

CITY OF PRATTVILLE, ALABAMA
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Prepared by:
Department of Finance

John R. Morgan, III
Finance Director

CITY OF PRATTVILLE, ALABAMA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

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CITY OF PRATTVILLE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

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INTRODUCTORY SECTION

CITY OF PRATTVILLE, ALABAMA

LIST OF PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2007

Mayor

Jim Byard, Jr.

Executive Assistant to the Mayor

Jamie Hatfield

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 Louis C. Colley

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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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, 2007, 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, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2007, 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 September 3, 2008 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 42 through 45 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 Thornton & Co. PC

Prattville, Alabama
September 3, 2008

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, 2007. 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, Alabama's assets exceeded its liabilities at September 30, 2007, by \$2,034,589 (*net assets*). Of the net asset balance amount, (\$28,162,924) (*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.
- During the year, the City's total net assets increased by \$17,747,876, as revenues of \$30,890,983 exceeded expenses of \$27,937,760, and due to the retroactive application of the capitalization requirements to major general infrastructure under the transition rules of GASB Statement Number 34 for governments totaling \$14,794,653. The decrease in expenses over the prior year is primarily due to the nonrecurring scheduled disbursements of the warrant proceeds which included infrastructure, improvements, and acquisitions for real estate developments located within the municipality that are not owned by the City.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,279,375, a decrease of \$5,760,599 over the prior year. Of this decrease, \$7,053,753 represents expended warrant proceeds designated for capital improvements and debt service; and an increase in other reserved and unreserved fund balances totaling \$1,293,154.
- The City's total outstanding long-term debt, excluding compensated absences, decreased during the current fiscal. Long-term debt payments totaling \$1,444,231 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, Alabama's basic financial statements. The City's basic financial statements comprise of 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, Alabama.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Prattville, Alabama'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, Alabama 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, Alabama uses fund accounting to ensure and demonstrate compliance with finance-related legal matters. All of the funds of the City of Prattville, Alabama are governmental funds which account for the basic services of the government. 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, Alabama's progress in funding its obligation to provide pension benefits to its employees. The notes are presented on pages 19 through 41 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, Alabama's budgetary comparison schedules for the general fund. Required supplementary information can be found on pages 42 through 46 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 47.

Government-Wide Financial Analysis

The City's condensed statement of net assets as of September 30, 2007 and 2006, derived from the government-wide statement of net assets is presented below.

	GOVERNMENTAL ACTIVITIES	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 7,921,472	\$ 6,685,653
Capital assets net of depreciation	39,369,547	16,622,026
Restricted assets	3,123,748	9,973,331
Total assets	<u>50,414,767</u>	<u>33,281,010</u>
Long-term liabilities		
outstanding	44,672,521	45,603,996
Other liabilities	3,707,657	3,390,301
Total liabilities	<u>48,380,178</u>	<u>48,994,297</u>
Net assets:		
Invested in capital assets, net of related debt	23,286,126	1,747,516
Restricted	6,911,387	12,053,513
Unrestricted	<u>(28,162,924)</u>	<u>(29,514,316)</u>
Total net assets	<u>\$ 2,034,589</u>	<u>\$ (15,713,287)</u>

The largest component of the City's net assets as of September 30, 2007 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 net of accumulated depreciation at September 30, 2007 increased by \$22,747,521 from the prior year primarily due to current year additions and the retroactive application of the capitalization requirements to major general infrastructure of \$14,794,653.

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, Alabama's total assets exceeded liabilities by \$2,034,589 primarily due to capital assets, net of depreciation, totaling \$39,369,547.

Liabilities decreased \$614,119 from the prior year due primarily to principle payments on long-term debt.

An additional portion of net assets is restricted, or has restrictions on how they may be used. Governmental activities restricted net assets totaled \$6,911,387 at September 30, 2007 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, 2007, reported a deficit balance in unrestricted net assets in governmental type activities of (\$28,162,924) which is due to outstanding general obligation warrants that 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, 2007 and 2006 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 increased by \$17,747,876, primarily due to the retroactive application of the capitalization requirements to major general infrastructure totaling \$14,794,653 under GASB Statement Number 34 - *Basic Financial Statement- and Management's Discussion and Analysis - for State and Local Governments*.

CITY OF PRATTVILLE, ALABAMA'S NET ASSETS

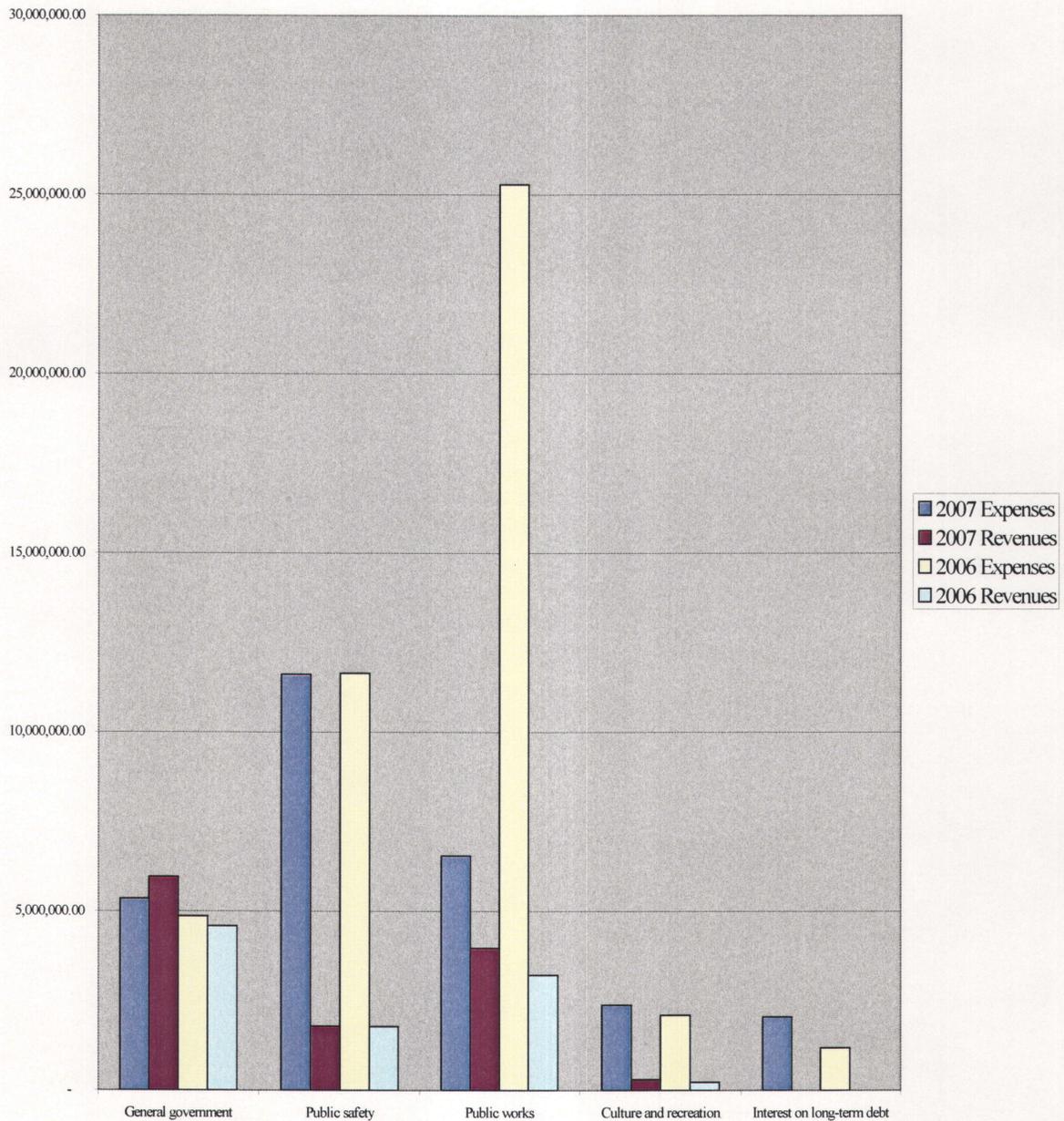
	GOVERNMENTAL ACTIVITIES	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 10,392,114	\$ 8,803,784
Operating grants and contributions	1,630,661	1,015,035
Total program revenues	<u>12,022,775</u>	<u>9,818,819</u>
General Revenues:		
Sales tax	15,365,612	14,729,824
Property tax	2,065,975	1,798,544
Motor fuel taxes	243,557	242,416
Intergovernmental revenues	17,753	20,228
Investment earnings and miscellaneous	1,175,311	925,001
Total general revenues	<u>18,868,208</u>	<u>17,716,013</u>
Total revenues	<u>30,890,983</u>	<u>27,534,832</u>
Expenses:		
General government:	5,350,008	4,861,244
Public works	6,548,115	25,283,479
Public safety	11,610,724	11,642,133
Culture and recreation	2,381,700	2,098,474
Debt service	2,047,213	1,188,315
Total expenses	<u>27,937,760</u>	<u>45,073,645</u>
Increase in net assets before transfers	<u>2,953,223</u>	<u>(17,538,813)</u>
Increase in net assets	2,953,223	(17,538,813)
Net assets - beginning as previously stated	(15,713,287)	2,393,372
Prior period adjustments	14,794,653	(567,846)
Net assets - beginning restated	<u>(918,634)</u>	<u>1,825,526</u>
Net assets - ending	<u>\$ 2,034,589</u>	<u>\$ (15,713,287)</u>

