

**CITY OF PRATTVILLE, ALABAMA**  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

Prepared by:  
Department of Administration  
and Finance

Jim Byard, Jr.  
Mayor

CITY OF PRATTVILLE, ALABAMA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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INTRODUCTORY SECTION

CITY OF PRATTVILLE, ALABAMA

LIST OF PRINCIPAL OFFICIALS  
AS OF SEPTEMBER 30, 2006

Mayor

Jim Byard, Jr.

Executive Assistant to the Mayor

Mary Anne Rogers

CITY COUNCIL

Dean R. Argo, President

Willie Lee Wood, Jr.

Mike Renegar

Nathan Fank

Bill Gillespie, Jr.

Thomas Miller, President Pro Tempore

F. J. (Mac) Macready

HEADS OF DEPARTMENTS

Municipal Court

Judge George P. Walthall, Jr.

City Attorney

David McDowell

City Prosecutor

Joy Booth

City Clerk

Gina P. Smith

Finance Director

John R. Morgan III

Engineering

Robby Anderson

Streets

George Williams

Sanitation

Edward Clinton

Police

Chief Alfred Wadsworth

Fire

Chief Stanley Gann

Vehicle Maintenance

Napoleon Steele

Wastewater

Kenny DeRamus

Leisure Services

Andrew Peterson

Human Resources

Lisa Thrash

Planning

Joel Duke

FINANCIAL SECTION

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MONTGOMERY, ALABAMA

Dothan

Prattville

Wetumpka

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and  
Members of the City Council  
City of Prattville, Alabama

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Prattville, Alabama, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Prattville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Prattville, Alabama, as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 7, 2007 on our consideration of the City of Prattville, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 12 and pages 23 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the City of Prattville, Alabama's basic financial statement. The introductory section, combining individual nonmajor fund financial statements and the nonmajor fund budgetary comparison schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the nonmajor fund budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Jackson Sherenton & Co. PC*

Prattville, Alabama

March 7, 2007, except for Note 16 as to which the date is August 3, 2007.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Prattville, Alabama, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. This discussion and analysis is designed to look at the City's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

### Financial Highlights

- The City of Prattville's liabilities exceeded its assets at September 30, 2006, by (\$15,713,287) (*net assets*). Of the net asset balance amount, (\$29,514,316) (*unrestricted net assets*) is the deficit balance of the City representing the indebtedness incurred for incentive obligations including the purchase of development property supporting the significant retail development activities within the City.
- The City issued general obligation warrants during the fiscal year totaling \$30,470,000 for funding of incentive obligations, infrastructure improvements, and debt service reserves as provided in the issuances. There are warrant funds unexpended as of September 30, 2006 totaling \$8,626,910.
- During the year, the City's total net assets decreased by \$17,538,813, as expenses of \$45,073,645 exceeded revenues of \$27,534,832. The increase in expenses is the direct result of the disbursement of warrant proceeds for the acquisition of land for development projects and funding commitments for the Robert Trent Jones Conference Center.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,039,974, an increase of \$10,189,393 over the prior year. Of this increase, \$8,626,910 represents unexpended warrant proceeds designated for capital improvements and debt service.
- At the end of the current fiscal year, unreserved fund balance for the general fund was (\$1,370,935), a deficit balance.
- The City's total outstanding long-term debt, excluding compensated absences, increased during the current fiscal year due to the warrant proceeds totaling \$30,470,000. Long-term debt payments of \$1,377,027 were attributable to the normal pay down of existing debt.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Prattville's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the City of Prattville.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Prattville's finances in a manner similar to a private-sector business. The basic financial statements include two kinds of statements that present different views of the City, a Statement of Net Assets and a Statement of Activities.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both statements distinguish functions of the City of Prattville that are principally supported by sales taxes, property taxes and gasoline taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities reported in the statements include general government, public safety, public works and cultural/recreational. The City does not maintain any business-type activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the City of Prattville uses fund accounting to ensure and demonstrate compliance with finance-related legal matters. All of the funds of the City of Prattville can be divided into two categories: governmental funds and proprietary funds. Experienced readers of governmental financial statements will find these financial statements most familiar.

Governmental funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a conservative short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps in determining if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities in the government-wide financial statements and the governmental funds financial statements is described in a reconciliation that is a part of the fund financial statements.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements also include information regarding the City of Prattville's progress in funding its obligation to provide pension benefits to its employees. The notes are presented on pages 19 through 37 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Prattville's budgetary comparison schedules for the general fund. Required supplementary information can be found on pages 38 through 42 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information and can be found beginning on page 43.

### **Government - Wide Financial Analysis**

The City's condensed Statement of Net Assets as of September 30, 2006 and 2005, derived from the government-wide Statement of Net Assets is presented below.

The largest component of the City's net assets as of September 30, 2006 reflects its investment in capital assets (i.e. land, buildings, furniture and equipment, infrastructure, etc.), less any related outstanding debt used to acquire those assets. 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 this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's capital assets at September 30, 2006 increased by \$1,003,525 from the prior year primarily due to the completion of construction in progress totaling \$1,571,632. In addition, the City purchased land, and vehicles totaling \$395,631 and incurred \$1,693,200 of construction in progress on uncompleted projects.

As noted earlier in this discussion, changes in net assets over time can be one of the best and most useful indicators of the City's financial position. The City of Prattville's total liabilities exceeded assets by \$15,713,287 primarily due to the issuance of general obligation warrants payable of \$30,470,000.

Liabilities increased \$30,745,670 from the prior year due primarily to the issuance of the general obligation warrants payable of \$30,470,000.

An additional portion of net assets is restricted, or has restrictions on how they may be used. Governmental activities restricted net assets totaled \$12,053,513 at September 30, 2006 and are restricted for use in, public capital projects, and debt service. The remaining balance of unrestricted net assets generally may be used to meet the City's ongoing obligations. The City, at September 30, 2006, reported a deficit balance in unrestricted net assets in governmental type activities of (\$29,514,316) which is due to outstanding general obligation warrants of \$30,470,000 which were issued to finance incentive obligations for retail development within the City. It is anticipated the governmental revenues generated from the retail growth will provide the primary source of revenue for repayment of this debt.

The following presents the City's condensed statement of activities for the fiscal years ended September 30, 2006 and 2005 as derived from the government-wide Statement of Activities. Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities decreased by \$17,538,813.

**City of Prattville's Net Assets**

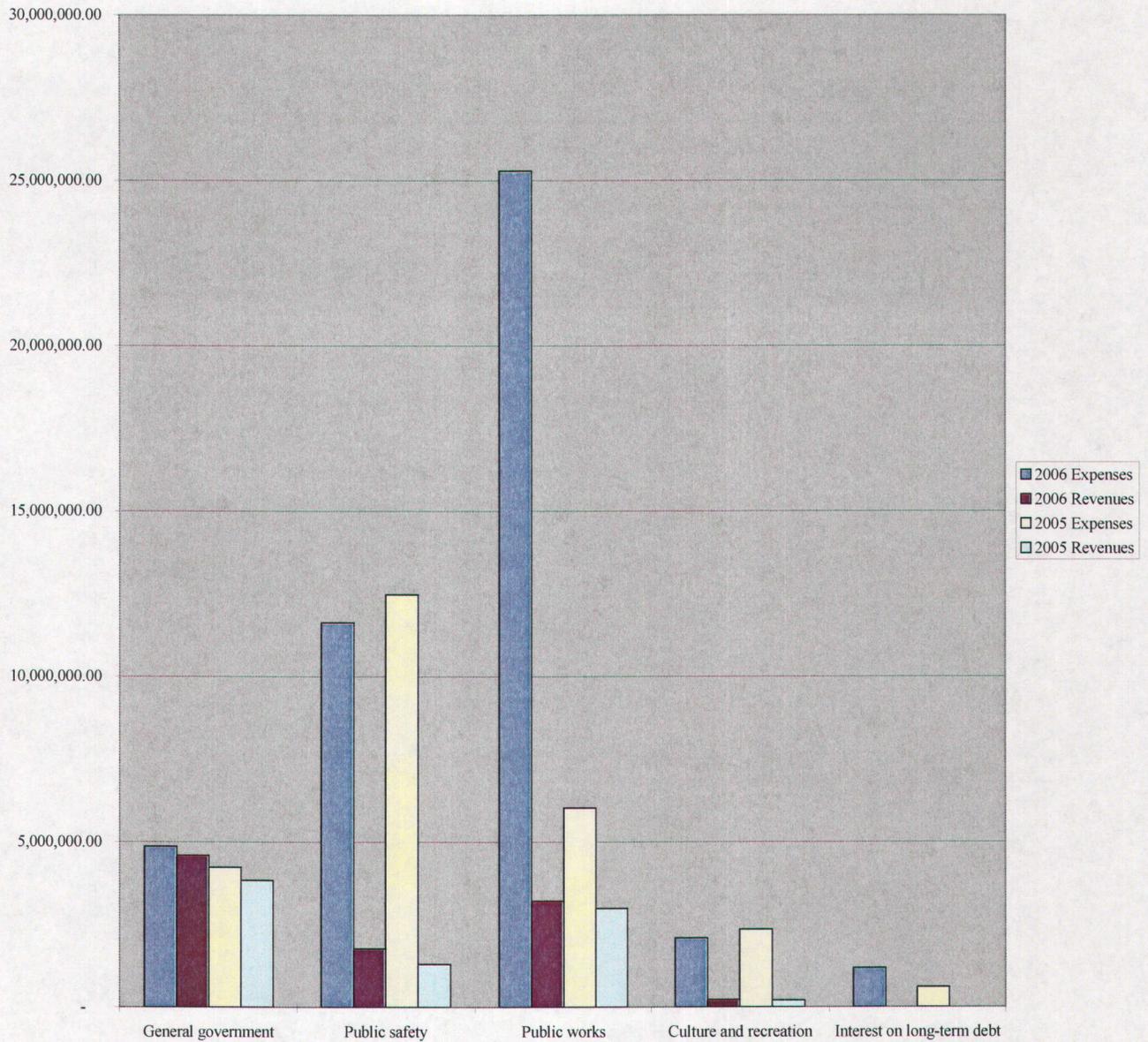
	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 8,803,784	\$ 8,094,571
Operating grants and contributions	1,015,035	265,252
Total program revenues	9,818,819	8,359,823
General Revenues:		
Sales tax	14,729,824	13,889,071
Property tax	1,798,544	1,638,862
Motor fuel taxes	242,416	242,684
Intergovernmental revenues	20,228	15,357
Investment earnings and miscellaneous	925,001	938,613
Total general revenues	17,716,013	16,724,587
Total revenues	27,534,832	25,084,410
<b>Expenses:</b>		
General government:	4,861,244	4,238,631
Public works	25,283,479	6,033,293
Public safety	11,642,133	12,485,123
Culture and recreation	2,098,474	2,362,297
Debt services	1,188,315	606,591
Loss on disposal of capital assets		19,201
Total expenses	45,073,645	25,745,136
Decrease in net assets before transfers	(17,538,813)	(660,726)
Decrease in net assets	(17,538,813)	(660,726)
Net assets - beginning as previously stated	2,393,372	2,743,820
Prior period adjustments	(567,846)	(257,568)
Net assets - beginning restated	1,825,526	2,486,252
Net assets - ending	\$(15,713,287)	\$ 1,825,526

