

City of Auburn, Alabama  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
Fiscal Year Ended September 30, 2006



*Town Creek Cemetery opened in November 2006.  
The cemetery was approved by the citizens of Auburn  
as a Special Five Mill Tax Fund Project.  
Town Creek Cemetery is noted for its serene, park-like environment.*



***The City of Auburn, Alabama***  
**Comprehensive Annual Financial Report**

For the Fiscal Year Ended  
September 30, 2006

**City Council**

**Bill Ham, Jr., Mayor**

**Dick Phelan, Mayor Pro Tem**

**Arthur Dowdell**

**Sheila Eckman**

**Tom Worden**

**Brent Beard**

**Robin Kelley**

**Gene Dulaney**

**Bob Norman**

**Management**

**Charles M. Duggan, Jr., City Manager**

Arnold W. Umbach, Jr.	City Attorney	Margie B. Huffman	Library Director
Joe S. Bailey	Municipal Judge	Rebecca O. Richardson	Parks and Recreation Director
Phillip Dunlap	Economic Development Director	Forrest Cotten	Planning Director
Andrea E. Jackson	Finance Director	William H. James	Public Safety Director
Steven A. Reeves	Human Resources Director	Jeff Ramsey	Public Works Director
James C. Buston, III	Information Technology Director	Timothy Woody	Environmental Services Director
Scott Cummings	Water Resource Management Director		

**Prepared by**

***Finance Department***

**Andrea Jackson, CPA, Director/Treasurer**

**Penny L. Smith, CPA, Deputy Director/Treasurer**

**Allison Edge, Principal Financial Analyst**

**Heather DeWitt, Finance Information Officer**



City of Auburn

City of Auburn, Alabama  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended September 30, 2006

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# City of Auburn

Home of Auburn University

## Letter of Transmittal

March 28, 2007

To the Mayor, Members of Council, and the Citizens of The City of Auburn:

The Comprehensive Annual Financial Report (CAFR) of The City of Auburn (the government) for the fiscal year ended September 30, 2006 is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Auburn management. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government and its component units. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

### **The Report**

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, and the primary government's organization chart. The financial section includes the management's discussion and analysis (MD&A), the basic financial statements for the primary government and its separately presented component units and the primary government's combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The MD&A contains a narrative introduction, overview, and analysis of the City's financial statements, and should be read in conjunction with this letter of transmittal. The

statistical section includes selected financial and demographic information, generally presented on a multi-year basis. In contrast to the financial section information, the statistical section information and the appendices have not been audited.

***The MD&A contains a narrative introduction, overview, and analysis of the City's financial statements, and should be read in conjunction with this letter of transmittal.***

This report includes all funds and account groups of the primary government and its component units. The primary government provides a full range of services. These services include public safety (police, fire, E-911 communications, and building codes enforcement), environmental services (including solid waste collection, recycling, right-of-way maintenance, animal control, and maintenance of City vehicles), public works (including engineering, streets construction and maintenance, capital projects management, and inspection), culture and recreation (including cemeteries and parks, recreation services, and library services), economic and community development, planning, and general administrative services.

During fiscal 1994, the City of Auburn implemented the Governmental Accounting Standards Board's (GASB) statement on defining the reporting entity. As a result, the City's Board of Education, Water Works Board, Industrial Development Board, Commercial Development Authority, and Public Park and Recreation Board have been included as separately presented component units of the City's reporting entity in the CAFR. The Commercial Development Authority of the City of Auburn was incorporated on August 12, 2004. As of September 30, 2006, the Authority had no financial



activity, and therefore, is not presented in the Basic Financial Statements. However, the Authority will be presented as a component unit in the future. The City's related organization, the Housing Authority of the City of Auburn, is not required to be included in the reporting entity and accordingly is excluded from this report. Audited financial statements for the Housing Authority are available upon request at the Authority's business office at 931 Booker Street, Auburn, AL 36832.

The Public Park and Recreation Board, a component unit of the City, was organized primarily for the purpose of advising the Council concerning proposed recreation projects and to acquire such recreation facilities. In fiscal 2006, a joint initiative began among the Board, the City, and Auburn University to construct the Auburn Tennis Center. This facility is scheduled to begin operations in April 2007.

As a result of the implementation of GASB Statement 34, the government-wide financial statements have been added to complement the fund level financial statements. The government-wide statements show separate data for "governmental activities" and "business-type activities." The MD&A, added as part of the implementation of GASB 34, serves as the narrative introduction to the basic financial statements and contains the comparative data formerly presented in this letter of transmittal. Another significant change involved the reporting of infrastructure. Under GASB 34 guidelines, the City has begun to report and depreciate all capital assets, including infrastructure, for the first time. Under these guidelines, the City has included in its capitalization, the infrastructure assets acquired beginning in fiscal 2003, and will capitalize all infrastructure before fiscal 2008.

In fiscal year 2005, the City implemented GASB Statement 44, *Economic Condition Reporting: The Statistical Section*, which has improved the usefulness of the statistical section information. New information that users have identified as important is now included, and certain information previously required has been eliminated. This section of the CAFR is the chief source of information regarding the government's *economic condition*. The information in the statistical section is organized around five objectives. These objectives are: financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

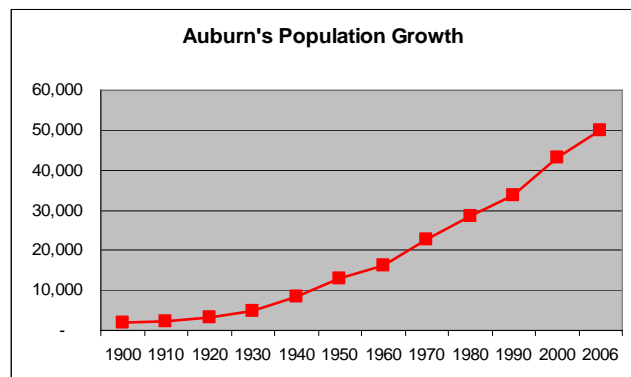
## City Profile

The City of Auburn, located in east central Alabama, is a thriving and diverse university-based community. The City was incorporated in Lee County in February of 1839. The establishment of Auburn University in 1856 marked the beginning of a mutually beneficial partnership producing what *Demographics Daily* recognized as a small city "dream town," offering a high quality of life to all its citizens.

Located near Georgia's west central border, Auburn is conveniently located on Interstate Highway 85, 115 miles southwest of Atlanta and 60 miles east of Montgomery, the Alabama State Capitol. Auburn is 120 miles southeast of Birmingham, the largest city in Alabama, and is 40 miles northwest of Columbus, Georgia. With easy access to highway, rail, and air transportation, Auburn's location has been a significant factor in its continuing growth.



Auburn's population has grown from 1,831 in 1900 to an estimated 49,928 in 2006. Population growth has averaged more than 3% per year. As the population has grown and the economic base has diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multi-cultural citizenry.



*Auburn's population growth trend since 1900*



Auburn has a Council/Manager form of municipal government. The City Council consists of nine members, eight elected from eight single-member wards, and the Mayor, who is elected at large. This legislative body establishes policy to guide the various City departments in providing services to its citizens. The City Manager is the chief executive officer of the City, directing and managing the daily activities of the City Government. Charles M. Duggan, Jr., a graduate of Auburn University, has served as City Manager since October 2006. The City departments include:

Office of the City Manager	Judicial
Information Technology	Library
Human Resources	Finance
Economic Development	Planning
Parks and Recreation	Public Works
Environmental Services	Public Safety
Water Resource Management	

Approximately 400 regular, full-time employees staff these departments, producing high-quality and cost-effective public services.

### **Major Initiatives**

During fiscal 2006, the priorities of school funding, recreation facility construction, streets, traffic flow management, and industrial infrastructure construction were addressed. The City contributed \$6.8 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support. An increase in the City's property tax millage for schools was approved by a significant majority of the voters during fiscal 1996.

During fiscal year 2006, there were three debt issuances that will permit significant improvements to be made to the City's infrastructure and will provide a higher quality of life to its citizens.

On December 13, 2005, the City issued a \$6 million general obligation warrant to finance certain capital projects of the City. These projects include development and construction of the West Technology Park, which will expand the industrial capacity of the City. This borrowing will also finance certain street and traffic signal improvements, as well as drainage improvements.

In February 2006, the City issued a \$5 million general obligation warrant to provide financing for the design and construction of infrastructure in the Auburn University Research Park. This project is a joint initiative between Auburn University and the Auburn Research and Technology Foundation, with financial support from the State of Alabama and the City of Auburn. This park will enhance and promote economic development within the region, broaden the research industry in east Alabama, and support the research and academic mission of Auburn University. The park will feature laboratory space, a business incubator, and office spaces to facilitate the commercial development of Auburn University research technologies and products. The first building is expected to be ready for occupancy during fiscal 2008.

On September 22, 2006, the City issued a \$3.7 million general obligation warrant to finance part of the construction of the Auburn Tennis Center. The City will participate with Auburn University and the Public Park and Recreation Board of the City to design, construct, and operate the tennis facility. This facility will provide clay tennis courts, hard tennis courts, and an indoor facility for the citizens of Auburn. The facility is scheduled to begin operations in April 2007.

### **Government Services**

**Public Safety Services.** The Public Safety Department is comprised of five divisions: Police, Fire, Communications, Codes Enforcement, and Administration. The Police Division includes 105 police officers, providing an average emergency call response time of 2-3 minutes. The Auburn University Campus Police department merged with the City of Auburn Police Department effective July 1, 2004. Now all law enforcement and public safety services for the campus are handled by the City. This merger allows for more comprehensive and higher quality public safety protection for residents and students living in Auburn, without duplication of services.

The Fire Division includes 40 regular, full-time firefighters and 53 student firefighters, manning four fire stations. Design for a fifth fire station began during fiscal year 2005, and construction is scheduled to begin in fiscal year 2007. The staffing, training, and equipment levels in the Fire Division enable City residents to enjoy a Class 2/9 fire insurance rating. Communications provides E-911 emergency response and dispatch services to

the public. The Codes Enforcement Division monitors construction activities within the City and compliance with public safety ordinances. Ambulance services are provided via a contract with East Alabama Medical Center.

**Public Works Services.** The City's Public Works Department oversees the development and maintenance of the City's transportation systems. The City's roadway system currently includes over 650 miles of paved streets and less than 2.5 miles of unpaved road. Public Works expends approximately \$1.5 million per fiscal year on road maintenance.

The Engineering Division of the Public Works Department performs planning and design services for the City's future highway, bikeway, and sidewalk systems. In addition, Public Works also monitors and inspects the construction and renovation of City facilities, including buildings and parks.

**Environmental Services.** Given Auburn University's origins as an agricultural and mechanical college, it is not surprising that Auburn's residents give a high priority to its environmental quality of life. The City's Environmental Services Department maintains the cleanliness of the City's rights of way to a standard considered remarkable for a university town. Environmental Services collects household waste, recyclables and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. Environmental Services is also responsible for animal control and maintenance of the City's vehicle fleet.

**Leisure Services.** In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and City Library provide many leisure time choices to residents. The Library has 26 internet-connected computer workstations available to the public; the Library had 98,159 patron sign-ins during fiscal 2006. In fiscal 2005, the Library installed wireless internet access so that patrons may use their laptop computers in the facility. The Library also added a children's edition of the public access catalog to provide younger users with an easy and graphically appealing way to search the library catalog.

Due to the increased popularity of the City Library, a \$1.75 million, 12,000 square foot expansion is planned for fiscal year 2007 to accommodate the growing number of patrons. This new expansion

will house Youth Services, additional public-use computers, and two offices.



The Parks and Recreation Department maintains sixteen City parks, four cemeteries, numerous recreation facilities - including three recreation centers, two pools, ten tennis courts, four youth baseball complexes, a seven-field soccer complex, 30 miles of bike paths, an award-winning five-field competition class softball complex, a community arts center and more. Parks and Recreation provides programs ranging from organized team sports leagues for football, basketball, soccer, baseball, and softball to music and dancing lessons to summer day camps and swimming teams.

**Education Services.** The Auburn City Schools provide services to more than 5,500 students. The City Schools' facilities include an early education center, five elementary schools, one middle school, one junior high school, and one high school. Teacher to student ratios range from 1:18 in the early education center to 1:23 in the middle and high schools. Of its teachers and administrators, 70% have advanced degrees and their average employment within the Auburn City system is twelve years. The City Schools expend an average of \$7,169 annually per pupil.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. It has been rated among the top 100 school systems in the nation by *Offspring Parenting* magazine (a subsidiary of *The Wall Street Journal*). The system consistently produces an average of six National Merit Scholars out of a graduating class of 290. Auburn High School offers the International Baccalaureate (IB) Program, a rigorous program based on the syllabi for 11<sup>th</sup> and 12<sup>th</sup> grades used by outstanding education systems throughout the world. Excellent choral, art, band, sports, and other extra curricular programs are offered and encouraged. Music and

art teachers are in all the schools beginning with first grade. Participation in athletic programs begins in Grade 7.

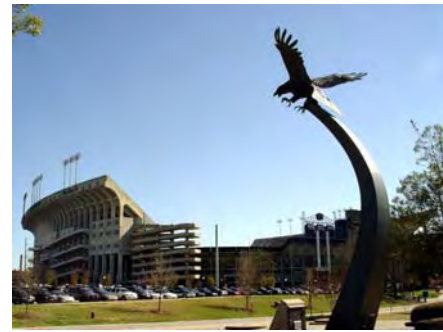
Enrichment classes and programs are provided for all students throughout the system. Auburn High School offers 12 Advanced Placement (AP) classes. Concurrent college enrollment, through Auburn University and Southern Union State Community College, is available for students who wish to take courses not taught at Auburn High School. The quality of the school system is a significant factor in the City's recent residential and industrial growth.

There are numerous colleges and technical schools within a 50-mile radius of Auburn:

- Auburn University, in Auburn
- Columbus State University, Columbus, GA
- Tuskegee University, Tuskegee, AL
- Southern Union State Community College, Opelika, AL
- Chattahoochee Valley Community College, Phenix City, AL
- LaGrange College, LaGrange, GA
- Central Alabama Community College, Alexander City, AL
- Auburn University at Montgomery, Montgomery, AL
- Huntingdon College, Montgomery, AL
- Alabama State University, Montgomery, AL
- Troy State University at Montgomery, Montgomery, AL
- Faulkner University, Montgomery, AL
- Patterson State Technical College, Montgomery, AL

Auburn University has been rated among the top 50 public institutions in the nation for providing a quality education at an exceptional value by *US News & World Report* for twelve consecutive years.

Auburn University's student body is taught by approximately 1,176 full-time and 300 part-time faculty members. Approximately 96% of Auburn students receiving their degrees are employed full-time after graduation. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates.



*Jordan-Hare Stadium at Auburn University*

As the City's largest employer, Auburn University is a major contributor to the local economy. Enrollment, which has remained steady over the past ten years, was 23,547 for the fall semester 2006. Included in the total enrollment are 3,245 graduate students.

Southern Union State Community College is located in Auburn's sister city, Opelika, which is also the Lee County seat. Southern Union is less than ten miles from Auburn and offers courses in business, accounting, computer science, industrial electricity and electronics, automotive technology, welding, and more. Fall 2006 enrollment was approximately 3,700.

**Utilities.** The City's Water Works Board, drawing from Lake Ogletree as its main source, provides water services. The City's Water Resource Management department also manages two wastewater treatment plants with a total treatment capacity of 7 million gallons per day and is currently expanding their production and treatment capacities to 9 million gallons per day to accommodate the City's projected population growth. During fiscal year 2005, the City's stormwater program was moved from Public Works to the Water Resource Management department. The intent of this move is to manage water supply, treatment and distribution; wastewater collection, treatment and disposal; and stormwater quality using a water quality approach. This division will coordinate and implement the Phase II Stormwater Regulations published by the federal government in 1999, while offering educational opportunities about stormwater issues and enforcing the City's erosion and sediment control ordinance.



**Healthcare.** The Auburn area is served by the East Alabama Medical Center, an outstanding regional medical facility. EAMC's cardiac and cancer treatment programs have received national recognition. EAMC was named as one of the top 100 cardiac care hospitals in the United States and ranked 18<sup>th</sup> on *Fortune's* "100 best companies to work for" list in 2002.



*East Alabama Medical Center*

East Alabama Medical Center's main building has more than 350 beds and is located in Opelika. EAMC provides emergency medical transport services to the City of Auburn. An auxiliary location in Auburn provides assisted living, hospice care and fitness facilities.

**Transportation.** The Auburn area is highly accessible by various transportation modes. Situated at the intersections of Interstate 85 with US Highways 280 and 29, the cities of Atlanta, Montgomery and Birmingham are all within an easy two-hour drive. Auburn is served by four trucking terminals, all within 25 miles of the City, three overnight package carriers, and two commercial bus lines.

Auburn University operates the Auburn-Opelika Airport with the financial support of the three local governments in Lee County. Federally funded improvements are currently underway to accommodate the airport's growth in corporate jet activity. Other conveniently accessible airports include Hartsfield International Airport in Atlanta (100 miles by Interstate 85), the Columbus (Georgia) regional airport (40 miles by US 280) and the Montgomery regional airport (60 miles by Interstate 85). CSX Transportation provides local mainline rail service through its Southern Railway and Western Railway of Alabama divisions.



*Auburn-Opelika Airport*

## **Factors Affecting Financial Conditions**

### ***Local Economy***

From the founding of Auburn University in 1856, the City's economy has been dominated by the University's presence. The University's students and faculty were attracted to the quality of life in Auburn and wanted to remain in the City on a long-term basis. Consequently, many were overqualified for the available jobs, but chose to accept underemployment in order to remain in Auburn.

In the mid-1980's, the City government began a conscious effort to strengthen the City's economic base through diversification. The City government created an Economic Development Department, whose mission it is to recruit small to medium-sized technology-based companies that could offer a high level of employment to citizens, with the corresponding improvements in salaries and benefits.

The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having assisted in the recruitment of more than thirty-five companies that have resulted in the creation of more than 4,000 jobs. The location of these many companies in Auburn has meant that the City had to acquire and develop three industrial-technology parks, with a fourth currently under development. In addition, the City is partnering with Auburn University and the State of Alabama to construct a University-based research park.

The City's innovative economic development tools include a Revolving Loan Fund program funded from a loan repayment stream that was the product of certain federal grant programs,

facilitation of public-private technology partnerships with Auburn University, a small-business incubator facility, a workforce development initiative, and property tax abatements. The focused and creative use of these tools resulted in the location of the following companies, among others, in the City's industrial parks and the Auburn Center for Developing Industries: ATS Wheels, Briggs & Stratton Corporation, Falk Corporation, Donaldson Company, EPOS Corporation, Hoerbiger Hydraulics, Inc., Leggett & Platt, Inc., MasterBrand Cabinets, Inc., Nikki America Fuel Systems, Touchstone Precision, Inc., and Weidmann Plastics.

The Auburn Center for Developing Industries (ACDI), a small business incubator facility, opened in 1989 to enable new business ventures to become established in a cost-controlled environment while adding jobs to the community. This project has been very successful, graduating four tenants to the City's industrial parks and expanding its facilities three times. Current tenants located in the incubator include an automotive textile manufacturer and a process control instrumentation company.

Auburn's industrial sector has seen tremendous growth in the last year. In November 2005, the City announced a partnership between Nikki Co., LTD and Briggs & Stratton Corporation to form a joint-venture company, Nikki America Fuel Systems, LLC. Nikki manufactures fuel systems for Briggs & Stratton, as well as other customers. Production occupies an existing 87,000 square foot facility in Auburn Technology Park South. Renovations began immediately following the announcement and Nikki moved in and began operations in fall 2006. Nikki brings an additional 130 jobs to Auburn and a capital investment of \$9.2 million. Cumberland Plastic Systems, LLC located in Auburn's Industrial Park in 2006. A known solution provider in injection molding, Cumberland has created 35 additional jobs and more than \$5 million in capital investment. Cylpro Auburn, Inc. and Aluminum Technology Schmid, Inc. also announced plans to located in Auburn, together bringing more than 50 new jobs and over \$8.5 million in additional capital investment. Several major industrial announcements are also in the works for 2007.

***In addition to its business recruitment programs, the City's Economic Development Department has worked to improve housing opportunities within the Auburn city limits via an Affordable Housing Program.***

Commercial development continues to be strong in Auburn. Numerous projects, including banks, restaurants, and other retail operations, have opened along the U.S. Highway 29/South College corridor, just off Interstate Highway 85. A \$40 million expansion of Colonial University Village retail shopping mall was completed with the expansion of Dillards and JC Penney's. New national retailers and streetscape tenants at Colonial University Village include Belk, Ann Taylor Loft, Chico's, Coldwater Creek, Jos. A Bank, Lane Bryant, and Talbots. Several other major national retailers are currently considering lease options at University Village. Currently, infrastructure improvements are underway at Auburn's I-85 Exit 57 to make way for a new 135,000 square foot Sam's Club big box retailer, in addition to other restaurants and retailers. Auburn's South College Street has seen the addition of several new restaurants and retail shops over the last

year, as well.

In addition to its business recruitment programs, the City's Economic Development Department has worked to improve housing opportunities within the Auburn city limits via an Affordable Housing Program, partnering with Habitat for Humanity, and administering numerous housing rehabilitation and other public service programs funded by federal Community Development Block Grants. The North Auburn Housing Development Corporation (NAHDC), a non-profit organization dedicated to affordable housing in Auburn, and the City of Auburn recently broke ground on the Northwest Village Subdivision. This subdivision is a partnership between the City and the NAHDC to provide an affordable housing subdivision for residents in Northwest Auburn. Construction is currently underway at the Northwest Village.

Financial activities in Auburn are anchored by 13 different banks with 21 locations (excluding ATMs). These financial institutions have combined assets of approximately \$941.7 million. The largest bank in the City is an independent bank and the State's three largest bank holding companies all have offices in Auburn. In addition, there are two federal credit unions and six nationally associated investment brokers providing financial services to Auburn's residents and businesses.

The physical boundaries of the City continue to expand with residential, commercial, and industrial growth. During fiscal 2006, the City annexed 1,278 acres into the City limits as part of the City's long-range plan for growth through annexation. All annexations are initiated by request of the property owners. The City's Planning Commission approved 29 new subdivisions, incorporating 1,051 single-family lots and 1,000 units for multi-family residences.

In fiscal 2006, building permits were issued for 480 new single-family residences valued at \$111.6 million (↑17.7%), 135 of which had valuations in excess of \$250,000 each. Also permitted during fiscal 2006 were 39 multi-family buildings valued at \$43.4 million (↑87.6%) and 15 new commercial and industrial facilities valued at \$25.8 million (↑109%). In response to several years of significant growth, the City completed construction of three new fire stations in fiscal 1998 and another fire station is planned for construction in fiscal 2007.

### ***Risk Management***

The City of Auburn's risk management program includes identification and analysis of loss exposures and the selection of appropriate risk management techniques for specific loss exposures. The City uses a combination of risk reduction and risk financing techniques. The risk reduction techniques include loss prevention and loss reduction through periodic inspections and training. While insurance or self-insurance is used for risk financing, some loss exposures are retained by the City and paid for out of the operating budget.

### ***Long-term Financial Planning***

The City's capital improvements program contains \$147.8 million in identified projects over the next six years (FY 07 through FY 12). Increasing the capacity and updating the technology of the sewer system will require approximately \$31.7 million. This outlay will be funded by bond proceeds and system access fees. Infrastructure improvements, including sidewalks, bikeways, streets, bridges, and intersections will require an estimated \$52.5 million. This outlay is expected to be funded through identified sources including shared funding, state and federal grant funds, and debt.

Renovations and expansion of existing city buildings are planned with a projected cost of \$9.2

million. Funding sources for these city buildings include proceeds of bonds and the General Fund. Included in the projected costs for city buildings is planned expansion of fire protection that will require approximately \$2.4 million.

Other projects, including culture and recreation and downtown improvements are included in the six-year program at an approximate cost of \$20 million. Various funding options, including debt, will be identified at the appropriate time.

### ***Financial Information***

Management of the government is responsible for establishing and maintaining an internal control structure design to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate data are compiled to allow for the presentation of financial statements in conformance with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) that valuation of costs and benefits requires estimates and judgments by management.

***Single Audit.*** As a recipient of federal and state financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's audit in accordance with generally accepted government auditing standards, tests are made to determine the adequacy of the internal control structure, including that portion related to federal assistance programs, as well as to determine that the government has complied with applicable laws and regulations.

***Budgeting.*** Budgetary tracking is maintained at the line item level by the encumbrance of actual or estimated purchase amount prior to the release of purchase orders to vendors. Accountability for budgetary compliance is held at the department level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The City Manager has the authority to make adjustments



between budget line items. Purchase orders resulting in an overrun of a departmental balance are released only after the approval of the City Manager.

In the summer of 2000, the City Manager recommended and the City Council approved a change from an annual budget to a two-year or biennial budget for fiscal years 2001 and 2002. The objectives of a biennial budget process were two-fold: to give the Council and City management a longer time budgeting horizon and to reduce the amount of staff time required for developing and adjusting the budget. Under the annual budgeting process, Auburn conducted a Mid-Year Budget Review process each April that was nearly as rigorous as the budget development each summer. With a Biennial Budget, the Mid-Year Review is streamlined and there is an in-depth Mid-Biennium Review.

***With a Biennial Budget, the Mid-Year Review is streamlined and there is an in-depth Mid-Biennium Review.***

Budget amendments are effected by Ordinance enacted by the governing body at mid-biennium and, if necessary, at year-end. Activities of the General Fund, the Debt Service funds, and most Special Revenue funds are included in the annual appropriated budget. Encumbrances lapse at year end; however, encumbrances remaining against a positive department budget balance may be re-appropriated as "prior year carryover" during the Mid-Biennium Budget Review.

The City's budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the *financial* section of this report are presented in accordance with GAAP; that is, all capital outlays have been aggregated in a single line captioned "capital outlay." Debt service expenditures are presented in a single line caption in the GAAP financial statements, as well. *Appendix II* presents the General Fund's expenditures compared to the budget for fiscal 2006 as budgeted, with the capital outlays and debt service expenditures presented within departments.

***Other Information***

***Independent Audit.*** The government is required by State law to undergo an annual audit by

independent public accountants; however, to meet federal requirements of the Single Audit Act Amendments of 1996, and the resultant issuance of OMB Circular No. A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*), the City's audit report is required to be signed by a certified public accountant. The accounting firm of Machen, McChesney and Chastain, LLP was selected through a competitive proposal process. The auditor's report on the basic financial statements and the combining and individual fund statements and schedules is included in the *financial* section of this report. The auditor's reports related specifically to the Single Audit are included in a separately issued Single Audit Report.

Information related to this Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are generally meaningful only to oversight agencies and therefore have not been included in this report. This information is contained in a separate Single Audit report, which is available for review at the Office of the City Manager in City Hall at 144 Tichenor Avenue, Auburn, Alabama.

***Awards.*** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2005. This was the twentieth consecutive year that the City has received his prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial

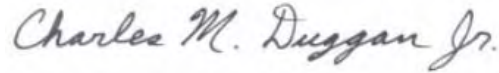
Reporting (PAFR) to the City of Auburn for its PAFR for the fiscal year ended September 30, 2005. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

In addition, the City has also received a GFOA Award for Distinguished Budget Presentation for its biennium beginning October 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

**Acknowledgments.** The preparation of the comprehensive annual financial report could not be accomplished without the dedicated services of an efficient Finance Department staff. We express appreciation to each member of the Department and to those members of other City departments for their contributions made in the preparation of this report.

In closing, the commitment to the achievement of mandated priorities speaks to the progressive leadership and dedication to public service of the Mayor and the City Council. Their support for a policy of financial integrity has been instrumental in the preparation of this report.



Charles M. Duggan, Jr.  
City Manager



Andrea E. Jackson, CPA  
Finance Director

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

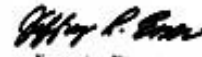
City of Auburn  
Alabama

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

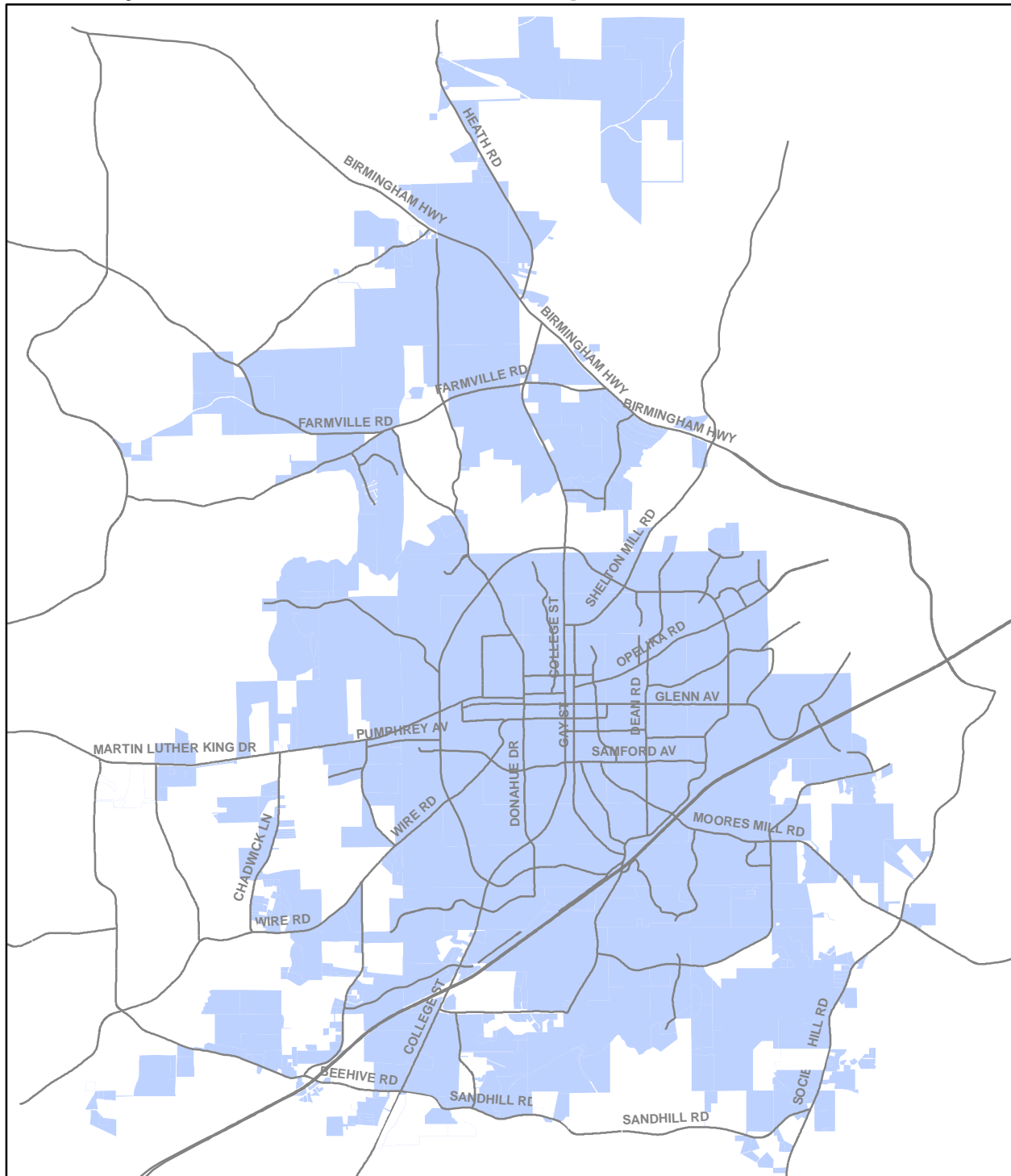


President



Executive Director

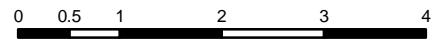
# City of Auburn as of September 30, 2006



The City of Auburn, Alabama does not guarantee this map to be free from errors or inaccuracies. The City of Auburn, Alabama disclaims any responsibility or liability for interpretations from this map or decisions based thereon. The information contained on this map is a general representation only and is not to be used without verification by an independent professional qualified to verify such information.

## Auburn City Limits

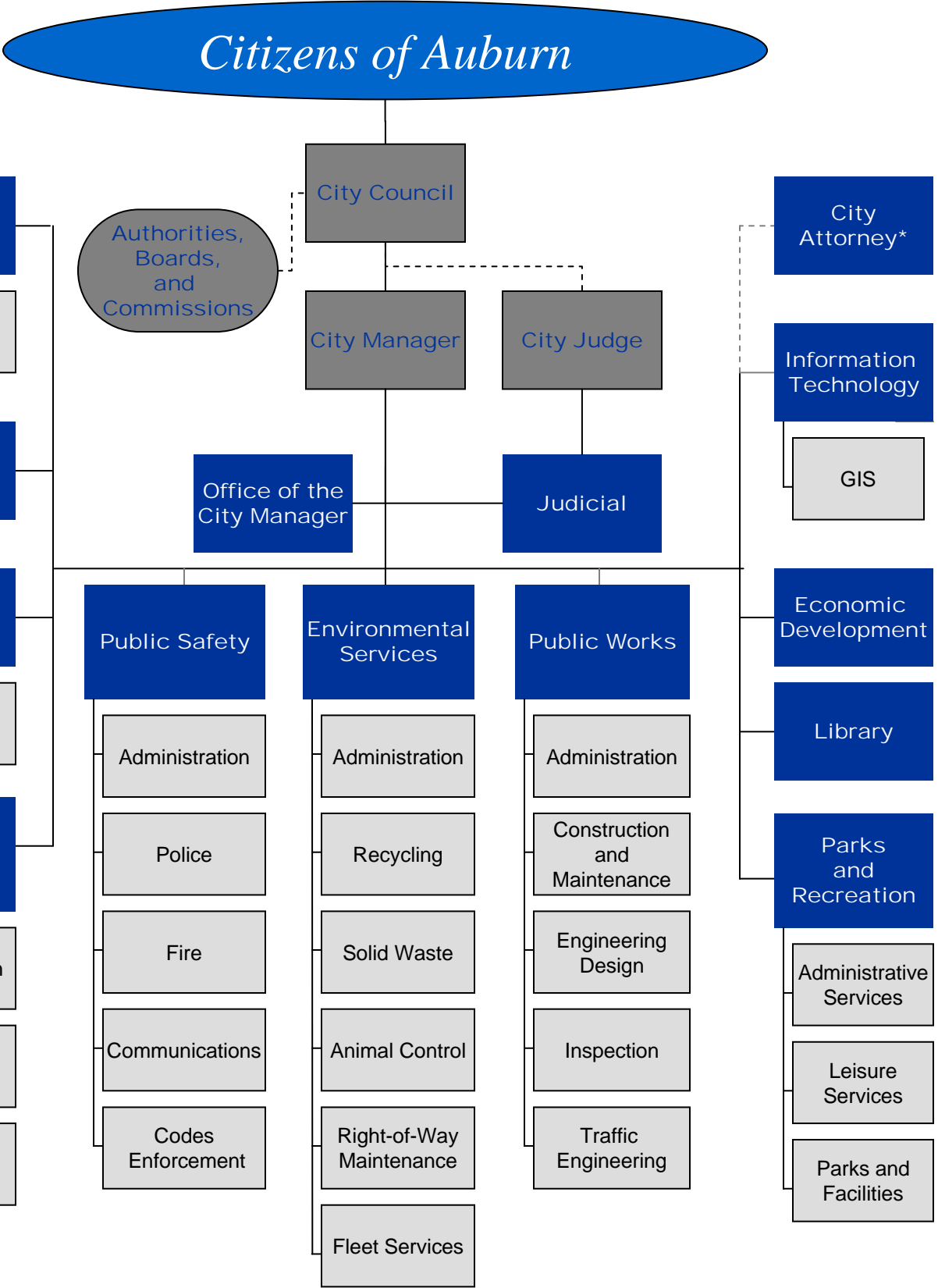
 City Limits



Miles  
Created 2/20/07  
Source COA GIS  
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# Organization Chart



\* City Attorney services are contracted outside the organization

Legend: Policy or Judicial Authority Department Division or Sub-Departmental Unit



Anne McChesney May, CPA  
Donald G. Chastain, CPA  
Michael D. Machen, CPA, CVA  
Melissa W. Motley, CPA  
Martin D. Williams, CPA  

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Don L. Machen, CPA

Members  
American Institute of  
Certified Public Accountants  
  
Alabama Society of  
Certified Public Accountants  
  
An Independent Member of  
BDO Seidman Alliance

## INDEPENDENT AUDITOR'S REPORT

The Honorable Bill Ham, Jr., Mayor  
Members of the City Council and City Manager  
City of Auburn, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn, 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. The financial statements of the Water Works Board and the Industrial Development Board (component units) were not audited in accordance with *Government Auditing Standards*. 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 the 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Special School Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2007, on our consideration of the City of Auburn, 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 *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 28, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Machen, McChesney + Chastain, LLP*

Auburn, Alabama

January 5, 2007



City of Auburn



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Auburn's comprehensive annual financial report (CAFR) presents City management's discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2006. Please read this in conjunction with the City's financial statements, which follow this section and the additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of the CAFR.

### FINANCIAL HIGHLIGHTS

- ▶ The assets of the City of Auburn exceeded its liabilities at the close of the fiscal year by \$10,989,670 (net assets). Of this amount, the City had a deficit unrestricted net assets of \$44.4 million offset by \$10.2 million in restricted net assets and \$45.1 million in capital assets net of related debt.
- ▶ The primary government experienced an 84.6% increase in net assets from \$5.9 million at September 30, 2005 to \$10.9 million at September 30, 2006.
- ▶ At the close of the current fiscal year, the City's governmental funds reported a *combined* fund balance of \$49.6 million. This was an increase (14.2%) from the prior year.
- ▶ At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$13.8 million, or 27.02% of total General Fund expenditures. This was a decrease of \$937,966 or 6.4% from fiscal year 2005.
- ▶ Sales and use tax, the City's single largest revenue source, increased 12.7% during the 2006 fiscal year. The current sales tax rate remained at 3% throughout fiscal year 2006. The last rate change was a ½ % increase in August 2003.
- ▶ In both fiscal years 2005 and 2006, the City continued to support its employees through a 3% cost of living raise.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements, and the narrative notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the City's finances.

- ▶ The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- ▶ The remaining statements are fund financial statements that focus on individual elements of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary funds statements offer short- and long-term financial information about the activities the government operates like businesses, such as the sewer system.
  - Fiduciary funds statements convey information about financial relationships in which the City acts solely as a trustee for the benefit of others, like athletic organizations' resources held for spending on specific sports' activities.

The financial statements also include narrative notes that explain some of the information in the financial statements and provide more detailed data. Figure A shows how the required parts of this annual report are arranged and relate to one another.

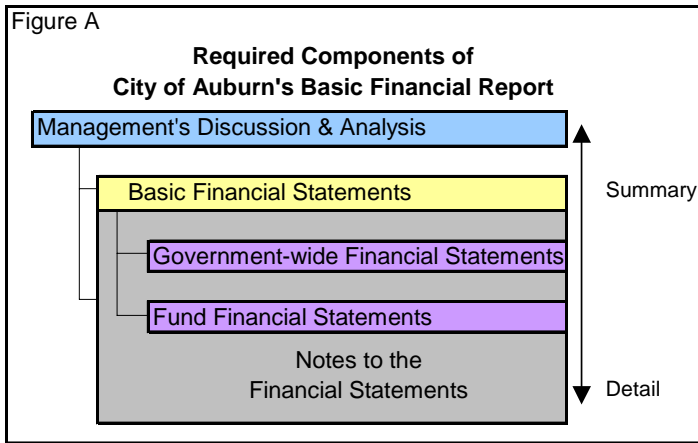


Figure B summarizes the major elements of the financial statements, explaining the portion of the City government they include and the types of information they contain. The remainder of this overview explains the structure and contents of each of the financial statements.

### Government-wide Statements

The *government-wide financial statements* report information about the City as a whole, using

accounting methods similar to those used by private-sector companies.

- ▶ The *statement of net assets* includes all of the government's assets and liabilities, with the difference between the two reported as net assets.
- ▶ All of the current year's revenues and expenses are accounted for in the *statement of activities*. This presents the change in net assets in the most recent fiscal year. All changes in net assets (revenues and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. In the future, trend data will be developed, providing a useful indicator of the City's financial condition.

To assess the overall economic health of the City, additional non-financial factors, such as changes in the City's tax base and the condition of the City's roads, should be considered.

Figure B Major Elements of Auburn's Government-wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, and parks	Activities the City operates similar to private businesses: Industrial Park and Sewer Revenue Fund	Instances in which the City is the trustee or agent for someone else's resources: Youth Athletic Funds
<b>Required financial statements</b>	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, exp. and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
<b>Accounting basis &amp; measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability</b>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
<b>Type of inflow/outflow</b>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when it is received or paid.	All revenues and expenses during the year regardless of when it is received or paid.

The government-wide financial statements of the City are divided into three categories:

- ▶ *Governmental activities.* Most of the City's basic services are included in this category, such as the Public Safety, Environmental Services, Parks and Recreation, Human Resources, and Finance departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- ◉ *Blended Component Units.* The City of Auburn Public Library Board provides services almost entirely to the City, and the City is financially responsible for the Board; so the Board is included in the City's governmental activities.
- ▶ *Business-type activities.* The City charges fees to customers to help it cover the costs of certain services it provides. The City's Sewer Revenue Fund and the Industrial Park Fund are included in this category.
- ▶ *Discretely Presented Component Units.* The City includes five other entities in its report: City of Auburn Board of Education, City of Auburn Water Works Board, City of Auburn Industrial Development Board, City of Auburn Public Park and Recreation Board, and the City of Auburn Commercial Development Authority. Although legally separate, these component units are important because the City is financially accountable for them. Please refer to Note 1.A. regarding the availability of separately issued component unit financial statements.