Expenses and Program Revenues for Governmental Activities

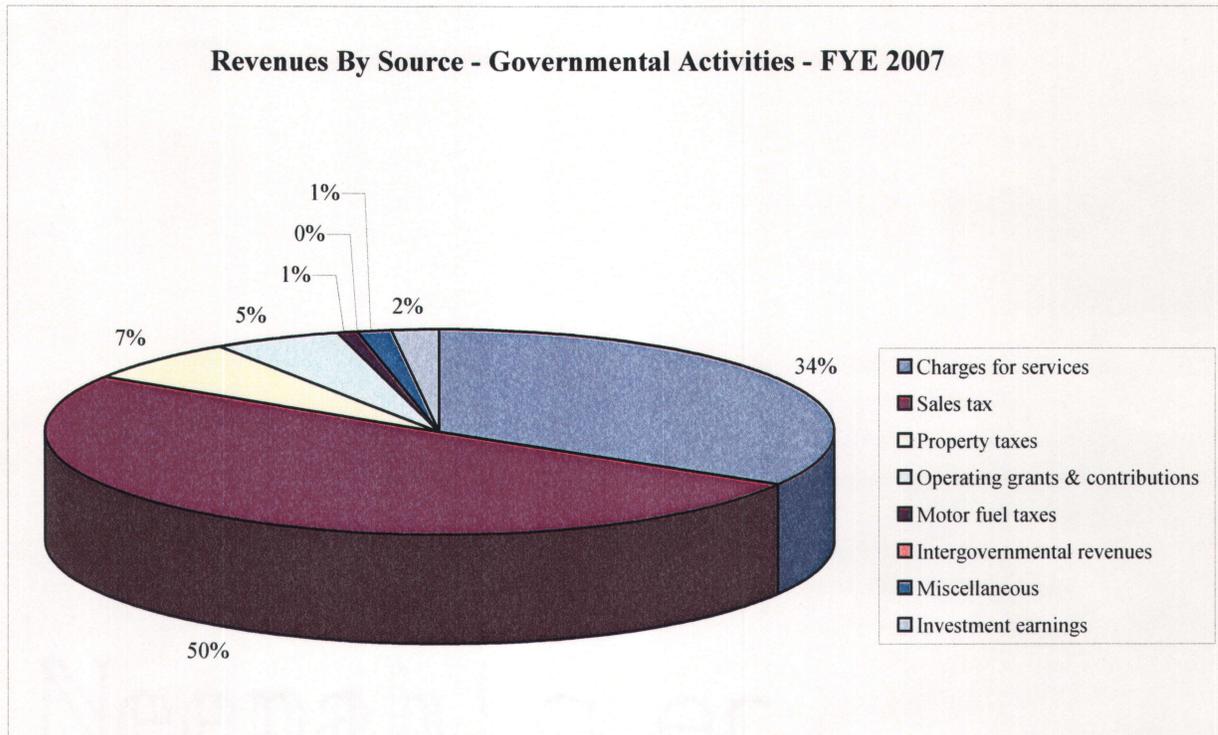
Governmental activities increased the City of Prattville, Alabama's net assets by \$2,953,223 for fiscal year 2007. Key elements of this decrease in expenses from prior year are as follows:

- Public works expenses decreased over the prior year by \$18,735,364 due to prior year expenses recognized for the scheduled disbursements of the warrant proceeds. Those scheduled disbursements included infrastructure for real estate developments located within the municipality and are nonrecurring.

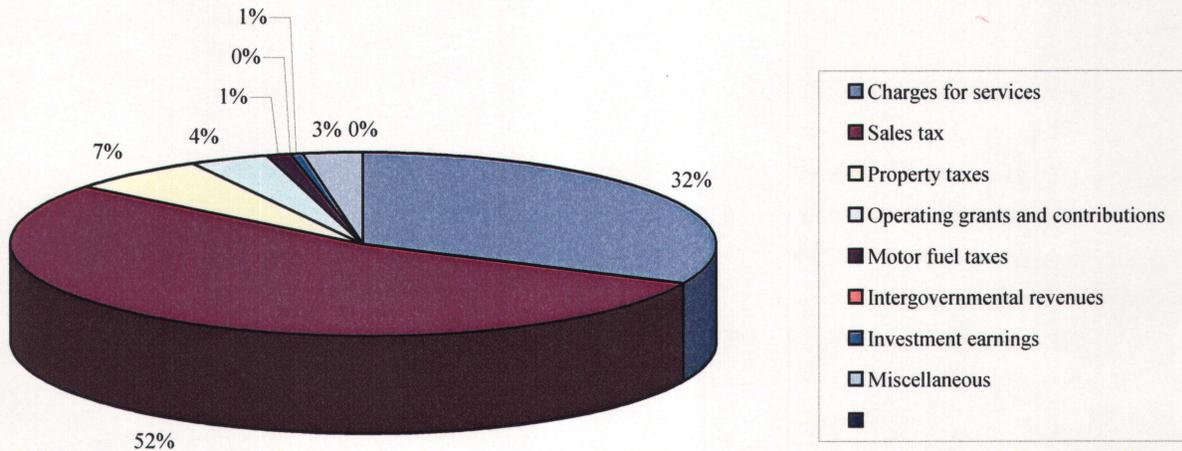
Expenses and Program Revenue - Governmental Activity



Program and General Revenues for Governmental Activities



Revenues By Source - Governmental Activities - FYE 2006



Financial Analysis of the City's Funds

As noted earlier, the City of Prattville, Alabama 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, Alabama.

As of September 30, 2007, governmental funds reported a combined ending fund balance of \$7,279,375, a decrease of \$5,760,599 in comparison with prior year balance. Of this balance \$4,612,148 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 other restricted purposes.