**Expenses and Program Revenues for Governmental Activities:**

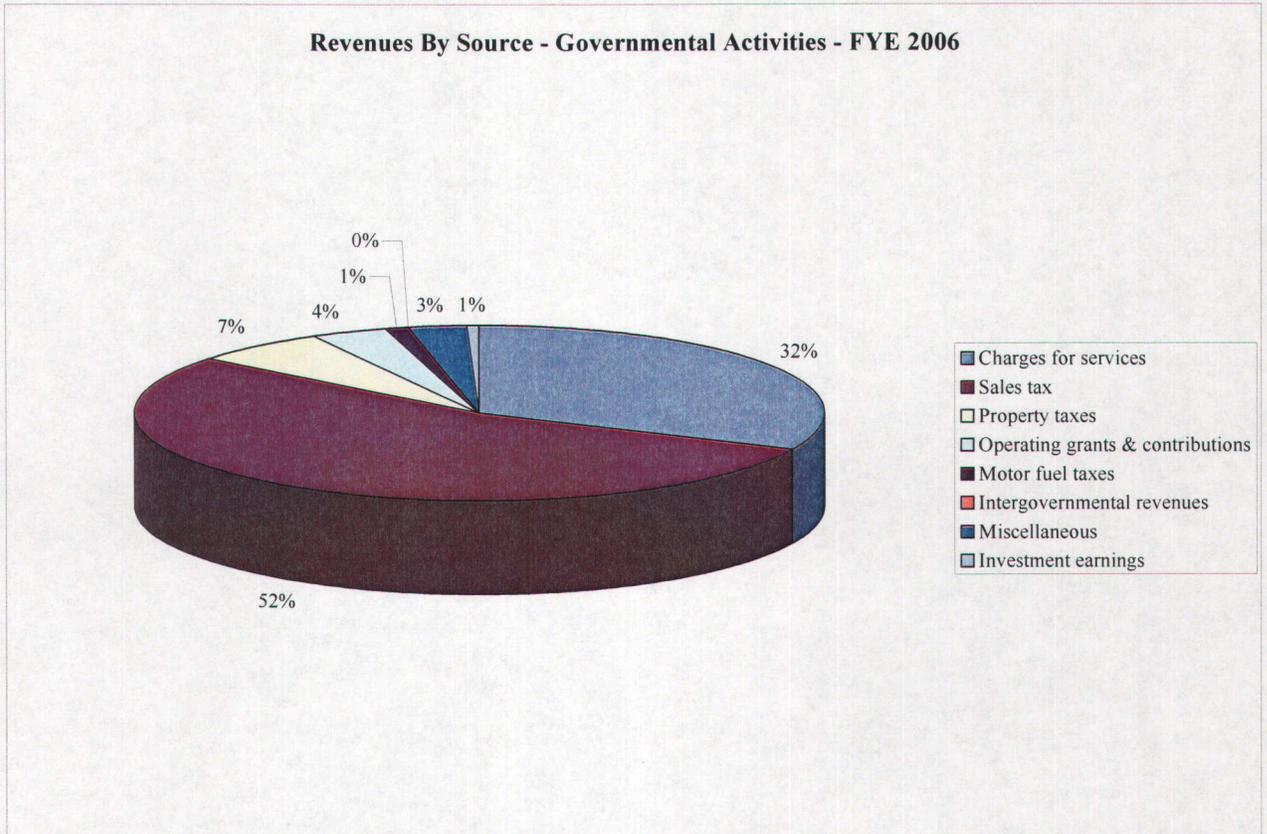
Governmental activities decreased the City of Prattville's net assets by \$17,538,813 for fiscal year 2006. Key elements of this increase in expenses from prior year are as follows:

- Public Works expenses increased over the prior year by \$19,250,186 due to the expenses recognized for the scheduled disbursements of the warrant proceeds. Those scheduled disbursements included infrastructure for real estate developments located within the municipality.

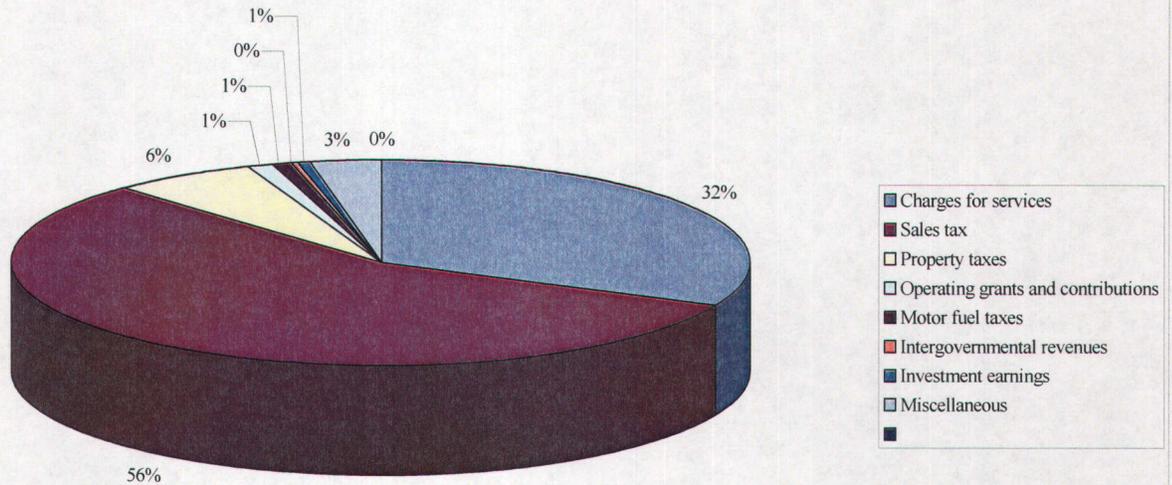
**Expenses and Program Revenue - Governmental Activity**



**Expenses and Program Revenues for Business-type activities:**



### Revenues By Source - Governmental Activities - FYE 2005



### Financial Analysis of the City's Funds

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

Governmental funds - The focus of the City'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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the City of Prattville.

As of September 30, 2006, governmental funds reported a combined ending fund balance of \$13,039,974, an increase of \$9,621,547 in comparison with prior year balance, as restated. Of this balance \$10,862,284 has been reserved to indicate that it is not available for new spending because it has already been committed for: capital projects, debt service, special revenues, and restricted purposes.

