$ 11,878,967	\$ 4,991,766	\$ 16,870,733
Certificates of deposit	2,000,151	3,116,733	5,116,884
Receivables			
Accounts and unbilled service receivable, net	-	2,534,882	2,534,882
Sales and use tax	1,185,382	-	1,185,382
Occupational license tax	1,697,693	-	1,697,693
Property taxes	2,097,490	-	2,097,490
Fines and forfeitures	236,600	-	236,600
Other	127,321	16,630	143,951
Due from other governments	1,125,564	1,108,848	2,234,412
Inventory of supplies, at cost	82,460	711,934	794,394
Restricted assets:			
Temporarily restricted:			
Cash in bank	-	292,896	292,896
Cash with fiscal agent	250,027	-	250,027
Certificates of deposit with fiscal agent	417,026	1,031,919	1,448,945
Receivable for property taxes, restricted for school purposes	3,531,552	-	3,531,552
Investments	1,364,922	-	1,364,922
Permanently restricted:			
Investments	456,582	-	456,582
Deferred charges and debt issue costs	843,402	213,428	1,056,830
Advances to other governments			
Due within one year	99,080	-	99,080
Due in more than one year	118,180	-	118,180
Other	19,229	2,494	21,723
Capital assets:			
Land	4,210,760	418,283	4,629,043
Building	9,976,846	264,695	10,241,541
Improvements other than buildings and system	3,952,721	55,805,218	59,757,939
Equipment	11,522,798	4,306,765	15,829,563
Infrastructure	6,498,316	-	6,498,316
Construction work in progress	2,208,528	7,031,068	9,239,596
Total original cost	38,369,969	67,826,029	106,195,998
Less: accumulated depreciation	(13,055,477)	(29,515,792)	(42,571,269)
Capital assets, net	25,314,492	38,310,237	63,624,729
Total assets	\$ 52,846,120	\$ 52,331,767	\$ 105,177,887

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

**CITY OF OPELIKA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2004**

<i>LIABILITIES</i>	<i>GOVERNMENTAL ACTIVITIES</i>	<i>BUSINESS-TYPE ACTIVITIES</i>	<i>TOTAL</i>
Accounts payable	\$ 1,353,250	\$ 2,044,580	\$ 3,397,830
Accrued payroll and benefits	581,285	251,099	832,384
Debt service payable	927,708	-	927,708
Due to other funds	288,336	(288,336)	-
Due to other governments	360,815	-	360,815
Accrued interest payable	209,522	21,031	230,553
Unearned revenue	5,680,301	79,675	5,759,976
Long-term liabilities:			
Due within one year	3,786,576	606,707	4,393,283
Due in more than one year	55,433,660	11,197,367	66,631,027
Customer deposits	-	1,006,686	1,006,686
Total liabilities	<u>68,621,453</u>	<u>14,918,809</u>	<u>83,540,262</u>
<i>NET ASSETS</i>			
Net assets:			
Invested in capital assets, net of related debt	8,754,817	27,906,458	36,661,275
Restricted for:			-
Capital projects	3,268,477	314,656	3,583,133
Debt service	307,190	-	307,190
Other purposes	597,297	-	597,297
Unrestricted	(28,703,114)	9,191,844	(19,511,270)
Total net assets	<u>\$ (15,775,333)</u>	<u>\$ 37,412,958</u>	<u>\$ 21,637,625</u>

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

**CITY OF OPELIKA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2004**

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
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 4,041,499	\$ 15,114	\$ -	\$ -	\$ (4,026,385)	\$ -	\$ (4,026,385)
Public safety	10,387,805	544,817	284,877	-	(9,558,111)	-	(9,558,111)
Public works	3,547,005	307,687	-	1,995,740	(1,243,578)	-	(1,243,578)
Health	268,506	-	-	-	(268,506)	-	(268,506)
Welfare	146,004	-	54,304	-	(91,700)	-	(91,700)
Culture and recreation	2,826,196	225,450	36,059	436,500	(2,128,187)	-	(2,128,187)
Education	11,042,776	-	-	-	(11,042,776)	-	(11,042,776)
Economic development and urban rehabilitation	2,788,924	-	307,988	-	(2,480,936)	-	(2,480,936)
Interest on long-term debt	2,243,565	-	-	-	(2,243,565)	-	(2,243,565)
Total governmental activities	<u>37,292,280</u>	<u>1,093,068</u>	<u>683,228</u>	<u>2,432,240</u>	<u>(33,083,744)</u>	<u>-</u>	<u>(33,083,744)</u>
Business-type activities:							
Electric	17,588,674	19,866,539	44,922	136,069	-	2,458,856	2,458,856
Sewer	2,089,686	2,641,775	-	1,076,845	-	1,628,934	1,628,934
Solid waste	1,611,873	1,622,877	71,578	-	-	82,582	82,582
Total business-type activities	<u>21,290,233</u>	<u>24,131,191</u>	<u>116,500</u>	<u>1,212,914</u>	<u>-</u>	<u>4,170,372</u>	<u>4,170,372</u>
Total primary government	<u>\$ 58,582,513</u>	<u>\$ 25,224,259</u>	<u>\$ 799,728</u>	<u>\$ 3,645,154</u>	<u>(33,083,744)</u>	<u>4,170,372</u>	<u>(28,913,372)</u>
General revenues:							
Taxes:							
Property					5,731,267	-	5,731,267
Sales					11,777,250	-	11,777,250
Other					1,076,619	-	1,076,619
Licenses and permits					8,969,433	-	8,969,433
Grants and contributions not restricted to specific programs					833,143	-	833,143
Unrestricted investment earnings					248,776	193,180	441,956
Miscellaneous					166,028	-	166,028
Transfers					2,383,043	(2,383,043)	-
Total general revenues and transfers					<u>31,185,559</u>	<u>(2,189,863)</u>	<u>28,995,696</u>
Change in net assets					<u>(1,898,185)</u>	<u>1,980,509</u>	<u>82,324</u>
Net assets - beginning of year					<u>(13,877,148)</u>	<u>35,182,917</u>	<u>21,305,769</u>
Add: adjustment for receivable and capital asset					<u>-</u>	<u>249,532</u>	<u>249,532</u>
Net assets, beginning of year as adjusted					<u>(13,877,148)</u>	<u>35,432,449</u>	<u>21,555,301</u>
Net assets - ending					<u>\$ (15,775,333)</u>	<u>\$ 37,412,958</u>	<u>\$ 21,637,625</u>

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

**CITY OF OPELIKA**  
*BALANCE SHEET*  
**GOVERNMENTAL FUNDS**  
 SEPTEMBER 30, 2004

	<i>GENERAL FUND</i>	<i>SCHOOL TAX SPECIAL REVENUE FUND</i>	<i>TIGER TOWN CAPITAL PROJECTS FUND</i>	<i>INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS FUND</i>	<i>OTHER GOVERNMENTAL FUNDS</i>	<i>TOTAL GOVERNMENTAL FUNDS</i>
<i>ASSETS</i>						
Cash and cash equivalents	\$ 5,200,155	\$ 419,700	\$ -	\$ 624,942	\$ 4,099,428	\$ 10,344,225
Certificates of deposit	1,992,151	-	-	-	8,000	2,000,151
Receivables:						
Occupation license taxes	1,697,693	-	-	-	-	1,697,693
Sales and other taxes	1,185,382	-	-	-	-	1,185,382
Property taxes	2,048,264	3,580,778	-	-	-	5,629,042
Fines and forfeitures	236,600	-	-	-	-	236,600
Assessments	51,774	-	-	-	-	51,774
Accrued interest	3,690	-	20	-	3,059	6,769
Other	68,778	-	-	-	-	68,778
Due from other funds	1,194,720	-	-	425	555,511	1,750,656
Due from other governments	95,184	-	-	888,413	141,967	1,125,564
Advances to other governments	217,260	-	-	-	-	217,260
Inventories of supplies, at cost	82,460	-	-	-	-	82,460
Restricted assets:						
Cash with fiscal agent	-	-	250,027	-	-	250,027
Certificates of deposit with fiscal agent	-	-	417,026	-	-	417,026
Investments	-	-	438,727	-	1,382,777	1,821,504
 Total assets	 \$ 14,074,111	 \$ 4,000,478	 \$ 1,105,800	 \$ 1,513,780	 \$ 6,190,742	 \$ 26,884,911

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

**CITY OF OPELIKA**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2004

	<i>GENERAL FUND</i>	<i>SCHOOL TAX SPECIAL REVENUE FUND</i>	<i>TIGER TOWN CAPITAL PROJECTS FUND</i>	<i>INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS FUND</i>	<i>OTHER GOVERNMENTAL FUNDS</i>	<i>TOTAL GOVERNMENTAL FUNDS</i>
<b><i>LIABILITIES AND FUND BALANCES</i></b>						
Liabilities:						
Accounts payable	\$ 494,097	\$ -	\$ 620,366	\$ 123,830	\$ 42,472	\$ 1,280,765
Retainage payable	-	-	13,679	-	-	13,679
Matured bonds and interest payable	-	-	-	-	927,708	927,708
Accrued payroll and benefits	605,266	-	-	-	-	605,266
Due to other funds	595,654	161,375	194,238	591,937	439,026	1,982,230
Due to other governments	53,264	307,551	-	-	-	360,815
Deferred revenue	2,562,331	3,531,552	-	680,643	32,120	6,806,646
	<u>4,310,612</u>	<u>4,000,478</u>	<u>828,283</u>	<u>1,396,410</u>	<u>1,441,326</u>	<u>11,977,109</u>
Total liabilities						
Fund balances:						
Reserved for advances to other governments	39,100	-	-	-	-	39,100
Reserved for encumbrances	1,098,448	-	1,031	117,370	966,929	2,183,778
Reserved for inventories of supplies	82,460	-	-	-	-	82,460
Reserved for law enforcement	28,802	-	-	-	-	28,802
Reserved for debt service	-	-	-	-	436,570	436,570
Reserved for permanent funds - nonexpendable	-	-	-	-	475,233	475,233
Unreserved:						
Designated for construction and debt service on roads	3,576,923	-	-	-	-	3,576,923
Designated for infrastructure improvements	21,210	-	-	-	-	21,210
Designated for capital asset additions	267,301	-	-	-	-	267,301
Designated for community activities	65,401	-	-	-	-	65,401
Unreserved, undesignated, reported in:						
General Fund	4,583,854	-	-	-	-	4,583,854
Special revenue funds	-	-	-	-	2,759,359	2,759,359
Capital projects funds	-	-	276,486	-	111,325	387,811
Total fund balances	<u>9,763,499</u>	<u>-</u>	<u>277,517</u>	<u>117,370</u>	<u>4,749,416</u>	<u>14,907,802</u>
Total liabilities and fund balances	<u>\$ 14,074,111</u>	<u>\$ 4,000,478</u>	<u>\$ 1,105,800</u>	<u>\$ 1,513,780</u>	<u>\$ 6,190,742</u>	<u>\$ 26,884,911</u>

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, 2004*

Total fund balances -- governmental funds	\$	14,907,802
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.		25,314,492
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.		870,705
Receivables and other long-term assets, including receivables from other governments are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,246,191
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Governmental bonds payable	\$	(55,485,388)
Premiums, debt issuance and refunding costs		(151,470)
Accrued interest payable		(209,522)
Compensated absences		(2,268,143)
		(58,114,523)
Net assets of governmental activities	\$	(15,775,333)

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, 2004**

	<u>GENERAL FUND</u>	<u>SCHOOL TAX SPECIAL REVENUE FUND</u>	<u>TIGER TOWN CAPITAL PROJECTS FUND</u>	<u>INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Revenues:</b>						
<b>Taxes:</b>						
Property	\$ 2,042,213	\$ 3,689,054	\$ -	\$ -	\$ -	\$ 5,731,267
Sales	11,777,250	-	-	-	-	11,777,250
Other	1,072,062	-	-	-	-	1,072,062
Occupational license fees	6,868,497	-	-	-	-	6,868,497
Business licenses and permits	2,320,131	-	-	-	-	2,320,131
Intergovernmental revenues	415,212	-	-	819,143	888,885	2,123,240
Charges for services	497,290	-	-	-	-	497,290
Fines and forfeitures	404,734	-	-	-	-	404,734
Investment income	178,665	-	32,125	-	111,666	322,456
Miscellaneous	202,047	-	-	-	8,832	210,879
Total revenues	<u>25,778,101</u>	<u>3,689,054</u>	<u>32,125</u>	<u>819,143</u>	<u>1,009,383</u>	<u>31,327,806</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	3,375,043	-	-	-	68,592	3,443,635
Public safety	9,684,833	-	-	-	99,491	9,784,324
Public works	3,047,627	-	-	-	22,373	3,070,000
Health	268,529	-	-	-	-	268,529
Welfare	91,700	-	-	-	54,304	146,004
Culture and recreation	2,595,527	-	-	-	-	2,595,527
Education	9,537,298	1,505,478	-	-	-	11,042,776
Economic development and urban rehabilitation	404,118	-	2,177,645	-	207,423	2,789,186
Capital outlay:	832,018	-	1,894,122	1,116,408	772,614	4,615,162
Debt service:						
Principal retirement	461,247	-	-	-	2,805,000	3,266,247
Interest and fiscal charges	191,004	-	-	-	2,083,525	2,274,529
Bond issue costs	165,510	-	-	-	-	165,510
Total expenditures	<u>30,654,454</u>	<u>1,505,478</u>	<u>4,071,767</u>	<u>1,116,408</u>	<u>6,113,322</u>	<u>43,461,429</u>
Excess of revenues over (under) expenditures	<u>\$ (4,876,353)</u>	<u>\$ 2,183,576</u>	<u>\$ (4,039,642)</u>	<u>\$ (297,265)</u>	<u>\$ (5,103,939)</u>	<u>\$ (12,133,623)</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, 2004**

	<u>GENERAL FUND</u>	<u>SCHOOL TAX SPECIAL REVENUE FUND</u>	<u>TIGER TOWN CAPITAL PROJECTS FUND</u>	<u>INDUSTRIAL ACCESS ROAD GRANT CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Other financing sources (uses):						
Proceeds from bond issuance	\$ 7,173,537	\$ -	\$ -	\$ -	\$ -	\$ 7,173,537
Proceeds of refunding bonds	-	-	-	-	-	-
Sale of capital assets	34,320	-	-	-	-	34,320
Transfers from governmental funds	9,007	-	-	947,917	6,349,969	7,306,893
Transfers from proprietary funds	2,287,465	-	-	-	-	2,287,465
Transfers to governmental funds	(4,720,723)	(2,183,576)	(393,588)	-	(9,007)	(7,306,894)
Transfers to proprietary funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>4,783,606</u>	<u>(2,183,576)</u>	<u>(393,588)</u>	<u>947,917</u>	<u>6,340,962</u>	<u>9,495,321</u>
Net change in fund balances	(92,747)	-	(4,433,230)	650,652	1,237,023	(2,638,302)
Fund balances, beginning of year	<u>9,856,246</u>	<u>-</u>	<u>4,710,747</u>	<u>(533,282)</u>	<u>3,512,393</u>	<u>17,546,104</u>
Fund balances, end of year	<u>\$ 9,763,499</u>	<u>\$ -</u>	<u>\$ 277,517</u>	<u>\$ 117,370</u>	<u>\$ 4,749,416</u>	<u>\$ 14,907,802</u>

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

**CITY OF OPELIKA**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES*  
 YEAR ENDED SEPTEMBER 30, 2004

Net change in fund balances - all governmental funds	\$	(2,638,302)
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	4,615,162	
Less: current year depreciation	(1,549,777)	3,065,385
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	1,538,983	
Transfer assets to proprietary fund	(454,495)	
Disposals at net book value	(70,541)	1,013,947
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		136,277
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	(7,145,000)	
Premium on debt issued	(28,537)	
Debt issuance and refunding costs	169,864	
Principal payments on outstanding debt	3,266,242	(3,737,431)
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		
		332,136
Internal service funds and internal charges are used by management to charge the costs of workmen's compensation and employee's health insurance, and certain administrative support services to individual funds. The excess of expenditures over revenues is reported with governmental activities.		
		(70,197)
Change in net assets of governmental activities	\$	(1,898,185)