The fund balance of the general fund decreased \$261,681 during the current fiscal year. Total revenue increased \$2,361,456 as compared to prior year with tax revenues increasing by \$903,219. The most significant increase in taxes came from sales taxes of \$635,788, due in large part to a steady growth in retail sales. Total licenses and permits increased over the prior year by \$714,808 and charges for fees and services increased \$807,809. These increases reflect the steady growth in the City's population.

Capital Assets and Long-term Debt Administration

Capital assets - The City of Prattville, Alabama's investment in capital assets for its governmental activities as of September 30, 2007 was \$39,369,547 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, construction in progress, vehicles, and machinery and equipment.

Major capital asset additions during the year include:

- Purchase of land and completed construction of land improvements of \$3,498,894.
- Investment in construction in progress of \$5,774,943.

CITY OF PRATTVILLE, ALABAMA'S CAPITAL ASSETS

	<u>GOVERNMENTAL ACTIVITIES</u>
Land	\$ 2,621,060
Construction in progress	6,654,715
Buildings and building improvements	7,998,388
Land improvements	9,222,528
Vehicles	7,257,617
Office, non-office, and computer equipment	7,047,046
Infrastructure	<u>19,276,922</u>
Totals	<u>\$ 60,078,276</u>

Long-term debt - As of September 30, 2007, the governmental activities had total debt outstanding of \$44,672,521.

Outstanding debt:

Warrants and other notes payable	\$ 43,102,043
Capital lease payable	437,071
Compensated absences	<u>1,133,407</u>
Totals	<u>\$ 44,672,521</u>

The City of Prattville, Alabama's total debt outstanding decreased by \$931,475 during the current fiscal year. This decrease 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, 2007

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 \$3,464,042, or 14%. The individual sources within the revenues fluctuated both positively and negatively. Revenues generated from taxes were \$2,423,587 more than the budgeted amount. The budget excluded budgeted revenues for lodging taxes which totaled \$1,184,254. The remainder of the increase is due to growth in the Prattville area.

The actual operating expenses for the general fund were more than the budgeted amount by \$1,678,634, or 7%. The individual sources within the expenses fluctuated both positively and negatively.

Economic Factors and Year 2008 Budget

Economic conditions for the City of Prattville, Alabama remain positive.

- The unemployment rate for Autauga County was 2.3%, which is a slight decrease from a rate of 3.1% a year ago. The Autauga County unemployment rate compares favorably to the state's average unemployment rate of 3.0% and the national average rate of 4.6%.
- Inflationary trends in the region compare favorably to national indices.
- The 2007 - 2008 budget was based upon estimated annual revenues for the 2006 - 2007 of \$28,886,778. The total revenues for the 2007 - 2008 fiscal year are expected to exceed budgeted revenues by 6%.
- 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, Alabama'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

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CITY OF PRATTVILLE, ALABAMA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	PRIMARY	COMPONENT UNITS		
	GOVERNMENTAL	AUTAUGA-PRATTVILLE	PRATTVILLE	HISTORICAL
	ACTIVITIES	PUBLIC	AIRPORT	PRATTVILLE
		LIBRARY	AUTHORITY	REDEVELOPMENT
				AUTHORITY
ASSETS:				
Cash and cash equivalents	\$ 4,507,385	\$ 167,631	\$ 62,720	\$ 69,497
Investments	165,515			
Taxes receivable	1,290,629			
Accounts receivable, net	1,032,288		21,339	
Prepaid items	131,539			
Other current assets		1,800		
Deferred asset	25,584			
Deferred debt expense	768,532			
Capital assets, not depreciated	9,275,775		3,104,902	183,500
Capital assets, net of accumulated depreciation	30,093,772	91,021	4,300,431	291,067
Restricted assets:				
Cash and cash equivalents	3,123,748		15,347	
Accounts receivable, net			527,090	
Total assets	<u>50,414,767</u>	<u>260,452</u>	<u>8,031,829</u>	<u>544,064</u>
LIABILITIES:				
Accounts payable	2,472,086	7,670	524,813	
Accrued liabilities	254,181	17,254		
Accrued interest	710,344			
Deferred revenues	93,587	27,505		
Other liabilities	177,459		30	
Notes payable				440,869
Long-term liabilities:				
Portion due or payable in one year:				
General obligation warrants payable				
capital leases and other				
long-term debt	1,354,904		14,488	
Compensated absences	649,555			
Portion due or payable after one year:				
General obligation warrants payable				
capital leases and other				
long-term debt	42,184,210		21,462	
Compensated absences	483,852			
Total liabilities	<u>48,380,178</u>	<u>52,429</u>	<u>560,793</u>	<u>440,869</u>
NET ASSETS:				
Invested in capital assets, net of related debt	23,286,126	91,021	7,369,383	
Restricted for:				
Debt service	1,315,527			
Capital projects	5,053,525		542,437	
Special revenue	542,335			
Cultural and recreational		339		
Unrestricted	(28,162,924)	116,663	(440,784)	103,195
Total net assets	<u>\$ 2,034,589</u>	<u>\$ 208,023</u>	<u>\$ 7,471,036</u>	<u>\$ 103,195</u>

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

CITY OF PRATTVILLE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	PROGRAM REVENUE				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNITS		
					AUTAUGA- PRATTVILLE PUBLIC LIBRARY	PRATTVILLE AIRPORT AUTHORITY	HISTORICAL PRATTVILLE REDEVELOPMENT AUTHORITY	
Activities:								
Primary government:								
Governmental activities:								
General government	\$ 5,350,008	\$ 4,654,085	\$ 166,582	\$ 1,145,460	\$ 616,119			
Public safety	11,610,724	1,464,651	218,501	100,118	(9,827,454)			
Public works	6,548,115	3,969,798			(2,578,317)			
Cultural and recreational	2,381,700	303,580			(2,078,120)			
Interest on long-term debt	2,047,213				(2,047,213)			
Total primary government	<u>\$ 27,937,760</u>	<u>\$ 10,392,114</u>	<u>\$ 385,083</u>	<u>\$ 1,245,578</u>	<u>(15,914,985)</u>			
Component Units:								
Autauga - Prattville Public Library	\$ 534,807	\$ 20,665	\$ 585,659	\$ 13,314	\$ 84,831			
City of Prattville Airport Authority	490,229	252,403		663,412		\$ 425,586		
Historical Prattville Redevelopment Authority	43,812	56,298					\$ 12,486	
Total component units	<u>\$ 1,068,848</u>	<u>\$ 329,366</u>	<u>\$ 585,659</u>	<u>\$ 676,726</u>	<u>84,831</u>	<u>425,586</u>	<u>12,486</u>	
			<u>General Revenues</u>					
			Sales taxes		15,365,612			
			Real and personal property taxes		2,065,975			
			Motor fuel taxes		243,557			
			Intergovernmental revenues		17,753			
			Investment earnings		644,767	3,619	398	2,566
			Miscellaneous revenue		530,544			
			Total general revenues		<u>18,868,208</u>	<u>3,619</u>	<u>398</u>	<u>2,566</u>
			Change in net assets		<u>2,953,223</u>	<u>88,450</u>	<u>425,984</u>	<u>15,052</u>
			Net assets - beginning, as previously stated		<u>(15,713,287)</u>	<u>119,573</u>	<u>7,045,052</u>	<u>83,744</u>
			Prior period adjustments		<u>14,794,653</u>			<u>4,399</u>
			Net assets - beginning, as restated		<u>(918,634)</u>	<u>119,573</u>	<u>7,045,052</u>	<u>88,143</u>
			Net assets - ending		<u>\$ 2,034,589</u>	<u>\$ 208,023</u>	<u>\$ 7,471,036</u>	<u>\$ 103,195</u>

