

AUBURN, ALABAMA



City of Auburn

**The City of Auburn
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2011**

The City of Auburn, Alabama
Comprehensive Annual Financial Report

For the Fiscal Year Ended
September 30, 2011

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

Kevin Cowper	Assistant City Manager	Steven A. Reeves	Human Resources Director
James C. Buston, III	Assistant City Manager/CIO	Margie B. Huffman	Library Director
Rick Davidson	City Attorney	Rebecca O. Richardson	Parks and Recreation Director
James McLaughlin	Municipal Judge	Forrest Cotten	Planning Director
Phillip Dunlap	Economic Development Director	William H. James	Public Safety Director
Timothy Woody	Environmental Services Director	Jeffery Ramsey	Public Works Dir./City Engineer
Penny L. Smith	Finance Director/Treasurer	Laura A. Koon	Water Resource Mgt. Director

Prepared by

Finance Department

Penny L. Smith, CPA, CGFM, Director/Treasurer

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City of Auburn

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For the Fiscal Year Ended September 30, 2011

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 30, 2012

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, 2011 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 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. It 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 has not been audited.

This report includes all funds of the primary government and its component units. The primary government provides a full range of services. These services include public safety, public works, environmental services, culture and recreation, 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 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.

GASB Reporting Requirements Each year, management evaluates new GASB reporting requirements to determine applicability to the City. The requirements issued by GASB that became effective during this fiscal period and those that will become effective in the next fiscal period are described in this document.

GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions," became effective for the fiscal 2011 period. This statement establishes new categories for reporting fund balance and revises definitions

for governmental fund types. The City has implemented this statement and new fund balance categories were established during fiscal 2011.

GASB Statement 59, "Financial Instruments Omnibus," provides a number of clarifying updates to improve the financial reporting requirements that address financial instruments. This statement became effective for the fiscal 2011 period. No changes were necessary.

GASB Statement 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" addresses issues related to the measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. This statement becomes effective during the fiscal 2012 reporting period. Currently, the City does not have any transactions of this nature.

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.

In October 2010, Auburn was ranked as the sixth best small city for business and careers by Forbes.com. Forbes considered twelve factors including costs (both living and business), job growth (past and projected), income growth, educational attainment and projected economic growth. Other factors included quality of life issues like low crime, cultural and recreational opportunities and migration trends.

In June 2009, Auburn was named as one of the "10 best places to live" by *U. S. News & World Report*. The list focused on areas with low costs of living, strong economies, and ample recreational opportunities for citizens. The article describes Auburn as "a diamond on the eastern Alabama plains." Auburn University, Chewacla State Park, and nearby Grand National golf course were mentioned as reasons to consider Auburn as a place to live.

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's second largest city. With easy access to highway, rail, and air transportation, Auburn's location has been a significant factor in its continuing growth.



Auburn is conveniently located on Interstate 85.

Auburn's population has grown from 1,831 in 1900 to an estimated 60,022 in 2011. Population growth has averaged 3% per year. As the population has grown and the economic base 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 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 461 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

In fiscal 2011, the City continued its priority of school funding. The City contributed \$7.0 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.

The replacement of the North Donahue Bridge was completed in April 2011. The project, which began in March 2010, removed and replaced the existing bridge over Saugahatchee Creek and widened the roadway. The new bridge structure has three 12-foot lanes, 6-foot wide paved shoulders, and a protected 8-foot wide multi-use pathway. Also, the roadway has been widened from the bridge terminus to Farmville Road. This project was jointly funded by the City of Auburn and Lee County.

The City's Revenue Office worked with the Alabama Department of Revenue to implement a system for business owners to file and pay certain taxes online. As of April 2011, taxpayers are now able to file and pay sales, use, rental and leasing, and lodging taxes using the State's online filing website.

The City Council passed a 1% sales tax increase which began on August 1, 2011. This increase passed primarily to fund the construction of a new elementary school, infrastructure improvements and other capital projects.

The Water Resource Management Department and Environmental Services Department contracted with a utility rate consultant during fiscal year 2011. The rate consultant evaluated the adequacy of existing rates for both sewer and solid waste services, and in conjunction with staff, made recommendations regarding future rate increases based on the projected costs of operating, maintaining, repairing, and financing the departmental assets. The City Council adopted rate increases in June 2011, effective October 1, 2011. Additional details of the rate studies are included in the *Business-type Activities* section of the MD&A.

Another major initiative that began in late 2009 was completed during fiscal year 2011, with the adoption of CompPlan 2030 by the Auburn City Council on October 4, 2011. CompPlan 2030 is the City of Auburn's plan for future growth and development. The plan looks forward 20 years and provides recommendations for the future based on public input, analysis of existing and future conditions, and the best practices of planning. CompPlan 2030 focuses on how we use the land, now and in the future; how land use and the built environment affect the natural world, and vice-versa; schools, parks, and other facilities that form the civic foundation of the City; and the many forms of transportation that link everything together. CompPlan 2030 is the culmination of over two years of work by the staff of the Auburn Planning Department, other City departments, the Auburn City Council, the Auburn Planning Commission, and the citizens of Auburn. The plan represents an achievable, comprehensive vision for Auburn's future growth and development that reflects input from a broad array of plan stakeholders. Efforts to implement CompPlan 2030 have already begun, and will be ongoing for the life of the plan.

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 106 sworn officer positions, providing an average emergency call response time of 2-3 minutes. The Auburn University Police Department merged with the City of Auburn Public Safety Department effective July 1, 2004. All law enforcement and public safety services for the campus are now handled by the City.

The Fire Division includes 43 regular, full-time firefighters and 62 student firefighters, operating five fire stations. The City currently has a 3/9 fire insurance rating. The Communications Division provides E-911 emergency response and dispatch services to the public. The Codes Enforcement Division monitors construction activities within the City for 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 2.2 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. The Traffic Engineering Division maintains 60 traffic signalized intersections, along with over 250 City-owned street lights and 21 LED edge lit signs.

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 Library provide many leisure time choices to residents. The Library has 50 internet-connected public computer workstations available to the public. During fiscal 2011, there were 123,395 logins on these computers. Additionally, the Library offers wireless internet access for patrons bring their own laptops. During fiscal 2011, the Library checked out 239,968 items and had a total of 13,713 attendees at the many children's programs offered. In fiscal 2011, the Library began offering free downloadable digital audio and e-books to patrons. With the use of grant funds, the Library continued to build the collection of materials in foreign languages.

The Parks and Recreation Department maintains sixteen City parks, four cemeteries, numerous recreation facilities - including three recreation centers, two pools, forty-four tennis courts, four youth baseball complexes, a seven-field soccer complex, 33 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.

In 2011, the City of Auburn partnered with Town Creek subdivision to add a half mile walking trail from the subdivision to Town Creek Park. The trail is available for hiking, running and walking.

Education Services Auburn City Schools provide services to more than 6,900 students. The Auburn City School system houses its students on ten separate campuses. These campuses include an early education center, six elementary schools, one middle school, one junior high school, and one high school. Excellent choral, drama, art, band, academic teams, sports, and other extracurricular programs are offered and encouraged. All schools (grades 1-12) have a media center, art teacher, music teacher, and one or more full-time counselors. Also, the

use of computers is integrated with classroom instruction for all grades, and the student-computer ratio is 3:1, with the national average being 5:1. The overall pupil to teacher ratio in academic classes is 23:1. Of its teachers and administrators, approximately 68% hold advanced degrees and 21 have earned doctorates. The City School system spends an average of \$8,774 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*). In 2010, *Newsweek* ranked Auburn High School 2nd in Alabama and 354th in the United States. Auburn High School consistently produces an average of seven National Merit finalist/semi-finalist each year from the senior class. Upon graduation, approximately 84% of the graduates move on to higher education. The graduation rate for Auburn High School is approximately 97% and each year seniors are awarded an average of \$6 million in scholarships.

Enrichment classes and programs are provided for all students throughout the system. Auburn High School offers 13 Advanced Placement (AP) classes. 1,148 Advanced Placement and International Baccalaureate tests were taken in 2011. 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 residential, commercial, 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	LaGrange College, LaGrange, GA
Huntingdon College, Montgomery	Southern Union State Community College, Opelika
Faulkner University, Montgomery	Chattahoochee Valley Community College, Phenix City
Auburn University, Montgomery	Central Alabama Community College, Alexander City
Troy University at Montgomery	Alabama State University, Montgomery

In 2011, Auburn University was rated 38th in the nation for providing a quality education at an exceptional value by *US News & World Report*. This is the 19th consecutive year that Auburn has been recognized in the top 50.

Auburn University's student body is taught by approximately 1,180 full-time faculty members, and the student to faculty ratio is 18 to 1. 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. Auburn offers degrees in 13 schools and colleges with over 140 majors at the undergraduate, graduate, and professional levels. Auburn has awarded more than 250,000 academic degrees since it opened in 1856.



Auburn University's Historic Samford Hall

As the City's largest employer, Auburn University is a major contributor to the local economy. The University has over 4,600 full-time employees. Enrollment, which has remained steady over the past ten years, was 25,469 for fall semester of the 2011/2012 academic year. Included in the total enrollment are 4,005 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 located six miles from Auburn and offers courses in business, accounting, computer science, industrial electricity and electronics technology, automotive mechanics technology, welding, and more. Fall 2011 enrollment at the Opelika campus was approximately 3,300.

Utilities The Water Works Board of the City of Auburn, drawing from Lake Ogletree as its main source, provides potable water services. The City's Water Resource Management (WRM) Department also manages two wastewater treatment plants with a total treatment capacity of 12 million gallons per day. The City's stormwater program is also managed by WRM. The Watershed Management Division coordinates and implements 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 (EAMC). Among the many services that EAMC provides are open-heart surgery and cancer treatment, both of which are highly acclaimed specialties at the hospital. EAMC has been recognized three times for having a "Top 100 heart program." In September 2011, *WomenCertified.com* recognized EAMC as one of the top hospitals for patient experience. In addition, EAMC has been named twice as one of *Fortune's* "100 best companies to work for in America". The hospital has over 2,700 employees, making it the second largest employer in Lee County. Of these employees, more than 500 work at facilities in Auburn such as HealthPlus Fitness Center, Bethany House Hospice, and several assisted living communities. EAMC's main building is licensed for 384 beds, and the center provides emergency medical transport services to the City of Auburn. In addition, EAMC operates the Auburn University Medical Clinic on the Auburn University campus.

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 delivery services, and two commercial bus lines.

Auburn University operates the Auburn University Regional Airport with the financial support of the three local governments in Lee County. Other conveniently accessible airports include Hartsfield-Jackson Atlanta International Airport (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.

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 under-employment 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 established an Economic Development Department, whose mission is to recruit small- to medium-sized technology-based companies that 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 forty companies, resulting in the creation of over 4,000 jobs in the last 25 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the

first phase of the newest park, Auburn Technology Park West, was completed in 2008. Construction of Phase II of this park is currently underway with plans for completion in late 2012.

The industrial sector showed strong growth in 2011 with two companies selecting Auburn as the location for their new manufacturing operations. The Israeli based company Arkal Automotive USA, Inc., an automotive plastic injection supplier, began construction of its Auburn facility in late 2011 with plans for operations to commence early 2012. HPM Alabama Corporation, a Korean manufacturer of polypropylene resin materials for the automotive industry, will start its assembly operation in the Auburn Technology Park North in early 2012. In addition, General Electric (GE) Aviation, who in 2010 announced Auburn as its newest location for a national environmental coating facility, began construction in late 2011. The new GE plant will add a large aerospace company to Auburn's industrial portfolio, further diversifying the employment base in the City. Construction of the GE facility is scheduled to be completed in early 2013.

In addition to new industrial locations, several existing industries from a wide variety of manufacturing backgrounds announced expansions in 2011. The most significant growth within the existing industries will come from the expansions of automotive suppliers located in Auburn, specifically Seohan Auto USA, Borbet Alabama USA, SCA, Inc., Cumberland Plastic Systems, and Weidmann Plastics North America. SCA is now operating a second facility in Auburn while Cumberland Plastics and Weidmann have plans underway to expand their existing facilities, both scheduled for completion in 2012. In addition, Briggs & Stratton Corporation, a small engine manufacturer, also announced a major expansion in 2011. These expansions will add over 150 jobs in Auburn. The new industry announcements and expansions that occurred in 2011, including the GE project, will produce a combined total of over 600 new manufacturing jobs for Auburn.



GE Aviation Breaks Ground with Governor Bentley

The City's innovative economic development tools include a Revolving Loan program funded by a loan repayment stream that was the product of certain federal grant programs, facilitating 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: Aluminum Technology Schmid North America, Inc.; Briggs & Stratton Corporation; CV Holdings, LLC; Donaldson Company; EPOS Corporation; GE Aviation.; MasterBrand Cabinets, Inc.; Nikki America Fuel Systems; Northrop Grumman Corporation; Seohan Auto USA Corporation; Straehle + Hess USA, Inc.; 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 highly successful, graduating several of its tenants to the City's industrial parks and expanding its facilities three times. Current tenants located in the incubator include a military systems engineering and technology development company, an aircraft engine parts manufacturer, a solar electric power systems development company, an automotive conveyer systems and fixturing company, a coupling and gear

manufacturing company, a logistics company, a consulting and staffing company, and a full motion flight training simulator.

Construction of a new grocery store, Publix, and retail center commenced in the spring of 2011 at the future development known as The Shoppes at Cary Creek, located at the intersection of North College Street and East University Drive. Publix opened its first store in Auburn at Hamilton Place Shopping Center in 2010. The second Auburn store is slated to open in early 2012. Approximately 85,000 square feet of commercial space is planned for the first phase of the Cary Creek development. There are a variety of future tenants anticipated including a local bank, a fueling station, and other restaurants and small shops.



Ariel View of Publix Construction at Cary Creek

In addition, the City has partnered with Auburn University and the State of Alabama to construct a University-based research park. Construction of the first building in the Auburn Research Park was completed in 2008, with Northrop Grumman Corporation becoming the first official tenant. The second building to locate in Phase I of the Auburn Research Park is the Auburn University MRI Research Center. The Center was formed in partnership with the Siemens Corporation and the Auburn University Samuel Ginn College of Engineering. Completed in November 2010, the Center is housed in a 45,000 square foot building that is the location of both a 3T scanner operated under contract by the East Alabama Medical Center (EAMC), and will have a 7T scanner (to be installed in January of 2012). In addition to the University's research activities, the Auburn Spine and Neurosurgery Center is located in the building. In 2011, construction of the third building commenced via the University's receipt of a competitive grant from the U.S. National Institute for Standards and Testing (NIST) to build a Center for Advanced Science, Innovation and Commerce. The 68,000 square foot Center will house 21 research laboratories and at least five multidisciplinary and interdisciplinary programs in the research areas of standards and measurements, and marine and forecast sciences.



The Auburn University MRI Research Center

The City of Auburn and Auburn University continue to work together to recruit prospects for the Research Park. The new technology-focused research park has prompted partnerships with East Alabama Medical Center, the University Of Alabama at Birmingham School of Medicine, and China's Central South University. Recruitment efforts for Research Park projects are ongoing. In May 2011, in partnership with Auburn University and the City of Auburn, the Auburn Research and Technology Foundation established a full-service, mixed-use business incubator with the overall mission of facilitating the commercialization of university and community derived technologies and promoting economic development by the establishment of small businesses, creating jobs, fostering entrepreneurialism, generating tax revenues, and attracting investment dollars.

In addition to its business recruitment programs and initiatives, the City's Economic Development Department has worked to improve housing opportunities within the Auburn city limits in several ways, including: an Affordable Housing Program; collaboration with Habitat for Humanity and Auburn Housing Authority; and administering numerous housing rehabilitation and other public service programs funded by the federal Community Development Block Grant Program. The North Auburn Housing Development Corporation (NAHDC), a non-profit organization dedicated to affordable housing in Auburn, and the City of Auburn are currently collaborating in the development of Phase I of the Northwest Village Subdivision. As Auburn's newest affordable housing subdivision, the Northwest Village Subdivision was created to give Auburn residents the opportunity to purchase a home. Currently, sixteen families reside in the subdivision.

In an effort to leverage funds to finance economic development activities to create and retain jobs, the City of Auburn was approved for a Section 108 Loan sponsored by the U.S. Department of Housing and Urban Development (HUD). The City proposes to use the funds to establish an Economic Development Fund to provide financing for commercial and industrial loans for undertaking special economic development activities. The City also intends to utilize the Section 108 Loan to create a Micro Loan Program to offer short-term loans for active small businesses and small business start-ups with the ultimate goal of entrepreneurs to become financially independent and eligible for loans from commercial lenders. The Section 108 Loan will also be utilized to provide long-term financing to the Auburn Housing Authority for the recent modernization of the Moton public housing site.



Renovated Public Housing at Moton Apartments

The physical boundaries of the City continue to expand with residential, commercial, and industrial growth. During fiscal 2011, the City's Planning Commission recommended annexing 35.31 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 Planning Commission also approved eleven new subdivisions and two revisions with 209 single-family lots.

In fiscal 2011, building permits were issued for 251 new single-family residences valued at \$71.1 million. The average valuation for single-family homes was \$283,172. Also, two new commercial and industrial facilities valued at \$602,687 were permitted during fiscal 2011.

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 over \$77.1 million in identified projects over the next five years (FY12 through FY16). Increasing the capacity and updating the technology of the sewer system will require approximately \$14.3 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 \$35.5 million. This outlay will 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 \$1 million. Funding sources for these city buildings include proceeds of bonds and the General Fund. The Auburn Technology Park West project is estimated at \$5.5 million. Other projects, including culture and recreation, utility mapping, and public safety service improvements are included in the capital improvements program at an approximate cost of \$20.7 million. Various funding options, including debt and grants, will be identified at the appropriate time.