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

**CITY OF OPELIKA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2004**

<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	\$ 3,707,498	\$ 1,150,851	\$ 133,417	\$ 4,991,766	\$ 1,534,742
Certificates of deposit	3,116,733	-	-	3,116,733	-
Accounts and unbilled service receivable, net	2,267,925	193,692	73,265	2,534,882	-
Accrued interest	16,630	-	-	16,630	-
Due from other funds	226,491	351,914	1,005	579,410	185,612
Due from other governments	179,369	857,901	71,578	1,108,848	-
Inventory of supplies, at cost	711,934	-	-	711,934	-
Total current assets	<u>10,226,580</u>	<u>2,554,358</u>	<u>279,265</u>	<u>13,060,203</u>	<u>1,720,354</u>
Restricted assets:					
Cash in bank	-	292,896	-	292,896	-
Cash and investments with fiscal agent	-	1,031,919	-	1,031,919	-
Total restricted assets	<u>-</u>	<u>1,324,815</u>	<u>-</u>	<u>1,324,815</u>	<u>-</u>
Deferred charges:					
Unamortized bond issue costs	<u>-</u>	<u>213,428</u>	<u>-</u>	<u>213,428</u>	<u>-</u>
Capital assets					
Land	72,033	116,703	229,547	418,283	-
Building	199,066	21,823	43,806	264,695	-
System	28,486,177	27,319,041	-	55,805,218	-
Equipment	1,682,598	856,666	1,767,501	4,306,765	-
Construction work in progress	228,684	6,802,384	-	7,031,068	-
Total original cost	<u>30,668,558</u>	<u>35,116,617</u>	<u>2,040,854</u>	<u>67,826,029</u>	<u>-</u>
Less: accumulated depreciation	<u>(18,888,193)</u>	<u>(9,139,038)</u>	<u>(1,488,561)</u>	<u>(29,515,792)</u>	<u>-</u>
Capital assets, net	<u>11,780,365</u>	<u>25,977,579</u>	<u>552,293</u>	<u>38,310,237</u>	<u>-</u>
Other assets:					
Deposits	-	2,494	-	2,494	19,229
Total other assets	<u>-</u>	<u>2,494</u>	<u>-</u>	<u>2,494</u>	<u>19,229</u>
Total assets	<u>\$ 22,006,945</u>	<u>\$ 30,072,674</u>	<u>\$ 831,558</u>	<u>\$ 52,911,177</u>	<u>\$ 1,739,583</u>

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

**CITY OF OPELIKA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2004**

<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	\$ 1,274,874	\$ 739,319	\$ 30,387	\$ 2,044,580	\$ 58,806
Current portion of bonds payable	-	430,000	-	430,000	-
Accrued payroll and benefits	121,199	47,840	82,060	251,099	-
Due to other funds	3,108	179,692	24,627	207,427	326,021
Interest payable	-	21,031	-	21,031	-
Liability for unpaid claims	-	-	-	-	221,966
Deferred revenue	-	-	79,675	79,675	119,846
Total current liabilities	<u>1,399,181</u>	<u>1,417,882</u>	<u>216,749</u>	<u>3,033,812</u>	<u>726,639</u>
Noncurrent liabilities:					
Bonds payable, net of current portion and discount	-	11,197,367	-	11,197,367	-
Accrued employee benefits	76,322	57,629	42,756	176,707	-
Liability for unpaid claims	-	-	-	-	225,886
Customer deposits	945,261	-	61,425	1,006,686	-
Total noncurrent liabilities	<u>1,021,583</u>	<u>11,254,996</u>	<u>104,181</u>	<u>12,380,760</u>	<u>225,886</u>
Total liabilities	<u>2,420,764</u>	<u>12,672,878</u>	<u>320,930</u>	<u>15,414,572</u>	<u>952,525</u>
Net assets:					
Invested in capital assets, net of related debt	11,780,365	15,573,800	552,293	27,906,458	-
Restricted	-	314,656	-	314,656	-
Unrestricted	7,805,816	1,511,340	(41,665)	9,275,491	787,058
Total net assets	<u>\$ 19,586,181</u>	<u>\$ 17,399,796</u>	<u>\$ 510,628</u>	<u>37,496,605</u>	<u>\$ 787,058</u>
				(83,647)	
				<u>\$ 37,412,958</u>	

Adjustment to reflect prior period charge back of loss in Internal Service Funds

Net assets of business-type activities

\$ 37,412,958

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, 2004**

	<i><b>ELECTRIC UTILITY</b></i>	<i><b>SEWER SYSTEM</b></i>	<i><b>SOLID WASTE COLLECTION</b></i>	<i><b>TOTALS</b></i>	<i><b>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</b></i>
Operating revenues:					
Charges for services, net	\$ 19,855,334	\$ 2,620,495	\$ 1,614,709	\$ 24,090,538	\$ 1,892,714
Operating expenses:					
Power purchased	14,289,797	-	-	14,289,797	-
Personal services	1,454,630	694,048	906,128	3,054,806	-
Insurance claims and expenses	-	-	-	-	2,002,765
Other	903,565	601,899	659,990	2,165,454	-
Depreciation	1,077,249	595,934	129,133	1,802,316	-
Total operating expenses	<u>17,725,241</u>	<u>1,891,881</u>	<u>1,695,251</u>	<u>21,312,373</u>	<u>2,002,765</u>
Operating income (loss)	<u>2,130,093</u>	<u>728,614</u>	<u>(80,542)</u>	<u>2,778,165</u>	<u>(110,051)</u>
Nonoperating revenues (expenses):					
Investment revenue	156,609	34,239	2,332	193,180	39,854
Miscellaneous revenue	11,205	21,280	8,168	40,653	-
Interest expense and fiscal charges	-	(254,319)	-	(254,319)	-
Contributions from grantors	44,922	-	71,578	116,500	-
Other expenses	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>212,736</u>	<u>(198,800)</u>	<u>82,078</u>	<u>96,014</u>	<u>39,854</u>
Income before other revenues and transfers	<u>2,342,829</u>	<u>529,814</u>	<u>1,536</u>	<u>2,874,179</u>	<u>(70,197)</u>
Other revenues and transfers in (out):					
Capital contributions from developers and others	136,069	589,495	-	725,564	-
Capital contributions from grantors	-	941,845	-	941,845	-
Operating transfers in	-	-	-	-	-
Operating transfers (out)	(2,287,465)	-	-	(2,287,465)	-
Total other revenues and transfers	<u>(2,151,396)</u>	<u>1,531,340</u>	<u>-</u>	<u>(620,056)</u>	<u>-</u>
Change in net assets	<u>191,433</u>	<u>2,061,154</u>	<u>1,536</u>	<u>2,254,123</u>	<u>(70,197)</u>
Net assets, beginning of year	19,145,216	15,338,642	509,092		857,255
Add: adjustment for receivable and capital asset	249,532	-	-		-
Net assets, beginning of year as adjusted	<u>19,394,748</u>	<u>15,338,642</u>	<u>509,092</u>		<u>857,255</u>
Net assets, end of year	<u>\$ 19,586,181</u>	<u>\$ 17,399,796</u>	<u>\$ 510,628</u>		<u>\$ 787,058</u>
				(273,614)	
				<u>\$ 1,980,509</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, 2004**

	<i><b>ELECTRIC UTILITY</b></i>	<i><b>SEWER SYSTEM</b></i>	<i><b>SOLID WASTE COLLECTION</b></i>	<i><b>TOTALS</b></i>	<i><b>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</b></i>
Cash flows from operating activities:					
Receipts from customers	\$ 19,083,742	\$ 2,694,982	\$ 1,622,881	\$ 23,401,605	\$ -
Receipts from other funds for services	607,778	-	-	607,778	1,889,883
Customer deposits received	295,052	-	41,025	336,077	-
Customer deposits returned	(185,727)	-	(21,050)	(206,777)	-
Payments to suppliers for goods and services	(15,307,277)	(298,729)	(662,525)	(16,268,531)	(361,082)
Payments to employees for services	(1,407,254)	(679,128)	(892,220)	(2,978,602)	-
Claims paid	-	-	-	-	(1,730,816)
Internal activity - payments (to) from other funds	2,451	(1,304)	8,054	9,201	-
Other receipts (payments)	11,204	21,287	11,573	44,064	-
Net cash provided by (used for) operating activities	<u>3,099,969</u>	<u>1,737,108</u>	<u>107,738</u>	<u>4,944,815</u>	<u>(202,015)</u>
Cash flows from noncapital financing activities:					
Repayments by other funds	-	-	-	-	156,887
Advances to other funds	-	-	-	-	-
Operating transfers from (to) other funds	(2,287,465)	-	-	(2,287,465)	-
Net cash (used for) noncapital financing activities	<u>(2,287,465)</u>	<u>-</u>	<u>-</u>	<u>(2,287,465)</u>	<u>156,887</u>
Cash flows from capital and related financing activities:					
Proceeds from capital debt	-	-	-	-	-
Debt issuance and refunding costs	-	-	-	-	-
Acquisition and construction of capital assets	(1,392,352)	(5,445,173)	-	(6,837,525)	-
Principal paid on debt maturities	-	(400,000)	-	(400,000)	-
Interest and fiscal fees paid on debt maturities	-	(363,812)	-	(363,812)	-
Capital contributions	136,069	291,147	-	427,216	-
Proceeds from sale of assets	-	-	-	-	-
Net cash used for capital and related financing activities	<u>(1,256,283)</u>	<u>(5,917,838)</u>	<u>-</u>	<u>(7,174,121)</u>	<u>-</u>
Cash flows from investing activities:					
Purchase of investment securities	(1,850,000)	(71,561)	-	(1,921,561)	-
Proceeds from sale and maturities of investment securities	3,095,665	5,089,555	-	8,185,220	-
Interest on investments	154,545	105,801	2,332	262,678	42,663
Net cash provided by (used for) investing activities	<u>1,400,210</u>	<u>5,123,795</u>	<u>2,332</u>	<u>6,526,337</u>	<u>42,663</u>
Net increase (decrease) in cash and cash equivalents	956,431	943,065	110,070	2,009,566	(2,465)
Cash and cash equivalents at beginning of year	<u>4,017,800</u>	<u>500,682</u>	<u>23,347</u>	<u>4,541,829</u>	<u>1,537,207</u>
Cash and cash equivalents at end of year	<u>\$ 4,974,231</u>	<u>\$ 1,443,747</u>	<u>\$ 133,417</u>	<u>\$ 6,551,395</u>	<u>\$ 1,534,742</u>

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

**CITY OF OPELIKA**  
**STATEMENT OF CASH FLOWS, CONTINUED**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2004**

	<i><b>ELECTRIC UTILITY</b></i>	<i><b>SEWER SYSTEM</b></i>	<i><b>SOLID WASTE COLLECTION</b></i>	<i><b>TOTALS</b></i>	<i><b>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</b></i>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 2,130,093	\$ 728,614	\$ (80,542)	\$ 2,778,165	\$ (110,051)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,077,249	595,934	129,133	1,802,316	-
Miscellaneous nonoperating income	11,204	21,280	11,573	44,057	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable and unbilled service receivable	(163,814)	(7,203)	(7,415)	(178,432)	57,770
(Increase) decrease in due from other funds	2,116	(1,557)	-	559	(4,226)
(Increase) decrease in due from other governments	-	81,690	-	81,690	-
(Increase) decrease in inventories	(39,784)	-	-	(39,784)	-
(Increase) decrease in other assets	-	7	-	7	-
Increase (decrease) in accounts payable	(74,131)	303,170	(2,535)	226,504	6,285
Increase (decrease) in accrued payroll and benefits	20,174	14,920	11,644	46,738	-
Increase (decrease) in liability for unpaid claims	-	-	-	-	(153,187)
Increase (decrease) in due to other funds	335	253	8,054	8,642	-
Increase (decrease) in deferred revenue	-	-	15,587	15,587	1,394
Increase (decrease) in accrued employee benefits	27,202	-	2,264	29,466	-
Increase (decrease) in customer deposits	109,325	-	19,975	129,300	-
Net cash provided by (used for) operating activities	<u>\$ 3,099,969</u>	<u>\$ 1,737,108</u>	<u>\$ 107,738</u>	<u>\$ 4,944,815</u>	<u>\$ (202,015)</u>
Non cash investing, capital and financing activities:					
Capital assets contributed by developers and others	\$ -	\$ 589,495	\$ -	\$ 589,495	\$ -
Net interest expense capitalized on construction projects	-	217,689	-	-	-
Bond interest payment made by another fund	-	175,012	-	-	-
Uncollected capital contributions from other governments	\$ 44,923	\$ 650,698	\$ 71,578	\$ 767,199	\$ -
Reconciliation of cash and cash equivalents to the combining balance sheet:					
Total cash and certificates of deposit	\$ 6,824,231	\$ 1,443,747	\$ 133,417	\$ 8,401,395	\$ 1,537,207
Less: Deposits not meeting the definition of cash equivalents	1,850,000	-	-	1,850,000	-
Cash and cash equivalents at end of year	<u>\$ 4,974,231</u>	<u>\$ 1,443,747</u>	<u>\$ 133,417</u>	<u>\$ 6,551,395</u>	<u>\$ 1,537,207</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 FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. REPORTING ENTITY**

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

**Component Units.** The excluded component units are as follows:

Opelika City Board of Education is substantially reliant upon the City because the City Council appoints the members of the Board, levies taxes on behalf of the Board and issues debt on behalf of the Board. The legal liability for the general obligation debt issued for school purposes of \$23,010,000 at September 30, 2004 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 2004, the City collected \$3,689,054 of ad valorem taxes of which \$2,183,576 was

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

used for debt service and \$1,309,018 was remitted to the Board. At September 30, 2004, \$307,551 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 \$2,529,260 for 2004. The Board issues separate financial statements which may be obtained from the administrative offices at 300 Simmons Street, Opelika, Alabama 36801.

City of Opelika Industrial Development Authority recruits industry and promotes economic development for the City of Opelika. The City Council appoints the members to the Authority's Board and has a revocable agreement with the Authority to make annual appropriations to the Authority for debt service on the Authority's 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 2004, the City paid \$392,355 in debt service payments for the Authority and appropriated an additional \$100,000 to the Authority. The Authority issues separate financial statements which may be obtained from the administrative offices at 204 South 7<sup>th</sup> Street, Opelika, Alabama 36801.

**Related Organizations.** The City's officials are also responsible for appointing the members of the board of other organizations, but the City's accountability for the organizations does not extend beyond making the appointments. These organizations are the Utilities Board of the City of Opelika, Medical Clinic Board of the City of Opelika, Housing Authority of the City of Opelika and Opelika Downtown Redevelopment Authority. For the fiscal year ended September 30, 2004, the City received \$20,711 in payments in lieu of property taxes from the Housing Authority of the City of Opelika.

**Joint Ventures.** The City is a participant in one joint venture in which it retains an ongoing financial interest and an ongoing financial responsibility, the Indian Pines Golf Course Joint Venture. The City is a party to an agreement with the City of Auburn, Alabama to own and operate the Indian Pines Golf Course. The joint venture agreement dated October 1, 1976, required capital contributions from each party, gave each party a 50% share in the venture's profits and losses and responsibility for 50% of any debt incurred. The City's initial contribution of \$589,200 was used to purchase the land and buildings 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, 2004 and no net income or loss for the fiscal year then ended. Because the joint venture has no operations, no financial statements are prepared.

**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

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

also receives income from administration of federal grants and other programs. The City appropriated \$80,743 to the Lee-Russell Council of Governments for the year ended September 30, 2004.

The East Alabama Regional Solid Waste Disposal Authority is a corporation created to provide for the collection and disposal of solid waste and to encourage planning for disposal of solid waste and resource recovery in East Alabama. The organization is governed by a twelve member board composed of one appointee each from various cities and counties in the area. The City appoints one board member. The East Alabama Regional Solid Waste Disposal Authority received \$5,633 from the City for the year ended September 30, 2004.

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 Center is a corporation created to provide mental health services to the East Alabama area. The Corporation has thirty-three directors, three of whom are appointed by the City. The remainder are appointed by the various cities and counties in the area. The City appropriated \$45,000 to the East Alabama Mental Health Center for the year ended September 30, 2004.

Lee County Youth Development Center is a corporation created to provide youth services in Lee County. The board is composed of twelve members. Opelika, Auburn and Lee County each appoint four members. The City appropriated \$27,000 to the Lee County Youth Development Center for the year ended September 30, 2004.

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 \$330,600 to the East Alabama Medical Center for emergency medical services for the year ended September 30, 2004.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

library, and general administrative services are classified as governmental activities. The City's electric, sewer, and solid waste collection services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column and (b) are reported on a full accrual, economic resource basis, which includes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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 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.