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

CITY OF PRATTVILLE, ALABAMA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	GENERAL	CAPITAL PROJECTS FUNDS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 3,254,088	\$ 324,713	\$ 348,648	\$ 579,936	\$ 4,507,385
Investments	165,515				165,515
Receivables:					
Taxes receivable	1,290,629				1,290,629
Accounts receivable, net	779,652	211,472			991,124
Due from other funds	371,831	3,202,326			3,574,157
Other governments				41,164	41,164
Prepaid items	131,539				131,539
Deferred asset		25,584			25,584
Restricted assets:					
Cash and cash equivalents		2,063,282	1,060,466		3,123,748
Total assets	<u>\$ 5,993,254</u>	<u>5,827,377</u>	<u>\$ 1,409,114</u>	<u>\$ 621,100</u>	<u>\$ 13,850,845</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,052,812	\$ 419,274			\$ 2,472,086
Due to other funds	3,110,214	354,578		\$ 109,365	3,574,157
Accrued liabilities	254,181				254,181
Other liabilities	177,459		\$ 93,587		271,046
Total liabilities	<u>5,594,666</u>	<u>773,852</u>	<u>93,587</u>	<u>109,365</u>	<u>6,571,470</u>
Fund balances:					
Reserved for:					
Capital projects		2,063,282			2,063,282
Debt service funds			1,060,466		1,060,466
Self-insurance fund	361,301				361,301
Encumbrances	298,816	544,370			843,186
Department specification	152,374				152,374
Prepaid items	131,539				131,539
Unreserved	(545,442)	2,445,873			1,900,431
Unreserved, reported in:					
Debt service funds			255,061		255,061
Special revenue funds				511,735	511,735
Total fund balance	<u>398,588</u>	<u>5,053,525</u>	<u>1,315,527</u>	<u>511,735</u>	<u>7,279,375</u>
Total liabilities and fund balances	<u>\$ 5,993,254</u>	<u>\$ 5,827,377</u>	<u>\$ 1,409,114</u>	<u>\$ 621,100</u>	<u>\$ 13,850,845</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, 2007

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

Total fund balances - governmental funds \$ 7,279,375

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

Land	\$2,621,060
Construction in progress	6,654,715
Land improvements, net of \$3,198,788 accumulated depreciation	6,023,740
Buildings and building improvements, net of \$2,371,632 accumulated depreciation	5,626,756
Office, non-office, and computer equipment, net of \$5,834,641 accumulated depreciation	1,212,405
Vehicles, net of \$6,144,988 accumulated depreciation	1,112,629
Infrastructure, net of \$3,158,680 accumulated depreciation	<u>16,118,242</u>

Total capital assets 39,369,547

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.

768,532

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	710,344
General obligation warrants payable	42,655,000
Unamortized net premium	447,043
Capitalized lease obligations	437,071
Compensated absences	<u>1,133,407</u>

Total long-term liabilities (45,382,865)

Total net assets of governmental activities \$ 2,034,589

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, 2007

	GENERAL	CAPITAL PROJECT FUNDS	DEBT SERVICE FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Sales taxes	\$ 15,365,612				\$ 15,365,612
Real and personal property taxes	2,065,975				2,065,975
Motor fuel taxes				\$ 243,557	243,557
Licenses and permits	4,654,085				4,654,085
Intergovernmental revenues	17,753			204,290	222,043
Charges and fees for services	5,319,420				5,319,420
Fines and forfeitures	418,609				418,609
Interest	92,439	\$ 336,396	\$ 188,992	26,945	644,772
Miscellaneous revenues	613,343	78,295	157,522		849,160
Total revenues	<u>28,547,236</u>	<u>414,691</u>	<u>346,514</u>	<u>474,792</u>	<u>29,783,233</u>
Expenditures:					
Current:					
General governmental	5,057,611	204,334			5,261,945
Public works	5,520,820	67,480			5,588,300
Public safety	11,153,949				11,153,949
Cultural and recreational	2,005,573				2,005,573
Capital outlay	1,181,557	7,292,846		31,596	8,505,999
Debt service:					
Principal payments	16,907	176,758	1,225,000		1,418,665
Interest and fiscal charges	11,885	9,708	1,895,616		1,917,209
Total expenditures	<u>24,948,302</u>	<u>7,751,126</u>	<u>3,120,616</u>	<u>31,596</u>	<u>35,851,640</u>
Excess of revenue over (under) expenditures	<u>3,598,934</u>	<u>(7,336,435)</u>	<u>(2,774,102)</u>	<u>443,196</u>	<u>(6,068,407)</u>
Other financing sources (uses):					
Transfers in		3,461,469	1,518,356		4,979,825
Transfers out	(4,168,423)	(212,838)	(340,911)	(257,653)	(4,979,825)
Capital lease	307,808				307,808
Total other financing sources (uses)	<u>(3,860,615)</u>	<u>3,248,631</u>	<u>1,177,445</u>	<u>(257,653)</u>	<u>307,808</u>
Net change in fund balance	(261,681)	(4,087,804)	(1,596,657)	185,543	(5,760,599)
Fund balance - beginning	<u>660,269</u>	<u>9,141,329</u>	<u>2,912,184</u>	<u>326,192</u>	<u>13,039,974</u>
Fund balance - ending	<u>\$ 398,588</u>	<u>\$ 5,053,525</u>	<u>\$ 1,315,527</u>	<u>\$ 511,735</u>	<u>\$ 7,279,375</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, 2007

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

Net change in fund balance - total governmental funds			\$ (5,760,599)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net assets.			8,538,193
Donations of capital assets increase net assets in the statement of net assets but do not appear in the governmental funds because they are not financial resources.			1,107,752
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.			(1,597,594)
The net effect of transactions involving the sale of capital assets is to decrease net assets in the statement of net assets.			(95,483)
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:			
Capital lease payable			(307,808)
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		\$ 193,665	
General obligation warrants payable		<u>1,225,000</u>	
			1,418,665
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		(130,004)	
Compensated absences		<u>(204,949)</u>	
			(334,953)
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:			
Amortization		<u>(14,950)</u>	
			<u>(14,950)</u>
Change in net assets of governmental activities			<u>\$ 2,953,223</u>

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

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting entity - The City of Prattville, Alabama (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, Alabama (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, 2007. 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, 2007. 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, 2007.

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, two of the three members of the Cooperative District of the City of Prattville, the Commercial Development Authority of the City of Prattville, the Industrial Development 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; therefore, their financial information is not reflected in the City's financial statements.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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

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.

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, 2007

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 90 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.

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.

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, 2007

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

Receivables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and taxes 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.

Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets - Certain proceeds of the City’s Series 2006, 2006A, and 2006B warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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.

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:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES</u>	<u>CAPITALIZATION THRESHOLD</u>
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

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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

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

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES</u>	<u>CAPITALIZATION THRESHOLD</u>
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

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:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES</u>	<u>CAPITALIZATION THRESHOLD</u>
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.

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. Upon retirement, an employee can receive payment of 50% of accumulated sick leave hours up to a maximum of 360 hours at current wage rates. All vacation and sick 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.

Long-term obligations - In the government-wide financial statements, long-term obligations are reported as liabilities in the 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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

Lease obligations - Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures and changes in fund balances. Capital lease obligations of governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

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.

Management estimates and assumptions - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could vary from estimates used.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

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 principles 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, 2007

NOTE 3 - 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 - Investments are subject to certain types of risk including interest rate risk, credit risk (including custodial credit risk and credit quality), and foreign currency risk and concentration risk. The following describes those risks.

Interest rate risk - The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. The City has no policy that addresses interest rate risk.

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, Alabama in the City's name.

Credit quality - Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. The City's 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. The City has no policy regarding credit quality.

Foreign currency risk - For an investment, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The City has no policy regarding foreign currency risk.