Pursuant to a prior year's Council resolution, all capital assets of the Auburn Center for Developing Industries (previously reported as a discretely presented component unit of the City) were deeded to the Industrial Development Board of the City of Auburn at fair market value during fiscal 2005.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are groupings of related accounts that the City uses to keep track of

specific revenues and spending for particular purposes.

- ▶ State law requires gas tax funds to be accounted for separately, because the expenditures are restricted for specific uses.
- ▶ The City Council establishes other funds to control the use of monies for particular purposes, such as property taxes that are legally dedicated for repayment of long-term debt or for support of the City school system.
- ▶ The City also establishes funds to demonstrate compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and grant proceeds.

The City has three kinds of funds:

- ▶ *Governmental funds.* Most of the City's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Doing so provides a better understanding of the long-term impact of the government's short-term funding decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- ▶ *Proprietary funds.* Services provided to the general public for which customers are charged a fee are generally reported in enterprise funds, which are proprietary funds. Proprietary funds' financial statements, like the government-wide statements, provide both long- and short-term financial information. The

City of Auburn has two proprietary funds: the Sewer Revenue Fund and the Industrial Park Fund, both of which are enterprise funds. These funds function like business activities; therefore, their financial statements provide additional information, such as depreciation expense and cash flows, which are not presented in governmental funds.

- ▶ **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Auburn's own programs. These private-purpose trust fund accounts provide for the revenues and expenditures of independent associations supporting youth athletic programs.

The City adopts a biennial budget for its General Fund and most other governmental funds. For legal compliance, comparison, and reporting purposes, this budget is broken down into two separate reporting years. A budgetary comparison statement for the General Fund has been provided immediately following the fund financial statements

**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 financial statements follow the basic financial statements.

**Net assets** The City's *combined* net assets at September 30, 2006 totaled \$10,989,670 (see Table 1). Governmental Activities' net assets increased by \$3.04 million, while Business-type Activities' net assets increased \$1.98 million.

## FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Table 1

City of Auburn's Net Assets  
September 30, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 60,280,093	\$ 51,871,926	\$ 8,644,716	\$ 8,885,125	\$ 68,924,809	\$ 60,757,051
Capital assets (not retroactive)	60,297,989	55,943,467	42,663,013	40,336,815	102,961,002	96,280,282
Total assets	120,578,082	107,815,393	51,307,729	49,221,940	171,885,811	157,037,333
Current liabilities	11,249,472	9,123,382	1,530,705	1,353,138	12,780,177	10,476,520
Long-Term debt and other liabilities	118,673,691	111,084,728	29,442,275	29,521,817	148,115,966	140,606,545
Total liabilities	129,923,163	120,208,110	30,972,980	30,874,955	160,896,143	151,083,065
Net assets:						
Invested in capital asset, net of related debt	30,277,386	22,454,277	14,868,116	12,376,420	45,145,502	34,830,697
Restricted	8,295,236	6,983,053	1,931,130	1,460,163	10,226,366	8,443,216
Unrestricted	(47,917,701)	(41,830,047)	3,535,503	4,510,401	(44,382,198)	(37,319,646)
Total net assets	\$ (9,345,079)	\$ (12,392,717)	\$ 20,334,749	\$ 18,346,984	\$ 10,989,670	\$ 5,954,267

Most of the Governmental Activities' net assets are invested in capital assets (buildings, equipment, roads, etc.). The investment in capital assets at September 30, 2006 was \$60.30 million. Debt outstanding related to the capital assets was \$30.02 million. The large negative unrestricted net assets in FY 2005 (\$41.83 million) and FY 2006 (\$47.92 million) are the result of a common financing circumstance in Alabama: the City of Auburn issues debt in the City's name for the benefit of the Board of Education, a component unit under the City of Auburn's oversight. The City of Auburn therefore must report the debt on the City's books. However,

the City does not have a legal right to the assets associated with the debt (which are owned by the School Board); hence, the large negative unrestricted net assets balances.

Similarly, an innovative partnership was formed this year among the City of Auburn, Auburn University and the State of Alabama to build a research park on the University campus. The City of Auburn committed \$5 million for project infrastructure. Borrowing these funds in February of 2006 produced a similar effect on the balance sheet as did the City Board of Education borrowing. The

research park infrastructure will be owned by Auburn University (a component unit of the State of Alabama), but the debt principal will be included in the City's liabilities.

Table 2 has been created to show the detail of debt issued by the City to acquire or construct capital assets owned by other entities contained in unrestricted net assets. Total City debt issued to benefit the City Schools and outstanding at September 30, 2006, was \$64,047,834, a decrease of \$937,441 (1.4%) from the prior year. This decrease is due to a principal pay-down of current borrowings by the City for the Auburn City Schools' benefit. Due to Auburn's sound fiscal management, Governmental Activities' other unrestricted net assets remain strong at \$16.1 million (eliminating the effect of school debt) at the end of fiscal 2006. These amounts plus other net asset components create overall negative net assets of \$9.35 million at the end of this fiscal year.

Table 2

**Governmental Activities**

<b>Net Assets</b>	<b>2006</b>	<b>2005</b>
Invested in capital assets, net	30,277,386	22,454,277
Restricted (deficit)		
Debt Service	2,499,524	2,184,462
Capital Projects	1,022,428	1,090,383
Fed and State Grants	386,762	148,980
Special Rev, non-grant	4,386,522	3,559,228
<b>City School Debt</b>	<b>(64,047,834)</b>	<b>(64,985,275)</b>
<b>AU Debt</b>	<b>(4,728,492)</b>	-
Unrestricted	20,858,625	23,155,228
	<u>(9,345,079)</u>	<u>(12,392,717)</u>

The total net assets of the City's Business-type Activities increased by 10.8% to \$20.3 million in fiscal year 2006 from \$18.3 million in fiscal year 2005. Of that total, most is comprised of capital assets (net of related debt) for the Sewer Revenue Fund. Restricted net assets of the Business-type Activities were \$1.9 million, representing funds reserved for capital projects and debt service. Excluding these categories, unrestricted net assets totaled \$3.5 million at 2006 fiscal year-end.

**Changes in net assets** The primary government's net assets increased by \$5.0 million (84.6%) in fiscal year 2006 over the prior year. Total assets increased by \$14.8 million (9.5%) in fiscal 2006. The major components of this increase in total assets were: 1) \$6.7 million increase in capital assets, which included construction in progress of \$2 million, an indicator of the many projects underway

within the City; 2) an increase in cash and cash equivalents of \$4.9 million, a majority of which increase will be temporary due to spend-down of the \$3.7 million influx of cash from a borrowing on September 22, 2006 to provide financing for the portion of the Auburn Tennis Center that will be leased to Auburn University.

The fiscal 2006 net increase in total liabilities of the primary government was \$9.8 million (6.5%). The increase in long-term debt, \$7.5 million (5.3%), accounted for most of the increase: the City issued three different warrants and bonds totaling over \$14 million in fiscal year 2006 to fund various capital projects within the City. Accounts payable and accrued liabilities increased by \$1.2 million over the prior year.

The primary government's total net assets increased by \$5 million (84.6%) in fiscal 2006. Significant changes in the elements of net assets included 1) the deficit in unrestricted net assets increased by \$7.1 million and 2) investments in capital assets, net of related debt, increased by \$10.3 million.

Unrestricted net assets (Table 1) declined in large part due to two non-routine financial events:

- ▶ The \$5 million borrowing for the Auburn Research Park in 2006. The City's debt paid for infrastructure within the park on land owned by Auburn University. This debt had a negative effect on net assets because the infrastructure assets constructed are reported as assets of the University, a component unit of the State of Alabama.
- ▶ The Board of Education's capital assets are reported in the separate component units' column of the Statement of Net Assets, while the debt related to the acquisition of the Schools' capital assets is reported in the Primary Government's portion of the Statement of Net Assets. The Board of Education's capital assets at September 30, 2006 were \$70,891,055; while the City's general obligation debt issued on the Schools' behalf had principal outstanding of \$64,047,834 at September 30, 2006.

Ignoring the effect of the City's issuing debt on behalf of the Board of Education would result in positive unrestricted net assets of \$20.8 million (Table 2), which would more accurately reflect the City's net assets.



## Governmental Activities

Table 3 below presents the cost of each of the City's functions/programs, as well as each program's net expenses (total expenses less fees generated by the program's activities and intergovernmental support). The Net (Expense) Revenue amounts in Table 3 show the financial burden that was placed on the City's general revenues by each of these functions.

The cost of governmental activities this year was \$60.2 million. Program revenues provided \$17.4 million to finance the costs of the City's governmental activities. The amount that Auburn taxpayers paid to provide for governmental activities' expenses through general revenues (taxes, license fees, interest earnings, etc.) was \$42.8 million.

Table 3

### City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2006 and 2005

<i><b>Functions and programs</b></i>	<u>Expenses</u>		<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
	2006	2005	2006	2005	2006	2005
Governmental activities						
General government	\$ 4,660,538	\$ 4,789,687	\$ 9,142,719	\$ 8,230,292	\$ 4,482,181	\$ 3,440,605
Public works	9,169,765	2,960,817	841,963	758,335	(8,327,802)	(2,202,482)
Environmental services	4,008,405	4,038,158	2,571,865	2,459,025	(1,436,540)	(1,579,133)
Public safety	12,887,286	12,634,612	2,762,595	2,694,364	(10,124,691)	(9,940,248)
Library	1,292,363	1,146,947	30,226	25,937	(1,262,137)	(1,121,010)
Parks and recreation	4,962,677	4,247,362	715,687	466,948	(4,246,990)	(3,780,414)
Social and economic development	5,765,202	3,894,096	862,017	313,964	(4,903,185)	(3,580,132)
Other functions	1,993,874	1,481,183	517,280	247,730	(1,476,594)	(1,233,453)
Education (payments to Board of Education)	10,001,243	42,322,984	-	-	(10,001,243)	(42,322,984)
Interest on long-term debt	5,519,505	3,929,464	-	-	(5,519,505)	(3,929,464)
Total governmental activities	<u>60,260,858</u>	<u>81,445,310</u>	<u>17,444,352</u>	<u>15,196,595</u>	<u>(42,816,506)</u>	<u>(66,248,715)</u>
Business-type activities						
Sewer	6,221,067	4,753,076	7,623,287	6,251,053	1,402,220	1,497,977
Industrial parks	284	213	-	-	(284)	(213)
Total business-type activities	<u>6,221,351</u>	<u>4,753,289</u>	<u>7,623,287</u>	<u>6,251,053</u>	<u>1,401,936</u>	<u>1,497,764</u>
Total primary government	<u>\$ 66,482,209</u>	<u>\$ 86,198,599</u>	<u>\$ 25,067,639</u>	<u>\$ 21,447,648</u>	<u>(41,414,570)</u>	<u>(64,750,951)</u>
<i><b>General revenues:</b></i>						
Taxes						
Sales taxes					20,773,724	18,429,013
Property taxes					12,658,858	11,791,602
Occupation license fees					7,402,470	6,785,103
Rental and leasing taxes					1,591,682	1,456,463
Lodging taxes					1,085,063	668,094
Motor fuel taxes					491,778	461,800
Other taxes					123,728	120,661
Interest and investment earnings					2,300,840	1,226,531
Gain (loss) on asset disposals					158,638	18,245
Miscellaneous					316,311	6,656
Special items--certain capital asset transactions					(453,119)	173,492
Extraordinary item - gain on building destroyed by fire					-	221,070
Total general revenues					<u>46,449,973</u>	<u>41,358,730</u>
Change in net assets -						
General revenues less net expenses					5,035,403	(23,392,221)
Beginning net assets (restated)					5,954,267	29,346,489
Ending net assets					<u>\$ 10,989,670</u>	<u>\$ 5,954,268</u>



Expenses for business-type activities in fiscal 2006 were \$6.2 million; business-type activities revenue provided \$7.6 million in 2006.

Total City revenues, including general revenues, exceeded expenditures for both governmental and business-type activities by \$5 million for fiscal 2006.

As detailed below, Table 4 spreads total program revenue by source for 2006 and 2005 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals, coupled with the narrative below, provide insight into changes in program revenue.

Table 4

Program revenue by source:	2006	2005
	Primary Government	Primary Government
Charges for services	\$ 20,629,388	\$ 18,483,614
Operating grants and contributions	2,051,801	1,678,375
Capital grants and contributions	2,386,450	1,285,659
Total program revenue	<u>\$ 25,067,639</u>	<u>\$ 21,447,648</u>

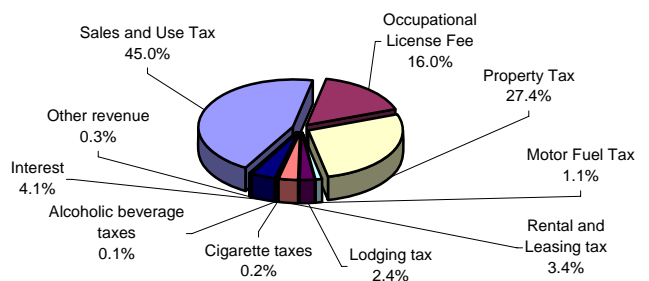
Some of the program costs of governmental activities in 2006 were paid by revenues collected from those who directly benefited from the programs (\$17.4 million). These revenue sources include:

- Business license fees, which generated \$5.76 million to pay the costs of providing general government services.
- The City's solid waste collection and recycling programs were funded, in part, by citizen-customers' solid waste collection fees, which totaled \$2.57 million in fiscal 2006, an increase of 4.59% from last year's revenue.
- Auburn University and downtown businesses pay fees for services related to extra patrols downtown and fire and police services on campus. This revenue offset public safety expenditures by \$1.85 million for the year ending 2006.
- ▶ Program costs were also defrayed by grants and contributions (\$2.9 million). A large portion of this funding comes from the Community Development Block Grant (CDBG) from the federal Department of Housing and Urban Development. Fiscal 2006 CDBG revenues of \$832,784 were used to rehabilitate inadequate

housing, improve public facilities and provide utility and food assistance programs to eligible citizens.

- ▶ The City has also worked to obtain grant funding from the Alabama Department of Transportation to share the cost of expansion or replacement of roads and bridges through capital grants in excess of \$225,000.
- ▶ The City financed the \$42.8 million net expenses for governmental activities from the \$46.4 million in taxes, license fees and other general revenues, such as interest earnings.
- ▶ Figure C shows the various sources of general revenues for fiscal year 2006:

Figure C FY 2006 General Revenues



- General revenues are defined as all revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues. All other non-tax revenues (including interest, gains and losses and contributions) that do not meet the criteria for program revenues are reported as general revenues.
- The largest of the City's general revenues is sales and use tax, comprising 45.3% of total general revenues. During this reporting period, the City's sales tax rate was 3.0%.
- The second largest source of general revenues is property taxes (27.6%). Of the total 26 mills the City receives in property taxes, 16 mills are legally dedicated for the City Board of Education.
- The third largest general revenue source is occupational license fees (16.1%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn transferred \$13.1 million to component units during fiscal 2006. Of this amount, \$10.0 million was paid to the Board of Education, which included \$3.2 million paid from education property taxes. The \$6.8 million appropriated from the City's General Fund represents the continued commitment by the City of Auburn in response to the Citizen Survey results, which show that educational funding is the citizens' highest priority, consistently year after year.

### Business-type Activities

The City owns two wastewater treatment plants that are operated by Veolia Water, a Houston, Texas based engineering and contract services firm. Table 5 details the general revenues associated with business type activities (see table 3 for totals). This chart shows program revenue of the Sewer Fund business-type activity, including charges for services (sewer treatment and disposal) and capital grants and contributions, increased over the prior year by \$1.4 million or 21.95%. The increase in Sewer Fund revenue represents growth in the number of customers as well as expansion of sewer system capital assets through increases each year in developers' contributions of installed sewer lines (recorded at fair value at the time of donation). Sewer Fund expenses (operating plus non-operating) increased by 30.8% to \$6.2 million. The expense of the contract with Veolia Water to operate the City's wastewater treatment plants in 2006 has increased over the past fiscal year, accounting for the majority of the growth in Sewer expenses. Under general revenue in Table 5, the increase in miscellaneous income comes from cash contributions made by developers for City sewer projects.

**Business Type Activities (Condensed)** **Table 5**  
**Fiscal Years ended September 30, 2006 and 2005**

Functions and programs	Net (Expense) Revenue	
	2006	2005
Business-type activities		
Sewer Revenue	\$ 7,623,287	\$ 6,251,053
Sewer Expense	6,221,067	4,753,076
Net Sewer Revenue	1,402,220	1,497,977
Net Industrial Parks (Expense)	(284)	(213)
Total functions and programs revenues	1,401,936	1,497,764
<b>General revenues:</b>		
Interest and investment earnings	416,657	245,029
Gain (loss) on asset disposals	18,895	-
Miscellaneous	278,160	-
Transfers (to) from General Fund	(127,883)	95,349
Total general revenues	585,829	340,378
Change in net assets -		
General revenues less net expenses	1,987,765	1,838,145
Beginning net assets	18,346,986	16,508,842
Ending net assets	\$ 20,334,751	\$ 18,346,987

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

As the City completed the year, its governmental funds reported a *combined* fund balance of \$49.6 million. This reflects an increase from the prior year of \$6.2 million (14.2%). This increase is a reflection of the activity typical of Auburn: to budget revenues in a realistically conservative manner and to use the budget as a tool for managing expenditures to be within budget. The City continued various infrastructure and economic development projects throughout the fiscal year. These activities included construction on the Bent Creek Interchange and the continuation of installation of infrastructure at the Auburn Research Park. A new passive park, Town Creek Park, opened during fiscal 2006, as well.

The following financial activities comprise the major changes in governmental fund balances:

#### Governmental revenues ~

- ▶ Total revenues of the governmental funds showed growth of 11% or \$6.2 million over the prior year.
- ▶ Sales and use tax revenue increased 12.7% during the 2006 fiscal year. The sales tax rate remained at 3%, with the last rate increase occurring in 2003.
- ▶ Lodging taxes increased by 62.4% (\$416,969) in fiscal year 2006. This growth resulted, in part, from a rate increase in lodging taxes from 4% to 7%, effective February 1, 2006. With the City's influx of visitors to City and Auburn University events, the City utilizes this increase in taxes to fund the extra services ~ required by the added population.
- ▶ Rental and leasing taxes declined by 43.7% (\$636,781). This line item includes residential rental license fees, for which the payment schedule was changed from quarterly to annually effective January 1, 2006.
- ▶ General property tax revenues improved 8.1%, contributing additional revenue of \$977,254 to the governmental funds. Growth in property taxes results from expansion of the city limits through voluntary annexations, as well as appreciation in property values, attributable in part to new construction and improvements.

### **Governmental expenditures ~**

Total governmental expenditures decreased by \$39.9 million (35.6%) in fiscal 2006 from fiscal 2005. The major components of this decrease in governmental expenditures include:

- ▶ A \$31 million decrease in payments to component units. Last fiscal year a borrowing of \$33 million occurred in July 2005, the proceeds of which were appropriated to the Board of Education for construction and repairs to school facilities located in Auburn. This increased payments to component units in fiscal year 2005 by \$33 million and subsequently decreased by virtually the same amount this year.
- ▶ Debt service increased dramatically in fiscal year 2005 due to the payoff of a line of credit originally issued for infrastructure projects both of the City and Industrial Development Board. Consequently, a decrease of \$12.2 million (51%) occurred in 2006 when debt service payments included only routine payments for debt principal and interest.

### **Proprietary Funds**

The City's combined proprietary funds, which account for its business-type activities, reflect increased net assets of \$1.9 million at the end of fiscal 2006, a 10.8% increase.

#### **Proprietary funds' revenues, other resources ~**

The City's major proprietary fund is its Sewer Revenue Fund, which accounts for sewer treatment and disposal services provided to citizens and businesses within the city limits. Sewer Fund revenues from sewer service charges remained level for fiscal 2006 as compared to 2005. Sewer service rates were increased 5% in fiscal 2006, but had not been increased since 1994.

In addition to operating revenue from sewer service charges, the Sewer Fund's net assets were increased by \$1.7 million from developers' contributions of sewer lines in fiscal 2006. This amount is a 76.8% (\$752,287) increase over the prior year's developer contributions to the Sewer Fund and reflects the robust level of construction activity within the City as well as the City's initiatives to require developers to contribute to the cost of infrastructure for new developments.

### **Proprietary funds' expenses ~**

In the Sewer Fund, the City's major proprietary fund, operating expenses for fiscal 2006 increased by \$1.3 million (36.5%). The largest component of this increase was management fees (\$483,889 or 49.5%), attributable to a significant increase in the contract payment to Veolia Water, the company that manages the two Wastewater treatment plants. Other significant expense increases included salaries and benefits (\$253,365 or 35.2%) and professional services (\$257,325 or 137.1%). The salaries and benefits expenses increased, in part, from the staffing of the new Watershed Management Division in the Water Resource Management Department. The 2006 increase in professional services expenses reflects the engagement of consultants for studies and planning concerning the expansion of the sewer system and compliance with environmental regulations.

### **Analysis of Changes in Major Funds**

#### **The General Fund (Governmental) ~**

At the end of fiscal 2006, the total fund balance of the City's General Fund increased \$447,386 (1.6%) from the prior year's ending balance. The increase in receivables by \$1.0 million led an overall upward trend in the General Fund balance. A change in the residential and commercial rental business license fee collection schedule, from quarterly to annually, resulted in a year-end receivables accrual of approximately \$772,000. Revenues and other financing sources over expenditures and other financing uses increased fund balance by \$447,385. Deferred revenue also increased by \$661,954 due to delayed availability of revenue receivable for residential and commercial rental business license fees. These changes, together with other smaller changes in the components of assets and liabilities produced an ending fund balance in the General Fund of \$27.8 million.

#### **Federal Grant Loan Repayment Fund (Governmental) ~**

The City's Federal Grant Loan Repayment Fund is a major fund due to the large mortgage receivable balances on the Fund's balance sheet. In the 1980s, the City received numerous federal grants to assist housing and urban development. Under these programs, the City loaned the grant funds to promote housing and commercial capital improvements within the City. As these loans are repaid to the City, these monies are recycled for

other Title 1 eligible activities. The mortgages receivable of the Federal Grant Loan Repayment Fund increased by \$302,005 (7.5%) during fiscal 2006; while total fund balances decreased by \$1.0 million. This Fund granted \$1.2 million to new economic development activities, reducing the fund balance; however, this investment will in turn produce revenue which will be reissued to new projects in the future.

#### ***Special School Tax Fund (Governmental) ~***

The Special School Tax Fund continues to be classified as a major fund of the City. As a special revenue fund, it accounts for five of the sixteen mills of education ad valorem tax revenue which is used to pay principal and interest on bonds issued for Auburn City Schools. In the last fiscal year (2005), the City borrowed \$33 million on behalf of the schools. This issuance does not affect the fund this year, except that debt service payments increased by \$1.1 million. This expenditures increase, coupled with a larger transfer in from the other education property tax fund totaling \$5.9 million (72.5%), brings the net increase in the Special School Tax Fund's balance to \$1.2 million.

#### ***Sewer Fund (Business-type activity) ~***

Generally, the Sewer Fund accounts for the provision of sewer services to the City's residents and businesses. In addition, the Sewer Fund accounts for the capital expansion activities of the City's sewer collection, treatment and disposal facilities. Late in fiscal 2001, the City issued general obligation debt in the principal amount of \$30.0 million to de-privatize two wastewater treatment facilities, expand treatment capacity and upgrade the treatment technologies. The construction activities funded by this debt began in fiscal 2002 and continued through 2005.

In fiscal 2006, the Sewer Fund's net assets increased by 10.8% or \$1.9 million. While total net assets increased, the unrestricted/unreserved component of net assets declined from \$4.4 million to \$3.5 million. This was offset by an increase in the amount invested in capital assets, net of related debt, by \$2.5 million.

Total assets of the Sewer Fund increased \$2.1 million; the majority of this increase was caused by capital assets net of accumulated depreciation, which expanded by \$2.3 million or 5.8%. The increase in Sewer Fund capital assets, which includes the capitalization of assets donated by

developers at \$1.7 million, netted against the drawdown in cash and investments of \$448,902, produces the net increase in Sewer Fund assets listed above. There was a minimal increase in liabilities at \$98,019 or 0.3%. The Sewer Fund generated an operating income of \$1.4 million in 2006. After non-operating revenues and expenses, the income before operating transfers and capital contributions was \$365,864.

### **General Fund Budgetary Highlights**

The City of Auburn adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. Auburn's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. Each annual budget is reviewed following the completion of the first half of the fiscal year. Revenue projections are updated and budgeted expenditures are adjusted to reflect changing conditions.

The fiscal year 2006 final General Fund budget projected \$49.2 million in revenue and \$1.1 million in other financing sources; appropriations were approved for \$54.4 million in expenditures and no other financing uses, producing a planned deficit of \$4.1 million to be absorbed in the General Fund balance. Actual amounts for revenues (\$50.3 million), other sources (\$1.3 million), and expenditures (\$51.2 million) netted favorably in comparison to the budget. As a result, the General Fund balance increased by \$447,385.

The original revenue projections were \$709,997 less than the final budget. This change was caused by the net of two factors: 1) an overall better than projected growth for most revenue sources and 2) grants, which did not produce the income expected. Auburn experienced solid growth in sales and use taxes (up by 12.7%), lodging taxes (up by 62.4%), general property tax (up by 8.1%) and occupational license fees (up by 9.1%). These revenue trends reflect the expanding population of the City of Auburn and its economic base.

Due to project timeline extensions, the City of Auburn delayed some payments to component units, thereby decreasing the City's total expenditure appropriations at year-end under the original budget by \$15.1 million (21.7%). The total operating budget for all departments was increased slightly by \$896,320 in the final budget. Although all



departments' budgets were increased in the final budget, the most significant increase (\$301,951) was in the amount appropriated for General Government and Administration, which includes the City Council, City Manager's Office, Judicial, Information Technology, Finance and Human Resources. The single largest components of this increase were the severance package for the former City Manager's contract and more third-party legal services required for the municipal court.

Total actual operating expenditures for all departments were under budget by \$2.3 million in fiscal 2006. This favorable result is typical for Auburn, and results from management's active use of the budget to control expenditures. All departments except one kept expenditures under final budget.

The budget for payments to component units were considerably reduced (\$15.5 million, 64.3%) during the mid-year budget review to reflect changes in uses of current borrowings (\$6 million) and the delay of a major infrastructure project (\$7 million) to the following fiscal year.

## CAPITAL ASSET AND DEBT MANAGEMENT

### Capital Assets

At the end of 2006, the City had invested \$102.9 million in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$6.7 million (6.9%) over last year. This increase is the direct result of the completion of several large projects, including parks and recreation facilities and street resurfacing.

The City committed through borrowings and referendums to continue or complete some major projects in fiscal year ending 2007. Some of these include: construction of a tennis complex and expansion of the City Library at \$5.2 million, and infrastructure improvements in the new Auburn University Research Park at \$5 million.

As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, the City has included infrastructure capital assets in the Statement of Net Assets beginning in fiscal year 2003. The reader should note that GASB 34 allows additional time for governments to inventory the infrastructure capital assets acquired prior to the implementation of the new accounting requirement.

The Statement of Net Assets in this report includes only those infrastructure capital assets constructed and acquired during fiscal years 2003 through 2006. The City is working to inventory and assign values to the retroactive infrastructure capital assets data for inclusion in future years' financial statements and anticipates completion of this effort by the deadline set by GASB 34. Note 10 provides additional detail on capital assets.

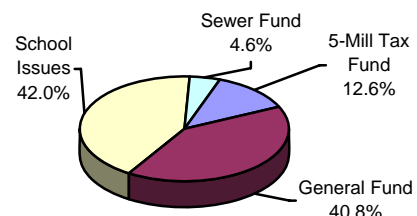
### Long-term Debt

At 2006 fiscal year-end, the City had \$155.2 million in long-term debt outstanding, of which \$7.1 million will mature during fiscal 2007. The net increase in long-term debt from the previous year was \$8.6 million or 5.9%. The City's long-term debt is comprised of bonds, warrants and notes payable.

General obligation debt is payable from the City's general revenues (the General Fund). Some long-term debt is payable from legally restricted revenue sources, such as the City debt issued to provide financing for the City Schools, which is payable from property taxes dedicated for education purposes. In addition, the City levies a property tax, the Special Five-Mill Tax, which is legally restricted for repaying debt issued to finance projects that have been approved by the voters. Figure D illustrates the various funding sources for the repayment of this long-term debt.

- ▶ Long-term debt with \$19.1 million in principal outstanding at fiscal year-end will be paid from the Special Five-Mill Tax Fund. This Fund receives five mills of property tax revenue, which is used to pay principal and interest on bonds approved in referenda by the registered voters of the City. The most recent referendum occurred in fiscal year 2006. The approval rate for the referendum, which included a tennis center and expansion of the existing library, was 85.6%.

Figure D  
Principal Outstanding September 30, 2006



- ▶ The City issues debt for the Auburn City Board of Education. The principal amount of its current outstanding school issues stands at \$64 million, which will be repaid from dedicated school ad valorem taxes.
- ▶ The Sewer Revenue Fund (a business-type activity of the City) pays for two long-term debt issues with total principal outstanding of \$30.1 million.
- ▶ This leaves \$39.1 million in outstanding principal, the repayment of which will be funded solely from the General Fund.

The reader may refer to Note 11 for more detail concerning the debt issuances and debt outstanding of the City and its component units.

New debt during fiscal 2006 resulted from three different issuances:

- ▶ A general obligation warrant in the amount of \$6,000,000 was issued on December 13, 2005 to fund certain capital projects in the City.
- ▶ On February 24, 2006, the City issued its \$5,000,000 General Obligation Warrant to finance the design and construction of infrastructure improvements in the Auburn Research Park. The infrastructure is being contributed to Auburn University and therefore will not be capitalized by the City of Auburn.
- ▶ A general obligation warrant for \$3.7 million was issued on September 22, 2006 to provide financing for the Auburn Tennis Center. Auburn University will participate with the City and the City's Public Park and Recreation Board in designing, constructing and operating the tennis facility.

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. The outstanding debt applicable to this limit is \$64.4 million, resulting in a legal debt margin of \$34.6 million.

Although sales and use tax is considered a revenue source subject to variations in the economy, the consistent growth and stable economy of Auburn, in conjunction with the City government's sound management practices, means that debt repayment remains predictable. The ratio of debt service to total expenditures is 12.4%. Auburn has been able

to both expand and maintain its infrastructure to meet citizens needs based on careful financial management in response to citizens' priorities which includes long-term capital planning and financial projection processes.

## Bond Ratings

The City received its most recent bond ratings in December 2006. The City received an upgrade from Standard & Poor's to AA from AA-. Moody's Investors Service confirmed the City's general obligation bond rating of Aa3. The City's other long-term debt carries the same ratings.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's strategic goals, which guide management's decision-making processes, are concisely outlined in the City's mission statement:

### Mission Statement

*The mission of the City of Auburn is to provide economical delivery of quality services created and designed in response to the needs of its citizens rather than by habit or tradition. We will achieve this by:*

- Encouraging planned and managed growth as a means of developing an attractive built-environment and protecting and conserving our natural resources;
- Creating diverse employment opportunities leading to an increased tax base;
- Providing and maintaining reliable and appropriate infrastructure;
- Providing and promoting quality housing, educational, cultural and recreational opportunities;
- Providing quality public safety services;
- Operating an adequately funded city government in a financially responsible and fiscally sound manner;
- Recruiting and maintaining a highly motivated work force committed to excellence; and
- Facilitating citizen involvement.

Even with a slowdown in the housing market experienced within the State of Alabama and the nation as a whole, Auburn has remained a stable



and growing economy. Price level changes within the City are comparable with national indices. The City's unemployment rates typically compare favorably with the State's and national rates. The most recent data available show that Auburn's 2006 unemployment rate was 2.8%, as compared with 3.6% for the State of Alabama and the national rate of 4.6% (source: U.S. Bureau of Labor Statistics).

The City's aggressive, yet selective, industrial and commercial recruitment strategies, the presence of Auburn University and the exceptional City school system, all combine to position Auburn as a very strong municipal economy.

The Auburn City Council is committed to the development of a diversified economic base, with Auburn University as the cornerstone. The City's Industrial Development Board (IDB) and Economic Development Department have partnered to bring more than 4,000 new jobs to the City over the past two decades. The IDB targets small to mid-sized, higher technology and ecologically friendly companies in a variety of industries with the ability to provide jobs with good salaries and benefits. Many of the recruited industries are based on technology partnerships with the University. The additional payrolls brought to the City generate occupation license fees, business licenses, and sales tax revenues that enable the City to provide the high levels of services and facilities expected by its citizens.

Auburn University, the State's largest land-grant university, is a stabilizing force in the local economy. The University has consciously controlled the growth of the student body at around 1% per year. The proximity of the University to the City's downtown contributes significantly to a vibrant ambiance and vigorous business activity.

The City of Auburn, Auburn University and the State of Alabama have entered into a partnership to contribute a combined \$20 million to construct and build a state-of-the-art 156-acre research park to advance the evolving technology corridor extending from Atlanta to Montgomery.

The City's public schools have received consistently high ratings for the qualifications of its faculty and staff and the achievements of its students, as well as strong local funding levels. The excellence of the City School system has proved a major factor in the City's residential growth and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family

detached homes has grown 113% from fiscal 1999 (225 permits) to fiscal 2006 (480 permits). Many families relocate to Auburn to take advantage of the excellent public schools, even though the breadwinners' jobs are in other nearby cities. The City's size has grown from 29.35 square miles in 1999 to 56.05 square miles in 2006. Population growth has averaged about 3% per year for the last 26 years.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2005 and 2006. The City Council conducted a comprehensive Revenue Review in the spring of 2003. The Revenue Review is conducted once every four years with the goal of evaluating the City's overall revenue structure within the context of long-term financial projections, to facilitate the Council's consideration of tax or fee increases. However, tax and fee increases are studied also during the development of the biennial budget and during each mid-biennium budget review. As part of the City's budget processes, projected revenues and proposed expenditures are keyed into the long-term forecasting model to determine the effects on fund balances of various scenarios. Use of the long-term forecasting model is helpful for determining the effects of tax or fee increases that may be considered, as well as the need for borrowing, within the context of proposed expenditures.

The Council has established a goal for maintaining the fund balance in the General Fund at not less than 20% of expenditures plus other financing uses. The City has consistently exceeded this goal; the total fund balance at September 30, 2006 stood at 54% of expenditures. The total fund balance in the General Fund includes \$4.6 million designated by the Council for use only in the event of natural disaster or significant, unprojected economic downturn. Total fund balance less the designated \$4.6 million comprised 45.2% of expenditures.

The only utility service provided by the primary government is wastewater treatment and disposal. The City privatized the construction and operation of two wastewater treatment plants in 1984: the two plants were reacquired in 2001. As part of the privatization in 1984, rates were increased significantly, and funds were set aside to forestall sewer rate increases for an extended number of years. The Council adopted a sewer service charge increase of 5%, effective for fiscal 2006, the first rate increase for sewer services since 1994.

To address the need for funding for capital facilities expansion, the Council imposed sewer system access fees for the first time in 1996. Access fees are levied on new development when such development ties on to the sewer system. The Council adopted increases in access fees for residential-sized meters effective in April 2005, the first increase in sewer access fees since their initiation in 1996. This rate did not change in fiscal 2006.

Water services are provided by the City's component unit, Auburn Water Works Board. The Water Board's philosophy is to levy small, frequent water service fee increases, to minimize the effect of rate increases on their customers. The Water Board implemented a 5% increase in the basic water service rates effective October 1, 2005. The previous water rate increase was effective October 1, 2003. The Water Board also levies system access fees, to provide funding for system expansion. The Board first imposed system access fees in 1996 and approved an increase in residential-sized meters effective April 1, 2005. No increase in access fees was levied in fiscal 2006.

An expanding populace translates into additional needs for public services and facilities. Auburn citizens have enjoyed and continue to expect a high

quality of life from their City government. In the past, Auburn citizens have demonstrated their willingness to pay for these services and facilities by voting to approve an increase in property taxes dedicated to public education and by supporting the Council's decision to increase the sales tax rate. This public support is attributable, at least in part, to the open government policies of the City Council, as well as the public's confidence that the City's finances are carefully managed and their knowledge that taxes and license fee increases are imposed infrequently and proposed only after deliberate study and debate.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Auburn's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. Please contact the City of Auburn Finance Department, 144 Tichenor Avenue, Suite 5, Auburn, Alabama 36830, with any questions or to request additional information. Updated financial information about the City can also be obtained by accessing the City's web site at [www.auburnalabama.org](http://www.auburnalabama.org).

## **Basic Financial Statements**

These statements provide a summary overview of the financial position of all funds and of the operating results by fund types for the City and its component units. They also serve as an introduction to the more detailed statements and schedules that follow. Separate columns are used for each fund type and for each of the City's discretely presented component units.