Financial Information

Management of the government is responsible for establishing and maintaining an internal control structure designed 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 amounts 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.

Based on a recommendation from the City Manager, the City Council approved a change from an annual budget to a two-year (biennial budget). The City has been using biennial budgeting since fiscal 2001. The objectives of a biennial budget process are two-fold: to give the Council and City management a longer time horizon for

budgeting 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.

Budget amendments are effected by ordinance enacted by the governing body at mid-biennium and, if necessary, at fiscal year-end. Activities of the General Fund, the Debt Service funds, and most Special Revenue funds are included in the 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.

Cash Management and Investments It is the policy of the City to invest public funds not required for immediate operations in a manner that will provide the highest investment return. The priorities for City investments shall be legal compliance, liquidity, and safety of the investment. All financial institutions holding City deposits are Qualified Public Depositories (QPD) authorized by the Security for Alabama Funds Enhancement (SAFE) program. The SAFE program provides a collateral pool administered by the Alabama State Treasurer.

During fiscal 2011, idle cash was invested in certificates of deposit with 24 month terms and rates ranging from 1.25% to 1.30%. The City’s demand deposit operating account is currently earning .75%.

General Fund Reserves The City Council has adopted a policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses. Management has an informal goal of 20-25%. The ending fund balance as a percentage of expenditures and other financing uses for the fiscal 2011 period was 52.5%, exceeding management’s informal goal. There is a planned reduction of this percentage in fiscal 2012.

Other Information

Independent Audit The government is required by State law to undergo an annual audit by independent public accountants; 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 must 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.

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.

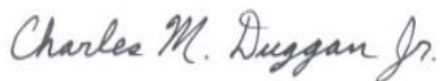
Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2010. This was the twenty-fourth consecutive year that the City has received this 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 CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received a GFOA Award for Distinguished Budget Presentation for its biennium beginning October 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged 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, including adjunct members in other City departments. 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



Penny L. Smith, CPA, CGFM
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, 2010

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.

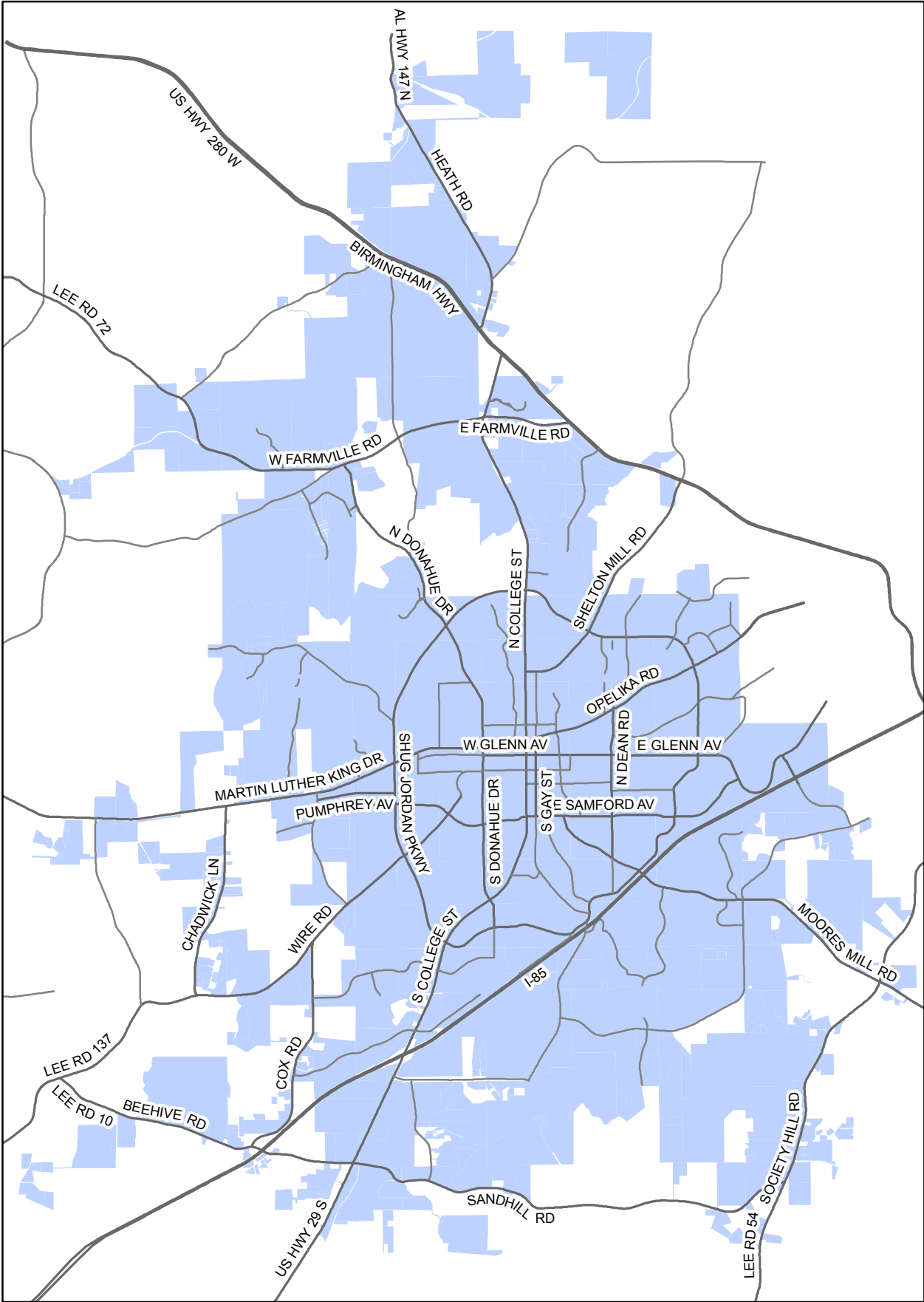


President

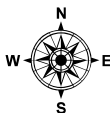


Executive Director

City of Auburn as of September 30, 2011

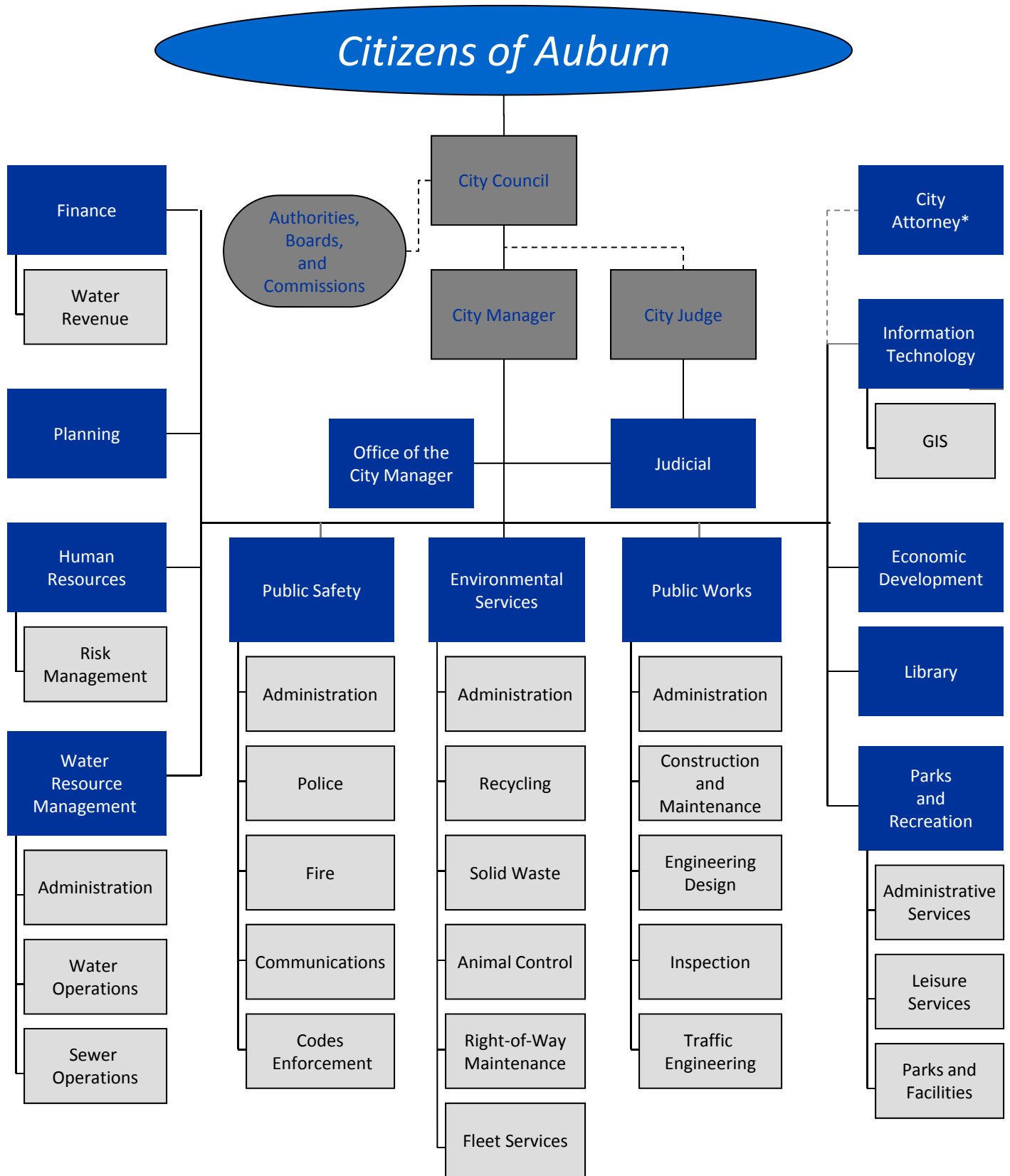


Produced by COA
GIS Division:
1/18/2012



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.

Organization Chart



* City Attorney services are contracted outside the organization

Legend:

Policy or Judicial Authority

Department

Division or Sub-Departmental Unit



Donald G. Chastain, CPA
Michael D. Machen, CPA, CVA
Anne McChesney May, CPA
Melissa W. Motley, CPA
Aaron K. Waller, CPA
Martin D. Williams, CPA
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, 2011, 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, the Industrial Development Board, the Public Park and Recreation Board, and the Commercial Development Authority (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, 2011, 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. As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn, Alabama's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, the budgetary comparison schedules, the capital assets schedules, combining component unit financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules, the capital assets schedules, and the combining component unit financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maichen, McChesney + Chastain, LLP

Auburn, Alabama
March 26, 2012

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, 2011. Please read this in conjunction with the City's financial statements and the accompanying notes, which follow this section, and the additional information furnished in the 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 \$60.2 million (net assets). Of this amount, the City had a deficit unrestricted net assets of \$66.5 million offset by \$13.4 million in restricted net assets and \$113.2 million in capital assets net of related debt.
- ▶ The primary government experienced a 27.4% increase in net assets from \$47.2 million at September 30, 2010 to \$60.2 million at September 30, 2011.
- ▶ At the close of the current fiscal year, the City's governmental funds reported a *combined* fund balance of \$39.6 million. This was a decrease of \$1.5 million (3.6%) from the prior year.
- ▶ At the end of the current fiscal year, total fund balance for the General Fund was \$29.0 million or 52.5% of total General Fund expenditures and other financing uses; total fund balance increased by \$1.9 million (7.1%) from fiscal year 2010. Total ending fund balance in the General Fund comprised 51.2% of total revenues in 2011 and 2010.
- ▶ The unassigned fund balance for the General Fund was \$16.5 million, or 29.8% of total General Fund expenditures; this was an increase of \$140,044 (0.9%) from fiscal 2010.
- ▶ Sales and use tax, the City's single largest revenue source, increased 9.0% (\$1.9 million) during the 2011 fiscal year, reflecting a slight upswing in the economy and an increase in the sales tax rate. The City's sales tax rate was increased in August 2011 by 1%, bringing the rate to 4%.
- ▶ Other significant changes in revenue during 2011: general property tax increased by 8.1% (\$331,709); state shared taxes increased by 27.5% (\$176,254); occupational license fees increased by 6.9% (\$584,938); and contributions from the public increased by \$434,054 (188.0%).

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.

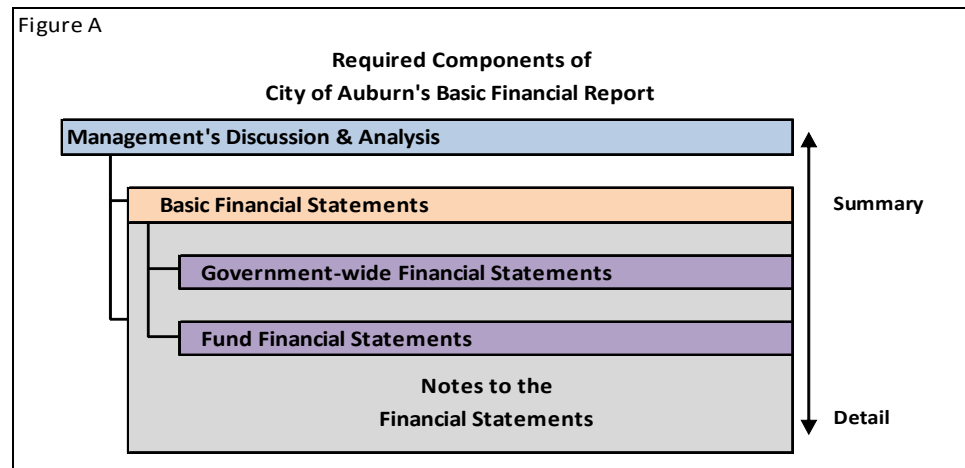


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

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 fiscal year's revenues and expenses are accounted for in the *statement of activities*, presenting the change in net assets for the most recently completed 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.

To assess the overall economic health of the City, additional non-financial factors, such as changes in the City's tax base, planning and zoning actions, and the condition of the City's roads, other infrastructure and public school system, 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
Scope	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: Sewer Revenue Fund, Waste Management Fund	Instances in which the City is the trustee or agent for someone else's resources: Youth Athletic Funds
Required financial statements	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
Accounting basis & measurement focus	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
Type of asset/liability	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
Type of inflow/outflow	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 services provided by the Public Safety, Public Works, 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.
- ▶ **Business-type activities.** The City charges fees to customers to help it cover the costs of certain services it provides to the general public. The City's Sewer Revenue Fund and Solid Waste Management Fund are included in this category as enterprise funds.
- ▶ **Discretely Presented Component Units.** The City includes five other entities in this report: the City of Auburn Board of Education, Water Works Board of the City of Auburn, City of Auburn Industrial Development Board, City of Auburn Public Park and Recreation Board, and the Commercial Development Authority of the City of Auburn. Although legally separate entities, these component units are important because the City is financially accountable for them. Please refer to Note 1.A. within the Notes to the Financial Statements regarding the availability of separately issued component unit financial statements.

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 gasoline 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 for voted projects 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 the spending of grant revenues.

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 flows in and out, and (2) the balances left at year-end that are available for spending in subsequent years. 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 following the completion of a fiscal year.

Because governmental fund 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 statements and government-wide statements on 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 a type of proprietary fund. Proprietary funds' financial statements, like the government-wide statements, provide both long- and short-term financial information. Proprietary funds function like a business activity; therefore, the financial statements provide additional information, such as depreciation expense and cash flows, which are not presented for 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 these 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 divided into two separate fiscal 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, 2011 totaled \$60.2 million (see Table 1). Governmental Activities' net assets increased by \$12.3 million, while Business-type Activities' net assets increased \$663,967 during fiscal 2011.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Table 1

City of Auburn's Net Assets
September 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 48,690,345	\$ 49,846,658	\$ 7,414,243	\$ 8,615,322	\$ 56,104,588	\$ 58,461,980
Capital assets	122,690,484	119,833,254	67,744,902	67,133,742	190,435,386	186,966,996
Total assets	171,380,829	169,679,912	75,159,145	75,749,064	246,539,974	245,428,976
Current liabilities	17,901,508	17,438,013	2,971,173	3,093,554	20,872,681	20,531,567
Long-Term debt and other liabilities	121,655,015	132,695,660	43,842,876	44,974,383	165,497,891	177,670,043
Total liabilities	139,556,523	150,133,673	46,814,049	48,067,937	186,370,572	198,201,610
Net assets:						
Invested in capital asset, net of related debt	87,677,067	81,866,977	25,570,257	25,830,053	113,247,324	107,697,030
Restricted	11,418,353	12,021,563	1,956,004	3,876,709	13,374,357	15,898,272
Unrestricted	(67,271,114)	(74,342,301)	818,835	(2,025,635)	(66,452,279)	(76,367,936)
Total net assets	\$ 31,824,306	\$ 19,546,239	\$ 28,345,096	\$ 27,681,127	\$ 60,169,402	\$ 47,227,366

Most of the Governmental Activities' net assets are invested in capital assets (buildings, equipment, roads, etc.). The investment in capital assets at September 30, 2011 was \$87.7 million. Debt outstanding related to the capital assets was \$132.7 million. The large negative unrestricted net assets in FY 2010 (\$74.3 million) and FY 2011 (\$67.3 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. Therefore, the City must report the debt in its financial statements. However, the City does not have a legal right (title) to the assets associated with the debt (which are owned by the School Board); hence, the large negative unrestricted net assets balances.

In fiscal 2006, the City formed a partnership with Auburn University and the State of Alabama to build a research park on the University campus. This innovative arrangement produced a similar result to the City's net assets. The City of Auburn committed \$5.0 million for project infrastructure and borrowed these funds in February of 2006. This research park infrastructure, however, is owned by Auburn University (a component unit of the State of Alabama). The debt issued by the City is included in the City's liabilities, while the related assets are included on the University's balance sheet.