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 88% of the City's total investments.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

At September 30, 2007 the City's investment balances were as follows:

INVESTMENT TYPE	FAIR VALUE	MATURITY	RATING
Edward Jones - Cash Portfolio	\$ 13,163	N/A	N/A
Federal National Mortgage Association	145,526	March 4, 2004	AAA/Aaa
Governmental National Mortgage Association	879	August 15, 2009	Unrated
Governmental National Mortgage Association	1,567	July 15, 2023	Unrated
Governmental National Mortgage Association	<u>4,380</u>	July 15, 2023	Unrated
Total	<u>\$ 165,515</u>		

NOTE 4 - RECEIVABLES:

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Receivables as of year end are considered fully collectible and are recorded at net realizable value.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2007 was as follows:

	BEGINNING BALANCE	INCREASE	DECREASE	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,693,200	\$ 5,774,943	\$ 813,428	\$ 6,654,715
Land	<u>1,250,210</u>	<u>1,370,850</u>		<u>2,621,060</u>
Total capital assets, not being depreciated	<u>2,943,410</u>	<u>7,145,793</u>	<u>813,428</u>	<u>9,275,775</u>

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 5 - CAPITAL ASSETS: (continued)

	BEGINNING BALANCE	INCREASE	DECREASE	ENDING BALANCE
Capital assets, being depreciated:				
Buildings and building improvements	\$ 7,985,771	\$ 12,617		\$ 7,998,388
Land improvements	7,094,484	2,128,044		9,222,528
Vehicles	7,533,080	586,776	\$ 862,239	7,257,617
Office, non-office, and computer equipment	6,614,280	586,143	153,377	7,047,046
Infrastructure	19,276,922			19,276,922
Total capital assets, being depreciated	<u>48,504,537</u>	<u>3,313,580</u>	<u>1,015,616</u>	<u>50,802,501</u>
Less accumulated depreciation for:				
Buildings and building improvements	2,170,216	201,416		2,371,632
Land improvements	2,802,667	396,121		3,198,788
Vehicles	6,583,778	353,581	792,371	6,144,988
Office, non-office, and computer equipment	5,701,465	260,938	127,762	5,834,641
Infrastructure	2,773,142	385,538		3,158,680
Total accumulated depreciation	<u>20,031,268</u>	<u>1,597,594</u>	<u>920,133</u>	<u>20,708,729</u>
Total capital asset, being depreciated, net	<u>28,473,269</u>	<u>1,715,986</u>	<u>95,483</u>	<u>30,093,772</u>
Governmental activity capital assets, net	<u>\$31,416,679</u>	<u>\$ 8,861,779</u>	<u>\$ 908,911</u>	<u>\$ 39,369,547</u>

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 5 - 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	\$ 37,473
Public works	899,500
Public safety	342,990
Cultural and recreational	<u>317,631</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 1,597,594</u></u>

Component units - Capital asset activity for the Prattville Airport Authority for the fiscal year ended September 30, 2007 is as follows:

	<u>BEGINNING BALANCE</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>\$ 511,173</u>		<u>511,173</u>
Total capital assets, not being depreciated	<u>2,593,729</u>	<u>511,173</u>		<u>3,104,902</u>
Capital assets, being depreciated:				
Land improvements	787,699	80,951		868,650
Runways	4,854,536			4,854,536
Building improvements	334,921			334,921
Furniture and equipment	<u>65,978</u>	<u>25,867</u>		<u>91,845</u>
Total capital assets, being depreciated	<u>6,043,134</u>	<u>106,818</u>		<u>6,149,952</u>
Less: Accumulated depreciation	<u>1,582,737</u>	<u>266,784</u>		<u>1,849,521</u>
Total capital assets, being depreciated, net	<u>4,460,397</u>	<u>(159,966)</u>		<u>4,300,431</u>
 Total capital assets, net	 <u><u>\$ 7,054,126</u></u>	 <u><u>\$ 351,207</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 7,405,333</u></u>

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 5 - CAPITAL ASSETS: (continued)

Capital asset activity for the Autauga-Prattville Public Library for the fiscal year ended September 30, 2007 is as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>ENDING BALANCE</u>
Capital assets, being depreciated:				
Equipment	\$ 139,299	\$ 54,016	\$ 43,903	\$ 149,412
Total capital assets, being depreciated	<u>139,299</u>	<u>54,016</u>	<u>43,903</u>	<u>149,412</u>
Less: Accumulated depreciation	<u>80,482</u>	<u>21,812</u>	<u>43,903</u>	<u>58,391</u>
Total capital assets, being depreciated, net	<u>\$ 58,817</u>	<u>\$ 32,204</u>	<u>\$ -</u>	<u>\$ 91,021</u>

Capital asset activity for the Historic Prattville Redevelopment Authority for the fiscal year ended September 30, 2007 is as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>ENDING BALANCE</u>
Capital assets, not being depreciated:				
Land	\$ 183,500			\$ 183,500
Total capital assets, not being depreciated	<u>183,500</u>			<u>183,500</u>
Capital assets, being depreciated:				
Land improvements	12,000			12,000
Building improvements	285,000			285,000
Machinery and equipment	<u>23,000</u>			<u>23,000</u>
Total capital assets, being depreciated	<u>320,000</u>			<u>320,000</u>
Less: Accumulated depreciation	<u>17,708</u>	<u>\$ 11,225</u>		<u>28,933</u>
Total capital assets, being depreciated, net	<u>302,292</u>	<u>(11,225)</u>		<u>291,067</u>
Total capital assets, net	<u>\$ 485,792</u>	<u>\$ (11,225)</u>	<u>\$ -</u>	<u>\$ 474,567</u>

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 6 - INTERFUND BALANCES:

Interfund transactions are generally used to meet cash demands necessary to pay operating expenditures. These amounts should be repaid during the next fiscal year. Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the entity-wide governmental column of the statement of net assets. The composition of interfund balances as of September 30, 2007 consist of the following:

Due to/from other funds:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Capital projects	\$ 354,578
General	Nonmajor governmental	17,253
Capital projects	General	3,110,214
Capital projects	Nonmajor governmental	92,112
Total		<u>\$ 3,574,157</u>

Interfund transfers:

	<u>TRANSFER IN</u>		<u>TOTAL</u>
	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>MAJOR GOVERNMENTAL FUNDS</u>	
Transfer out:			
General fund	<u>\$ 257,653</u>	<u>\$ 4,722,172</u>	<u>\$4,979,825</u>

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 7 - 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, 2007, the amount of outstanding debt applicable to this limit was equal to 3.91% of property assessments as of October 1, 2006.

CITY OF PRATTVILLE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 7 - LONG-TERM DEBT: (continued)

Long-term debt activity for the year ended September 30, 2007, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITION</u>	<u>REDUCTION</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
Warrant and other notes payable	\$ 43,880,000		\$ 1,225,000	\$ 42,655,000	\$ 1,275,000
Add deferred amounts:					
For issuance premiums	<u>472,609</u>		<u>25,566</u>	<u>447,043</u>	
Total warrants and other notes payable	44,352,609		1,250,566	43,102,043	1,275,000
Capital lease payable	322,928	307,808	193,665	437,071	79,904
Compensated absences	<u>928,459</u>	<u>707,147</u>	<u>502,199</u>	<u>1,133,407</u>	<u>649,555</u>
Totals	<u>\$ 45,603,996</u>	<u>\$ 1,014,955</u>	<u>\$ 1,946,430</u>	<u>\$ 44,672,521</u>	<u>\$ 2,004,459</u>

Compensated absences typically have been liquidated in the general fund.