The general fund allocates some costs of providing administrative services to the enterprise funds. These indirect costs are eliminated in preparing the government-wide statements.

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, and 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.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of individual funds. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions are segregated within funds for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each major fund is presented as a separate column on the fund financial statements; all non-major funds are aggregated and presented as a single column. The fund statements are presented on the current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
SEPTEMBER 30, 2004

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:

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.

*Tiger Town Capital Projects Fund* accounts for the construction of a portion of the streets, utilities, infrastructure, and other costs for a new retail shopping complex.

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

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

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

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

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

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

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

**Proprietary Funds:**

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

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

Proprietary funds include the following fund types:

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

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

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

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

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

The City's internal service fund is presented in the proprietary funds financial statement. Because the principal users of the fund are the City's governmental activities, the financial statement of the internal service fund is included in the governmental activities

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

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, 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 Tax Collector within the fiscal year but remitted to the City after the fiscal year end are accrued. Ad valorem taxes not due until October 1

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

of the following fiscal year are recorded as receivable and deferred revenue as of the fiscal year end in which the taxes are levied. For the fiscal year ended September 30, 2004, ad valorem tax revenues are recorded in the General Fund and the School Tax Special Revenue Fund. Ad valorem tax revenues restricted for school purposes in excess of the amount required to make debt service payments on the general obligation debt issued for school purposes are paid to the Opelika City Board of Education and are included with the education appropriation.

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

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

**D. CASH AND INVESTMENTS**

For cash flow statement purposes, 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.

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

**E. RECEIVABLES**

In the Electric Utility Fund and Sewer System Fund, revenues are recognized on the basis of monthly billings to customers for services provided. The City, therefore, extends credit to its customers. As a result of this billing method, the City accrues unbilled service revenue at the end of the fiscal period with respect to service provided but not billed at such date. In the Solid Waste Collection Fund, monthly billings are made before services are rendered. Therefore, such billings are reported as deferred revenues. The City analyzes current and past due accounts and provides an allowance for doubtful accounts for the accounts deemed uncollectible. Accounts receivable are reported net of the allowance of \$392,374 in the Electric Utility Fund and \$74,575 in the Solid Waste Collection Fund.

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

**F. INVENTORIES**

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

**G. RESTRICTED ASSETS**

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

**H. ADVANCES TO OTHER GOVERNMENTS**

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

**I. CAPITAL ASSETS**

Capital assets, which include land, buildings, system, equipment, and construction in progress, are carried at cost. Property and equipment donations are recorded at their estimated fair value at the date of donation. Renewals and betterments are capitalized if they significantly extend the useful life of the asset. Repairs and maintenance are recorded as expenses. Interest is capitalized in the proprietary funds during the construction period for system additions. In 2004, interest of \$217,689 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

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

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

**J. COMPENSATED ABSENCES**

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

**K. LONG-TERM LIABILITIES**

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

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

**L. NET ASSETS**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**M. USE OF ESTIMATES**

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

**2. BUDGETING AND ACCOUNTABILITY**

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

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

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

**3. ACCOUNTING FOR SYSTEM ADDITIONS AND RETIREMENTS - ENTERPRISE FUNDS**

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

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

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

#### 4. DEPOSITS AND INVESTMENTS

**Deposits.** At September 30, 2004, the carrying amount of the City's deposits in financial institutions was \$22,280,513 and the bank balance was \$24,465,108. Of these amounts, \$5,116,884 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, 2004, 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.

	<u>Cost</u>	<u>Fair Value/ Carrying Amount</u>
U.S. Government Money Market Funds	\$ 1,364,163	\$ 1,364,163
Interest Bearing Deposit Accounts	1,698,972	1,698,972
U.S. Government Agency Obligations	303,176	305,000
Stock Mutual Funds	154,165	155,091
Total investments	<u>\$ 3,520,476</u>	<u>\$ 3,523,226</u>

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

**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	\$ 2,435,381	\$ 1,775,379	\$ -	\$ 4,210,760
Construction in process	<u>4,695,805</u>	<u>3,896,794</u>	<u>6,384,071</u>	<u>2,208,528</u>
Total capital assets not being depreciated	<u>7,131,186</u>	<u>5,672,173</u>	<u>6,384,071</u>	<u>6,419,288</u>
Capital assets being depreciated:				
Buildings and improvements	9,521,581	455,265	-	9,976,846
Improvements other than buildings	3,789,621	163,100	-	3,952,721
Equipment	11,395,674	574,519	447,395	11,522,798
Infrastructure	<u>1,282,152</u>	<u>5,216,164</u>	<u>-</u>	<u>6,498,316</u>
Total capital assets being depreciated	<u>25,989,028</u>	<u>6,409,048</u>	<u>447,395</u>	<u>31,950,681</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,203,395)	(235,582)	-	(4,438,977)
Improvements other than buildings	(990,043)	(115,207)	-	(1,105,250)
Equipment	(6,648,878)	(1,154,606)	(379,354)	(7,424,130)
Infrastructure	<u>(42,738)</u>	<u>(44,382)</u>	<u>-</u>	<u>(87,120)</u>
Total accumulated depreciation	<u>(11,885,054)</u>	<u>(1,549,777)</u>	<u>(379,354)</u>	<u>(13,055,477)</u>
Total capital assets being depreciated, net	<u>14,103,974</u>	<u>4,859,271</u>	<u>68,041</u>	<u>18,895,204</u>
Governmental activities capital assets, net	<u>\$ 21,235,160</u>	<u>\$ 10,531,444</u>	<u>\$ 6,452,112</u>	<u>\$ 25,314,492</u>

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 419,282	\$ -	\$ (999)	\$ 418,283
Construction in process	1,501,231	6,866,138	(1,336,301)	7,031,068
Total capital assets not being depreciated	<u>1,920,513</u>	<u>6,866,138</u>	<u>(1,337,300)</u>	<u>7,449,351</u>
Capital assets being depreciated:				
Buildings and improvements	264,695	-	-	264,695
Systems	53,879,422	1,925,796	-	55,805,218
Equipment	4,172,375	212,197	(77,807)	4,306,765
Total capital assets being depreciated	<u>58,316,492</u>	<u>2,137,993</u>	<u>(77,807)</u>	<u>60,376,678</u>
Less accumulated depreciation for:				
Buildings and improvements	(135,944)	(13,229)	-	(149,173)
Systems	(24,636,407)	(1,504,502)	-	(26,140,909)
Equipment	(2,993,404)	(307,206)	(74,900)	(3,225,710)
Total accumulated depreciation	<u>(27,765,755)</u>	<u>(1,824,937)</u>	<u>(74,900)</u>	<u>(29,515,792)</u>
Total capital assets being depreciated, net	<u>30,550,737</u>	<u>313,056</u>	<u>(2,907)</u>	<u>30,860,886</u>
Business-type activities capital assets, net	<u>\$ 32,471,250</u>	<u>\$ 7,179,194</u>	<u>\$ (1,340,207)</u>	<u>\$ 38,310,237</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 321,023
Public safety	604,567
Public works, including infrastructure	397,015
Culture and recreation	227,172
Total governmental activities depreciation expense	<u>\$ 1,549,777</u>
Business-type activities:	
Electric	\$ 1,099,870
Sewer	595,934
Solid waste	129,133
Total depreciation	1,824,937
Less amounts capitalized in construction	(22,621)
Total business-type activities depreciation expense	<u>\$ 1,802,316</u>

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

**6. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at September 30, 2004 consisted of the following:

<i>DUE TO</i>	<i>DUE FROM</i>							<i>Total</i>
	<i>General</i>	<i>Industrial Access Road Grants</i>	<i>Non-major Govern- mental</i>	<i>Internal Service</i>	<i>Electric Utility</i>	<i>Sewer System</i>	<i>Solid Waste Collection</i>	
General	\$ -	\$ 425	\$ 17,732	\$ -	\$ 226,491	\$ 351,006	\$ -	\$ 595,654
School Tax	-	-	161,375	-	-	-	-	161,375
Tiger Town	-	-	194,238	-	-	-	-	194,238
Industrial Road Grant	591,937	-	-	-	-	-	-	591,937
Non-major Governmental	435,727	-	3,299	-	-	-	-	439,026
Internal Service	145,161	-	-	180,860	-	-	-	326,021
Electric Utility	-	-	139	1,310	-	908	751	3,108
Sewer System	-	-	178,728	710	-	-	254	179,692
Solid Waste Collection	21,895	-	-	2,732	-	-	-	24,627
<b>Total</b>	<b>\$ 1,194,720</b>	<b>\$ 425</b>	<b>\$ 555,511</b>	<b>\$ 185,612</b>	<b>\$ 226,491</b>	<b>\$ 351,914</b>	<b>\$ 1,005</b>	<b>\$ 2,515,678</b>

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

<i>TRANSFER TO</i>	<i>TRANSFER FROM</i>					<i>Total</i>
	<i>General Fund</i>	<i>School Tax Special Revenue</i>	<i>Tiger Town Capital Project</i>	<i>Non-major Governmental</i>	<i>Electric Utility</i>	
General Fund	\$ -	\$ -	\$ -	\$ 9,007	\$ 2,287,465	\$ 2,296,472
Non-major Governmental	4,720,723	2,183,576	393,588	-	-	7,297,887
<b>Total</b>	<b>\$ 4,720,723</b>	<b>\$ 2,183,576</b>	<b>\$ 393,588</b>	<b>\$ 9,007</b>	<b>\$ 2,287,465</b>	<b>\$ 9,594,359</b>

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

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

**7. LONG-TERM LIABILITIES**

Long-term liabilities at September 30, 2004 consisted of the following issues:

	<u>Governmental</u>	<u>Business-type</u>
Bonds:		
1989 General Obligation Sewer Warrants, Series SRF due in annual installments of \$430,000 to \$520,000 through August 15, 2011, bearing interest at 5%	\$ -	\$ 3,365,000
General Obligation Warrants, Series 1994-A due in annual installments of \$695,000 to \$735,000 through July 1, 2006, bearing interest rates of 5.50% to 5.60%	1,430,000	-
General Obligation School Warrants, Series 1996 due in annual installments of \$160,000 to \$280,000 through February 15, 2016, bearing interest rates of 4.40% to 5.20%	2,570,000	-
General Obligation Warrants, Series 1998 due in annual installments of \$100,000 to \$1,170,000 through July 1, 2014, bearing interest rates of 3.80% to 4.35%	8,365,000	-
Taxable Variable/Fixed Rate Industrial Development Revenue Bonds, Series 1998-A due in annual installments of \$185,000 to \$575,000 through June 1, 2023, bearing variable interest rate of 2.06% at September 30, 2004	6,430,000	-
Taxable Industrial Development Revenue Bonds, Series 1998-B due in annual installments of \$55,000 to \$210,000 through June 1, 2023, bearing variable rate of 3.69% at September 30, 2004. Rate determined annually at June 1, at the Treasury Rate plus 1.8% per annum	2,172,000	-
General Obligation Warrant, dated April 15, 1999 due in quarterly installments of \$9,284 through April 15, 2006. Payment includes interest at 5.22%	64,039	-
General Obligation School Warrants, Series 2000 due in annual installments of \$185,000 to \$515,000 through October 1, 2025, bearing interest rates of 4.65% to 5.60%	6,710,000	-
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	-

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

	<u>Governmental</u>	<u>Business-type</u>
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%	17,137,001	8,262,367
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%	7,172,871	-
Capital lease on communication equipment, due in monthly installments of \$10,082 through February 9, 2006, bearing interest at 5.65%	164,349	-
Other liabilities:		
Compensated absences	2,382,124	316,855
Claims and judgments	<u>357,852</u>	<u>-</u>
 Total long-term liabilities	 <u>\$ 59,220,236</u>	 <u>\$ 11,944,222</u>

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>
<b>Governmental activities</b>					
Debt:					
General obligation bonds	\$ 42,411,750	\$ 7,145,000	\$ 2,837,711	\$ 46,719,039	\$ 2,579,459
Other long-term debt	8,827,000	-	225,000	8,602,000	240,000
Capital leases	<u>366,303</u>	<u>-</u>	<u>201,954</u>	<u>164,349</u>	<u>114,641</u>
	51,605,053	7,145,000	3,264,665	55,485,388	2,934,100
Deferred amounts on refunding	(246,811)		(33,278)	(213,533)	-
Unamortized premiums	<u>1,341,137</u>	<u>28,537</u>	<u>161,269</u>	<u>1,208,405</u>	<u>-</u>
Total debt	<u>52,699,379</u>	<u>7,173,537</u>	<u>3,392,656</u>	<u>56,480,260</u>	<u>2,934,100</u>
Other liabilities:					
Compensated absences	2,297,276	578,113	493,265	2,382,124	720,510
Claims and judgments	<u>474,039</u>	<u>333,634</u>	<u>449,821</u>	<u>357,852</u>	<u>131,966</u>
Total other liabilities	<u>2,771,315</u>	<u>911,747</u>	<u>943,086</u>	<u>2,739,976</u>	<u>852,476</u>
Total governmental activities	<u>\$ 55,470,694</u>	<u>\$ 8,085,284</u>	<u>\$ 4,335,742</u>	<u>\$ 59,220,236</u>	<u>\$ 3,786,576</u>

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Debt:					
General obligation debt	\$ 11,935,000	\$ -	\$ 400,000	\$ 11,535,000	\$ 430,000
Deferred amounts on refunding	(49,213)	-	(5,847)	(43,366)	-
Unamortized premiums and discounts	156,083	-	20,350	135,733	-
	12,041,870	-	414,503	11,627,367	430,000
Compensated absences	278,290	149,204	110,639	316,855	140,148
Total business-type activities	<u>\$ 12,320,160</u>	<u>\$ 149,204</u>	<u>\$ 525,142</u>	<u>\$ 11,944,222</u>	<u>\$ 570,148</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 government appropriated approximately \$7,000,000 to the Board for the above purposes. 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 FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

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

The bonds are secured by a first mortgage on the real estate and certain agreements between the Authority and the City of Opelika, known as the Reserve Agreement and the Annual Appropriation Agreement. The Reserve Agreement includes the unconditional and irrevocable general obligation of the City of Opelika to provide not less than \$1,700,000 to the Authority for payment of principal and interest on the bonds, which will remain in effect until the bonds are paid or retired, will not be subject to revocation or termination at the option of the City of Opelika and will be chargeable against the constitutional debt limit of the City of Opelika. The Annual Appropriation Agreement includes the conditional and revocable obligation of the City of Opelika to provide an amount equal to the annual debt service payments to the Authority for payment of the principal and interest on the bonds payable in each such year, which will remain in effect until the bonds are fully paid and retired, will be subject to revocation and termination at the sole option of the City of Opelika at the end of any fiscal year (after the city shall have paid the amounts due for such year) and will be payable solely from current revenues and funds on hand of the City of Opelika for each fiscal year and will not constitute a "debt" of the City of Opelika and will not be chargeable against the constitutional debt limit of the City of Opelika. The Authority selected the variable rate option as of June 1, 2003 for the Series 1998-A bonds. The rate can be adjusted as often as weekly by the Remarketing Agent to the lowest rate that will result in the market value of the bonds being 100% of the principal amount thereof on the determination date. The Authority has the option to convert to a fixed rate for this series. The Series 1998-B bonds bear interest at a rate determined annually at June 1 equal to the Treasury Rate plus 1.8%.

The obligation of the City for the payments due under the Annual Appropriation Agreement is shown as other long term debt net of the \$1,700,000 which is shown as general obligation debt in accordance with the terms of the Reserve Agreement. The financing and bond documents of the Authority provide that the real estate for the industrial park will be sold at fair market value to any public or private person wishing to locate in the industrial park and the proceeds of such sale will be applied to the prepayment of the bonds. Through September 30, 2004, the Authority had applied \$395,000 of sales proceeds to the 1998A issue and \$123,000 of sales proceeds to the 1998B issue.

The City has a lease agreement as lessee to finance the acquisition of equipment used principally for public safety. Lease payments are made by the general fund. When signed, the lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of its future minimum lease payments as of the inception date. Equipment under lease at September 30, 2004 consists of communication equipment with costs of \$528,409 and accumulated depreciation of \$184,943.