The fund balance of the general fund increased \$312,512 during the current fiscal year. Key factors to this increase are as follows:

- Total revenue increased \$1,471,715 as compared to prior year with tax revenues increasing by \$690,157. The most significant increase in taxes coming from sales and property taxes of \$397,182 due in large part to a steady growth in retail sales and assessed value of residential property. Total licenses and permits increased over the prior year by \$358,964 and charges for fees and services increased \$334,231. These increases reflect the steady growth in the City's population.
- Total expenditures increased in fiscal year 2006 by \$2,263,755. While the expenditures for Public Safety decreased by \$523,985, there were increases related to the issuance costs related to the warrant proceeds and expenditure increases in the areas of Sanitation and Wastewater, which is reflective of the increasing population.
- The City's net reduction in short-term debt totaled \$625,000.

**Capital Assets and Long-term Debt Administration**

**Capital Assets** - The City of Prattville's investment in capital assets for its governmental activities as of September 30, 2006 was \$16,622,026 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, construction in progress, runways and machinery and equipment.

Major capital asset additions during the year include:

- Purchase of vehicles and equipment of \$164,637
- Purchase of land and completed construction of land improvements of \$991,842
- Investment in construction in progress of \$1,693,200
- Completed construction of infrastructure and improvements of \$810,785

**CITY OF PRATTVILLE'S CAPITAL ASSETS**

	<u>GOVERNMENTAL ACTIVITIES</u>
Land	\$ 1,250,210
Construction in progress	1,693,200
Buildings and building improvements	7,985,771
Land improvements	7,094,484
Vehicles	7,533,080
Office, non-office, and computer equipment	6,614,280
Infrastructure	<u>1,752,544</u>
Totals	<u>\$ 33,923,569</u>

Additional information on capital assets can be found in Note 3 to the financial statements.

Long-term Debt - As of September 30, 2006, the governmental activities had total debt outstanding of \$45,576,014.

Outstanding Debt:

Warrants and other notes payable	\$44,352,609
Capital lease payable	294,946
Compensated absences	<u>928,459</u>
Totals	<u>\$45,576,014</u>

The City of Prattville's total debt outstanding increased by \$29,514,823 during the current fiscal year. This increase is net of debt reductions for payments made in accordance with regularly scheduled maturity dates.

Additional information on the City's debt can be found in Note 7 of the financial statements.

**Budgetary Highlights for the fiscal year ending September 30, 2006**

During the fiscal year, the City did not revise the annual budget. Any emergency items or immediate needs of any department must come before the Council for approval.

The actual operating revenues for the general fund were more than the budgeted amount by \$1,329,780, or 5%. The individual sources within the revenues fluctuated both positively and negatively. Revenues generated from tax was \$449,368 more than the budgeted amount mainly as result of continued growth in the Prattville area.

The actual operating expenses for the general fund were more than the budgeted amount by \$1,312,372, or 6.1%. The individual sources within the expenses fluctuated both positively and negatively.

**Economic Factors and Year 2007 Budget**

Economic conditions for the City of Prattville remain positive.

- The unemployment rate for Autauga County was 3.1% for September 2007, which is a slight increase from a rate of 2.9% a year ago. However, this compares favorably to the state's average unemployment rate of 3.7% and the national average rate of 4.7%.
- Inflationary trends in the region compare favorably to national indices.
- The 2006 - 2007 budget was based upon estimated annual revenues for the 2005 - 2006 of \$25,083,195. The total revenues for the 2006 - 2007 fiscal year exceeded the budgeted amount by 13.42%.
- The level of taxes, fees and charges for services have a direct bearing on the City's ability to (a) annex additional land into its corporate limits and (b) encourage development (office, retail, residential, and industrial) to chose to be located in the jurisdiction. The City places emphasis on encouraging both annexation and economic development.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Prattville's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 101 West Main Street, Prattville, Alabama 36067.

**BASIC FINANCIAL STATEMENTS**

CITY OF PRATTVILLE, ALABAMA

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

	PRIMARY	COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	AUTAUGA-PRATTVILLE PUBLIC LIBRARY	PRATTVILLE AIRPORT AUTHORITY	HISTORICAL PRATTVILLE REVITALIZATION AUTHORITY
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 3,623,303	\$ 153,038	\$ 52,749	\$ 73,855
Investments	173,577			
Taxes receivable	1,196,095			
Accounts receivable, net	858,045		14,454	8,183
Deferred asset	25,584			
Deferred debt expense	809,049			
Capital assets, not depreciated	2,943,410		2,593,729	183,500
Capital assets, net of accumulated depreciation	13,678,616	58,817	4,460,397	302,292
Restricted assets:				
Cash and cash equivalents	9,973,331		21,311	
Accounts receivable, net			15,917	
<b>Total assets</b>	<b>33,281,010</b>	<b>211,855</b>	<b>7,158,557</b>	<b>567,830</b>
<b>LIABILITIES:</b>				
Accounts payable	2,276,163	2,105	17,874	
Accrued liabilities	221,475	17,672		
Accrued interest	580,340			
Deferred revenues		72,505		
Other liabilities	312,323			
Notes payable				484,086
Long-term liabilities:				
Portion due or payable in one year:				
General obligation warrants payable and capital leases	1,381,467		82,593	
Compensated absences	465,125			
Portion due or payable after one year:				
General obligation warrants payable and capital leases	43,294,070		13,038	
Compensated absences	463,334			
<b>Total liabilities</b>	<b>48,994,297</b>	<b>92,282</b>	<b>113,505</b>	<b>484,086</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	1,747,516	58,817	6,958,495	
Restricted for:				
Debt service	2,912,184			
Capital projects	9,141,329		37,228	
Cultural and recreational		327		
Unrestricted	(29,514,316)	60,429	49,329	83,744
<b>Total net assets</b>	<b>\$ (15,713,287)</b>	<b>\$ 119,573</b>	<b>\$ 7,045,052</b>	<b>\$ 83,744</b>

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



CITY OF PRATTVILLE, ALABAMA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006

	GENERAL	CAPITAL PROJECTS FUNDS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and cash equivalents	\$1,522,096	\$ 1,355,273	\$ 351,596	\$ 394,338	\$ 3,623,303
Investments	173,577				173,577
Receivables:					
Taxes receivable	1,196,095				1,196,095
Accounts receivable, net	625,078	211,472			836,550
Due from other funds	766,890	3,184,635			3,951,525
Other governments				21,495	21,495
Deferred asset		25,584			25,584
Restricted assets:					
Cash and cash equivalents	1,346,421	5,972,735	2,654,175		9,973,331
Total assets	<u>\$5,630,157</u>	<u>\$10,749,699</u>	<u>\$3,005,771</u>	<u>\$ 415,833</u>	<u>\$ 19,801,460</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$1,419,410	\$ 856,753			\$ 2,276,163
Due to other funds	3,110,267	751,617		\$ 89,641	3,951,525
Accrued liabilities	221,475				221,475
Other liabilities	218,736		\$ 93,587		312,323
Total liabilities	<u>4,969,888</u>	<u>1,608,370</u>	<u>93,587</u>	<u>89,641</u>	<u>6,761,486</u>
Fund balances:					
Reserved for:					
Capital projects	1,346,421	6,176,905			7,523,326
Debt service funds			2,654,175		2,654,175
Self-insurance fund	535,900				535,900
Encumbrances	86,953				86,953
Department specification	61,930				61,930
Unreserved	(1,370,935)	2,964,424			1,593,489
Unreserved, reported in:					
Debt service funds			258,009		258,009
Special revenue funds				326,192	326,192
Total fund balance	<u>660,269</u>	<u>9,141,329</u>	<u>2,912,184</u>	<u>326,192</u>	<u>13,039,974</u>
Total liabilities and fund balances	<u>\$5,630,157</u>	<u>\$10,749,699</u>	<u>\$3,005,771</u>	<u>\$ 415,833</u>	<u>\$ 19,801,460</u>

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

CITY OF PRATTVILLE, ALABAMA

RECONCILIATION OF BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

Differences in amounts reported for governmental activities in the statement of net assets on page 13.