Long-term debt at September 30, 2007 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.	\$ 1,800,000
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 rate range from 4% to 4.9%; final maturity date is September 1, 2020.	3,030,000

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 7 - LONG-TERM DEBT: (continued)

	<u>TOTAL</u>
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 rate ranges from 4.35% to 4.90%; final maturity date is February 1, 2022.	\$ 4,990,000
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 3.70%; final maturity date is April 1, 2010.	435,000
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.	1,930,000
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 3.63% to 3.70%; final maturity date is November 1, 2011.	1,595,000
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 4.63%; 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 3.50% to 5.00%; final maturity date is November 1, 2025.	<u>9,000,000</u>
Total	<u>\$ 42,655,000</u>

CITY OF PRATTVILLE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

Debt service requirements on long-term debt at September 30, 2007 are as follows:

<u>YEAR ENDING SEPTEMBER 30,</u>	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
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	1,910,000	1,617,351	3,527,351
2013 - 2017	10,955,000	6,703,949	17,658,949
2018 - 2022	12,230,000	4,081,130	16,311,130
2023 - 2027	11,265,000	1,285,078	12,550,078
	\$ 42,655,000	\$ 20,880,968	\$ 63,535,968

NOTE 8 - NOTES PAYABLE:

The Historic Prattville Redevelopment Authority's notes payable at September 30, 2007 are as follows:

	<u>TOTAL</u>
BankTrust 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.	\$ 156,739
BankTrust 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.	234,780
BankTrust 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 August 30, 2008.	49,350
Total	\$ 440,869

CITY OF PRATTVILLE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 8 - NOTES PAYABLE: (continued)
Notes payable maturities at September 30, 2007 are as follows:

	<u>HISTORIC PRATTVILLE REDEVELOPMENT AUTHORITY</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
YEAR ENDING SEPTEMBER 30,			
2008	\$ 85,018	\$ 21,452	\$ 106,470
2009	247,621	15,638	263,259
2010	26,276	6,337	32,613
2011	<u>81,954</u>	<u>3,035</u>	<u>84,989</u>
Totals	<u>\$ 440,869</u>	<u>\$ 46,462</u>	<u>\$ 487,331</u>

Long-term debt activity for the Historic Prattville Redevelopment Authority for the year ended September 30, 2007, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITION</u>	<u>REDUCTION</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
BankTrust; secured loan	\$ 180,520		\$ 23,781	\$ 156,739	\$ 23,602
BankTrust; secured loan	248,566		13,786	234,780	12,066
BankTrust; unsecured loan	55,000	\$ 150	5,800	49,350	49,650
Totals	<u>\$ 484,086</u>	<u>\$ 150</u>	<u>\$ 43,367</u>	<u>\$ 440,869</u>	<u>\$ 85,318</u>

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 9 - CAPITAL LEASES:

The City leases assets with a historical cost and accumulated depreciation of \$1,558,937 and \$1,098,100, respectively, under capital lease arrangements. Future minimum lease payments at September 30, 2007 were as follows:

<u>FISCAL YEAR ENDING SEPTEMBER 30,</u>	<u>AMOUNT</u>
2008	\$ 98,813
2009	98,813
2010	98,813
2011	98,813
2012	70,145
2013	28,754
Total minimum lease payments	<u>494,151</u>
Less: Deferred interest	<u>57,080</u>
Present value minimum lease payments	<u>\$ 437,071</u>

NOTE 10 - PENSION COSTS:

Plan Description - The City of Prattville, Alabama 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 8.13% 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 2007, the City's annual pension cost of \$834,778 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2006 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, 2007 was 20 years.

CITY OF PRATTVILLE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 10 - PENSION COSTS: (continued)

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

TREND INFORMATION

FISCAL YEAR ENDED	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
September 30, 2005	\$ 869,227	100%	-0-
September 30, 2006	832,972	100%	-0-
September 30, 2007	834,778	100%	-0-

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, 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%)
September 30, 2006	23,895,735	30,224,789	(6,329,055)	79.1%	11,543,925	(54.8%)

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, 2007 was \$220,200. Funding status and progress data are provided in the component unit's separately issued financial statement.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 11 - 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:

	<u>GENERAL FUND</u>	<u>CAPITAL FUND</u>
Reserved for:		
Capital projects		\$ 2,063,282
Self-insurance fund	\$ 361,301	
Encumbrances	385,768	544,370
Department specification	152,374	
Prepaid items	<u>131,539</u>	
Total reserved fund balances	<u>\$ 1,030,982</u>	<u>\$ 2,607,652</u>

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

	<u>DEBT SERVICE FUND</u>
Reserved	\$ 1,060,466
Unreserved, designated for:	
Debt service	<u>255,061</u>
Total fund balances	<u>\$ 1,315,527</u>

NOTE 12 - 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, 2007 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.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 13 - 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 coverage. Changes in the balances of claims liabilities during the year is as follows:

Unpaid claims, beginning of fiscal year	\$ 142,617
Incurred claims (including IBNRs)	2,211,431
Claim payments	<u>(2,175,723)</u>
Unpaid claims, end of fiscal year	<u>\$ 178,325</u>

NOTE 14 - 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, 2007 was \$284,996.

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, 2007 was \$117,246.

On May 1, 2006, the City of Prattville, Alabama entered into a lease agreement with the Historic Prattville Redevelopment Authority to lease a building on West 4th Street. The term of the lease is five years with quarterly rent payments of \$8,183. The City of Prattville, Alabama paid \$24,549 in rent payments to HPRRA during fiscal year ended September 30, 2007.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 15 - FUNDING AGREEMENT:

On September 1, 2006, the City of Prattville, Alabama entered into a funding agreement with the Cooperative District of the City of Prattville (the District), a public corporation, simultaneously with the District's issuance of Limited Obligation Taxable Economic Development Bonds (Bass Pro Project), Series 2006 which were used to finance the acquisition, construction, and installation of a retail shopping center and related improvements in the City of Prattville, Alabama. The funding agreement provides that the City agrees to collect certain taxes on persons, firms, and corporations which sell at retail certain tangible personal property (excluding automotive vehicles) in the area owned by the District. Pursuant to the funding agreement, the City will collect and remit to First Commercial Bank, the trustee of the District's bond indenture, an amount equal to 2.5% of the gross proceeds of such sales through the earlier date of September, 2026 or full payment of bonds. The Limited Obligation Taxable Economic Development Bonds (Bass Pro Project), Series 2006 do not constitute an obligation of the City of Prattville, Alabama.

NOTE 16 - COMMITMENTS:

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 20 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.

As of September 30, 2007, commitments to contractors on capital projects are as follows:

Spent-to-date	\$ 6,014,607
Remaining commitments	<u>544,370</u>
	<u>\$ 6,558,977</u>

The remaining commitments are included in fund balance reserved for encumbrances.

NOTE 17 - 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 - This statement establishes standards for the measurement, recognition and display of OPEB expenses/expenditures, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

GASB Statement Number 48, *Sales and Pledges of Receivable and Future Revenues and Intra Entity Transfers of Assets and Future Revenues* - This statement established criteria that the governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. This statement also included disclosure requirements for future revenues that are pledged or sold.

GASB Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* - This statement provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement Number 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and 27* - This statement modifies the requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pension plans.

GASB Statement Number 51, *Accounting and Financial Reporting for Intangible Assets* - This statement establishes accounting and financial reporting for intangible assets including recognition, initial measurement and amortization.

GASB Statement Number 52, *Land and Other Real Estate Held as Investments by Endowments will amend GASB 31 paragraph 2* - This statement establishes consistent standards for the reporting of land and other real estate held as investments by essential similar entities.

GASB Statement Number 53, *Accounting and Financial Reporting for Derivative Instruments* - This statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using economic resources measurement focus and the accrual basis of accounting.