Similarly, the City entered into an agreement with Auburn University to issue general obligation debt, enabling Auburn University to finance an expansion of the City's tennis complex. The City leases a portion of the complex to Auburn University. These lease payments are used to pay principal and interest on the City's debt. The joint tennis facility is owned and operated by the City's Public Park and Recreation Board, a component unit of the City. With respect to the Tennis Center, the debt principal of \$3.0 million outstanding is included in the City's liabilities and the offsetting capital asset is included on the balance sheet of the Public Park and Recreation Board, increasing the deficit in the City's unrestricted net assets.

Table 2 displays the detail of debt issued by the City to acquire or construct capital assets owned by other entities, affecting the City's unrestricted net assets. Total City debt for the benefit of Auburn City Schools and outstanding at September 30, 2011, was \$64.2 million, a decrease of \$1.8 million (2.8%) from the prior year. Debt outstanding in respect to agreements made with Auburn University was \$5.2 million, a decrease from the prior year of \$708,342. These decreases are due to the City's principal repayments on debt issued for the benefit of Auburn City Schools and Auburn University.

Governmental Activities' other unrestricted net assets increased to \$2.1 million from a \$2.5 million deficit (eliminating the effect of other entities' debt) at the end of fiscal 2011. This increase has a number of components including: 1) A decrease in long-term debt of \$10.8 million (scheduled principal payments), 2) An increase in capital assets of \$2.9 million, 3) Cash and cash equivalents decreased by \$3.1 million, and 4) A change in net assets resulting from revenues exceeding expenses of the governmental activities.

The City's governmental activities' had overall positive net assets of \$31.8 million at the end of the 2011 fiscal year, an increase of \$12.3 million (62.8%).

Table 2

Governmental Activities

Net Assets	<u>2011</u>	<u>2010</u>
Invested in capital assets, net	\$ 87,677,067	\$ 81,866,977
Restricted		
Capital Projects	1,372,083	1,922,087
Debt Service	3,723,922	3,831,044
Fed and State Grants	1,223,138	943,290
Special Rev, non-grant	5,099,210	5,325,142
Unrestricted (deficit)		
Governmental Activities	2,080,879	(2,452,341)
City School Debt	(64,197,290)	(66,026,915)
AU Debt	(5,154,703)	(5,863,045)
Total Net Assets-Governmental	<u>\$ 31,824,306</u>	<u>\$ 19,546,239</u>

The total net assets of the City's business-type activities increased by \$663,969 to \$28.3 million in fiscal year 2011, from \$27.7 million in fiscal year 2010. A portion of this increase can be attributed to a positive change in net assets from combined business-type operations revenue over expenses of \$1.5 million. The restricted for capital projects category of net assets decreased by \$1.9 million; this decrease comes from the spending of bond proceeds for capital projects in the Sewer business-type activity. Additionally, a prior period adjustment related to customer receivables and liabilities for Sewer and Solid Waste activities decreased net assets by \$793,733. More details on this adjustment are included in the *Proprietary Funds* section of this report.

Total assets for business-type activities decreased by \$589,920 in 2011. This decrease in assets resulted from the change in customer receivables (decrease of \$1.8 million) and due from component units (increase of \$518,310) related to the prior period adjustment mentioned in the previous paragraph. In addition, capital assets increased by \$611,160, offsetting a portion of the large decrease in accounts receivable. Detailed information about this change in receivables accounting can be found in the *Proprietary Funds* section of this report.

Changes in net assets The primary government's net assets increased by \$12.9 million (27.4%) in fiscal year 2011. Total assets increased by \$1.1 million (0.5%), while total liabilities decreased by \$11.8 million. The large decrease in liabilities resulted primarily from scheduled principal payments of the City's long-term debt outstanding.

The primary government's total net assets increase of \$12.9 million (27.4%) in fiscal 2011 include the following major changes: 1) a decrease in the deficit in unrestricted net assets by \$9.9 million, 2) a decrease in restricted net assets of \$2.5 million, and 3) an increase in investments in capital assets, net of related debt, of \$5.6 million.

Governmental Activities

Table 3 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 4 show the financial burden that was placed on the City's general revenues by each of these functions.

Table 3

Excerpt of Governmental Activities
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2011 and 2010

Governmental Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2011	2010	2011	2010	2011	2010
Functions and programs	\$	\$	\$	\$	\$	\$
General government	6,696,333	6,270,653	11,372,240	11,547,442	4,675,907	5,276,789
Public works	7,176,200	6,844,357	4,005,603	3,877,802	(3,170,597)	(2,966,555)
Environmental services	1,759,158	1,670,173	-	-	(1,759,158)	(1,670,173)
Public safety	17,484,211	16,904,689	3,914,257	3,837,551	(13,569,954)	(13,067,138)
Library	1,641,371	1,613,894	66,378	57,437	(1,574,993)	(1,556,457)
Parks and recreation	5,611,356	5,377,218	1,123,974	1,070,708	(4,487,382)	(4,306,510)
Social and economic development	3,302,021	17,864,393	1,007,471	1,163,444	(2,294,550)	(16,700,949)
Other functions	2,344,866	2,660,188	786,153	779,452	(1,558,713)	(1,880,736)
Education (payments to Board of Ed)	14,624,398	13,530,795	-	-	(14,624,398)	(13,530,795)
Interest on long-term debt	5,914,822	5,346,829	-	-	(5,914,822)	(5,346,829)
Total governmental activities	66,554,736	78,083,189	22,276,076	22,333,836	(44,278,660)	(55,749,353)

*Program revenue for governmental activities are analyzed in detail in the following section.

The cost of governmental activities this year was \$66.6 million. Program revenues provided \$22.3 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 \$44.3 million.

The large change in the net expense of the Social and Economic Development function is attributable to the refunding of the remaining balance of two Industrial Development Board's infrastructure improvement bonds at \$13,285,000 in 2010. This transaction was recorded as a transfer to the Industrial Development Board (a component unit of the City) in 2010. In 2011, expenses of this function were more typical.

Table 4

Excerpt of Governmental Activities <i>from the</i> Statement of Activities		
Governmental Activities	<i>Net (Expense) Revenue</i>	
	2011	2010
Net expense of the total governmental activities	(44,278,660)	(55,749,353)
<i>General revenues:</i>		
Sales taxes	22,987,406	21,081,232
Property taxes	20,966,105	20,169,135
Occupational license fees	9,033,443	8,448,505
Rental and leasing taxes	473,732	420,201
Lodging taxes	1,371,789	1,253,511
Motor fuel taxes	293,425	278,467
Other taxes	210,972	199,133
Interest and investment earnings	362,808	512,963
Gain (loss) on asset disposals	33,639	-
Miscellaneous	31,441	38,073
Transfers	<u>(248,354)</u>	<u>(232,893)</u>
Total general revenues	<u>55,516,406</u>	<u>52,168,327</u>
<i>Change in net assets -</i>		
General revenues less net expenses	11,237,746	(3,581,026)
Beginning net assets (restated)	19,546,239	23,117,265
Prior period adjustment	<u>1,040,321</u>	<u>10,000</u>
Ending net assets	<u>\$ 31,824,306</u>	<u>\$ 19,546,239</u>

Total City program income exceeded expenses for only one function: general government produced an excess of \$4.7 million. General government revenue includes business licenses fees, construction permits and court fines, among other charges for services rendered administratively by the City of Auburn. In past years, the general government function has typically produced net revenue for this function.

As detailed below, Table 5 divides total governmental program revenue by source for 2011 and 2010 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative below provide insight into the changes in program revenue.

	<u>Governmental Activities</u>	
Program revenue by source:	<u>2011</u>	<u>2010</u>
Charges for services	\$ 15,830,002	\$ 15,716,930
Operating grants and contributions	2,747,298	2,378,429
Capital grants and contributions	<u>3,698,776</u>	<u>4,238,477</u>
Total Prgm Rev - Governmental Activities	<u>\$ 22,276,076</u>	<u>\$ 22,333,836</u>

Some of the program costs of governmental activities in 2011 were paid by revenues collected from those who directly benefited from the programs (\$15.8 million). These revenue sources include:

- General business license fees, which generated \$5.6 million to pay the costs of providing general government services.
- Collection of court fines and tickets in the amount of \$797,120 supports essential public safety and judicial services within the City.

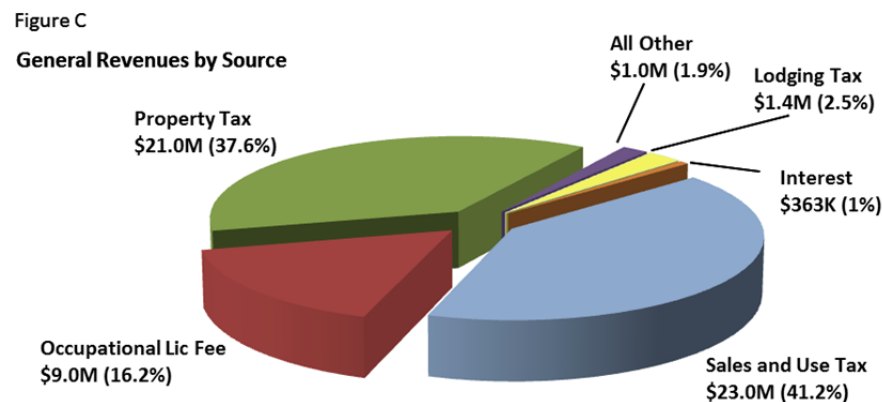
- Auburn University pays for fire and police services on campus. This revenue of \$2.9 million offsets public safety expenses for the year ending 2011.

Program costs were also defrayed by operating and capital grants and contributions of \$6.4 million. These revenues were down by \$170,832 or 2.6% from fiscal year 2010.

- ▶ A portion of this funding comes from the Community Development Block Grant (CDBG) program of the federal Department of Housing and Urban Development. Fiscal 2011 CDBG revenues of \$871,485 were used to rehabilitate inadequate housing, improve public facilities and provide utility assistance, temporary housing and food assistance programs to eligible citizens.
- ▶ Also included in grants and contributions are donated capital assets from other entities equaling \$1.9 million as a result of the State of Alabama and Lee County donating infrastructure consisting of roads and bridges.

The City financed net expenses of \$44.3 million for governmental activities from taxes, license fees and other general revenues, such as interest earnings.

Figure C shows the various sources of general revenues for fiscal year 2011:



- 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 license fees, 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 41.2% of total general revenues. During this reporting period, the City increased its sales tax rate. In August 2011, the sales tax rate increased from 3% to 4%.
- The second largest source of general revenues is property taxes (37.6%). Of the total 26 mills the City receives in property taxes, 16 mills are legally dedicated to the City Board of Education.
- The third largest general revenue source is occupational license fees (16.2%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn made payments of \$15.8 million to component units of the primary government during fiscal 2011. Of this amount, \$14.6 million (92.8%) was paid to the Board of Education, including \$7.6 million paid from education property taxes. The \$7.1 million appropriated to Schools 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 has two business-type activities. The largest is its sewer system, which includes two wastewater treatment plants operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. In October 2010, the City engaged a utility rate consultant to review and update a rate study that was originally conducted in late fiscal 2008. This study evaluated the City's ability to meet the current and projected operating and capital expenditure demands with existing revenues. The rate study consultant, in conjunction with staff, provided a recommendation of necessary sewer rate levels to meet revenue requirements for the next five consecutive fiscal years ending September 30, 2015. After reviewing the recommendations, the City Council adopted a three-year phased rate increase. This plan includes a 6.9% rate increase for three fiscal years with the first beginning on October 1, 2011, the second effective on October 1, 2012, and the last effective on October 1, 2013. The City expects to update this rate study before implementing additional rate increases after fiscal 2014.

The chart (Table 6) shows that program revenue of the Sewer Revenue Fund business-type activity, including charges for services (sewer treatment and disposal) and capital grants and contributions, increased from the prior year by \$640,302 or 6.9%. This increase in Sewer Fund program revenue reflects an increase in sewer service revenue of 12.9% (\$966,980), resulting from an extended drought period, and a decrease in sewer access fee revenue of 32.2% (\$238,904). A large multi-family development added \$240,000 in access fee revenue in 2010, causing the revenue to be temporarily inflated in that year. In 2011, development continued at a more normal pace. Sewer Fund expenses (operating plus interest expense) increased by 5.2% to \$8.2 million.

Table 6

Business-Type Activities (Condensed)						
Fiscal Years ended September 30, 2011 and 2010						
	Sewer Revenue Fund		Solid Waste Management Fund		Total Business-Type Activities	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Functions and programs	\$	\$	\$	\$	\$	\$
Operating expenses	(6,084,309)	(5,983,678)	(3,522,953)	(3,385,837)	(9,607,262)	(9,369,515)
Interest expense	(2,089,603)	(1,788,254)	-	-	(2,089,603)	(1,788,254)
Program revenues						
Charges for services	9,493,840	8,722,591	2,961,625	3,133,116	12,455,465	11,855,707
Operating contributions and grants	-	-	21,595	39,331	21,595	39,331
Capital contributions and grants	373,520	504,467	-	101,000	373,520	605,467
Net Revenue	1,693,448	1,455,126	(539,733)	(112,390)	1,153,715	1,342,736
Other non-operating rev (exp)						
Interest and investment earnings	48,669	45,246	59	292	48,728	45,538
Gain (loss) on asset disposals	908	(32,269)	(1,662)	12,598	(754)	(19,671)
Miscellaneous	5,625	35,616	2,031	1,971	7,656	37,587
Special item - concession	-	675,000	-	-	-	675,000
Transfers to/from General Fund	(71,060)	(71,250)	319,414	304,143	248,354	232,893
Change in net assets	1,677,590	2,107,469	(219,891)	206,614	1,457,699	2,314,083
Beginning net assets	26,812,954	24,705,485	868,176	661,562	27,681,130	25,367,047
Prior period adjustment	(441,021)	-	(352,712)	-	(793,733)	-
Beginning net assets, restated	26,371,933	24,705,485	515,464	661,562	26,887,397	25,367,047
Ending net assets	28,049,523	26,812,954	295,573	868,176	28,345,096	27,681,130

The City's only other business-type activity, solid waste management, receives revenue from garbage charges to customers, special trash pick-up fees, sales of recyclables and white goods tags (for pick-up of household appliances). Revenue and expenses related to this function are accounted for in the Solid

Waste Management Fund proprietary fund. Expenses include salaries and benefits of solid waste and recycling employees, landfill tipping fees, fuel and other supplies, and depreciation expense on the capital assets used in the solid waste and recycling functions.

As Table 6 shows, the deficit of revenues under expenses for fiscal 2011 is \$539,733. It is clear that the costs of providing services such as garbage collection and recycling activities are not covered by the current charges for services. In October 2010, the City contracted with a utility rate consultant to evaluate the adequacy of the existing rates for funding current and future needs of the solid waste management system. Results from this study provided management with the necessary information to make decisions on rate increases. The rate study consultant worked with staff to propose a recommendation to the City Council that includes rate increases that are phased in over a four-year period. Residential customers began paying \$20.00 per month for curbside service effective October 1, 2011. This is a 17% increase over the previous rate of \$17.00 per month. Future increases include 7.5% effective October 1, 2012, 4.6% effective October 1, 2013, and 4.4% effective October 1, 2014. Residents who receive backdoor service will pay \$10.00 per month more than the rate for curbside service.

At the end of 2011, the fund had a decrease to net assets of \$219,891. In addition, a prior period adjustment related to a change in accounting for customer liabilities and receivables of \$352,712 further reduced net assets. Ending net assets for the solid waste management business-type activity is \$295,573. Solid Waste Management Fund expenses (operating plus interest expense) increased by \$137,116 (4.0%). The increase in operating expenses is a result of rising fuel costs and the cost of repairs and maintenance to an aging vehicle fleet. Program revenues, including charges for services, operating contributions and grants, and capital contributions and grants decreased by \$290,227 (8.9%). Charges for services decreased by \$171,491, indicating a slight decrease in solid waste collection revenue. Adjustments made to revenue to reconcile customer charges to the utility billing system caused this decrease. These adjustments are related to the prior period adjustment mentioned above. In addition, the City received a capital grant in 2010 from the United States Department of Energy as part of the American Recovery and Reinvestment Act. This grant was used to purchase a recycling vehicle. The fund did not receive any capital grants in 2011, resulting in a decrease to capital grants and contributions of \$101,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2011 fiscal year, its governmental funds reported a *combined* fund balance of \$39.6 million. This reflects a decrease of \$1.5 million from the prior year. The total decrease in fund balance is comprised of a \$1.9 million increase in General Fund balance; a \$260,192 decrease in special revenue funds' fund balances; the debt service fund's fund balance decreased by \$107,122 and capital projects funds' fund balances decreased by \$3.1 million. The following narrative discusses the financial activities that comprise the major changes in governmental fund balances.

In fiscal 2011, the City implemented the Governmental Accounting Standards Board's statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. Fund balance categories now include the following: nonspendable, restricted, committed, assigned, and unassigned. Fiscal 2010 fund balances have been restated to reflect these categories for accurate comparisons. Detailed information on this reclassification can be found in the Notes to the Financial Statements (Note 1.P.).

Governmental revenues

- ▶ Total revenues of the governmental funds showed growth of 5.5% or \$4.1 million over the prior year.