Total fund balances - governmental funds \$ 13,039,974

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:

Land	\$1,250,210
Construction in progress	1,693,200
Land improvements, net of \$2,802,667 accumulated depreciation	4,291,817
Buildings and building improvements, net of \$2,170,216 accumulated depreciation	5,815,555
Office, non-office, and computer equipment, net of \$5,701,465 accumulated depreciation	912,815
Vehicles, net of \$6,583,778 accumulated depreciation	949,302
Infrastructure, net of \$43,417 accumulated depreciation	<u>1,709,127</u>

Total capital assets 16,622,026

Deferred debt expenses are allocated over their estimated useful lives and are shown net of amortization expense as an asset on the Statement of Net Assets

809,049

Long-term liabilities, including general obligation warrants payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2006 were:

Accrued interest on bonds	580,340
General obligation warrants payable	43,880,000
Unamortized net premium	472,609
Capitalized lease obligations	322,928
Compensated absences	<u>928,459</u>

Total long-term liabilities (46,184,336)

Total net assets of governmental activities \$ (15,713,287)

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

CITY OF PRATTVILLE, ALABAMA

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

	GENERAL	CAPITAL PROJECT FUNDS	DEBT SERVICE FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Revenues:</b>					
Sales taxes	\$14,729,824				\$ 14,729,824
Real and personal property taxes	1,798,544				1,798,544
Motor fuel taxes				\$ 242,416	242,416
Licenses and permits	3,939,277				3,939,277
Intergovernmental revenues	20,228	\$ 760,274			780,502
Charges and fees for services	4,511,611				4,511,611
Fines and forfeitures	352,896				352,896
Miscellaneous revenues	833,400	142,054	\$ 190,892	4,594	1,170,940
Total revenues	<u>26,185,780</u>	<u>902,328</u>	<u>190,892</u>	<u>247,010</u>	<u>27,526,010</u>
<b>Expenditures:</b>					
Current:					
General governmental	4,550,707	274,664			4,825,371
Public works	5,110,435	19,541,893		12,243	24,664,571
Public safety	11,141,574				11,141,574
Cultural and recreational	1,796,512				1,796,512
Capital outlay		2,493,938			2,493,938
Debt service:					
Principal payments	1,250,000	164,045	1,185,000		2,599,045
Interest and fiscal charges	36,806	17,377	596,159		650,342
Debt issuance cost	741,010				741,010
Total expenditures	<u>24,627,044</u>	<u>22,491,917</u>	<u>1,781,159</u>	<u>12,243</u>	<u>48,912,363</u>
Excess of revenue over (under) expenditures	<u>1,558,736</u>	<u>(21,589,589)</u>	<u>(1,590,267)</u>	<u>234,767</u>	<u>(21,386,353)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in		28,013,226	4,237,631	3,267	32,254,124
Transfers out	(32,254,124)				(32,254,124)
Bond proceeds	30,470,000				30,470,000
Proceeds from notes payable	625,000				625,000
Bond premium	480,746				480,746
Total other financing sources (uses)	<u>(678,378)</u>	<u>28,013,226</u>	<u>4,237,631</u>	<u>3,267</u>	<u>31,575,746</u>
Net change in fund balance	880,358	6,423,637	2,647,364	238,034	10,189,393
Fund balance - beginning, as previously stated	347,757	2,717,692	264,820	88,158	3,418,427
Prior period adjustment	(567,846)				(567,846)
Fund balance - beginning, as restated	<u>(220,089)</u>	<u>2,717,692</u>	<u>264,820</u>	<u>88,158</u>	<u>2,850,581</u>
Fund balance - ending	<u>\$ 660,269</u>	<u>\$ 9,141,329</u>	<u>\$2,912,184</u>	<u>\$ 326,192</u>	<u>\$ 13,039,974</u>

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

CITY OF PRATTVILLE, ALABAMA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Differences in amounts reported for governmental activities in the statement of activities on page 14.

Net change in fund balance - total governmental funds		\$ 10,189,393
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net assets		2,493,938
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities		(1,490,413)
Loan proceeds provide current financial resources to the governmental funds and thus contribute to the change in fund balance. However, issuing debt increases long-term liabilities in the statement of net assets:		
General obligation warrants		(30,470,000)
Notes payable		(625,000)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net assets:		
Capitalized lease obligations	\$ 164,045	
General obligation warrants payable	1,185,000	
Notes payable	<u>1,250,000</u>	2,599,045
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued interest payable	(537,973)	
Compensated absences	<u>50,759</u>	(487,214)
Governmental funds report the effect of issuance costs, premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Bond issue cost	741,010	
Bond premium	(480,746)	
Amortization	<u>(8,826)</u>	<u>251,438</u>
Change in net assets of governmental activities		<u><u>\$ (17,538,813)</u></u>

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

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting entity - The City of Prattville (the City) was incorporated under the laws of the State of Alabama in 1839 and operates under a Mayor-Council form of government. The Mayor is elected at large and all seven council members are elected by districts for concurrent terms of four years. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Prattville (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Each component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the city.

The component unit's column in the combined financial statements includes the financial data of the Autauga-Prattville Public Library (the Library), the Prattville Airport Authority (the Authority), and the Historic Prattville Redevelopment Authority (HPRA), which are determined to be component units of the City.

The Library operates for the benefit of the City and Autauga County residents. The City annually provides significant operating subsidies to the Library and appoints its governing body. Based on this criteria, the Library is included as a component unit of the City for the year ended September 30, 2006. The Library operates on a fiscal year ending September 30. Complete financial statements of the Library can be obtained at its administrative office located in Prattville, Alabama.

The Prattville Airport Authority was established for the purpose of acquiring, operating, constructing, and developing airport and industrial facilities. The City appoints the governing body and became obligated under a federal grant initiated by the Authority in September 2000. Based on this criteria, the Authority is included as a component unit of the City for the year ended September 30, 2006. The Authority also operates on a fiscal year ending September 30. Complete financial statements of the Authority can be obtained at its administrative office located in Prattville, Alabama.

The Historic Prattville Redevelopment Authority was formed to promote trade and commerce by inducing commercial enterprises to upgrade, improve, modernize, and expand existing facilities and to locate new facilities to the central business district of Prattville. The City annually provides operating subsidies to the HPRA and appoints its governing body. Based on this criteria, the HPRA is included as a component unit of the City for the year ended September 30, 2006.

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council appoints board members to the Water Works Board of the City of Prattville and three of the seven members of the Autauga County Emergency Management District. These entities are not considered component units of the City.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Government-wide and Fund Financial Statements - The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements are comprised of the statement of net assets and the statement of activities. The City has determined that there are no business-type activities. The effects of interfund activity have been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of the City's governmental activities are offset by the City's program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues are classified into three categories: (1) fines, fees, and charges, (2) operating grants and contributions, and (3) capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that help support all functions of government and contribute to the change in the net assets for the fiscal year.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

The City reports the following major governmental funds:

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

*Capital Projects Funds* - Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

*Debt Service Fund* - The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on general long-term debt.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation -

*Government-wide Financial Statements:* The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

*Governmental Fund Financial Statements:* The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within ninety days after year-end. Sales taxes, gasoline taxes, grants, donations, and interest revenue are all considered to be susceptible to accrual. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental activities of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Cash and Cash Equivalents - Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

E. Property Tax Calendar - All ad valorem taxes levied by the state, county, and any municipality in Autauga County are assessed by the Tax Assessor and collected by the Tax Collector of Autauga County. The Autauga County property tax calendar requires the Tax Assessor to assess and attach taxes as enforceable liens on property as of September 30 and are due October 1 through December 31 of the following year. Property taxes that have not been paid by January 1 are considered delinquent. Tax collections received by the County Tax Collector are remitted to the City on a monthly basis.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

F. Receivables - All taxes and accounts receivables are shown net of an allowance for uncollectibles. Accounts receivable in governmental funds consist of fees for public services rendered, reimbursable payments paid for the benefit of other governmental entities that are collected on a periodic basis, and grants receivable from other governments.

G. Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to October 1, 2002 are not reported in the basic financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets of the primary government and the Autauga-Prattville Public Library, a component unit, are depreciated using the straight-line method over the following estimated useful lives:

ASSET CLASS	ESTIMATED USEFUL LIVES	CAPITALIZATION THRESHOLD
Land improvements	20 years	\$25,000
Buildings	40 years	25,000
Improvements other than buildings	20 years	25,000
Office, non-office and computer equipment	5 - 20 years	5,000
Infrastructure	50 years	50,000

Capital assets of the Prattville Airport Authority, a component unit, are depreciated using the straight-line method over the following estimated useful lives:

ASSET CLASS	ESTIMATED USEFUL LIVES	CAPITALIZATION THRESHOLD
Building and improvements	3 - 25 years	\$10,000
Land improvements	15 years	10,000
Furniture and equipment	5 - 7 years	500
Runways	8 - 25 years	10,000

CITY OF PRATTVILLE, ALABAMA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Capital assets of the Historic Prattville Redevelopment Authority, a component unit, are depreciated using the straight-line method of depreciation over the following estimated useful lives:

ASSET CLASS	ESTIMATED USEFUL LIVES	CAPITALIZATION THRESHOLD
Machinery and equipment	5 years	\$ 5,000
Land improvements	15 years	25,000
Buildings	39 years	25,000

The City has historical assets including statues and fountains that are not capitalized, in accordance with established criteria. Specifically, the historical assets are held for reasons other than financial gain. The assets are protected, kept unencumbered, cared for and preserved, and are subject to a City policy requiring that sales proceeds from any historical assets be used to acquire similar assets.

H. Compensated Absences - The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours up to a maximum of 360 hours at current wage rates. All vacation pay is accrued when incurred in the government-wide financial statements up to certain limits for use in subsequent periods. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Budgets and Budgetary Accounting - The budget is adopted annually at the beginning of each fiscal year for the General Fund and the State Gasoline Tax Fund. The Council must approve transfers of appropriations or revisions between and among government function categories. Management can approve transfers within government function categories only. Actual expenditures should not exceed appropriations in governmental function categories. Appropriations lapse at the end of the fiscal year. In addition to the legally adopted budget, formal budgetary integration is employed as a management control device during the year for the General Fund.