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

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

<b>Governmental Activities</b>				
	<b>General Obligations</b>		<b>Other Long-term Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2005	\$ 2,579,459	\$ 2,129,349	\$ 354,641	\$ 218,951
2006	3,564,580	1,982,741	304,708	207,468
2007	3,435,000	1,810,835	275,000	200,452
2008	3,595,000	1,647,470	290,000	193,407
2009	3,750,000	1,477,652	315,000	186,694
2010-2014	15,810,000	5,073,325	1,940,000	806,712
2015-2019	4,375,000	2,861,246	2,770,000	529,812
2020-2024	4,835,000	1,851,597	2,517,000	145,096
2025-2029	3,830,000	665,124	-	-
2030-2032	945,000	74,184	-	-
Total	<u>\$ 46,719,039</u>	<u>\$ 19,573,523</u>	<u>\$ 8,766,349</u>	<u>\$ 2,488,592</u>

<b>Business-type Activities</b>		
	<b>General Obligation</b>	
	<b>Principal</b>	<b>Interest</b>
2005	\$ 430,000	\$ 518,275
2006	495,000	495,650
2007	790,000	464,150
2008	830,000	424,150
2009	870,000	382,275
2010-2014	3,105,000	1,339,271
2015-2019	2,560,000	805,528
2020-2023	2,455,000	224,394
Total	<u>\$ 11,535,000</u>	<u>\$ 4,653,693</u>

**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

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

Treasury Obligations. The principal and interest on the said United States Treasury Obligations will be sufficient when paid according to the respective terms to make full and timely payment of the principal and interest maturing on the General Obligation Refunding School Warrants of March 1, 1978 and General Obligation Refunding School Warrants of August 15, 1982. On February 15, 2002, \$540,000 of the General Obligation Refunding School Warrants of March 1, 1978 were called. The General Obligation Refunding School Warrants of August 15, 1982 were called in prior years.

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

The liability for the refunded warrants and the related securities and escrow accounts are not included in the accompanying financial statements as the City defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions mentioned above. Shown below is the outstanding principal balance as of September 30, 2004 of the bond issue which has been refunded and is payable from an escrow account:

General Obligation Refunding School Warrants, dated March 1, 1978	<u>\$ 820,000</u>
-------------------------------------------------------------------	-------------------

## 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 2-1-03 to 2-1-04 is \$492,727, 2-1-02 to 2-1-03 is \$405,490, and 2-1-01 to 2-1-02 is \$383,919. Settled claims exceeded the City's retained risk for the accident year 2-1-99 to 2-1-00 and the excess was covered by the Municipal Workers Compensation Fund, Inc. in accordance with the contract.

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

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

The claims liability is \$357,852 at September 30, 2004. 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 3.6% and includes 1) known claims, 2) claims that have been incurred but not reported, 3) previously closed claims which may reopen, and 4) allocated loss adjustment expenses. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Changes in the Fund's claims liability for the last three years were as follows:

	<i>Beginning Balance</i>	<i>Current Year Claims and Changes in Estimates</i>	<i>Claim Payments</i>	<i>Ending Balance</i>
<i>2001-2002</i>	\$ 291,703	214,118	205,534	\$ 300,287
<i>2002-2003</i>	\$ 300,287	398,033	224,281	\$ 474,039
<i>2003-2004</i>	\$ 474,039	330,721	446,908	\$ 357,852

The City has a Worker's Health Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss related to its self-insured employee health insurance plan. A residual equity transfer of \$732,000 from the Workmen's Compensation Insurance Fund to the Worker's Health Insurance Fund was authorized to provide the initial funding for the Worker's Health Insurance Fund. The Fund provides coverage for up to \$85,000 per individual covered under the plan. Individual Excess Loss coverage has been purchased to insure claims in excess of \$85,000 in any one year. The City purchased \$1,000,000 of Aggregate Excess Loss Insurance which provides insurance coverage in the event that claims exceed the maximum recommended premium (attachment point) for the coverage period. The risk of loss is assumed by the City for claims in excess of total premiums paid to the Fund of \$1,440,130 and the attachment point of \$2,119,070. Settled claims during the first two years did not exceed the Fund's retained risk and commercial insurance coverage. There were no significant reductions in insurance coverages in 2004.

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

The claims liability of \$124,153 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This liability includes an actuarially calculated amount for claims that have been incurred but not reported at the balance sheet date. Because actual liabilities for claims depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount.

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

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
<i>2001-2002</i>	\$ -	1,382,837	1,181,077	\$ 201,760
<i>2002-2003</i>	\$ 201,760	1,324,461	1,368,440	\$ 157,781
<i>2003-2004</i>	\$ 157,781	1,344,995	1,378,623	\$ 124,153

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

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

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

**Funding Policy.** Plan members are required to contribute 5% of their annual covered salary except for certified full-time firefighters and law enforcement officers. Effective January 1, 2001, the member contribution rate for certified full-time firefighters and law enforcement officers increased to 6% of employee compensation. The City is required to contribute at an actuarially determined rate; the rate for the year ended September 30, 2004 was 7.88% of annual covered payroll. The contribution requirements of plan members and the City are established by state statute.

**Annual Pension Cost.** For 2004, the City's annual pension cost of \$1,074,112 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.61% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The City's unfunded actuarial accrued liability, if any, is being amortized as a level percentage of projected payrolls on an open basis.

<i>Trend Information</i>			
<i>Fiscal Year Ending</i>	<i>Annual Pension Contribution (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation (NPO)</i>
9/30/01	\$ 702,190	100 %	\$ 0
9/30/02	\$ 753,500	100 %	\$ 0
9/30/03	\$ 970,329	100 %	\$ 0

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 SEPTEMBER 30, 2004

<i>Schedule of Funding Progress</i>						
<i>Actuarial</i>	<i>Actuarial</i>	<i>Actuarial Accrued</i>	<i>Unfunded</i>	<i>Funde</i>	<i>Covered</i>	<i>UAAL as a</i>
<i>Valuation</i>	<i>Value of</i>	<i>Liability (AAL)</i>	<i>AAL</i>	<i>d</i>	<i>Payroll</i>	<i>Percentage of</i>
<i>Date</i>	<i>Assets</i>	<i>-Entry Age</i>	<i>(UAAL)</i>	<i>Ratio</i>	<i>(c)</i>	<i>Covered Payroll</i>
	<i>(a)</i>	<i>(b)</i>	<i>(b-a)</i>	<i>(a/b)</i>		<i>((b-a)/c)</i>
		*				
9/30/01 **	\$ 34,865,960	\$ 38,297,733	\$ 3,431,773	91.0 %	\$ 12,526,217	27.40 %
9/30/02	\$ 35,357,567	\$ 41,433,278	\$ 6,075,711	85.3 %	\$ 12,976,999	46.80 %
9/30/03	\$ 36,770,563	\$ 44,372,520	\$ 7,601,957	82.9 %	\$ 13,515,965	56.20 %

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

\*\* Reflects effects of January 1, 2001 change in awarding service years to firefighters and law enforcement officers in determining the retirement allowance.

#### 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 \$12,537,017 under this contract in 2004. 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.

#### 11. COMMITMENTS AND CONTINGENCIES

On July 6, 2004, the Council passed a resolution expressing its intent to acquire, develop, and construct for general municipal purposes a recreation complex and related facilities to be located on Andrews Road, including, but not limited to, an indoor pool, gymnasium, exercise

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

rooms, and soccer fields. The Council intends to issue warrants in a principal amount not to exceed \$8,000,000 to pay or reimburse the cost of acquiring, developing, and constructing the facilities and to issue such additional amount of warrants as may be necessary to fund any required reserve for the warrants, to pay interest expense during the acquisition and construction period and during a reasonable start-up period and to pay the costs of issuing the warrants. Further, the Council expressed its official intent to appropriate, in addition to those funds to be derived from the issuance of tax-exempt warrants, an amount not to exceed \$1,500,000 for architectural and engineering services and for those costs associated with the installation of utilities and sewer expansion to serve the facility.

On September 7, 2004, the Council passed a resolution committing to pay the City's share of the cost of the expansion of the Lee-Russell Council of Governments' office building to be paid either in one payment of \$282,000 or in 60 monthly installments of \$5,350, totaling \$321,000.

On September 29, 2004 the Council passed a resolution expressing its intent to purchase 4.2 acres of land for \$200,000 to be paid by a down payment of \$40,000 and issuance of its general obligation warrant for \$160,000 payable over 5 years.

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. However, it was expressly stated 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 are estimated to exceed the above original cost of \$4,000,000 by \$1,000,000 to \$1,500,000. The City has recorded an additional liability of \$100,000 at September 30, 2004 which is the estimated portion of the additional costs actually incurred through September 30, 2004 over the \$700,000 previously paid by the City.

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, 2004.

**CITY OF OPELIKA**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2004*

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

**12. PRIOR PERIOD ADJUSTMENT**

During review of activity surrounding a State administered contract to widen a major City road, it was determined that work performed in prior years by Electric Utility Fund employees to relocate power lines were reimbursable by the State but had not been billed. Accordingly, the beginning net assets of the Electric Utility Fund have been increased by \$249,532 to reflect the addition of a receivable of \$134,446 and the recording of capital assets of \$118,037 and related accumulated depreciation of \$2,951.

**13. SUBSEQUENT EVENTS**

On January 11, 2005, a major customer of the Electric Utility Fund stopped operations and filed for bankruptcy. In 2004, the customer accounted for approximately \$1,300,000 and \$931,000 respectively, of revenues and power purchased. The total receivable balance at the bankruptcy date of \$245,000 will be written off in fiscal year 2005. Of this amount, \$106,000 was included in the allowance for doubtful accounts at September 30, 2004. As a result, the net write-off in fiscal year 2005 will be \$109,000.

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2004**

<i>DESCRIPTION</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Revenues:				
Taxes:				
Sales	\$ 10,691,000	\$ 10,691,000	\$ 11,777,250	\$ 1,086,250
Property:				
Property	1,876,000	1,876,000	2,017,146	141,146
Payments in lieu of taxes	18,000	18,000	25,067	7,067
	<u>1,894,000</u>	<u>1,894,000</u>	<u>2,042,213</u>	<u>148,213</u>
Other:				
Gasoline	602,000	602,000	635,961	33,961
Cigarette	116,000	116,000	112,712	(3,288)
Rental	277,000	277,000	310,496	33,496
Wine	12,000	12,000	12,893	893
	<u>1,007,000</u>	<u>1,007,000</u>	<u>1,072,062</u>	<u>65,062</u>
Total taxes	<u>13,592,000</u>	<u>13,592,000</u>	<u>14,891,525</u>	<u>1,299,525</u>
Licenses and permits:				
Occupational	<u>6,810,000</u>	<u>6,810,000</u>	<u>6,868,497</u>	<u>58,497</u>
Business:				
General	1,691,000	1,691,000	1,696,526	5,526
Lodging	311,000	311,000	327,000	16,000
Franchise fee	82,000	82,000	77,410	(4,590)
	<u>2,084,000</u>	<u>2,084,000</u>	<u>2,100,936</u>	<u>16,936</u>
Permits and inspections	<u>139,000</u>	<u>139,000</u>	<u>219,195</u>	<u>80,195</u>
Total licenses and permits	<u>9,033,000</u>	<u>9,033,000</u>	<u>9,188,628</u>	<u>155,628</u>

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<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	87,000	87,000	74,589	(12,411)
Shared state revenue:				
Bank excise tax	69,000	69,000	32,976	(36,024)
Business privilege tax	66,000	66,000	66,632	632
Share of liquor tax profits	37,000	37,000	63,760	26,760
State asset forfeiture	-	9,518	21,941	12,423
	<u>172,000</u>	<u>181,518</u>	<u>185,309</u>	<u>3,791</u>
Shared federal revenue:				
Federal asset forfeiture	-	4,985	-	(4,985)
	<u>-</u>	<u>4,985</u>	<u>-</u>	<u>(4,985)</u>
Other:				
Grants				
Federal	-	-	-	-
State	-	1,000	130,314	129,314
Lee County	52,666	52,666	25,000	(27,666)
Local governments	-	-	-	-
	<u>52,666</u>	<u>53,666</u>	<u>155,314</u>	<u>101,648</u>
Total intergovernmental revenue	<u>311,666</u>	<u>327,169</u>	<u>415,212</u>	<u>88,043</u>
Charges for services:				
Administration:				
Water Works Board	13,000	13,000	13,329	329
Other governments	-	-	-	-
	<u>13,000</u>	<u>13,000</u>	<u>13,329</u>	<u>329</u>
Public safety:				
Federal entities	-	-	-	-
Board of Education	15,000	15,000	15,000	-
Housing Authority	62,000	62,000	-	(62,000)
Water Works Board	60,000	60,000	64,515	4,515
Other	50,000	50,000	50,000	-
Towing, fire calls, and fire training	-	2,109	3,893	1,784
	<u>187,000</u>	<u>189,109</u>	<u>133,408</u>	<u>(55,701)</u>

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<i>DESCRIPTION</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Public works:				
Other governments	-	-	16,451	16,451
Other	-	-	42,341	42,341
	-	-	58,792	58,792
Health:				
Graves and monuments	73,000	73,000	72,100	(900)
Evergreen Cemetery	9,000	9,000	7,600	(1,400)
	82,000	82,000	79,700	(2,300)
Culture and recreation:				
Entry fees and concessions	203,000	203,000	212,061	9,061
Total charges for services	485,000	487,109	497,290	10,181
Fines and forfeitures:				
Public safety:				
Fines and costs	309,000	309,000	391,345	82,345
Culture and recreation:				
Fines	-	-	13,389	13,389
Total fines and forfeits	309,000	309,000	404,734	95,734
Miscellaneous revenues:				
Interest earnings	276,000	276,000	178,665	(97,335)
Other:				
Rental income	42,000	42,000	41,411	(589)
Contributions	12,000	11,300	34,364	23,064
Cemetery lots	54,000	54,000	58,800	4,800
Miscellaneous	64,000	65,171	67,472	2,301
Total other	172,000	172,471	202,047	29,576
Total miscellaneous revenues	448,000	448,471	380,712	(67,759)
Total revenues	24,178,666	24,196,749	25,778,101	1,581,352

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<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	98,687	98,687	98,469	(218)
Other	166,202	54,823	12,840	(41,983)
Total mayor	<u>264,889</u>	<u>153,510</u>	<u>111,309</u>	<u>(42,201)</u>
Administration:				
Personal services	55,284	55,284	56,205	921
Other	165,375	166,701	157,897	(8,804)
Total administration	<u>220,659</u>	<u>221,985</u>	<u>214,102</u>	<u>(7,883)</u>
Legislative - City Clerk:				
Personal services	120,320	120,320	120,346	26
Other	278,398	228,398	266,070	37,672
Total legislative	<u>398,718</u>	<u>348,718</u>	<u>386,416</u>	<u>37,698</u>
Other:				
Revenue:				
Personal services	187,361	187,361	191,916	4,555
Other	22,997	23,606	21,109	(2,497)
Total revenue	<u>210,358</u>	<u>210,967</u>	<u>213,025</u>	<u>2,058</u>
Accounting:				
Personal services	195,045	196,811	205,735	8,924
Other	78,188	78,217	79,540	1,323
Total accounting	<u>273,233</u>	<u>275,028</u>	<u>285,275</u>	<u>10,247</u>
Community relations:				
Personal services	47,227	47,227	47,637	410
Other	103,668	105,669	62,760	(42,909)
Total community relations	<u>150,895</u>	<u>152,896</u>	<u>110,397</u>	<u>(42,499)</u>

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<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	370,933	373,521	318,051	(55,470)
Other	276,997	310,681	322,092	11,411
	<u>647,930</u>	<u>684,202</u>	<u>640,143</u>	<u>(44,059)</u>
Judicial:				
Personal services	198,822	198,822	201,835	3,013
Other	119,673	119,883	98,980	(20,903)
	<u>318,495</u>	<u>318,705</u>	<u>300,815</u>	<u>(17,890)</u>
Human resources administration:				
Personal services	160,304	160,304	161,638	1,334
Other	259,955	314,401	256,733	(57,668)
	<u>420,259</u>	<u>474,705</u>	<u>418,371</u>	<u>(56,334)</u>
Planning:				
Personal services	199,715	199,715	194,795	(4,920)
Other	21,594	21,594	22,231	637
	<u>221,309</u>	<u>221,309</u>	<u>217,026</u>	<u>(4,283)</u>
Purchasing:				
Personal services	121,651	122,162	120,661	(1,501)
Other	10,362	11,351	8,067	(3,284)
	<u>132,013</u>	<u>133,513</u>	<u>128,728</u>	<u>(4,785)</u>
Nondepartmental:				
Auburn-Opelika Airport	51,043	21,043	21,043	-
Lee-Russell Council of Governments	87,943	87,943	80,743	(7,200)
Opelika Chamber of Commerce	61,650	66,150	66,150	-
Opelika Industrial Development Authority	100,000	100,000	100,000	-
Lee County Extension Service	10,000	10,000	10,000	-
Envision Opelika	50,000	50,000	50,000	-
Downtown Development Authority	4,500	4,500	4,500	-
Main Street, Inc.	17,000	17,000	17,000	-
	<u>382,136</u>	<u>356,636</u>	<u>349,436</u>	<u>(7,200)</u>
Total other	2,756,628	2,827,961	2,663,216	(164,745)
Total general government	<u>3,640,894</u>	<u>3,552,174</u>	<u>3,375,043</u>	<u>(177,131)</u>