- ▶ Sales and use, the General Fund's single largest revenue source, increased 9.0% (\$1,906,174) during the 2011 fiscal year. This upward trend resulted from the improving economic climate. The sales tax rate remained at 3%, until August 2011, when the City raised the rate to 4%.
- ▶ General property tax revenues improved by 4.0%, contributing additional revenue of \$796,971 to the governmental funds. For the second year in a row, property taxes did not show double digit growth. Property taxes are a lagging economic indicator and as such showed a slowed, yet stable growth in 2011, despite the decline in housing prices nationwide. Assessed values remain stable due to Auburn's ability to remain an attractive City and the overall health of the realty market in the Auburn area (low foreclosure rate and low turnover). Some growth in property taxes results from expansion of the city limits through voluntary annexations and business development.
- ▶ Licenses and permits revenues decreased by 1.6% (\$142,411) mainly due to a decrease in construction permit fees of 12.47% (\$140,282). The valuation for construction permits of single family, detached new homes decreased by \$5.6 million (7.2%). In fiscal 2011, there were no permits issued for multi-family dwellings. This was a decrease of \$19.1 million from 2010. This continues to show that even with stable property values, side effects from the national housing crisis that began in 2008 can still be seen in Auburn.
- ▶ Fiscal year 2011 saw a considerable increase in occupational license fees of \$584,938 (6.9%). The majority of this increase results from a one-time salary bonus that Auburn University paid to its employees.
- ▶ State shared taxes increased by 20.0%, or \$176,597. This increase can be attributed to an increase in the Financial Institution Excise Tax (\$184,886), which is derived from the income of financial institutions. The City's portion of this state excise tax was zero when calculated for 2010.
- ▶ Contributions from the public increased by \$756,063 (87.1%). There were two significant items that caused this increase. First, forfeited performance bonds by developers contributed to \$316,024 of this increase. Many subdivision developers have been unable to complete their projects due to economic conditions. Performance bonds that secured certain infrastructure improvement requirements of the subdivision development agreements were called by the City. The City uses these funds to complete the infrastructure. Another significant increase in contributions from the public comes from a reimbursement from Lee County. Lee County contributed to the construction of a new bridge on North Donahue Drive. The contribution in fiscal 2011 increased this component of revenue by \$313,575.
- ▶ Interest revenue continued to decline in fiscal 2011 to \$362,808 from \$512,963 in fiscal 2010. This represented a 29.3% decrease. The interest rate environment is expected to continue to decline with investment rates remaining at or below current levels until 2014.

Governmental expenditures

Total governmental expenditures decreased by \$15.8 million (16.7%) in fiscal 2011 from fiscal 2010. The major components of this decrease in governmental expenditures were a decrease in capital outlay of \$4.7 million (45.1%) and a decrease in payments to component units by \$13.1 million (45.3%). To summarize the changes in governmental funds' expenditures:

- ▶ In contrast to the net decrease in the governmental funds, departmental expenditures increased by \$1.3 million (3.6%). The most significant increases in spending were seen in General Government (\$403,551, 9.1%) and Public Safety (\$739,183, 4.6%). A large expenditure in General Government, totaling \$277,161, improved pedestrian signals in the downtown area and was funded by the American Recovery and Reinvestment Act (ARRA). Other increased

spending in General Government resulted from many small varying factors including personal and contractual services. The increase in Public Safety expenditures is due to two major components. First, a new policy of charging game day (Auburn University football) services, from the Public Safety budget to the other participants was implemented in fiscal 2010. This expenditure increased from \$116,744 in 2010 to \$300,764 in 2011. Other increased spending in Public Safety resulted from a normal rise in personal services (salaries and healthcare claims).

- ▶ Capital outlay expenditures of the governmental funds were down in 2011 by \$4.7 million (45.1%). This decrease resulted from several major capital outlay expenditures that occurred in 2010. In 2010, the City expended \$1.8 million to purchase property for use as a future City facility. Also expended in 2010 was the City's portion of the realignment of Alabama Highway 14 and Bragg Avenue. This project was jointly funded by the City and the State of Alabama. Additionally, street resurfacing funded by ARRA in 2010 temporarily inflated capital outlay expenditures in the governmental funds.
- ▶ The City's payments to its component units in 2011 decreased by \$13.1 million (45.3%) from fiscal year 2010, as shown in Table 7. This decrease has one key component; in 2010, the City borrowed \$13.3 million to take advantage of the favorable interest rate environment and refinanced two variable-rate Industrial Development Board (IDB) bonds with fixed-rate general obligation debt. This refinance eliminated any transfers of debt service related to the two obligations in future years.

Table 7 summarizes the payments to each component unit; more information follows the table.

Table 7
Governmental Funds - Expenditures Comparison

<u>Paid to component units:</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 11 > FY 10</u>
Auburn City Schools	\$	\$	\$
General revenues	7,050,759	7,050,759	-
Education property taxes	7,573,639	6,480,036	1,093,603
Subtotal to Schools	14,624,398	13,530,795	1,093,603
Industrial Development Board			
Operating Costs	650,830	461,200	189,630
Debt Service	-	14,370,000	(14,370,000)
West Tech Park Improvements	6,138	3,790	2,348
Industrial Incentive Investment	186,600	285,000	(98,400)
Subtotal to IDB	843,568	15,119,990	(14,276,422)
Commercial Development Auth	-	375	(375)
Public Park & Rec Board	287,876	167,381	120,495
Total - Component Units	15,755,842	28,818,541	(13,062,699)

- ▶ The City appropriated over \$7.0 million out of its general revenue to the Auburn City Schools for fiscal year 2011.
- ▶ In addition to the City's General Fund providing support to the schools, the School Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for principal and interest on school debt issued by the City of Auburn for the Auburn Board of Education and provide additional funds for operating expenses of the school system. This payment of additional operating funds at \$7.6 million in fiscal 2011 is a 16.9% (\$1.1 million) increase over 2010.
- ▶ Transfers for the operating costs of the Industrial Development Board increased by \$189,630, or 41.1%, during fiscal 2011. The City increased funding to the Board to provide for continued

recruitment efforts and Board operations. The Council continues to promote aggressive economic development as a long-term goal in providing jobs and expanding the City's revenue base.

- ▶ As described on the previous page, the City of Auburn entered into two borrowings in 2010 to refund the remaining balance on two Industrial Development Board bonds: \$3 million paid principal and interest outstanding of tax-exempt Infrastructure Improvement bonds, originally issued in May of 2000, and \$10.3 million refunded the remaining balance of taxable Industrial Development Refunding and Infrastructure bonds, originally issued in October of 2004. In both of these refundings, the City took advantage of the favorable interest rate environment and replaced variable rates with private placement fixed-rate warrants, which increased the stability and predictability of debt service over the remaining payment periods. These borrowing transactions eliminated the existing annual debt service transfers of approximately \$1.1 million to the Board.
- ▶ The Revolving Loan Fund was established to assist with the recruitment of new industries to the area or the expansion of existing business facilities. In the 1980s, the federal government offered a competitive program for economic development known as the Urban Development Action Grant (UDAG). The City received funding for a number of projects through UDAG; with the repaid funds from the UDAGs, the City Council agreed to the creation of a revolving loan fund (RLF) to be used for future projects. Two industrial incentives were completed through the Revolving Loan Fund in fiscal year 2011: site preparation funds in the amount of \$65,000 for the expansion of CNJ, Inc.'s existing facilities and site preparation funds of \$121,600 for expansion of facilities in the Auburn Technology Park North owned by SCA, Inc.
- ▶ The Public Park and Recreation Board (PPRB) was established in 1990, primarily to advise the Council concerning proposed recreation projects and to acquire such recreation facilities as deemed to be in the public interest. In 2006, the City, Auburn University, and the Public Park and Recreation Board partnered to construct and manage a state-of-the-art tennis facility for student and community use. This collaboration resulted in complex transactions concerning both the borrowing and subsequent transfers among the Public Park and Recreation Board, the City, and Auburn University to properly account for the development, supervision, and daily operation of the facility. The PPRB continues to receive amounts from the General Fund for the operation of the Yarbrough Tennis Center. In 2011, the transfer increased by \$120,495 to \$287,876. Of this amount, \$104,413 represented a transfer from the City's capital projects funds for capital expenditures at the tennis facility. This transfer represented the last of the capital expenditures for the center.

Proprietary Funds

The City of Auburn has two proprietary funds, which account for its business-type activities. The Sewer Revenue Fund, an enterprise fund, accounts for sewer collection, treatment and disposal services provided to residents and businesses within the City limits. The Solid Waste Management Fund, also an enterprise fund, accounts for services to collect and dispose of solid waste and recycling materials provided to the same constituents. Net assets of these proprietary funds combined increased by \$663,966 (2.4%) from fiscal 2010 to fiscal 2011. This increase is after the effects of a prior period adjustment that decreased net assets by \$793,733.

Historically, the Water Works Board of the City of Auburn, a component unit of the City, has accounted for customer receivables and related liabilities for the sewer and solid waste functions because the Water Board was responsible for the collection of these funds. During fiscal 2011, the Water Works Board ceased recording liabilities and receivables related to these functions. The Water Works Board continues to be a collection agent for the City's utilities by billing and collecting sewer and solid waste

fees; however, the City now records all receivables and payables for these activities on its general ledger. Additionally, the City now records any allowance for doubtful accounts for these activities. Any responsibility for customer receivables and liabilities for sewer and solid waste functions is held by the City. This prior period adjustment reduced net assets for the Sewer Revenue Fund and the Solid Waste Management Fund by \$441,021 and \$352,712, respectively.

Proprietary funds' revenues, other resources

Sewer Revenue Fund operating revenues increased by 8.5% (\$741,258) in 2011 as compared to 2010. Sewer service fees are based on water usage; the majority of this increase can be attributed to an extended drought period that began in July 2010. Typically, a drought causes water sales to rise, in turn, increasing sewer revenue. In addition to operating revenue, the Sewer Fund's net assets were increased by \$373,520 from developers' contributions in fiscal 2011, which is a 26.0% (\$130,947) decrease from contributions in 2010.

Operating revenues in the Solid Waste Management Fund decreased by 6.0% (\$189,167) in 2011. In addition to operating revenue, this fund's net assets were increased by \$319,414 from a budgeted operating transfer from the General Fund. As mentioned in the *Business-type Activities* section above, the City contracted with a rate consultant in late 2010 to evaluate the adequacy of rates for funding current and future needs of the solid waste management system. The first increase of a four-year phased rate increase schedule will be effective for the fiscal 2012 period.

Proprietary funds' expenses

In the Sewer Revenue Fund, operating expenses for fiscal 2011 increased by \$100,629 (1.7%). The three largest components of this increase were utilities of \$61,525 (a result of rising electricity costs), depreciation of \$78,297 (due to expansion of the sewer system infrastructure), and management fees of \$113,551. Management fees are paid to Veolia Water North America Operating Services, LLC for operation of the City's two wastewater treatment plants. In fiscal 2011, Veolia began maintaining the sewer system lift stations in addition to the plants. Although this increased the management fees paid to Veolia, it decreased the repairs and maintenance expenses that the City had incurred for these pump stations in the past. Additional details about the Sewer Revenue Fund can be found in the *Analysis of Changes in Major Funds* section of this Management's Discussion and Analysis.

In the Solid Waste Management Fund, operating expenses increased by 4.0% (\$137,116) to \$3.5 million. Increases in fuel and maintenance costs of vehicles of \$98,891 contributed to this change. Salaries and benefits of \$2.0 million remained relatively level compared to 2010. Other significant expenses include professional services (tipping fees for landfills) of \$550,601 and depreciation of \$253,300 on capital assets used for solid waste and recycling pickup and disposal.

For more information related to the above funds see the *Business-type Activities* section of this Management's Discussion and Analysis.

Analysis of Changes in Major Funds

Major funds are funds whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The General Fund is always considered a major fund. The major funds presented are considered to be of particular importance to financial statement users. In addition to the General Fund, the Special School Tax Fund was determined by testing to be the only other major governmental fund in the 2011 fiscal year. The Sewer Revenue Fund has been a major fund since fiscal 2003.

The General Fund (Governmental)

At the end of fiscal 2011, the total fund balance of the City's General Fund increased \$1.9 million (7.1%) from the prior year's ending balance. Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. The 2011 total ending fund balance was \$29.0 million, compared to \$27.1 million at the end of 2010.

As mentioned in the *Governmental Funds* section, the City implemented the Governmental Accounting Standards Board's statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. Fund balance categories now include the following: nonspendable, restricted, committed, assigned, and unassigned. For comparison, fiscal 2010 fund balance information has been categorized into these new components. Total nonspendable fund balance increased by \$261,530 over 2010. These balances represent inventories, prepaid items, advances, and land held for resale. The restricted and assigned categories increased by 43.4% (\$1.5 million). This increase is primarily the result of an increase in encumbrances. A large encumbrance of \$1.9 million for the construction of the Cark Creek Parkway was outstanding at the end of this fiscal year. Encumbrances are no longer shown in their own reservation category on the face of the balance sheet. Unassigned fund balance increased slightly by \$140,004.

The General Fund's total assets increased by \$2.7 million (8.4%) during 2011. Several significant items contributed to this increase in assets.

- Cash and cash equivalents increased by \$2.0 million, mainly as a result of increased revenue during the year.
- Accounts receivable increased by \$1.0 million over 2010, primarily due to additional sales tax being accrued at fiscal year-end. The City's sales tax increased from 3% to 4% in August 2011.
- Due from other funds increased by \$619,253; the General Fund made a temporary loan to the 2009 Capital Projects Fund. Lee County will be reimbursing the City for one-half of the costs of construction of the North Donahue Bridge.
- A large decrease of \$1.1 million in due from component units stemmed from the payoff of a loan to the Industrial Development Board. This loan provided construction funding for the Auburn University Research Park. The Board paid this loan in full in early 2011.
- Prepaid items in the General Fund increased by \$368,662; in an effort to obtain the best pricing, the City prepaid for the manufacturing of a fire truck. This prepayment allowed the City to save approximately 10% on the purchase of a 2012 triple combination pumper truck.

Total liabilities of the General Fund increased by \$819,393 (14.3%) in 2011. The two most significant component of this increase were an increase in accounts payable and other accrued liabilities of \$503,822 (27.6%) and a \$397,829 (20.7%) increase in deferred revenue. The majority of the accounts payable increase results from the purchase of the fire truck mentioned above. Deferred revenue increases of late are a direct result of activity related to subdivision performance bonds. Due to the poor economy, the City had a number of development projects which were not completed timely by the developers. The completion of these projects is secured with a performance bond. When the infrastructure is not completed, the responsibility falls to the City of Auburn to complete the required streets and sidewalks. In 2011, seven performance bonds were called and the proceeds classified as deferred revenue. Upon completion of the related infrastructure, the funds will be classified as revenue.

Special School Tax Fund (Governmental)

The Special School Tax Fund, a special revenue fund, accounts for sixteen mills of education ad valorem tax revenue which is used to pay principal and interest on City bonds issued for Auburn City Schools. In addition to debt service payments, this fund provides additional funding for school operations. The

school system drew \$7.6 million from this fund for operations in 2011. This is a \$1.1 million (16.9%) increase over 2010. This amount varies from year to year depending on property tax revenue collections and fund balance levels of this fund. Revenues increased by 2.7% (\$337,848) in this fund, and expenses increased by 3.7% (\$463,855).

Sewer Fund (Business-type activity)

Generally, the Sewer Revenue 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 and maintenance of the City's sewer collection, treatment and disposal facilities. While the City owns the sewer collection, treatment and disposal facilities, they are operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. Veolia also maintains the City's sewer pump stations.

The Sewer Fund's net assets increased by \$1.2 million (4.6%) in fiscal year 2011. The largest change in the components of net assets is a decrease \$1.9 million (49.5%) in net assets restricted for capital projects. This decrease represents additional spending of bond proceeds from the \$25.4 million general obligation warrants issued in December 2008. The remaining proceeds are expected to be spent on capital projects outlined in the bond indenture in fiscal 2012.

Total assets of the Sewer Fund decreased minimally by 0.1% (\$45,669); this decrease results from a combination of factors. The major factor in this change is a decrease in accounts receivables of \$1.4 million (76.1%). This large decrease is primarily the result of a large receivable that was recorded in 2010; a concession payment of \$675,000 paid by Veolia Water to the City for overpayments from previous years caused receivables to be temporarily inflated. In addition, as mentioned in the *Proprietary Funds* section, a change in accounting for customer receivables and liabilities was made that affected receivables. Adjustments to revenues receivable of approximately \$700,000 decreased assets and balanced sewer customer receivables to the utility billing system used by the Water Works Board. In addition, this change resulted in the Water Works Board owing the City for customer deposit and service collections from the past. This increased due from component units by \$518,310. Capital assets were increased by \$750,084 (1.0%), which included donations from developers of \$373,520.

There was a decrease in Sewer Fund liabilities of \$1.3 million or 2.7%; this decrease is the result of scheduled principal payments on long-term debt. More details on Sewer Fund debt are included in the *Debt Management* section.

The Sewer Fund generated operating income of \$3.4 million in 2011, an increase of \$640,626 from 2010. Operating revenues increased by \$741,258 (8.5%); this increase is primarily the result of an extended drought period that began in 2010. During fiscal year 2011, Auburn continued to experience weather conditions ranging from abnormally dry to severe drought. Since sewer service is based on water usage, drought periods cause an increase in sewer revenue. Operating expenses increased slightly by \$100,632 (1.7%); major components of this increase were utilities of \$61,525 (a result of rising electricity costs), depreciation of \$78,297 (due to expansion of the sewer system infrastructure), and management fees of \$113,551. Management fees are paid to Veolia Water North America Operating Services, LLC for operation of the City's two wastewater treatment plants. In fiscal 2011, Veolia began maintaining the sewer system lift stations in addition to the plants. Although this increased the management fees paid to Veolia, it decreased the repairs and maintenance expenses that the City had incurred for these lift stations in the past.