Budgets for the above-mentioned funds are adopted on a basis other than accounting principals generally accepted in the United States of America (GAAP) insofar as encumbrances are included with expenditures. Reconciliation of expenditures reported in accordance with GAAP and those presented in accordance with the Non-GAAP Budgetary Basis is shown in the budgetary comparison statements.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS:

Deposits - Custodial Credit Risk - The City's investment policy requires that bank deposits be fully insured by the Federal Deposit Insurance Corporation or be covered under the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

Investments are subject to certain types of risk including interest rate risk, custodial credit risk, and foreign currency risk. The following describes those risks.

Investments - Custodial Credit Risk - For an investment, custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The City's safekeeping agent holds all investments of the City of Prattville in the City's name.

Credit risk - The City has no policy regarding credit risk. The investment in the Federal National Mortgage Association is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the Edward Jones Cash Portfolio is unrated. The investment in the Government National Mortgage Association is guaranteed by the full faith and credit of the U. S. Government.

Concentration of credit risk - The City places no limit on the amount that the City may invest in any one issuer. More than five percent of the City's investments are in Federal National Mortgage Association securities. This investment is 84% of the City's total investments.

At September 30, 2006 the City's investment balances were as follows:

INVESTMENT TYPE	FAIR VALUE	MATURITY	RATING
Edward Jones - Cash Portfolio	\$ 19,887	N/A	N/A
Federal National Mortgage Association	145,055	March 4, 2024	AAA/Aaa
Government National Mortgage Association	1,873	August 15, 2009	Unrated
Government National Mortgage Association	1,837	July 15, 2023	Unrated
Government National Mortgage Association	4,925	July 15, 2023	Unrated
Total	<u>\$173,577</u>		

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 3 - CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,166,526	\$2,098,306	\$1,571,632	\$ 1,693,200
Land	1,019,216	230,994		1,250,210
Total capital assets, not being depreciated	<u>2,185,742</u>	<u>2,329,300</u>	<u>1,571,632</u>	<u>2,943,410</u>
Capital assets, being depreciated:				
Buildings and building improvement	7,985,771			7,985,771
Land improvements	6,333,636	760,848		7,094,484
Vehicles	7,368,443	164,637		7,533,080
Office, non-office and computer equipment	6,614,280			6,614,280
Infrastructure	941,759	810,785		1,752,544
Total capital assets being depreciated	<u>29,243,889</u>	<u>1,736,270</u>		<u>30,980,159</u>
Less accumulated depreciation for:				
Buildings	1,969,115	201,101		2,170,216
Improvements other than buildings	2,444,588	358,079		2,802,667
Vehicles	6,009,955	573,823		6,583,778
Office, non-office and computer equipment	5,387,472	313,993		5,701,465
Infrastructure		43,417		43,417
Total accumulated depreciation	<u>15,811,130</u>	<u>1,490,413</u>		<u>17,301,543</u>
Total capital assets, being depreciated, net	<u>13,432,759</u>	<u>245,857</u>		<u>13,678,616</u>
Governmental activity capital assets, net	<u>\$15,618,501</u>	<u>\$2,575,157</u>	<u>\$1,571,632</u>	<u>\$16,622,026</u>

As of September 30, 2006, commitments to contractors on capital projects totaled \$5,619,008.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 3 - CAPITAL ASSETS: (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
General government	\$ 31,632
Public works	624,030
Public safety	532,407
Cultural and recreational	<u>302,344</u>
 Total depreciation expense - governmental activities	 <u><u>\$1,490,413</u></u>

Component units:

Capital asset activity for the Prattville Airport Authority for the fiscal year ended September 30, 2006 is as follows:

	<u>BEGINNING BALANCES</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>ENDING BALANCE</u>
Capital assets, not being depreciated:				
Land	\$ 2,593,729			\$ 2,593,729
Construction in progress	<u>49,151</u>	<u>\$ 202,289</u>	<u>\$ 251,440</u>	
Total capital assets, not being depreciated	<u>2,642,880</u>	<u>202,289</u>	<u>251,440</u>	<u>2,593,729</u>
Capital assets, being depreciated:				
Land improvements	536,258	251,440		787,698
Runways	4,854,536			4,854,536
Building improvements	333,832	1,089		334,921
Furniture and equipment	<u>44,136</u>	<u>21,843</u>		<u>65,979</u>
Total capital asses, being depreciated	<u>5,768,762</u>	<u>274,372</u>		<u>6,043,134</u>
Less: Accumulated depreciation	<u>1,323,775</u>	<u>258,962</u>		<u>1,582,737</u>
Total capital assets, being depreciated net	<u>4,444,987</u>	<u>15,410</u>		<u>4,460,397</u>
 Net total capital assets	 <u><u>\$ 7,087,867</u></u>	 <u><u>\$ 217,699</u></u>	 <u><u>\$ 251,440</u></u>	 <u><u>\$ 7,054,126</u></u>

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 3 - CAPITAL ASSETS: (continued)

Capital asset activity for the Autauga-Prattville Public Library for the fiscal year ended September 30, 2006 is as follows:

	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Capital assets, being depreciated:				
Equipment	\$ 208,052	\$ 24,186	\$ 92,939	\$ 139,299
Total capital assets, being depreciated	<u>208,052</u>	<u>24,186</u>	<u>92,939</u>	<u>139,299</u>
Less: Accumulated depreciation	<u>158,346</u>	<u>15,075</u>	<u>92,939</u>	<u>80,482</u>
Total capital assets, being depreciated net	<u>\$ 49,706</u>	<u>\$ 9,111</u>	<u>\$ -</u>	<u>\$ 58,817</u>

Capital asset activity for the Historic Prattville Redevelopment Authority for the fiscal year ended September 30, 2006 is as follows:

	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Capital assets, not being depreciated:				
Land	\$ 120,000	\$ 63,500		\$ 183,500
Total capital assets, not being depreciated	<u>120,000</u>	<u>63,500</u>		<u>183,500</u>
Capital assets, being depreciated:				
Land improvements	12,000			12,000
Building improvements	285,000			285,000
Machinery and equipment	23,000			23,000
Total capital assets, being depreciated	<u>320,000</u>			<u>320,000</u>
Less: Accumulated depreciation		<u>17,708</u>		<u>17,708</u>
Total capital assets, being depreciated net	<u>320,000</u>	<u>(17,708)</u>		<u>302,292</u>
Net total capital assets	<u>\$ 440,000</u>	<u>\$ 45,792</u>	<u>\$ -</u>	<u>\$ 485,792</u>

CITY OF PRATTVILLE, ALABAMA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

NOTE 4 - INTERFUND ACTIVITY:

	TRANSFER IN		TOTAL
	NONMAJOR GOVERNMENTAL FUNDS	MAJOR GOVERNMENTAL FUNDS	
Transfer Out:			
General fund	\$3,267	\$32,250,857	\$32,254,124

Transfers were made from the general fund to nonmajor and major governmental funds to pay the matching portion of operating grants received during the year, to eliminate outstanding internal balances, and to fund capital improvements and debt service payments.

NOTE 5 - LONG-TERM DEBT:

State statute limits the amount of long-term debt the City can incur. The amount of debt applicable to this limit during a year can be no greater than 20% of the assessed value of taxable property as of the beginning of the fiscal year. As of September 30, 2006, the amount of outstanding debt applicable to this limit was equal to 4.96% of property assessments as of October 1, 2005.

Long-term debt activity for the year ended September 30, 2006, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental activities:					
Warrant and other notes payable	\$14,595,000	\$30,470,000	\$1,185,000	\$43,880,000	\$1,225,000
Add deferred amounts:					
For issuance premiums		480,746	8,137	472,609	
Total warrants and other notes payable	14,595,000	30,950,746	1,193,137	44,352,609	1,225,000
Capital lease payable	486,973		192,027	294,946	102,900
Compensated absences	979,218	414,366	465,125	928,459	25,585
Totals	\$16,061,191	\$31,365,112	\$1,850,289	\$45,576,014	\$1,353,485

Compensated absences typically have been liquidated in the general fund.