NOTE 18 - PRIOR PERIOD ADJUSTMENT:

A prior period adjustment has been made to the Statement of Net Assets to retroactively record infrastructure in compliance with GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Net assets of \$(15,713,287) as of October 1, 2006 have been adjusted to record infrastructure in the amount of \$14,794,653, net of accumulated depreciation. Net assets as restated are \$(918,634).

NOTE 19 - SUBSEQUENT EVENTS:

On December 1, 2007, the City adopted an ordinance authorizing the issuance and sale of General Obligation Economic Development Improvement Warrants Series 2007 in the amount of \$14,920,000 to fund the costs of public infrastructure improvements in the City in connection with the construction and development of a retail shopping center.

CITY OF PRATTVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 19 - SUBSEQUENT EVENTS: (continued)

On February 22, 2008, the City entered into a contract for roof repairs and renovations of both Prattville City Hall and Prattville City Hall Annex totaling \$337,130.

On March 18, 2008, the City adopted a resolution to reimburse cost incurred totaling \$1,000 per month up to a maximum of \$100,000 for the service road connection to Redfield Road.

On April 21, 2008, the City executed a loan agreement with River Bank and Trust in the amount of \$136,099. The proceeds from the loan shall be used to pay for the construction of a service road extension contiguous to business owned property. The loan payments will be serviced by the sales taxes generated by the local business.

On July 1, 2008, the City adopted an ordinance to amend the March 18, 1997 "SRF Ordinance" to accept the reduction of the interest rate payable on the 1996 Warrants and to extend the period during which the 1996 Warrant may not be redeemed and prepaid. The 1996 Warrant shall bear interest from November 21, 1996, until the respective maturities of the installments of principal at the rate of interest of 3.95% per annum for interest due until and including February 15, 2008, and 3.180% for interest due August 15, 2008, and thereafter.

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, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Ad valorem taxes	\$ 1,801,000	\$ 1,801,000	\$ 2,065,975	\$ 264,975
Sales taxes	9,200,000	9,200,000	10,018,428	818,428
1/2 cent sales tax	2,300,000	2,300,000	2,504,607	204,607
Local gasoline tax	898,500	898,500	822,558	(75,942)
Cigarette tax	137,000	137,000	137,009	9
Whiskey tax	63,500	63,500	24,600	(38,900)
Beer tax	230,000	230,000	230,760	760
Wine tax	15,000	15,000	21,901	6,901
ABC sales tax	21,000	21,000	30,573	9,573
Excise tax	55,000	55,000	97,585	42,585
Lodging tax			1,184,254	1,184,254
Rental tax	287,000	287,000	293,337	6,337
Total taxes	15,008,000	15,008,000	17,431,587	2,423,587
Licenses and permits:				
Business licenses	3,350,000	3,350,000	3,823,844	473,844
Yard sale permits	5,000	5,000	4,776	(224)
Franchise fees	260,000	260,000	283,873	23,873
Building permits and inspection fees	400,000	400,000	516,707	116,707
Zoning and plat fees	20,000	20,000	24,885	4,885
Total licenses and permits	4,035,000	4,035,000	4,654,085	619,085
Intergovernmental revenue:				
Shared state revenue:				
ABC profits	20,000	20,000	17,753	(2,247)
Total intergovernmental revenues	20,000	20,000	17,753	(2,247)
Charges and fees for services:				
Ambulance fees	1,019,585	1,019,585	943,010	(76,575)
Ambulance fees, county	85,000	85,000	103,032	18,032
Sewer charges	2,207,500	2,207,500	2,223,688	16,188
Sanitation fees	1,324,009	1,324,009	1,398,210	74,201
Sewer assessment fees	38,000	38,000	32,920	(5,080)
Sewer impact fees	297,600	297,600	312,248	14,648
Street cut/repairs	6,500	6,500	2,732	(3,768)
Recreation rentals	221,100	221,100	303,580	82,480
Total charges and fees for services	5,199,294	5,199,294	5,319,420	120,126

CITY OF PRATTVILLE, ALABAMA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES: (continued)				
Fines and forfeitures:				
Court fines	\$ 240,000	\$ 240,000	\$ 277,999	\$ 37,999
Parking tickets			2,375	2,375
Domestic violence Elmore County			4,393	4,393
Drug proceeds			129,222	129,222
Court costs	44,000	44,000	4,620	(39,380)
Total fines and forfeitures	<u>284,000</u>	<u>284,000</u>	<u>418,609</u>	<u>134,609</u>
Miscellaneous revenues:				
Donations	75,000	75,000	75,218	218
County commission - RTJ			50,000	50,000
Interest income	26,000	26,000	92,439	66,439
Accident reports	8,000	8,000	11,118	3,118
Friday night live club	5,100	5,100	5,605	505
Returned checks	2,000	2,000	5,663	3,663
Cemetery lots	5,800	5,800	4,676	(1,124)
Miscellaneous income	150,000	150,000		(150,000)
Parades	1,500	1,500	6,735	5,235
Performing and creative arts	58,000	58,000	52,499	(5,501)
Penalties	55,000	55,000	75,214	20,214
Sale of surplus equipment	2,000	2,000	7,996	5,996
Grant income	148,500	148,500	309,113	160,613
Bullet proof vest grant			4,279	4,279
Law enforcement BG funds			5,227	5,227
Total miscellaneous revenues	<u>536,900</u>	<u>536,900</u>	<u>705,782</u>	<u>168,882</u>
Total revenues	<u>\$25,083,194</u>	<u>\$25,083,194</u>	<u>\$ 28,547,236</u>	<u>\$ 3,464,042</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, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET - POSITIVE (NEGATIVE)
EXPENDITURES:				
General government:				
Executive	\$ 521,133	\$ 521,133	\$ 582,326	\$ (61,193)
Legislative	254,837	254,837	188,878	65,959
Judicial	423,557	423,557	425,854	(2,297)
Administrative finance	570,766	570,766	739,563	(168,797)
Administrative city clerk	300,223	300,223	238,677	61,546
Personnel department	220,645	220,645	229,592	(8,947)
Information technology	719,579	719,579	855,413	(135,834)
Vehicle maintenance	519,295	519,295	587,951	(68,656)
Nondepartmental	354,689	647,689	1,032,796	(385,107)
Total general government	<u>3,884,724</u>	<u>4,177,724</u>	<u>4,881,050</u>	<u>(703,326)</u>
Public Works:				
Street	1,160,792	1,160,792	1,138,503	22,289
Sanitation	1,450,860	1,450,860	1,520,813	(69,953)
Planning and development	918,517	918,517	929,261	(10,744)
Wastewater	1,877,523	1,877,523	2,013,252	(135,729)
Engineering	593,538	593,538	427,115	166,423
Total public works	<u>6,001,230</u>	<u>6,001,230</u>	<u>6,028,944</u>	<u>(27,714)</u>
Public Safety:				
Police	5,545,459	5,545,459	5,528,094	17,365
Fire	5,551,308	5,551,308	6,340,681	(789,373)
Total public safety	<u>11,096,767</u>	<u>11,096,767</u>	<u>11,868,775</u>	<u>(772,008)</u>
Cultural and Recreation:				
Leisure services	1,886,764	1,904,764	2,051,721	(146,957)
Total cultural and recreation	<u>1,886,764</u>	<u>1,904,764</u>	<u>2,051,721</u>	<u>(146,957)</u>
Debt Service:				
Principal			16,907	(16,907)
Interest			11,885	(11,885)
Total debt service			<u>28,792</u>	<u>(28,792)</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, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH
	ORIGINAL	FINAL	BUDGETARY BASIS	FINAL BUDGET - POSITIVE (NEGATIVE)
EXPENDITURES: (continued)				
Transfers:				
Transfers to component units	\$ 387,998	\$ 387,998	\$ 387,835	\$ 163
Total transfers	387,998	387,998	387,835	163
Total expenditures	23,257,483	23,568,483	25,247,117	(1,678,634)
Excess of revenues over expenditures	1,825,711	1,514,711	3,300,119	1,785,408
Other financing sources (uses):				
Transfers to debt service fund	(1,681,528)	(1,681,528)	(1,305,520)	376,008
Transfers to capital improvement fund			(2,905,631)	(2,905,631)
Transfers from special revenue fund			42,728	42,728
Capital leases			307,808	307,808
Total other financing sources (uses)	(1,681,528)	(1,681,528)	(3,860,615)	(2,179,087)
Net change in fund balance, budgetary basis	\$ 144,183	\$ (166,817)	(560,496)	\$ (393,679)
Add (deduct) other reconciling items to adjust from budgetary basis to modified accrual basis:				
Change in encumbrances			298,815	
			298,815	
Net change in fund balance, modified accrual basis			(261,681)	
FUND BALANCE - BEGINNING			660,269	
FUND BALANCE ENDING			\$ 398,588	