City of Auburn

CITY OF AUBURN, ALABAMA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$35,391,298	\$ 3,733,720	\$ 39,125,018	\$ 14,979,017
Certificates of deposit	4,590,336	-	4,590,336	53,185
Investments	-	-	-	5,000
Receivables, net	6,970,918	874,884	7,845,802	1,737,688
Internal balances	206,965	(206,965)	-	-
Due from component units	620,243	19,855	640,098	-
Inventories	18,519	16,764	35,283	264,453
Current portion of mortgages receivable	77,400	-	77,400	-
Current portion of net investment in capital leases	-	-	-	207,500
Property tax receivable	-	-	-	3,137,213
Due from other governments	-	-	-	449,096
Due from primary government	-	-	-	250,623
Other current assets	138,260	7,634	145,894	46,370
<b>Total current assets</b>	<b>48,013,939</b>	<b>4,445,892</b>	<b>52,459,831</b>	<b>21,130,145</b>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
Cash and cash equivalents	379	-	379	14,269,781
Investments	-	3,672,640	3,672,640	10,696,121
Accrued interest receivable	-	55,350	55,350	68,968
Mortgages receivable, net of current portion	4,629,432	-	4,629,432	200,000
Net investment in capital leases, net of current portion	-	-	-	3,479,488
Advances to component units	2,933,170	141,455	3,074,625	-
Property for resale	4,131,127	-	4,131,127	8,272,523
Bond issue costs, net	572,046	329,379	901,425	921,128
Deferred water rights, net	-	-	-	1,129,704
Capital assets not being depreciated	11,689,272	2,908,412	14,597,684	31,313,975
Capital assets net of accumulated depreciation	48,608,717	39,754,601	88,363,318	103,306,372
<b>Total noncurrent assets</b>	<b>72,564,143</b>	<b>46,861,837</b>	<b>119,425,980</b>	<b>173,658,060</b>
<b>Total assets</b>	<b>120,578,082</b>	<b>51,307,729</b>	<b>171,885,811</b>	<b>194,788,205</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
<b>Liabilities payable from restricted assets:</b>				
Accounts payable	-	-	-	1,694,370
Current portion of long-term debt	-	-	-	527,650
Accrued interest payable	-	-	-	280,996
Accounts payable and other accrued liabilities	2,853,913	312,377	3,166,290	2,792,364
Due to component units	232,571	18,052	250,623	-
Accrued interest payable	809,790	278,273	1,088,063	-
Salaries and benefits payable	400,321	-	400,321	3,774,331
Claims payable	141,153	-	141,153	-
Customer deposits	123,229	462,003	585,232	584,205
Unearned revenue	66,346	-	66,346	3,140,551
Current portion of long-term debt	6,622,149	460,000	7,082,149	9,728,600
Short term notes payable	-	-	-	1,100,000
Due to primary government	-	-	-	640,098
Current portion of water supply agreement payable	-	-	-	189,904
<b>Total current liabilities</b>	<b>11,249,472</b>	<b>1,530,705</b>	<b>12,780,177</b>	<b>24,453,069</b>
<b>Noncurrent liabilities:</b>				
Advances from primary government	-	-	-	3,074,625
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	-	-	827,150
Long-term debt and other liabilities	118,673,691	29,442,275	148,115,966	47,180,646
<b>Total noncurrent liabilities</b>	<b>118,673,691</b>	<b>29,442,275</b>	<b>148,115,966</b>	<b>51,082,421</b>
<b>Total liabilities</b>	<b>129,923,163</b>	<b>30,972,980</b>	<b>160,896,143</b>	<b>75,535,490</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	30,277,386	14,868,116	45,145,502	88,705,870
<b>Restricted for:</b>				
Debt service	2,499,524	1,931,130	4,430,654	2,986,301
Capital projects	1,022,428	-	1,022,428	18,873,323
Federal and state grants	386,762	-	386,762	-
Special revenues, non-grant	4,386,522	-	4,386,522	-
Other projects	-	-	-	163,541
Unrestricted (deficit)	(47,917,701)	3,535,503	(44,382,198)	8,523,680
<b>Total net assets</b>	<b>\$ (9,345,079)</b>	<b>\$20,334,749</b>	<b>\$ 10,989,670</b>	<b>\$119,252,715</b>

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



**CITY OF AUBURN, ALABAMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Primary Government Business-Type Activities		Component Units
						Total		
<b>Primary Government:</b>								
Governmental activities:								
General government and administration	\$ 4,660,538	\$ 8,109,059	\$ 1,033,660	\$ 408,843	\$ 4,482,181	\$ -	\$ 4,482,181	
Public works	9,169,765	-	433,120	-	(8,327,802)	-	(8,327,802)	
Environmental services	4,008,405	2,571,865	-	-	(1,436,540)	-	(1,436,540)	
Public safety	12,887,286	2,611,876	38,290	112,429	(10,124,691)	-	(10,124,691)	
Library	1,292,363	30,226	-	-	(1,262,137)	-	(1,262,137)	
Parks and recreation	4,962,677	690,660	25,027	-	(4,246,990)	-	(4,246,990)	
Planning	492,700	59,962	-	-	(432,738)	-	(432,738)	
Social and economic development	5,765,202	-	521,704	340,313	(4,903,185)	-	(4,903,185)	
Human resources	483,065	-	-	-	(483,065)	-	(483,065)	
Risk management	1,018,109	457,318	-	-	(560,791)	-	(560,791)	
Education (payments to Board of Education)	10,001,243	-	-	-	(10,001,243)	-	(10,001,243)	
Interest on long-term debt	5,519,505	-	-	-	(5,519,505)	-	(5,519,505)	
Total governmental activities	60,260,858	14,530,966	2,051,801	861,585	(42,816,506)	-	(42,816,506)	
<b>Business-type activities:</b>								
Sewer	6,221,067	6,098,422	-	1,524,865	-	1,402,220	1,402,220	
Industrial Parks	284	-	-	-	-	(284)	(284)	
Total business-type activities	6,221,351	6,098,422	-	1,524,865	-	1,401,936	1,401,936	
<b>Total primary government</b>	<b>\$ 66,482,209</b>	<b>\$ 20,629,388</b>	<b>\$ 2,051,801</b>	<b>\$ 2,386,450</b>	<b>\$ (42,816,506)</b>	<b>\$ 1,401,936</b>	<b>\$ (41,414,570)</b>	<b>\$ (16,735,074)</b>
<b>Component units</b>	<b>\$ 60,567,277</b>	<b>\$ 12,426,141</b>	<b>\$ 28,107,820</b>	<b>\$ 3,298,242</b>				<b>\$ -</b>
<b>General revenues:</b>								
<b>Taxes:</b>								
Sales taxes					20,773,724		20,773,724	3,671,200
Occupational license fees					7,402,470		7,402,470	-
Property taxes					12,658,858		12,658,858	6,170,581
Motor fuel taxes					491,778		491,778	-
Lodging taxes					1,085,063		1,085,063	-
Rental and leasing taxes					1,591,682		1,591,682	-
Cigarette taxes					93,177		93,177	-
Alcoholic beverage taxes					30,551		30,551	395,666
Other taxes					-		-	54,721
Appropriations from the City of Auburn					-		-	6,795,523
Federal and state aid not restricted					-		-	28,622
Interest and investment earnings					1,884,183	416,657	2,300,840	2,682,602
Gain on disposal of assets					139,743	18,895	158,638	29,722
Miscellaneous					38,151	278,160	316,311	415,084
Special items--certain capital asset transactions (see Note 22)					(453,119)	-	(453,119)	1,027,760
Transfers					127,883	(127,883)	-	-
Total general revenues, special items, and transfers					45,864,144	585,829	46,449,973	21,271,481
Change in net assets					3,047,638	1,987,765	5,035,403	4,536,407
<b>Net assets--beginning</b>					(12,392,717)	18,346,984	5,954,267	114,861,505
<b>Prior period adjustment</b>					-	-	-	(145,197)
<b>Net assets--beginning, as restated</b>					(12,392,717)	18,346,984	5,954,267	114,716,308
<b>Net assets--ending</b>					\$ (9,345,079)	\$ 20,334,749	\$ 10,989,670	\$ 119,252,715

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

CITY OF AUBURN, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 17,226,834	\$ 1,689,372	\$ 66,444	\$20,998,986	\$ 39,981,636
Receivables, net	6,647,503	29,237	-	269,349	6,946,089
Due from other funds	103,960	-	-	-	103,960
Due from component units	576,842	-	-	43,400	620,242
Inventories	18,519	-	-	-	18,519
Prepaid items	31,862	-	-	-	31,862
Mortgages receivable	-	-	4,320,071	386,762	4,706,833
Advances to					
Other funds	-	-	273,334	-	273,334
Component units	2,933,170	-	-	-	2,933,170
Property for resale	4,131,127	-	-	-	4,131,127
Restricted cash	-	379	-	-	379
Total assets	<u>\$ 31,669,817</u>	<u>\$ 1,718,988</u>	<u>\$ 4,659,849</u>	<u>\$21,698,497</u>	<u>\$ 59,747,151</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued liabilities	\$ 2,239,292	\$ -	\$ -	\$ 1,199,575	\$ 3,438,867
Due to component units	34,606	-	197,965	-	232,571
Customer deposits	79,749	-	-	-	79,749
Due to other funds	-	-	-	103,960	103,960
Deferred revenue	1,493,213	-	-	-	1,493,213
Deferred program revenue	-	-	4,320,620	386,762	4,707,382
Advances from other funds	66,369	-	-	-	66,369
Total liabilities	<u>3,913,229</u>	<u>-</u>	<u>4,518,585</u>	<u>1,690,297</u>	<u>10,122,111</u>
Fund balances:					
Reserved:					
Inventories	18,519	-	-	-	18,519
Prepaid items	31,862	-	-	-	31,862
Encumbrances	2,190,636	-	-	3,916,966	6,107,602
Advances	2,933,170	-	273,334	-	3,206,504
Property for resale	4,131,127	-	-	-	4,131,127
Unreserved:					
Designated for emergency purposes	4,620,075	-	-	-	4,620,075
Undesignated (deficit)	13,831,199	1,718,988	(132,070)	-	15,418,117
Unreserved, reported in nonmajor funds:					
Special revenue funds	-	-	-	2,311,581	2,311,581
Debt service funds	-	-	-	2,499,525	2,499,525
Capital projects funds	-	-	-	11,280,128	11,280,128
Total fund balances	<u>27,756,588</u>	<u>1,718,988</u>	<u>141,264</u>	<u>20,008,200</u>	<u>49,625,040</u>
Total liabilities and fund balances	<u>\$ 31,669,817</u>	<u>\$ 1,718,988</u>	<u>\$ 4,659,849</u>	<u>\$21,698,497</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	60,297,989
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the current period	(124,723,794)
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds	6,134,249
Prepaid items accounted for using the purchases method are not reported in the funds	106,398
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds	(784,961)
Net assets of governmental activities	<u>\$ (9,345,079)</u>

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

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

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Sales and use taxes	\$ 20,773,724	\$ -	\$ -	\$ -	\$ 20,773,724
Occupational license fees	7,402,470	-	-	-	7,402,470
Motor fuel taxes	242,958	-	-	242,852	485,810
Lodging taxes	1,085,063	-	-	-	1,085,063
Rental and leasing taxes	819,682	-	-	-	819,682
Other taxes	123,728	-	-	-	123,728
Licenses and permits	6,518,522	-	-	-	6,518,522
General property tax	2,730,687	2,500,816	-	7,856,996	13,088,499
Charges for services	6,901,624	-	-	-	6,901,624
Fines and forfeitures	1,083,225	-	-	-	1,083,225
State shared taxes	1,026,580	-	-	258,733	1,285,313
Contributions from the public	312,948	-	-	7,799	320,747
Grants	321,315	-	-	963,380	1,284,695
Program income	-	-	98,206	29,023	127,229
Interest	907,825	34,525	78,073	863,297	1,883,720
Miscellaneous	95,426	-	-	546	95,972
Total revenues	<u>50,345,777</u>	<u>2,535,341</u>	<u>176,279</u>	<u>10,222,626</u>	<u>63,280,023</u>
<b>Expenditures</b>					
General government and administration	3,764,661	-	-	175,769	3,940,430
Public works	2,786,345	-	-	62,785	2,849,130
Environmental services	3,870,974	-	-	-	3,870,974
Public safety	12,514,854	-	-	12,526	12,527,380
Library	1,180,137	-	-	-	1,180,137
Parks and recreation	4,190,163	-	-	-	4,190,163
Planning	486,927	-	-	-	486,927
Economic development	851,789	-	441,800	345,725	1,639,314
Employee services	472,691	-	-	-	472,691
Risk management	246,881	-	-	-	246,881
Total departmental	<u>30,365,422</u>	<u>-</u>	<u>441,800</u>	<u>596,805</u>	<u>31,404,027</u>
Non-departmental	1,437,804	103,067	-	326,572	1,867,443
Debt service	5,645,955	3,982,667	-	2,074,484	11,703,106
Capital outlay	3,422,686	-	-	3,905,621	7,328,307
Intergovernmental	1,647,115	-	-	5,095,717	6,742,832
Payments to component units	8,665,898	3,205,720	755,351	471,769	13,098,738
Total expenditures	<u>51,184,880</u>	<u>7,291,454</u>	<u>1,197,151</u>	<u>12,470,968</u>	<u>72,144,453</u>
Excess (deficiency) of revenues over expenditures	<u>(839,103)</u>	<u>(4,756,113)</u>	<u>(1,020,872)</u>	<u>(2,248,342)</u>	<u>(8,864,430)</u>
<b>Other financing sources (uses)</b>					
Debt issuance	40,290	-	-	14,700,000	14,740,290
Sale of surplus assets	177,942	-	-	-	177,942
Transfers in	1,068,256	5,950,000	-	53,000	7,071,256
Transfers out	-	-	-	(6,957,522)	(6,957,522)
Total other financing sources (uses)	<u>1,286,488</u>	<u>5,950,000</u>	<u>-</u>	<u>7,795,478</u>	<u>15,031,966</u>
Net changes in fund balances	447,385	1,193,887	(1,020,872)	5,547,136	6,167,536
Fund balances, beginning of year	<u>27,309,203</u>	<u>525,101</u>	<u>1,162,136</u>	<u>14,461,064</u>	<u>43,457,504</u>
Fund balances, end of year	<u>\$ 27,756,588</u>	<u>\$ 1,718,988</u>	<u>\$ 141,264</u>	<u>\$ 20,008,200</u>	<u>\$ 49,625,040</u>

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

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

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances--total governmental funds	\$	6,167,536
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		5,236,963
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to (increase) decrease net assets.		(882,442)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(8,613,227)
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.		(72,083)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,868,147
Revenues previously recorded as deferred revenue in governmental funds that were recognized in prior years in the statement of activities, but in the current year in governmental funds.		<u>(657,256)</u>
Change in net assets--statement of activities	\$	<u><u>3,047,638</u></u>

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

CITY OF AUBURN, ALABAMA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales and use taxes	\$ 19,282,035	\$ 19,572,800	\$ 20,773,724	\$ 1,200,924
Occupational license fees	7,280,000	7,350,000	7,402,470	52,470
Motor fuel taxes	232,000	202,100	242,958	40,858
Lodging taxes	635,000	985,000	1,085,063	100,063
Rental and leasing taxes	1,364,000	998,900	819,682	(179,218)
Other taxes	114,500	115,000	123,728	8,728
Licenses and permits	6,162,775	6,459,005	6,518,522	59,517
General property tax	2,713,000	3,158,649	2,730,687	(427,962)
Charges for services	6,011,749	6,593,547	6,901,624	308,077
Fines and forfeitures	845,000	934,200	1,083,225	149,025
State shared taxes	680,200	1,130,535	1,026,580	(103,955)
Contributions from the public	2,000	87,288	312,948	225,660
Grants	2,771,659	320,528	321,315	787
Interest	330,000	879,500	907,825	28,325
Miscellaneous	62,000	408,863	95,426	(313,437)
Total revenues	48,485,918	49,195,915	50,345,777	1,149,862
Expenditures				
General government and administration	3,872,998	4,174,949	3,764,661	410,288
Public works	2,846,074	2,863,722	2,786,345	77,377
Environmental services	3,902,855	3,952,800	3,870,974	81,826
Public safety	13,291,608	13,304,180	12,514,854	789,326
Library	1,280,515	1,296,265	1,180,137	116,128
Parks and recreation	4,062,219	4,229,131	4,190,163	38,968
Planning	525,346	525,352	486,927	38,425
Economic Development	777,331	829,971	851,789	(21,818)
Employee services	533,981	537,777	472,691	65,086
Risk management	732,300	1,007,400	246,881	760,519
Total departmental	31,825,227	32,721,547	30,365,422	2,356,125
Non-departmental	1,695,552	1,643,176	1,437,804	205,372
Debt service	5,700,245	5,490,245	5,645,955	(155,710)
Capital outlay	4,850,621	4,210,715	3,422,686	788,029
Intergovernmental	1,301,760	1,719,279	1,647,115	72,164
Payments to component units	24,149,250	8,631,037	8,665,898	(34,861)
Total expenditures	69,522,655	54,415,999	51,184,880	3,231,119
Excess (deficiency) of revenues over expenditures	(21,036,737)	(5,220,084)	(839,103)	4,380,981
Other financing sources (uses)				
Debt issuance	18,000,000	-	40,290	40,290
Sale of surplus assets	-	-	177,942	177,942
Transfers in	510,750	1,070,271	1,068,256	(2,015)
Total other financing sources (uses)	18,510,750	1,070,271	1,286,488	216,217
Net changes in fund balances	(2,525,987)	(4,149,813)	447,385	4,597,198
Fund balances, beginning of year	27,309,203	27,309,203	27,309,203	-
Fund balances, end of year	\$ 24,783,216	\$ 23,159,390	\$ 27,756,588	\$ 4,597,198

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



CITY OF AUBURN, ALABAMA  
SPECIAL SCHOOL TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
*BUDGET AND ACTUAL*  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax	\$ 2,217,214	\$ 2,401,500	\$ 2,500,816	\$ 99,316
Interest	8,047	28,000	34,525	6,525
Total revenues	<u>2,225,261</u>	<u>2,429,500</u>	<u>2,535,341</u>	<u>105,841</u>
Expenditures				
Non-departmental	90,575	103,000	103,067	(67)
Debt service	3,983,273	3,983,273	3,982,667	606
Payments to component units	3,205,720	3,205,720	3,205,720	-
Total expenditures	<u>7,279,568</u>	<u>7,291,993</u>	<u>7,291,454</u>	<u>539</u>
Excess (deficiency) of revenues over expenditures	(5,054,307)	(4,862,493)	(4,756,113)	106,380
Other financing sources (uses)				
Transfers in	<u>5,950,000</u>	<u>5,950,000</u>	<u>5,950,000</u>	<u>-</u>
Net changes in fund balances	895,693	1,087,507	1,193,887	106,380
Fund balances, beginning of year	<u>525,101</u>	<u>525,101</u>	<u>525,101</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,420,794</u>	<u>\$ 1,612,608</u>	<u>\$ 1,718,988</u>	<u>\$ 106,380</u>

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

CITY OF AUBURN, ALABAMA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2006

	Major Fund <u>Sewer Revenue Fund</u>	Nonmajor Fund <u>Industrial Park Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,643,010	\$ 90,710	\$ 3,733,720
Receivables, net	874,884	-	874,884
Due from component units	19,855	-	19,855
Other current assets	<u>24,398</u>	<u>-</u>	<u>24,398</u>
Total current assets	<u>4,562,147</u>	<u>90,710</u>	<u>4,652,857</u>
Noncurrent assets			
Restricted assets			
Investments	3,672,640	-	3,672,640
Accrued interest receivable	55,350	-	55,350
Advances to component units	-	141,455	141,455
Bond issue costs, net	329,379	-	329,379
Capital assets not being depreciated	2,908,412	-	2,908,412
Capital assets net of accumulated depreciation	<u>39,754,601</u>	<u>-</u>	<u>39,754,601</u>
Total noncurrent assets	<u>46,720,382</u>	<u>141,455</u>	<u>46,861,837</u>
Total assets	<u>51,282,529</u>	<u>232,165</u>	<u>51,514,694</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	312,351	26	312,377
Due to component units	18,052	-	18,052
Accrued interest payable	278,273	-	278,273
Customer deposits	462,003	-	462,003
Current portion of long-term debt	<u>460,000</u>	<u>-</u>	<u>460,000</u>
Total current liabilities	<u>1,530,679</u>	<u>26</u>	<u>1,530,705</u>
Noncurrent liabilities:			
Advances from other funds	-	206,965	206,965
Long-term debt and other liabilities	<u>29,442,275</u>	<u>-</u>	<u>29,442,275</u>
Total noncurrent liabilities	<u>29,442,275</u>	<u>206,965</u>	<u>29,649,240</u>
Total liabilities	<u>30,972,954</u>	<u>206,991</u>	<u>31,179,945</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,868,116	-	14,868,116
Restricted for:			
Debt service	1,931,130	-	1,931,130
Unrestricted (deficit)	<u>3,510,329</u>	<u>25,174</u>	<u>3,535,503</u>
Total net assets	<u>\$ 20,309,575</u>	<u>\$ 25,174</u>	<u>\$ 20,334,749</u>

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

CITY OF AUBURN, ALABAMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Major Fund Sewer Revenue Fund	Nonmajor Fund Industrial Park Fund	Total
Operating revenues			
Sewer service charges	\$ 6,159,882	\$ -	\$ 6,159,882
Sewer tapping fees	2,280	-	2,280
Miscellaneous	7,419	-	7,419
Total operating revenues	<u>6,169,581</u>	<u>-</u>	<u>6,169,581</u>
Operating expenses			
Salaries and wages	797,909	-	797,909
Employee benefits	175,640	-	175,640
Repairs and maintenance	19,941	-	19,941
Utilities	407,382	284	407,666
Professional services	445,061	-	445,061
Rentals and leasing	20,859	-	20,859
Insurance	11,912	-	11,912
Office supplies	19,731	-	19,731
Fuels and lubricants	24,208	-	24,208
Agricultural and chemical supplies	19,657	-	19,657
Minor equipment and tools	84,702	-	84,702
Repair parts and materials	52,944	-	52,944
Clothing and linens	9,537	-	9,537
Sewer service fees	126,000	-	126,000
Management fees	1,460,962	-	1,460,962
Depreciation/amortization	1,031,589	-	1,031,589
Travel and training	10,235	-	10,235
Miscellaneous	23,235	-	23,235
Total operating expenses	<u>4,741,504</u>	<u>284</u>	<u>4,741,788</u>
Operating income (loss)	<u>1,428,077</u>	<u>(284)</u>	<u>1,427,793</u>
Nonoperating revenues (expenses)			
Interest earned	412,605	4,053	416,658
Interest and fiscal charges	(1,493,713)	-	(1,493,713)
Gain on disposal of capital assets	18,895	-	18,895
Total nonoperating revenues (expenses)	<u>(1,062,213)</u>	<u>4,053</u>	<u>(1,058,160)</u>
Income (loss) before transfers and capital contributions	365,864	3,769	369,633
Transfers out to other funds	(113,734)	-	(113,734)
Capital contributions from developers	1,731,865	-	1,731,865
Change in net assets	1,983,995	3,769	1,987,764
Net assets, beginning of year	<u>18,325,580</u>	<u>21,405</u>	<u>18,346,985</u>
Net assets, end of year	<u>\$ 20,309,575</u>	<u>\$ 25,174</u>	<u>\$ 20,334,749</u>

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

CITY OF AUBURN, ALABAMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Major Fund <u>Sewer Revenue Fund</u>	Nonmajor Fund <u>Industrial Park Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash collected from customers	\$ 6,010,535	\$ -	\$ 6,010,535
Other cash collected	7,419	-	7,419
Customer deposits collected	29,700	-	29,700
Payments to suppliers for goods and services	(2,621,380)	(277)	(2,621,657)
Payments to employees for services	(986,497)	-	(986,497)
Net cash provided (consumed) by operating activities (A)	<u>2,439,777</u>	<u>(277)</u>	<u>2,439,500</u>
Cash flows from noncapital financing activities			
Payments of transfers out	(113,734)	-	(113,734)
Net cash consumed by noncapital financing activities	<u>(113,734)</u>	<u>-</u>	<u>(113,734)</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(440,000)	-	(440,000)
Proceeds from sale of assets	18,895	-	18,895
Acquisition and construction of capital assets	(1,792,083)	-	(1,792,083)
Contributions from developers	207,000	-	207,000
Interest and fiscal fees paid	(1,126,012)	-	(1,126,012)
Net cash provided (consumed) by capital and related financing activities	<u>(3,132,200)</u>	<u>-</u>	<u>(3,132,200)</u>
Cash flows from investing activities			
Interest on investments	383,255	4,053	387,308
Purchase of investments	(853,472)	-	(853,472)
Net cash provided (consumed) by investing activities	<u>(470,217)</u>	<u>4,053</u>	<u>(466,164)</u>
Net increase (decrease) in cash	(1,276,374)	3,776	(1,272,598)
Cash and cash equivalents, beginning of year	<u>4,919,384</u>	<u>86,934</u>	<u>5,006,318</u>
Cash and cash equivalents, end of year	<u>\$ 3,643,010</u>	<u>\$ 90,710</u>	<u>\$ 3,733,720</u>

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

	Major Fund <u>Sewer Revenue Fund</u>	Nonmajor Fund <u>Industrial Park Fund</u>	<u>Total</u>
RECONCILIATION OF NET INCOME TO CASH PROVIDED (CONSUMED) BY OPERATING ACTIVITIES (A)			
Operating income (loss)	\$ 1,428,077	\$ (284)	\$ 1,427,793
Add: Depreciation/amortization expense	1,031,589	-	1,031,589
Increase in accounts payable/accrued liabilities	131,821	7	131,828
Increase in customer deposits	29,700	-	29,700
Deduct: Increase in receivable from Water Board	(151,628)	-	(151,628)
Increase in prepaid expenses	(16,834)	-	(16,834)
Decrease in accrued leave	<u>(12,948)</u>	<u>-</u>	<u>(12,948)</u>
Net cash provided (consumed) by operating activities	<u>\$ 2,439,777</u>	<u>\$ (277)</u>	<u>\$ 2,439,500</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	\$ 1,510,970	\$ -	\$ 1,510,970
Estimated value of vehicles purchased by the Water Works Board and transferred to the Sewer Fund	<u>13,895</u>	<u>-</u>	<u>13,895</u>
Total noncash transactions	<u>\$ 1,524,865</u>	<u>\$ -</u>	<u>\$ 1,524,865</u>



CITY OF AUBURN, ALABAMA  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2006

	Youth Athletic Associations' Private-purpose Trust Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 189,283
Certificates of deposit	33,108
Total assets	222,391
<b>NET ASSETS</b>	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	124,291
Auburn Soccer Organization	86,870
Auburn Youth Football	10,119
Auburn Community Tennis Association	1,111
Total net assets	\$ 222,391

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

CITY OF AUBURN, ALABAMA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Youth Athletic  Associations'  Private-purpose  Trust Fund</u>
<b>ADDITIONS</b>	
Program revenues:	
Baseball/Softball	\$ 189,492
Soccer	210,209
Football	32,334
Tennis	2,079
Total program revenues	<u>434,114</u>
Investment earnings:	
Baseball/Softball interest	26,702
Soccer interest	102
Total investment earnings	<u>26,804</u>
Total additions	<u>460,918</u>
<b>DEDUCTIONS</b>	
Program expenses:	
Baseball/Softball	177,046
Soccer	216,059
Football	28,001
Tennis	3,517
Total deductions	<u>424,623</u>
Change in net assets	36,295
Net assets - beginning	186,096
Net assets - ending	<u><u>\$ 222,391</u></u>

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

CITY OF AUBURN, ALABAMA  
DISCRETELY PRESENTED COMPONENT UNITS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

	Major Component Units				Total
	Board of Education	Water Works Board	Public Parks and Recreation Board	Industrial Development Board	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$10,234,589	\$ 3,818,610	\$ -	\$ 925,818	\$ 14,979,017
Certificates of deposit	-	-	-	53,185	53,185
Investments	5,000	-	-	-	5,000
Receivables, net	146,587	1,324,931	-	266,170	1,737,688
Inventories	67,086	197,367	-	-	264,453
Current portion of net investment in capital leases	-	-	-	207,500	207,500
Property tax receivable	3,137,213	-	-	-	3,137,213
Due from other governments	449,096	-	-	-	449,096
Due from primary government	-	19,233	-	231,390	250,623
Other current assets	-	46,370	-	-	46,370
Total current assets	<u>14,039,571</u>	<u>5,406,511</u>	<u>-</u>	<u>1,684,063</u>	<u>21,130,145</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	6,785,340	4,798,178	-	2,686,263	14,269,781
Investments	10,321,527	-	-	374,594	10,696,121
Accrued interest receivable	59,570	9,398	-	-	68,968
Mortgages receivable, net of current portion	-	-	-	200,000	200,000
Net investment in capital leases, net of current portion	-	-	-	3,479,488	3,479,488
Property for resale	-	-	-	8,272,523	8,272,523
Bond issue costs, net	-	419,950	-	501,178	921,128
Deferred water rights, net	-	1,129,704	-	-	1,129,704
Capital assets not being depreciated	21,105,043	2,667,293	1,340,031	6,201,608	31,313,975
Capital assets, net of accumulated depreciation	<u>34,039,856</u>	<u>44,059,488</u>	<u>-</u>	<u>25,207,028</u>	<u>103,306,372</u>
Total noncurrent assets	<u>72,311,336</u>	<u>53,084,011</u>	<u>1,340,031</u>	<u>46,922,682</u>	<u>173,658,060</u>
Total assets	<u>86,350,907</u>	<u>58,490,522</u>	<u>1,340,031</u>	<u>48,606,745</u>	<u>194,788,205</u>
<b>LIABILITIES</b>					
Current liabilities:					
Liabilities payable from restricted assets:					
Accounts payable	639,615	152,282	-	902,473	1,694,370
Current portion of long-term debt	-	527,650	-	-	527,650
Accrued interest payable	-	149,937	-	131,059	280,996
Accounts payable and other accrued liabilities	-	2,108,506	683,858	-	2,792,364
Salaries and benefits payable	3,760,198	14,133	-	-	3,774,331
Customer deposits	-	584,205	-	-	584,205
Deferred revenue	3,139,151	-	-	1,400	3,140,551
Current portion of long-term debt	-	-	-	9,728,600	9,728,600
Short-term notes payable	-	-	-	1,100,000	1,100,000
Due to primary government	-	264,760	373,882	1,456	640,098
Current portion of water supply agreement payable	-	189,904	-	-	189,904
Total current liabilities	<u>7,538,964</u>	<u>3,991,377</u>	<u>1,057,740</u>	<u>11,864,988</u>	<u>24,453,069</u>
Noncurrent liabilities:					
Advances from primary government	-	-	-	3,074,625	3,074,625
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	827,150	-	-	827,150
Long-term debt and other liabilities	-	18,470,524	-	28,710,122	47,180,646
Total noncurrent liabilities	<u>-</u>	<u>19,297,674</u>	<u>-</u>	<u>31,784,747</u>	<u>51,082,421</u>
Total liabilities	<u>7,538,964</u>	<u>23,289,051</u>	<u>1,057,740</u>	<u>43,649,735</u>	<u>75,535,490</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	55,144,899	28,585,799	-	4,975,172	88,705,870
Restricted for:					
Debt service	-	2,611,707	-	374,594	2,986,301
Capital projects	16,686,852	2,186,471	-	-	18,873,323
Other projects	163,541	-	-	-	163,541
Unrestricted (deficit)	6,816,651	1,817,494	282,291	(392,756)	8,523,680
Total net assets	<u>\$78,811,943</u>	<u>\$35,201,471</u>	<u>\$ 282,291</u>	<u>\$ 4,957,010</u>	<u>\$ 119,252,715</u>

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

CITY OF AUBURN, ALABAMA  
DISCRETELY PRESENTED COMPONENT UNITS  
COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Total Component Units		
					Governmental Activities	Business-Type Activities	Total
Component units							
Governmental activities:							
Auburn Board of Education Functions/Programs							
Instruction	\$ 28,578,495	\$ 863,039	\$ 19,197,473	\$ 315,865	\$ (8,202,118)	\$ -	\$ (8,202,118)
Instructional support	9,040,698	224,631	3,901,989	46,298	(4,867,780)	-	(4,867,780)
Operation and maintenance	4,111,232	85,416	9,110	428,928	(3,587,778)	-	(3,587,778)
Auxiliary services							
Student transportation services	1,469,313	1,256	1,404,741	167,803	104,487	-	104,487
Food services	2,285,837	1,809,796	101,285	-	(374,756)	-	(374,756)
General administrative services	2,127,398	6,756	283,099	27,589	(1,809,954)	-	(1,809,954)
Other	1,016,900	504,312	112,628	-	(399,960)	-	(399,960)
Total governmental activities	48,629,873	3,495,206	25,010,325	986,483	(19,137,859)	-	(19,137,859)
Business-type activities:							
Business-type component units	11,937,404	8,930,935	3,097,495	2,311,759	-	2,402,785	2,402,785
Total component units	\$ 60,567,277	\$ 12,426,141	\$ 28,107,820	\$ 3,298,242	(19,137,859)	2,402,785	(16,735,074)

General revenues:

Taxes:		
Sales taxes	3,671,200	-
Property taxes	6,170,581	-
Alcoholic beverage taxes	395,666	-
Other taxes	54,721	-
Unrestricted appropriations from the City of Auburn	6,795,523	-
Federal/state aid not restricted	28,622	-
Interest and investment earnings	2,015,529	667,073
Gain (loss) on disposal of assets	5,939	23,783
Miscellaneous	394,911	20,173
Special items--certain capital asset transactions (see Note 22)	-	1,027,760
Total general revenues, special items, and transfers	19,532,692	1,738,789
Change in net assets	394,833	4,141,574
Net assets--beginning of year	78,417,110	36,444,395
Prior period adjustment	-	(145,197)
Net assets--beginning of year, as restated	78,417,110	36,299,198
Net assets--ending	\$ 78,811,943	\$ 40,440,772

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

CITY OF AUBURN, ALABAMA  
DISCRETELY PRESENTED BUSINESS-TYPE COMPONENT UNITS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Water Works Board	Public Park and Recreation Board	Industrial Development Board	Total
Operating revenues				
Lease income	\$ -	\$ -	\$ 2,112,375	\$ 2,112,375
Water sales and service	6,287,325	-	-	6,287,325
Sale of property	-	-	260,000	260,000
Miscellaneous	161,171	4,000	106,064	271,235
Total operating revenues	<u>6,448,496</u>	<u>4,000</u>	<u>2,478,439</u>	<u>8,930,935</u>
Operating expenses				
Water pumping and purification expense	1,359,215	-	-	1,359,215
Water distribution expense	705,752	-	-	705,752
Meter reading expense	185,364	-	-	185,364
Billing and collections expense	437,976	-	-	437,976
Operations administration expense	272,685	-	-	272,685
Revenue administration expense	123,675	-	-	123,675
General operations expense	897,127	-	-	897,127
Cost of property sold	-	-	1,539,607	1,539,607
Salaries and wages	-	-	33,782	33,782
Employee benefits	-	-	2,584	2,584
Repairs and maintenance	-	-	73,732	73,732
Advertising	-	-	43,398	43,398
Utilities	-	-	111,279	111,279
Professional services	-	-	108,243	108,243
Office supplies	-	-	14,215	14,215
Depreciation/amortization	1,656,191	-	650,453	2,306,644
Industrial recruitment	-	-	235,733	235,733
Industrial incentives granted	-	-	292,580	292,580
Travel and training	-	-	6,677	6,677
Special events	-	-	61,408	61,408
Workforce development	-	-	5,726	5,726
Miscellaneous	-	-	5,837	5,837
Total operating expenses	<u>5,637,985</u>	<u>-</u>	<u>3,185,254</u>	<u>8,823,239</u>
Operating income (loss)	<u>810,511</u>	<u>4,000</u>	<u>(706,815)</u>	<u>107,696</u>
Non-operating revenues (expenses)				
Interest and investment earnings	376,212	-	290,861	667,073
Grant revenue	-	-	602,453	602,453
Appropriations from the City of Auburn	-	161,117	2,936,378	3,097,495
Interest and fiscal charges	(866,315)	(5,000)	(2,242,850)	(3,114,165)
Gain/loss on disposal of assets	23,783	-	-	23,783
Other non-operating revenues	20,173	-	-	20,173
Total non-operating revenues (expenses)	<u>(446,147)</u>	<u>156,117</u>	<u>1,586,842</u>	<u>1,296,812</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	<u>364,364</u>	<u>160,117</u>	<u>880,027</u>	<u>1,404,508</u>
Capital contributions				
From developers	994,380	122,174	-	1,116,554
From access fees	592,752	-	-	592,752
Total capital contributions	<u>1,587,132</u>	<u>122,174</u>	<u>-</u>	<u>1,709,306</u>
Special items				
Capital assets transferred from the City of Auburn	-	-	1,027,760	1,027,760
Change in net assets	<u>1,951,496</u>	<u>282,291</u>	<u>1,907,787</u>	<u>4,141,574</u>
Net assets--beginning of year	33,249,975	-	3,194,420	36,444,395
Prior period adjustment	-	-	(145,197)	(145,197)
Net assets--beginning of year, as restated	<u>33,249,975</u>	<u>-</u>	<u>3,049,223</u>	<u>36,299,198</u>
Net assets--end of year	<u>\$35,201,471</u>	<u>\$ 282,291</u>	<u>\$ 4,957,010</u>	<u>\$ 40,440,772</u>

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





City of Auburn

CITY OF AUBURN, ALABAMA  
STATEMENT OF CASH FLOWS  
DISCRETELY PRESENTED COMPONENT UNIT  
PUBLIC PARK AND RECREATION BOARD  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Component Unit
	Public Park and Recreation Board
Cash flows from operating activities	
Cash collected from sale of timber	\$ 4,000
Net cash provided (consumed) by operating activities (A)	4,000
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(160,117)
Contributions from state agency	161,117
Interest and fiscal fees paid	(5,000)
Net cash provided (consumed) by capital and related financing activities	(4,000)
Net increase (decrease) in cash	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -

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

Component  
Unit  
Public Park  
and Recreation  
Board

RECONCILIATION OF NET INCOME TO  
 CASH PROVIDED (CONSUMED) BY  
 OPERATING ACTIVITIES (A)

Operating income (loss)	\$ <u>4,000</u>
Net cash provided (consumed) by operating activities	\$ <u><u>4,000</u></u>
Noncash transactions:	
Cost of land contributed by the Primary Government to the Public Park and Recreation Board	\$ <u><u>122,174</u></u>



City of Auburn

**Guide to Notes to the Financial Statements**

September 30, 2006

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CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Auburn was incorporated February 2, 1839. The City operates under the Council-Manager form of government and provides the following services: public safety (police, fire, emergency communications and codes enforcement), solid waste collection and recycling, recreation, library, planning and zoning, public improvements, sanitary sewer, economic development, and general administrative services.

The accounting policies of the City of Auburn conform to generally accepted accounting principles in the United States of America (GAAP) applicable to municipal governments as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the most significant policies:

**A. Reporting Entity** - As required by generally accepted accounting principles, the financial statements present the City of Auburn (the primary government) and its component units. The component units include organizations that are financially accountable to the City's executive or legislative branches (the Mayor or the Council, respectively) and other organizations for which the nature and significance of their relationships with the primary government are such that their exclusion could cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Because of the closeness of its relationship with the primary government (the City), one component unit is blended as though it is part of the primary government; most component units are discretely presented.

**BLENDED COMPONENT UNITS**

**City of Auburn Public Library Board**

The Board serves in an advisory capacity only and recommends policies and procedures for operating the City's library, which is managed and staffed by employees of the City. City Council appoints all five Board members; and the City's annual budget, which is subject to review and approval by City Council, provides funds to operate the library. As a result of its control over the management, operations, and financial transactions of the City's library function, the City Council effectively serves as the governing body of the Board. The Board provides services almost entirely to the primary government and is therefore presented as a blended component unit.

**DISCRETELY PRESENTED COMPONENT UNITS**

The component unit columns in the government-wide financial statements include the financial data of four of the City's five discretely presented component units (the Commercial Development Authority currently had no financial activity). These organizations are legally separate from the City and are included in the reporting entity because the primary government is financially accountable for the component unit. The component unit major fund statements reflect these discretely presented component units.

**City of Auburn Board of Education**

The City Council appoints all members of the Board of Education. The City has assumed an obligation to provide financial support to the Board by consistently appropriating large amounts in excess of property taxes legally restricted for school purposes. Furthermore, the City has authority to levy taxes and issue debt on behalf of the Board of Education, which cannot perform these functions on its own. The Board of Education is presented as a governmental fund type or governmental-type activity.

**City of Auburn Water Works Board**

The City Council appoints all members of the Water Works Board. A financial benefit relationship exists between the City and the Water Works Board by virtue of the fact that the City is legally entitled to the Water Board's resources after the Board's indebtedness is retired. The Water Works Board is presented as a proprietary fund type or business-type activity.

**City of Auburn Industrial Development Board**

The City Council appoints all members of the Industrial Development Board and has charged the Board with conducting the City's industrial development efforts on behalf of the City Council. The Board acts as an extension of the City Council for achieving the Council's goals to enhance the City's tax base and to provide opportunities for full employment to its citizens.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City's day-to-day industrial development activities are conducted by its Economic Development Department, which is staffed by City employees. The Economic Development Department functions as liaison between the Council and the Board.

Conveyances of any City-owned real properties to the Industrial Development Board include legally binding restrictive covenants that prohibit the Board from conveying any land held in the Board's name without first obtaining the Council's consent in the form of a duly passed City Council Resolution. These restrictive covenants are designed to give the City Council ultimate control over the types of businesses that locate in the City's industrial parks.

The Council exercises a very active role in the industrial development process and has made it its priority to direct this process that has such a significant impact on the community's quality of life. The Council exercises significant influence over the Board's budgetary adoption requests and revisions. The City is the Board's primary source of operating funds, including funds for acquisition of real property. The City has responsibility for funding deficits and operating deficiencies of the Board. The Industrial Development Board is presented as a proprietary fund type or business-type activity.

**City of Auburn Public Park and Recreation Board**

In October 1990, the Auburn City Council authorized the establishment of a Parks and Recreation Board, primarily for the purpose of advising the Council concerning proposed recreation projects and to acquire such recreation facilities as may be deemed to be in the public interest.

All three Board members are appointed by the City Council, which maintains a significant degree of control over the Board's officials. The City exercises total control over budgetary adoption requests and revisions and has responsibility for funding deficits and operating deficiencies of the Board. The Public Park and Recreation Board is a proprietary fund type or business-type activity.

**Commercial Development Authority of the City of Auburn**

On August 12, 2004, the Commercial Development Authority of the City of Auburn was incorporated. The City Council appoints all members of the Authority and has charged the Authority with conducting the City's commercial development efforts on behalf of the City Council. The Authority acts as a financing conduit to facilitate the recruitment of commercial projects to the City. Daily commercial development activities are conducted by the City's Economic Development Department, and the Department acts as a liaison between the Commercial Development Authority and the City Council.

The City is the Authority's primary source of operating funds. The City has responsibility for funding deficits and operating deficiencies of the Authority and City Council exercises significant influence over the Authority's actions.

As of September 30, 2006, the Authority had no financial activity, and therefore, is not included in the Basic Financial Statements. In the future, the Authority will be presented as a proprietary fund type or business-type activity.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Complete financial statements of the individual component units can be obtained from the following locations or can be requested from the City's Finance Director.

Auburn Board of Education  
855 East Samford Avenue  
Auburn, Alabama 36830

City of Auburn Water Works Board  
1501 West Samford Avenue  
Auburn, Alabama 36832

City of Auburn Industrial Development Board  
144 Tichenor Avenue  
Auburn, Alabama 36830

**RELATED ORGANIZATIONS**

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 following organization is a related organization that is excluded from the reporting entity:

**City of Auburn Housing Authority**

The governing officials are appointed by the Mayor of the City; however, the City does not maintain a significant degree of oversight with respect to the performance of the Authority's officials. The City does not have any influence over the Authority's annual budget. The City does not have any responsibility to fund deficits or to secure any outstanding debt of the Housing Authority.

**JOINT VENTURE**

The City is a participant in one joint venture in which it retains an ongoing financial interest and an ongoing financial responsibility.

**Indian Pines Golf Course Venture**

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2006, the City's remaining net investment in the Indian Pines Golf Course is \$503,300.

The joint venture agreement provided that management decisions shall be made by mutual agreement of the two cities. The cities have leased the Indian Pines Golf Course to the Indian Pines Recreation Authority, a jointly governed organization (see discussion below). The lease expired September 30, 1979, but, by a provision in the lease, the Authority continues to operate the golf course on a month-to-month basis with the lease terms continuing in force.

Complete financial statements of the Indian Pines Recreation Authority, Inc., can be obtained from:

Indian Pines Golf Course  
900 Country Club Lane  
Auburn, Alabama 36830

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**JOINTLY GOVERNED ORGANIZATIONS**

The City, in conjunction with other governments, has created the following organizations that are excluded from the City's reporting entity. These organizations are not joint ventures because the City does not retain an ongoing financial interest or an ongoing financial responsibility.