CITY OF PRATTVILLE, ALABAMA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

NOTE 5 - LONG-TERM DEBT: (continued)

Long-term debt at September 30, 2006 consists of the following:

	<u>TOTAL</u>
General Obligation Sewer Warrant, Series 1996; due in annual principal payments each August 15 and semiannual interest payments due each February 15 and August 15; interest rate of 3.95%; final maturity date is August 15, 2017	\$ 1,945,000
General Obligation Warrant, Series 2001; due in annual principal payments each September 1 and semiannual interest payments due each March 1 and September 1; interest rates range from 4% to 4.9%; final maturity date is September 1, 2020	3,670,000
General Obligation Warrant, Series 2002; due in annual principal payments each February 1 and semiannual interest payments due each February 1 and August 1; interest rates range from 4.35% to 4.9%; final maturity date is February 1, 2022	5,220,000
Building Revenue Warrant, Series 2002; due in annual principal payments each October 1 and semiannual interest payments due each April 1 and October 1; interest rate of 3.7%; final maturity date is April 1, 2010	565,000
General Obligation, Sewer Warrant, Series 2004; due in annual principal payments each February 15 and semiannual interest payments due each February 15 and August 15; interest rate of 3.05%; final maturity date is February 18, 2025	2,010,000
General Obligation Warrants, Series 2006; due in annual principal payments beginning November 1, 2009 and semiannual interest payments due each November 1 and May 1; interest at 3.625% to 3.70%; final maturity date is November 1, 2011	1,595,000

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 5 - LONG-TERM DEBT: (continued)

General Obligation, Economic Development Improvement Warrants, Series 2006A; due in annual principal payments beginning November 1, 2010 and semiannual interest payments due each November 1 and May 1; interest at 3.65% to 4.625%; final maturity date is November 1, 2026 \$19,875,000

General Obligation, Economic Development Improvement Warrants, Series 2006B; due in annual principal payments beginning November 1, 2009 and semiannual interest payments due each November 1 and May 1; interest at 3.5% to 5.0%; final maturity date is November 1, 2025 9,000,000

Total \$43,880,000

Debt service requirements on long-term debt at September 30, 2006 are as follows:

	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
Year ending			
September 30,			
2007	\$ 1,225,000	\$ 1,895,625	\$ 3,120,625
2008	1,275,000	1,888,354	3,163,354
2009	1,325,000	1,837,770	3,162,770
2010	1,850,000	1,776,990	3,626,990
2011	1,845,000	1,690,346	3,535,346
2012 - 2016	10,470,000	7,184,563	17,654,563
2017 - 2021	12,030,000	4,620,624	16,650,624
2022 - 2026	12,075,000	1,841,043	13,916,043
2027	1,785,000	41,278	1,826,278
	<u>\$ 43,880,000</u>	<u>\$ 22,776,593</u>	<u>\$ 66,656,593</u>

CITY OF PRATTVILLE, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 6 - NOTES PAYABLE:

The Historic Prattville Redevelopment Authority's notes payable at September 30, 2006 are as follows:

	<u>TOTAL</u>
Peoples Bank and Trust Co. secured by real estate; monthly interest payments due the 15th of every month, for 12 months beginning May 15, 2006. After 12 months the obligation converts to 47 installments of principal and interest in the amount of \$2,714, based on an 84 month amortization and a final balloon installment of all principal and accrued interest due at maturity; interest rate of 5.36%; final maturity date is April 5, 2011	\$ 180,520
Peoples Bank and Trust Co. secured by; real estate; monthly principal and interest payments of \$2,061 due on the 5th of every month; interest rate of 5.38%; final maturity date is May 5, 2009	248,566
Peoples Bank and Trust Co. unsecured; interest only note, with interest payments due quarterly from the date of origination of the loan August 30, 2006; interest rate of 5.61%; maturity date of August 30, 2007 Note renewed on August 30, 2007; final maturity date of September 30, 2008	<u>55,000</u>
Total	<u><u>\$ 484,086</u></u>

CITY OF PRATTVILLE, ALABAMA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

Year ending September 30,	HISTORIC PRATTVILLE REDEVELOPMENT AUTHORITY		
	PRINCIPAL	INTEREST	TOTAL
2007	\$ 77,772	\$ 21,132	\$ 98,904
2008	35,668	21,452	57,120
2009	249,975	19,490	269,465
2010	26,276	6,337	32,613
2011	94,395	3,105	97,500
Total	\$ 484,086	\$ 71,516	\$ 555,602

Long-term debt activity for the Historic Prattville Redevelopment Authority for the year ended September 30, 2006, was as follows:

	BEGINNING			ENDING	DUE WITHIN
	BALANCE	ADDITIONS	REDUCTIONS	BALANCE	ONE YEAR
People Bank and Trust Co.; secured loan	\$ 190,000		\$ 9,480	\$ 180,520	\$ 11,341
Peoples Bank and Trust Co.; secured loan	252,210		3,644	248,566	11,431
Peoples Bank and Trust Co.; unsecured loan	55,000			55,000	55,000
Totals	\$ 497,210	\$ -	\$ 13,124	\$ 484,086	\$ 77,772

**NOTE 7 - CAPITAL LEASES:**

The City leases vehicles with a historical cost and accumulated depreciation of \$1,592,192 and \$1,146,135, respectively, under capital lease arrangements. Future minimum lease payments at September 30, 2006 were as follows:

<u>FISCAL YEAR ENDING SEPTEMBER 30,</u>	<u>AMOUNT</u>
2007	\$102,900
2008	65,984
2009	28,752
2010	28,752
2011	28,752
2012 - 2013	57,506
Total minimum lease payments	312,646
Less: Deferred interest	17,700
Present value minimum lease payments	\$294,946

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

NOTE 8 - PENSION COSTS:

Plan Description - The City of Prattville participates in the Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for qualified persons employed by local government entities in Alabama. The defined benefit plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Employees' Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, AL 36130-2150 or by calling 334-832-4140.

Employee participation requires contributions of 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 7.38% of annual covered payroll. The contribution requirements of plan members and the Board are established and may be amended by the Employees' Retirement System of Alabama.

For 2006, the City's annual pension cost of \$670,985 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.61% to 7.75% per year, and (c) no cost of living adjustment. Both (a) and (b) included an inflation component of 4.50%. The actuarial value of the City's 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 is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2006 was 20 years.

Three-year historical information on annual pension cost and net pension obligation is presented below:

TREND INFORMATION

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
September 30, 2004	\$635,440	100%	\$ -
September 30, 2005	869,227	100%	-
September 30, 2006	670,985	100%	-

CITY OF PRATTVILLE, ALABAMA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

Three-year historical trend information showing the System is presented below:

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE (b)	EXCESS (UNFUNDED) OF ASSETS OVER AAL (a-b)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	EXCESS (DEFICIT) AS A PERCENTAGE OF COVERED PAYROLL ((a-b)/c)
September 30, 2003	\$18,154,574	\$22,145,957	(\$3,991,383)	82.0%	\$10,490,165	(38.0%)
September 30, 2004	19,827,320	23,865,604	(4,038,284)	83.1%	11,023,026	(36.6%)
September 30, 2005	21,957,848	27,902,811	(5,944,963)	78.7%	12,626,377	(47.1%)

The Autauga-Prattville Public Library, a component unit of the City, also contributes to the Employees' Retirement System of Alabama. The component unit's payroll for employees covered by the System for the year ended September 30, 2006 was \$202,521. Funding status and progress data are provided in the component unit's separately issued financial statement.

**NOTE 9 - INTERNAL BALANCES:**

Internal balances shown in the combined balance sheet include the following:

FUND	INTERFUND RECEIVABLE	INTERFUND PAYABLE
Internal balances:		
General	\$ 766,890	\$ 3,110,267
Capital improvements	3,184,635	751,617
State gasoline excise tax		17,197
Housing and urban development grant		72,444
Total internal balances	<u>\$3,951,525</u>	<u>\$3,951,525</u>

**NOTE 10 - RESERVES AND DESIGNATIONS OF FUND BALANCES:**

Reserves indicate that portions of fund balances are not available for appropriation or are legally segregated. A detail of the reserves of each fund is as follows:

	GENERAL FUND	CAPITAL FUND
Reserved for:		
Capital projects	\$1,346,421	\$6,176,905
Self - insurance fund	535,900	
Encumbrances	86,953	
Department specification	61,930	
Total reserved fund balances	<u>\$2,031,204</u>	<u>\$6,176,905</u>

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

Designations indicate tentative plans for future use of financial resources. A detail of the fund balances is as follows:

	DEBT SERVICE FUND
Reserved	\$2,654,175
Unreserved, designated for:	
Debt service	<u>258,009</u>
Total fund balances	<u><u>\$2,912,184</u></u>

NOTE 11 - CONTINGENT LIABILITIES:

The City has received federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could produce requests for reimbursements to the grantor agencies due to the disallowance of expenditures pursuant to the terms of the grant. It is the opinion of the City that such disallowances, if any, would not be material.

The City attorney estimates that the amount of actual or potential claims against the City, as of September 30, 2006 will not materially affect the financial condition of the City. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12 - RISK MANAGEMENT:

The City is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees; and self-insured employee health. The City purchases commercial insurance for claims in excess of coverage provided by Employee's Medical Insurance Fund and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund.