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Public safety:				
Police:				
Personal services	4,896,847	4,908,607	4,802,056	(106,551)
Other	899,989	962,089	879,476	(82,613)
Total police	<u>5,796,836</u>	<u>5,870,696</u>	<u>5,681,532</u>	<u>(189,164)</u>
Fire:				
Personal services	3,263,594	3,354,703	3,293,375	(61,328)
Other	353,273	363,280	336,826	(26,454)
Total fire	<u>3,616,867</u>	<u>3,717,983</u>	<u>3,630,201</u>	<u>(87,782)</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	302,600	330,600	330,600	-
Total other	<u>345,100</u>	<u>373,100</u>	<u>373,100</u>	<u>-</u>
Total public safety	<u>9,758,803</u>	<u>9,961,779</u>	<u>9,684,833</u>	<u>(276,946)</u>
Public works:				
Highways and streets:				
Personal services	639,402	639,402	607,388	(32,014)
Other	121,509	114,702	112,123	(2,579)
Total highways and streets	<u>760,911</u>	<u>754,104</u>	<u>719,511</u>	<u>(34,593)</u>
Engineering:				
Personal services	500,391	500,791	476,568	(24,223)
Other	107,119	126,478	93,196	(33,282)
Total engineering	<u>607,510</u>	<u>627,269</u>	<u>569,764</u>	<u>(57,505)</u>

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<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	160,739	160,465	164,135	3,670
Other	73,948	69,652	71,632	1,980
	<u>234,687</u>	<u>230,117</u>	<u>235,767</u>	<u>5,650</u>
Cemetery:				
Personal services	140,002	140,002	133,000	(7,002)
Other	60,563	42,284	31,523	(10,761)
	<u>200,565</u>	<u>182,286</u>	<u>164,523</u>	<u>(17,763)</u>
Automotive shop:				
Personal services	325,205	326,627	294,593	(32,034)
Other	27,892	32,404	38,004	5,600
	<u>353,097</u>	<u>359,031</u>	<u>332,597</u>	<u>(26,434)</u>
Building maintenance:				
Personal services	208,406	208,406	202,881	(5,525)
Other	70,001	63,873	65,540	1,667
	<u>278,407</u>	<u>272,279</u>	<u>268,421</u>	<u>(3,858)</u>
Inspection:				
Personal services	221,154	221,154	209,841	(11,313)
Other	18,278	17,151	16,366	(785)
	<u>239,432</u>	<u>238,305</u>	<u>226,207</u>	<u>(12,098)</u>
Ground maintenance:				
Personal services	351,451	351,451	315,877	(35,574)
Other	213,964	234,364	214,960	(19,404)
	<u>565,415</u>	<u>585,815</u>	<u>530,837</u>	<u>(54,978)</u>
Total other	<u>1,871,603</u>	<u>1,867,833</u>	<u>1,758,352</u>	<u>(109,481)</u>
Total public works	<u>3,240,024</u>	<u>3,249,206</u>	<u>3,047,627</u>	<u>(201,579)</u>

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<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	31,078	31,078	31,206	128
Other	4,618	3,918	3,167	(751)
	<u>35,696</u>	<u>34,996</u>	<u>34,373</u>	<u>(623)</u>
Other:				
Nondepartmental:				
Lee County Health Department	45,000	45,000	45,000	-
East Alabama Mental Health	45,000	45,000	45,000	-
East Alabama Regional Solid Waste Disposal Authority	7,511	7,511	5,633	(1,878)
Valley Haven School	1,000	1,000	1,000	-
Lee County Humane Society	62,023	62,023	62,023	-
Sickle Cell Association	1,500	1,500	1,750	250
J.W. Darden Foundation	-	11,000	11,000	-
Substance Abuse	45,000	45,000	45,000	-
Employers Child Care Alliance	6,000	6,000	6,000	-
Other	-	11,750	11,750	-
Total other	<u>213,034</u>	<u>235,784</u>	<u>234,156</u>	<u>(1,628)</u>
Total health	<u>248,730</u>	<u>270,780</u>	<u>268,529</u>	<u>(2,251)</u>
Welfare:				
Other:				
Nondepartmental:				
East Alabama Services for the Elderly	2,500	7,500	7,500	-
Lee County Youth Development Center	27,000	27,000	27,000	-
Boy and Girls Clubs	25,000	33,500	33,500	-
Council on Human Relations	18,000	18,000	18,000	-
East Alabama Food Bank	-	5,700	5,700	-
Total welfare	<u>72,500</u>	<u>91,700</u>	<u>91,700</u>	<u>-</u>

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Culture and recreation:				
Parks and recreation:				
Personal services	1,373,610	1,373,610	1,325,105	(48,505)
Other	759,880	797,452	779,290	(18,162)
Total parks and recreation	<u>2,133,490</u>	<u>2,171,062</u>	<u>2,104,395</u>	<u>(66,667)</u>
Library:				
Personal services	320,281	317,381	288,201	(29,180)
Other	97,314	174,653	118,721	(55,932)
Total library	<u>417,595</u>	<u>492,034</u>	<u>406,922</u>	<u>(85,112)</u>
Other:				
Nondepartmental:				
Opelika Tree Commission	7,000	7,000	7,000	-
Keep Opelika Beautiful	10,000	41,210	41,210	-
Museum of East Alabama	24,000	26,000	26,000	-
Opelika Arts Association	10,000	10,000	10,000	-
Total other	<u>51,000</u>	<u>84,210</u>	<u>84,210</u>	<u>-</u>
Total culture and recreation	<u>2,602,085</u>	<u>2,747,306</u>	<u>2,595,527</u>	<u>(151,779)</u>
Economic Development:				
Personal services	216,806	216,806	216,544	(262)
Other	91,432	93,597	66,087	(27,510)
Total	<u>308,238</u>	<u>310,403</u>	<u>282,631</u>	<u>(27,772)</u>
Nondepartmental:				
Industrial grant	-	-	121,487	121,487
Total economic development	<u>308,238</u>	<u>310,403</u>	<u>404,118</u>	<u>93,715</u>
Education:	<u>2,500,000</u>	<u>2,529,260</u>	<u>9,537,298</u>	<u>7,008,038</u>
Capital Outlay:	<u>85,249</u>	<u>3,319,205</u>	<u>832,018</u>	<u>(2,487,187)</u>

Unaudited

**CITY OF OPELIKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2004**

<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	461,241	461,241	461,247	6
Interest	200,694	200,694	191,004	(9,690)
Bond issue costs	-	-	165,510	165,510
Total debt service	<u>661,935</u>	<u>661,935</u>	<u>817,761</u>	<u>155,826</u>
Total expenditures	<u>23,118,458</u>	<u>26,693,748</u>	<u>30,654,454</u>	<u>3,960,706</u>
Excess of revenues over (under) expenditures	<u>1,060,208</u>	<u>(2,496,999)</u>	<u>(4,876,353)</u>	<u>(2,379,354)</u>
Other financing sources (uses):				
Proceeds from bond issuance	-	-	7,173,537	7,173,537
Sale of fixed assets	18,000	18,000	34,320	16,320
Transfers from Electric Utility Fund	2,285,923	2,287,465	2,287,465	-
Transfers from Sewer Fund	-	-	-	-
Transfers from Solid Waste Collection Fund	-	-	-	-
Transfers from Garden Hills Cemetery Trust Fund	18,000	18,000	8,830	(9,170)
Transfers from General Obligation Debt Service Fund	6,800	6,800	177	(6,623)
Transfers from IAR Grant Funds	-	-	-	-
Transfers to General Obligation Debt Service Funds	(2,167,000)	(2,167,000)	(2,293,403)	(126,403)
Transfers to County Jail/Parks and Recreation Fund	(980,000)	(980,000)	(1,348,166)	(368,166)
Transfers to Enterprise Funds	(64,441)	(71,762)	-	71,762
Transfers to Garden Hills Cemetery Perpetual Care Trust Fund	(12,000)	(12,000)	(14,700)	(2,700)
Transfers to Community Development Fund	(165,490)	(1,119,815)	(1,064,454)	55,361
Transfers to Capital Projects Fund	-	-	-	-
Total other financing sources (uses)	<u>(1,060,208)</u>	<u>(2,020,312)</u>	<u>4,783,606</u>	<u>6,803,918</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	(4,517,311)	(92,747)	4,424,564
Fund balance, beginning of year	<u>9,856,246</u>	<u>9,856,246</u>	<u>9,856,246</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,856,246</u>	<u>\$ 5,338,935</u>	<u>\$ 9,763,499</u>	<u>\$ 4,424,564</u>

Unaudited

**CITY OF OPELIKA**  
*SCHOOL TAX SPECIAL REVENUE FUND*  
*STATEMENT OF REVENUES, EXPENDITURES, AND*  
*CHANGES IN FUND BALANCES - BUDGET AND ACTUAL*  
*YEAR ENDED SEPTEMBER 30, 2004*

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Revenues:				
Taxes:				
Property	\$ 3,343,000	\$ 3,343,000	\$ 3,689,054	\$ 346,054
Total revenues	<u>3,343,000</u>	<u>3,343,000</u>	<u>3,689,054</u>	<u>346,054</u>
Expenditures:				
Current:				
Education	1,285,800	1,285,800	1,505,478	219,678
Total expenditures	<u>1,285,800</u>	<u>1,285,800</u>	<u>1,505,478</u>	<u>219,678</u>
Excess of revenues over (under) expenditures	<u>2,057,200</u>	<u>2,057,200</u>	<u>2,183,576</u>	<u>126,376</u>
Other financing sources (uses):				
Transfers to Other Funds	<u>(2,057,200)</u>	<u>(2,057,200)</u>	<u>(2,183,576)</u>	<u>(126,376)</u>
Total other financing sources (uses)	<u>(2,057,200)</u>	<u>(2,057,200)</u>	<u>(2,183,576)</u>	<u>(126,376)</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***

## ***COMBINING NONMAJOR FUNDS STATEMENTS AND SUPPLEMENTAL SCHEDULES***

***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, 2004**

	<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>
<i>ASSETS</i>					
Cash and cash equivalents	\$ 3,833,656	\$ 3,992	\$ 261,780	\$ -	\$ 4,099,428
Cash with fiscal agent	-	-	-	-	-
Certificates of deposit	-	8,000	-	-	8,000
Investments	5,062	921,133	-	456,582	1,382,777
Receivables	-	-	-	3,059	3,059
Due from other funds	1,538	537,639	-	16,334	555,511
Due from other governments	141,967	-	-	-	141,967
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 3,982,223	\$ 1,470,764	\$ 261,780	\$ 475,975	\$ 6,190,742
<i>LIABILITIES AND FUND BALANCES</i>					
Liabilities:					
Accounts payable	\$ 41,730	\$ -	\$ -	\$ 742	\$ 42,472
Retainage payable	-	-	-	-	-
Accrued payroll and benefits	-	-	-	-	-
Due to other funds	182,085	106,486	150,455	-	439,026
Due to other governments	-	-	-	-	-
Deferred revenue	32,120	-	-	-	32,120
Matured bonds and interest payable	-	927,708	-	-	927,708
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	255,935	1,034,194	150,455	742	1,441,326
Fund balances:					
Reserved for encumbrances	966,929	-	-	-	966,929
Reserved for debt service	-	-	-	-	-
Unreserved, undesignated	2,759,359	436,570	111,325	475,233	3,782,487
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	3,726,288	436,570	111,325	475,233	4,749,416
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 3,982,223	\$ 1,470,764	\$ 261,780	\$ 475,975	\$ 6,190,742

**CITY OF OPELIKA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2004**

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>GARDEN HILLS CEMETERY PERMANENT FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
Revenues:					
Intergovernmental	\$ 888,885	\$ -	\$ -	\$ -	\$ 888,885
Investment income	78,132	2,976	3,275	27,283	111,666
Contributions	8,832	-	-	-	8,832
Other	-	-	-	-	-
Total revenues	<u>975,849</u>	<u>2,976</u>	<u>3,275</u>	<u>27,283</u>	<u>1,009,383</u>
Expenditures:					
Current:					
General government	64,878	-	-	3,714	68,592
Public safety	99,491	-	-	-	99,491
Public works	22,373	-	-	-	22,373
Welfare	54,304	-	-	-	54,304
Culture and recreation	-	-	-	-	-
Education	-	-	-	-	-
Economic development and urban rehabilitation	207,423	-	-	-	207,423
Capital outlay:	749,965	-	22,649	-	772,614
Debt service:					
Principal retirement	-	2,805,000	-	-	2,805,000
Interest	-	2,083,525	-	-	2,083,525
Bond issue costs	-	-	-	-	-
Total expenditures	<u>1,198,434</u>	<u>4,888,525</u>	<u>22,649</u>	<u>3,714</u>	<u>6,113,322</u>
Excess of revenues over (under) expenditures	<u>(222,585)</u>	<u>(4,885,549)</u>	<u>(19,374)</u>	<u>23,569</u>	<u>(5,103,939)</u>
Other financing sources (uses):					
Proceeds of general long term debt	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-
Transfers from governmental funds	1,464,703	4,870,566	-	14,700	6,349,969
Transfers from proprietary funds	-	-	-	-	-
Transfers to governmental funds	-	(177)	-	(8,830)	(9,007)
Transfers to proprietary funds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>1,464,703</u>	<u>4,870,389</u>	<u>-</u>	<u>5,870</u>	<u>6,340,962</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,242,118	(15,160)	(19,374)	29,439	1,237,023
Fund balances, beginning of year	2,484,170	451,730	130,699	445,794	3,512,393
Fund balances, end of year	<u>\$ 3,726,288</u>	<u>\$ 436,570</u>	<u>\$ 111,325</u>	<u>\$ 475,233</u>	<u>\$ 4,749,416</u>

## ***NONMAJOR SPECIAL REVENUE FUNDS***

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

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

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

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

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

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

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

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

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

**CITY OF OPELIKA**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2004

<b>ASSETS</b>	<i>7¢ STATE GASOLINE TAX FUND</i>	<i>4¢ STATE GASOLINE TAX FUND</i>	<i>CAPITAL IMPROVEMENT FUND</i>	<i>COMMUNITY DEVELOPMENT FUND</i>	<i>ROAD MAINTENANCE FUND</i>	<i>SALES TAX JAIL/REC FUND</i>	<i>ROSEMERE CEMETERY FUND</i>	<i>COOPER LIBRARY EXPENDABLE TRUST FUND</i>	<i>COMBINED TOTALS</i>
Cash	\$ 56,304	\$ 31,387	\$ 41,639	\$ 72,625	\$ 2,229,703	\$ 1,366,842	\$ 35,156	\$ -	\$ 3,833,656
Investments	-	-	-	-	-	-	-	5,062	5,062
Due from other funds	-	-	139	1,399	-	-	-	-	1,538
Due from other governments	13,575	9,779	-	118,613	-	-	-	-	141,967
<b>Total assets</b>	<b><u>\$ 69,879</u></b>	<b><u>\$ 41,166</u></b>	<b><u>\$ 41,778</u></b>	<b><u>\$ 192,637</u></b>	<b><u>\$ 2,229,703</u></b>	<b><u>\$ 1,366,842</u></b>	<b><u>\$ 35,156</u></b>	<b><u>\$ 5,062</u></b>	<b><u>\$ 3,982,223</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 3,506	\$ 804	\$ 5,076	\$ 32,344	\$ -	\$ -	\$ -	\$ -	\$ 41,730
Retainage payable	-	-	-	-	-	-	-	-	-
Accrued payroll and benefits	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	736	110,904	70,445	-	-	-	182,085
Due to other governments	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	32,120	-	-	-	-	32,120
<b>Total liabilities</b>	<b><u>3,506</u></b>	<b><u>804</u></b>	<b><u>5,812</u></b>	<b><u>175,368</u></b>	<b><u>70,445</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>255,935</u></b>
Fund balances:									
Reserved for encumbrances	5,927	18,523	-	17,269	-	910,910	14,300	-	966,929
Unreserved, undesignated	60,446	21,839	35,966	-	2,159,258	455,932	20,856	5,062	2,759,359
<b>Total fund balance</b>	<b><u>66,373</u></b>	<b><u>40,362</u></b>	<b><u>35,966</u></b>	<b><u>17,269</u></b>	<b><u>2,159,258</u></b>	<b><u>1,366,842</u></b>	<b><u>35,156</u></b>	<b><u>5,062</u></b>	<b><u>3,726,288</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 69,879</u></b>	<b><u>\$ 41,166</u></b>	<b><u>\$ 41,778</u></b>	<b><u>\$ 192,637</u></b>	<b><u>\$ 2,229,703</u></b>	<b><u>\$ 1,366,842</u></b>	<b><u>\$ 35,156</u></b>	<b><u>\$ 5,062</u></b>	<b><u>\$ 3,982,223</u></b>