**Indian Pines Recreation Authority**

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

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2006, is as follows:

Total assets (net of accumulated depreciation on Capital assets)	\$ 1,363,545
Total liabilities	<u>110,628</u>
Total net assets	<u><u>\$ 1,252,917</u></u>
Total revenues	\$ 950,803
Total expenses	(985,900)
Other revenues	532,747
Extraordinary gain	<u>59,818</u>
Net increase in net assets	<u><u>\$ 557,468</u></u>

The Authority had no debts outstanding as of September 30, 2006, other than current liabilities consisting of accounts payable, accrued payroll and payroll taxes, and deferred revenue and other accrued liabilities totaling \$110,628. None of the amounts reflected above has been included in the City's financial statements.

**Lee-Russell Council of Governments**

Two of the ten members of the Board of Directors of the Council represent the City of Auburn. Generally, the Mayor and a City Council member appointed by the City Council are Auburn's representatives on the Council of Governments. Other member governing bodies, each having two representatives on the board, are the City of Opelika, Lee County, the City of Phenix City, and Russell County.

The Council of Governments provides transportation services, governmental planning services and services to the aging in Lee and Russell counties, which area includes the City of Auburn.

The Council's activities are funded in part by appropriations from its member governmental units. The Auburn City Council controls the amount of Auburn's appropriation to the Council of Governments, but cannot exert significant influence over the Council of Government's financial activities, including approval of the Council of Government's budget, due to a lack of majority representation on the Board of Directors.

While the City of Auburn does not have explicit responsibility for any of the Council of Government's debts, there could be a perception that the City would be morally responsible for 20% of any such debts. There are no special financing arrangements between the City and the Council of Governments.



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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**East Alabama Regional Solid Waste Disposal Authority**

Voting members of the Authority are appointed by the member governing bodies with the number of members appointed by each governing body based on its population. Member governing bodies include, in addition to the City of Auburn, the following cities: Opelika, Dadeville, Phenix City, Tuskegee, Lanett, Lafayette, and Valley; and counties: Lee, Russell, Chambers, and Tallapoosa. Of the total of 28, the City of Auburn appoints four (14%); consequently, Auburn does not exercise a significant degree of oversight over the Authority.

The purpose of the Authority is to provide solid waste disposal services for member governments either by contract with a commercial provider or by obtaining and operating its own landfill. The Authority is funded by requesting an annual allocation from each member government, the amount of which is based on each member's pro rata (based on population) share of a proposed budget. Member governments have the right to adjust the amount of their allocations either upward or downward. The annual allocation is paid from the City of Auburn's General Fund.

At present, the member governments have no legal responsibility for Authority debt. The Authority has not yet issued any bonded debt; however, it is possible that if bonds are issued, the bond indenture would require the member governments to be legally responsible for at least their pro rata share of the debt principal and interest.

**East Alabama Mental Health - Mental Retardation Board**

The Board consists of 33 members, of which three are appointed by the City. The City provides an annual appropriation to the Board; however, the East Alabama Mental Health - Mental Retardation Board is not dependent on the City's funding.

**Lee County Youth Development Center**

The City appoints four of the twelve board members of the Center. The City provides an annual appropriation to the Center; however, the Lee County Youth Development Center is not dependent on the City's funding.

**East Alabama Medical Center**

The Hospital Board consists of nine members, all appointed by the Lee County Commission. Three of these appointments are made based on the recommendation of the City Council. The City provides an annual appropriation to the Center for ambulance service; however, the East Alabama Medical Center is not dependent on the City's funding.

**Auburn-Opelika Convention and Visitors Bureau**

The Mayor appoints one of the five board members of the Bureau. The City does not provide any funding to the Auburn-Opelika Convention and Visitors Bureau.

**B. Basic Financial Statements - GASB Statement #34** - In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002 (for larger local governments with a September 30 fiscal year). Some of the significant changes include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting.
- Reporting infrastructure assets.
- Recording of depreciation expense on all capital assets.
- A change in the fund financial statements to focus on major funds.
- Budget comparison schedules, containing the original budget and amended final budget, for the General Fund and each major special revenue fund for which annual budgets are legally adopted.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

These and other changes are reflected in the accompanying government-wide and fund financial statements (including the notes to the financial statements). The City of Auburn and its component units implemented the provisions of this Statement beginning with fiscal year ending September 30, 2003, with the following exception:

Governments implementing Statement 34 in fiscal year 2003 (Phase 2 governments) are allowed to defer retroactive reporting of all major infrastructure assets until the fiscal year beginning after June 15, 2006 (fiscal year 2007 for the City of Auburn). During the transition period, prospective reporting of general infrastructure assets is required. Consequently, beginning with the fiscal year ending September 30, 2003, the City has capitalized its public domain ("infrastructure") assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems that have been placed in service since October 1, 2002. As of the date of these financial statements, the City's infrastructure assets placed in service prior to October 1, 2002, have not yet been recorded.

The Auburn Board of Education Component Unit has recorded all applicable infrastructure assets as of the date of these financial statements.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements.

While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. The government-wide financial statements do not include fiduciary funds. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. Nonmajor funds (by category) or fund type are summarized into a single column.

Totals on the proprietary fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented either on the fund statement or on the page following each statement which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The focus of the current model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

- C. **Basis of Presentation** - The financial transactions of the City are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into fund types and broad fund categories as follows:

**GOVERNMENTAL FUNDS**

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund also accounts for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

**PROPRIETARY FUNDS**

The Proprietary Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activity. The principal operating revenues for the Sewer Revenue Fund and discretely presented component units are charges to customers for sales and services. Operating expenses include cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**FIDUCIARY FUNDS**

Fiduciary funds are used to report assets held in a trust capacity for others and which therefore, cannot be used to support the City's programs.

**MAJOR FUNDS**

The new model as defined in Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund (See note above).

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The Federal Grant Loan Repayment Fund, a special revenue fund, accounts for funds received from the payback of loans made with federal grants which are then used for eligible Title I expenditures.

The Special School Tax Fund, a special revenue fund, accounts for five mill ad valorem tax revenues used to pay principal and interest on bonds issued for school purposes.

The City reports the following major proprietary fund:

The Sewer Revenue Fund, a proprietary fund, accounts for revenues and costs related to the provision of sewer services.

Additionally, the City reports the following other fund type, a fiduciary fund:

The Youth Athletic Associations' Private-Purpose Trust Fund accounts for the revenues and costs of independent associations supporting youth athletic programs. These assets are held in a trust capacity for the various associations and cannot be used to support the City's programs.

- D. **Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements, and the Proprietary, Fiduciary and Component Unit Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual Basis- Revenues are recognized when earned and expenses are recognized when incurred. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Modified Accrual Basis- All of the governmental funds of the primary government are accounted for using the modified accrual basis of accounting. Their revenues are recorded when they are susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City does not accrue property taxes because those revenues are budgeted to finance the fiscal year in which they are scheduled to be received. Each fiscal year's budget and actual financial statements include twelve months' property tax revenue.

The City defines the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, with the following exceptions that are in conformity with generally accepted accounting principles: general long-term obligations' principal and interest are reported only when due; inventory costs are reported in the period consumed, rather than in the period purchased; and costs of accumulated unpaid vacation and sick leave are reported in the period due and payable rather than in the period earned by employees.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**E. Reconciliation of Government-Wide and Fund Financial Statements**

**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$124,723,274 difference are as follows:

Bonds and warrants payable	\$ 119,411,811
Less: Deferred amount on refunding	(140,260)
Less: Deferred charge for issuance costs	(572,046)
Add: Issuance premium	1,058,950
Notes payable	2,860,201
Compensated absences	1,379,398
Claims and judgements	421,240
Landfill closure and post-closure care	<u>304,500</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u><u>\$ 124,723,794</u></u>

**2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$5,236,963 difference are as follows:

Capital outlay	\$ 7,328,307
Depreciation expense	<u>(2,091,344)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u><u>\$ 5,236,963</u></u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to (increase) decrease net assets." The details of this \$882,442 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources:

Donations from outside parties	\$	90,528
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In the statement of activities, only the gain or loss on the disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold or disposed of:

Net book value of disposed assets		(40,612)
Net book value of assets transferred by the City to its discretely presented component units		(932,358)
		(932,358)

Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	(882,442)
		(882,442)

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$8,613,227 difference are as follows:

Debt issued or incurred:		
General obligation warrants	\$	14,740,290
Principal repayments		(6,127,063)
		(6,127,063)

Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	8,613,227
		8,613,227

Another element of that reconciliation states that "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 the funds." The details of this \$72,083 difference are as follows:

Compensated absences	\$	(117,509)
Accrued interest		7,103
Other long-term liabilities		189,349
Amortization of prepaid expenses		(1,508)
Amortization of deferred amount on refunding		15,878
Amortization of issuance costs		25,916
Amortization of bond premiums		(47,146)
		(47,146)

Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	72,083
		72,083



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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F. Budgets and Budgetary Accounting** - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget (operating and capital) prior to the beginning of each biennial period. The proposed budget is for two one-year periods, each beginning on October 1 and ending on the following September 30.
2. Prior to September 30, the budget is legally enacted through passage of an ordinance. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Annual budgets were legally adopted for the 2006 fiscal year for the General Fund, Seven-Cent State Gasoline Tax Fund, Four-Cent State Gasoline Tax Fund, City Gasoline Tax Fund, Special School Tax Fund, Special Additional School Tax Fund, Public Safety Substance Abuse Fund, and all Debt Service Funds.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for his department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
7. All budgetary appropriations expire at fiscal year-end. Encumbrances of departments that did not exceed their departmental budgets may be added to the subsequent year's appropriations at the time of the mid-biennium budget review, if the City Manager so recommends and if the Council approves.
8. Excess of expenditures over appropriations: In the General Fund, economic development expenditures of \$851,789 exceeded appropriations of \$829,971; debt service expenditures of \$5,645,955 exceeded appropriations of \$5,490,245; and payments to component units of \$8,665,898 exceeded appropriations of \$8,631,037.

**G. Cash and Cash Equivalents** - Cash and cash equivalents of the City of Auburn primary government include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased.

Cash and cash equivalents of the Board of Education include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Board.

Cash and cash equivalents of the Water Works Board include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased.

The Industrial Development Board's cash and cash equivalents are considered to be cash on hand, demand deposits and highly liquid investments with a maturity of three months or less when purchased. Also included is restricted cash.

**H. Investments** - Investments of the City of Auburn and its component units are stated at fair value, except for nonnegotiable certificates of deposit with redemption terms that do not consider market rates and money market investments which include short-term, highly liquid debt instruments, which are reported at cost or amortized cost (See Note 4).

State statutes authorize the City and its component units to invest in any type of security which is backed by the federal or state government. The City of Auburn has invested in interest-bearing demand deposits as well as certain U.S. Treasury securities and repurchase agreements. The Board of Education usually only invests in certificates of deposit and interest-bearing demand deposits. The Water Works Board is invested in mutual funds comprised of 100% U.S. Treasury securities. The Industrial Development Board has invested in certificates of deposit (see Note 4).

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

- I. **Restricted Assets** - Certain debt proceeds of the City's enterprise funds and component units, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.
- J. **Accounts Receivable** – Revenues receivable are reflected net of an allowance for doubtful accounts. For the General Fund, the Sewer Fund and the Water Works Board component unit, the amount of the allowance is equal to accounts receivable in excess of 60 days past due.
- K. **Inventories** - Inventories of the City of Auburn primary government are valued at first-in, first-out cost and consist of gasoline, parts, and supplies held for consumption. The amount of such inventories is recorded as an asset in the General Fund, and the cost of inventories is recorded as an expenditure at the time used. In the Governmental Fund Financial Statements, the General Fund fund balance is reserved to indicate that assets equal to the inventory reserve are not available for future appropriation.

Inventories of the Board of Education are valued at cost, which approximates market, using the first-in, first-out method. The costs of inventories are recorded as expenditures when purchased except commodities donated by the federal government which are expensed when consumed. Fund balances are reserved to indicate that assets equal to inventories are not available for future appropriation.

Inventories of the Water Works Board are stated at the lower of cost or market value. Market is determined on the basis of replacement cost.

- L. **Capital Assets** - Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements (see note 1.B. for deferred retroactive reporting of infrastructure assets). Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost (or estimated historical cost if actual historical cost is not available) if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the City, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	10-50
Utility plants and lines	25-50
Land improvements	20-50
Mechanical equipment	3-10
Tools	3-5
Furniture and fixtures	3-10
Office equipment	5-10
Vehicles	3-10
Infrastructure	25-50

**M. Risk Financing**

**CITY OF AUBURN PRIMARY GOVERNMENT**

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, natural disasters, and torts related to law enforcement. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage from coverage in the prior year. Also, no settlements have exceeded insurance coverage in the past three fiscal years.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City has chosen to retain the risk of loss for risks associated with its employees' health insurance plan. Premiums are charged to other funds and component units that account for employees eligible for coverage by the plan. Total premiums allocated to the participating entities are calculated using trends in actual claims experience. Employees may also be charged for extended benefits at their option. Medical claims exceeding \$60,000 per covered individual, per year, are covered through a private insurance carrier. Liabilities associated with the plan are recorded in the General Fund 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.

The City is a self-insurer under the Alabama Workmen's Compensation Law for its workmen's compensation exposure. Workmen's compensation claims exceeding \$250,000 in an accident period are covered through a private insurance carrier. Risk management activities relating to workmen's compensation are accounted for by the City in the General Fund. Liabilities include an amount for claims that have been incurred but not reported and are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

In fiscal year 2001, the City purchased commercial insurance from independent third parties to cover claims arising from general liability torts. Previously, the City had chosen to retain the risk of loss for these claims. These risks are accounted for in the City's General Fund. The total liability for unpaid claims consists of claims reported at the balance sheet date, plus estimated claims incurred but not reported for both insured and uninsured risks. These estimates are based primarily upon historical trends. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims in the period since the purchase of insurance have not exceeded the commercial insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

**COMPONENT UNITS**

**Board of Education**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and its transportation fleet. Settled claims in the past three years have not exceeded the commercial insurance coverage. Also, there have been no significant reductions in insurance coverage from the prior year.

Employee health insurance is provided through the Public Education Employees' Health Insurance Plan (PEEHIP), a public entity risk pool, administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining balance.

The Auburn Board of Education does not have insurance coverage for job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama* 1975, Section 16-1-1831(d). Any unreimbursed medical expenses and costs that the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustments. The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Water Works Board**

For risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, natural disasters, and general liability torts, the Board has purchased commercial insurance from independent third parties. There have been no significant reductions in insurance coverage from coverage in the prior year, and no settlements have exceeded insurance coverage in the past three fiscal years.

Water Works Board employees are covered under the City's health insurance plan. Premiums are charged to the Board and are calculated using trends in actual claims experience along with overall program costs, including third-party administration and reinsurance. Employees may also be charged for extended benefits at their option. Medical claims exceeding \$60,000 per covered individual, per year, are covered through a private insurance carrier.

To insure against risk of loss relating to workmen's compensation claims, the Board has purchased workmen's compensation insurance from independent third parties.

**Industrial Development Board**

The Board is exposed to various risks of loss related to damage to and destruction of assets, and errors and omissions. The Board is a component unit of the City of Auburn and is covered by commercial insurance purchased by the City from independent third parties to cover those types of risks.

For risk of loss from claims arising from torts (general liability), the Board is covered by the City's commercial insurance purchased from third parties. Prior to 2001, the City had retained risk of loss for these claims and includes the Board in its calculation of claims liability. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Board had no liability for unpaid claims at September 30, 2006. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

**Public Parks and Recreation Board**

The Board is exposed to various risks of loss related to errors and omissions. The Board is a component unit of the City of Auburn and is covered by commercial insurance purchased by the City from independent third parties to cover those types of risks.

For risk of loss from claims arising from torts (general liability), the Board is covered by the City's commercial insurance purchased from third parties. Prior to 2001, the City had retained risk of loss for these claims and includes the Board in its calculation of claims liability. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Board had no liability for unpaid claims at September 30, 2006. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

**N. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the 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.

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.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**O. Compensated Absences**

**CITY OF AUBURN PRIMARY GOVERNMENT**

Effective September 23, 2003, City employees may accumulate up to twenty days of annual leave. Annual leave is earned at the rate of one day per month and is paid upon separation from City service. Employees with ten years service receive an additional three days annual leave on their anniversary date and employees with fifteen years service receive an additional five days annual leave on their anniversary date. The liability for compensated absences attributable to the City's governmental funds is recorded in the entity-wide statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the entity-wide statements as well as the applicable business-type funds.

City employees can accumulate an unlimited number of sick leave days. Effective April 5, 1994, all new employees may, upon retirement, apply their entire accrued sick leave balance to retirement service credit with the Retirement Systems of Alabama. Except for firefighters, employees hired prior to that date may, upon retirement, elect to apply their entire balance to retirement service credit or to be paid for one-half of their accumulated sick leave. Firefighters hired prior to February 3, 1989, may, upon retirement, elect to apply their entire balance to retirement service credit or to be paid for one-half of their sick leave earned during the first fifteen years of service plus all of their sick leave earned after fifteen years. The City estimates its accrued sick leave liability using the vesting method, whereby the estimated liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

**COMPONENT UNITS**

**Board of Education**

Non-tenured certified and support personnel are provided two state days and one local personal leave day per year and tenured personnel are provided two state days and three local personal leave days per year. All personnel may choose to convert personal leave days to sick days at the end of the school year. Only certified employees may choose to be paid, at the Board's substitute rate, for up to two state days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Professional, clerical and office personnel with twelve (12)-month positions earn ten (10) days of vacation per year. Maintenance and clerical employees are entitled to ten (10) days vacation leave after one year of continuous employment. Because no extra compensation in lieu of vacation is allowed and terminal leave cannot exceed the employee's contract, no liability is recorded on the financial statements.

Certified and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may convert their accrued sick leave as membership service in determining the total years of creditable service in the Teachers' Retirement System, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

**Water Works Board**

The Board 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 at current wage rates. Upon retirement with at least ten years of service, an employee can receive payment of one-half of accumulated sick leave hours if hired before April 5, 1994. All employees may elect to apply unused accumulated sick-leave hours toward their retirement. Accrued vacation and sick leave amounted to \$162,534 at September 30, 2006.

- P. Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Q. Fund Balance** - In the fund financial statements, portions of governmental funds' fund balances are separately identified as reserves; such reservations indicate the amount of the fund's net assets which are not appropriable for expenditure or which are legally segregated for a specific future use.

1. Reserve for encumbrances indicates that a portion of fund balance has been segregated for expenditure upon vendor performance. Amounts reserved for encumbrances represent material commitments for goods and services which were ordered at September 30, 2006, but which had not been received or completed at that date. Encumbrances are not included as expenditures in the governmental funds' operating statements.
2. Reserve for inventories indicates that the portion of fund balance represented by inventories is not available for appropriation.
3. Reserve for advances to other funds recognizes that advances to other funds constitute loans to other funds which are not expected to be repaid within one year of the balance sheet date and separately identifies that amount as a portion of fund balance which is not appropriable.
4. Reserve for debt service indicates the amount of fund balance which is legally segregated for payment of debt service expenditures.
5. Reserve for property for resale indicates the portion of fund balances that are not available for appropriation until the property is sold.
6. Reserve for prepaid items indicates the portion of fund balance not available for appropriation because prepaid items do not represent available expendable financial resources.

Designations of unreserved fund balance represent amounts that have been designated by City officials to indicate plans or commitments for those resources in a future period. Designations of fund balances are made at the discretion of the City, reflecting management's intent to expend the resources in the designated manner. Designations of fund balance represent management plans that are subject to change. In contrast, reserves, as discussed in the preceding section, are statutory requirements or reflect commitments already made.

**R. Net Assets** - The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the outstanding capital debt less any unspent debt proceeds (held as liquid assets) and any associated unamortized cost.

Restricted Net Assets - represent liquid assets which have third party (statutory, bond covenant or granting agency) limitations on their use. Certain enterprise funds and component units have assets that are restricted for construction that is being funded with long-term debt and therefore, there are no net restricted assets for these amounts. The City would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Assets - represent unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

**S. Interfund Transactions** - Interfund transactions are either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within governmental activities or within business-type activities are eliminated upon consolidation in the government-wide statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the entity-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Three types of interfund transactions may be accounted for in the affected fund's operating statements.

1. Interfund receivables and payables - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 19.
2. Interfund advances - consist of longer term loans between funds, which are not expected to be repaid within one year. These longer term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources. See Note 19.
3. Interfund transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or payments between the City and component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 20.

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as internal activity in the financial statements. Payments to component units are primarily subsidized funding for debt service payments and other recurring operating expenses incurred by the component units.

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

**NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS**

As of September 30, 2006, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, and the Public Park and Recreation Board are held in a certified qualified public depository, and as such, are deemed fully insured.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 3. CASH AND CASH EQUIVALENTS**

Total cash and cash equivalents of the City contain restricted and unrestricted cash (nonpooled) as well as a cash pool that is available for use by all funds of the primary government and the Industrial Development Board component unit. Interest earned from deposits made with pooled cash is allocated to each of the funds based on the fund's equity balance. The composition of cash and cash equivalents at September 30, 2006, is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 12,447,032	\$ 4,779,802	\$ -	\$ 17,226,834
Special School Tax Fund	1,689,372	-	379	1,689,751
Federal Grant Loan Repayment Fund	66,444	-	-	66,444
Other Governmental Funds	20,986,176	12,809	-	20,998,985
Total governmental activities	<u>35,189,024</u>	<u>4,792,611</u>	<u>379</u>	<u>39,982,014</u>
Business-type activities:				
Sewer Revenue Fund	3,640,954	-	2,056	3,643,010
Industrial Park Fund	90,710	-	-	90,710
Total business-type activities	<u>3,731,664</u>	<u>-</u>	<u>2,056</u>	<u>3,733,720</u>
Total primary government	<u>38,920,688</u>	<u>4,792,611</u>	<u>2,435</u>	<u>43,715,734</u>
Component Units:				
Board of Education	-	10,234,589	6,785,340	17,019,929
Water Works Board	-	3,818,610	4,798,178	8,616,788
Industrial Development Board	69,193	856,625	2,686,263	3,612,081
Total component units	<u>69,193</u>	<u>14,909,824</u>	<u>14,269,781</u>	<u>29,248,798</u>
Total reporting entity	<u>\$ 38,989,881</u>	<u>\$ 19,702,435</u>	<u>\$ 14,272,216</u>	<u>\$ 72,964,532</u>

**NOTE 4. INVESTMENTS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

At September 30, 2006, the City of Auburn's investments were comprised of the following:

<u>Restricted Investments -</u>	Carrying	Fair	Maturity
<u>Sewer Revenue Fund</u>	Value	Value	
Repurchase agreements	<u>\$ 3,672,640</u>	<u>\$ 3,672,640</u>	<u>2012</u>

Restricted investments consist of a guaranteed investment contract in repurchase agreements collateralized entirely by direct obligations of the U.S. Government for obligations of federal agencies, the principal and interest of which are guaranteed by the U.S. Government. The underlying securities are held by a custodian in the name of the City pursuant to a Custody and Valuation Services Agreement and are restricted by the terms of a bond indenture to payment of debt service payments on related bonds.

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

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 4. INVESTMENTS - CONTINUED**

**COMPONENT UNITS**

**Board of Education**

At September 30, 2006, the Board of Education's restricted cash and investments were comprised of the following, all of which are insured by the SAFE Program:

<u>Restricted Cash and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash	\$ 6,785,340	\$ 6,785,340
Certificates of Deposit	10,321,527	10,321,527
	<u>\$17,106,867</u>	<u>\$17,106,867</u>

**Water Works Board**

At September 30, 2006, the Water Works Board's restricted cash and investments were comprised of the following:

<u>Restricted Cash and Investments</u>	<u>Value</u>	<u>Value</u>	<u>Maturities</u>
Cash (insured through SAFE Program - see Note 2)	\$ 2,186,471	\$ 2,186,471	n/a
JP Morgan U.S. Treasury Securities Money Market Fund	2,611,707	2,611,707	2011-2032
	<u>\$ 4,798,178</u>	<u>\$ 4,798,178</u>	

The JP Morgan Money Market Fund listed above is an open-end mutual fund comprised of 100% U.S. Treasury securities. As such, the fund is not categorized as to credit risk because it is not evidenced by securities that exist in a physical or book entry form. The fair value of the units in the fund equals the carrying value.

Restricted investments are held by a trustee and are restricted by the terms of a bond indenture to retirement of the bonds or payment of construction costs.

During the fiscal year ended September 30, 2006, the Water Works Board recognized a net increase in the fair value of investments of \$20,173. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end was zero.

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

**Industrial Development Board**

At September 30, 2006, the Industrial Development Board's investments were comprised of the following:

<u>Restricted Cash and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash with fiscal agent (insured)	\$ 374,594	\$ 374,594
Cash (SAFE deposit)	2,686,263	2,686,263
Total restricted cash	<u>\$ 3,060,857</u>	<u>\$ 3,060,857</u>

The restricted cash with fiscal agent is held by a trustee and is restricted by the terms of a bond indenture to debt service on bonds. The restricted cash is held by a certified qualified public depository under the SAFE program, and is restricted to payment of construction costs by the terms of a bond indenture.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 4. INVESTMENTS - CONTINUED**

<u>Unrestricted Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificates of deposit		
AuburnBank, 2.80%, maturity date February 24, 2007	\$ 53,185	\$ 53,185

The above certificate of deposit is held in a certified qualified public depository (see Note 2), and as such is entirely insured.

**NOTE 5. INTEREST RATE SWAP**

**COMPONENT UNIT**

**Industrial Development Board**

*Objective of the interest rate swap* – As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in July 2006, the Industrial Development Board entered into an interest rate swap in connection with its \$5,640,000 2006-A variable rate industrial development refunding and improvement bonds. The intention of the swap was to effectively change the Board's variable interest rate on the bonds to a fixed rate.

*Terms* – The swap was executed with Allied Irish Banks, PLC (the counterparty). The swap commenced on August 1, 2006 and matures on July 1, 2022, and the bonds were issued on July 1, 2006 and mature on July 1, 2026. The swap's notional amount of \$5,640,000 matches the \$5,640,000 variable rate bonds. Starting in fiscal year 2010, the notional value of the swap and the principal amount of the associated debt each decline. Under the swap, the Board pays the counterparty a fixed rate of 5.87% and receives a variable payment computed at the one month U.S. dollar London Interbank Offered Rate (LIBOR). The bonds' variable rate coupons are not based on an index but on market conditions. As of September 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	5.87000%
Variable payment from counterparty	1 month USD LIBOR	5.32927%
Net interest rate swap payments		<u>0.54073%</u>
Variable rate bond payments		<u>5.32000%</u>
Synthetic interest rate on bonds		<u><u>5.86073%</u></u>

*Fair Value* – Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$376,355 as of September 30, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Board's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

*Credit Risk* – As of September 30, 2006, the Board is not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Board would be exposed to credit risk in the amount of the swap's fair value. To mitigate the potential for credit risk, if the counterparty's credit rating falls below BBB or the equivalent by two of the major rating agencies, the Board will have the option of terminating the agreement, requesting assignment of the agreement to another counterparty, or requiring that the counterparty provide collateral payable to the Board in the event the counterparty defaults under its obligations.

*Basis Risk* – The swap exposes the Board to basis risk should the relationship between LIBOR and the variable rate payable on the bonds change, causing the synthetic rate on the bonds to change.

CITY OF AUBURN, ALABAMA  
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 SEPTEMBER 30, 2006

**NOTE 5. INTEREST RATE SWAP – CONTINUED**

*Termination Risk* – The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated by the Board if the counterparty's credit rating falls below BBB or the equivalent by two of the major rating agencies. The Board or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value.

*Rollover Risk* – The Board is exposed to rollover risk since the swap matures prior to the maturity of the associated debt. When the swap terminates, the Board will not realize the synthetic rate offered by the swap on the underlying debt issue.

**NOTE 6. ACCOUNTS RECEIVABLE**

Receivables as of year end for the government's individual major funds and aggregate nonmajor funds and component units, including applicable allowances for uncollectible accounts are as follows:

	General Fund	Special School Tax Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Component Units	Total
Receivables:						
Revenues receivable	\$ 6,891,630	\$ 29,237	\$ 137,284	\$ 856,583	\$ 1,871,623	\$ 9,786,357
Grants receivable	108,421	-	89,446	-	-	197,867
Receivable from other governmental units	626,561	-	-	-	-	626,561
Special assessments receivable	222,070	-	-	-	-	222,070
Other receivables	<u>502,985</u>	<u>-</u>	<u>67,448</u>	<u>18,301</u>	<u>197,474</u>	<u>786,208</u>
Gross receivables	8,351,667	29,237	294,178	874,884	2,069,097	11,619,063
Less: allowance for uncollectibles	<u>(1,704,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(331,409)</u>	<u>(2,035,573)</u>
Net receivables	<u>\$ 6,647,503</u>	<u>\$ 29,237</u>	<u>\$ 294,178</u>	<u>\$ 874,884</u>	<u>\$ 1,737,688</u>	<u>\$ 9,583,490</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 7. MORTGAGES RECEIVABLE**

**COMPONENT UNITS**

**Industrial Development Board**

In June, 2006, the Industrial Development Board made a loan to a new company purchasing an existing industry located in one of its industrial parks. The principal amount of the loan was \$200,000 and the loan was secured by a second mortgage on the real property and by a personal guaranty from the owners of the company. The note bears interest at three percent (3.00%) per annum, and matures on July 1, 2016. No payments are due until August 1, 2007, and interest accrues at 3.00% from July 1, 2006 until July 1, 2007, at which time the \$6,000 accrued interest will be added to the principal of the loan. Future payments due under the loan are as follows:

Fiscal Year	Principal	Interest	Total
2007	\$ 3,332	\$ 1,026	\$ 4,358
2008	20,346	5,799	26,145
2009	20,965	5,183	26,148
2010	21,603	4,545	26,148
2011	22,259	3,888	26,147
2012	22,937	3,211	26,148
2013	23,634	2,518	26,152
2014	24,354	1,795	26,149
2015	25,094	1,053	26,147
2016	21,476	313	21,789
	<u>\$ 206,000</u>	<u>\$ 29,331</u>	<u>\$ 235,331</u>

**NOTE 8. PROPERTY FOR RESALE**

**COMPONENT UNITS**

**Industrial Development Board**

The following is a schedule of changes in property for resale for the year ended September 30, 2006:

	Balance 10/1/2005	Additions	Reclassi- fications	Disposals	Balance 9/30/2006
Land	\$ 5,779,571	\$ 1,185,561	\$ (64,835)	\$ (307,251)	\$ 6,593,046
Improvements in progress	1,371,162	652,182	(119,221)	(224,646)	1,679,477
Total property for resale	<u>\$ 7,150,733</u>	<u>\$ 1,837,743</u>	<u>\$ (184,056)</u>	<u>\$ (531,897)</u>	<u>\$ 8,272,523</u>

During fiscal year 2006, land with a fair market value of \$1,027,760 was transferred to the Board by the City of Auburn. That amount plus the cost of improvements totaling \$809,983 comprises the amount shown above as additions. The net reclassification represents land previously held by the Board for resale that was reclassified to land held for leasing due to execution of an operating lease during fiscal year 2006. The amount shown as disposals includes \$280,011 representing the cost of land and related improvements sold during the fiscal year, \$27,240 representing the cost of land and related improvements granted to an industry as an industrial incentive to locate in Auburn Technology Park North, and \$224,646 representing a prior period adjustment for additional development costs in Auburn Technology Park North that were allocated to lots sold in prior periods (\$145,197) or reclassified to land held for leasing (\$79,449) in prior years.



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 9. PROPERTY TAXES**

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1 and are due and payable between October 1 and December 31. The County bills and collects the taxes and remits them semimonthly to the City of Auburn. The City currently levies taxes of \$2.60 per \$100 assessed valuation for governmental purposes - \$.50 for general governmental services, \$.50 for payment of principal and interest on outstanding bonds of the municipality, \$.50 for school purposes and \$1.10 for the support and furtherance of education.

**NOTE 10. CAPITAL ASSETS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

	<u>Balance</u> <u>10/1/2005</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance</u> <u>9/30/2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,286,926	\$ 284,143	\$ (864,077)	\$ 9,706,992
Construction in progress	<u>9,350,968</u>	<u>5,060,930</u>	<u>(12,429,618)</u>	<u>1,982,280</u>
Total capital assets, not being depreciated	<u>19,637,894</u>	<u>5,345,073</u>	<u>(13,293,695)</u>	<u>11,689,272</u>
Capital assets, being depreciated:				
Buildings and improvements	29,348,291	2,894,974	-	32,243,265
Communication equipment	215,132	42,246	-	257,378
Heavy equipment	2,045,879	580,013	(285,122)	2,340,770
Office equipment	1,878,343	300,449	(3,664)	2,175,128
Small tools and equipment	753,472	175,438	(8,689)	920,221
Vehicles	7,560,266	1,364,034	(1,120,858)	7,803,442
Infrastructure	<u>9,494,795</u>	<u>8,668,736</u>	<u>(1)</u>	<u>18,163,530</u>
Total capital assets, being depreciated	<u>51,296,178</u>	<u>14,025,890</u>	<u>(1,418,334)</u>	<u>63,903,734</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,124,879)	(659,935)	407,571	(6,377,243)
Communication equipment	(146,263)	(25,813)	-	(172,076)
Heavy equipment	(1,217,826)	(172,343)	294,984	(1,095,185)
Office equipment	(705,407)	(271,360)	-	(976,767)
Small tools and equipment	(559,799)	(71,608)	-	(631,407)
Vehicles	(6,068,955)	(700,290)	1,084,376	(5,684,869)
Infrastructure	<u>(167,476)</u>	<u>(189,994)</u>	<u>-</u>	<u>(357,470)</u>
Total accumulated depreciation	<u>(14,990,605)</u>	<u>(2,091,343)</u>	<u>1,786,931</u>	<u>(15,295,017)</u>
Total capital assets, being depreciated, net	<u>36,305,573</u>	<u>11,934,547</u>	<u>368,597</u>	<u>48,608,717</u>
Governmental activity capital assets, net	<u>\$ 55,943,467</u>	<u>\$ 17,279,620</u>	<u>\$ (12,925,098)</u>	<u>\$ 60,297,989</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 10. CAPITAL ASSETS - CONTINUED**

Capital asset activity for the City's business-type activities for the year ended September 30, 2006, was as follows:

	<u>Balance</u> <u>10/1/2005</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deductions</u>	<u>Balance</u> <u>9/30/2006</u>
Business-type activities (Sewer Fund):				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>1,021,493</u>	<u>1,791,955</u>	<u>(69,662)</u>	<u>2,743,786</u>
Total capital assets, not being depreciated	<u>1,186,119</u>	<u>1,791,955</u>	<u>(69,662)</u>	<u>2,908,412</u>
Capital assets, being depreciated:				
Buildings and improvements	11,074,856	-	(470,143)	10,604,713
Sewage plants and lines	34,470,612	2,050,774	-	36,521,386
Machinery and equipment	546,723	14,146	(47,616)	513,253
Vehicles	<u>684,263</u>	<u>58,777</u>	<u>(28,462)</u>	<u>714,578</u>
Total capital assets, being depreciated	<u>46,776,454</u>	<u>2,123,697</u>	<u>(546,221)</u>	<u>48,353,930</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,006,234)	(125,375)	-	(1,131,609)
Sewage plants and lines	(5,664,717)	(781,759)	198	(6,446,278)
Machinery and equipment	(404,900)	(66,932)	31,804	(440,028)
Vehicles	<u>(549,907)</u>	<u>(57,523)</u>	<u>26,016</u>	<u>(581,414)</u>
Total accumulated depreciation	<u>(7,625,758)</u>	<u>(1,031,589)</u>	<u>58,018</u>	<u>(8,599,329)</u>
Total capital assets, being depreciated, net	<u>39,150,696</u>	<u>1,092,108</u>	<u>(488,203)</u>	<u>39,754,601</u>
Business-type activity capital assets, net	<u>\$ 40,336,815</u>	<u>\$ 2,884,063</u>	<u>\$ (557,865)</u>	<u>\$ 42,663,013</u>

It is the City's policy to capitalize net interest costs on funds borrowed to finance the construction of business-type capital assets. For the year ended September 30, 2006, the City incurred interest costs of \$1,529,553; total interest expense was \$1,488,713, and interest cost of \$40,840 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 10. CAPITAL ASSETS – CONTINUED**

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

Governmental activities:	
General government and administration	\$ 250,570
Economic development	4,449
Employee services	3,888
Public safety	516,162
Public works	549,306
Environmental services	171,133
Library	114,415
Parks and recreation	477,461
Planning	<u>3,959</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,091,343</u></u>
Business-type activities:	
Sanitary sewer	<u><u>\$ 1,031,589</u></u>

**COMPONENT UNITS**

**Board of Education**

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

	<u>Balance</u> <u>10/1/2005</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance</u> <u>9/30/2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,790,596	\$ 436,876	\$ -	\$ 3,227,472
Construction in progress	<u>2,308,131</u>	<u>16,074,975</u>	<u>(505,535)</u>	<u>17,877,571</u>
Total capital assets, not being depreciated	<u>5,098,727</u>	<u>16,511,851</u>	<u>(505,535)</u>	<u>21,105,043</u>
Capital assets, being depreciated:				
Land improvements	2,889,932	-	-	2,889,932
Buildings and improvements	42,062,642	1,311,391	-	43,374,033
Furniture, equipment and vehicles	<u>3,198,747</u>	<u>532,789</u>	<u>(209,489)</u>	<u>3,522,047</u>
Total capital assets, being depreciated	<u>48,151,321</u>	<u>1,844,180</u>	<u>(209,489)</u>	<u>49,786,012</u>
Less accumulated depreciation for:				
Land improvements	(1,806,669)	(93,403)	-	(1,900,072)
Buildings and improvements	(10,947,793)	(995,860)	-	(11,943,653)
Furniture, equipment and vehicles	<u>(1,854,523)</u>	<u>(250,801)</u>	<u>202,893</u>	<u>(1,902,431)</u>
Total accumulated depreciation	<u>(14,608,985)</u>	<u>(1,340,064)</u>	<u>202,893</u>	<u>(15,746,156)</u>
Total capital assets, being depreciated, net	<u>33,542,336</u>	<u>504,116</u>	<u>(6,596)</u>	<u>34,039,856</u>
Total governmental activities capital assets, net	<u><u>\$38,641,063</u></u>	<u><u>\$ 17,015,967</u></u>	<u><u>\$ (512,131)</u></u>	<u><u>\$55,144,899</u></u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 10. CAPITAL ASSETS – CONTINUED**

Depreciation expense was charged to governmental functions/programs in the government-wide statements as follows:

Governmental activities:	
Instruction	\$ 766,919
Instructional support	253,406
Operation and maintenance	121,812
Auxiliary services	
Student transportation services	41,408
Food services	64,859
General administrative services	62,983
Other expenses	<u>28,677</u>
Total depreciation expense - Governmental activities	<u>\$ 1,340,064</u>

**Water Works Board**

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

	<u>Balance</u> <u>10/1/2005</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance</u> <u>9/30/2006</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,401,875	\$ -	\$ -	\$ 1,401,875
Construction in progress	<u>6,145,488</u>	<u>2,674,522</u>	<u>(7,554,592)</u>	<u>1,265,418</u>
Total capital assets, not being depreciated	<u>7,547,363</u>	<u>2,674,522</u>	<u>(7,554,592)</u>	<u>2,667,293</u>
Capital assets, being depreciated:				
Utility system and plant	49,856,923	8,536,282	(495,720)	57,897,485
Office equipment	163,299	87,207	-	250,506
Mobile equipment	817,468	76,227	(98,475)	795,220
Tools	<u>131,657</u>	<u>-</u>	<u>-</u>	<u>131,657</u>
Total capital assets, being depreciated	<u>50,969,347</u>	<u>8,699,716</u>	<u>(594,195)</u>	<u>59,074,868</u>
Less accumulated depreciation for:				
Utility system and plant	(13,303,860)	(1,359,772)	495,720	(14,167,912)
Office equipment	(135,968)	(21,068)	-	(157,036)
Mobile equipment	(610,917)	(59,497)	96,410	(574,004)
Tools	<u>(106,803)</u>	<u>(9,625)</u>	<u>-</u>	<u>(116,428)</u>
Total accumulated depreciation	<u>(14,157,548)</u>	<u>(1,449,962)</u>	<u>592,130</u>	<u>(15,015,380)</u>
Total capital assets, being depreciated, net	<u>36,811,799</u>	<u>7,249,754</u>	<u>(2,065)</u>	<u>44,059,488</u>
Business-type activity capital assets, net	<u>\$44,359,162</u>	<u>\$ 9,924,276</u>	<u>\$ (7,556,657)</u>	<u>\$46,726,781</u>

It is the Board's policy to capitalize net interest costs on funds borrowed to finance the construction of fixed assets. For the year ended September 30, 2006, the Board incurred interest costs of \$1,007,673; total interest expense was \$855,503, and interest cost of \$152,170 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 10. CAPITAL ASSETS – CONTINUED**

**Industrial Development Board**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Land	\$ 3,689,064	\$ 305,921	\$ 263,505	\$ 4,258,490
Construction in progress	<u>2,116,729</u>	<u>3,081,691</u>	<u>(3,255,302)</u>	<u>1,943,118</u>
Total non-depreciable assets	<u>5,805,793</u>	<u>3,387,612</u>	<u>(2,991,797)</u>	<u>6,201,608</u>
Depreciable assets:				
Buildings	22,882,142	1,412,896	-	24,295,038
Building improvements	2,043,549	-	43,381	2,086,930
Land improvements	626,068	86,782	-	712,850
Equipment	337,066	119,672	-	456,738
Vehicles	<u>52,935</u>	<u>63,288</u>	<u>-</u>	<u>116,223</u>
Total depreciable assets	<u>25,941,760</u>	<u>1,682,638</u>	<u>43,381</u>	<u>27,667,779</u>
Total capital assets	<u>31,747,553</u>	<u>5,070,250</u>	<u>(2,948,416)</u>	<u>33,869,387</u>
Accumulated depreciation				
Buildings	(1,411,974)	(474,127)	-	(1,886,101)
Building improvements	(58,227)	(47,375)	-	(105,602)
Land improvements	(157,502)	(23,345)	-	(180,847)
Equipment	(160,351)	(68,586)	-	(228,937)
Vehicles	<u>(42,348)</u>	<u>(16,916)</u>	<u>-</u>	<u>(59,264)</u>
Total accumulated depreciation	<u>(1,830,402)</u>	<u>(630,349)</u>	<u>-</u>	<u>(2,460,752)</u>
Depreciable assets, net	<u>24,111,358</u>	<u>1,052,289</u>	<u>43,381</u>	<u>25,207,027</u>
Capital assets, net	<u>\$ 29,917,151</u>	<u>\$ 4,439,901</u>	<u>\$ (2,948,416)</u>	<u>\$ 31,408,635</u>

It is the Board's policy to capitalize net interest costs on funds borrowed to finance the construction of assets. For the year ended September 30, 2006, total interest costs incurred were \$2,066,843; interest expense was \$2,018,748, interest cost of \$48,095 was capitalized in connection with construction of buildings included above that are owned by the Board and held for leasing.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES**

**CITY OF AUBURN PRIMARY GOVERNMENT**

**Changes in long-term liabilities**

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

	Balance 10/1/2005	Additions	Reductions	Balance 9/30/2006	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 20,225,000	\$ -	\$ (1,095,000)	\$ 19,130,000	\$ 1,240,000
General obligation warrants	90,452,644	14,740,290	(4,911,123)	100,281,811	5,206,236
Add: deferred amounts for issuance premiums	1,106,095	-	(47,145)	1,058,950	-
Less: deferred amounts on refunding	<u>(156,138)</u>	<u>-</u>	<u>15,878</u>	<u>(140,260)</u>	<u>-</u>
Total bonds and warrants payable	111,627,601	14,740,290	(6,037,390)	120,330,501	6,446,236
Notes payable	2,913,168	-	(52,967)	2,860,201	54,366
Capital leases payable	67,971	-	(67,971)	-	-
Accumulated annual leave	1,496,907	127,283	(244,792)	1,379,398	111,047
Claims payable	221,394	377,673	(177,827)	421,240	-
Landfill closure and postclosure care liability	<u>315,000</u>	<u>-</u>	<u>(10,500)</u>	<u>304,500</u>	<u>10,500</u>
Governmental activity long-term liabilities	<u>116,642,041</u>	<u>15,245,246</u>	<u>(6,591,447)</u>	<u>125,295,840</u>	<u>6,622,149</u>
Business-type activities:					
General obligation warrants payable:					
Zero coupon warrants	6,616,331	382,505	-	6,998,836	-
Warrants payable	23,495,000	-	(440,000)	23,055,000	460,000
Less: deferred amounts for issuance discounts	<u>(198,951)</u>	<u>-</u>	<u>10,901</u>	<u>(188,050)</u>	<u>-</u>
Total warrants payable	29,912,380	382,505	(429,099)	29,865,786	460,000
Capital leases payable	-	-	-	-	-
Accumulated annual leave	<u>49,437</u>	<u>-</u>	<u>(12,948)</u>	<u>36,489</u>	<u>-</u>
Business-type activity long-term liabilities	<u>29,961,817</u>	<u>382,505</u>	<u>(442,047)</u>	<u>29,902,275</u>	<u>460,000</u>
	<u>\$ 146,603,858</u>	<u>\$ 15,627,751</u>	<u>\$ (7,033,494)</u>	<u>\$ 155,198,115</u>	<u>\$ 7,082,149</u>

For the governmental activities, compensated absences, claims payable, and landfill closure and postclosure care liabilities are generally liquidated by the General Fund.