Employees' Medical Insurance Fund - The City maintains the Employees' Medical Insurance Fund to account for and finance its uninsured risks of loss. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustments related to specific claims and other claim adjustments regardless of whether they are allocated to specific claims. Estimated recoveries are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$250,000. Settlements have not exceeded coverages. Changes in the balances of claims liabilities during the year is as follows:

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

Unpaid claims, beginning of fiscal year	\$ -0-
Incurred claims (including IBNRs)	1,361,738
Claim payments	<u>(1,219,121)</u>
Unpaid claims, end of fiscal year	<u>\$ 142,617</u>

NOTE 13 - RELATED PARTY TRANSACTIONS:

The City chose the Water Works Board of the City of Prattville as the collection agent for the sewer and sanitation collection fees. The City receives the receipts for services when collected by the Water Works. The amount receivable to the City for sewer and sanitation collection fees not yet received at September 30, 2006 was \$262,382.

The City imposes a 3% license fee on gross water receipts. The 3% fees are collected by the Water Works from charges to water customers on their monthly water bill and remitted to the City annually on January 1. The receivable from the Water Works Board for license fees at September 30, 2006 was \$91,848.

On May 1, 2006, the City of Prattville entered into a lease agreement with the Historic Prattville Redevelopment Authority to lease a building on West 4<sup>th</sup> Street. The term of the lease is five years with quarterly rent payments of \$8,183. The City of Prattville paid \$24,549 in rent payments to HPRA during fiscal year ended September 30, 2006.

NOTE 14 - COMMITMENT:

The City has a contractual commitment with the Autauga County Commission for the funding of the metro jail facility. The contract provides for annual payments not to exceed \$325,000 for a period of twenty years. Monthly payments on the commitment commenced when the facility became operational in July 2004. These annual payments include facility rental payments of \$160,000 and operating cost of \$165,000.

The City entered an agreement to support the indebtedness incurred to finance property of the Historic Prattville Redevelopment Authority with an annual allocation in the event that the lease arrangements on the financed property prove not to be financially viable. The initial loan balance on the property totaled \$252,200.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

NOTE 15 - EFFECT OF NEW PRONOUNCEMENTS:

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

*GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*

*GASB Statement Number 47, Accounting for Termination Benefits*

*GASB Statement Number 48, Sales and Pledges of Receivable and Future Revenues and Intra Entity Transfers of Assets and Future Revenues*

*GASB Statement Number 49, Accounting and Financial Reporting for Pollution Remediation Obligations*

NOTE 16 - SUBSEQUENT EVENT:

In April 2007, the City was notified that there was an overpayment of sales tax revenues remitted to the City by the Elmore County Commission beginning in January 2004 resulting in a payable totaling \$955,538 as of September 30, 2006. The overpayment of \$572,391 to the City for the periods prior to the fiscal year ended September 20, 2006 is included as a prior period adjustment to the general fund beginning fund balance and net assets as of October 1, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PRATTVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET - POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes:				
Ad valorem taxes	\$ 1,770,000	\$ 1,770,000	\$ 1,798,544	\$ 28,544
Sales taxes	9,525,000	9,525,000	9,501,596	(23,404)
1/2 cent sales tax	2,070,000	2,070,000	2,375,399	305,399
Local gasoline tax	865,000	865,000	912,030	47,030
Cigarette tax	150,000	150,000	137,247	(12,753)
Whiskey tax	60,000	60,000	60,037	37
Beer tax	240,000	240,000	229,237	(10,763)
Wine tax	14,000	14,000	13,940	(60)
ABC sales tax	25,000	25,000		(25,000)
Excise tax	55,000	55,000	146,969	91,969
Lodging tax	1,025,000	1,025,000	1,075,989	50,989
Rental tax	280,000	280,000	277,380	(2,620)
Total taxes	<u>16,079,000</u>	<u>16,079,000</u>	<u>16,528,368</u>	<u>449,368</u>
Licenses and permits:				
Business licenses	3,000,000	3,000,000	3,232,499	232,499
Yard sale permits	5,000	5,000	4,562	(438)
Franchise fees	240,000	240,000	289,196	49,196
Building permits and inspection fees	280,000	280,000	393,382	113,382
Zoning and plat fees	10,000	10,000	19,638	9,638
Total licenses and permits	<u>3,535,000</u>	<u>3,535,000</u>	<u>3,939,277</u>	<u>404,277</u>
Intergovernmental revenue:				
Shared state revenue:				
ABC profits	10,000	10,000	20,228	10,228
Total intergovernmental revenues	<u>10,000</u>	<u>10,000</u>	<u>20,228</u>	<u>10,228</u>
Charges and fees for services:				
Ambulance fees	890,000	890,000	1,022,949	132,949
Ambulance fees, county	85,000	85,000	42,064	(42,936)
Sewer charges	1,680,000	1,680,000	1,763,630	83,630
Sanitation fees	1,195,000	1,195,000	1,225,708	30,708
Sewer assessment fees	10,000	10,000	45,740	35,740
Sewer impact fees	130,000	130,000	175,700	45,700
Street cut/repairs	6,000	6,000	9,160	3,160
Recreation rentals	241,000	241,000	226,660	(14,340)
Total charges and fees for services	<u>4,237,000</u>	<u>4,237,000</u>	<u>4,511,611</u>	<u>274,611</u>

CITY OF PRATTVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES: (continued)				
Fines and forfeitures:				
Court fines	\$ 275,000	\$ 275,000	\$ 231,500	\$ (43,500)
Parking tickets	3,000	3,000		(3,000)
Domestic Violence Elmore County			6,728	6,728
Drug proceeds	15,000	15,000	71,662	56,662
Court costs	50,000	50,000	43,006	(6,994)
Total fines and forfeitures	<u>343,000</u>	<u>343,000</u>	<u>352,896</u>	<u>9,896</u>
Miscellaneous revenues:				
Donations	75,000	75,000	75,000	
County commission - RTJ	50,000	50,000	50,000	
Interest income	50,000	50,000	41,847	(8,153)
Accident reports	9,000	9,000	9,835	835
Commissions	2,000	2,000	5,122	3,122
Friday night live club	6,000	6,000	5,624	(376)
Returned checks	30,000	30,000	2,613	(27,387)
Cemetery lots	7,000	7,000	9,975	2,975
Miscellaneous income	150,000	150,000	158,999	8,999
Parades	2,000	2,000	1,490	(510)
Performing and Creative Arts	45,000	45,000	52,439	7,439
Penalties	55,000	55,000	53,895	(1,105)
Sale of surplus equipment	100,000	100,000	1,718	(98,282)
FEMA disaster relief	45,000	45,000		(45,000)
Firefighter's grant			342,880	342,880
Bullet proof vest grant	20,000	20,000	6,579	(13,421)
Law Enforcement BG Funds	6,000	6,000	15,384	9,384
Total miscellaneous revenues	<u>652,000</u>	<u>652,000</u>	<u>833,400</u>	<u>181,400</u>
Total revenues	<u>\$24,856,000</u>	<u>\$24,856,000</u>	<u>\$ 26,185,780</u>	<u>\$ 1,329,780</u>

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

CITY OF PRATTVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET - POSITIVE (NEGATIVE)
<b>EXPENDITURES:</b>				
General government:				
Executive	\$ 509,195	\$ 509,195	\$ 523,814	\$ (14,619)
Legislative	195,090	195,090	192,496	2,594
Judicial	257,590	704,285	245,740	458,545
Administrative finance	472,695	472,695	647,753	(175,058)
Administrative city clerk	285,795	285,795	236,438	49,357
Personnel department	209,155	209,155	254,609	(45,454)
Information technology	706,785	706,785	840,292	(133,507)
Vehicle maintenance	551,805	551,805	406,411	145,394
Nondepartmental	479,190	479,190	1,500,224	(1,021,034)
Total general government	<u>3,667,300</u>	<u>4,113,995</u>	<u>4,847,777</u>	<u>(733,782)</u>
Public Works:				
Street	965,055	965,055	905,574	59,481
Sanitation	1,125,455	1,125,455	1,339,995	(214,540)
Planning and development	724,360	724,360	740,702	(16,342)
Wastewater	1,648,255	1,648,255	1,807,019	(158,764)
Engineering	365,720	365,720	317,145	48,575
Total public works	<u>4,828,845</u>	<u>4,828,845</u>	<u>5,110,435</u>	<u>(281,590)</u>
Public Safety:				
Police	5,478,185	5,478,185	5,505,937	(27,752)
Fire	5,144,470	5,144,470	5,588,406	(443,936)
Total public safety	<u>10,622,655</u>	<u>10,622,655</u>	<u>11,094,343</u>	<u>(471,688)</u>
Cultural and Recreation:				
Leisure services	1,746,200	1,746,200	1,796,512	(50,312)
Total cultural and recreation	<u>1,746,200</u>	<u>1,746,200</u>	<u>1,796,512</u>	<u>(50,312)</u>