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. The budget is integrated with the

financial management system, enabling management at all levels to determine budgetary status on a line-item basis each day. Annual budgets are reviewed following the completion of the first half of each fiscal year. Revenue projections are updated and budgeted expenditures are adjusted via Council ordinance to reflect changing conditions.

The fiscal year 2011 *final* General Fund budget projected \$54.6 million in revenue and \$496,250 in other financing sources; appropriations were approved for \$56.8 million in expenditures and \$308,120 in other financing uses, producing a planned reduction of \$2.0 million in the General Fund's balance. Actual amounts for revenues (\$56.7 million), other financing sources (\$498,830), expenditures (\$55.0 million), and other financing uses (\$319,414) netted to a positive change in fund balance. As a result, the General Fund balance increased by \$1.9 million in 2011.

The original revenue projections in the General Fund were \$2.8 million under the *final* budget. Budget adjustments resulted from varied growth/decline in many revenue sources, the largest difference found in sales and use tax (up by 9.3%). In August 2011, the City increased its sales and use tax rate from 3% to 4%. Other increases/decreases from budget adjustments were seen in lodging taxes (up by 19.5%), occupation license fees (up by 4.3%), property taxes (up by 8.5%), and licenses and permits (down by 4.0%). These revenue trends reflect the changing economic environment which makes budgeting a more challenging task. Auburn is able to alter the course of spending as a result of management's assessment of revenue changes during the year, with tools such as monthly financial reports and real-time department budget to actual reports.

Total actual departmental expenditures in the General Fund were under budget by \$2.0 million in fiscal 2011. All individual departments kept expenditures under final budget, with the exception of Economic Development. Actual insurance claims incurred throughout the fiscal year are reclassified to each function at the end of the year. This reclassification caused the Economic Development to be slightly over budget by \$388. Non-departmental expenditures were under budget by \$219,054 and capital outlay expenditures exceeded budget by \$455,646. The capital outlay overage was the result of street construction and resurfacing that the City completed for developers who failed to meet subdivision completion requirements. These expenditures were offset by funds collected from performance bonds. Other financing sources and uses actual amounts compared unfavorably with the budget by \$8,714.

The total operating budget for all departments was increased by \$748,854 in the *final* budget. Although almost all departments' budgets were increased in the *final* budget, the two largest increases (\$464,855 and \$233,194) were in the amount appropriated for the Public Safety and General Government departments. The adjustment of the Public Safety budget reflected a \$331,000 increase caused by a change in the administration and subsequent billing of the Auburn University game-day contract for police services. Beginning in 2010, all expenses and subsequent billing for support services on game-day were accounted for through the City of Auburn as opposed to Auburn University. The adjustment to the General Government budget included a \$120,000 increase for the derived taxes that are paid to West Pace, LLC. In 2009, the City created a cooperative improvement district as authorized by Section 11-99 of the State Code of Alabama 1975, as amended. In conjunction with the development of this district, the City entered into an agreement with the District which provides that the City will pay to the District a specified proportion of the sales and lodging taxes generated within the District (derived taxes).

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

As of September 30, 2011, the City owned \$190.4 million invested in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, wastewater infrastructure, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$3.5 million (1.9%)

over last year. The majority of the increase is made up of bridge and roadway improvements and sewer line and facilities upgrades.

Table 8 lists the largest capital asset additions to the City for fiscal year 2011. Some of these additions were multi-year projects that were completed in 2011 and reclassified from construction in progress.

Table 8 **Largest Capital Asset Additions**

Fiscal Year 2011

Wastewater system expansion and improvements

Chocatafaula (S-5) sewer line	\$ 3,326,797
H.C. Morgan Water Pollution Control Facility upgrades	<u>1,270,615</u>
<i>Subtotal - Sewer</i>	<i>4,597,412</i>

Bridge and roadway improvements

North Donahue bridge	2,728,016
North Donahue road widening	1,142,237
Street resurfacing	1,959,432
Wire Road bridge	<u>505,570</u>

Total **\$ 10,932,667**

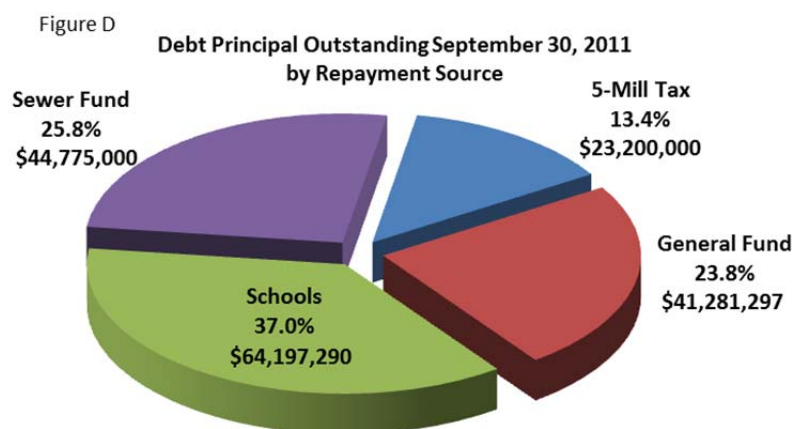
The City has committed, through future borrowings and referendums, to continue or complete some major projects in fiscal year 2012. These major projects include: Frank Brown Recreation Center expansion and new Senior Center totaling ~\$3.3 million, road resurfacing totaling ~\$3.1 million, Auburn Technology Park West – Phase II improvements of ~\$5.0 million, and sewer system improvements and expansions totaling ~\$8.1 million. Note 10 of the narrative notes to the financial statements provide additional detail on capital assets.

Long-term Debt

At 2011 fiscal year-end, the City owed \$177.5 million in long-term debt outstanding, of which \$12.2 million will mature during fiscal 2012. The fiscal 2011 net decrease in long-term debt from the previous year was \$11.9 million or 6.3%. The City's long-term debt is comprised of bonds and warrants.

General obligation debt is usually payable from the City's general revenues (the General Fund). However 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. The City issues general obligation debt for sewer purposes, which is intended to be repaid from the Sewer Fund.

Figure D illustrates the various funding sources for the repayment of the City's long-term debt.



Long-term debt with \$23.2 million in principal outstanding at fiscal year-end will be paid from the Special Five-Mill Tax Fund. The most recent Special Five-Mill Tax Fund referendum was held in January of 2009 and related debt issued in July of 2009. The approval rate for the referendum projects, which included infrastructure, public works, and facility improvements throughout the City, was 91.8%. The next Special Five-Mill debt issuance will be in fiscal 2012.

The City issues debt for the Auburn City Board of Education. The principal amount of currently outstanding school debt stands at \$64.2 million, which will be repaid from dedicated school ad valorem taxes. The Sewer Revenue Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$44.8 million.

The remaining \$41.3 million in outstanding principal will be repaid solely from the General Fund. The reader may refer to Note 11 of the narrative notes to the financial statements for more detail concerning the debt issuances and debt outstanding of the City and its component units.

The City did not issue debt during fiscal 2011. After fiscal year end 2011 but before this report date, the City issued \$18.5 million in debt for Auburn City Schools. The proceeds from this debt issuance will be used to construct a new elementary school and secure land for a future high school. In addition, a Special Five-Mill Tax issuance is scheduled to occur in April or May 2012.

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. Debt issued for schools, and water and sewer purposes are exempt from the legal debt limit. The City's outstanding debt applicable to this limit is \$64.5 million, resulting in a legal debt margin (additional legal debt capacity) of \$95.1 million.

An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2011 is 21.05%; the ratio for 2010 was 16.6%. City management assesses this ratio during the budgeting process and has established a goal of reducing the ratio to 10-12%.

Bond Ratings

In September 2009, Moody's Investors Service affirmed the City's rating at Aa3. In 2010, Moody's converted its ratings of municipal bonds to the same rating scale used for corporate securities. As a result of the scale conversion, Moody's changed the City of Auburn's rating to Aa2. (Aa2 is a higher rating than Aa3.) In June 2010, Standard & Poor's confirmed the City's AA+ credit rating.

The June 2010 Moody's rating report cited the City's "long history of solid financial management, conservative budgeting practices and high reserve levels" as among the factors considered in rating the

City's credit, noting that "economic activity has helped increase the size of the tax base, which has grown an average 11.2% annually over the past five years." The S&P report rated "Auburn's financial management practices 'strong' under its Financial Management Assessment methodology," commenting that the City's revenue and expenditures budget is "based on a thorough trend analysis." Standard & Poor's commended the City for its financial policies, specifically those for debt management and investments.

ECONOMIC FACTORS, 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:

City of Auburn 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.

The City's robust budgetary processes, proactive financial management efforts, aggressive (yet selective) industrial and commercial recruitment strategies, the presence of Auburn University, a diversified revenue base and the exceptional City public school system, all combine to position Auburn as a strong municipal economy. Even with a slowdown in the general economy experienced within the State of Alabama and the nation as a whole, Auburn has remained a relatively stable and growing economy, although the rate of growth has slowed. The City's unemployment rates typically compare favorably with the State's and national rates. The most recent data available show that for December 2011, the Auburn-Opelika area's unemployment rate was 6.9%. The State's unemployment rate in December 2011 was 8.0%; the national rate was 8.5% (source: US Bureau of Labor Statistics).

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), Commercial Development Authority (CDA), 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. In addition, the City's advantageous location on Interstate 85 and its proximity to various automotive manufacturing facilities in Alabama and west central Georgia make Auburn a natural choice for second and third tier automotive suppliers. The additional payrolls brought to the City generate occupation license fees, business license fees, and sales tax revenues, which 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 area 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 along Interstate Highway 85. The park's infrastructure and first two buildings are complete. The first tenant, Northrup Grumman, located in the research park. The second building was built for a Magnetic Resonance Imaging (MRI) research center. In this 45,000 square-foot facility, Auburn University is partnering with Siemens Medical Solutions USA to conduct research and house clinical studies. Construction of the third building is underway and will be a 68,000 square-foot facility, complete with 21 research laboratories, for the Center for Advanced Science, Innovation and Commerce. In addition, to further the partnership with Auburn University and the City of Auburn, the Auburn Research and Technology Foundation has established a full-service, mixed-use business incubator with the overall mission of facilitating the commercialization of university and community derived technologies.

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 dropped back to more typical levels for the area, fiscal 2001 (254 permits) to fiscal 2010 (307 permits), after a period of significant growth from 2004 – 2007, during which an average of 445 single family homes were permitted each year. Single family permits were down a little in fiscal 2011 to 251 (18.2%); most other residential classifications declined slightly (6.7%), as well. Commercial/industrial/institutional building activity (including new construction and additions/renovations) increased significantly in fiscal year 2011 compared to the activity of 2010 in terms of valuation (170.5%). The City's size has grown from 45.49 square miles in 2001 to 58.68 square miles in 2011. Population growth has averaged about 3% per year; the growth rate for 2010 was 4.2%.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2011 and 2012. For the new biennium, revenues were projected even more conservatively than is typical, borrowing plans were scaled back significantly, and some capital expenditures were shifted out of the General Fund to be financed by the Special Five Mill Tax Fund's resources. The City Council conducted a comprehensive Revenue Review in the spring of 2011. The Revenue Review is conducted once every four years with the goal of evaluating the City's overall revenue structure within the context of the City's 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 input 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 expenditure scenarios.

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 in the General Fund at September 30, 2011 stood at 52.5% of expenditures compared to 38.7% in 2010. The total fund balance includes \$4.7 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 \$4.7 million comprised 43.9% of expenditures. Another useful measure is the comparison of fund balance with total revenues, excluding other financing sources. The General Fund's total fund

balance as a percentage of revenues was 51.2% at the end of fiscal 2011 and 2010, another indication of the stability of fund balance.

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. In 2011, the City engaged a rate consultant to update a study of the Sewer Fund's rate and fee structure that was conducted in 2008. Following the completion of the sewer rate study update, the Council approved increases in both sewer service fees and sewer access fees, in a phased approach. Sewer rates will increase by 6.9% for three consecutive years beginning on October 1, 2011. These rate increases will address many capital needs, regulatory requirements and necessary maintenance to an aging infrastructure system.

Water services are provided by the City's component unit, the Water Works Board of the City of Auburn. During fiscal year 2011, the Board also conducted a rate study. Based on the results of the study, rate increases of 8% will be effective on October 1, 2012 and October 1, 2013.

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 supporting the Council's decision to increase the sales tax rate. This support continued in fiscal 2011 when the Council made a decision to increase the sales tax rate from 3% to 4%. This rate became effective in August 2011. Revenue from this increase will aid in supporting the school system and enable the City to improve its infrastructure. 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. The slowing global economy and the unpredictability of the future impart an even higher importance to administering the City's revenue ordinances equitably, monitoring the City's financial status continuously, and budgeting for the prudent expenditures of public resources. City management is committed to all of these efforts.

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.



City of Auburn

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, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
ASSETS				
Current assets:				
Cash and cash equivalents	24,734,069	3,748,184	28,482,253	19,336,028
Certificates of deposit	3,252,635	2,025,315	5,277,950	155,222
Receivables, net	9,102,596	551,351	9,653,947	433,769
Due from component units	1,063,761	553,114	1,616,875	-
Internal balances	14,115	(14,115)	-	-
Inventories	17,768	34,841	52,609	359,178
Current portion of mortgages and notes receivable	69,214	-	69,214	112,000
Current portion of net investment in capital leases	-	-	-	100,091
Property tax receivable	-	-	-	5,399,636
Due from other governments	-	-	-	700,544
Due from primary government	-	-	-	131,182
Other current assets	447,876	38,692	486,568	183,937
Total current assets	<u>38,702,034</u>	<u>6,937,382</u>	<u>45,639,416</u>	<u>26,911,587</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	-	-	7,143,264
Investments	-	-	-	1,613,628
Mortgages and notes receivable, net of current portion	1,477,669	-	1,477,669	243,568
Net investment in capital leases, net of current portion	-	-	-	422,425
Advances to other funds	216,892	-	216,892	-
Advances to component units	3,012,853	-	3,012,853	-
Advances to other agencies	313,193	-	313,193	-
Property for resale	4,131,127	-	4,131,127	10,789,490
Bond issue costs, net	836,577	476,861	1,313,438	423,897
Deferred outflow of resources	-	-	-	1,588,434
Capital assets not being depreciated	16,504,010	659,528	17,163,538	15,462,735
Capital assets net of accumulated depreciation	106,186,474	67,085,374	173,271,848	170,367,235
Total noncurrent assets	<u>132,678,795</u>	<u>68,221,763</u>	<u>200,900,558</u>	<u>208,054,676</u>
Total assets	<u>171,380,829</u>	<u>75,159,145</u>	<u>246,539,974</u>	<u>234,966,263</u>
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Current portion of long-term debt	-	-	-	650,000
Accrued interest payable	-	-	-	180,653
Accounts payable and other accrued liabilities	1,916,897	368,383	2,285,280	3,577,292
Payable to other governments	1,683,273	-	1,683,273	-
Due to component units	3,744	127,437	131,181	-
Accrued interest payable	810,098	642,691	1,452,789	-
Salaries and benefits payable	448,888	-	448,888	4,576,973
Claims payable	74,766	-	74,766	-
Customer deposits	140,553	662,307	802,860	697,092
Other payable	-	-	-	360
Unearned revenue	1,797,300	-	1,797,300	5,626,455
Current portion of long-term debt	11,025,989	1,170,355	12,196,344	205,000
Short term notes payable	-	-	-	5,326,572
Due to primary government	-	-	-	1,616,875
Obligations under capital leases	-	-	-	360,761
Total current liabilities	<u>17,901,508</u>	<u>2,971,173</u>	<u>20,872,681</u>	<u>22,818,033</u>
Noncurrent liabilities:				
Advances from other funds	-	216,892	216,892	-
Advances from primary government	-	-	-	3,012,853
Derivative instrument liability	-	-	-	1,588,434
Long-term debt and other liabilities	121,655,015	43,625,984	165,280,999	47,957,961
Total noncurrent liabilities	<u>121,655,015</u>	<u>43,842,876</u>	<u>165,497,891</u>	<u>52,559,248</u>
Total liabilities	<u>139,556,523</u>	<u>46,814,049</u>	<u>186,370,572</u>	<u>75,377,281</u>
NET ASSETS				
Invested in capital assets, net of related debt	87,677,067	25,570,257	113,247,324	131,176,489
Restricted for :				
Capital projects	1,372,083	1,956,004	3,328,087	5,521,324
Debt service	3,723,922	-	3,723,922	1,897,251
Federal and state grants	1,223,138	-	1,223,138	-
Restricted for other projects	-	-	-	1,429,857
Special revenues (gas tax and road projects)	127,641	-	127,641	-
Special revenues (ad valorem tax for schools)	4,911,623	-	4,911,623	-
Special revenues (public safety)	59,946	-	59,946	-
Unrestricted (deficit)	(67,271,114)	818,835	(66,452,279)	19,564,061
Total net assets	<u>31,824,306</u>	<u>28,345,096</u>	<u>60,169,402</u>	<u>159,588,982</u>