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

Bonds, notes, warrants, and capital leases payable of the City of Auburn at September 30, 2006, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2006	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
General obligation bonds, Dated 03/01/05 (Refund 97 bonds, and fund '05 projects)	2.2%-5.0%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 9,905,000	\$ 9,550,000	2021
Capital improvement bonds, Dated 05/01/02 (Soccer, Town Creek)	1.60%-4.75%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	7,250,000	5,590,000	2016
Capital improvement bonds, Dated 06/01/98 (S. College Imp.)	3.95%-5.10%	2/1-8-1	Special 5-Mill Tax Fund ad valorem taxes	2,000,000	1,230,000	2015
General obligation bonds, Dated 08/1/99 (Library, Watson Complex)	5.0%-5.4%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	3,700,000	2,760,000	2014
Total bonds payable				<u>22,855,000</u>	<u>19,130,000</u>	
Notes payable:						
Note payable, AuburnBank, Dated 05/13/04 (West Tech Park)	4%	Monthly	Full faith credit and taxing power of the City of Auburn	6,500,000	1,250,000	2007
Note payable, AuburnBank, Dated 05/13/04 (Ag Tech Bldg)	4%	Monthly	Full faith credit and taxing power of the City of Auburn	1,500,000	1,500,000	2007
Note payable, East Alabama Medical Center, dated 10/15/96	0%	1-Oct	General Fund	250,000	50,000	2007
Note Payable, East Alabama Medical Center, dated 10/27/97	5%	1-Nov	General Fund	250,000	60,201	2008
Total notes payable				<u>8,500,000</u>	<u>2,860,201</u>	

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2006	Year of Final Principal Maturity
Warrants payable:						
General obligation warrant, Dated 08/05/98 (Dean Rd. Ext.)	5.16%	Quarterly	General Fund	\$ 810,672	\$ 196,963	2008
General obligation refunding warrant, dated 09/01/98 (12/01/91 G.O.)	3.75%-4.25%	6/1-12/1	General Fund	3,370,000	445,000	2007
General obligation refunding school warrants, Dated 09/01/98 (87,90 & 92 G.O. School)	3.75%-4.55%	6/1-12/1	Special School Tax Fund ad valorem taxes	8,170,000	3,450,000	2011
Capital improvement warrant Dated 09/30/98 (Drake, Harris & Lib. prop)	5.47%	Monthly	Full faith credit and taxing power of the City of Auburn	1,200,000	306,632	2008
General obligation warrants Dated 8/1/99 (City Hall, streets, etc.)	5.0%-5.6%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,110,000	3,100,000	2019
General obligation school warrant dated 10/6/99 (computer eq.)	5.98%	Monthly	Special School Tax Fund ad valorem taxes	857,750	312,834	2009
General obligation warrants Dated 08/01/05 (School capital expansion)	3.125%-5.0%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	33,010,000	33,010,000	2035
General obligation warrants Dated 08/05/00 (Salmon Prop.)	6.93%	Monthly	Full faith credit and taxing power of the City of Auburn	1,507,034	702,478	2020
General obligation warrant Dated 04/08/03 (heavy eq., 122 Tichenor)	5.11%	Monthly	Full faith credit and taxing power of the City of Auburn	1,065,500	367,723	2008
General obligation warrants Dated 09/28/01 (Drainage projects)	4.85%	Monthly	Full faith credit and taxing power of the City of Auburn	1,035,400	588,805	2011

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2006	Year of Final Principal Maturity
General obligation warrants						
Dated 06/27/02 (Drainage, streets)	5.74%	Monthly	Full faith credit and taxing power of the City of Auburn	\$ 1,937,000	\$ 1,246,484	2012
General obligation warrants						
Dated 12/23/03 (Infrastructure improve.)	3.93%	Monthly	Full faith credit and taxing power of the City of Auburn	6,300,000	4,857,034	2013
General obligation warrants						
Dated 12/31/03 (Infrastructure improve.)	2.73%	Monthly	Full faith credit and taxing power of the City of Auburn	2,056,598	960,229	2008
General obligation refunding						
school warrants dated 02/01/02						
(92.94 & 96 Warrants)	4.10%-5.125%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,275,000	27,275,000	2026
General obligation warrants						
Dated 07/19/05 (Mall expansion)	5.05%	Monthly	Full faith credit and taxing power of the City of Auburn	10,000,000	9,463,978	2014
General obligation warrants						
Dated 11/28/05 (West Technology Park)	3.66%	Monthly	Full faith credit and taxing power of the City of Auburn	6,000,000	5,570,159	2014
General obligation warrants						
Dated 02/09/06 (AU Research Park)	4.08%	Monthly	Full faith credit and taxing power of the City of Auburn	5,000,000	4,728,492	2015
General obligation warrants						
Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	3,700,000	2026
Total warrants payable				117,404,954	100,281,811	
Total governmental activity bonds, notes, warrants, and capital leases payable				148,759,954	122,272,012	

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2006	Year of Final Principal Maturity
Business-type activities:						
Warrants payable:						
Zero coupon general obligation warrants dated 08/29/01 (sewer plant & expansion)	5.70%	1/1-7/1	Sewer Fund	\$ 5,257,326	\$ 6,998,836	2012
General obligation warrants dated 08/01/01 (sewer plant & expansion)	2.8%-5.0%	1/1-7/1	Sewer Fund	24,765,000	23,055,000	2024
Total business type activity bonds and warrants payable				30,022,326	30,053,836	
Total bonds, notes, warrants, and capital leases payable				\$ 178,782,280	\$ 152,325,848	

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

On December 13, 2005, the City issued its \$6,000,000 General Obligation Warrant with an interest rate of 3.66% to finance certain capital projects of the City.

On February 24, 2006, the City issued its \$5,000,000 General Obligation Warrant with an interest rate of 4.08% to provide financing for the design and construction of infrastructure in the Auburn Research Park. The infrastructure is being contributed to the Auburn University Research Park Foundation and therefore is not being capitalized by the City.

On September 22, 2006, the City issued its \$3,700,000 General Obligation Warrant bearing an interest rate of 4.23% to finance part of the construction of the Auburn Tennis Center. The City will participate with Auburn University and the Public Park and Recreation Board of the City in designing, constructing, and operating the tennis facility.

In fiscal year 2001, the City issued a noninterest bearing General Obligation Warrant in connection with the deprivitization of the sewer plants, a business-type activity. The original principal amount of the Warrant was \$5,257,326 and the maturity amount is \$9,400,000. Interest accrues on the original principal at the approximate interest rate of 5.7%, compounded semi-annually on January 1 and July 1 each year until the final maturity date, January 1, 2012. As of September 30, 2006, the accreted value of the warrant was \$6,998,836. In order to provide for the payment of the Warrant at its maturity, the City has made and will make semi-annual sinking fund payments on January 1 and July 1 each year, beginning January 1, 2002. The sinking fund will be invested in repurchase agreements fully collateralized by securities authorized by state law so that the earnings, together with the deposit, will be sufficient to pay the maturity value of \$9,400,000 on January 1, 2012. The balance in the sinking fund at September 30, 2006, was \$3,672,640.

Sinking fund payments required each fiscal year to maturity are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$ 672,518
2008	672,518
2009	672,518
2010	672,518
2011	672,518
2012	<u>336,259</u>
Total	<u>\$ 3,698,849</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

The following schedule shows debt service to maturity for bonds, notes, warrants and capital leases payable of the City of Auburn at September 30, 2006:

Fiscal Year	Total Annual Requirements			Payable from			Business-type Activity Warrants and Capital Leases			Total Requirements
	Principal	Interest	Total	Governmental Activity Bonds, Notes, Warrants and Capital Leases			Principal	Interest	Requirements	
				General Governmental Issues						
2007	\$ 9,768,669	\$ 6,695,908	\$ 16,464,577	\$ 9,308,669	\$ 5,591,441	\$ 14,900,110	\$ 460,000	\$ 1,104,467	\$ 1,564,467	
2008	6,793,627	6,210,417	13,004,044	6,318,627	5,123,837	11,442,464	475,000	1,086,580	1,561,580	
2009	7,007,546	5,925,656	12,933,202	6,512,546	4,860,713	11,373,259	495,000	1,064,943	1,559,943	
2010	7,223,324	5,621,301	12,844,625	6,703,324	4,579,393	11,282,717	520,000	1,041,908	1,561,908	
2011	7,453,104	5,314,120	12,767,224	6,913,104	4,294,213	11,207,317	540,000	1,019,907	1,559,907	
2012	7,632,343	4,990,517	12,622,860	7,067,343	3,994,238	11,061,581	565,000	996,279	1,561,279	
2013	8,474,876	4,637,037	13,111,913	7,204,876	3,681,940	10,886,816	1,270,000	955,097	2,225,097	
2014	13,206,925	4,216,497	17,423,422	11,881,925	3,321,098	15,203,023	1,325,000	895,399	2,220,399	
2015	6,387,321	3,670,615	10,057,936	4,997,321	2,839,035	7,836,356	1,390,000	831,580	2,221,580	
2016	5,940,751	3,380,726	9,321,477	4,485,751	2,617,442	7,103,193	1,455,000	763,284	2,218,284	
2017	4,773,264	3,112,751	7,886,015	3,248,264	2,422,876	5,671,140	1,525,000	689,875	2,214,875	
2018	4,986,098	2,877,959	7,864,057	3,386,098	2,266,209	5,652,307	1,600,000	611,750	2,211,750	
2019	5,204,267	2,641,197	7,845,464	3,524,267	2,111,447	5,635,714	1,680,000	529,750	2,209,750	
2020	5,097,785	2,391,734	7,489,519	3,332,785	1,948,109	5,280,894	1,765,000	443,625	2,208,625	
2021	5,291,668	2,140,414	7,432,082	3,436,668	1,787,289	5,223,957	1,855,000	353,125	2,208,125	
2022	5,230,930	1,883,965	7,114,895	3,285,930	1,625,840	4,911,770	1,945,000	258,125	2,203,125	
2023	5,495,587	1,621,557	7,117,144	3,450,587	1,463,182	4,913,769	2,045,000	158,375	2,203,375	
2024	5,770,658	1,345,986	7,116,644	3,625,658	1,292,361	4,918,019	2,145,000	53,625	2,198,625	
2025	3,801,159	1,112,860	4,914,019	3,801,159	1,112,860	4,914,019	-	-	-	
2026	3,987,110	924,660	4,911,770	3,987,110	924,660	4,911,770	-	-	-	
2027	1,445,000	730,156	2,175,156	1,445,000	730,156	2,175,156	-	-	-	
2028	1,515,000	657,906	2,172,906	1,515,000	657,906	2,172,906	-	-	-	
2029	1,595,000	582,156	2,177,156	1,595,000	582,156	2,177,156	-	-	-	
2030	1,670,000	502,406	2,172,406	1,670,000	502,406	2,172,406	-	-	-	
2031	1,755,000	418,906	2,173,906	1,755,000	418,906	2,173,906	-	-	-	
2032	1,830,000	342,125	2,172,125	1,830,000	342,125	2,172,125	-	-	-	
2033	1,910,000	262,063	2,172,063	1,910,000	262,063	2,172,063	-	-	-	
2034	1,995,000	178,500	2,173,500	1,995,000	178,500	2,173,500	-	-	-	
2035	2,085,000	91,219	2,176,219	2,085,000	91,219	2,176,219	-	-	-	
<b>Total</b>	<b>\$ 145,327,012</b>	<b>\$ 74,481,314</b>	<b>\$ 219,808,326</b>	<b>\$ 122,272,012</b>	<b>\$ 61,623,620</b>	<b>\$ 183,895,632</b>	<b>\$ 23,055,000</b>	<b>\$ 12,857,694</b>	<b>\$ 35,912,694</b>	

The above schedule does not reflect the noninterest bearing Business-type Activity Warrant which will mature at the principal amount of \$9,400,000 in 2012. As of September 30, 2006, the amount included in Business-type Activity Warrants payable is \$6,998,836, which equals the original principal amount of \$5,257,326 plus the accretion of interest through September 30, 2006 of \$1,741,510. Sinking fund requirements are disclosed previously in this note.



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

**COMPONENT UNITS**

**Water Works Board**

Changes in long-term liabilities

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

	Balance 10/1/2005	Additions	Reductions	Balance 9/30/2006	Due Within One Year
Business-type activities:					
Bonds payable	\$19,521,058	\$119,292	\$(530,000)	\$19,110,350	\$545,000
Unamortized deferred amount on refunding	(292,060)	17,350	-	(274,710)	(17,350)
	<u>19,228,998</u>	<u>136,642</u>	<u>(530,000)</u>	<u>18,835,640</u>	<u>527,650</u>
Water supply agreement with City of Opelika	1,514,727	-	(267,750)	1,246,977	267,234
Unamortized discount	(320,793)	90,870	-	(229,923)	(77,330)
	<u>1,193,934</u>	<u>90,870</u>	<u>(267,750)</u>	<u>1,017,054</u>	<u>189,904</u>
Accumulated annual leave	183,918	-	(21,384)	162,534	-
Business-type activity long-term liabilities	<u>\$20,606,850</u>	<u>\$227,512</u>	<u>\$(819,134)</u>	<u>\$20,015,228</u>	<u>\$717,554</u>

Bonds payable at September 30, 2006, are comprised of original bond issues of \$11,080,000 dated July 1, 2001, and \$9,799,657 dated August 1, 2002. The 2001 bond proceeds were used to fund various water system renovations and improvements. The 2001 bonds are issued at rates varying from 2.75% to 5.125%, mature July 1, 2026, and are callable at July 1, 2011, at a declining premium. The 2002 bond proceeds were used to call the 1993 Series bonds dated May 1, 1993, and to fund various construction projects. The 2002 issue consists of two elements. The "current interest bonds" were issued in the principal amount of \$7,955,000 bearing interest at rates ranging from 1.5% to 4.8%, payable semiannually on March 1 and September 1, and mature on September 1 beginning in 2003 and continuing through 2022. The bonds are callable at September 1, 2011, at a declining premium. The "capital appreciation bonds" were issued in the principal amount of \$1,844,657, with yield to maturity rates ranging from 5.37% to 5.45% compounded semiannually and payable at their stated maturity or upon redemption prior to their stated maturity. The stated maturity dates are September 1 beginning in 2027 and continuing through 2032.

The Board entered into an agreement with the City of Opelika Water Board, effective on June 1, 1983, for the right to purchase water from Opelika. The agreement provides that the Auburn Board shall pay its proportionate share of the debt service on Opelika's Series 1983 bonds plus its share of the bond issue costs and an initial capital contribution. In return for its payment of these amounts, Auburn's Board received the right to purchase not greater than 3.6 million gallons of water per day. Under the agreement, Auburn would pay Opelika for the water it purchased based on its share of the production and transmission costs in relation to total production. The agreement is for a term of thirty (30) years beginning June 1, 1983, and there is a 20-year renewal clause at no additional cost to Auburn.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

The following is a summary of the changes in bonds and water supply agreement payable for the year ended September 30, 2006:

Bonds and water supply agreement payable, September 30, 2005	\$20,714,992
Retirement of debt	(706,880)
Accretion of interest	119,292
	<u>\$20,127,404</u>
Bonds and water supply agreement payable, September 30, 2006	<u>\$20,127,404</u>

Annual requirements (principal and interest) to amortize long-term debt at September 30, 2006, are as follows:

Year ending September 30	Bonds Payable	Water Supply Agreement	Total
2007	\$ 1,328,015	\$ 267,234	\$ 1,595,249
2008	1,329,995	267,141	1,597,136
2009	1,332,520	267,670	1,600,190
2010	1,330,340	267,054	1,597,394
2011	1,331,047	177,879	1,508,926
2012-2016	6,648,008	-	6,648,008
2017-2021	6,652,615	-	6,652,615
2022-2026	6,655,380	-	6,655,380
Subtotal	26,607,920	1,246,978	27,854,898
Add zero coupon bonds	2,295,351	-	2,295,351
Less amount representing interest	(9,792,921)	(229,924)	(10,022,845)
Total	\$19,110,350	\$1,017,054	\$20,127,404

**Industrial Development Board**

Changes in long-term liabilities

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

	Balance 10/01/05	Additions	Reductions	Balance 09/30/06	Due Within One Year
Notes payable	\$ 19,661,345	\$ 1,365,658	\$ (3,442,143)	\$ 17,584,860	\$ 9,243,600
Short term					
construction loans	257,673	1,100,000	(257,673)	1,100,000	1,100,000
Bonds payable	15,845,000	5,640,000	(455,000)	21,030,000	485,000
Less: deferred amount on refunding	(167,508)	(22,129)	13,499	(176,138)	-
Total	\$ 35,596,510	\$ 8,083,529	\$ (4,141,317)	\$ 39,538,722	\$ 10,828,600

Short-term construction loans were issued to finance construction costs for buildings held for resale and buildings held for leasing prior to obtaining permanent financing.

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

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

Bonds payable

On July 1, 2006, the Board issued its Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds in the principal amount of \$5,640,000. The proceeds of the bonds were used for a current refunding of the outstanding indebtedness related to real property owned by the Board, to finance improvements to the property, and to pay the costs of issuing the Series 2006-A bonds.

The current refunding resulted in a difference between the net carrying amount and the reacquisition price of the old debt of \$22,129. This difference, reported in the accompanying financial statements as a reduction in bonds payable, is being amortized as a component of interest expense through the year 2009 using the straight-line method. Because both the old and the new debt bear interest at variable rates, the difference in cash flows required to service the old and the new debt and the economic gain or loss (difference between the present values of the old and new debt service payments) cannot be calculated. The refunding was undertaken to remove restrictive debt covenants associated with the debt on the property and to provide funds for improvements.

The debt service payments on the Series 2000-A, the Series 2004-A, and the Series 2006-A bonds are limited obligations of the Board payable solely out of payments received pursuant to Appropriation Agreements with the City of Auburn and funds drawn by the trustee from letters of credit issued by Allied Irish Bank. Under the agreements which were approved by City Council in October, 2005, the City has agreed to appropriate during each fiscal year an amount equal to the debt service on the bonds. The initial term of the agreements ends on September 30, 2006. After the expiration of the initial term, the agreements are automatically renewed each fiscal year for a term of twelve months, unless the City passes resolutions electing not to renew the agreements prior to the first day of the applicable fiscal year. As of the date of these financial statements, the agreements had been extended to September 30, 2007. The City intends to fund the appropriations through future sales of industrial property, and additional tax revenues derived from future industrial recruitment. The Appropriation Agreements have been assigned and pledged by the Industrial Development Board as security for the bonds.

The Series 2000-A bonds mature on May 1, 2020, the 2004-A bonds mature on May 1, 2024, and the 2006-A bonds mature on July 1, 2026. The bonds bear interest at a variable rate determined weekly by the Board's remarketing agent, The Frazer Lanier Company, Inc.; and interest is payable in arrears on the first business day of the following month. The rate is the lowest rate that would, in the opinion of the remarketing agent, result in the market value of the bonds being 100% of the purchase price on the date of determination, with a maximum rate of 10% per annum for the Series 2000-A bonds and 12% per annum for the Series 2004-A and the Series 2006-A bonds. The weighted average interest rate for fiscal year 2006 was 3.429% for the Series 2000-A bonds, 4.769% for the Series 2004-A bonds, and 5.338% for the Series 2006-A bonds, and interest incurred for the fiscal year amounted to \$131,986 for the Series 2000-A bonds, \$584,770 for the Series 2004-A bonds, and \$75,780 for the Series 2006-A bonds. The rate in effect at September 30, 2006 for the Series 2000-A bonds was 3.90% and for the Series 2004-A and the Series 2006-A bonds was 5.32%.

The bonds are subject to purchase on demand of the holder at a price equal to 100% of the principal amount of the bond plus accrued interest. The bonds must be presented for payment with seven days' notice to the bond trustee and upon repurchase, the remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

Currently, there is no take out agreement in place to convert the bonds to permanent financing in the event the remarketing agent is unable to resell bonds that are repurchased under the optional tender provision. Under irrevocable letters of credit issued by Allied Irish Bank, the trustee or remarketing agent may draw an amount equal to the purchase price of bonds tendered for purchase plus an amount corresponding to thirty-five (35) days of interest on the bonds computed at the maximum rate of interest. The letters of credit for the Series 2000-A and Series 2004-A bonds are valid through October 12, 2007; and the letter of credit for the Series 2006-A bonds is valid through July 6, 2009. After the expiration date, the letters of credit may be extended upon approval of Allied Irish Bank. In the event the remarketing agent is unable to resell the tendered bonds, any principal drawn on the letters of credit to purchase the bonds bears interest at a variable rate equal to the prime rate plus 2%. If the bonds are not resold, the principal drawn on the letter of credit to purchase the bonds would be due in full at the expiration of the letters of credit in October 2007 for Series 2000-A and Series 2004-A, and in July 2009 for the Series 2006-A bonds. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

Fiscal Year	Series 2000-A	Series 2004-A	Series 2006-A	Total
2007	\$ 175,000	\$ 310,000	\$ -	\$ 485,000
2008	3,590,000	11,315,000	-	14,905,000
2009	-	-	5,640,000	5,640,000
	<u>\$ 3,765,000</u>	<u>\$ 11,625,000</u>	<u>\$ 5,640,000</u>	<u>\$ 21,030,000</u>

The Board is required to pay to Allied Irish Bank annual fees for the letters of credit in the amount of 1.00% of the outstanding principal amount of the bonds plus 35 days of interest at 10% for Series 2000-A and 12% for Series 2004-A and Series 2006-A. In addition, the remarketing agent is paid an annual fee of one-eighth of one percent of the weighted average daily principal amount of the bonds outstanding.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

In addition to the optional tender provision, the terms of the credit agreement require that the Board redeem the bonds on the following mandatory tender dates at the indicated principal amounts:

Fiscal Year	Series 2000-A	Series 2004-A	Series 2006-A	Total
2007	\$ 175,000	\$ 310,000	\$ -	\$ 485,000
2008	190,000	335,000	-	525,000
2009	200,000	360,000	-	560,000
2010	210,000	390,000	180,000	780,000
2011	225,000	425,000	195,000	845,000
2012	240,000	455,000	205,000	900,000
2013	255,000	495,000	220,000	970,000
2014	270,000	530,000	235,000	1,035,000
2015	285,000	575,000	255,000	1,115,000
2016	305,000	620,000	270,000	1,195,000
2017	320,000	670,000	290,000	1,280,000
2018	340,000	725,000	315,000	1,380,000
2019	365,000	780,000	335,000	1,480,000
2020	385,000	845,000	360,000	1,590,000
2021	-	910,000	385,000	1,295,000
2022	-	985,000	415,000	1,400,000
2023	-	1,065,000	445,000	1,510,000
2024	-	1,150,000	475,000	1,625,000
2025	-	-	510,000	510,000
2026	-	-	550,000	550,000
Total	<u>\$ 3,765,000</u>	<u>\$ 11,625,000</u>	<u>\$ 5,640,000</u>	<u>\$ 21,030,000</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2006, using the variable interest rate in effect on the last day of the fiscal year (3.90% for Series 2000-A, and 5.32% for Series 2004-A and Series 2006-A):

Fiscal Year	Series 2000-A		Series 2004-A		Series 2006-A		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 175,000	\$ 143,974	\$ 310,000	\$ 611,537	\$ -	\$ 300,048	\$ 1,540,559
2008	190,000	136,904	335,000	594,487	-	300,048	1,556,439
2009	200,000	129,330	360,000	576,108	-	300,048	1,565,486
2010	210,000	121,367	390,000	556,287	180,000	298,448	1,756,102
2011	225,000	112,932	425,000	534,758	195,000	288,738	1,781,428
2012	240,000	103,911	455,000	511,479	205,000	278,275	1,793,665
2013	255,000	94,306	495,000	486,381	220,000	267,236	1,817,923
2014	270,000	84,116	530,000	459,267	235,000	255,399	1,833,782
2015	285,000	73,341	575,000	430,067	255,000	242,719	1,861,127
2016	305,000	61,899	620,000	398,474	270,000	229,019	1,884,392
2017	320,000	49,759	670,000	364,375	290,000	214,478	1,908,612
2018	340,000	36,952	725,000	327,504	315,000	198,827	1,943,283
2019	365,000	23,283	780,000	287,708	335,000	181,892	1,972,883
2020	385,000	8,721	845,000	244,762	360,000	163,847	2,007,330
2021	-	-	910,000	198,359	385,000	144,473	1,637,832
2022	-	-	985,000	148,274	415,000	123,724	1,671,998
2023	-	-	1,065,000	94,088	445,000	101,380	1,705,468
2024	-	-	1,150,000	35,535	475,000	77,439	1,737,974
2025	-	-	-	-	510,000	51,858	561,858
2026	-	-	-	-	550,000	24,370	574,370
Total	<u>\$ 3,765,000</u>	<u>\$ 1,180,795</u>	<u>\$11,625,000</u>	<u>\$ 6,859,450</u>	<u>\$ 5,640,000</u>	<u>\$ 4,042,266</u>	<u>\$33,112,511</u>

Notes payable

Notes payable of the Board at September 30, 2006, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/06	Year of Final Principal Maturity
AuburnBank	5.010%	Monthly	\$ 8,670,000	\$ 7,858,927	2007
AuburnBank	6.675%	Monthly	957,500	906,906	2007
AuburnBank	7.500%	Monthly	300,000	285,825	2011
AuburnBank	7.500%	Monthly	775,000	492,370	2008
AuburnBank	6.864%	Monthly	4,250,000	3,686,988	2009
AuburnBank	6.250%	Monthly	447,147	398,779	2009
AuburnBank	7.250%	Monthly	1,079,500	1,067,053	2009
AuburnBank	6.500%	Monthly	100,000	75,661	2009
AuburnBank	6.500%	Monthly	750,000	673,004	2008
AuburnBank	6.500%	Monthly	1,955,000	1,850,376	2009
AuburnBank	7.250%	Monthly	150,000	136,866	2010
Compass Bank	7.750%	Monthly	186,602	152,105	2017
Total notes payable			<u>\$ 19,620,749</u>	<u>\$ 17,584,860</u>	



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2006:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2007	\$ 9,243,600	\$ 667,770	\$ 9,911,370
2008	784,756	571,245	1,356,001
2009	7,060,662	325,479	7,386,141
2010	115,549	38,033	153,582
2011	283,946	29,592	313,538
2012	14,196	6,970	21,166
2013	15,336	5,829	21,165
2014	16,567	4,598	21,165
2015	17,898	3,267	21,165
2016	19,335	1,830	21,165
2017	13,015	358	13,373
Total	<u>\$ 17,584,860</u>	<u>\$ 1,654,971</u>	<u>\$ 19,239,831</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

With respect to the Series 2006-A bonds, the Board entered into an interest rate swap agreement with Allied Irish Banks to effectively change the Board's variable interest rate on the bonds to a fixed rate (see Note 4). Using rates as of September 30, 2006, debt service requirements of the variable rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Series 2006-A Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	\$ -	\$ 300,048	\$ 31,082	\$ 331,130
2008	-	300,048	31,082	331,130
2009	-	300,048	31,082	331,130
2010	180,000	298,448	31,082	509,530
2011	195,000	288,738	31,082	514,820
2012	205,000	278,275	31,082	514,357
2013	220,000	267,236	31,082	518,318
2014	235,000	255,399	31,082	521,481
2015	255,000	242,719	31,082	528,801
2016	270,000	229,019	31,082	530,101
2017	290,000	214,478	31,082	535,560
2018	315,000	198,827	31,082	544,909
2019	335,000	181,892	31,082	547,974
2020	360,000	163,847	31,082	554,929
2021	385,000	144,473	31,082	560,555
2022	415,000	123,724	31,082	569,806
2023	445,000	101,380	-	546,380
2024	475,000	77,439	-	552,439
2025	510,000	51,858	-	561,858
2026	550,000	24,370	-	574,370
Total	<u>\$ 5,640,000</u>	<u>\$ 4,042,266</u>	<u>\$ 497,312</u>	<u>\$ 10,179,578</u>

**NOTE 12. DEFERRED PROGRAM REVENUE**

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, deferred revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest and deferred revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2006, totaled \$4,320,620. One mortgage, with a principal balance of \$3,360,989, was subjected to a modification agreement during fiscal year 1994, which deferred a portion of the interest payments until 1999. Under the new terms, the City would receive \$10,000 each January towards the regular interest payment due at that time (\$37,812), with the remainder of the interest payment deferred until January 1999. The deferred amounts would accrue interest at six percent, compounded annually until that date, at which time the entire deferral, including compounded interest, plus the regularly scheduled interest payment of \$37,812 and principal of \$100,000 would be due. During fiscal year 1999, the City received a settlement of \$84,000 which satisfied the balance of the deferral at September 30, 1996. The modification agreement was deemed invalid at the time of settlement; and subsequent to September 30, 1999, the City received \$246,671 which satisfied the remaining deferral and the compounded interest in addition to the \$100,000 principal payment plus the regular principal and interest due. The original terms of the mortgage remain in effect.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 12. DEFERRED PROGRAM REVENUE - CONTINUED**

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants. Under the terms of the grants the monies received from HUD are loaned to qualified borrowers for housing rehabilitation and the City holds second mortgages as collateral. When the City made these loans, deferred revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans made under this program are deferred for 20 years from the date of the loan. At that time, the City will begin receiving amortized payments of principal and interest for the second mortgages, and deferred revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2006, totaled \$386,762.

**NOTE 13. LEASE AGREEMENTS**

**COMPONENT UNITS**

**Industrial Development Board**

Description of leasing arrangements - The Board's leasing activities consist of the leasing of industrial space in facilities owned by the Board (operating leases) and sales-type capital leases to various industries for land and/or buildings located in the Board's industrial parks. The operating leases expire over the next sixteen years and the capital leases expire over the next thirty years.

Operating leases - The Industrial Development Board began leasing industrial space during fiscal year 1995. The cost of land and buildings held for leasing by the Board at September 30, 2006, was \$4,258,490 and \$24,295,038, respectively; accumulated depreciation on the buildings was \$1,886,100. Rents received during 2006 were \$1,964,571. Of the twelve leases in effect at September 30, 2006, eleven were noncancelable, with one having an option for the lessee to occupy more space at a higher rental rate; one lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term. The lease provides for automatic one-year renewal terms ending on June 1, 2014, and annual minimum rentals of \$24,000.

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. Pursuant to the terms of an interest rate swap (see Note 4), rentals due under the lease were changed to include the following amounts: from August 1, 2006 to July 31, 2007, the monthly rental is \$2,578.18 per month; from August 1, 2007 to July 31, 2009, the monthly rental is equal to the monthly interest due on the Board's Series 2006-A bonds, plus \$2,578.18 per month through the April 1, 2009 payment; and from August 1, 2009 to July 31, 2022, the monthly rental is equal to total debt service on the Series 2006A bonds, including certain fees related to the debt, and payments due under the rate swap agreement. Because the debt service payments are based on variable rates, only the fixed payments due through April 1, 2009 are included in the schedule of future minimum rental payments in the following schedule.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 13. LEASE AGREEMENTS - CONTINUED**

The following is a schedule by years of future minimum rental payments required under the leases with remaining noncancelable lease terms in excess of one year as of September 30, 2006:

Fiscal Year	
2007	\$ 1,702,875
2008	1,720,125
2009	1,475,801
2010	1,297,177
2011	1,297,177
2012	1,242,839
2013	1,204,025
2014	1,204,025
2015	1,026,766
2016	986,870
2017 and thereafter	1,888,236
Total	\$ 15,045,916

Capital leases

- A. The Board has leased eight parcels of land located in its Industrial Parks under capital leases. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2007 to 2035. Lease payments totaling \$10,000 were received in fiscal year 2006 and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal. See Note 31 for disclosures pertaining to leases involving related parties.
- B. The Board has one sales-type capital lease involving a lot and building located in its Technology Park. The initial lease term expires in 2019. The components of the net investment in sales-type capital leases at September 30, 2006, are as follows:

Total minimum lease payments to be received	\$ 5,481,907
Less: unearned income	(1,794,919)
Net investment in capital lease	\$ 3,686,988

Executory costs such as maintenance and insurance are paid directly by lessee and therefore are not included in minimum lease payments. All lease payments are deemed collectible and there are no contingent rentals or unguaranteed residual values associated with the lease.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 13. LEASE AGREEMENTS - CONTINUED**

Future minimum lease payments due under the lease are as follows:

Fiscal Year		
2007	\$	468,002
2008		468,002
2009		468,002
2010		468,002
2011		468,002
2012		468,002
2013		468,002
2014		468,002
2015		468,002
2016		468,002
2017		468,002
2018		333,885
Total	\$	5,481,907

The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. The leases are noncancelable operating leases, most with one year terms. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during 2006 were \$147,804. As of September 30, 2006, two leases were in effect that expire within one year, and one with an expiration date of February 28, 2008. Future minimum rentals due under the leases are as follows:

Fiscal Year		
2007	\$	77,800
2008		12,000
Total	\$	89,800

**NOTE 14. DEFINED BENEFIT PENSION PLANS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

The City contributes to the Employees' Retirement System of Alabama ("System"), an agent multiple-employer public employee retirement system (PERS) which acts as a common investment and administrative agent for all State agencies and departments as well as for cities and counties which elect to participate in the System. The Retirement System issues a publicly available report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36104-0001 or by calling (334) 832-4140.

All regular full-time and certain regular part-time City employees are eligible to participate in the System. Benefits vest after ten years of service. Vested employees may choose a lump sum benefit, payments for a specified time period or for life. The benefit amount is based upon employee and employer contributions and accrued interest as of the retirement date and is established by State statute. The System also provides death and disability benefits.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED**

Covered employees are required by State statute to contribute five percent (5%) of their salaries/wages to the System. The City is required by the same statute to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by the statute. The City's contribution rate for the year-ended September 30, 2006, was 8.09% of covered payroll.

The City's annual pension cost of \$1,332,813 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2005, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 8.0%, b) projected annual rate of salary increases ranging from 4.61% to 7.75%, based on age, and c) no cost-of-living adjustments. Both a) and b) included an inflation component of 4.50%. The actuarial value of the plan's assets was determined using the 5-year smoothed market value of investments. The plan'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, 2005, was 20 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
09/30/03	\$853,490	100%	\$0
09/30/04	\$1,011,607	100%	\$0
09/30/05	\$1,202,567	100%	\$0

The plan's schedule of funding progress for the most current valuation year and the two preceding years is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ( (b - a)/c )
9/30/03 **	\$30,917,517	\$36,814,509	\$ 5,896,992	84.0%	\$14,929,171	39.5%
9/30/04 ***	\$33,178,371	\$39,385,554	\$ 6,207,183	84.2%	\$16,676,516	37.2%
9/30/05	\$35,870,622	\$46,694,811	\$ 10,824,189	76.8%	\$18,719,256	57.8%

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

\*\* Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.

\*\*\* Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

**COMPONENT UNITS**

**Board of Education**

The employees of the Board are covered under a defined benefit plan, the Teachers' Retirement System (System), which is administered by the Retirement Systems of Alabama (RSA). The plan is a cost-sharing, multiple-employer public employee retirement system (PERS).

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED**

Participation in the TRS is mandatory for Board personnel employed in a nontemporary capacity on at least a one-half time basis. After ten or more years of creditable service a member has a vested interest (is eligible for deferred benefits) in the Teachers' Retirement System. Upon attainment of age 60, a member who has a least ten (10) years of creditable service may apply for monthly retirement benefits assuming the member has not withdrawn his contributions. A member who has at least 25 years of creditable service in the TRS may apply for service retirement at any age. Unused accrued sick leave may be converted to creditable service at retirement. The TRS also provides death and disability benefits and life insurance.

Retirement benefits are calculated by two methods with the retiree receiving payments under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula Method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service.

Covered employees are required by state statute to contribute five (5) percent of their salary to the System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. For the year-ended September 30, 2006, the Board's contribution requirement is an actuarially determined rate equal to 8.17% (7.03% in 2005) of annual covered payroll. The Board's contributions to the plan for the years ending September 30, 2006 and 2005, were \$2,131,760 and \$1,636,443, respectively. These amounts were equal to the required contributions for the same periods.

The Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36104-0001 or by calling (334) 832-4140.

**Water Works Board**

The Board also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City. The Board's contribution rate for the year-ended September 30, 2006, was 5.26% of covered payroll; and the Board's annual pension cost of \$66,656 was equal to its required and actual contributions.

In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
09/30/03	\$22,224	100%	\$0
09/30/04	\$49,266	100%	\$0
09/30/05	\$66,860	100%	\$0

The plan's schedule of funding progress for the most current valuation year and the two preceding years is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ( (b - a)/c )
9/30/03 **	\$1,932,954	\$2,022,834	\$ 89,880	95.6%	\$1,151,627	7.8%
9/30/04 ***	\$2,087,718	\$2,164,290	\$ 76,572	96.5%	\$1,180,221	6.5%
9/30/05	\$2,224,828	\$2,390,092	\$ 165,263	93.1%	\$1,193,856	13.8%

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

\*\* Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.