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

CITY OF PRATTVILLE, ALABAMA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET - POSITIVE (NEGATIVE)
EXPENDITURES: (continued)				
Transfers:				
Transfers to component units	\$ 225,000	\$ 225,000		\$ 225,000
Total transfers	225,000	225,000		225,000
Total expenditures	21,090,000	21,536,695	\$ 22,849,067	(1,312,372)
Excess of revenues over expenditures	3,766,000	3,319,305	3,336,713	17,408
Other Financing Sources (uses):				
Transfers to debt service fund	(500,000)	(500,000)	(4,237,631)	(3,737,631)
Transfers to capital improvement fund			(28,013,226)	(28,013,226)
Transfers to special revenue fund			(3,267)	(3,267)
Bond proceeds			30,470,000	30,470,000
Principal payments on short-term debt			(1,250,000)	(1,250,000)
Proceeds from short-term debt			625,000	625,000
Total other financing sources (uses)	(500,000)	(500,000)	(2,409,124)	(1,909,124)
Net change in fund balance, budgetary basis	\$3,266,000	\$2,819,305	927,589	\$ (1,891,716)
Add (deduct) other reconciling items to adjust from budgetary basis to modified accrual basis:				
Change in encumbrances			(47,231)	(47,231)
Net change in fund balance, modified accrual basis			880,358	
FUND BALANCE - BEGINNING, AS ORIGINALLY STATED			347,757	
PRIOR PERIOD ADJUSTMENT			(567,846)	
FUND BALANCE - BEGINNING, AS RESTATED			(220,089)	
FUND BALANCE ENDING			\$ 660,269	

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

CITY OF PRATTVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION  
 REQUIRED COMPARISON SCHEDULE  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A - Explanation of differences between GAAP revenues and expenditures and budgetary inflows and outflows

The City uses encumbrance accounting for budgetary control purposes. Outstanding encumbrances, which are outstanding purchase orders, contracts, and other commitments, are not treated as expenditures in the operating statements, but instead are reflected as a reservation of fund balance for expenditure or liquidation in the subsequent fiscal year. The only exception to this rule is in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual. Encumbrances are included in the actual expenditure figures on this statement so that a meaningful comparison can be made with the adopted budget of the City.

A reconciliation of the two statements is as follows:

	<u>GENERAL FUND</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses (GAAP basis)	\$880,358
Encumbrances at beginning of the year	134,184
Encumbrances at end of the year	<u>(86,953)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses - actual (non-GAAP budgetary basis)	<u>\$927,589</u>

NOTE B - Excess of expenditures over appropriations

The General Fund expenditures exceeded appropriations by \$1,312,372 primarily due to the under-budgeted non-departmental appropriations of \$1,021,034 and a combination of excess operating expenditures and grant expenditures incurred in fire safety. These over expenditures were funded by current revenues.

CITY OF PRATTVILLE, ALABAMA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006

	TOTAL NONMAJOR GOVERNMENTAL FUNDS	SPECIAL REVENUE FUNDS
	<u>                    </u>	<u>                    </u>
ASSETS		
Cash and temporary cash investments	\$ 394,338	\$ 394,338
Internal balances Receivable - other government	<u>21,495</u>	<u>21,495</u>
Total assets	<u>\$ 415,833</u>	<u>\$ 415,833</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Internal balances	<u>\$ 89,641</u>	<u>\$ 89,641</u>
Total liabilities	<u>89,641</u>	<u>89,641</u>
Fund balance:		
Reserved for encumbrances		
Unreserved:		
Undesignated	<u>326,192</u>	<u>326,192</u>
Total fund balance	<u>326,192</u>	<u>326,192</u>
Total liabilities and fund balance	<u>\$ 415,833</u>	<u>\$ 415,833</u>

CITY OF PRATTVILLE, ALABAMA

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

	TOTAL NONMAJOR GOVERNMENTAL FUNDS	SPECIAL REVENUE FUNDS
	<u>                    </u>	<u>                    </u>
Revenues:		
Taxes and fees	\$ 242,416	\$ 242,416
Intergovernmental revenue		
Interest income	4,594	4,594
Rents		
Total revenues	<u>247,010</u>	<u>247,010</u>
Expenditures:		
Current operations:		
Public works	12,243	12,243
Total current operations	<u>12,243</u>	<u>12,243</u>
Debt service:		
Principal retirements		
Interest and fiscal charges		
Total expenditures	<u>12,243</u>	<u>12,243</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	234,767	234,767
OTHER FINANCING SOURCES:		
Transfers in	3,267	3,267
Total other financing sources	<u>3,267</u>	<u>3,267</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	238,034	238,034
Fund balances at beginning of year	<u>88,158</u>	<u>88,158</u>
Fund balances at end of year	<u>\$ 326,192</u>	<u>\$ 326,192</u>

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

These include operating funds which are restricted as to use by the federal or state government and special purpose funds established by authority of the City Council.

State Gasoline Excise Tax Fund accounts for proceeds from a state gasoline tax. The use of these funds is restricted to expenditures related to construction, improvement, and maintenance of highways, bridges, and streets.

State Gasoline and Lubricating Oil Tax Fund accounts for proceeds from a state gasoline tax. The use of these funds is restricted to expenditures related to resurfacing, restoration, and rehabilitation of roads, bridges, and streets.

Housing and Urban Development Grant Fund accounts for funds used for Community Development Block Grant programs.

CITY OF PRATTVILLE, ALABAMA

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2006

	<u>TOTAL</u>	<u>STATE GASOLINE EXCISE TAX FUND</u>	<u>STATE GASOLINE AND LUBRICATING OIL TAX FUND</u>	<u>HOUSING AND URBAN DEVELOPMENT GRANT FUND</u>
<b>ASSETS</b>				
Cash and temporary cash investments	\$ 394,338	\$ 169,965	\$ 160,599	\$ 63,774
Receivable, other governments	<u>21,495</u>	<u>12,540</u>	<u>8,955</u>	
Total assets	<u>\$ 415,833</u>	<u>\$ 182,505</u>	<u>\$ 169,554</u>	<u>\$ 63,774</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Internal balances	\$ 89,641	\$ 17,197		\$ 72,444
Total liabilities	<u>89,641</u>	<u>17,197</u>		<u>72,444</u>
<b>Fund balance:</b>				
Reserved for encumbrances				
Unreserved:				
Undesignated	326,192	165,308	\$ 169,554	(8,670)
Total fund balance	<u>326,192</u>	<u>165,308</u>	<u>169,554</u>	<u>(8,670)</u>
Total liabilities and fund balance	<u>\$ 415,833</u>	<u>\$ 182,505</u>	<u>\$ 169,554</u>	<u>\$ 63,774</u>

CITY OF PRATTVILLE, ALABAMA

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

	TOTAL	STATE GASOLINE EXCISE TAX FUND	STATE GASOLINE AND LUBRICATING OIL TAX FUND	HOUSING AND URBAN DEVELOPMENT GRANT FUND
Revenues:				
Taxes and fees	\$ 242,416	\$ 136,030	\$ 106,386	
Interest income	4,594		4,594	
Total revenues	<u>247,010</u>	<u>136,030</u>	<u>110,980</u>	
Expenditures:				
Current operations:				
Public works	12,243			\$ 12,243
Total expenditures	<u>12,243</u>			<u>12,243</u>
Other financing sources:				
Transfers in	3,267			3,267
Transfers out				
Total other financing sources	<u>3,267</u>			<u>3,267</u>
Excess (deficiency) of revenues over expenditures	238,034	136,030	110,980	(8,976)
Fund balances at beginning of year	<u>88,158</u>	<u>29,278</u>	<u>58,574</u>	<u>306</u>
Fund balances at end of year	<u>\$ 326,192</u>	<u>\$ 165,308</u>	<u>\$ 169,554</u>	<u>\$ (8,670)</u>

CITY OF PRATTVILLE, ALABAMA  
 BUDGETARY COMPARISON SCHEDULE  
 STATE GASOLINE EXCISE TAX FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES:			
State gasoline excise tax	\$ 125,000	\$ 116,595	\$ (8,405)
State petroleum inspection fees		19,435	19,435
Total revenues	125,000	136,030	11,030
Net change in fund balance, budgetary basis	\$ 125,000	136,030	\$ 11,030
FUND BALANCE AT BEGINNING OF YEAR		29,278	
FUND BALANCE AT END OF YEAR		\$ 165,308	

CITY OF PRATTVILLE, ALABAMA

BUDGETARY COMPARISON SCHEDULE  
 STATE GASOLINE AND LUBRICATING OIL EXCISE TAX FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES:			
State gasoline and lubricating oil excise tax	\$ 105,000	\$ 106,386	\$ 1,386
Interest income		4,594	4,594
Total revenues	<u>105,000</u>	<u>110,980</u>	<u>5,980</u>
 Net change in fund balance, budgetary basis	 <u>\$ 105,000</u>	 110,980	 <u>\$ 5,980</u>
 FUND BALANCE AT BEGINNING OF YEAR		 <u>58,574</u>	
 FUND BALANCE AT END OF YEAR		 <u>\$ 169,554</u>	