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, 2011

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
						Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units	
Primary government:	\$	\$	\$	\$	\$	\$	\$	\$	
Governmental activities:									
General government and administration	6,696,333	10,540,374	831,866	-	4,675,907	-	4,675,907		
Public works	7,176,200	-	795,398	3,210,205	(3,170,597)	-	(3,170,597)		
Environmental services	1,759,158		-	-	(1,759,158)	-	(1,759,158)		
Public safety	17,484,211	3,677,033	163,783	73,441	(13,569,954)	-	(13,569,954)		
Library	1,641,371	34,621	20,377	11,380	(1,574,993)	-	(1,574,993)		
Parks and recreation	5,611,356	791,821	10,000	322,153	(4,487,382)	-	(4,487,382)		
Planning	573,462	40,872	-	-	(532,590)	-	(532,590)		
Social and economic development	3,302,021	-	925,874	81,597	(2,294,550)	-	(2,294,550)		
Human resources	702,065	-	-	-	(702,065)	-	(702,065)		
Risk management	1,069,339	745,281	-	-	(324,058)	-	(324,058)		
Education (payments to Board of Education)	14,624,398	-	-	-	(14,624,398)	-	(14,624,398)		
Interest on long-term debt	5,914,822	-	-	-	(5,914,822)	-	(5,914,822)		
Total governmental activities	66,554,736	15,830,002	2,747,298	3,698,776	(44,278,660)	-	(44,278,660)		
Business-type activities:									
Sewer Fund	8,173,912	9,493,840	-	373,520		1,693,448	1,693,448		
Solid Waste Management Fund	3,522,953	2,961,625	21,595	-		(539,733)	(539,733)		
Total business-type activities	11,696,865	12,455,465	21,595	373,520		1,153,715	1,153,715		
Total primary government	78,251,601	28,285,467	2,768,893	4,072,296	(44,278,660)	1,153,715	(43,124,945)		
Component units:									
Board of Education	63,753,931	4,680,579	32,509,227	1,439,065				(25,125,060)	
Water Works Board	9,372,122	9,183,930	-	643,880				455,688	
Industrial Development Board	4,141,312	3,325,657	-	117,463				(698,192)	
Public Park & Recreation Board	603,700	72,559	-	104,413				(426,728)	
Total Component Units	77,871,065	17,262,725	32,509,227	2,304,821				(25,794,292)	
General revenues									
Taxes:									
Sales taxes					22,987,406	-	22,987,406	4,338,341	
Occupational license fees					9,033,443	-	9,033,443	-	
Property taxes					20,966,105	-	20,966,105	12,376,216	
Motor fuel taxes					293,425	-	293,425	-	
Lodgings taxes					1,371,789	-	1,371,789	-	
Rental and leasing taxes					473,732	-	473,732	-	
Cigarette taxes					79,304	-	79,304	-	
Alcoholic beverage taxes					131,668	-	131,668	494,323	
Other taxes					-	-	-	69,748	
Appropriations from the City of Auburn					-	-	-	8,077,790	
Federal and state aid not restricted					-	-	-	1,656	
Interest and investment earnings					362,808	48,728	411,536	348,554	
Gain (loss) on disposal of assets					33,639	(754)	32,885	(55,445)	
Miscellaneous					31,441	7,656	39,097	921,231	
Special item:									
Capital contribution to ARTF					-	-	-	(11,148,963)	
Tranfers					(248,354)	248,354	-	-	
Total general revenues, special items, and transfers					55,516,406	303,984	55,820,390	15,423,451	
Change in net assets					11,237,746	1,457,699	12,695,445	(10,370,841)	
Net assets - beginning					19,546,239	27,681,130	47,227,369	169,263,115	
Prior period adjustment					1,040,321	(793,733)	246,588	696,708	
Net assets - beginning, as restated					20,586,560	26,887,397	47,473,957	169,959,823	
Net assets - ending					31,824,306	28,345,096	60,169,402	159,588,982	

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

CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Special School Tax Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
ASSETS				
Cash and cash equivalents	19,854,790	3,455,400	4,676,516	27,986,706
Receivables, net	7,306,763	96,223	1,699,611	9,102,597
Due from other funds	634,780	-	-	634,780
Due from component units	263,761	800,000	-	1,063,761
Inventories	17,768	-	-	17,768
Prepaid items	372,672	-	-	372,672
Mortgages receivable	-	-	1,546,883	1,546,883
Advances to other funds	216,892	-	-	216,892
Advances to component units	2,452,853	560,000	-	3,012,853
Advances to other agencies	313,193	-	-	313,193
Property for resale	4,131,127	-	-	4,131,127
Total assets	<u>35,564,599</u>	<u>4,911,623</u>	<u>7,923,010</u>	<u>48,399,232</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	2,327,117	-	91,597	2,418,714
Payables to other governments	1,683,273	-	-	1,683,273
Due to component units	3,744	-	-	3,744
Customer deposits	132,544	-	-	132,544
Claims payable	74,766	-	-	74,766
Due to other funds	-	-	620,665	620,665
Deferred revenue	2,317,381	-	-	2,317,381
Deferred program revenue	-	-	1,546,932	1,546,932
Total liabilities	<u>6,538,825</u>	<u>-</u>	<u>2,259,194</u>	<u>8,798,019</u>
Fund balances				
Nonspendable				
Inventories	17,768	-	-	17,768
Prepaid items	372,672	-	-	372,672
Advances	2,982,938	560,000	-	3,542,938
Property for resale	4,131,127	-	-	4,131,127
Restricted				
Roads, bridges and streets	-	-	127,641	127,641
Law enforcement	176,679	-	132,943	309,622
Education	-	4,351,623	-	4,351,623
General grants	-	-	162,071	162,071
Social and economic	-	-	145,155	145,155
Capital projects	-	-	1,372,084	1,372,084
Committed				
Debt service	-	-	3,723,922	3,723,922
Assigned				
Social and economic	108,100	-	-	108,100
General	4,746,620	-	-	4,746,620
Unassigned	16,489,870	-	-	16,489,870
Total fund balances	<u>29,025,774</u>	<u>4,911,623</u>	<u>5,663,816</u>	<u>39,601,213</u>
Total liabilities and fund balances	<u>35,564,599</u>	<u>4,911,623</u>	<u>7,923,010</u>	

Total 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.	122,690,484
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(131,844,429)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,067,013
Prepaid items accounted for using the purchases method are not reported in the funds.	75,204
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(765,179)
Net assets of governmental activities	<u>31,824,306</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Special School Tax Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
Revenues				
Sales and use taxes	22,987,406	-	-	22,987,406
Occupational license fees	9,033,443	-	-	9,033,443
Motor fuel taxes	576,855	-	-	576,855
Lodging taxes	1,371,789	-	-	1,371,789
Rental and leasing taxes	473,732	-	-	473,732
Other taxes	210,972	-	-	210,972
Licenses and permits	8,860,187	-	-	8,860,187
General property taxes	4,423,726	12,765,191	3,777,188	20,966,105
Charges for services	5,777,642	-	-	5,777,642
Fines and forfeitures	1,247,137	-	-	1,247,137
State shared taxes	816,241	-	241,496	1,057,737
Contributions from the public	664,954	500	959,037	1,624,491
Grants	-	-	2,205,074	2,205,074
Program income	-	-	385,822	385,822
Interest	199,444	60,117	103,247	362,808
Miscellaneous	71,265	-	173	71,438
Total revenues	<u>56,714,793</u>	<u>12,825,808</u>	<u>7,672,037</u>	<u>77,212,638</u>
Expenditures				
General government and administration	4,543,986	-	277,161	4,821,147
Public works	3,377,182	-	373,927	3,751,109
Environmental services	1,665,499	-	-	1,665,499
Public safety	16,547,410	-	145,459	16,692,869
Library	1,433,753	-	21,877	1,455,630
Parks and recreation	4,714,322	-	-	4,714,322
Planning	573,465	-	-	573,465
Economic development	968,778	-	1,066,546	2,035,324
Employee services	655,029	-	-	655,029
Risk management	1,269,056	-	-	1,269,056
Total departmental	<u>35,748,480</u>	<u>-</u>	<u>1,884,970</u>	<u>37,633,450</u>
Non-Departmental	1,295,819	477,904	141,347	1,915,070
Debt service				
Administrative charges	11,250	3,760	8,017	23,027
Interest	1,937,841	3,026,483	1,062,192	6,026,516
Principal retirement	5,915,163	1,829,625	2,720,000	10,464,788
Capital outlay	1,300,211	-	4,474,210	5,774,421
Intergovernmental	876,083	-	-	876,083
Payments to component units	7,885,052	7,573,639	297,151	15,755,842
Total expenditures	<u>54,969,899</u>	<u>12,911,411</u>	<u>10,587,887</u>	<u>78,469,197</u>
Excess (deficiency) of revenues over expenditures	<u>1,744,894</u>	<u>(85,603)</u>	<u>(2,915,850)</u>	<u>(1,256,559)</u>
Other financing sources (uses)				
Sale of surplus assets	27,704	-	5,935	33,639
Transfers in	471,126	-	94,108	565,234
Transfers out	(319,414)	-	(494,175)	(813,589)
Total other financing sources (uses)	<u>179,416</u>	<u>-</u>	<u>(394,132)</u>	<u>(214,716)</u>
Net changes in fund balances	1,924,310	(85,603)	(3,309,982)	(1,471,275)
Fund balances, beginning of year	<u>27,101,464</u>	<u>4,997,226</u>	<u>8,973,798</u>	<u>41,072,488</u>
Fund balances, end of year	<u>29,025,774</u>	<u>4,911,623</u>	<u>5,663,816</u>	<u>39,601,213</u>

The notes to the financial statements 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, 2011

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

Net change in fund balances - total governmental funds	\$ (1,471,275)
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.	723,030
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	1,093,878
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.	10,771,789
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.	(981)
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>121,305</u>
Change in net assets - statement of activities	<u>\$ 11,237,746</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, 2011

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
	\$	\$	\$	\$
Revenues				
Sales and use taxes	20,625,000	22,550,000	22,987,406	437,406
Occupational license fees	8,256,000	8,615,000	9,033,443	418,443
Motor fuel taxes	500,000	520,000	576,855	56,855
Lodging taxes	1,151,000	1,376,000	1,371,789	(4,211)
Rental and leasing taxes	416,000	416,000	473,732	57,732
Other taxes	200,000	197,000	210,972	13,972
Licenses and permits	9,021,000	8,657,400	8,860,187	202,787
General property taxes	4,126,150	4,476,150	4,423,726	(52,424)
Charges for services	5,175,926	5,533,176	5,777,642	244,466
Fines and forfeitures	1,040,000	1,072,000	1,247,137	175,137
State shared taxes	660,000	618,000	816,241	198,241
Contributions from the public	275,714	275,714	664,954	389,240
Interest	252,628	197,130	199,444	2,314
Miscellaneous	47,100	49,100	71,265	22,165
Total revenues	51,746,518	54,552,670	56,714,793	2,162,123
Expenditures				
General government and administration	4,557,778	4,790,972	4,543,986	246,986
Public works	3,487,892	3,513,198	3,377,182	136,016
Environmental services	1,716,211	1,747,205	1,665,499	81,706
Public safety	16,486,857	16,951,712	16,547,410	404,302
Library	1,507,299	1,507,299	1,433,753	73,546
Parks and recreation	5,050,680	5,060,680	4,714,322	346,358
Planning	673,378	673,378	573,465	99,913
Economic development	968,390	968,390	968,778	(388)
Employee services	703,921	703,921	655,029	48,892
Risk management	1,841,603	1,826,108	1,269,056	557,052
Total departmental	36,994,009	37,742,863	35,748,480	1,994,383
Non-departmental	1,743,729	1,514,873	1,295,819	219,054
Debt service:				
Administrative charges	-	-	11,250	(11,250)
Interest	1,307,318	1,937,849	1,937,841	8
Principal retirement	4,995,181	5,915,162	5,915,163	(1)
Capital outlay	631,147	844,564	1,300,211	(455,647)
Intergovernmental	859,125	894,125	876,083	18,042
Payments to component units	9,026,386	7,904,576	7,885,052	19,524
Total expenditures	55,556,895	56,754,012	54,969,899	1,784,113
Excess (deficiency) of revenues over expenditures	(3,810,377)	(2,201,342)	1,744,894	3,946,236
Other financing sources (uses)				
Sale of surplus assets	15,000	30,000	27,704	(2,296)
Transfers in	466,250	466,250	471,126	4,876
Transfers out	(108,620)	(308,120)	(319,414)	(11,294)
Total other financing sources (uses)	372,630	188,130	179,416	(8,714)
Net change in fund balances	(3,437,747)	(2,013,212)	1,924,310	3,937,522
Fund balances, beginning of year	27,101,464	27,101,464	27,101,464	-
Fund balances, end of year	23,663,717	25,088,252	29,025,774	3,937,522

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, 2011

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Revenues	\$	\$	\$	\$
General property taxes	12,273,000	12,524,000	12,765,191	241,191
Contributions from the public	-	-	500	500
Interest	65,000	65,000	60,117	(4,883)
Total revenues	<u>12,338,000</u>	<u>12,589,000</u>	<u>12,825,808</u>	<u>236,808</u>
Expenditures				
Non-Departmental	412,000	460,100	477,904	(17,804)
Debt service				
Administrative charges	2,300	2,300	3,760	(1,460)
Interest	3,150,590	3,026,492	3,026,483	9
Principal retirement	1,799,625	1,829,625	1,829,625	-
Payments to component units	<u>7,433,639</u>	<u>7,433,639</u>	<u>7,573,639</u>	<u>(140,000)</u>
Total expenditures	<u>12,798,154</u>	<u>12,752,156</u>	<u>12,911,411</u>	<u>(159,255)</u>
Excess (deficiency) of revenues over expenditures	<u>(460,154)</u>	<u>(163,156)</u>	<u>(85,603)</u>	<u>77,553</u>
Fund balances, beginning of year	<u>4,997,226</u>	<u>4,997,226</u>	<u>4,997,226</u>	<u>-</u>
Fund balances, end of year	<u><u>4,537,072</u></u>	<u><u>4,834,070</u></u>	<u><u>4,911,623</u></u>	<u><u>77,553</u></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, 2011

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3,748,184	-	3,748,184
Certificates of deposit	2,025,315	-	2,025,315
Receivables, net	446,572	104,779	551,351
Due from component units	552,729	385	553,114
Inventory	34,841	-	34,841
Other current assets	22,213	16,479	38,692
Total current assets	6,829,854	121,643	6,951,497
Noncurrent assets			
Bond issue costs, net	476,861	-	476,861
Capital assets not being depreciated	659,528	-	659,528
Capital assets net of accumulated depreciation	66,413,784	671,590	67,085,374
Total noncurrent assets	67,550,173	671,590	68,221,763
 Total assets	 74,380,027	 793,233	 75,173,260
LIABILITIES			
Current liabilities			
Accounts payable	221,525	146,858	368,383
Due to component units	125,161	2,276	127,437
Due to other funds	-	14,115	14,115
Accrued interest payable	642,691	-	642,691
Customer deposits	662,097	210	662,307
Current portion of long-term debt	1,164,571	5,784	1,170,355
Total current liabilities	2,816,045	169,243	2,985,288
Noncurrent liabilities			
Advances from other funds	-	216,892	216,892
Long-term debt and other liabilities	43,514,459	111,525	43,625,984
Total noncurrent liabilities	43,514,459	328,417	43,842,876
Total liabilities	46,330,504	497,660	46,828,164
 NET ASSETS			
Invested in capital assets, net of related debt	24,898,667	671,590	25,570,257
Restricted for capital projects	1,956,004	-	1,956,004
Unrestricted (deficit)	1,194,852	(376,017)	818,835
Total net assets	28,049,523	295,573	28,345,096

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

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
Operating revenues	\$	\$	\$
Charges for services	9,488,445	2,961,625	12,450,070
Sewer tapping fees	5,395	-	5,395
Grants	-	21,595	21,595
Miscellaneous	5,625	2,031	7,656
Total operating revenues	9,499,465	2,985,251	12,484,716
Operating expenses			
Salaries and wages	1,011,198	1,527,798	2,538,996
Employee benefits	232,811	427,938	660,749
Repairs and maintenance	4,248	53,485	57,733
Utilities	687,613	468	688,081
Professional services	407,649	550,601	958,250
Rentals and leasing	70,744	-	70,744
Insurance	7,052	26,823	33,875
Office supplies	24,051	-	24,051
Fuels and lubricants	34,173	248,015	282,188
Agricultural and chemical supplies	34,752	901	35,653
Minor equipment and tools	17,841	30,648	48,489
Repair parts and materials	56,540	214,924	271,464
Clothing and linens	10,136	-	10,136
Sewer service fees	126,000	-	126,000
Management fees	1,756,541	135,000	1,891,541
Bad Debt Expense	6,258	4,229	10,487
Depreciation/amortization	1,584,639	253,300	1,837,939
Travel and training	11,409	8,572	19,981
Miscellaneous	654	40,251	40,905
Total operating expenses	6,084,309	3,522,953	9,607,262
Operating Income (Loss)	3,415,156	(537,702)	2,877,454
Nonoperating revenues (expenses)			
Interest earned	48,669	59	48,728
Interest and fiscal charges	(2,089,603)	-	(2,089,603)
Gain (loss) on disposal of capital assets	908	(1,662)	(754)
Total nonoperating revenues (expenses)	(2,040,026)	(1,603)	(2,041,629)
Income (loss) before transfers and capital contributions	1,375,130	(539,305)	835,825
Transfers	(71,060)	319,414	248,354
Capital contributions - developers	373,520	-	373,520
Change in net assets	1,677,590	(219,891)	1,457,699
Net assets - beginning	26,812,954	868,176	27,681,130
Prior period adjustment	(441,021)	(352,712)	(793,733)
Net assets - beginning, as restated	26,371,933	515,464	26,887,397
Net assets - ending	28,049,523	295,573	28,345,096