\*\*\* Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 15. LIABILITY AND WORKMEN'S COMPENSATION SELF-INSURANCE**

The City has retained risk of loss for general liability claims arising prior to the purchase of commercial insurance in fiscal year 2000 and all workmen's compensation claims. These risks are accounted for as governmental activities of the primary government. The following is a schedule of changes in claims liabilities for these two risk areas during the past two fiscal years:

	Fiscal Year	
	2006	2005
Unpaid claims, beginning of year	<u>\$ 126,510</u>	<u>\$ 281,655</u>
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	136,385	78,184
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>200,049</u>	<u>(101,279)</u>
Total incurred claims	<u>336,434</u>	<u>(23,095)</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(43,939)	(24,485)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(87,218)</u>	<u>(107,565)</u>
Total payments	<u>(131,157)</u>	<u>(132,050)</u>
Unpaid claims, end of year	<u>\$ 331,787</u>	<u>\$ 126,510</u>

Total general liability for uninsured risks and workmen's compensation claims liability at September 30, 2006, is recorded as follows: \$231,145 is recorded as a current liability in the General Fund's accounts payable and accrued liabilities, and the long-term portion, \$100,642, along with the estimated liability for insured risks of \$320,598, is recorded in the primary government's governmental activities' long-term debt and other liabilities in the government-wide financial statements.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 16. MEDICAL SELF-INSURANCE**

The City has chosen to retain risk of loss relating to medical claims of City employees and their covered dependents. These risks are accounted for in the General Fund. The following is a schedule of changes in medical claims liabilities during the past two fiscal years:

	Fiscal Year	
	2006	2005
Unpaid claims, beginning of year	\$ 114,186	\$ 102,159
Included claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	1,762,636	1,426,390
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	(28,964)	(8,370)
Total incurred claims	1,733,672	1,418,020
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(1,621,483)	(1,314,626)
Claims attributable to prior years' events where the City has retained risk of loss	(85,222)	(91,367)
Total payments	(1,706,705)	(1,405,993)
Unpaid claims, end of year (includes claims incurred but not reported)	\$ 141,153	\$ 114,186

The unpaid claims as of September 30, 2006, are reported in the General Fund.

**NOTE 17. UNEMPLOYMENT COMPENSATION**

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2006, by the State (\$28,356) to individuals is reflected as an expense of the General Fund.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 18. AD VALOREM TAX COLLECTION EXPENSE**

The City is charged a collection fee by the County Tax Assessor and Collector for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year-ended September 30, 2006:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 2,341,909 *	\$ 60,419	\$ 51,598	\$ 2,229,892
Special 5-Mill Tax Fund	5	2,355,551 **	48,591	51,598	2,255,362
Special School Tax Fund	5	2,500,816	51,470	51,598	2,397,748
Special Additional School Tax Fund	11	5,501,445	112,857	113,526	5,275,062
Property tax totals	<u>26</u>	<u>\$ 12,699,721</u>	<u>\$ 273,337</u>	<u>\$ 268,320</u>	<u>\$ 12,158,064</u>

\* Includes taxes on mobile homes and is reduced by industrial tax exemptions.

\*\* Reduced by industrial tax exemptions.

**NOTE 19. INTERFUND RECEIVABLES AND PAYABLES**

Primary Government interfund receivables and payables for the year ended September 30, 2006 consist of the following:

Amount	Due To Other Funds	Due From Other Funds	Purpose
<u>\$ 103,960</u>	Nonmajor Governmental Funds	General Fund	Provide cash flow for grants program and fund capital projects
	Advances To Other Funds	Advances From Other Funds	Purpose
\$ 206,965	Federal Grant Loan Repayment Funds	Nonmajor Proprietary Fund	Provide funding for property for resale
<u>66,369</u>	Federal Grant Loan Repayment Funds	General Fund	Provide funds for public improvement project
<u>\$ 273,334</u>			

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 20. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers for the year ended September 30, 2006:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 1,068,256	\$ -
Special School Tax Fund	5,950,000	-
Federal Grant Loan Repayment Fund	-	-
Nonmajor Governmental Funds	<u>53,000</u>	<u>6,957,522</u>
Total governmental activities	<u>7,071,256</u>	<u>6,957,522</u>
Major Enterprise Fund		
Sewer Revenue Fund	<u>-</u>	<u>113,734</u>
Total business-type activities	<u>-</u>	<u>113,734</u>
Total primary government	<u>\$ 7,071,256</u>	<u>\$ 7,071,256</u>

Interfund transfers are reported in the governmental activities and business-type activities fund financial statements. Interfund transfers are eliminated on the government-wide financial statements.

Transfers are used to (1) move revenues from funds accounting for revenues with a restricted purpose to funds expending resources for the restricted purpose, (2) move receipts restricted to debt service from the funds collecting the receipts to the funds making the payments as debt service payments become due, and (3) use unrestricted revenues collected in various funds to finance programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 21. INTRA-ENTITY TRANSACTIONS**

The following schedules provide details of various transactions between the primary government and discretely presented component units.

A. Short-term receivables and payables

	<u>Due To</u>	<u>Due From</u>
Component Units		
Industrial Development Board	\$ 1,456	\$ 231,390
Water Works Board	264,760	19,233
Parks & Recreation Board	373,882	
Primary Government		
General Fund	34,606	576,843
Federal Grant Loan Repayment Fund	197,965	-
Nonmajor Governmental Funds	-	43,400
Sewer Revenue Fund	<u>18,052</u>	<u>19,855</u>
Total	<u>\$ 890,721</u>	<u>\$ 890,721</u>

Amounts loaned from the City of Auburn to its component units represent reimbursements due for operating expenses, and repayment will be made from operating revenues in the next fiscal period.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 21. INTRA-ENTITY TRANSACTIONS - CONTINUED**

B. Long-term advances

	Advances To	Advances From
Primary Government		
General Fund	\$ 2,933,170	\$ -
Nonmajor Enterprise Funds	141,455	-
Component Units		
Industrial Development Board	-	3,074,625
Total	\$ 3,074,625	\$ 3,074,625

Amounts loaned from the City of Auburn to its component units consist primarily of funding for construction projects. Repayment will be made from future property sales.

C. Payments between the City and Component Units

	Appropriations From Primary Government	Payments to Component Units
Primary Government		
General Fund	\$ -	\$ 8,665,898
Special School Tax Fund	-	3,205,720
Federal Grant Loan Repayment Fund	-	755,351
Capital Projects Fund	-	471,769
Component Units		
Auburn City Board of Education	10,001,243	-
Industrial Development Board	2,936,378	-
Public Parks and Recreation Board	161,117	-
Total	\$13,098,738	\$13,098,738

Payments from the City to its component units consist primarily of funding for routine operating expenses and debt service payments. The payments between the City and its component units do not balance in the fund financial statements due to a difference in the measurement focus and basis of accounting between governmental funds and proprietary-type component units. In addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education that are not recorded as payments to the Board. The debt payments (including bond trustee fees) are reflected on the City's books as debt service expenditures and amounted to \$3,974,273.

**NOTE 22. SPECIAL ITEMS**

Special Items

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. During fiscal year 2006, the City had one capital asset transaction that was considered unusual (i.e., only incidentally related to its ordinary and typical activities), which involved one of its discretely presented component units.

Property transfer to Industrial Development Board – In fiscal year 2006, the City deeded approximately 24 acres of land held as part of the Auburn Industrial Park and approximately 12 acres of land held as part of the Shug Jordan Commercial Park to the Industrial Development Board. The transfer was recorded at the fair market value on the dates of donation, and a gain on the transfer was recorded by the City equal to the difference between the fair market value and the net book value of the land transferred.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 22. SPECIAL ITEMS - CONTINUED**

Since capital assets are not accounted for in the governmental activities' fund financial statements, the following amounts are aggregated and reported as special items in the government-wide statement of activities and the discretely presented component units' combining statement of activities, with no corresponding entries in the governmental fund financial statements:

	Primary Government <u>City of Auburn</u>	<u>Component Units</u>	
		Industrial Development Board	<u>Total</u>
Transfer of property to Industrial Development Board:			
Fair market value of property transferred	\$ 1,027,760	\$ -	\$ -
Net book value of property transferred	<u>(453,119)</u>	<u>-</u>	<u>-</u>
Gain on transfer	<u>574,641</u>	<u>-</u>	<u>-</u>
 Transfer recorded at fair market value	 <u>(1,027,760)</u>	 <u>1,027,760</u>	 <u>1,027,760</u>
 Net special items	 <u>\$ (453,119)</u>	 <u>\$ 1,027,760</u>	 <u>\$ 1,027,760</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 23. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND**

To facilitate the reporting of Special Revenue Funds, several Special Revenue Funds, the operations of which are very similar in nature, have been combined and reported as a single fund in the basic financial statements.

In previous years, the City received various HODAG and UDAG federal grants which were used to make loans to private entities to be used for housing and business development activities within the City. As the City receives repayments from these loans, the repayments of funds may be expended for Title I eligible purposes. The City is using some of these repayments to make loans and to grant incentives to private entities and individuals for further housing and business development activities. Based on their related purposes and activities, the following Special Revenue Funds are presented as a single fund entitled the Federal Grant Loan Repayment Fund: the Housing Development Action Grant (HODAG) Fund, the Urban Development Action Grant (UDAG) Funds, the Revolving Loan Fund, and the Affordable Housing Fund. Selected financial information for the sub-funds of the Federal Grant Loan Repayment Fund for the current fiscal year are as follows:

	HODAG*	Shelton Park*	Magnolia Plaza*	Revolving Loan*	Affordable Housing*	Total
Cash and cash equivalents	\$ 1,073	\$ 29,451	\$ -	\$ 21,917	14,004	\$ 66,445
Mortgages receivable	3,360,989	165,830	-	691,867	101,385	4,320,071
Due from component units	-	-	-	-	-	-
Advances to other funds	206,965	-	-	66,369	-	273,334
Total assets	<u>\$3,569,027</u>	<u>\$ 195,281</u>	<u>\$ -</u>	<u>\$ 780,153</u>	<u>\$ 115,389</u>	<u>\$4,659,850</u>
Deferred program revenue	\$3,361,489	\$ 165,830	\$ -	\$ 691,867	\$ 101,434	\$4,320,620
Due to component units	-	-	-	197,965	-	197,965
Fund balance-reserved for advances	206,965	-	-	66,369	-	273,334
Fund balance-unreserved	<u>26,049</u>	<u>109,308</u>	<u>72,311</u>	<u>(382,517)</u>	<u>42,781</u>	<u>(132,069)</u>
Total liabilities and fund balance	<u>\$3,594,503</u>	<u>\$ 275,138</u>	<u>\$ 72,311</u>	<u>\$ 573,684</u>	<u>\$ 144,215</u>	<u>\$4,659,850</u>
Revenues						
Program income	\$ 33,950	\$ 23,912	\$ -	\$ 35,607	\$ 4,737	\$ 98,206
Other interest	<u>35,874</u>	<u>17,921</u>	<u>5,237</u>	<u>14,612</u>	<u>4,429</u>	<u>78,073</u>
Total revenues	69,824	41,833	5,237	50,219	9,166	176,279
Expenditures						
Economic development	<u>115,000</u>	<u>-</u>	<u>336,164</u>	<u>745,987</u>	<u>-</u>	<u>1,197,151</u>
Net changes in fund balances	(45,176)	41,833	(330,927)	(695,768)	9,166	(1,020,872)
Fund balances, beginning of year	<u>278,191</u>	<u>67,474</u>	<u>403,237</u>	<u>379,620</u>	<u>33,615</u>	<u>1,162,137</u>
Fund balances, end of year	<u>\$ 233,015</u>	<u>\$ 109,307</u>	<u>\$ 72,310</u>	<u>\$(316,148)</u>	<u>\$ 42,781</u>	<u>\$ 141,265</u>

\*Net of interfund eliminations.



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 24. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE SPECIAL REVENUE FUND**

Beginning in fiscal year 2000, City management created the State Funded Seizures Special Revenue Fund for internal reporting purposes. The fund's purpose is to separately track police seizure revenues that are from state government sources. Because its operations are very similar in nature to those accounted for in the Public Safety Substance Abuse Special Revenue Fund, those activities have been combined and reported as a single fund in the basic financial statements. Selected financial information for the sub-funds of the Public Safety Substance Abuse Special Revenue Fund is shown below, net of interfund eliminations:

	State Funded Seizures	Public Safety Substance Abuse (other seizures)	Total
Assets			
Cash and cash equivalents	\$ 56,286	\$ 107,091	\$ 163,377
Liabilities and fund balance			
Accounts payable and accrued liabilities	\$ -	\$ 1,652	\$ 1,652
Fund balance-unreserved	56,286	105,439	161,725
Total liabilities and fund balance	\$ 56,286	\$ 107,091	\$ 163,377
Revenues			
Confiscation revenue	\$ 7,799	\$ -	\$ 7,799
Other interest	2,198	5,251	7,449
Total revenues	9,997	5,251	15,248
Expenditures			
Public safety	1,607	25,796	27,403
Excess (deficiency) of revenues over expenditures	8,390	(20,545)	(12,155)
Beginning fund balance	47,896	125,984	173,880
Ending fund balance	\$ 56,286	\$ 105,439	\$ 161,725

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES**

For managerial accounting purposes, several activities reported in the City of Auburn's General Fund are recorded in sub-funds. Selected financial information for these various activities for the current fiscal year (as reflected in the governmental fund financial statements) is shown below, net of related eliminating entries:

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
ASSETS							
Cash	\$ 4,779,802	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,779,802
Equity in pooled cash and cash equivalents	10,228,668	23,931	-	-	1,247,748	946,685	12,447,032
Total cash and cash equivalents	15,008,470	23,931	-	-	1,247,748	946,685	17,226,834
Receivables							
Revenues	5,187,466	-	-	-	-	-	5,187,466
Grants	108,421	-	-	-	-	-	108,421
Other governmental units	626,561	-	-	-	-	-	626,561
Special assessments	25,107	-	-	196,963	-	-	222,070
Other	490,753	-	-	2,541	9,691	-	502,985
Due from other funds	103,960	-	-	-	-	-	103,960
Due from component units	565,639	-	-	-	11,203	-	576,842
Inventories, at cost	18,519	-	-	-	-	-	18,519
Prepaid expenses	31,862	-	-	-	-	-	31,862
Advances to component units	2,933,170	-	-	-	-	-	2,933,170
Property for resale	4,131,127	-	-	-	-	-	4,131,127
TOTAL ASSETS	\$ 29,231,055	\$ 23,931	\$ -	\$ 199,504	\$ 1,268,642	\$ 946,685	\$ 31,669,817

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

**NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED**

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities							
Accounts payable and accrued liabilities	\$ 1,749,368	\$ -	-	\$ -	\$ 117,626	\$ 231,145	\$ 2,098,139
Customer deposits	79,749	-	-	-	-	-	79,749
Due to component units	34,606	-	-	-	-	-	34,606
Deferred revenue	1,296,250	-	-	196,963	-	-	1,493,213
Claims payable	-	-	-	-	141,153	-	141,153
Advances from other funds	-	-	66,369	-	-	-	66,369
Total liabilities	<u>3,159,973</u>	<u>-</u>	<u>66,369</u>	<u>196,963</u>	<u>258,779</u>	<u>231,145</u>	<u>3,913,229</u>
Fund equity and other credits							
Fund balances							
Reserved for-							
Inventories	18,519	-	-	-	-	-	18,519
Prepaid expenses	31,862	-	-	-	-	-	31,862
Encumbrances	971,913	-	-	1,218,723	-	-	2,190,636
Advances	2,933,170	-	-	-	-	-	2,933,170
Property for resale	4,131,127	-	-	-	-	-	4,131,127
Unreserved - Designated -							
Future emergency purchases	4,620,075	-	-	-	-	-	4,620,075
Undesignated (deficit)	<u>13,721,918</u>	<u>23,930</u>	<u>(68,909)</u>	<u>(1,333,292)</u>	<u>783,678</u>	<u>703,874</u>	<u>13,831,199</u>
Total equity and other credits	<u>26,428,584</u>	<u>23,930</u>	<u>(68,909)</u>	<u>(114,569)</u>	<u>783,678</u>	<u>703,874</u>	<u>27,756,588</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 29,588,557</u>	<u>\$ 23,930</u>	<u>\$ (2,540)</u>	<u>\$ 82,394</u>	<u>\$ 1,042,457</u>	<u>\$ 935,019</u>	<u>\$ 31,669,817</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

**NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES (CONTINUED)**

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues							
Sales and use taxes	\$ 20,773,724	-	\$ -	\$ -	-	\$ -	\$ 20,773,724
Occupational license taxes	7,402,470	-	-	-	-	-	7,402,470
Motor fuel taxes	242,958	-	-	-	-	-	242,958
Lodging taxes	1,085,063	-	-	-	-	-	1,085,063
Rental and leasing taxes	819,682	-	-	-	-	-	819,682
Other taxes	123,728	-	-	-	-	-	123,728
Licenses and permits	6,518,522	-	-	-	-	-	6,518,522
General property tax	2,730,687	-	-	-	-	-	2,730,687
Fees for services	6,565,305	-	-	-	336,319	-	6,901,624
Fines and forfeitures	1,083,225	-	-	-	-	-	1,083,225
State shared taxes	1,026,580	-	-	-	-	-	1,026,580
Contributions from the public	215,206	-	6,580	91,162	-	-	312,948
Grants	321,315	-	-	-	-	-	321,315
Other interest	814,558	1,056	83	11,894	45,466	34,768	907,825
Miscellaneous	95,426	-	-	-	-	-	95,426
Total revenues	49,818,449	1,056	6,663	103,056	381,785	34,768	50,345,777
Expenditures							
General government and administration	3,764,661	-	-	-	-	-	3,764,661
Public works	2,786,345	-	-	-	-	-	2,786,345
Environmental services	3,870,974	-	-	-	-	-	3,870,974
Public safety	12,514,854	-	-	-	-	-	12,514,854
Library	1,180,137	-	-	-	-	-	1,180,137
Parks and recreation	4,178,850	-	11,313	-	-	-	4,190,163

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

**NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES (CONTINUED)**

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Planning	\$ 486,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 486,927
Economic development	851,789	-	-	-	-	-	851,789
Employee services	472,691	-	-	-	-	-	472,691
Risk management	116,319	-	-	-	-	130,562	246,881
Total departmental	30,223,547	-	11,313	-	-	130,562	30,365,422
Non-departmental	982,083	-	-	-	455,721	-	1,437,804
Debt service	5,448,109	-	-	197,846	-	-	5,645,955
Capital outlay	3,383,588	-	-	39,098	-	-	3,422,686
Intergovernmental	1,647,115	-	-	-	-	-	1,647,115
Payments to component units	8,665,898	-	-	-	-	-	8,665,898
Total expenditures	50,350,340	-	11,313	236,944	455,721	130,562	51,184,880
Excess (deficiency) of revenues over expenditures	(531,891)	1,056	(4,650)	(133,888)	(73,936)	(95,794)	(839,103)
Other financing sources (uses)	-	-	-	40,290	-	-	40,290
Long-term debt proceeds	1,068,256	-	-	-	-	-	1,068,256
Transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	1,068,256	-	-	40,290	-	-	1,108,546
Net changes in fund balances	536,365	1,056	(4,650)	(93,598)	(73,936)	(95,794)	269,443
Fund balances, beginning of year	25,887,448	22,874	(64,259)	(20,971)	1,082,380	401,731	27,309,203
Fund balances, end of year	\$ 26,423,813	\$ 23,930	\$ (68,909)	\$ (114,569)	\$ 1,008,444	\$ 305,937	\$ 27,578,646

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

**NOTE 26. RESTRICTED ASSETS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

Restricted assets of the City consist of restricted investments held by a trustee for debt service on bonds payable or construction costs (for sewer plant renovation and line expansion) in accordance with the terms of a bond indenture (See Note 4).

**COMPONENT UNITS**

**Water Works Board**

Restricted assets of the Water Works Board consist of restricted investments held by a trustee for retirement of bonds or payment of construction costs in accordance with the terms of a bond indenture (See Note 4).

**Industrial Development Board**

Restricted assets of the Industrial Development Board consist of restricted investments held by a trustee for debt service payments in accordance with the terms of a bond indenture (see Note 4).

**NOTE 27. DEFERRED WATER RIGHTS**

**COMPONENT UNIT**

**Water Works Board**

The Board entered into a Water Supply Agreement with the City of Opelika Water Board in June 1983 (See Note 8.) Auburn's share, as computed under the agreement, of the initial expenditures, capital contributions, bonds payable, and interest incurred through October 27, 1986 (when the agreement became operational), has been capitalized as deferred water rights. On October 27, 1986, the date Opelika's source supply became operational, amortization of the deferred water rights over the remaining life of the agreement began. A summary of deferred water rights at September 30, 2006, follows:

Deferred water rights, beginning of year	\$ 1,299,160
Amortization of deferred water rights	<u>(169,456)</u>
Deferred water rights, end of year	<u>\$ 1,129,704</u>

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

**NOTE 28. SPECIAL CAPITAL IMPROVEMENT PROJECTS**

The City has undertaken several special capital improvement projects, providing for certain street, sidewalk, water, sewer, drainage, and lighting improvements to specific property in the city limits. In conjunction with these projects, the City has entered into funding agreements with owners of the properties that are adjacent to the improvements; however, the projects do not meet the definition of special assessment projects under Alabama law.

The Dean Road Extension project was completed in fiscal year 1999, and an agreement was signed whereby the affected property owners agreed to pay the City \$810,672 (the net cost to the City for construction) with interest at 5.16% over ten years. Amounts collected under the agreement in fiscal year 2006 included principal of \$91,162 and interest of \$13,122; the balance due from the property owners at September 30, 2006, was \$196,963. During construction, the costs were funded by state grants and existing General Fund resources and, accordingly, were recorded as capital outlay expenditures in the year incurred. At the time the agreement was signed with the property owners, the City issued a general obligation warrant in the amount of \$810,672 to recover the costs incurred by the General Fund, and the property owners pledged an irrevocable letter of credit to secure the warrant. The warrant is backed by the full faith credit and taxing power of the City and is not secured by liens against the property.

**NOTE 29. DEPRIVATIZATION OF SEWER PLANTS**

On December 27, 1984, the City entered into a Service Agreement with Merscot-Auburn Limited Partnership (the Partnership) for the design, construction, ownership, operation and maintenance of two wastewater treatment plants and approximately 25 miles of interceptor sewer lines. The plants are designed to handle approximately 7.0 million gallons per day of wastewater.

The Service Agreement term began upon the completion of the construction. It expired on the date of the payment in full of the Partnership's bonds issued in connection with the project (August 1, 2001).

Payments under the Service Agreement began with the completion of the projects and were based on two types of charges as follows:

- A. Base Service Charge – payable monthly, and on an annual basis will increase from \$1,332,440 for the first twelve month period to \$2,216,964 for the seventh through twenty-fifth periods. The Base Service Charge was intended to cover the costs of debt service on the debt issued to finance the construction of the treatment plants. Effective August 1, 2001, the date that the original bonds issued in connection with the project were repaid, the base service charge is no longer payable to the Partnership.
- B. Additional Service Charge – payable annually by the City. The annual payment was initially set at \$789,108; however, it may be increased semi-annually based on the consumer price index and net power costs. This charge is renegotiable on a fair and reasonable basis at five year intervals. The Additional Service Charge was intended to cover the operations and maintenance costs of the treatment plants.

During fiscal year 2001, the City purchased the two plants, the interceptor lines, and certain equipment from U.S. Filter Operating Services, Inc., which was later renamed Veolia Water, successor to Merscot-Auburn Limited Partnership. The terms of the purchase were as follows:

- A. The Partnership deposited all amounts remaining in its debt service reserve fund (established with issuance of its 1984 bonds), after payment of interest due on the outstanding bonds, into an escrow account.
- B. The City deposited to the escrow account the remaining amounts required to redeem the original bonds.
- C. The City issued a noninterest bearing General Obligation Warrant to the Partnership in the amount of \$9,400,000, due January 1, 2012.
- D. The City agreed to enter into a contract with the Partnership for the design, engineering and management of a construction program to upgrade the sewer system in the approximate capital amount of \$10,000,000.



CITY OF AUBURN, ALABAMA  
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**NOTE 29. DEPRIVATIZATION OF SEWER PLANTS - CONTINUED**

- E. The City and the Partnership agreed to extend the existing contract for the operation of the wastewater treatment plants (included in the Service Agreement) until January 1, 2020.

To provide the funds required to be deposited in the escrow account for retirement of the bonds and the funds needed for the capital improvements, the City issued \$24,765,000 General Obligation Warrants which mature in 2012 (in addition to the \$9,400,000 noninterest bearing warrant).

Effective August 1, 2001, the Base Service Charge included in the original Service Agreement is no longer payable to the Partnership by the City. The Additional Service Charge (\$1,460,962, annually) continues to be payable under the terms of the extension of the Service Agreement until January 1, 2020.

**NOTE 30. SUBSEQUENT EVENTS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

Subsequent to September 30, 2006, the City Council approved various design and construction contracts totaling approximately \$678,000 and equipment and computer software purchases totaling approximately \$443,000. Also, Council approved appropriations for fiscal year 2007 totaling approximately \$186,000 in exchange for services to be provided.

In November 2006, the City accepted the donation of 10.25 acres on the corner of North College Street and Asheton Lane for use as a City park. The fair market value of this property was not determinable as of the date of these financial statements.

**COMPONENT UNITS**

**Board of Education**

Subsequent to September 30, 2006, the Board plans to award bids on the construction of a new elementary school and a 20 classroom addition to Auburn High School. The anticipated completion dates for these projects are the spring of 2008 with occupancy occurring in the fall of 2008. Construction costs are estimated to be \$7,739,000 and \$2,953,000, respectively. These projects will be funded from the proceeds of the issuance of the 2005 General Obligation Capital Improvement School Warrants appropriated to the Board by the City of Auburn.

**Industrial Development Board**

Subsequent to September 30, 2006, the Board approved a package of incentives to a company considering a relocation that included providing a site in the Auburn Technology Park South, providing up to \$185,000 for site work, and granting a tax abatement for the building and capital equipment. Additionally, the Board approved application to the State for a site preparation grant for a new company; and tax abatements for one new company and one expansion were approved.

Subsequent to year end, the Board approved expenditure of up to \$100,000 to assist the Auburn Training Connection in support of a local industry that requested assistance with workforce training and recruitment activities.

After year end, the Board signed a Memorandum of Understanding (MOU) with Auburn Research and Technology Foundation (the Foundation). The Foundation has received a commitment of funds from the State in the amount of \$10 million to construct the Auburn Research Park Facility. Since the funds are only available to the Foundation on a reimbursement basis, the Board has agreed in principle to provide financing for the construction costs. Under the terms of the MOU, the real property would be leased to the Board under a ground lease and title to all improvements would vest in the Board. Once constructed, the Board would lease the facility to the Foundation, and the lease would grant to the Foundation the right to purchase the facility when all amounts owed to the Board for construction and cost of capital are paid to the Board. Funds to provide payment of the construction costs will be provided by the City of Auburn from funds held for investment by the City. The Foundation will include in its payment to the Board an amount to reimburse the loss of investment income to the City; the method of determining the amount to be reimbursed will be agreed upon by the parties and included in the final payment agreement.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 30. SUBSEQUENT EVENTS - CONTINUED**

Prior to the end of the fiscal year, the Board had approved the sale of a lot in the Shug Jordan Commercial Park at a purchase price of \$52,910. Subsequent to the end of the fiscal year, the sale was finalized.

Under one of the Board's existing operating leases, the lessee's monthly payment is based on the Board's total debt service on outstanding mortgages against the property. The first mortgage in the principal amount of \$7,858,927 had a balloon payment due in September 2006. At the time the payment was due, the company was considering purchasing the property from the Board in accordance with the purchase provision in its lease. Subsequent to year end, the company needed additional time to effect the financing necessary for the purchase, and the purchase was delayed. The note payable was extended for approximately 60 days, and the lessee agreed to reimburse the Board for the debt service in accordance with the terms of the original lease. All other terms of the lease remain the same, including the original expiration date of the lease in fiscal year 2018. Upon the refinancing of the debt, the lease payments will be recalculated by the Board.

**NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES**

**CITY OF AUBURN PRIMARY GOVERNMENT**

Commitments - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was \$7,108,087 as of September 30, 2006.

In September 2006, the City agreed to lend up to \$400,000 to the Indian Pines Recreation Authority to finance a portion of the construction costs of a new clubhouse. The City will receive monthly payments for fourteen years including interest at 5.25%.

In September 2004, the City signed an agreement with Lee County, Alabama for the County to provide jail services to the City. In addition to a per inmate charge, the City agreed to assist the County with funding for its jail expansion project. The City agreed to make annual appropriations provided that the payments can be made from current revenues budgeted and appropriated for such purpose. Provided that this restriction is met, the following payments would be made to the County:

Fiscal Year	Appropriation
2007	\$ 377,080
2008	378,380
2009	379,105
2010	379,230
2011	378,630
2012	377,480
2013	375,970
2014	378,875
2015	376,113
2016	378,062
2017	379,303
2018	376,802
2019	378,803
2020	375,052
2021	375,803
2022	375,803
2023	375,053
2024	376,027
2025	376,020
Total	\$ 7,167,591

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES - CONTINUED**

In November 2006, the City signed an agreement with the Lee-Russell Council of Governments to provide funding for salaries, supplies and services to provide services for the residents of Auburn. The City agreed to make annual appropriations during fiscal years 2007 and 2008 of \$96,250 and \$85,000, respectively.

In July 2006, the City entered into a development, funding and cooperation agreement with Auburn University and the Public Parks and Recreation Board of the City of Auburn. The agreement provides for the construction of a tennis facility on approximately 11.21 acres of City-owned land to include both an Auburn City tennis facility and an Auburn University tennis facility. The costs for constructing the tennis facilities will be paid from general obligation bonds and warrants. If bond proceeds are insufficient to pay in full all costs of constructing the City tennis facility, the City is obligated to pay the remaining costs. If warrant proceeds are insufficient to pay in full all costs of constructing the University tennis facility, Auburn University is obligated to pay the remaining costs. The entire complex will be leased by the City to the Park Board for a period of twenty years. The Park Board will then sublease the University tennis facility to Auburn University for twenty years. The City anticipates completion of the tennis complex during 2007.

Claims and Litigation - As of September 30, 2006, the City had been named defendant in 15 pending lawsuits. Twelve of these suits does not specify a dollar amount of damages claimed, and the total damages claimed in the suits specifying damages is \$251,180,000. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$320,598.

In fiscal year 2006, the City expended \$169,272 in payment of claims and judgments and legal costs associated therewith. These expenditures are included in the General Fund as current expenditures for Risk Management.

Contingency: Audit of Federal and State Grants - The City received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City Management believes such disallowances, if any, will be immaterial.

**COMPONENT UNITS**

**Board of Education**

Commitments - The Board has remaining commitments on uncompleted contracts for the construction or renovation of various facilities to be funded with Alabama Public School and College Authority (PSCA) funds and/or proceeds from bonds issued by the City of Auburn as follows:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
Wrights Mill Road, Dean Road, Cary Woods	\$ 7,726,914	\$ 6,841,526	\$ 885,388	\$ -
Drake, Auburn High and AEEC	10,508,015	10,142,958	365,057	-
Transportation Facility	463,942	140,287	323,655	-
Total	<u>\$ 18,698,871</u>	<u>\$ 17,124,771</u>	<u>\$ 1,574,100</u>	<u>\$ -</u>

In addition, the Board is planning for the construction of a new elementary school to cost approximately \$10,000,000 and additions to Auburn High School to cost approximately \$3,185,000.

The Board is obligated under certain leases which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the results of these lease agreements are not reflected as part of the Board's capital assets. The Board has several non-cancelable leases for certain equipment that are classified as operating leases. Rent expense under these non-cancelable leases was \$154,654 for the fiscal year ended September 30, 2006. Of this amount, \$73,463 was paid due to an early termination agreement with the leasing company.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2006

**NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES - CONTINUED**

The approximate remaining annual minimum lease payments under the noncancelable leases existing as of September 30, 2006 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$ 77,021
2008	53,537
2009	35,605
Total	<u>\$ 166,163</u>

Contingency: Audit of Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds or the General Fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Board expects such amounts, if any, to be immaterial.

**Water Works Board**

Commitments – The Water Works Board has commitments for construction projects in connection with system improvements. The cost to complete the projects is approximately \$1,244,000.

**Industrial Development Board**

Commitments – At September 30, 2006, the Board was committed under certain construction contracts in the amount of \$3,535,621. Also, during fiscal year 2006, the Board signed an operating lease for a lot in one of its industrial parks and a building that was under construction at fiscal year end. The lease is for an initial term of ten years, with two consecutive renewal options of five years each. Rentals for the first five years will be based on the cost of funds to construct the building, net of a capital injection by the Board of \$50,770, and amortized over a twenty year period, plus the cost of the capital injection, financing costs, and construction interest amortized over a five year period. Following the first five years, rentals will be recomputed based on the outstanding principal amount of the loan amortized over fifteen years, plus any remaining additional costs not amortized over the initial five year term.

Contingencies - The Board has received several state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, Board management believes such disallowances, if any, will be immaterial.

**City of Auburn Public Park and Recreation Board**

Commitments – The Board has commitments for construction projects in connection with building a tennis complex. The cost to complete the projects is approximately \$5,959,000

**Commercial Development Authority of the City of Auburn**

Commitments – The Authority entered into a \$7,000,000 line of credit agreement for the purpose of making funds available to pay the cost of constructing certain public improvements on or around the intersection of Glenn Avenue and Bent Creek Road to facilitate the location and construction on adjacent property of a large-scale community shopping center. The City of Auburn agreed to support the Authority by providing the necessary financial support for the repayment of the line of credit.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2006

**NOTE 32. PRIOR PERIOD ADJUSTMENTS**

**COMPONENT UNITS**

**Industrial Development Board**

During fiscal year 2006, additional costs of developing property in Auburn Technology Park North were incurred by the Board. The amount of these costs allocable to lots sold or reclassified as land held for leasing by the Board in prior periods totaled \$224,646. Of this amount, land held for leasing by the Board was increased by \$79,449, and \$145,197 representing costs allocated to lots sold by the Board in prior periods was recorded as a decrease to the Board's net assets in fiscal year 2006.

**NOTE 33. LANDFILL CLOSURE AND POSTCLOSURE CARE**

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill closed in fiscal year 2000. Postclosure care costs are paid only after the date that the landfill stops accepting waste; the City reports these postclosure care costs in governmental activities' long-term debt and other liabilities. There were no expenditures for landfill closure and postclosure care during fiscal year 2006. The \$304,500 reported as landfill postclosure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2006, represents estimated costs of postclosure care based on what it would cost to perform all postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 34. RELATED PARTY TRANSACTIONS**

During fiscal year 1995, the Industrial Development Board entered into a capital lease agreement with one of its Board members. The Board leased a parcel of land located in one of its Industrial Parks to the Board member for a term of twenty years with lease payments over the term of the lease totaling \$50,000. The lease contains a bargain-purchase option for a minimal amount and all rentals due under the lease (\$50,000) were paid in advance during fiscal year 1995.

# Nonmajor Governmental Funds

## Special Revenue Funds

Special Revenue Funds are operating funds used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes other than special assessments or major capital projects.

**Seven-Cent Gas Tax Fund** accounts for funds received from the State of Alabama and expended for street related projects.

**Four-Cent Gas Tax Fund** accounts for Auburn's share of the State of Alabama four cent gas tax revenues and expenditures for the resurfacing, restoration and rehabilitation of roads, bridges and streets.

**Public Safety - Substance Abuse Fund** accounts for funds received from the U.S. Marshal and the State of Alabama to be used for enforcement of laws against drug trafficking.

**City Gas Tax Fund** accounts for one-half of the revenues received from the City's two-cent gasoline tax and expenditures for the construction of and improvements to streets.

**Special Additional School Tax Fund** accounts for eleven mill ad valorem tax revenues used for the furtherance of education.

**Community Development Block Grant Fund** accounts for those funds received from federal Community Development Block Grants and expended for approved community development projects.

**Public Library Board** accounts for donations and interest revenues received to be used to acquire equipment for the library.

## Debt Service Funds

Debt Service Funds are used to account for the payment of principal and interest on long-term debt. Debt Service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

**General Obligation Refunding Street Improvement Warrants (GORSIW) Series 76 Fund** accounts for payments of principal and interest on G.O. refunding street improvement warrants issued August 3, 1976.

**Special 5-Mill Tax Fund** accounts for general property tax receipts used to pay principal and interest on voted bonds issued to finance projects approved by the voters.

## Capital Projects Funds

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

**'97/'98 Capital Projects Fund** accounts for the proceeds of the General Obligation Capital Improvement Bonds dated June 1, 1997. The proceeds were used to construct capital improvements in the city, consisting of street, drainage, recreation facilities and related improvements.'

**'01 Capital Projects Fund** accounts for the proceeds of the General Obligation Bonds issued in April of 2002. The proceeds were used to acquire property for and construct a new Soccer Complex and to construct the first phases of a new cemetery and passive park.

**'03 \$6.3 Million Capital Projects Fund** accounts for the proceeds of the General Obligation Warrant dated December 23, 2003. The proceeds are being used to finance infrastructure construction, road reconstruction, and improvements to the Parks and Recreation and Public Safety departments' facilities.

**'03 \$2.1 Million Capital Projects Fund** accounts for the proceeds of the General Obligation Warrant dated December 31, 2003. The proceeds were used to construct certain infrastructure improvements within the City, including improvements to streets, bicycle paths and bridges and renovations to City Hall, and to acquire solid waste equipment and financial management software.

**'05 Capital Projects Fund** accounts for the proceeds of the General Obligation Bonds dated March 1, 2005. The proceeds are being used for sidewalk and bikeway construction, bridge improvements, intersection and traffic signal improvements and construction of a new fire station.

**Tennis Center/Library Expansion Fund** will account for the proceeds of a General Obligation Warrant to be issued in fiscal year 2007. The proceeds will be used to construct the City portion of the Auburn Tennis Center and expansion of the existing library.

**Bent Creek/West Tech Park Fund** account for the proceeds of the General Obligation Warrant dated December 13, 2005. The proceeds are being used to finance infrastructure improvements within the City of Auburn.

**Tennis Center/AU Portion Fund** accounts for the proceeds of the General Obligation Warrant dated September 22, 2006. The proceeds are being used to construct the Auburn University portion of the Auburn Tennis Center.

**AU Research Park Capital Projects Fund** accounts for the infrastructure construction related to the Auburn Research Park, which is a collaboration among the City of Auburn, Auburn University, and the State of Alabama.