**CITY OF OPELIKA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2004**

	<i>7¢ STATE GASOLINE TAX FUND</i>	<i>4¢ STATE GASOLINE TAX FUND</i>	<i>CAPITAL IMPROVEMENT FUND</i>	<i>COMMUNITY DEVELOPMENT FUND</i>	<i>ROAD MAINTENANCE FUND</i>	<i>SALES TAX JAIL/REC FUND</i>	<i>ROSEMERE CEMETERY FUND</i>	<i>COOPER LIBRARY EXPENDABLE TRUST FUND</i>	<i>COMBINED TOTALS</i>
Revenues:									
Intergovernmental:									
Shared state gasoline tax	\$ 81,885	\$ 58,994	\$ 101,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,916
Alabama trust fund	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	646,969	-	-	-	-	646,969
State grants	-	-	-	-	-	-	-	-	-
Total intergovernmental	<u>81,885</u>	<u>58,994</u>	<u>101,037</u>	<u>646,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,885</u>
Miscellaneous:									
Interest	1,978	573	1,898	1,293	51,270	20,212	272	636	78,132
Contributions	-	-	-	-	-	-	8,832	-	8,832
Total miscellaneous	<u>1,978</u>	<u>573</u>	<u>1,898</u>	<u>1,293</u>	<u>51,270</u>	<u>20,212</u>	<u>9,104</u>	<u>636</u>	<u>86,964</u>
Total revenues	<u>83,863</u>	<u>59,567</u>	<u>102,935</u>	<u>648,262</u>	<u>51,270</u>	<u>20,212</u>	<u>9,104</u>	<u>636</u>	<u>975,849</u>
Expenditures:									
Current:									
General government	-	-	-	64,878	-	-	-	-	64,878
Public safety	-	-	-	99,491	-	-	-	-	99,491
Public works	-	15,466	-	-	-	-	6,907	-	22,373
Welfare	-	-	-	54,304	-	-	-	-	54,304
Culture and recreation	-	-	-	-	-	-	-	-	-
Economic development and urban rehabilitation	-	-	-	207,423	-	-	-	-	207,423
Total current expenditures	<u>-</u>	<u>15,466</u>	<u>-</u>	<u>426,096</u>	<u>-</u>	<u>-</u>	<u>6,907</u>	<u>-</u>	<u>448,469</u>
Capital Outlay	<u>149,833</u>	<u>67,000</u>	<u>120,336</u>	<u>313,698</u>	<u>97,562</u>	<u>1,536</u>	<u>-</u>	<u>-</u>	<u>749,965</u>
Total expenditures	<u>149,833</u>	<u>82,466</u>	<u>120,336</u>	<u>739,794</u>	<u>97,562</u>	<u>1,536</u>	<u>6,907</u>	<u>-</u>	<u>1,198,434</u>
Excess of revenues over (under) expenditures	<u>(65,970)</u>	<u>(22,899)</u>	<u>(17,401)</u>	<u>(91,532)</u>	<u>(46,292)</u>	<u>18,676</u>	<u>2,197</u>	<u>636</u>	<u>(222,585)</u>
Other financing sources (uses):									
Transfers from governmental funds	-	-	-	116,537	-	1,348,166	-	-	1,464,703
Transfers from proprietary funds	-	-	-	-	-	-	-	-	-
Transfers to governmental funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,537</u>	<u>-</u>	<u>1,348,166</u>	<u>-</u>	<u>-</u>	<u>1,464,703</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(65,970)</u>	<u>(22,899)</u>	<u>(17,401)</u>	<u>25,005</u>	<u>(46,292)</u>	<u>1,366,842</u>	<u>2,197</u>	<u>636</u>	<u>1,242,118</u>
Fund balances, beginning of year	<u>132,343</u>	<u>63,261</u>	<u>53,367</u>	<u>(7,736)</u>	<u>2,205,550</u>	<u>-</u>	<u>32,959</u>	<u>4,426</u>	<u>2,484,170</u>
Fund balances, end of year	<u>\$ 66,373</u>	<u>\$ 40,362</u>	<u>\$ 35,966</u>	<u>\$ 17,269</u>	<u>\$ 2,159,258</u>	<u>\$ 1,366,842</u>	<u>\$ 35,156</u>	<u>\$ 5,062</u>	<u>\$ 3,726,288</u>

***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, 2004**

<b>ASSETS</b>	<b>GENERAL OBLIGATION WARRANTS</b>	<b>GENERAL OBLIGATION REFUNDING SCHOOL WARRANTS</b>	<b>GENERAL OBLIGATION SCHOOL WARRANTS</b>	<b>COMBINED TOTALS</b>
Cash and cash equivalents	\$ 1,426	\$ 2,566	\$ -	\$ 3,992
Certificates of deposit	8,000	-	-	8,000
Investments	444,051	2,351	474,731	921,133
Due from other funds	534,340	-	3,299	537,639
Total assets	<u>\$ 987,817</u>	<u>\$ 4,917</u>	<u>\$ 478,030</u>	<u>\$ 1,470,764</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Due to other funds	\$ 98,448	\$ -	\$ 8,038	\$ 106,486
Matured bonds and interest payable	566,096	-	361,612	927,708
Total liabilities	<u>664,544</u>	<u>-</u>	<u>369,650</u>	<u>1,034,194</u>
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, undesignated	323,273	4,917	108,380	436,570
Total fund balance	<u>323,273</u>	<u>4,917</u>	<u>108,380</u>	<u>436,570</u>
Total liabilities and fund balances	<u>\$ 987,817</u>	<u>\$ 4,917</u>	<u>\$ 478,030</u>	<u>\$ 1,470,764</u>

**CITY OF OPELIKA**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2004

	<u>GENERAL OBLIGATION</u>	<u>GENERAL OBLIGATION REFUNDING SCHOOL WARRANTS</u>	<u>GENERAL OBLIGATION SCHOOL WARRANTS</u>	<u>COMBINED TOTALS</u>
Revenues:				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous:	-	-	-	-
Investment income	2,028	79	869	2,976
Total revenues	<u>2,028</u>	<u>79</u>	<u>869</u>	<u>2,976</u>
Expenditures:				
Debt service:				
Principal retirement	1,565,000	-	1,240,000	2,805,000
Interest and fiscal charges	1,139,224	1,488	942,813	2,083,525
Bond issue costs	-	-	-	-
Total expenditures	<u>2,704,224</u>	<u>1,488</u>	<u>2,182,813</u>	<u>4,888,525</u>
Excess of revenues over (under) expenditures	<u>(2,702,196)</u>	<u>(1,409)</u>	<u>(2,181,944)</u>	<u>(4,885,549)</u>
Other financing sources (uses):				
Proceeds of general long term debt	-	-	-	-
Proceeds of refunding bonds	-	-	-	-
Transfers from governmental funds	2,686,990	1,488	2,182,088	4,870,566
Transfers from proprietary funds	-	-	-	-
Transfers to governmental funds	(177)	-	-	(177)
Transfers to proprietary funds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>2,686,813</u>	<u>1,488</u>	<u>2,182,088</u>	<u>4,870,389</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(15,383)</u>	<u>79</u>	<u>144</u>	<u>(15,160)</u>
Fund balances, beginning of year	<u>338,656</u>	<u>4,838</u>	<u>108,236</u>	<u>451,730</u>
Fund balances, end of year	<u>\$ 323,273</u>	<u>\$ 4,917</u>	<u>\$ 108,380</u>	<u>\$ 436,570</u>

## ***NONMAJOR CAPITAL PROJECTS FUNDS***

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

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

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

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

**CITY OF OPELIKA**  
*COMBINING BALANCE SHEET*  
*NONMAJOR CAPITAL PROJECTS FUNDS*  
*SEPTEMBER 30, 2004*

<i>ASSETS</i>	<u>ROAD CONSTRUCTION</u>
Cash	\$ 261,780
Due from other governments	-
Due from other funds	-
	<hr/>
Total assets	<u>\$ 261,780</u>
 <i>LIABILITIES AND FUND BALANCES</i>	
Liabilities:	
Accounts payable	\$ -
Retainage payable	-
Accrued payroll and benefits	-
Due to other funds	150,455
Due to other governments	-
Deferred revenue	-
Total liabilities	<hr/> 150,455
Fund balances:	
Reserved for encumbrances	-
Unreserved, undesignated	111,325
Total fund balance	<hr/> 111,325
Total liabilities and fund balances	<u>\$ 261,780</u>

**CITY OF OPELIKA**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES*  
*NONMAJOR CAPITAL PROJECTS FUNDS*  
*YEAR ENDED SEPTEMBER 30, 2004*

	<u>ROAD CONSTRUCTION</u>
Revenues:	
Intergovernmental	-
Interest	\$ 3,275
Other	-
	<hr/>
Total revenues	3,275
	<hr/>
Expenditures:	
Current:	
General government	-
Public safety	-
Public works	-
Culture and recreation	-
Economic development and urban rehabilitation	-
Total current expenditures	-
Capital Outlay	22,649
Total expenditures	22,649
	<hr/>
Excess of revenues over (under) expenditures	(19,374)
	<hr/>
Other financing sources (uses):	
Transfers from governmental funds	-
Transfers from proprietary funds	-
Transfers to governmental funds	-
Total other financing sources (uses)	-
	<hr/>
Excess of revenues and other sources over (under) expenditures and other uses	(19,374)
	<hr/>
Fund balances, beginning of year	130,699
	<hr/>
Fund balances, end of year	\$ 111,325
	<hr/> <hr/>

## ***INTERNAL SERVICE FUNDS***

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

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

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

**CITY OF OPELIKA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2004**

	<u>WORKMEN'S COMPENSATION INSURANCE FUND</u>	<u>WORKER'S HEALTH INSURANCE FUND</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,534,742	\$ -	\$ 1,534,742
Accounts receivable	-	-	-
Accrued interest	-	-	-
Due from other funds	4,752	180,860	185,612
Total current assets	<u>1,539,494</u>	<u>180,860</u>	<u>1,720,354</u>
Other assets:			
Deposits	<u>19,229</u>	<u>-</u>	<u>19,229</u>
Total assets	<u>\$ 1,558,723</u>	<u>\$ 180,860</u>	<u>\$ 1,739,583</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 21,579	\$ 37,227	\$ 58,806
Due to other funds	326,021	-	326,021
Liability for unpaid claims	131,966	90,000	221,966
Deferred revenue	-	119,846	119,846
Total current liabilities	<u>479,566</u>	<u>247,073</u>	<u>726,639</u>
Long-term liabilities:			
Liability for unpaid claims	<u>225,886</u>	<u>-</u>	<u>225,886</u>
Total liabilities	<u>705,452</u>	<u>247,073</u>	<u>952,525</u>
<b>NET ASSETS</b>			
Unrestricted	<u>853,271</u>	<u>(66,213)</u>	<u>787,058</u>
Total net assets	<u>\$ 853,271</u>	<u>\$ (66,213)</u>	<u>\$ 787,058</u>

**CITY OF OPELIKA**  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2004

	<i>WORKMEN'S COMPENSATION INSURANCE FUND</i>	<i>HEALTH INSURANCE FUND</i>	<i>TOTALS</i>
Operating revenues:			
Charges for insurance	\$ 453,977	\$ 1,438,737	\$ 1,892,714
Operating expenses:			
Insurance claims and expenses	<u>445,389</u>	<u>1,557,376</u>	<u>2,002,765</u>
Operating income (loss)	<u>8,588</u>	<u>(118,639)</u>	<u>(110,051)</u>
Nonoperating revenues and (expenses):			
Interest revenue	<u>39,692</u>	<u>162</u>	<u>39,854</u>
Change in net assets	48,280	(118,477)	(70,197)
Net assets, beginning of year	<u>804,991</u>	<u>52,264</u>	<u>857,255</u>
Net assets, end of year	<u>\$ 853,271</u>	<u>\$ (66,213)</u>	<u>\$ 787,058</u>

**CITY OF OPELIKA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2004**

	<i>WORKMEN'S COMPENSATION INSURANCE FUND</i>	<i>HEALTH INSURANCE FUND</i>	<i>TOTALS</i>
Cash flows from operating activities:			
Receipts from other funds for premiums	449,753	1,440,130	1,889,883
Payments to suppliers and others	(112,038)	(249,044)	(361,082)
Claims paid	(389,138)	(1,341,678)	(1,730,816)
Net cash provided (used) by operating activities	<u>(51,423)</u>	<u>(150,592)</u>	<u>(202,015)</u>
Cash flows from noncapital financing activities:			
Receipt (payment) on interfund balance	6,457	150,430	156,887
Net cash provided (used) by noncapital financing activities	<u>6,457</u>	<u>150,430</u>	<u>156,887</u>
Cash flows from investing activities:			
Interest on investments	42,501	162	42,663
Net cash provided (used) by investing activities	<u>42,501</u>	<u>162</u>	<u>42,663</u>
Net increase (decrease) in cash and cash equivalents	(2,465)	-	(2,465)
Cash and cash equivalents at beginning of year	1,537,207	-	1,537,207
Cash and cash equivalents at end of year	<u>\$ 1,534,742</u>	<u>\$ -</u>	<u>\$ 1,534,742</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 8,588	\$ (118,639)	\$ (110,051)
Change in assets and liabilities:			
(Increase) decrease in due from other funds	(4,226)	-	(4,226)
(Increase) decrease in accounts receivable	57,770	-	57,770
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in deposits	-	-	-
Increase (decrease) in accounts payable	2,632	3,653	6,285
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in liability for unpaid claims	(116,187)	(37,000)	(153,187)
Increase (decrease) in deferred revenue	-	1,394	1,394
Net cash provided (used) by operating activities	<u>\$ (51,423)</u>	<u>\$ (150,592)</u>	<u>\$ (202,015)</u>

***SUPPLEMENTAL SCHEDULES***

**CITY OF OPELIKA**  
**GOVERNMENTAL FUNDS**  
**SCHEDULE OF DEBT**  
**YEAR ENDED SEPTEMBER 30, 2004**

	<b>2004</b>
Amount available and to be provided for the payment of long-term debt:	
General obligation debt:	
Amount available in debt service funds	\$ 310,621
Amount to be provided (for principal)	50,848,394
Other long term debt:	
Amount available in debt service funds	-
Amount to be provided (for principal)	7,066,349
Total available and to be provided	\$ 58,225,364
Long-term debt outstanding:	
General obligation debt:	
Serial bonds and warrants:	
Warrants issued 1994, due serially to July 1, 2014	\$ 1,430,000
Warrants issued 1996, due serially to February 15, 2016	2,570,000
Warrants issued 1998, due in installments to July 1, 2014	8,365,000
Warrant issued 1999, due in installments to April 15, 2006	64,039
Warrants issued 2000, due in installments to October 1, 2025	6,710,000
Warrants issued 2002, due in installments to February 1, 2032	4,265,000
Warrants issued 2003, due in installments to April 1, 2023	16,170,000
Warrants issued 2004, due in installments to March 1, 2029	7,145,000
Total general obligation serial bonds and warrants	46,719,039
Other:	
Vacation, sick leave, workmen's compensation claims and other	2,739,976
Reserve Agreement dated as of June 1, 1998 with the Opelika Industrial Development Authority	1,700,000
Total general obligation other	4,439,976
Total general obligation debt	51,159,015
Other long-term debt:	
Capital lease - public safety equipment	-
Capital lease - public safety equipment	164,349
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	6,902,000
Total other long-term debt	7,066,349
Total long-term debt	\$ 58,225,364