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, 2011

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	9,964,222	2,980,365	12,944,587
Other cash collected	5,625	9,095	14,720
Customer deposits collected	39,039	-	39,039
Proceeds from operating grant	-	21,595	21,595
Payments to suppliers for goods and services	(3,510,351)	(1,284,229)	(4,794,580)
Payments to employees for services	(1,235,656)	(1,959,435)	(3,195,091)
Net cash provided (consumed) by operating activities (A)	<u>5,262,879</u>	<u>(232,609)</u>	<u>5,030,270</u>
Cash flows from noncapital financing activities			
Transfers in	-	319,414	319,414
Transfers out	(71,060)	-	(71,060)
Net cash provided (consumed) by noncapital financing activities	<u>(71,060)</u>	<u>319,414</u>	<u>248,354</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(1,105,000)	-	(1,105,000)
Proceeds from sale of assets	908	965	1,873
Acquisition and construction of capital assets	(1,831,002)	(117,003)	(1,948,005)
Interest and fiscal fees paid	(2,177,757)	-	(2,177,757)
Net cash provided (consumed) by capital and related financing activities	<u>(5,112,851)</u>	<u>(116,038)</u>	<u>(5,228,889)</u>
Cash flows from investing activities			
Interest on investments	41,985	59	42,044
Redemption of investments	724,685	-	724,685
Net cash provided (consumed) by investing activities	<u>766,670</u>	<u>59</u>	<u>766,729</u>
Net increase (decrease) in cash	845,638	(29,174)	816,464
Cash and cash equivalents, beginning of year	2,902,546	29,174	2,931,720
Cash and cash equivalents, end of year	<u>3,748,184</u>	<u>-</u>	<u>3,748,184</u>
Reconciliation of operating income to net cash provided by operating activities (A):			
Operating income	3,415,156	(537,702)	2,877,454
Add: Depreciation	1,584,640	253,300	1,837,940
Increase in accounts payable	-	29,567	29,567
Decrease in accounts receivable	470,381	25,803	496,184
Increase in customer deposits	39,039	210	39,249
Increase in accrued leave	4,123	-	4,123
Increase in OPEB liability	4,230	5,283	9,513
Increase in due to other funds	-	14,115	14,115
Increase in amounts due to component units	115,914	2,276	118,190
Deduct: Increase in prepaid items	(24,650)	(16,479)	(41,129)
Decrease in accrued leave	-	(8,982)	(8,982)
Decrease in accounts payable	(345,954)	-	(345,954)
Net cash provided by operating activities	<u>5,262,879</u>	<u>(232,609)</u>	<u>5,030,270</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	373,520	-	373,520
	<u>373,520</u>	<u>-</u>	<u>373,520</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	Youth Athletic Associations'
	Private-purpose
	Trust Fund
ASSETS	<u>\$</u>
Current assets:	
Cash and cash equivalents	359,370
Receivables, net	<u>561</u>
Total assets	<u><u>359,931</u></u>
NET ASSETS	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	95,438
Auburn Soccer Organization	223,856
Auburn Youth Football	13,602
Auburn Community Tennis Association	<u>27,035</u>
Total net assets	<u><u>359,931</u></u>

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, 2011

	Youth Athletic Associations' Private-purpose Trust Fund
	<u>\$</u>
ADDITIONS	
Program revenues:	
Baseball/Softball	198,704
Soccer	259,388
Football	35,707
Tennis	<u>5,580</u>
Total program revenues	<u>499,379</u>
Investment earnings:	
Baseball/Softball interest	917
Soccer interest	1,278
Tennis interest	<u>61</u>
Total investment earnings	<u>2,256</u>
Total additions	<u>501,635</u>
DEDUCTIONS	
Program expenses:	
Baseball/Softball	231,942
Soccer	216,139
Football	29,071
Tennis	<u>7,255</u>
Total deductions	<u>484,407</u>
Change in net assets	17,228
Net assets - beginning	<u>342,703</u>
Net assets - ending	<u><u>359,931</u></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 NET ASSETS
SEPTEMBER 30, 2011

	Major Component Units			Nonmajor	
	Board of Education	Water Works Board	Industrial Development Board	Component Units	Total
	\$	\$	\$	\$	\$
ASSETS					
Current assets:					
Cash and cash equivalents	13,093,827	5,494,736	747,315	150	19,336,028
Certificates of deposit	-	96,187	59,035	-	155,222
Receivables, net	4,445	359,754	46,406	23,164	433,769
Inventories	91,540	267,638	-	-	359,178
Current portion of mortgages and notes receivable	-	-	112,000	-	112,000
Current portion of net investment in capital leases	-	-	100,091	-	100,091
Property tax receivable	5,399,636	-	-	-	5,399,636
Due from other governments	700,544	-	-	-	700,544
Due from primary government	-	131,182	-	-	131,182
Other current assets	-	102,637	81,300	-	183,937
Total current assets	<u>19,289,992</u>	<u>6,452,134</u>	<u>1,146,147</u>	<u>23,314</u>	<u>26,911,587</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	1,683,894	5,304,902	154,468	-	7,143,264
Investments	-	1,613,628	-	-	1,613,628
Mortgages and notes receivable, net of current portion	-	-	243,568	-	243,568
Net investment in capital leases, net of current portion	-	-	422,425	-	422,425
Property for resale	-	-	10,789,490	-	10,789,490
Bond issue costs, net	-	203,819	220,078	-	423,897
Deferred outflow of resources	-	-	1,588,434	-	1,588,434
Capital assets not being depreciated	4,010,153	2,552,250	8,900,332	-	15,462,735
Capital assets, net of accumulated depreciation	<u>77,182,346</u>	<u>47,149,934</u>	<u>39,916,383</u>	<u>6,118,572</u>	<u>170,367,235</u>
Total noncurrent assets	<u>82,876,393</u>	<u>56,824,533</u>	<u>62,235,178</u>	<u>6,118,572</u>	<u>208,054,676</u>
Total assets	<u>102,166,385</u>	<u>63,276,667</u>	<u>63,381,325</u>	<u>6,141,886</u>	<u>234,966,263</u>
LIABILITIES					
Current liabilities:					
Liabilities payable from restricted assets:					
Current portion of long-term debt	-	650,000	-	-	650,000
Accrued interest payable	-	75,354	105,299	-	180,653
Accounts payable and other accrued liabilities	550,834	1,041,941	1,978,521	5,996	3,577,292
Salaries and benefits payable	4,576,973	-	-	-	4,576,973
Customer deposits	-	697,092	-	-	697,092
Other payable	-	360	-	-	360
Deferred revenue	5,625,055	-	1,400	-	5,626,455
Current maturities of bonds payable	-	-	205,000	-	205,000
Current maturities of notes payable	-	-	5,326,572	-	5,326,572
Due to primary government	800,000	816,875	-	-	1,616,875
Obligations under capital leases	360,761	-	-	-	360,761
Total current liabilities	<u>11,913,623</u>	<u>3,281,622</u>	<u>7,616,792</u>	<u>5,996</u>	<u>22,818,033</u>
Noncurrent liabilities:					
Advances from primary government	560,000	-	2,452,853	-	3,012,853
Derivative instrument liability	-	-	1,588,434	-	1,588,434
Long-term debt and other liabilities	<u>512,854</u>	<u>19,726,260</u>	<u>27,718,847</u>	<u>-</u>	<u>47,957,961</u>
Total noncurrent liabilities	<u>1,072,854</u>	<u>19,726,260</u>	<u>31,760,134</u>	<u>-</u>	<u>52,559,248</u>
Total liabilities	<u>12,986,477</u>	<u>23,007,882</u>	<u>39,376,926</u>	<u>5,996</u>	<u>75,377,281</u>
NET ASSETS					
Invested in capital assets, net of related debt	78,958,884	29,354,840	16,744,193	6,118,572	131,176,489
Restricted for:					
Capital projects	345,577	5,175,747	-	-	5,521,324
Debt service	-	1,742,783	154,468	-	1,897,251
Other projects	1,429,857	-	-	-	1,429,857
Unrestricted	<u>8,445,590</u>	<u>3,995,415</u>	<u>7,105,738</u>	<u>17,318</u>	<u>19,564,061</u>
Total net assets	<u>89,179,908</u>	<u>40,268,785</u>	<u>24,004,399</u>	<u>6,135,890</u>	<u>159,588,982</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 2011

	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
	\$	\$	\$	\$	\$	\$	\$
Governmental activities:							
Auburn Board of Education							
Functions/Programs							
Instruction	38,187,212	949,405	23,764,273	34,629	(13,438,905)	-	(13,438,905)
Instructional support	11,267,830	328,755	5,175,684	3,499	(5,759,892)	-	(5,759,892)
Operation and maintenance	5,083,944	144,355	1,195,822	1,173,234	(2,570,533)	-	(2,570,533)
Auxiliary services							
Student transportation services	2,710,225	109,935	1,552,663	227,703	(819,924)	-	(819,924)
Food services	3,260,614	2,449,024	138,206	-	(673,384)	-	(673,384)
General administrative services	2,160,556	2,208	314,417	-	(1,843,931)	-	(1,843,931)
Other	1,034,636	696,897	368,162	-	30,423	-	30,423
Interest and fiscal charges	48,914	-	-	-	(48,914)	-	(48,914)
Total governmental activities	63,753,931	4,680,579	32,509,227	1,439,065	(25,125,060)	-	(25,125,060)
Business-type activities:							
Water Works Board	9,372,122	9,183,930	-	643,880	-	455,688	455,688
Industrial Development Board	4,141,312	3,325,657	-	117,463	-	(698,192)	(698,192)
Public Park & Recreation Board	603,700	72,559	-	104,413	-	(426,728)	(426,728)
Total business-type activities	14,117,134	12,582,146	-	865,756	-	(669,232)	(669,232)
Total component units	77,871,065	17,262,725	32,509,227	2,304,821	(25,125,060)	(669,232)	(25,794,292)
General revenues:							
Taxes:							
Sales taxes					4,338,341	-	4,338,341
Property taxes					12,376,216	-	12,376,216
Alcoholic beverage taxes					494,323	-	494,323
Other taxes					69,748	-	69,748
Unrestricted appropriations from the City of Auburn					7,050,759	1,027,031	8,077,790
Federal/state aid not restricted					1,656	-	1,656
Interest and investment earnings					188,617	159,937	348,554
Gain (loss) on disposal of assets					21,459	(76,904)	(55,445)
Miscellaneous					428,288	492,943	921,231
Special items:							
Capital contribution to Auburn Research Technology Foundation					-	(11,148,963)	(11,148,963)
Total general revenues, special items, and transfers					24,969,407	(9,545,956)	15,423,451
Change in net assets					(155,653)	(10,215,188)	(10,370,841)
Net assets - beginning					89,335,561	79,927,554	169,263,115
Prior period adjustment					-	696,708	696,708
Net assets - beginning, as restated					89,335,561	80,624,262	169,959,823
Net assets - ending					89,179,908	70,409,074	159,588,982

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 2011

	Major Business-type Component Units		Nonmajor Business-type Component Units	Total
	Water Works Board	Industrial Development Board		
	\$	\$	\$	\$
Operating revenues				
Lease income	-	3,325,657	-	3,325,657
Water sales and service	9,183,930	-	-	9,183,930
Tennis center revenue	-	-	72,559	72,559
Miscellaneous	226,531	197,997	68,415	492,943
Total operating revenues	9,410,461	3,523,654	140,974	13,075,089
Operating expenses				
Water treatment and pumping expense	2,853,980	-	-	2,853,980
Water distribution expense	940,441	-	-	940,441
Meter reading expense	436,283	-	-	436,283
Operations administration expense	251,704	-	-	251,704
Water revenue office expense	718,646	-	-	718,646
General operations expense	1,286,379	-	-	1,286,379
Salaries and wages	-	-	130,776	130,776
Employee benefits	-	-	28,407	28,407
Repairs and maintenance	-	124,412	28,578	152,990
Advertising	-	25,294	126	25,420
Utilities	-	112,171	89,558	201,729
Rentals and leasing	-	-	2,137	2,137
Insurance	-	-	3,492	3,492
Minor equipment and tools	-	-	1,505	1,505
Professional services	-	188,558	520	189,078
Office supplies	-	16,870	-	16,870
Agricultural and chemical supplies	-	-	310	310
Recreational supplies	-	-	9,932	9,932
Depreciation/amortization	2,032,787	871,791	307,233	3,211,811
Industrial recruitment	-	316,966	-	316,966
Industrial incentives granted	-	391,740	-	391,740
Travel and training	-	6,144	288	6,432
Special events	-	28,892	-	28,892
Workforce development	-	3,865	-	3,865
Miscellaneous	-	4,924	42	4,966
Total operating expenses	8,520,220	2,091,627	602,904	11,214,751
Operating income (loss)	890,241	1,432,027	(461,930)	1,860,338
Non-operating revenues (expenses)				
Interest and investment earnings	111,803	48,107	27	159,937
Appropriations from the City of Auburn	-	843,568	183,463	1,027,031
Interest and fiscal charges	(851,902)	(2,049,685)	(796)	(2,902,383)
Gain (loss) on disposal of assets	20,092	(96,996)	-	(76,904)
Total non-operating revenues (expenses)	(720,007)	(1,255,006)	182,694	(1,792,319)
Income (loss) before other revenues, expenses, gains, losses, and transfers	170,234	177,021	(279,236)	68,019
Capital contributions				
From the City of Auburn	-	-	104,413	104,413
From other agencies	-	69,080	-	69,080
From developers	286,280	48,383	-	334,663
From access fees	357,600	-	-	357,600
Total capital contributions	643,880	117,463	104,413	865,756
Special items				
Capital contribution to Auburn Research Technology Foundation	-	(11,148,963)	-	(11,148,963)
Change in net assets	814,114	(10,854,479)	(174,823)	(10,215,188)
Net assets - beginning	38,757,963	34,858,878	6,310,713	79,927,554
Prior period adjustment	696,708	-	-	696,708
Net assets - beginning, as restated	39,454,671	34,858,878	6,310,713	80,624,262
Net assets - ending	40,268,785	24,004,399	6,135,890	70,409,074

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



City of Auburn

Guide to Notes to the Financial Statements

September 30, 2011

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City of Auburn, Alabama

Guide to Notes to the Financial Statements

September 30, 2011

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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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. The City has no blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the government-wide financial statements include the financial data of the City's five discretely presented component units. 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, a function which the Board of Education cannot perform, and issue debt on behalf of the Board of Education. 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. In addition, the City and the Water Works Board are parties to an exchange of services agreement which provides that the City will supply management services to the Water Works Board. In exchange, the Water Works Board bills and collects service charges for the City's sewer and solid waste services. 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. 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 of 1990, the Auburn City Council authorized the establishment of a Park 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. The Commercial Development Authority of the City of Auburn is presented as a proprietary fund type or business-type activity.

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. The City of Auburn Public Park and Recreation Board and the Commercial Development Authority do not prepare separately issued financial statements.

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2011, 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

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, 2011, is as follows:

Total assets (net of accumulated depreciation on Capital assets)	\$ 1,516,502
Total liabilities	<u>(428,119)</u>
Total net assets	<u>\$ 1,088,383</u>
 Total revenues	 \$ 972,539
Total expenses	(1,049,183)
Other revenues	1,200
Other expenses	<u>(17,130)</u>
Net decrease in net assets	<u>\$ (92,574)</u>

The Authority had a note payable to the City with a balance of \$313,193 as of September 30, 2011. All other liabilities were current liabilities consisting of accounts payable, accrued payroll and payroll taxes, and deferred revenue and other accrued liabilities totaling \$114,926. The note has been included in the City's financial statements as an advance to other agency.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 Tourism Bureau

The Mayor appoints one of the five board members of the Bureau. The City appropriates 1/7th of lodging tax collections to the Bureau on a monthly basis; however, the Auburn-Opelika Tourism Bureau is not dependent on the City's funding.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- B. **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 not accounted for or reported in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

Debt Service Funds - The Debt Service Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned to expenditure for capital projects.

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, the solid waste management 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 therefore, cannot be used to support the City's programs.

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.

MAJOR FUNDS

The governmental financial reporting 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).

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

- C. **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. Fiduciary activities of the City are not included in these statements.

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.

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. As a rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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. The specific types of major revenue sources that are susceptible to accrual include sales and use taxes, occupational license fees, lodging taxes, rental and leasing taxes, gasoline taxes, and fines.

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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. 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 \$131,844,425 difference are as follows:

Bonds and warrants payable	\$ 128,678,586
Less: Deferred amount on refunding	(1,982,387)
Less: Deferred charge for issuance costs	(836,578)
Add: Issuance premium	3,063,536
Compensated absences	2,453,510
Claims and judgments	146,906
Landfill closure and post-closure care	168,000
Other postemployment benefits	<u>152,852</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ 131,844,425</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 \$723,030 difference are as follows:

Capital outlay	\$ 5,774,419
Depreciation expense	<u>(5,051,389)</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>\$ 723,030</u></u>

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to (increase) decrease net assets." The details of this \$1,093,878 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	\$ 1,139,358
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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:

Cost of disposed assets	<u>(45,480)</u>
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Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 1,093,878

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$10,771,789 difference are as follows:

Compensated absences	\$ 145,986
Accrued interest	54,388
Other long-term liabilities	160,974
Other post employment benefits	(52,691)
Amortization of deferred amount on refunding	(145,419)
Amortization of issuance costs	(58,962)
Amortization of bond premiums	202,725
Principal repayments	<u>10,464,788</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>\$ 10,771,789</u>

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 governmental funds." The details of this \$981 difference are as follows:

Amortization of prepaid expenses	<u>\$ (981)</u>
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E. 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 2011 fiscal year for the General Fund, Seven-Cent Gas Tax Fund, Four and Five-Cent Gas Tax Fund, Special School Tax Fund, Public Safety Substance Abuse Fund, and the Special 5-Mill Tax Debt Service Fund.
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 \$968,778 exceeded appropriations of \$968,390; debt service administrative charges of \$11,250 exceeded appropriations of \$0; and capital outlay of \$1,300,210 exceeded appropriations of \$844,564. In the Special School Tax Special Revenue Fund, non-departmental expenditures of \$477,904 exceeded appropriations of \$460,100; debt service administrative charges of \$3,760 exceeded appropriations of \$2,300; and payments to component units of \$140,000 exceeded appropriations of \$7,433,639.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- F. **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 cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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. Also included is restricted cash.