CITY OF AUBURN, ALABAMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2006

	Special Revenue Funds										Debt Service Funds		
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety- Substance Abuse Fund	City Gas Tax Fund	Special Additional School Tax Fund	Community Development Block Grant Fund	Public Library Board Fund	Total	GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total		
<b>ASSETS</b>													
Cash and cash equivalents	\$ 40,606	\$ 32,231	\$ 163,377	\$ 64,379	\$ 2,401,886	\$ -	\$ 12,809	\$2,715,288	\$ 13,174	\$ 2,457,114	\$2,470,288		
Receivables, net	12,867	10,183	-	20,676	64,321	89,446	-	197,493	-	29,237	29,237		
Due from other funds	-	-	-	-	-	-	-	-	-	-	-		
Inventories	-	-	-	-	-	-	-	-	-	-	-		
Prepaid items	-	-	-	-	-	-	-	-	-	-	-		
Mortgages receivable	-	-	-	-	-	386,762	-	386,762	-	-	-		
Due from													
Component units	-	-	-	-	-	-	-	-	-	-	-		
Property for resale	-	-	-	-	-	-	-	-	-	-	-		
Total assets	<u>\$ 53,473</u>	<u>\$ 42,414</u>	<u>\$ 163,377</u>	<u>\$ 85,055</u>	<u>\$ 2,466,207</u>	<u>\$ 476,208</u>	<u>\$ 12,809</u>	<u>\$3,299,543</u>	<u>\$ 13,174</u>	<u>\$ 2,486,351</u>	<u>\$2,499,525</u>		
<b>LIABILITIES AND FUND BALANCES</b>													
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,652	\$ -	\$ -	\$ 22,105	\$ -	\$ 23,757	\$ -	\$ -	\$ -		
Due to other funds	-	-	-	-	-	67,341	-	67,341	-	-	-		
Deferred program revenue	-	-	-	-	-	386,762	-	386,762	-	-	-		
Total liabilities	-	-	1,652	-	-	476,208	-	477,860	-	-	-		
Fund balances:													
Reserved:													
Encumbrances	-	-	-	-	-	510,102	-	510,102	-	-	-		
Unreserved:													
Undesignated (deficit)	53,473	42,414	161,725	85,055	2,466,207	(510,102)	12,809	2,311,581	13,174	2,486,351	2,499,525		
Total fund balances	<u>53,473</u>	<u>42,414</u>	<u>161,725</u>	<u>85,055</u>	<u>2,466,207</u>	<u>-</u>	<u>12,809</u>	<u>2,821,683</u>	<u>13,174</u>	<u>2,486,351</u>	<u>2,499,525</u>		
Total liabilities and fund balances	<u>\$ 53,473</u>	<u>\$ 42,414</u>	<u>\$ 163,377</u>	<u>\$ 85,055</u>	<u>\$ 2,466,207</u>	<u>\$ 476,208</u>	<u>\$ 12,809</u>	<u>\$3,299,543</u>	<u>\$ 13,174</u>	<u>\$ 2,486,351</u>	<u>\$2,499,525</u>		



Capital Projects Funds

	'97/98 Capital Projects Fund	'01 Capital Projects Fund	'03 6.3 Mil Capital Projects Fund	'03 2.1 Mil Capital Projects Fund	'05 Capital Projects Fund	Tennis Center/ Library Expansion Fund	Bent Creek/ West Tech Park Fund	Tennis Center/ AU Portion Fund	AU Research Park Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>										
Cash and cash equivalents	\$ -	\$ 51,603	\$ 1,369,995	\$ 1,320	\$ 2,366,753	\$ -	\$ 5,859,351	\$ 3,538,883	\$ 2,625,505	\$ 15,813,410
Receivables, net	-	-	42,619	-	-	-	-	-	-	42,619
Due from other funds	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-
Mortgages receivable	-	-	-	-	-	-	-	-	-	386,762
Due from										
Component units	-	-	-	-	43,400	-	-	-	-	43,400
Property for resale	-	-	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 51,603	\$ 1,412,614	\$ 1,320	\$ 2,410,153	\$ -	\$ 5,859,351	\$ 3,538,883	\$ 2,625,505	\$ 15,899,429
<b>LIABILITIES AND FUND BALANCES</b>										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 282,782	\$ 168	\$ 128,308	\$ 10,118	\$ 37,875	\$ -	\$ 716,567	\$ 1,175,818
Due to other funds	-	-	-	-	-	36,619	-	-	-	36,619
Deferred program revenue	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	282,782	168	128,308	46,737	37,875	-	716,567	1,212,437
Fund balances:										
Reserved:										
Encumbrances	-	28,145	501,925	-	1,087,039	-	-	-	1,789,755	3,406,864
Unreserved:										
Undesignated (deficit)	-	23,458	627,907	1,152	1,194,806	(46,737)	5,821,476	3,538,883	119,183	11,280,128
Total fund balances	-	51,603	1,129,832	1,152	2,281,845	(46,737)	5,821,476	3,538,883	1,908,938	14,686,992
Total liabilities and fund balances	\$ -	\$ 51,603	\$ 1,412,614	\$ 1,320	\$ 2,410,153	\$ -	\$ 5,859,351	\$ 3,538,883	\$ 2,625,505	\$ 15,899,429

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

	Special Revenue Funds							Debt Service Funds			
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety-Substance Abuse Fund	City Gas Tax Fund	Special Additional School Tax Fund	Community Development Block Grant Fund	Public Library Board	Total	GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total
<b>Revenues</b>											
Motor fuel taxes	\$ -	\$ -	\$ -	\$ 242,852	\$ -	\$ -	\$ -	\$ 242,852	\$ -	\$ -	\$ -
General property tax	-	-	-	-	5,501,445	-	-	5,501,445	-	2,355,551	2,355,551
State shared taxes	145,136	113,597	-	-	-	-	-	258,733	-	-	-
Contributions from the public	-	-	7,799	-	-	-	-	7,799	-	-	-
Grants	-	-	-	-	-	832,784	-	832,784	-	-	-
Program income	-	-	-	-	-	29,023	-	29,023	-	-	-
Interest	1,849	1,538	7,449	1,868	176,837	-	190	189,731	2,304	138,529	140,833
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>146,985</b>	<b>115,135</b>	<b>15,248</b>	<b>244,720</b>	<b>5,678,282</b>	<b>861,807</b>	<b>190</b>	<b>7,062,367</b>	<b>2,304</b>	<b>2,494,080</b>	<b>2,496,384</b>
<b>Expenditures</b>											
General government and administration	-	-	-	-	-	175,769	-	175,769	-	-	-
Public works	-	-	-	-	-	-	-	-	-	-	-
Environmental services	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	12,526	-	-	-	-	12,526	-	-	-
Library	-	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	345,725	-	345,725	-	-	-
Employee services	-	-	-	-	-	-	-	-	-	-	-
Risk management	-	-	-	-	-	-	-	-	-	-	-
Total departmental	-	-	12,526	-	-	521,494	-	534,020	-	-	-
Non-departmental	-	-	-	-	226,384	-	-	226,384	-	100,188	100,188
Debt service	-	-	-	-	-	-	-	-	79,950	1,986,717	2,066,667
Capital outlay	-	-	14,877	-	-	340,313	-	355,190	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Payments to component units	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>27,403</b>	<b>-</b>	<b>226,384</b>	<b>861,807</b>	<b>-</b>	<b>1,115,594</b>	<b>79,950</b>	<b>2,086,905</b>	<b>2,166,855</b>
Excess (deficiency) of revenues over expenditures	146,985	115,135	(12,155)	244,720	5,451,898	-	190	5,946,773	(77,646)	407,175	329,529
Other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	53,000	-	53,000
Transfers out	(135,000)	(110,000)	-	(213,000)	(5,950,000)	-	-	(6,408,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(135,000)</b>	<b>(110,000)</b>	<b>-</b>	<b>(213,000)</b>	<b>(5,950,000)</b>	<b>-</b>	<b>-</b>	<b>(6,408,000)</b>	<b>53,000</b>	<b>-</b>	<b>53,000</b>
Net changes in fund balances	11,985	5,135	(12,155)	31,720	(498,102)	-	190	(461,227)	(24,646)	407,175	382,529
Fund balances, beginning of year	41,488	37,279	173,880	53,335	2,964,309	-	12,619	3,282,910	37,820	2,079,176	2,116,996
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	41,488	37,279	173,880	53,335	2,964,309	-	12,619	3,282,910	37,820	2,079,176	2,116,996
<b>Fund balances, end of year</b>	<b>\$ 53,473</b>	<b>\$ 42,414</b>	<b>\$ 161,725</b>	<b>\$ 85,055</b>	<b>\$ 2,466,207</b>	<b>\$ -</b>	<b>\$ 12,809</b>	<b>\$ 2,821,683</b>	<b>\$ 13,174</b>	<b>\$ 2,486,351</b>	<b>\$ 2,499,525</b>

Capital Projects Funds

	'97/98 Capital Projects Fund	'01 Capital Projects Fund	'03 6.3 Mil Capital Projects Fund	'03 2.1 Mil Capital Projects Fund	'05 Capital Projects Fund	Tennis Center/ Library Expansion Fund	Bent Creek/ West Tech Park Fund	Tennis Center/ AU Portion Fund	AU Research Park Capital Projects Fund	Total	Total Nonmajor Governmental Funds
Revenues											
Motor fuel taxes	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 242,852
General property tax	-	-	-	-	-	-	-	-	-	-	7,856,996
State shared taxes	-	-	-	-	-	-	-	-	-	-	288,733
Contributions from the public	-	-	-	-	-	-	-	-	-	-	7,799
Grants	-	-	42,619	-	87,977	-	-	-	-	130,596	963,380
Program income	-	-	-	-	-	-	-	-	-	-	29,023
Interest	18,705	14,050	94,987	16,796	177,102	-	170,003	-	41,090	532,733	863,297
Miscellaneous	-	-	-	-	546	-	-	-	-	546	-
Total revenues	18,705	14,050	137,606	16,796	265,625	-	170,003	-	41,090	663,875	10,222,626
Expenditures											
General government and administration	-	-	-	-	-	-	-	-	-	-	175,769
Public works	-	-	62,785	-	-	-	-	-	-	62,785	62,785
Environmental services	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	12,526
Library	-	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-	-	-	-
Employee services	-	-	-	-	-	-	-	-	-	-	-
Risk management	-	-	-	-	-	-	-	-	-	-	-
Total departmental	-	-	62,785	-	-	-	-	-	-	62,785	596,805
Non-departmental	-	-	-	-	-	-	-	-	-	-	326,572
Debt service	-	-	-	-	-	-	-	-	7,817	7,817	2,074,484
Capital outlay	-	422,206	1,724,066	547,194	772,353	46,737	37,875	-	-	3,550,431	3,905,621
Intergovernmental	-	-	33,430	25,954	2,092,380	-	-	-	2,943,953	5,095,717	5,095,717
Payments to component units	-	-	-	-	-	-	310,652	161,117	-	471,769	471,769
Total expenditures	-	422,206	1,820,281	573,148	2,864,733	46,737	348,527	161,117	2,951,770	9,188,519	12,470,968
Excess (deficiency) of revenues over expenditures	18,705	(408,156)	(1,682,675)	(556,352)	(2,599,108)	(46,737)	(178,524)	(161,117)	(2,910,680)	(8,524,644)	(2,248,342)
Other financing sources (uses)											
Debt issuance	-	-	-	-	-	-	6,000,000	3,700,000	5,000,000	14,700,000	14,700,000
Premium on debt issued	-	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	(649,522)	-	-	-	-	-	-	-	-	(649,522)	53,000
Total other financing sources (uses)	(649,522)	-	-	-	-	-	6,000,000	3,700,000	5,000,000	14,150,478	7,795,478
Net changes in fund balances	(630,817)	(408,156)	(1,682,675)	(556,352)	(2,599,108)	(46,737)	5,821,476	3,538,883	2,089,320	5,625,834	5,547,136
Fund balances, beginning of year	530,817	459,759	2,812,507	557,504	4,880,953	-	-	-	(180,382)	9,061,158	14,461,064
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	530,817	459,759	2,812,507	557,504	4,880,953	-	-	-	(180,382)	9,061,158	14,461,064
Fund balances, end of year	-	\$ 51,603	\$ 1,129,832	\$ 1,152	\$ 2,281,845	\$ (46,737)	\$ 5,821,476	\$ 3,538,883	\$ 1,908,938	\$ 14,686,992	\$ 20,008,200

CITY OF AUBURN, ALABAMA  
SEVEN-CENT GAS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
*BUDGET AND ACTUAL*  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
State shared taxes	\$ 144,000	\$ 144,000	\$ 145,136	\$ 1,136
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,849</u>	<u>849</u>
Total revenues	145,000	145,000	146,985	1,985
Transfers out	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>-</u>
Net changes in fund balances	10,000	10,000	11,985	1,985
Fund balances, beginning of year	<u>41,488</u>	<u>41,488</u>	<u>41,488</u>	<u>-</u>
Fund balances, end of year	<u>\$ 51,488</u>	<u>\$ 51,488</u>	<u>\$ 53,473</u>	<u>\$ 1,985</u>

CITY OF AUBURN, ALABAMA  
FOUR-CENT GAS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
*BUDGET AND ACTUAL*  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
State shared taxes	\$ 101,500	\$ 101,500	\$ 113,597	\$ 12,097
Interest	<u>500</u>	<u>500</u>	<u>1,538</u>	<u>1,038</u>
Total revenues	102,000	102,000	115,135	13,135
Transfers out	<u>(110,000)</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
Net changes in fund balances	(8,000)	(8,000)	5,135	13,135
Fund balances, beginning of year	<u>37,279</u>	<u>37,279</u>	<u>37,279</u>	<u>-</u>
Fund balances, end of year	<u>\$ 29,279</u>	<u>\$ 29,279</u>	<u>\$ 42,414</u>	<u>\$ 13,135</u>

CITY OF AUBURN, ALABAMA  
PUBLIC SAFETY SUBSTANCE ABUSE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions from the public	\$ 2,000	\$ 5,895	\$ 7,799	\$ 1,904
Interest	<u>2,800</u>	<u>6,500</u>	<u>7,449</u>	<u>949</u>
Total revenues	<u>4,800</u>	<u>12,395</u>	<u>15,248</u>	<u>2,853</u>
Expenditures				
Public safety	8,500	18,000	12,526	5,474
Capital outlay	<u>-</u>	<u>15,000</u>	<u>14,877</u>	<u>123</u>
Total expenditures	<u>8,500</u>	<u>33,000</u>	<u>27,403</u>	<u>5,597</u>
Net changes in fund balances	(3,700)	(20,605)	(12,155)	8,450
Fund balances, beginning of year	<u>173,880</u>	<u>173,880</u>	<u>173,880</u>	<u>-</u>
Fund balances, end of year	<u>\$ 170,180</u>	<u>\$ 153,275</u>	<u>\$ 161,725</u>	<u>\$ 8,450</u>

CITY OF AUBURN, ALABAMA  
CITY GAS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Motor fuel taxes	\$ 230,000	\$ 230,000	\$ 242,852	\$ 12,852
Interest	<u>750</u>	<u>750</u>	<u>1,868</u>	<u>1,118</u>
Total revenues	<u>230,750</u>	<u>230,750</u>	<u>244,720</u>	<u>13,970</u>
Transfers out	<u>(239,500)</u>	<u>(239,500)</u>	<u>(213,000)</u>	<u>26,500</u>
Net changes in fund balances	(8,750)	(8,750)	31,720	40,470
Fund balances, beginning of year	<u>53,335</u>	<u>53,335</u>	<u>53,335</u>	<u>-</u>
Fund balances, end of year	<u>\$ 44,585</u>	<u>\$ 44,585</u>	<u>\$ 85,055</u>	<u>\$ 40,470</u>

CITY OF AUBURN ALABAMA  
SPECIAL ADDITIONAL SCHOOL TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
*BUDGET AND ACTUAL*  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax	\$ 4,862,506	\$ 5,283,200	\$ 5,501,445	\$ 218,245
Interest	62,750	160,000	176,837	16,837
Total revenues	<u>4,925,256</u>	<u>5,443,200</u>	<u>5,678,282</u>	<u>235,082</u>
Expenditures				
Non-departmental	<u>192,614</u>	<u>193,000</u>	<u>226,384</u>	<u>(33,384)</u>
Excess (deficiency) of revenues over expenditures	4,732,642	5,250,200	5,451,898	201,698
Other financing sources (uses)				
Transfers out	<u>(5,950,000)</u>	<u>(5,950,000)</u>	<u>(5,950,000)</u>	<u>-</u>
Net changes in fund balances	(1,217,358)	(699,800)	(498,102)	201,698
Fund balances, beginning of year	<u>2,964,309</u>	<u>2,964,309</u>	<u>2,964,309</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,746,951</u>	<u>\$ 2,264,509</u>	<u>\$ 2,466,207</u>	<u>\$ 201,698</u>

CITY OF AUBURN, ALABAMA  
GORSIW SERIES 76 DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
*BUDGET AND ACTUAL*  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 500	\$ 500	\$ 2,304	\$ 1,804
Total revenues	<u>500</u>	<u>500</u>	<u>2,304</u>	<u>1,804</u>
Expenditures				
Debt service	<u>79,950</u>	<u>79,950</u>	<u>79,950</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(79,450)	(79,450)	(77,646)	1,804
Other financing sources (uses)				
Transfers in	<u>79,500</u>	<u>79,500</u>	<u>53,000</u>	<u>(26,500)</u>
Net changes in fund balances	50	50	(24,646)	(24,696)
Fund balances, beginning of year	<u>37,820</u>	<u>37,820</u>	<u>37,820</u>	<u>-</u>
Fund balances, end of year	<u>\$ 37,870</u>	<u>\$ 37,870</u>	<u>\$ 13,174</u>	<u>\$ (24,696)</u>

CITY OF AUBURN, ALABAMA  
SPECIAL FIVE MILL TAX DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
*BUDGET AND ACTUAL*  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax	\$ 2,217,214	\$ 2,371,000	\$ 2,355,551	\$ (15,449)
Interest	50,000	122,000	138,529	16,529
Total revenues	<u>2,267,214</u>	<u>2,493,000</u>	<u>2,494,080</u>	<u>1,080</u>
Expenditures				
Non-departmental	90,575	92,000	100,188	(8,188)
Debt service	<u>1,989,419</u>	<u>1,989,419</u>	<u>1,986,717</u>	<u>2,702</u>
Total expenditures	<u>2,079,994</u>	<u>2,081,419</u>	<u>2,086,905</u>	<u>(5,486)</u>
Net changes in fund balances	187,220	411,581	407,175	(4,406)
Fund balances, beginning of year	<u>2,079,176</u>	<u>2,079,176</u>	<u>2,079,176</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,266,396</u>	<u>\$ 2,490,757</u>	<u>\$ 2,486,351</u>	<u>\$ (4,406)</u>





City of Auburn



**Capital Assets Used in the Operation of  
Governmental Funds**

City of Auburn

CITY OF AUBURN, ALABAMA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE  
 SEPTEMBER 30, 2006

Governmental funds capital assets	
Land, buildings and improvements	\$ 41,950,257
Construction in progress	1,982,280
Communication equipment	257,378
Heavy equipment	2,340,770
Office equipment	2,175,129
Small tools and equipment	920,221
Vehicles	7,803,442
Infrastructure	18,163,530
Total governmental funds capital assets	<u>\$ 75,593,007</u>

Investment in governmental funds capital assets by source	
General fund revenues	\$ 33,231,123
Capital projects funds	33,356,494
Federal grants	3,525,163
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	1,012,313
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	368,540
Total investment in governmental funds capital assets	<u>\$ 75,593,007</u>

CITY OF AUBURN, ALABAMA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY

Function and Activity	Total	Land			Construction		Heavy Equipment	Office Equipment	Small	
		Buildings & Improvements	in Progress	Communication Equipment	Tools and Equipment	Vehicles			Infrastructure	
General government and administration	\$ 732,072	\$ 27,021	\$ -	\$ -	\$ -	\$ 637,573	\$ -	\$ 67,478	\$ -	\$ -
Information technology	133,095	-	-	-	-	82,393	26,993	23,709	-	-
Geographical information systems	20,734	12,400	-	-	-	8,334	-	-	-	-
Judicial	182,023	150,855	-	-	-	7,495	-	23,673	-	-
Administrative	219,973	-	-	-	-	201,793	-	18,180	-	-
Finance										
Total general government and administration	1,287,897	190,276	-	-	-	937,588	26,993	133,040	-	-
Public works	8,969,785	221,607	-	-	1,071,081	98,380	52,828	992,769	6,533,120	-
Environmental services	3,085,414	73,536	-	-	513,541	6,658	113,625	2,378,054	-	-
Public safety administration	422,804	262,805	-	81,129	-	21,454	-	57,416	-	-
Fire	2,187,615	14,300	-	-	291,774	-	89,146	1,792,395	-	-
Police and jail administration	2,198,993	133,600	-	54,344	-	20,148	412,127	1,578,774	-	-
Codes enforcement	77,332	-	-	-	-	7,421	-	69,911	-	-
Library	3,221,744	3,038,097	-	-	-	183,647	-	-	-	-
Parks and recreation	13,725,502	8,921,623	-	-	458,129	5,425	190,531	727,100	3,422,694	-
Planning	42,769	-	-	-	-	5,583	-	37,186	-	-
Human resource management	482,330	462,889	-	-	-	-	-	19,441	-	-
Economic development	170,323	152,967	-	-	-	-	-	17,356	-	-
Total departmental	35,872,508	13,471,700	-	135,473	2,334,525	1,286,304	885,250	7,803,442	9,955,814	-
Nondepartmental	39,720,499	28,478,557	1,982,280	121,905	6,245	888,825	34,971	-	8,207,716	-
Total governmental funds capital assets	\$ 75,593,007	\$ 41,950,257	\$ 1,982,280	\$ 257,378	\$ 2,340,770	\$ 2,175,129	\$ 920,221	\$ 7,803,442	\$ 18,163,530	\$ -

CITY OF AUBURN, ALABAMA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Governmental Funds Capital Assets September 30, 2005	Additions	Transfers and Deductions	Governmental Funds Capital Assets September 30, 2006
General government and administration				
Information technology	\$ 627,264	\$ 104,808	\$ -	\$ 732,072
Geographical information systems	95,396	37,699	-	133,095
Judicial	20,734	-	-	20,734
Administrative	31,168	150,855	-	182,023
Finance	45,603	174,370	-	219,973
Total general government and administration	820,165	467,732	-	1,287,897
Public works administration	3,197,287	5,948,158	(175,660)	8,969,785
Environmental services	2,804,947	654,414	(373,947)	3,085,414
Public safety administration	236,304	186,500	-	422,804
Fire	2,072,565	279,812	(164,762)	2,187,615
Police and jail administration	2,041,070	629,488	(471,565)	2,198,993
Codes enforcement	77,332	-	-	77,332
Library	3,221,744	-	-	3,221,744
Parks and recreation	8,257,056	5,508,967	(40,521)	13,725,502
Planning	56,089	-	(13,320)	42,769
Human resource management	19,441	462,889	-	482,330
Economic development	72,621	170,323	(72,621)	170,323
Total departmental	22,876,621	14,308,283	(1,312,396)	35,872,508
Nondepartmental	48,057,451	5,060,930	(13,397,882)	39,720,499
Total governmental funds capital assets	<u>\$ 70,934,072</u>	<u>\$ 19,369,213</u>	<u>\$ (14,710,278)</u>	<u>\$ 75,593,007</u>

# STATISTICAL SECTION

This part of the City of Auburn’s comprehensive annual financial report presents detailed information about the government’s economic condition. This section aids in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends – Tables 1-5</b> .....	<b>135</b>
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
<b>Revenue Capacity – Tables 6-8</b> .....	<b>142</b>
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, the sales tax.</i>	
<b>Debt Capacity – Tables 9-13</b> .....	<b>144</b>
<i>These schedules contain information to help the reader assess the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information – Tables 14-15</b> .....	<b>147</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
<b>Operating Information – Tables 16-18</b> .....	<b>149</b>
<i>These schedules contain information to help the reader understand the government’s operations and resources.</i>	

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.



City of Auburn

Table 1

## City of Auburn

## Net Assets by Activity Type

Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Primary government - governmental activities				
Invested in capital assets, net of related debt	\$ 17,249,619	\$ 23,976,799	\$ 22,454,277	\$ 30,277,386
Restricted	(26,814,317)	4,901,497	6,983,053	8,295,236
Unrestricted	13,771,290	(15,733,465)	(41,830,047)	(47,917,701)
Total governmental activities net assets	<u>\$ 4,206,592</u>	<u>\$ 13,144,831</u>	<u>\$ (12,392,717)</u>	<u>\$ (9,345,079)</u>
Primary government - business-type activities				
Invested in capital assets, net of related debt	\$ 12,466,156	\$ 11,725,340	\$ 12,376,420	\$ 14,868,116
Restricted	9,621,721	4,444,361	1,460,163	1,931,130
Unrestricted	(7,469,591)	339,141	4,510,401	3,535,503
Total business-type activities net assets	<u>\$ 14,618,286</u>	<u>\$ 16,508,842</u>	<u>\$ 18,346,984</u>	<u>\$ 20,334,749</u>
Total primary government				
Invested in capital assets, net of related debt	\$ 29,715,775	\$ 35,702,139	\$ 34,830,697	\$ 45,145,502
Restricted	(17,192,596)	9,345,858	8,443,216	10,226,366
Unrestricted	6,301,699	(15,394,324)	(37,319,646)	(44,382,198)
Total primary government net assets	<u>\$ 18,824,878</u>	<u>\$ 29,653,673</u>	<u>\$ 5,954,267</u>	<u>\$ 10,989,670</u>



**Table 2**  
**City of Auburn**  
**Changes in Net Assets**  
Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government and administration	\$ 3,807,989	\$ 4,189,200	\$ 4,789,687	\$ 4,660,538
Public works	2,598,479	2,724,146	2,960,817	9,169,765
Environmental services	3,563,536	3,498,406	4,038,158	4,008,405
Public safety	9,428,411	10,699,162	12,634,612	12,887,286
Library	947,709	1,052,313	1,146,947	1,292,363
Parks and recreation	3,598,629	3,745,118	4,247,362	4,962,677
Planning	379,761	381,375	502,342	492,700
Social and economic development	1,454,453	1,559,427	3,894,096	5,765,202
Employee services	434,485	440,976	472,238	483,065
Risk management	254,694	426,002	506,603	1,018,109
Payments to component units	8,105,050	10,404,387	-	-
Education (payments to Board of Education)	-	-	42,322,984	10,001,243
Interest on long-term debt	3,220,265	3,508,570	3,929,464	5,519,505
Total governmental activities expenses	<u>37,793,461</u>	<u>42,629,082</u>	<u>81,445,310</u>	<u>60,260,858</u>
Business-type activities:				
Sewer	4,487,091	4,434,526	4,753,076	6,221,067
Industrial Parks	188	226	213	284
Total business-type activities expenses	<u>4,487,279</u>	<u>4,434,752</u>	<u>4,753,289</u>	<u>6,221,351</u>
Total primary government expenses	<u>\$ 42,280,740</u>	<u>\$ 47,063,834</u>	<u>\$ 86,198,599</u>	<u>\$ 66,482,209</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government and administration	\$ 6,239,721	\$ 6,997,753	\$ 7,455,522	\$ 8,109,059
Public works	800	1,906	-	-
Environmental services	2,147,653	2,304,068	2,459,025	2,571,865
Public safety	594,138	799,832	2,620,202	2,611,876
Library	11,300	12,427	16,125	30,226
Parks and recreation	249,791	231,676	413,535	690,660
Planning	50,233	58,427	60,323	59,962
Employee services	676,662	-	-	-
Risk management	-	144,095	187,407	457,318
Operating grants and contributions	1,251,871	2,093,912	1,678,375	2,051,801
Capital grants and contributions	857,782	548,829	306,081	861,585
Total governmental activities program revenue	<u>12,079,951</u>	<u>13,192,925</u>	<u>15,196,595</u>	<u>17,444,352</u>
Business-type activities:				
Charges for services:				
Sewer	5,113,315	5,223,391	5,271,475	6,098,422
Capital grants and contributions	921,575	900,675	979,578	1,524,865
Total business-type activities program revenues	<u>6,034,890</u>	<u>6,124,066</u>	<u>6,251,053</u>	<u>7,623,287</u>
Total primary government program revenues	<u>\$ 18,114,841</u>	<u>\$ 19,316,991</u>	<u>\$ 21,447,648</u>	<u>\$ 25,067,639</u>
Net (expense)/revenue				
Governmental activities	\$ (25,713,510)	\$ (29,436,157)	\$ (66,248,715)	\$ (42,816,506)
Business-type activities	1,547,611	1,689,314	1,497,764	1,401,936
Total primary government net expense	<u>\$ (24,165,899)</u>	<u>\$ (27,746,843)</u>	<u>\$ (64,750,951)</u>	<u>\$ (41,414,570)</u>

\*GFOA recommended that we not have the payments to component units. Starting with FY 2005, payments to the IDB are included in social and economic development. Payments to the school board are listed separately.

Table 2 Continued

	Fiscal Year			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>				
Government activities:				
Taxes:				
Sales taxes	\$ 14,589,315	\$ 17,959,076	\$ 18,429,013	\$ 20,773,724
Occupational license fees	5,557,851	7,197,943	6,785,103	7,402,470
Property taxes	8,553,150	10,176,644	11,791,602	12,658,858
Motor fuel taxes	483,054	495,322	461,800	491,778
Lodging taxes	548,362	568,887	668,094	1,085,063
Rental and leasing taxes	1,121,061	1,463,934	1,456,463	1,591,682
Cigarette taxes	102,809	96,708	91,188	93,177
Alcoholic beverage taxes	25,790	27,051	29,473	30,551
Interest and investment earnings	887,885	854,188	981,502	1,884,183
Gain (loss) on disposal of assets	(1,074,742)	2,644	18,245	139,743
Miscellaneous	21,545	28,312	6,655	38,151
Special items	-	-	173,492	(453,119)
Extraordinary items	-	-	221,070	-
Transfers	111,910	120,424	(95,349)	127,883
Total governmental activities	<u>30,927,990</u>	<u>38,991,133</u>	<u>41,018,351</u>	<u>45,864,144</u>
Business-type activities:				
Interest and investment earnings	353,612	321,665	245,029	416,657
Gain (loss) on disposal of assets	(2,255)	-	-	18,895
Miscellaneous	-	-	-	278,160
Transfers	(111,910)	(120,424)	95,349	(127,883)
Total business-type activities	<u>239,447</u>	<u>201,241</u>	<u>340,378</u>	<u>585,829</u>
Total primary government	<u>\$ 31,167,437</u>	<u>\$ 39,192,374</u>	<u>\$ 41,358,729</u>	<u>\$ 46,449,973</u>
<b>Changes in Net Assets</b>				
Governmental activities	5,214,480	9,554,976	(25,230,364)	3,047,638
Business-type activities	1,787,058	1,890,555	1,838,142	1,987,765
Total primary government	<u>\$ 7,001,538</u>	<u>\$ 11,445,531</u>	<u>\$ (23,392,222)</u>	<u>\$ 5,035,403</u>

Table 3

**City of Auburn ~ Primary Government**  
**General Government Tax Revenues by Source <sup>(1)</sup>**

Last Ten Fiscal Years

*Unaudited*

Fiscal Year	Sales & Use Tax	Cigarette & ABC* Tax	Motor Fuel Tax	Lodging and Rental Tax	Financial Institution Tax	Motor Vehicle Tax	General Property Tax	Totals
1997	\$ 9,739,125	\$ 112,841	\$ 560,098	\$ 293,576	\$ 110,621	\$ 76,027	\$ 5,390,311 <sup>(2)</sup>	\$ 16,282,599
1998	10,300,115	124,329	590,923	292,834	100,516	66,570	5,431,807	16,907,094
1999	11,313,849	122,863	625,478	313,969	100,493	64,854	5,969,272	18,510,778
2000	12,154,032	116,981	653,974	439,425	36,447	76,447	7,082,494	20,559,800
2001	12,554,602	105,137	680,049	513,913	22,755	74,584	7,459,103	21,410,143
2002	13,160,761	125,754	748,700	828,711	7,869	108,910	8,050,340	23,031,045
2003	14,589,315 <sup>(3)</sup>	144,608	708,905	967,841	39,374	84,500	8,388,489	24,923,032
2004	17,959,076	172,784	751,944	1,019,463	79,347	89,209	9,959,852	30,031,675
2005	18,429,012	159,533	695,734	1,091,843	193,876	110,811	11,342,765	32,023,574
<b>2006</b>	<b>20,773,724</b>	<b>170,340</b>	<b>717,911</b>	<b>1,584,378 <sup>(4)</sup></b>	<b>450,412</b>	<b>87,880</b>	<b>12,699,720</b>	<b>36,484,365</b>

\* State Alcoholic Beverage Control Board

<sup>(1)</sup> Includes state shared taxes.

<sup>(2)</sup> Special School Tax Fund millage increased from 5 mills to 11 mills effective 10/1/96

<sup>(3)</sup> Sales tax rate increased from 2.5% to 3.0% effective 8/1/03.

<sup>(4)</sup> Lodging tax increased from 4% to 7% in FY2006.

**Table 4**  
**City of Auburn**  
**Fund Balances of Governmental Funds**

Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 1,127,119	\$ 2,596,287	\$ 1,499,497	\$ 1,560,286	\$ 2,114,199	\$ 1,463,210	\$ 5,559,675	\$ 8,697,744	\$ 7,820,742	\$ 9,305,314
Unreserved	3,031,289	3,088,423	5,353,434	5,742,247	7,663,595	12,635,576	13,480,580	21,426,238	19,488,460	18,451,274
Total general fund	<u>\$ 4,158,408</u>	<u>\$ 5,684,710</u>	<u>\$ 6,852,931</u>	<u>\$ 7,302,533</u>	<u>\$ 9,777,794</u>	<u>\$ 14,098,786</u>	<u>\$ 19,040,255</u>	<u>\$ 30,123,982</u>	<u>\$ 27,309,202</u>	<u>\$ 27,756,588</u>
All other governmental funds										
Reserved	\$ 4,520,710	\$ 6,233,529	\$ 4,046,112	\$ 3,877,600	\$ 3,294,305	\$ 3,702,320	\$ 1,423,641	\$ 4,520,843	\$ 2,991,480	\$ 4,190,300
Unreserved, reported in:										
Special revenue funds	1,397,770	1,453,272	1,585,723	2,773,620	2,626,707	1,687,538	1,213,631	2,526,426	4,634,413	3,898,499
Debt service funds	-	-	-	-	-	-	1,360,172	1,523,137	2,116,996	2,499,525
Capital projects funds	3,487,129	1,916,849	8,163,500	4,047,148	477,658	6,461,000	3,510,899	4,775,796	6,405,416	11,280,128
Total all other governmental funds	<u>\$ 9,405,609</u>	<u>\$ 9,603,650</u>	<u>\$ 13,795,335</u>	<u>\$ 10,698,368</u>	<u>\$ 6,398,670</u>	<u>\$ 11,850,858</u>	<u>\$ 7,508,343</u>	<u>\$ 13,346,202</u>	<u>\$ 16,148,305</u>	<u>\$ 21,868,452</u>

Table 5

## City of Auburn

## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Sales and use taxes	\$ 9,758,416	\$ 10,334,783	\$ 11,341,740	\$ 12,154,032	\$ 12,554,602	\$ 13,160,761	\$ 14,589,315	\$ 17,959,076	\$ 18,429,013	\$ 20,773,724
Occupational license fees	3,716,005	3,969,148	4,253,353	4,654,854	5,063,472	4,981,415	5,557,851	7,197,943	6,785,103	7,402,470
Motor fuel taxes	362,297	389,809	421,232	436,026	488,775	525,146	483,053	495,322	456,302	485,810
Lodging taxes	160,997	175,896	186,454	385,507	380,479	485,260	548,361	568,887	668,094	1,085,063
Rental and leasing taxes	880,493	888,118	937,072	781,310	936,397	1,172,031	1,121,061	1,463,934	1,456,463	819,682
Other taxes	239,215	274,534	298,440	171,277	124,832	129,467	128,599	123,759	120,661	123,728
Licenses and permits	2,898,640	3,040,924	3,198,118	3,808,628	4,339,969	4,406,442	4,886,027	5,597,240	6,001,452	6,518,522
General property tax	5,390,311	5,822,444	6,359,933	7,483,965	7,868,281	8,451,821	8,830,021	10,470,043	12,111,245	13,088,499
Charges for services	2,105,698	2,273,076	2,721,165	3,014,783	3,219,656	4,078,189	4,307,277	4,197,384	6,371,963	6,901,624
Fines and forfeitures	749,580	675,476	695,051	754,366	816,976	750,521	829,147	876,748	1,013,374	1,083,225
State shared taxes	397,622	460,784	476,665	429,873	571,516	676,609	735,804	838,939	1,021,092	1,285,313
Contributions from the public	3,345	123,840	546,608	282,457	219,279	667,344	327,407	1,371,735	194,769	320,747
Grants	957,136	255,305	88,934	363,506	1,169,960	1,202,656	1,237,731	2,011,292	793,940	1,284,695
Program income	372,407	329,421	889,679	240,500	201,009	320,624	467,518	481,957	549,327	127,229
Interest	467,483	760,049	758,038	1,230,958	980,948	871,934	855,743	855,952	985,974	1,883,720
Intergovernmental	-	126,000	1,700,000	-	-	-	-	-	-	-
Miscellaneous	766,476	251,076	364,125	415,208	259,158	335,117	105,879	108,811	75,695	95,972
Total revenues	29,226,121	30,150,683	35,236,607	36,607,250	39,195,309	42,215,337	45,010,794	54,619,022	57,034,467	63,280,023
<b>Expenditures</b>										
General government and administration	2,023,073	2,371,420	1,803,270	2,033,613	2,236,196	2,451,706	2,839,946	3,404,365	3,594,853	3,940,430
Public works	1,426,234	1,620,707	1,556,509	1,527,151	1,686,608	1,623,529	2,065,180	2,236,624	2,433,580	2,849,130
Environmental services	1,865,715	1,716,139	2,608,180	2,918,925	2,974,879	2,840,590	3,113,710	3,673,472	3,630,390	3,870,974
Public safety	6,157,088	6,820,249	7,111,819	7,266,313	7,765,481	7,931,330	8,448,024	10,162,166	11,757,986	12,527,380
Library	367,610	358,274	405,091	524,062	600,934	712,307	782,875	975,302	1,049,762	1,180,137
Parks and recreation	2,069,850	2,342,526	2,562,971	2,840,584	2,840,715	2,897,477	3,032,220	3,370,517	3,799,044	4,190,163
Housing rehab	-	-	-	-	4,838	72,850	-	-	-	-
Planning	332,435	328,312	297,658	317,167	315,014	355,626	346,760	373,985	507,098	486,927
Economic development	629,794	755,646	770,341	426,311	357,028	927,599	880,402	653,010	757,920	1,639,314
Employee services	274,185	300,858	309,625	337,905	339,936	352,443	399,949	427,345	459,278	472,691
Risk management	419,924	343,497	316,937	666,096	351,926	311,404	294,934	431,210	511,523	246,881
Non-departmental	389,634	542,578	774,355	953,209	1,005,195	2,441,539	2,739,900	1,403,798	1,422,240	1,867,443
Debt service										
Principal	2,329,408	2,683,815	2,911,005	3,211,543	5,648,624	4,727,943	3,105,726	5,499,994	19,570,595 *	6,183,601
Interest	1,947,265	2,239,005	1,738,522	2,408,740	2,567,056	3,028,691	3,747,321	3,503,675	4,318,811	5,519,505
Capital Outlay	4,088,907	6,584,804	8,495,353	11,447,448	10,899,385	4,617,953	7,347,636	6,530,914	12,983,719	7,328,307
Intergovernmental	3,470,362	3,560,092	4,496,973	4,030,782	4,914,630	4,867,674	796,317	809,166	1,177,306	6,742,832
Payments to component units	917,128	1,181,559	2,718,756	2,120,458	3,925,869	15,794,285	8,105,050	10,404,387	44,097,771	13,098,738
Total expenditures	28,708,612	33,749,481	38,877,365	43,030,307	48,434,314	55,954,946	48,045,950	53,859,930	112,071,876	72,144,453
Excess of revenues over (under) expenditures	517,509	(3,598,798)	(3,640,758)	(6,423,057)	(9,239,005)	(13,739,609)	(3,035,156)	759,092	(55,037,409)	(8,864,430)

Table 5 Continued

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Other financing sources (uses)</b>										
Debt issuance	\$ 6,921,625	\$ 18,847,785	\$ 8,836,730	\$ 3,810,608	\$ 5,149,620	\$ 36,062,829	\$ 5,196,627	\$ 16,356,598	\$ 58,835,646	\$ 14,740,290
Sale of surplus assets	-	-	-	-	-	-	-	-	-	177,942
Transfers in	2,038,206	2,384,106	2,593,632	4,139,568	2,256,830	4,217,365	4,328,628	4,281,419	9,148,733	7,071,256
Transfers out	(2,086,418)	(2,516,861)	(2,639,768)	(3,769,464)	(2,186,580)	(4,207,115)	(4,216,718)	(4,160,995)	(9,252,339)	(6,957,522)
Premium on debt issued	-	-	-	-	-	-	-	-	1,120,859	-
Payment to refunded bond escrow	-	(13,450,182)	-	-	-	(14,086,055)	-	-	(5,026,414)	-
Total other financing sources (uses)	6,873,413	5,264,848	8,790,594	4,180,712	5,219,870	21,987,024	5,308,537	16,477,022	54,826,485	15,031,966
Extraordinary item										
Insurance proceeds - fire in building	-	-	-	-	-	-	-	-	255,000	-
Net changes in fund balances	\$ 7,390,922	\$ 1,666,050	\$ 5,149,836	\$ (2,242,345)	\$ (4,019,135)	\$ 8,247,415	\$ 2,273,381	\$ 17,236,114	\$ 44,076	\$ 6,167,536
Debt service as a percentage of non-capital expenditures	18.4%	20.5%	16.7%	20.0%	23.3%	15.3%	17.6%	19.3%	24.3%	18.7%

\*This increase was due to the payoff of two lines of credit and permanently refinancing one.

**Table 6**  
**City of Auburn ~ Primary Government**  
**Components of Sales Tax Revenue**  
 Last Seven Fiscal Years\*  
 (amounts expressed in thousands)  
*Unaudited*

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003<sup>A</sup></b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Apparel Stores	\$ 25,092	\$ 24,427	\$ 24,133	\$ 25,743	\$ 30,979	\$ 38,138	\$ 74,473
Grocery Stores	69,887	57,469	55,523	56,877	57,269	59,929	53,307
Eating & Drinking Establishments	58,508	60,960	65,441	68,641	70,983	75,052	101,287
Mass General Merchandise Stores	69,508	100,374	98,117	95,854	98,680	97,799	86,922
Auto Dealers & Supplies	98,812	156,944	100,730	134,933	151,290	160,833	103,690
Building Materials	14,066	15,521	21,080	57,692	28,674	32,569	49,464
Home Furnishing & Appliances	2,228	3,359	4,327	4,543	4,503	2,471	9,240
All Other Retail Sales	147,979	83,146	157,089	106,209	155,255	146,209	211,555
<b>Totals</b>	<b>\$ 486,080</b>	<b>\$ 502,200</b>	<b>\$ 526,440</b>	<b>\$ 550,492</b>	<b>\$ 597,633</b>	<b>\$ 613,000</b>	<b>\$ 689,938</b>

\*The City does not have data prior to 2000 and plans to expand the years covered in the future.

<sup>A</sup>The sales tax rate for the City of Auburn changed from 2.5% to 3% in August 2003.