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 Budgetary Comparison Schedule-General Fund. 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:

	GENERAL FUND
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses (GAAP basis)	\$(261,681)
Encumbrances at beginning of the year	86,953
Encumbrances at end of the year	<u>(385,768)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses - actual (non-GAAP budgetary basis)	<u><u>\$(560,496)</u></u>

NOTE B - Excess of expenditures over appropriations:

The General Fund expenditures exceeded appropriations by \$1,678,634 primarily due to the under-budgeted non-departmental appropriations of \$385,107 and excess operating expenditures of \$789,373 incurred in fire safety. These over expenditures were funded by current revenues.

SUPPLEMENTARY INFORMATION

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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, improvements, 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.

Alabama trust fund accounts for funds received from the Alabama Trust Fund to be used solely for capital improvements and the renovation of capital improvements determined by the municipal governing body.

Miscellaneous grant funds accounts for funding arising from miscellaneous federal and state government grants.

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CITY OF PRATTVILLE, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2007

	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>	<u>SPECIAL REVENUE FUNDS</u>
ASSETS		
Internal balances	\$ 579,936	\$ 579,936
Receivable - other government	41,164	41,164
	<u>621,100</u>	<u>621,100</u>
Total assets	<u>\$ 621,100</u>	<u>\$ 621,100</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Internal balances	\$ 109,365	\$ 109,365
Total liabilities	<u>109,365</u>	<u>109,365</u>
Fund balance:		
Reserved for encumbrances		
Unreserved:		
Undesignated	511,735	511,735
Total fund balance	<u>511,735</u>	<u>511,735</u>
Total liabilities and fund balance	<u>\$ 621,100</u>	<u>\$ 621,100</u>

CITY OF PRATTVILLE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	TOTAL NONMAJOR GOVERNMENTAL FUNDS	SPECIAL REVENUE FUNDS
	<u> </u>	<u> </u>
Revenues:		
Taxes and fees	\$ 243,557	\$ 243,557
Intergovernmental revenue	204,290	204,290
Interest income	26,945	26,945
Rents		
Total revenues	<u>474,792</u>	<u>474,792</u>
Expenditures:		
Current operations:		
Public works	31,596	31,596
Total expenditures	<u>31,596</u>	<u>31,596</u>
EXCESS OF REVENUES OVER EXPENDITURES	443,196	443,196
OTHER FINANCING SOURCES:		
Transfers out	(257,653)	(257,653)
Total other financing sources	<u>(257,653)</u>	<u>(257,653)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	185,543	185,543
Fund balances at beginning of year	<u>326,192</u>	<u>326,192</u>
Fund balances at end of year	<u>\$ 511,735</u>	<u>\$ 511,735</u>

CITY OF PRATTVILLE, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2007

	<u>TOTAL</u>	<u>STATE GASOLINE EXCISE TAX FUND</u>	<u>STATE GASOLINE AND LUBRICATING OIL TAX FUND</u>	<u>MISCELLANEOUS GRANT FUND</u>
ASSETS				
Cash	\$ 579,936	\$ 260,117	\$ 277,974	\$ 41,845
Receivable, other governments	41,164	12,540	8,956	19,668
Total assets	<u>\$ 621,100</u>	<u>\$ 272,657</u>	<u>\$ 286,930</u>	<u>\$ 61,513</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Internal balances	\$ 109,365	\$ 17,252		\$ 92,113
Total liabilities	<u>109,365</u>	<u>17,252</u>		<u>92,113</u>
Fund balance:				
Reserved for encumbrances				
Unreserved:				
Undesignated	511,735	255,405	\$ 286,930	(30,600)
Total fund balance	<u>511,735</u>	<u>255,405</u>	<u>286,930</u>	<u>(30,600)</u>
Total liabilities and fund balance	<u>\$ 621,100</u>	<u>\$ 272,657</u>	<u>\$ 286,930</u>	<u>\$ 61,513</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, 2007

	TOTAL	STATE GASOLINE EXCISE TAX FUND	STATE GASOLINE AND LUBRICATING OIL TAX FUND	ALABAMA TRUST FUND	MISCELLANEOUS GRANT FUND
Revenues:					
Taxes and fees	\$ 243,557	\$ 136,514	\$ 107,043		
Intergovernmental revenues	204,290			\$ 166,582	\$ 37,708
Interest income	26,945		26,945		
Total revenues	<u>474,792</u>	<u>136,514</u>	<u>133,988</u>	<u>166,582</u>	<u>37,708</u>
Expenditures:					
Current operations:					
Public works	31,596				31,596
Total expenditures	<u>31,596</u>				<u>31,596</u>
Other financing sources:					
Transfers in					
Transfers out	(257,653)	(46,417)	(16,612)	(166,582)	(28,042)
Total other financing sources	<u>(257,653)</u>	<u>(46,417)</u>	<u>(16,612)</u>	<u>(166,582)</u>	<u>(28,042)</u>
Excess (deficiency) of revenues over expenditures	185,543	90,097	117,376		(21,930)
Fund balances at beginning of year	<u>326,192</u>	<u>165,308</u>	<u>169,554</u>		<u>(8,670)</u>
Fund balances at end of year	<u>\$ 511,735</u>	<u>\$ 255,405</u>	<u>\$ 286,930</u>	<u>\$ -</u>	<u>\$ (30,600)</u>

CITY OF PRATTVILLE, ALABAMA
 BUDGETARY COMPARISON SCHEDULE
 STATE GASOLINE EXCISE TAX FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGET	ACTUAL	OVER BUDGET
REVENUES:			
State gasoline excise tax	\$ 125,000	\$ 136,514	\$ 11,514
Total revenues	125,000	136,514	11,514
OTHER FINANCING SOURCE (USES)			
Operating transfers out		(46,417)	
Net change in fund balance, budgetary basis	\$ 125,000	90,097	\$ 11,514
FUND BALANCE AT BEGINNING OF YEAR		165,308	
FUND BALANCE AT END OF YEAR		\$ 255,405	

CITY OF PRATTVILLE, ALABAMA

BUDGETARY COMPARISON SCHEDULE
 STATE GASOLINE AND LUBRICATING OIL EXCISE TAX FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER BUDGET</u>
REVENUES:			
State gasoline and lubricating oil excise tax	\$ 105,000	\$ 107,043	\$ 2,043
Interest income		26,945	26,945
Total revenues	<u>105,000</u>	<u>133,988</u>	<u>28,988</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out		<u>(16,612)</u>	
Net change in fund balance, budgetary basis	<u>\$ 105,000</u>	<u>117,376</u>	<u>\$ 28,988</u>
FUND BALANCE AT BEGINNING OF YEAR		<u>169,554</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 286,930</u>	