**CITY OF OPELIKA**  
**GOVERNMENTAL FUNDS**  
**SCHEDULE OF DEBT SERVICE**  
**SEPTEMBER 30, 2004**

	<i>General Obligation Bonds and Warrants</i>		<i>Other Long-Term Debt</i>		<i>Total General Long-Term Debt</i>		<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	
2005	\$ 2,579,459	\$ 2,129,349	\$ 354,641	\$ 218,951	\$ 2,934,100	\$ 2,348,300	\$ 5,282,400
2006	3,564,580	1,982,741	304,708	207,468	3,869,288	2,190,209	6,059,497
2007	3,435,000	1,810,835	275,000	200,452	3,710,000	2,011,287	5,721,287
2008	3,595,000	1,647,470	290,000	193,727	3,885,000	1,841,197	5,726,197
2009	3,750,000	1,477,652	315,000	186,694	4,065,000	1,664,346	5,729,346
2010	3,940,000	1,299,558	335,000	178,982	4,275,000	1,478,540	5,753,540
2011	3,550,000	1,157,241	360,000	170,777	3,910,000	1,328,018	5,238,018
2012	2,975,000	1,001,100	385,000	161,976	3,360,000	1,163,076	4,523,076
2013	3,260,000	865,164	415,000	152,578	3,675,000	1,017,742	4,692,742
2014	2,085,000	750,262	445,000	142,399	2,530,000	892,661	3,422,661
2015	960,000	654,636	480,000	131,439	1,440,000	786,075	2,226,075
2016	1,015,000	609,331	515,000	119,595	1,530,000	728,926	2,258,926
2017	765,000	568,604	550,000	106,867	1,315,000	675,471	1,990,471
2018	800,000	533,219	590,000	93,255	1,390,000	626,474	2,016,474
2019	835,000	495,456	635,000	78,656	1,470,000	574,112	2,044,112
2020	875,000	455,687	680,000	62,885	1,555,000	518,572	2,073,572
2021	920,000	413,596	730,000	46,025	1,650,000	459,621	2,109,621
2022	965,000	368,515	785,000	27,890	1,750,000	396,405	2,146,405
2023	1,015,000	344,574	322,000	8,296	1,337,000	352,870	1,689,870
2024	1,060,000	269,225	-	-	1,060,000	269,225	1,329,225
2025	1,120,000	215,344	-	-	1,120,000	215,344	1,335,344
2026	630,000	158,263	-	-	630,000	158,263	788,263
2027	660,000	128,747	-	-	660,000	128,747	788,747
2028	695,000	97,687	-	-	695,000	97,687	792,687
2029	725,000	65,084	-	-	725,000	65,084	790,084
2029	300,000	40,744	-	-	300,000	40,744	340,744
2031	315,000	24,984	-	-	315,000	24,984	339,984
2032	330,000	8,456	-	-	330,000	8,456	338,456
Vacation, sick, and other:	-	-	2,739,976	-	2,739,976	-	2,739,976
	<u>\$ 46,719,039</u>	<u>\$ 19,573,525</u>	<u>\$ 11,506,325</u>	<u>\$ 2,488,912</u>	<u>\$ 58,225,364</u>	<u>\$ 22,062,437</u>	<u>\$ 80,287,801</u>

**CITY OF OPELIKA**  
*SCHEDULE OF GENERAL OBLIGATION DEBT*  
 SEPTEMBER 30, 2004

**GENERAL OBLIGATION WARRANTS, SERIES 1994-A**

<i>TOTAL PRINCIPAL OUTSTANDING</i>	<i>YEAR</i>	<i>INTEREST RATE</i>	<i>ANNUAL PRINCIPAL PAYMENTS</i>	<i>ANNUAL INTEREST PAYMENTS</i>	<i>TOTAL PRINCIPAL &amp; INTEREST</i>
\$ 1,430,000	2005	5.50%	\$ 695,000	\$ 79,385	\$ 774,385
735,000	2006	5.60%	735,000	41,160	776,160
			\$ 1,430,000	\$ 120,545	\$ 1,550,545

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

**CITY OF OPELIKA**  
*SCHEDULE OF GENERAL OBLIGATION DEBT*  
 SEPTEMBER 30, 2004

***GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 1996***

<b><i>TOTAL PRINCIPAL OUTSTANDING</i></b>	<b><i>YEAR</i></b>	<b><i>INTEREST RATE</i></b>	<b><i>ANNUAL PRINCIPAL PAYMENTS</i></b>	<b><i>ANNUAL INTEREST PAYMENTS</i></b>	<b><i>TOTAL PRINCIPAL &amp; INTEREST</i></b>
\$ 2,570,000	2005	4.40%	\$ 160,000	\$ 123,595	\$ 283,595
2,410,000	2006	4.50%	170,000	116,250	286,250
2,240,000	2007	4.60%	180,000	108,285	288,285
2,060,000	2008	4.70%	185,000	99,798	284,798
1,875,000	2009	4.80%	195,000	90,770	285,770
1,680,000	2010	4.90%	205,000	81,068	286,068
1,475,000	2011	5.00%	215,000	70,670	285,670
1,260,000	2012	5.10%	225,000	59,557	284,557
1,035,000	2013	5.20%	240,000	47,580	287,580
795,000	2014	5.20%	250,000	34,840	284,840
545,000	2015	5.20%	265,000	21,450	286,450
280,000	2016	5.20%	280,000	7,280	287,280
			\$ 2,570,000	\$ 861,143	\$ 3,431,143

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

**CITY OF OPELIKA**  
**SCHEDULE OF LONG TERM DEBT**  
**SEPTEMBER 30, 2004**

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

<b>TOTAL PRINCIPAL OUTSTANDING</b>	<b>YEAR</b>	<b>INTEREST RATE *</b>	<b>ANNUAL PRINCIPAL PAYMENTS **</b>	<b>ANNUAL INTEREST PAYMENTS</b>	<b>TOTAL PRINCIPAL &amp; INTEREST</b>
\$ 6,430,000	2005	2.06%	\$ 185,000	\$ 132,458	\$ 317,458
6,245,000	2006	2.06%	190,000	128,647	318,647
6,055,000	2007	2.06%	210,000	124,733	334,733
5,845,000	2008	2.06%	225,000	120,407	345,407
5,620,000	2009	2.06%	240,000	115,772	355,772
5,380,000	2010	2.06%	255,000	110,828	365,828
5,125,000	2011	2.06%	275,000	105,575	380,575
4,850,000	2012	2.06%	295,000	99,910	394,910
4,555,000	2013	2.06%	315,000	93,833	408,833
4,240,000	2014	2.06%	335,000	87,344	422,344
3,905,000	2015	2.06%	360,000	80,443	440,443
3,545,000	2016	2.06%	385,000	73,027	458,027
3,160,000	2017	2.06%	410,000	65,096	475,096
2,750,000	2018	2.06%	440,000	56,650	496,650
2,310,000	2019	2.06%	470,000	47,586	517,586
1,840,000	2020	2.06%	505,000	37,904	542,904
1,335,000	2021	2.06%	540,000	27,501	567,501
795,000	2022	2.06%	575,000	16,377	591,377
220,000	2023	2.06%	220,000	4,532	224,532
			\$ 6,430,000	\$ 1,528,623	\$ 7,958,623

\* A constant rate of 2.06% is assumed for disclosure purposes which is the variable rate in effect at 9-30-04. The Industrial Development Authority adopted the variable rate option at June 1, 2003. The variable rate is adjusted weekly by the Remarketing Agent. The variable rate is determined by the Remarketing Agent as the lowest rate which will, in the opinion of the Remarketing Agent, result in the market value of the bonds being 100% of the principal amount thereof on the determination date.

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

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

**CITY OF OPELIKA**  
**SCHEDULE OF LONG TERM DEBT**  
**SEPTEMBER 30, 2004**

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

<b>TOTAL PRINCIPAL OUTSTANDING</b>	<b>YEAR</b>	<b>INTEREST RATE *</b>	<b>ANNUAL PRINCIPAL PAYMENTS **</b>	<b>ANNUAL INTEREST PAYMENTS</b>	<b>TOTAL PRINCIPAL &amp; INTEREST</b>
\$ 2,172,000	2005	3.69%	\$ 55,000	\$ 80,146	\$ 135,146
2,117,000	2006	3.69%	65,000	78,117	143,117
2,052,000	2007	3.69%	65,000	75,719	140,719
1,987,000	2008	3.69%	65,000	73,320	138,320
1,922,000	2009	3.69%	75,000	70,922	145,922
1,847,000	2010	3.69%	80,000	68,154	148,154
1,767,000	2011	3.69%	85,000	65,202	150,202
1,682,000	2012	3.69%	90,000	62,066	152,066
1,592,000	2013	3.69%	100,000	58,745	158,745
1,492,000	2014	3.69%	110,000	55,055	165,055
1,382,000	2015	3.69%	120,000	50,996	170,996
1,262,000	2016	3.69%	130,000	46,568	176,568
1,132,000	2017	3.69%	140,000	41,771	181,771
992,000	2018	3.69%	150,000	36,605	186,605
842,000	2019	3.69%	165,000	31,070	196,070
677,000	2020	3.69%	175,000	24,981	199,981
502,000	2021	3.69%	190,000	18,524	208,524
312,000	2022	3.69%	210,000	11,513	221,513
102,000	2023	3.69%	102,000	3,764	105,764
			\$ 2,172,000	\$ 953,238	\$ 3,125,238

\* Rate will be determined annually, June 1, at the Treasury Rate plus one and eight-tenths percent per annum. At 6-1-04 the rate was 3.69%.

\*\* 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, 2004**

**GENERAL OBLIGATION WARRANTS, SERIES 1998**

<b><u>TOTAL PRINCIPAL OUTSTANDING</u></b>	<b><u>YEAR</u></b>	<b><u>INTEREST RATE</u></b>	<b><u>ANNUAL PRINCIPAL PAYMENTS</u></b>	<b><u>ANNUAL INTEREST PAYMENTS</u></b>	<b><u>TOTAL PRINCIPAL &amp; INTEREST</u></b>
\$ 8,365,000	2005	3.80%	\$ 100,000	\$ 351,812	\$ 451,812
8,265,000	2006	3.90%	100,000	348,013	448,013
8,165,000	2007	4.10%	880,000	344,112	1,224,112
8,165,000	2008	4.10%	920,000	308,033	1,228,033
7,245,000	2009	4.10%	955,000	270,313	1,225,313
6,290,000	2010	4.20%	1,000,000	231,158	1,231,158
5,290,000	2011	4.25%	1,035,000	189,157	1,224,157
4,255,000	2012	4.25%	1,080,000	145,170	1,225,170
3,175,000	2013	4.30%	1,125,000	99,270	1,224,270
2,050,000	2014	4.35%	1,170,000	50,895	1,220,895
			\$ 8,365,000	\$ 2,337,933	\$ 10,702,933

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

**CITY OF OPELIKA**  
**SCHEDULE OF GENERAL OBLIGATION DEBT**  
**SEPTEMBER 30, 2004**

**GENERAL OBLIGATION WARRANT, FIRST AMERICAN BANK - POLICE CONSOLE**

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL &amp; INTEREST</u>
\$ 64,043	2005	5.22%	\$ 34,459	\$ 2,679	\$ 37,138
29,584	2006	5.22%	29,580	811	30,391
			\$ 64,039	\$ 3,490	\$ 67,529

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

**CITY OF OPELIKA**  
**SCHEDULE OF GENERAL OBLIGATION DEBT**  
**SEPTEMBER 30, 2004**

**GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 2000**

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL &amp; INTEREST</u>
\$ 6,710,000	2005	4.65%	\$ 185,000	\$ 354,942	\$ 539,942
6,525,000	2006	4.70%	200,000	346,340	546,340
6,325,000	2007	4.75%	200,000	336,940	536,940
6,125,000	2008	4.80%	215,000	327,440	542,440
5,910,000	2009	4.85%	225,000	317,120	542,120
5,685,000	2010	5.00%	235,000	306,208	541,208
5,450,000	2011	4.90%	250,000	294,458	544,458
5,200,000	2012	5.00%	260,000	282,208	542,208
4,940,000	2013	5.10%	275,000	269,208	544,208
4,665,000	2014	5.20%	285,000	255,182	540,182
4,380,000	2015	5.25%	300,000	240,362	540,362
4,080,000	2016	5.30%	320,000	224,612	544,612
3,760,000	2017	5.35%	335,000	207,652	542,652
3,425,000	2018	5.40%	355,000	189,730	544,730
3,070,000	2019	5.45%	370,000	170,560	540,560
2,700,000	2020	5.50%	390,000	150,396	540,396
2,310,000	2021	5.50%	415,000	128,945	543,945
1,895,000	2022	5.60%	435,000	106,120	541,120
1,460,000	2023	5.60%	460,000	81,760	541,760
1,000,000	2024	5.60%	485,000	56,000	541,000
515,000	2025	5.60%	515,000	28,840	543,840
			\$ 6,710,000	\$ 4,675,023	\$ 11,385,023

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

**CITY OF OPELIKA**  
**SCHEDULE OF GENERAL OBLIGATION DEBT**  
**SEPTEMBER 30, 2004**

**GENERAL OBLIGATION WARRANTS , SERIES 2002**

	<b><u>TOTAL PRINCIPAL OUTSTANDING</u></b>	<b><u>YEAR</u></b>	<b><u>INTEREST RATE</u></b>	<b><u>ANNUAL PRINCIPAL PAYMENTS</u></b>	<b><u>ANNUAL INTEREST PAYMENTS</u></b>	<b><u>TOTAL PRINCIPAL &amp; INTEREST</u></b>
\$	4,265,000	2005	-	\$ -	\$ 212,505	\$ 212,505
	4,265,000	2006	-	-	212,505	212,505
	4,265,000	2007	-	-	212,505	212,505
	4,265,000	2008	-	-	212,505	212,505
	4,265,000	2009	-	-	212,505	212,505
	4,265,000	2010	-	-	212,505	212,505
	4,265,000	2011	-	-	212,505	212,505
	4,265,000	2012	-	-	212,505	212,505
	4,265,000	2013	4.300%	130,000	209,710	339,710
	4,135,000	2014	4.450%	135,000	203,911	338,911
	4,000,000	2015	4.550%	140,000	197,723	337,723
	3,860,000	2016	4.650%	150,000	191,050	341,050
	3,710,000	2017	4.750%	155,000	183,881	338,881
	3,555,000	2018	4.800%	160,000	176,360	336,360
	3,395,000	2019	4.900%	170,000	168,355	338,355
	3,225,000	2020	4.950%	180,000	159,735	339,735
	3,045,000	2021	5.000%	190,000	150,530	340,530
	2,855,000	2022	5.000%	200,000	140,780	340,780
	2,655,000	2023	5.100%	210,000	130,425	340,425
	2,445,000	2024	5.100%	220,000	119,460	339,460
	2,225,000	2025	5.100%	230,000	107,985	337,985
	1,995,000	2026	5.100%	240,000	96,000	336,000
	1,755,000	2027	5.100%	255,000	83,378	338,378
	1,500,000	2028	5.125%	270,000	69,956	339,956
	1,230,000	2029	5.125%	285,000	55,734	340,734
	945,000	2030	5.125%	300,000	40,744	340,744
	645,000	2031	5.125%	315,000	24,984	339,984
	330,000	2032	5.125%	330,000	8,456	338,456
				<u>\$ 4,265,000</u>	<u>\$ 4,219,198</u>	<u>\$ 8,484,198</u>

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

**CITY OF OPELIKA**  
**SCHEDULE OF GENERAL OBLIGATION DEBT**  
**SEPTEMBER 30, 2004**

**GENERAL OBLIGATION WARRANTS, SERIES 2003A**

<b>TOTAL PRINCIPAL OUTSTANDING</b>	<b>YEAR</b>	<b>INTEREST RATE</b>	<b>ANNUAL PRINCIPAL PAYMENTS</b>	<b>ANNUAL INTEREST PAYMENTS</b>	<b>TOTAL PRINCIPAL &amp; INTEREST</b>
\$ 16,170,000	2005	5.00%	\$ 1,225,000	\$ 735,542	\$ 1,960,542
14,945,000	2006	5.00%	2,145,000	651,292	2,796,292
12,800,000	2007	5.00%	1,985,000	548,042	2,533,042
10,815,000	2008	5.00%	2,075,000	446,543	2,521,543
8,740,000	2009	5.00%	2,175,000	340,293	2,515,293
6,565,000	2010	5.00%	2,290,000	228,668	2,518,668
4,275,000	2011	3.30-4.00%	1,835,000	138,778	1,973,778
2,440,000	2012	5.25%	1,185,000	75,032	1,260,032
1,255,000	2013	3.50%	1,255,000	21,962	1,276,962
			\$ 16,170,000	\$ 3,186,152	\$ 19,356,152

Note: Warrants mature on April 1, year as indicated. Interest is paid semi-annually on April 1 and October 1 as indicated.  
 Bonds issued for current refunding of Series 1993A&B and to provide funding for public portion of new commercial development.