**Table 7**

**City of Auburn ~ Primary Government**  
**Revenue Rates for General Sales Tax**  
 Last Ten Fiscal Years  
*Unaudited*

<b>Fiscal Year</b>	<b>City Sales Tax Rate</b>	<b>County Sales Tax Rate</b>	<b>State Sales Tax Rate</b>	<b>Total Sales Tax Rate</b>
1997	2.5%	1.0%	4.0%	7.5%
1998	2.5%	1.0%	4.0%	7.5%
1999	2.5%	1.0%	4.0%	7.5%
2000	2.5%	1.0%	4.0%	7.5%
2001	2.5%	1.0%	4.0%	7.5%
2002	2.5%	1.0%	4.0%	7.5%
2003	3.0%	1.0%	4.0%	8.0%
2004	3.0%	1.0%	4.0%	8.0%
2005	3.0%	1.0%	4.0%	8.0%
<b>2006</b>	<b>3.0%</b>	<b>1.0%</b>	<b>4.0%</b>	<b>8.0%</b>

Source: State of Alabama Department of Revenue

Table 8  
**City of Auburn ~ Primary Government**  
**Principal Revenue Remitters of Sales and Use Tax<sup>1</sup>**  
 Current Year and Nine Years Ago  
*Unaudited*

<b>Employer</b>	<b>1997 Rank</b>	<b>2006 Rank</b>
Wal-Mart	4	1
Auburn University Financial Reporting	3	2
Kroger	5	3
Waid Home Center		4
Winn Dixie	1	5
Dillard's (formerly Gayfers)	2	6
Spencer Lumber Company	9	7
Bruno's	8	8
Carl Gregory Ford of Auburn		9
Belk		10
Sears	7	
J C Penney	10	
K-Mart	6	

<sup>1</sup> State law prohibits the disclosure of the amount of sales tax remitted and any information that could permit the remittance to be traced.



**Table 9**  
**City of Auburn ~ Primary Government**  
**Ratios of Outstanding Debt by Type <sup>(1)</sup>**

Last Ten Fiscal Years  
(dollar amounts expressed in thousands, except per capita amount)  
*Unaudited*

Fiscal Year	Governmental Activities				Business-Type Activities				Total Debt as		
	General		Capital		Sewer		General		Total Debt Primary Government	Percentage of Personal Income	Total Debt Per Capita
	Obligation Bonds		Leases		Bonds		Obligation Bonds <sup>(2)</sup>	Capital Leases			
1997	\$ 37,996	\$ 448	\$	-	\$	-	\$	86	\$ 38,530	6.39%	\$ 1,023
1998	41,517	401		-		-		47	41,965	7.12%	1,114
1999	47,739	372		-		-		6	48,117	6.91%	1,190
2000	48,050	660		-		-		142	48,852	6.03%	1,136
2001	46,765	1,443		-		-	30,048	110	78,366	10.56%	1,774
2002	65,805	952		-		-	30,330	74	97,161	12.04%	2,168
2003	67,872	530		-		-	30,253	38	98,693	11.33%	2,144
2004	79,058	199		-		-	30,253	38	109,548	12.04%	2,278
2005	113,591	68		-		-	30,111	-	143,770	15.71%	2,974
<b>2006</b>	<b>122,272</b>	<b>-</b>		<b>-</b>		<b>-</b>	<b>30,054</b>	<b>-</b>	<b>152,326</b>	<b>15.51%</b>	<b>3,051</b>

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>(1)</sup> The City does not have any special assessment bonds

<sup>(2)</sup> The City has issued General Obligation Bonds/Warrants for the Sewer Revenue Fund. It is the intention of the Council that the Bonds/Warrants be repaid from Sewer Fund revenue.

Table 10  
**City of Auburn ~ Primary Government**  
**Ratios of General Bonded Debt Outstanding**  
 Last Ten Fiscal Years  
 Unaudited

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt <sup>(1)</sup>	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
1997	\$ 37,996,342	\$ 3,255,817	\$ 34,740,525	2.87%	\$ 922
1998	41,516,810 <sup>(2)</sup>	2,691,429	38,825,381	2.89%	1,031
1999	47,739,467	2,687,321	45,052,146	2.63%	1,114
2000	48,049,589	1,933,975	46,115,614	2.56%	1,073
2001	78,366,373	1,894,330	76,472,043	3.96%	1,731
2002	97,160,213 <sup>(3)</sup>	1,894,330	95,265,883	4.65%	2,125
2003	98,692,366	1,360,172	97,332,194	4.02%	2,114
2004	78,912,853	1,523,137	77,389,716	2.89%	1,609
2005	113,590,812 <sup>(4)</sup>	2,116,996	111,473,816	4.40%	2,304
<b>2006</b>	<b>122,272,012</b>	<b>2,499,525</b>	<b>119,772,487</b>	<b>4.13%</b>	<b>2,399</b>

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>(1)</sup> Net bonded debt equals: G.O. bonds, notes, and warrants outstanding, less Debt Service funds' equity. Calculations exclude the G.O. debt intended to be repaid from sewer fund revenues.

<sup>(2)</sup> City issued \$11 million of G.O. School Warrants on behalf of the Board of Education to finance the construction of two new schools and a major addition to the Early Education Center. The City issues debt on the School Board's behalf.

<sup>(3)</sup> City issued \$27 million of G.O. Warrants to refund outstanding debt and to pay the costs of constructing schools under the jurisdiction of the Board of Education.

<sup>(4)</sup> City issued \$33 million of G. O. warrants to pay the costs of major additions to current schools and new school construction under the jurisdiction of the Board of Education.

Table 11  
**City of Auburn ~ Primary Government**  
**Direct and Overlapping Governmental Activities Debt**  
 Fiscal Year 2006  
 Unaudited

	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 149,465,647		
Less: Debt Service Funds Equity	2,499,525		
Net Direct Debt	146,966,122	100%	\$ 146,966,122
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 20,500,000	39%	7,995,000
Total Direct and Overlapping Debt			<u>\$ 154,961,122</u>

Sources: General bonded debt and warrants provided by the Lee County Administrator.

<sup>1</sup> The percentage of overlapping debt applicable is estimated based on population of the City of Auburn as compared to overall population in Lee County. Census Bureau Year 2000

**Table 12**  
**City of Auburn ~ Primary Government**  
**Legal Debt Margin Information**

Last Ten Fiscal Years  
(amounts expressed in thousands)  
*Unaudited*

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 42,199	\$ 46,721	\$ 59,571	\$ 63,096	\$ 67,830	\$ 71,831	\$ 100,557	\$ 96,665	\$ 98,146	\$ 98,974
Total net debt applicable to limit	16,327	20,176	28,045	29,019	28,652	34,379	35,994	33,844	45,617	61,224
Legal debt margin	\$ 25,872	\$ 26,545	\$ 31,526	\$ 34,077	\$ 39,179	\$ 37,453	\$ 64,563	\$ 62,821	\$ 52,529	\$ 37,750
Total net debt applicable to limit as a percentage of debt limit	38.69%	43.18%	47.08%	45.99%	42.24%	47.86%	35.79%	35.01%	46.48%	58.83%

**Legal Debt Margin Calculation for Fiscal Year 2006**

Assessed value	\$ 494,872,136
Debt limit (20% of total assessed value)	\$ 98,974,427
Debt applicable to limit:	
General obligation bonds	\$ 152,325,848
Less: Exempt Debt	94,101,670
Total net debt applicable to limit	58,224,178
Legal debt margin	\$ 40,750,249

Table 13

**City of Auburn ~ Primary Government**  
**Pledged Revenue Coverage<sup>(1)</sup>**

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Sewer G.O. Warrants <sup>(2)</sup>					
	Sewer Charges and Other <sup>(3)</sup>	Less: Operating Expenses <sup>(4)</sup>	Net Available Revenue	Principal	Interest	Coverage
1997	\$ 4,528,948	\$ 4,021,739	\$ 507,209	\$ -	\$ -	-
1998	4,504,720	4,106,580	398,140	-	-	-
1999	4,672,423	4,287,282	385,141	-	-	-
2000	5,014,902	4,742,308	272,594	-	-	-
2001	4,564,277	4,175,312	388,965	31,678	7,387	9.96
2002	5,241,693	2,135,104	3,106,589	-	1,492,907	2.08
2003	5,464,467	2,302,491	3,161,976	400,000	2,620,899	1.05
2004	5,543,200	2,312,004	3,231,196	415,000	2,524,900	1.10
2005	5,514,085	2,721,465	2,792,620	430,000	1,261,288	1.65
<b>2006</b>	<b>6,601,081</b>	<b>3,823,649</b>	<b>2,777,432</b>	<b>440,000</b>	<b>1,121,013</b>	<b>1.78</b>

<sup>(1)</sup> The City does not have any Special Assessment Bonds.

<sup>(2)</sup> General Obligation warrants issued but paid by Sewer Service Fee revenue.

<sup>(3)</sup> Includes sewer service charges, tapping fees, sewer access fees, gains on property disposals and other non-operating revenues.

<sup>(4)</sup> Includes operating expenses and operating transfers out less depreciation expense.

Table 14

**City of Auburn ~ Primary Government**  
**Demographic and Economic Statistics**

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Population <sup>(1)</sup>	Personal Income (expressed in thousands)	Per Capita Personal Income (Lee County) <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
1997	37,664	\$ 683,376	\$ 18,144	4.9%
1998	37,664	712,189	18,909	3.4%
1999	40,425	789,217	19,523	3.6%
2000	42,987	870,659	20,254	3.4%
2001	44,179	916,670	20,749	3.6%
2002	44,822	961,925	21,461	4.2%
2003	46,032	1,025,731	22,283	4.0%
2004	48,096	1,136,605	23,632	4.2%
2005	48,348	1,142,560	23,632	3.0%
<b>2006</b>	<b>49,928</b>	<b>1,179,898</b>	<b>23,632</b>	<b>2.8%</b>

<sup>(1)</sup> U. S. Census Bureau

<sup>(2)</sup> U. S. Department of Commerce, Bureau of Economic Analysis

<sup>(3)</sup> State of Alabama, Department of Industrial Relations

Table 15

**City of Auburn ~ Primary Government**  
**Principal Employers**

Current Year and Nine Years Ago  
*Unaudited*

Employer	1997			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University	4,480	1	12.16%	5,000	1	13.57%
Briggs & Stratton Corporation	720	2	1.95%	750	2	2.04%
Auburn City Schools	514	3	1.40%	685	3	1.86%
City of Auburn and Auburn Water Works Board	336	5	0.91%	570	4	1.55%
Masterbrand Cabinets				450	5	1.22%
Rexnord				245	6	0.67%
Donaldson Company, Inc.				230	7	0.62%
Matrix Wire				170	8	0.46%
ATS Wheels				170	8	0.46%
CV Holdings	257	7	0.70%	150	9	0.41%
Capitol Vial	390	4	1.06%	150	9	0.41%
Winn Dixie	303	6	0.82%			
Auburn University Hotel & Conference Center	205	8	0.56%			
Gayfers	198	9	0.54%			
Federal Government	160	10	0.43%			
Kroger						
<b>Total</b>	<b>7,563</b>		<b>20.53%</b>	<b>8,570</b>		<b>23.26%</b>

Source: City of Auburn Economic Development Department, U. S. Census Bureau

Table 16  
**City of Auburn ~ Primary Government**  
**Regular Full-Time Employees by Function/Program**

Last Ten Fiscal Years  
*Unaudited*

	Regular Full-Time Employees as of September 30									
Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	59	55	70	78	82	88	91	93	95	95
Public Safety										
Police	78	77	79	74	77	78	76	104	95	105
Fire	34	34	34	31	29	30	28	28	37	36
Communications	6	6	6	6	6	6	6	6	6	7
Codes	4	4	4	4	4	4	6	7	8	8
Public Works										
Engineering	17	19	9	8	8	8	10	10	10	11
Construction & Maintenance	26	22	12	10	10	11	15	15	17	17
Inspection	n/a	n/a	4	4	4	3	4	4	4	5
Traffic Engineering	n/a	n/a	n/a	3	3	2	3	2	3	3
Environmental Services										
Recycling	n/a	n/a	14	14	13	14	15	16	15	16
Solid Waste	36	36	17	15	10	14	13	13	14	15
Animal Control	2	2	2	2	2	1	2	2	2	2
ROW	n/a	n/a	15	6	7	6	9	5	6	7
Fleet Services	7	8	8	8	9	8	9	9	10	10
Parks and Recreation										
Leisure Services	13	12	13	14	15	15	15	15	14	13
Parks & Facilities	20	21	24	24	24	24	24	24	25	26
Sewer	10	11	12	24	11	11	11	11	15	15
<b>Total</b>	<b>312</b>	<b>307</b>	<b>323</b>	<b>325</b>	<b>314</b>	<b>323</b>	<b>337</b>	<b>364</b>	<b>376</b>	<b>391</b>

Source: City of Auburn Human Resources Department

Table 17

**City of Auburn ~ Primary Government  
Operating Indicators by Function/Program**

Last Ten Fiscal Years  
Unaudited

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Physical arrests	2,591	2,407	2,208	2,385	3,246	2,595	2,135	2,339	2,921	2,574
Traffic violations	7,649	6,542	6,155	6,371	7,642	7,058	6,535	7,892	9,490	10,435
Fire										
Number of calls answered	678	739	844	987	981	1,119	1,167	1,149	1,147	1,342
Inspections <sup>^</sup>	4,651	5,869	5,678	6,421	6,148	6,208	6,314	6,256	6,324	1,860
Public Works										
Potholes repaired	n/a	n/a	1,667	1,761	1,798	939	805	403	414	347
Environmental Services										
Refuse collected (tons/day)*	n/a	59	57	58	57	67	68	72	85	85
Recyclable collected (tons/day)*	2.33	1.86	2.08	2.59	2.72	3.49	3.46	3.38	3.52	3.89
Parks and Recreation										
Athletic participants	4,351	4,737	4,692	4,915	4,791	4,824	4,501	5,391	4,956	4,623
Community center admissions	79,987	51,841	115,220	89,672	92,092	87,033	81,659	75,001	83,374	114,484
Sewer										
Average daily sewage treatment (millions of gallons)	5.92	6.11	4.72	5.10	5.40	5.14	6.60	6.15	6.86	6.10

\*Each year consists of 251 work days.

<sup>^</sup>A change in software lowered the number of inspections performed in 2006.

Source: City departments

Table 18

**City of Auburn ~ Primary Government  
Capital Asset Statistics by Function/Program**

Last Ten Fiscal Years  
*Unaudited*

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	49	34	49	45	59	59	77	86	88	88
Fire stations	2	4	4	4	4	4	4	4	4	4
Environmental Services										
Collection trucks	9	4	5	7	8	8	8	8	8	8
Public Works										
Streets (miles)	80	123	160	196	196	286	565	597	650	650
Signaled Intersections	39	40	41	43	45	47	49	50	50	50
Parks and Recreation										
Parks acreage	1,820	1,820	1,820	1,820	1,838	1,838	1,914	1,914	1,914	1,914
Swimming pools	1	1	2	2	2	2	2	2	2	2
Tennis courts	14	14	14	14	14	14	14	10	10	10
Community centers	3	3	3	3	3	3	3	3	3	3
Sewer										
Sanitary sewers (miles)	120	125	133	138	170	176	195	201	210	210
Maximum daily treatment capacity (millions of gallons)	7	7	7	7	7	7	7	7	7	7

Sources: City departments





City of Auburn

**City of Auburn, Alabama**

**Appendix I  
General Fund\***

Schedule of Revenues by Source and Other Financing Sources - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2006

	FY 2006			FY 2005	FY 06 > FY 05	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Amount	As %
<b>Revenues</b>						
<b>Locally levied taxes</b>						
Cigarette taxes	\$ 85,000	\$ 93,177	\$ 8,177	\$ 91,188	\$ 1,989	2.18%
Gasoline taxes	202,100	242,958	40,858	220,541	22,417	10.16%
Sales and use taxes	19,572,800	20,773,724	1,200,924	18,429,013	2,344,711	12.72%
Lodging taxes	985,000	1,085,063	100,063	668,094	416,969	62.41%
Rental and leasing taxes	465,000	499,315	34,315	426,891	72,424	16.97%
<b>Total locally levied taxes</b>	<b>21,309,900</b>	<b>22,694,237</b>	<b>1,384,337</b>	<b>19,835,727</b>	<b>2,858,510</b>	<b>14.41%</b>
<b>Licenses and permits</b>						
Franchise fees	779,205	779,205	-	709,981	69,224	9.75%
Business license fees	4,458,900	4,237,279	(221,621)	4,697,510	(460,231)	-9.80%
Construction permits and fees	1,630,000	1,696,800	66,800	1,467,474	229,326	15.63%
Occupation license fees	7,350,000	7,402,470	52,470	6,785,103	617,367	9.10%
Parking fees	116,200	116,818	618	148,277	(31,459)	-21.22%
Wholesale wine permits	30,000	30,551	551	29,473	1,078	3.66%
Dog licenses	6,200	6,387	187	6,485	(98)	-1.51%
<b>Total licenses and permits</b>	<b>14,370,505</b>	<b>14,269,509</b>	<b>(100,996)</b>	<b>13,844,303</b>	<b>425,206</b>	<b>3.07%</b>
<b>General property taxes</b>						
Ad valorem taxes	2,554,400	2,341,909	(212,491)	2,124,956	216,953	10.21%
Contributions in lieu of ad valorem taxes	604,249	388,778	(215,471)	768,480	(379,702)	-49.41%
<b>Total general property taxes</b>	<b>3,158,649</b>	<b>2,730,687</b>	<b>(427,962)</b>	<b>2,893,436</b>	<b>(162,749)</b>	<b>-5.62%</b>
<b>Fees for services</b>						
Solid waste collection fees	2,535,000	2,557,582	22,582	2,441,380	116,202	4.76%
E-911 service fees	426,700	415,753	(10,947)	429,971	(14,218)	-3.31%
Parks and recreation fees	323,990	338,962	14,972	316,564	22,398	7.08%
Public safety charges	2,050,000	2,165,192	115,192	2,032,035	133,157	6.55%
Sewer management fees	126,000	126,000	-	126,000	-	0.00%
Judicial system fees	174,840	195,888	21,048	190,226	5,662	2.98%
Information Technology service fees	-	-	-	12,300	(12,300)	-100.00%
Cemetery fees	310,800	316,345	5,545	69,300	247,045	356.49%
Planning fees	60,000	59,962	(38)	60,323	(361)	-0.60%
Finance fees	3,300	3,480	180	2,667	813	30.50%
Library fees	28,000	30,226	2,226	16,125	14,101	87.45%
Public Works fees	12,900	12,888	(12)	(156)	13,044	-8361.84%
<b>Total fees for services</b>	<b>6,051,530</b>	<b>6,222,279</b>	<b>170,749</b>	<b>5,696,735</b>	<b>525,544</b>	<b>9.23%</b>
<b>Fines and forfeitures</b>						
Court fines	794,700	920,106	125,406	876,245	43,861	5.01%
Parking fines	139,500	163,120	23,620	137,129	25,991	18.95%
<b>Total fines and forfeitures</b>	<b>934,200</b>	<b>1,083,225</b>	<b>149,025</b>	<b>1,013,374</b>	<b>69,851</b>	<b>6.89%</b>
<b>State shared taxes</b>						
Business privilege tax	157,255	157,256	1	156,085	1,171	0.75%
Alabama Trust Fund distribution	253,868	253,869	1	231,327	22,542	9.74%
Motor vehicle tax	192,000	87,880	(104,120)	110,811	(22,931)	-20.69%
Financial Institution Excise Tax	450,412	450,412	-	193,876	256,536	132.32%

**City of Auburn, Alabama**

**Appendix I  
General Fund\***

Schedule of Revenues by Source and Other Financing Sources - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2006

	FY 2006			FY 2005	FY 06 > FY 05	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Amount	As %
<b>State shared taxes (continued)</b>						
Alcoholic Beverage Control						
Board profits distribution	\$ 77,000	\$ 77,163	\$ 163	\$ 68,345	\$ 8,818	12.90%
<i>Total state shared taxes</i>	<u>1,130,535</u>	<u>1,026,580</u>	<u>(103,955)</u>	<u>760,444</u>	<u>266,136</u>	<u>35.00%</u>
<b>Contributions from the public</b>						
For infrastructure projects	-	175,000	175,000	-	175,000	n/a
For parks and recreation	24,500	24,527	27	51,567	(27,040)	-52.44%
Other donations	62,788	15,679	(47,109)	6,435	9,244	143.65%
<i>Total contributions from the public</i>	<u>87,288</u>	<u>215,206</u>	<u>127,918</u>	<u>58,002</u>	<u>157,204</u>	<u>271.03%</u>
<b>Grants</b>	<u>320,528</u>	<u>321,315</u>	<u>787</u>	<u>520,061</u>	<u>(198,746)</u>	<u>-38.22%</u>
<b>Lease income</b>	<u>74,000</u>	<u>81,201</u>	<u>7,201</u>	<u>88,617</u>	<u>(7,416)</u>	<u>-8.37%</u>
<b>Interest</b>	<u>810,000</u>	<u>814,558</u>	<u>4,558</u>	<u>449,946</u>	<u>364,612</u>	<u>81.03%</u>
<b>Miscellaneous revenues</b>						
Concessions income	40,000	35,353	(4,647)	27,671	7,682	27.76%
Recycling	12,500	14,283	1,783	17,646	(3,363)	-19.06%
Other	623,663	470,339	(153,324)	520,344	(50,005)	-9.61%
<i>Total miscellaneous revenues</i>	<u>676,163</u>	<u>519,975</u>	<u>(156,188)</u>	<u>565,661</u>	<u>(45,686)</u>	<u>-8.08%</u>
<b>Total General Fund Revenues</b>	<u>48,923,298</u>	<u>49,978,773</u>	<u>1,055,475</u>	<u>45,726,306</u>	<u>4,252,467</u>	<u>9.30%</u>
<b>Other Financing Sources</b>						
<b>Long-term debt proceeds</b>						
General obligation warrants	-	-	-	15,869,000	(15,869,000)	-100.00%
<i>Total long-term debt proceeds</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,869,000</u>	<u>(15,869,000)</u>	<u>-100.00%</u>
<b>Operating transfers in from other funds</b>						
From City Gas Tax Fund	160,000	160,000	-	160,000	-	0.00%
From State 7c Gas Tax Fund	135,000	135,000	-	135,000	-	0.00%
From State 9c Gas Tax Fund	110,000	110,000	-	100,000	10,000	10.00%
From Water Board	125,453	138,617	13,164	149,588	(10,971)	-7.33%
From 1997 Capital Projects	549,521	549,522	1	-	549,522	n/a
From Sewer Fund	115,750	115,750	-	114,450	1,300	1.14%
<i>Total operating transfers in</i>	<u>1,195,724</u>	<u>1,208,889</u>	<u>13,165</u>	<u>659,038</u>	<u>549,851</u>	<u>83.43%</u>
<b>Total other financing sources</b>	<u>1,195,724</u>	<u>1,208,889</u>	<u>13,165</u>	<u>16,528,038</u>	<u>(15,319,149)</u>	<u>-92.69%</u>
<b>Total revenues and other financing sources (excluding Special Activities)</b>	<u>\$ 50,119,022</u>	<u>\$ 51,187,662</u>	<u>\$ 1,068,640</u>	<u>\$ 62,254,344</u>	<u>\$ (11,066,682)</u>	<u>-17.78%</u>
<b>Special Activities of the General Fund</b>						
Interest	-	93,267	93,267	46,136	47,131	102.16%
Contributions from the public	-	97,742	97,742	94,596	3,146	3.33%
<b>Total Special Activities</b>	<u>-</u>	<u>191,008</u>	<u>191,008</u>	<u>140,732</u>	<u>50,276</u>	<u>35.72%</u>
<b>Total revenues and other financing sources</b>	<u>\$ 50,119,022</u>	<u>\$ 51,378,670</u>	<u>\$ 1,259,648</u>	<u>\$ 62,395,076</u>	<u>\$ (11,016,406)</u>	<u>-17.66%</u>

\* This schedule provides information on revenues by source before transfers between general funds. Therefore totals presented may not agree to Note 25 of the City of Auburn financial statements nor the General Fund column per the Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds.

**City of Auburn, Alabama**

**Appendix II  
General Fund\***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2006

	FY 2006		Variance Favorable (Unfavorable)	FY 2005	FY 06 > FY 05	
	Budget	Actual		Prior Year Actual	Amount	As %
<b>City Council</b>						
Personal services	\$ 58,562	\$ 58,447	\$ 115	\$ 58,562	\$ (115)	-0.20%
Contractual services	126,583	131,248	(4,665)	85,727	45,521	53.10%
Totals	185,145	189,695	(4,550)	144,289	45,406	31.47%
<b>City Manager's Office</b>						
Personal Services	720,365	640,768	79,597	444,130	196,638	44.27%
Contractual services	58,700	31,285	27,415	45,293	(14,008)	-30.93%
Commodities	15,143	10,870	4,273	12,469	(1,599)	-12.82%
Totals	794,208	682,923	111,285	501,892	181,031	36.07%
<b>Judicial</b>						
Personal Services	413,779	370,214	43,565	403,318	(33,104)	-8.21%
Contractual services	167,337	189,984	(22,647)	153,688	36,296	23.62%
Commodities	22,000	14,705	7,295	16,687	(1,982)	-11.88%
Totals	603,116	574,903	28,213	573,693	1,210	0.21%
<b>Information Technology</b>						
<i>Information Technology</i>						
Personal Services	509,023	416,637	92,386	455,338	(38,701)	-8.50%
Contractual services	228,772	208,135	20,637	178,970	29,165	16.30%
Commodities	255,769	276,190	(20,421)	203,165	73,025	35.94%
Capital Outlay	205,002	90,603	114,399	129,524	(38,921)	-30.05%
Projects	286,918	163,518	123,400	215,065	(51,547)	-23.97%
Subtotals	1,485,484	1,155,083	330,401	1,182,062	(26,979)	-2.28%
<i>Geographic Information Systems</i>						
Personal Services	177,087	143,973	33,114	148,509	(4,536)	-3.05%
Contractual services	76,599	26,783	49,816	39,199	(12,416)	-31.67%
Commodities	87,185	14,471	72,714	33,850	(19,379)	-57.25%
Capital Outlay	8,500	37,699	(29,199)	14,111	23,588	167.16%
Subtotals	349,371	222,926	126,445	235,669	(12,743)	-5.41%
Totals	1,834,855	1,378,009	456,846	1,417,731	(39,722)	-2.80%
<b>Finance</b>						
Personal services	1,002,478	945,078	57,400	889,345	55,733	6.27%
Contractual services	136,966	137,273	(307)	180,131	(42,858)	-23.79%
Commodities	94,721	74,922	19,799	83,961	(9,039)	-10.77%
Capital Outlay	-	-	-	6,095	(6,095)	-100.00%
Totals	1,234,165	1,157,273	76,892	1,159,532	(2,259)	-0.19%
<b>Economic Development</b>						
Personal services	800,819	792,423	8,396	563,155	229,268	40.71%
Contractual services	28,381	13,486	14,895	12,526	960	7.66%
Commodities	29,522	21,326	8,196	22,948	(1,622)	-7.07%
Capital Outlay	26,965	1,965	25,000	-	1,965	n/a
Totals	885,687	829,200	56,487	598,629	230,571	38.52%

**City of Auburn, Alabama**

**Appendix II  
General Fund\***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2006

	FY 2006		Variance Favorable (Unfavorable)	FY 2005	FY 06 > FY 05	
	Budget	Actual		Prior Year Actual	Amount	As %
<b>Human Resources</b>						
<i>Human Resources</i>						
Personal services	\$ 378,509	\$ 374,551	\$ 3,958	\$ 351,939	\$ 22,612	6.42%
Contractual services	164,530	104,085	60,445	91,652	12,433	13.57%
Commodities	11,049	8,982	2,067	14,750	(5,768)	-39.11%
Subtotals	554,088	487,618	66,470	458,341	29,277	6.39%
<i>Risk Management</i>						
Contractual services	279,600	237,319	42,281	235,333	1,986	0.84%
Totals	833,688	724,937	108,751	693,674	31,263	4.51%
<b>Public Safety</b>						
<i>Administration</i>						
Personal services	262,922	262,069	853	244,866	17,203	7.03%
Contractual services	845,847	774,207	71,640	654,001	120,206	18.38%
Commodities	92,550	52,481	40,069	77,234	(24,753)	-32.05%
Subtotals	1,201,319	1,088,757	112,562	976,101	112,656	11.54%
<i>Police</i>						
Personal services	6,665,300	6,161,712	503,588	5,902,380	259,332	4.39%
Contractual services	65,320	67,252	(1,932)	45,698	21,554	47.17%
Commodities	524,675	498,190	26,485	461,037	37,153	8.06%
Capital Outlay	593,560	566,573	26,987	137,515	429,058	312.01%
Projects	15,000	14,895	105	14,908	(13)	-0.09%
Subtotals	7,863,855	7,308,622	555,233	6,561,538	747,084	11.39%
<i>Fire</i>						
Personal services	3,544,131	3,219,388	324,743	3,119,901	99,487	3.19%
Contractual services	113,312	102,588	10,724	100,494	2,094	2.08%
Commodities	152,700	257,979	(105,279)	127,452	130,527	102.41%
Capital Outlay	566,531	252,199	314,332	31,740	220,459	694.58%
Debt Service	18,760	18,760	-	41,199	(22,439)	-54.46%
Subtotals	4,395,434	3,850,914	544,520	3,420,786	430,128	12.57%
<i>Communications</i>						
Personal services	460,336	503,247	(42,911)	461,114	42,133	9.14%
Contractual services	70,280	54,971	15,309	55,368	(397)	-0.72%
Commodities	30,200	6,946	23,254	4,715	2,231	47.32%
Capital Outlay	20,000	14,096	5,904	10,936	3,160	28.90%
Subtotals	580,816	579,260	1,556	532,133	47,127	8.86%
<i>Codes Enforcement</i>						
Personal services	429,249	381,098	48,151	324,638	56,460	17.39%
Contractual services	3,580	4,481	(901)	3,362	1,119	33.28%
Commodities	11,800	20,931	(9,131)	12,507	8,424	67.35%
Capital Outlay	-	-	-	12,979	(12,979)	-100.00%
Subtotals	444,629	406,510	38,119	353,486	53,024	15.00%
Totals	14,486,053	13,234,063	1,251,990	11,844,044	1,390,019	11.74%

**City of Auburn, Alabama**

**Appendix II  
General Fund\***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2006

	FY 2006		Variance Favorable (Unfavorable)	FY 2005	FY 06 > FY 05	
	Budget	Actual		Prior Year Actual	Amount	As %
<b>Public Works</b>						
<i>Administration</i>						
Personal services	\$ 323,529	\$ 318,159	\$ 5,370	\$ 323,412	\$ (5,253)	-1.62%
Contractual services	153,928	120,624	33,304	129,940	(9,316)	-7.17%
Commodities	48,000	62,523	(14,523)	57,993	4,530	7.81%
Capital Outlay	-	8,211	(8,211)	-	8,211	n/a
Subtotals	525,457	509,517	15,940	511,345	(1,828)	-0.36%
<i>Construction and Maintenance</i>						
Personal services	789,268	762,498	26,770	660,911	101,587	15.37%
Contractual services	118,318	127,035	(8,717)	73,193	53,842	73.56%
Commodities	162,649	196,332	(33,683)	168,707	27,625	16.37%
Capital Outlay	392,000	360,338	31,662	216,405	143,933	66.51%
Debt Service	17,640	17,640	-	21,168	(3,528)	-16.67%
Subtotals	1,479,875	1,463,843	16,032	1,140,384	323,459	28.36%
<i>Engineering Design</i>						
Personal services	732,070	574,631	157,439	509,718	64,913	12.74%
Contractual services	42,100	31,526	10,574	49,510	(17,984)	-36.32%
Commodities	26,340	23,941	2,399	30,350	(6,409)	-21.12%
Capital Outlay	41,904	47,878	(5,974)	6,795	41,083	604.61%
Subtotals	842,414	677,976	164,438	596,373	81,603	13.68%
<i>Inspection</i>						
Personal services	231,828	284,674	(52,846)	205,380	79,294	38.61%
Contractual services	24,100	13,619	10,481	15,037	(1,418)	-9.43%
Commodities	14,100	16,153	(2,053)	9,922	6,231	62.80%
Capital Outlay	50,709	48,613	2,096	17,328	31,285	180.55%
Subtotals	320,737	363,059	(42,322)	247,667	115,392	46.59%
<i>Traffic Engineering</i>						
Personal services	175,946	177,507	(1,561)	154,567	22,940	14.84%
Contractual services	14,825	8,925	5,900	18,446	(9,521)	-51.62%
Commodities	49,289	95,529	(46,240)	36,300	59,229	163.17%
Capital Outlay	22,000	27,849	(5,849)	30,756	(2,907)	-9.45%
Subtotals	262,060	309,810	(47,750)	240,069	69,741	29.05%
Totals	3,430,543	3,324,205	106,338	2,735,838	588,367	21.51%
<b>Environmental Services</b>						
<i>Administration</i>						
Personal services	361,421	315,154	46,267	341,196	(26,042)	-7.63%
Contractual services	156,631	140,856	15,775	117,496	23,360	19.88%
Commodities	46,054	31,227	14,827	40,938	(9,711)	-23.72%
Capital Outlay	27,000	22,256	4,744	29,120	(6,864)	-23.57%
Subtotals	591,106	509,493	81,613	528,750	(19,257)	-3.64%
<i>Recycling</i>						
Personal services	689,255	697,983	(8,728)	660,556	37,427	5.67%
Contractual services	216,205	195,248	20,957	187,250	7,998	4.27%
Commodities	89,303	135,239	(45,936)	100,071	35,168	35.14%
Capital Outlay	135,250	129,377	5,873	-	129,377	n/a
Debt Service	11,553	13,204	(1,651)	25,116	(11,912)	-47.43%
Subtotals	1,141,566	1,171,051	(29,485)	972,993	198,058	20.36%



**City of Auburn, Alabama**

**Appendix II  
General Fund\***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2006

	FY 2006		Variance Favorable (Unfavorable)	FY 2005	FY 06 > FY 05	
	Budget	Actual		Prior Year Actual	Amount	As %
<b>Environmental Services, cont.</b>						
<i>Solid Waste</i>						
Personal services	\$ 649,898	\$ 634,865	\$ 15,033	\$ 563,474	\$ 71,391	12.67%
Contractual services	315,913	270,363	45,550	273,630	(3,267)	-1.19%
Commodities	181,329	229,518	(48,189)	188,541	40,977	21.73%
Capital Outlay	344,426	355,659	(11,233)	-	355,659	n/a
Debt Service	19,920	19,920	-	47,620	(27,700)	-58.17%
Subtotals	1,511,486	1,510,325	1,161	1,073,265	437,060	40.72%
<i>Animal Control</i>						
Personal services	98,403	93,329	5,074	74,614	18,715	25.08%
Contractual services	5,000	3,278	1,722	1,978	1,300	65.72%
Commodities	11,746	9,062	2,684	10,181	(1,119)	-10.99%
Capital Outlay	47,250	14,668	32,582	-	14,668	n/a
Agency Support	91,772	91,772	-	72,274	19,498	26.98%
Subtotals	254,171	212,109	42,062	159,047	53,062	33.36%
<i>ROW</i>						
Personal services	349,630	290,425	59,205	324,759	(34,334)	-10.57%
Contractual services	33,259	28,283	4,976	43,323	(15,040)	-34.72%
Commodities	82,958	70,725	12,233	81,482	(10,757)	-13.20%
Capital Outlay	113,400	114,982	(1,582)	59,925	55,057	91.88%
Debt Service	-	-	-	3,463	(3,463)	-100.00%
Subtotals	579,247	504,415	74,832	512,952	(8,537)	-1.66%
<i>Fleet Services</i>						
Personal services	507,359	512,568	(5,209)	473,267	39,301	8.30%
Contractual services	67,381	67,196	185	51,535	15,661	30.39%
Commodities	53,288	66,564	(13,276)	51,405	15,159	29.49%
Capital Outlay	-	-	-	6,950	(6,950)	-100.00%
Subtotals	628,028	646,328	(18,300)	583,157	63,171	10.83%
Totals	4,705,604	4,553,721	151,883	3,830,164	723,557	18.89%
<b>Library</b>						
Personal services	982,492	896,763	85,729	810,186	86,577	10.69%
Contractual services	141,036	128,024	13,012	88,917	39,107	43.98%
Commodities	174,193	166,569	7,624	122,942	43,627	35.49%
Capital Outlay	20,000	-	20,000	10,946	(10,946)	-100.00%
Totals	1,317,721	1,191,356	126,365	1,032,991	158,365	15.33%
<b>Parks and Recreation</b>						
<i>Administration</i>						
Personal services	295,306	288,345	6,961	266,568	21,777	8.17%
Contractual services	491,200	503,807	(12,607)	414,675	89,132	21.49%
Commodities	191,600	242,035	(50,435)	208,291	33,744	16.20%
Subtotals	978,106	1,034,187	(56,081)	889,534	144,653	16.26%
<i>Leisure Services</i>						
Personal services	1,222,594	1,162,622	59,972	1,100,569	62,053	5.64%
Contractual services	71,200	84,219	(13,019)	50,778	33,441	65.86%
Commodities	157,800	150,822	6,978	121,855	28,967	23.77%
Capital Outlay	38,500	15,274	23,226	26,191	(10,917)	-41.68%
Projects	-	-	-	15,209	(15,209)	-100.00%
Subtotals	1,490,094	1,412,937	77,157	1,314,602	98,335	7.48%

**City of Auburn, Alabama**

**Appendix II  
General Fund\***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2006

	FY 2006		Variance Favorable (Unfavorable)	FY 2005	FY 06 > FY 05	
	Budget	Actual		Prior Year Actual	Amount	As %
<b>Parks and Recreation, cont.</b>						
<i>Parks and Facilities</i>						
Personal services	\$ 1,391,536	\$ 1,320,025	\$ 71,511	\$ 1,211,288	\$ 108,737	8.98%
Contractual services	147,650	178,611	(30,961)	168,342	10,269	6.10%
Commodities	316,978	280,369	36,609	213,747	66,622	31.17%
Capital Outlay	138,600	128,802	9,798	144,652	(15,850)	-10.96%
Subtotals	1,994,764	1,907,807	86,957	1,738,029	169,778	9.77%
Totals	4,462,964	4,354,931	108,033	3,942,165	412,766	10.47%
<b>Planning</b>						
Personal services	421,116	416,754	4,362	428,287	(11,533)	-2.69%
Contractual services	98,353	74,954	23,399	39,640	35,314	89.09%
Commodities	35,194	22,510	12,684	31,554	(9,044)	-28.66%
Capital Outlay	-	-	-	16,970	(16,970)	-100.00%
Totals	554,663	514,218	40,445	516,451	(2,233)	-0.43%
<b>Totals for all departments</b>	<b>35,328,412</b>	<b>32,709,434</b>	<b>2,618,978</b>	<b>28,991,093</b>	<b>3,718,341</b>	<b>12.83%</b>
<b>Non-departmental</b>						
<i>General Operations</i>						
Personal services	40,110	62,364	(22,254)	85,109	(22,745)	-26.72%
Contractual services	1,082,631	874,599	208,032	795,961	78,638	9.88%
Commodities	41,000	37,027	3,973	40,971	(3,944)	-9.63%
Capital Outlay	-	14,205	(14,205)	30,001	(15,796)	-52.65%
Projects	-	15,833	(15,833)	5,381,549	(5,365,716)	-99.71%
Subtotals	1,163,741	1,004,028	159,713	6,333,591	(5,329,563)	-84.15%
<i>Project Operations</i>	1,177,200	954,217	222,983	1,356,199	(401,982)	-29.64%
<i>Debt Service</i>	5,422,372	5,378,585	43,787	18,990,900	(13,612,315)	-71.68%
<i>Intergovernmental</i>	8,514,802	8,442,638	72,164	7,116,480	1,326,158	18.64%
<b>Non-departmental Totals</b>	<b>16,278,115</b>	<b>15,779,468</b>	<b>498,647</b>	<b>33,797,170</b>	<b>(18,017,702)</b>	<b>-53.31%</b>
<b>Other Financing Uses</b>						
Transfers Out	2,243,940	2,222,309	21,631	218,056	2,004,253	919.15%
<b>Total expenditures and other financing uses (excluding Special Activities)</b>	<b>53,850,467</b>	<b>50,711,211</b>	<b>3,139,256</b>	<b>63,006,319</b>	<b>(12,295,108)</b>	<b>-19.51%</b>
<b>General Fund Special Activities</b>						
<i>Veteran's Memorial Monument</i>	-	11,313	(11,313)	11,772	(459)	-3.90%
<i>Assessment Projects</i>	-	236,945	(236,945)	175,315	61,630	35.15%
<i>Liability Risk Retention</i>	727,800	470,829	256,971	381,617	89,212	23.38%
<i>Employee Benefit Self-Insurance</i>	2,079,600	2,049,361	30,239	1,889,833	159,528	8.44%
<b>Special Activities Total</b>	<b>2,807,400</b>	<b>2,768,448</b>	<b>38,952</b>	<b>2,458,537</b>	<b>309,911</b>	<b>12.61%</b>
<b>Total expenditures and other financing uses</b>	<b>\$ 56,657,867</b>	<b>\$ 53,479,659</b>	<b>\$ 3,178,208</b>	<b>\$ 65,464,856</b>	<b>\$ (11,985,197)</b>	<b>-18.31%</b>

\* This schedule provides information on departmental expenditures before reclassification of health insurance actual costs. Therefore totals presented will not agree to Note 25 of the City of Auburn financial statements nor the General Fund column per the Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds.





City of Auburn

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