**CITY OF OPELIKA**  
**SCHEDULE OF GENERAL OBLIGATION DEBT**  
**SEPTEMBER 30, 2004**

**GENERAL OBLIGATION SCHOOL WARRANTS, SERIES 2004**

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL &amp; INTEREST</u>
\$ 7,145,000	2005	1.00%	\$ 180,000	\$ 268,889	\$ 448,889
6,965,000	2006	1.75%	185,000	266,370	451,370
6,780,000	2007	4.00%	190,000	260,951	450,951
6,590,000	2008	4.00%	200,000	253,151	453,151
6,390,000	2009	2.50%	200,000	246,651	446,651
6,190,000	2010	4.00%	210,000	239,951	449,951
5,980,000	2011	2.70%	215,000	232,849	447,849
5,765,000	2012	2.95%	225,000	226,628	451,628
5,540,000	2013	5.00%	235,000	217,434	452,434
5,305,000	2014	5.00%	245,000	205,434	450,434
5,060,000	2015	3.30%	255,000	195,101	450,101
4,805,000	2016	3.40%	265,000	186,389	451,389
4,540,000	2017	3.50%	275,000	177,071	452,071
4,265,000	2018	3.60%	285,000	167,129	452,129
3,980,000	2019	3.70%	295,000	156,541	451,541
3,685,000	2020	3.63%	305,000	145,556	450,556
3,380,000	2021	3.75%	315,000	134,121	449,121
3,065,000	2022	4.00%	330,000	121,615	451,615
2,735,000	2023	4.05%	345,000	108,029	453,029
2,390,000	2024	4.10%	355,000	93,765	448,765
2,035,000	2025	4.25%	375,000	78,519	453,519
1,660,000	2026	4.25%	390,000	62,263	452,263
1,270,000	2027	4.25%	405,000	45,369	450,369
865,000	2028	4.25%	425,000	27,731	452,731
440,000	2029	4.25%	440,000	9,350	449,350
			\$ 7,145,000	\$ 4,126,857	\$ 11,271,857

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

**CITY OF OPELIKA**  
**SCHEDULE OF LONG TERM DEBT**  
**SEPTEMBER 30, 2004**

**CAPITAL LEASE FOR COMMUNICATIONS EQUIPMENT**

<u>TOTAL PRINCIPAL OUTSTANDING</u>	<u>YEAR</u>	<u>INTEREST RATE</u>	<u>ANNUAL PRINCIPAL PAYMENTS</u>	<u>ANNUAL INTEREST PAYMENTS</u>	<u>TOTAL PRINCIPAL &amp; INTEREST</u>
\$ 164,349	2005	5.65%	\$ 114,641	\$ 6,347	\$ 120,988
49,708	2006	5.65%	49,708	704	50,412
			\$ 164,349	\$ 7,051	\$ 171,400

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

*STATISTICAL TABLES*

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

<i>FISCAL YEAR</i>	<i>GENERAL GOVERNMENT</i>	<i>PUBLIC SAFETY</i>	<i>PUBLIC WORKS</i>	<i>HEALTH</i>	<i>WELFARE</i>	<i>CULTURE AND RECREATION</i>	<i>EDUCATION</i>	<i>ECONOMIC DEVELOPMENT AND URBAN REHABILITATION</i>	<i>DEBT SERVICE</i>	<i>TOTAL</i>
1995	\$ 2,472,984	\$ 6,620,357	\$ 2,897,893	\$ 244,765	\$ 61,500	\$ 1,418,927	\$ 1,704,600	\$ 12,908	\$ 4,065,923	\$ 19,499,857
1996	2,205,343	6,950,248	2,201,352	239,707	64,000	1,526,811	5,202,425	220,015	5,353,005	23,962,906
1997	4,466,879	7,186,031	2,322,236	228,786	61,500	1,687,314	1,700,000	155,587	4,638,749	22,447,082
1998	2,526,029	7,776,230	2,471,358	237,887	66,500	1,908,453	1,700,000	316,115	4,323,309	21,325,881
1999	2,440,078	8,065,045	2,610,691	253,337	66,500	2,002,084	1,700,000	438,065	4,667,078	22,242,878
2000	2,790,444	8,436,290	3,256,986	272,612	71,500	2,244,672	1,700,000	326,026	4,032,706	23,131,236
2001	2,877,934	9,126,114	3,064,511	267,515	81,500	2,272,254	9,737,250	336,942	4,766,599	32,530,619
2002	2,962,915	8,663,351	3,961,699	243,370	67,500	6,219,488	2,713,896	401,557	6,866,487	32,100,263
2003	3,324,811	9,194,903	2,927,147	248,759	277,799	2,457,171	2,825,794	403,121	5,810,133	27,469,638
2004	3,443,635	9,784,324	3,070,000	268,529	146,004	2,595,527	11,042,776	2,789,186	5,706,286	38,846,267

Note:

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

Unaudited

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

<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>
1995	\$ 10,494,504	\$ 7,091,111	\$ 554,493	\$ 202,943	\$ 304,419	\$ 1,534,098	\$ 20,181,568
1996	11,345,346	7,338,106	995,694	304,492	284,433	1,424,855	21,692,926
1997	11,818,881	7,804,558	770,933	311,337	251,008	1,313,052	22,269,769
1998	12,124,741	7,624,376	1,054,549	381,605	208,507	1,306,331	22,700,109
1999	12,328,704	7,975,739	972,475	239,413	183,212	3,228,573	24,928,116
2000	12,519,647	8,160,362	2,194,576	321,664	199,968	1,132,069	24,528,286
2001	13,371,139	8,399,219	994,460	355,490	283,654	1,063,060	24,467,022
2002	14,095,055	8,625,544	2,333,976	506,474	305,926	701,568	26,568,543
2003	14,970,194	8,772,293	1,523,655	481,568	360,832	489,509	26,598,051
2004	18,580,579	9,188,628	2,123,240	497,290	404,734	533,335	31,327,806

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*

<i>FISCAL YEAR</i>	<i>PRINCIPAL</i>	<i>INTEREST</i>	<i>TOTAL DEBT SERVICE</i>	<i>TOTAL GENERAL EXPENDITURES</i>	<i>RATIO OF DEBT SERVICE TO GENERAL EXPENDITURES</i>
1995	\$ 2,065,257	\$ 2,000,666	\$ 4,065,923	\$ 19,499,857	20.9
1996	2,912,879	2,440,126	5,353,005	23,962,906	22.3
1997	2,641,632	1,997,117	4,638,749	22,447,082	20.7
1998	2,425,963	1,897,346	4,323,309	21,325,881	20.3
1999	2,422,618	2,244,460	4,667,078	22,242,878	21.0
2000	1,814,460	2,218,246	4,032,706	23,131,236	17.4
2001	2,113,064	2,653,535	4,766,599	32,530,619	14.7
2002	4,367,796	2,498,691	6,866,487	32,100,263	21.4
2003	3,117,012 (2)	2,693,121	5,810,133	27,469,638	21.2
2004	3,266,247	2,440,039	5,706,286	38,846,267	14.7

Notes:

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

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

Unaudited

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

<i>FISCAL YEAR</i>	<i>TOTAL TAX LEVY</i>	
1995	18,004,108	(1)
1996	19,789,819	(1)
1997	20,157,852	(1)
1998	21,776,489	(1)
1999	23,405,495	(1)
2000	28,166,617	(1)
2001	32,081,744	(1)
2002	33,783,586	(1)
2003	37,275,288	(1)
2004	45,758,571	(1)

Unaudited

(1) Source: Lee County Revenue Commissioner

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

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY (2)		TOTAL		RATIO OF TOTAL ASSESSED VALUE TO TOTAL ESTIMATED ACTUAL VALUE
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	
1995	\$ 86,362,640 (1)	\$ 647,881,770 (1)	\$ 37,756,420 (1)	\$ 178,448,433 (1)	\$ 124,119,060 (1)	\$ 826,330,203 (1)	15.1
1996	88,742,960 (1)	665,738,635 (1)	45,285,510 (1)	215,643,383 (1)	134,028,470 (1)	881,382,018 (1)	15.0
1997	89,221,620 (1)	669,329,482 (1)	54,903,760 (1)	264,166,500 (1)	144,125,380 (1)	933,495,982 (1)	15.4
1998	102,725,740	662,530,733	46,031,420	230,157,100	148,757,160	892,687,833	16.7
1999	108,115,540	675,722,125	39,986,100	199,930,500	148,101,640	875,652,625	16.9
2000	127,404,180	832,838,200	44,836,820	224,184,100	172,241,000	1,057,022,300	16.3
2001	139,945,800	868,783,400	45,378,300	251,568,700	185,324,100	1,120,352,100	16.5
2002	149,100,280	953,727,100	46,759,380	233,796,900	195,859,660	1,187,524,000	16.5
2003	151,285,640	965,124,566	47,091,260	235,456,300	198,376,900	1,200,580,866	16.5
2004	173,696,900	1,130,985,700	57,375,080	275,110,033	231,071,980	1,406,095,733	16.4

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.)

State of Alabama

General Fund (no limit as to time)	\$	0.25	
Soldier Fund (no limit as to time)		0.10	
School Fund (no limit as to time)		0.30	
Total State of Alabama			0.65

Lee County

County Tax:

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

County Schools:

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

City of Opelika

Municipal Tax:

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

Special School Tax:

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

Total City of Opelika			2.90
Total tax rate			\$ 5.40

Notes:

Unaudited

Source: Lee County Tax Assessor

Taxes due - October 1

Taxes delinquent - January 1

Penalties for delinquency - \$2.50 plus 6% interest

Tax sale date - Usually May or June

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

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

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, 2004**

Assessed value of real and personal taxable property as of 9-30-03 (including motor vehicles and excluding exempt property) (2)		\$ <u>228,925,780</u>
Debt limit, twenty percent of assessed value (constitutional limitation) (1)		\$ 45,785,156
Outstanding General Obligation Debt:		
Debt in governmental activities	46,719,039	
Debt in business-type activities	11,535,000	
Obligation per Reserve Agreement with Industrial Development Authority	1,700,000	
Other long-term liabilities	<u>2,739,976</u>	
Total general obligation debt for computation		62,694,015
Less: Bonds exempted from legal debt limit (1):		
Bonds issued for schools:		
1996 General Obligation School Warrants	2,570,000	
2000 General Obligation School Warrants	6,710,000	
2003 General Obligation Warrants, Series 2003A (portion refunding 1993A warrants)	6,585,000	
2004 General Obligation School Warrants	<u>7,145,000</u>	
Total	<u>23,010,000</u>	
Bonds issued for sewers:		
1989 General Obligation Sewer Warrants, SRF-1, 2 and 3	3,365,000	
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 construction)	2,507,934	
2003 General Obligation Warrants, Series 2003A (portion refunding 1993B warrants)	<u>2,025,000</u>	
Total	<u>14,042,934</u>	
Bonds issued for storm sewers:		
2003 General Obligation Warrants, Series 2003A (portion refunding 1993B warrants)	<u>1,005,000</u>	
Total exempt bonds		<u>38,057,934</u>
NET BONDED INDEBTEDNESS		<u>24,636,081</u>
LEGAL DEBT MARGIN		<u>\$ 21,149,075</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, 2004

	<i>GROSS DEBT LESS DEBT SERVICE ASSETS</i>	<i>PERCENTAGE OF DEBT APPLICABLE CITY OF OPELIKA</i>	<i>CITY OF OPELIKA DEBT BURDEN</i>
City of Opelika			
Gross bonded debt (1)	\$ 51,159,015		
Other long-term debt	7,066,349		
Total long-term debt	58,225,364		
Less: amounts available for debt service	310,621		
Direct net debt	\$ 57,914,743	100.0%	\$ 57,914,743
Overlapping Debt:			
Lee County, Alabama (fiscal year ending September 30, 2004)			
Net overlapping debt	\$ 4,120,383	23.5%	968,290
Total direct and overlapping debt			\$ 58,883,033

## Notes:

Unaudited

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

(2) FY 03 rate used due to FY 04 rate not provided by Lee County

**CITY OF OPELIKA**  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS

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

Unaudited  
 Source: City of Opelika

**CITY OF OPELIKA**  
**CONSTRUCTION**  
**LAST TEN FISCAL YEARS**

<u>FISCAL YEAR</u>	<u>COMMERCIAL CONSTRUCTION (1)</u>		<u>RESIDENTIAL CONSTRUCTION (1)</u>	
	<u>NUMBER OF UNITS</u>	<u>VALUE</u>	<u>NUMBER OF UNITS</u>	<u>VALUE</u>
1995	24	\$ 5,412,297	77	\$ 6,388,430
1996	24	11,970,085	307	18,766,608
1997	23	7,668,051	126	10,366,339
1998	27	4,410,480	133	11,793,339
1999	29	57,988,372	91	10,177,283
2000	27	10,783,158	75	9,258,241
2001	21	21,481,875	75	9,009,212
2002	47	39,581,130	72	8,694,715
2003	28	22,130,394	109	14,307,453
2004	50	48,966,739	150	18,702,963

Notes:

Unaudited

(1) Amounts shown are new construction only.

**CITY OF OPELIKA**  
**PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2004**

<i>TAXPAYER</i>	<i>TYPE OF BUSINESS</i>	<i>ASSESSED VALUATION</i>	<i>TAX COLLECTED</i>	<i>PERCENT OF TOTAL ASSESSED VALUATION</i>
Uniroyal/Michelin Tire	Tire manufacturer	\$ 30,013,920	\$ 1,510,185	12.99%
Wal-Mart Distribution Center	Wholesale product distributor	12,782,200	426,677	5.53%
JDN Realty AL, Inc.	Real estate	4,194,480	226,502	1.82%
BellSouth Telecommunications, Inc.	Communication services	3,993,900	215,671	1.73%
Quantegy	Magnetic tape manufacturer	3,470,320	187,397	1.50%
Grand National Lodge Corporation	Hotel/conference center	2,983,280	161,097	1.29%
International Paper Co.	Timber products	2,095,580	113,161	0.91%
WCB Alabama Inc.	Grill manufacturer	2,839,220	88,016	1.23%
West Point Stevens, Inc.	Textile manufacturer	1,555,560	84,000	0.67%
Alabama Gas Corporation	Utility	1,352,400	73,030	0.59%
Total assessed value and tax collected for ten largest taxpayers		65,280,860	3,085,736	28.25%
Total assessed value of other taxpayers		165,791,120		71.75%
Total assessed value of all taxpayers		<u>\$ 231,071,980</u>		<u>100.00%</u>

## Notes:

Unaudited

Source: Lee County Revenue Commissioner

Amounts shown are assessed at 10-1-03 and collected during fiscal year ended 9-30-04.

**CITY OF OPELIKA**  
*MISCELLANEOUS STATISTICS (1)*  
 SEPTEMBER 30, 2004

Date of Incorporation	1854
Form of Government	Mayor-Council
Area	57 square miles
Miles of Streets:	
Paved	209
Unpaved	4
Fire Protection:	
Number of stations	4
Number of firefighters, paramedics and other personnel	69
Police Protection:	
Number of stations	1
Number of police officers and other personnel	110
Education:	
Attendance centers:	
Primary, intermediate and middle schools	7
Secondary schools	1
State colleges	1
Number of students	8,495
Auburn University, in adjoining Auburn, Alabama	22,928 enrollment
Sewers:	
Sanitary sewers	240 miles
Building permits:	
Number of permits	1,618
Estimated value of new construction and improvements	\$93,109,811
Recreation and culture:	
Number of parks and playgrounds	13 with 488 acres
Number of community centers	2
Number of golf courses (public and private)	3
Number of tennis courts	12
Number of libraries	1
Number of volumes	58,000 (approximate)
City employees	381

(1) Unaudited