Cash and cash equivalents of the Industrial Development Board include cash on hand, demand deposits and highly liquid investments with a maturity of three months or less when purchased. Also included is restricted cash.

Cash and cash equivalents of the Public Park and Recreation Board 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 Commercial Development Authority include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased.

- G. **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 obligations of the U.S. Treasury, agencies, and instrumentalities; U.S. dollar denominated deposit accounts and certificates of deposit; pre-funded public obligations as defined by state law; and interests in any common trust fund or other collective investment bank, trust company or savings and loan association. The City of Auburn has invested in interest-bearing demand deposits and certificates of deposit. The Board of Education usually only invests in certificates of deposit. The Water Works Board is invested in interest-bearing demand deposits, certificates of deposit and mutual funds comprised of 100% U.S. Treasury securities. The Industrial Development Board has invested in certificates of deposit and interest-bearing demand deposits (see Note 4).

- H. **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.
- I. **Accounts Receivable** – Revenues receivable are reflected net of an allowance for doubtful accounts. For the General Fund, the Sewer Revenue Fund, Solid Waste Management 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.
- J. **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.

Inventories of the Board of Education are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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. Inventories consist of expendable supplies held for future consumption or capitalization.

- K. **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. 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 actual cost (or estimated historical cost if actual 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

	<u>Years</u>
Buildings and improvements	10-50
Communication equipment	5-10
Heavy equipment	3-10
Office equipment	5-10
Small tools and equipment	3-10
Vehicles	3-10
Infrastructure	25-50

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. Where actual historical costs and construction dates were identified through a review of City records, those dates and costs were utilized.

Where construction dates were unknown, estimated effective dates were assigned to assets based on discussions with City personnel; streets, sidewalks, and drainage assets without known construction dates were assumed to have an effective age of 30 years. Where actual historical costs of assets were unavailable, historical costs were assigned thereto based on a trending analysis using current replacement costs.

Replacement costs were calculated using standard construction costs as reported in the Marshall & Swift Valuation Service, a construction pricing service updated monthly. These replacement costs were reverse-trended to estimated acquisition dates using trend factors published by Marshall & Swift Valuation Service. All depreciation calculations are based on the straight-line method, with a mid-month convention in the year of acquisition and the final year. No salvage values were considered.

L. 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.

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 \$65,000 per covered individual, per year, are covered through a private insurance carrier after satisfaction of a \$25,000 aggregating specific deductible. 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 \$300,000 (\$400,000 for certified police officers and firefighters) 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.

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 coverage, 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; 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 Alabama Retired Education Employees' Health Care Trust, administered by the Public Education Employees' Health Insurance Board (PEEHIB). 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 determined 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 employees 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.

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.

The 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 additional benefits through supplemental insurance programs. 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.

There has been no significant reduction in insurance coverage from coverage in the prior year. Also, for the past three fiscal years, no settlements have exceeded insurance coverage.

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. The Industrial Development Board is covered by this insurance. 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, 2011.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Public Park 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. 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, 2011. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

Commercial Development Authority - The Authority is exposed to various risks of loss related to errors and omissions. The Authority 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 Authority is covered by the City's commercial insurance purchased from third parties. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Authority had no liability for unpaid claims at September 30, 2011. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

M. 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.

N. 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 government-wide statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide statements as well as the applicable business-type funds.

City employees can accumulate an unlimited number of sick leave days. Sick leave is earned at the rate of one day per month or in proportion to the number of hours they work per year, with 8 hours/2080 hours being the basis. 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 leave 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. 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 non-vesting 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.

- O. **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. Specific information related to the City's postemployment benefits plan is included in Note 15.
- P. **Fund Balance** - Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications. The following table illustrates the reclassification:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

	General Fund	Special School Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund balance as of September 30, 2010	\$	\$	\$	\$
Fund balances:				
Reserved:				
Inventories	15,919	-	-	15,919
Prepaid items	4,010	-	244	4,254
Encumbrances	209,010	-	3,375,338	3,584,348
Advances	3,091,919	700,000	-	3,791,919
Property for resale	4,131,127	-	-	4,131,127
Unreserved:				
Designated for emergency purposes	4,682,899	-	-	4,682,899
Undesignated	14,966,582	4,297,225	-	19,263,807
Unreserved, reported in nonmajor funds:				
Special revenue funds	-	-	469,334	469,334
Debt service funds	-	-	3,831,043	3,831,043
Capital projects funds	-	-	1,297,837	1,297,837
Total fund balances	<u>27,101,466</u>	<u>4,997,225</u>	<u>8,973,796</u>	<u>41,072,487</u>
Fund balance Reclassification as of September 30, 2010				
Fund balances:				
Nonspendable				
Inventories	15,919	-	-	15,919
Prepaid items	4,010	-	244	4,254
Advances	3,091,919	700,000	-	3,791,919
Property for resale	4,131,127	-	-	4,131,127
Restricted				
Roads, bridges and streets	-	-	279,205	279,205
Law enforcement	170,519	-	108,928	279,447
Education	-	4,297,225	-	4,297,225
General grants	-	-	168,781	168,781
Social and economic	-	-	241,538	241,538
Capital projects funds	-	-	4,430,756	4,430,756
Committed				
Debt service	-	-	3,831,044	3,831,044
Assigned				
Social and economic	94,406	-	-	94,406
General	3,243,740	-	-	3,243,740
Unassigned	16,349,826	-	(86,700)	16,263,126
Total fund balances	<u>27,101,466</u>	<u>4,997,225</u>	<u>8,973,796</u>	<u>41,072,487</u>

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City Council has adopted a fund balance policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses.

- Q. 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 reserves 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.

- R. 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 government-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.

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 20.
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 20.
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 21.

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.

- S. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2011, 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, the Public Park and Recreation Board, and the Commercial Development Authority are held in a certified qualified public depository, and as such, are deemed fully insured.

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. 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, 2011, is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 15,583,676	\$ 937,987	\$ 176,679	\$ 16,698,342
Special School Tax Fund	3,359,213	-	-	3,359,213
Other Governmental Funds	4,676,515	-	-	4,676,515
Total governmental activities	23,619,404	937,987	176,679	24,734,070
Business-type activities:				
Sewer Revenue Fund	3,748,184	-	-	3,748,184
Total primary government	27,367,588	937,987	176,679	28,482,254
Component Units:				
Board of Education	-	13,093,826	1,683,894	14,777,720
Water Works Board	-	5,494,736	5,304,902	10,799,638
Industrial Development Board	-	747,315	154,468	901,783
Public Park and Recreation Board	-	150	-	150
Total component units	-	19,336,027	7,143,264	26,479,291
Total reporting entity	\$ 27,367,588	\$ 20,274,014	\$ 7,319,943	\$ 54,961,545

The cash and cash equivalents consist solely of cash, not securities or other investments; therefore, the City has no "credit risk" or "concentration risk" associated with these deposits as described in *GASB Statement No. 40 – Deposit and Investment Risk Disclosures*. Also, since the City's deposits are held by a certified qualified public depository under the SAFE program, its deposits are not subject to "custodial credit risk".

NOTE 4. INVESTMENTS**COMPONENT UNITS****Board of Education**

Investments of the Board consist of nonnegotiable, interest bearing demand deposits. They are carried at cost, which equals market value.

At September 30, 2011, the Board of Education's restricted cash and investments were composed of the following, all of which are insured by the SAFE Program:

	Carrying Value	Fair Value
Cash - Capital Projects Fund	\$ 345,577	\$ 345,577
Cash - Other Governmental Funds		
Child Nutrition Program	1,201,197	1,201,197
Dental Clinic	137,120	137,120
	<u>\$ 1,683,894</u>	<u>\$ 1,683,894</u>

Interest Rate Risk – The 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 4. INVESTMENTS – CONTINUED

Water Works Board

At September 30, 2011, the Water Works Board's restricted cash and investments were comprised of the following:

	Carrying Value	Fair Value
Cash (Access Fee Account)	\$ 2,419,436	\$ 2,419,436
JP Morgan U.S. Treasury Securities Money Market Fund	2,885,466	2,885,466
Total restricted cash	5,304,902	5,304,902
U.S. Treasury Bonds	1,613,628	1,613,628
Total restricted cash and investments	<u>\$ 6,918,530</u>	<u>\$ 6,918,530</u>

The JP Morgan U.S. Treasury Securities Money Market Fund listed above is an open-end mutual fund comprised of 100% U.S. Treasury securities. The fair value of the units in the fund equals the carrying value. The cost of the U.S. Treasury Bonds listed above is \$1,551,818.

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.

Interest Rate Risk – The 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, 2011, the Industrial Development Board's investments were comprised of the following:

<u>Restricted cash and investments</u>	Carrying Value	Fair Value
Cash (SAFE deposit) Restricted for debt service	<u>\$ 154,468</u>	<u>\$ 154,468</u>

The restricted cash is held by a certified qualified public depository under the SAFE program. Cash restricted for debt service is restricted to payment of debt service by the terms of a bond indenture.

<u>Unrestricted investments</u>	Carrying Value	Fair Value	Maturities
Certificate of deposit	<u>\$ 59,035</u>	<u>\$ 59,035</u>	2012

The above certificate of deposit is held in a certified qualified public depository and is entirely insured.

NOTE 5. DERIVATIVE INSTRUMENTS

COMPONENT UNIT

Industrial Development Board

The fair value balance and notional amount of the Board's derivative instrument outstanding at September 30, 2011, and the change in its fair value for the year then ended as reported in the 2011 financial statements are as follows:

		Changes in Fair Value		Fair Value at 9/30/11		Notional
		Classification	Amount	Classification	Amount	
Cash flow hedge:						
Pay fixed interest						
rate swap	Deferred outflow		<u>\$ (60,664)</u>	Long term liability	<u>\$ (1,588,434)</u>	<u>\$ 5,265,000</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 5. DERIVATIVE INSTRUMENTS - CONTINUED

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.

Objective and Terms of Hedging Derivative Instrument – The following summarizes the objective and terms of the Board's hedging derivative instrument outstanding at September 30, 2011, along with the credit rating of the associated counterparty:

Type of Derivative:	Pay-fixed, receive-variable interest rate swap.
Objective:	Hedge of changes in cash flows on the Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds.
Notional Amount:	The swap's notional amount matches the principal amount of the Series 2006-A Bonds. As the principal amount of the bonds declines, the notional amount of the swap also declines. The notional amount as of September 30, 2011 was \$5,265,000.
Effective Date of Derivative:	8/1/2006
Maturity Date of Derivative:	7/1/2022
Terms:	The Board pays the counterparty a fixed payment of 5.87% on the notional amount, and receives a variable payment in return based on the one-month U.S. dollar London Interbank Rate (LIBOR). The variable rate on the bonds is reset weekly by auction.
Counterparty Credit Rating:	BBB+/Ba 2

Credit Risk – As of September 30, 2011, 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 positive fair value.

Interest rate Risk – The Board is exposed to interest rate risk on the interest rate swap. As LIBOR decreases, the Board's net payment on the swap increases.

Basis Risk – The swap exposes the Board to basis risk because the variable rate payments received by the Board on the interest rate swap are based on a rate other than interest rates the Board pays on its hedged variable-rate debt, which is remarketed weekly. As of September 30, 2011, the interest rate on the Board's hedged variable-rate debt was 0.24% and LIBOR was 0.23889%.

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," under which the swap may be terminated by the Board with five business days prior written notice. The Board or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination, the swap is in a liability position, the Board would be liable to the counterparty for a payment equal to the liability.

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 be re-exposed to the risks being hedged by the hedging derivative instrument.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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	Nonmajor Proprietary Fund	Component Units	Total
Receivables:							
Revenues receivable	\$ 8,359,026	\$ 95,940	\$ 56,256	\$ 374,498	\$ 131,108	\$ 466,678	\$ 9,483,506
Grants receivable	-	-	320,183	-	5,662	-	325,845
Receivable from other governmental units	778,355	-	-	-	-	-	778,355
Special assessments receivable	25,107	-	-	-	-	-	25,107
Other receivables	905,792	283	1,323,173	159,390	304	29,279	2,418,221
Gross receivables	10,068,280	96,223	1,699,612	533,888	137,074	495,957	13,031,034
Less: allowance for uncollectibles	(2,761,516)	-	-	(87,316)	(32,295)	(62,188)	(2,943,315)
Net receivables	\$ 7,306,764	\$ 96,223	\$ 1,699,612	\$ 446,572	\$ 104,779	\$ 433,769	\$ 10,087,719

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 7. MORTGAGES AND NOTES RECEIVABLE**CITY OF AUBURN PRIMARY GOVERNMENT**

On September 5, 2006, the City entered into a loan agreement with The Indian Pines Recreation Authority, a jointly governed organization with the City of Opelika. The clubhouse at Indian Pines was destroyed by fire in July 2005. Insurance coverage provided \$510,000 for the loss and the City of Auburn provided an additional \$400,000 to finance a portion of the construction costs of the new clubhouse. The terms of the note include monthly payments payable for a period of fourteen years at a fixed interest rate of 5.25%. The balance of the note receivable at September 30, 2011 was \$313,193 and is presented in the financial statements as advances to other agencies. Future payments due under the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 25,271	\$ 15,840	\$ 41,111
2013	26,630	14,481	41,111
2014	28,062	13,049	41,111
2015	29,571	11,540	41,111
2016	31,161	9,950	41,111
2017	32,837	8,274	41,111
2018	34,603	6,508	41,111
2019	36,464	4,647	41,111
2020	38,425	2,686	41,111
2021	30,169	661	30,830
	<u>\$ 313,193</u>	<u>\$ 87,636</u>	<u>\$ 400,829</u>

COMPONENT UNITS**Industrial Development Board**

Mortgages and notes receivable consist of the following as of September 30, 2011:

	<u>Balance 10/01/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/2011</u>	<u>Due Within One Year</u>
Mortgages receivable	\$ 164,068	\$ -	\$ (8,500)	\$ 155,568	\$ 12,000
Notes receivable - other	-	200,000	-	200,000	100,000
Notes receivable - ARTF	1,348,665	48,383	(1,397,048)	-	-
Total	<u>\$ 1,512,733</u>	<u>\$ 248,383</u>	<u>\$ (1,405,548)</u>	<u>\$ 355,568</u>	<u>\$ 112,000</u>

Mortgages Receivable

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 owner of the company. During fiscal year 2010, the repayment terms for the mortgage were amended as follows: no interest is charged until May 1, 2013, at which time the interest rate adjusts to three percent per annum; and the maturity date was extended to April 1, 2020. Future payments due under the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 12,000	\$ -	\$ 12,000
2013	14,343	1,680	16,023
2014	18,027	3,629	21,656
2015	18,575	3,081	21,656
2016	19,133	2,523	21,656
2017	19,722	1,934	21,656
2018	20,322	1,334	21,656
2019	20,940	716	21,656
2020	12,506	126	12,632
	<u>\$ 155,568</u>	<u>\$ 15,023</u>	<u>\$ 170,591</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 7. MORTGAGES AND NOTES RECEIVABLE – CONTINUED

Notes Receivable – ARTF

In fiscal year 2007, the Board signed various agreements with the Auburn Research and Technology Foundation (ARTF) to provide financing necessary for ARTF to construct a research park in the City of Auburn. The ARTF signed a project agreement with the State of Alabama whereby the State would provide reimbursement of funds not to exceed \$10 million for the construction of the park. The Board agreed to advance funds to the ARTF to provide financing for construction costs submitted to the State for reimbursement under the project agreement (“current receivable”) and for costs associated with construction of the facility that will not be reimbursed by the State (“non-current receivable”).

The facility site was leased to the Board by Auburn University, the owner of the real property, under the terms of a ground lease (the “ground lease”). During the lease term, the Board owned the facility and all other improvements located on the facility site. When construction of the facility was completed, during fiscal year 2011, the Board subleased the facility and the site to ARTF pursuant to the terms of a sublease agreement (the “sublease”). The sublease provided ARTF with the option to purchase the facility at a purchase price equal to the total obligations owed by ARTF to the Board under the terms of the Construction and Loan Agreement (the “loan agreement”) between the two parties. On October 7, 2011, the ARTF exercised its option to purchase the facility, and satisfied all obligations owed to the Board.

Under the terms of the original loan agreement, the Board agreed to loan ARTF up to \$10 million. Each advance by the Board to ARTF constituted an interest bearing loan, with interest calculated on a per annum basis. Interest on the current portion of the receivable was calculated at the rate of interest being earned by the City of Auburn on the funds advanced to the Board and loaned to ARTF. Interest on the noncurrent portion of the receivable was calculated using the one-month London Interbank Offered Rate (LIBOR) plus 0.50. All amounts received by ARTF under its project agreement with the State were assigned and pledged to the Board as security for the obligations of ARTF under the loan agreement, and were remitted to the Board as soon as practical upon receipt by ARTF. All reimbursements to the Board utilizing funds received under the project agreement were applied entirely to principal advanced under the loan agreement. The total obligations of the ARTF under the loan agreement consisted of total amounts advanced by the Board, net of any reimbursements from the ARTF, plus the interest calculated on each advance.

The funds needed to enable the Board to make advances under the loan agreement were obtained from the City of Auburn and were recorded by the Board as long-term advances payable to the City. The City’s current interest rate earned on invested funds was used to calculate interest due on the advances. Upon receipt of payment from the ARTF for outstanding obligations to the Board, the Board repaid the City principal of \$1,097,139 and interest of \$51,825. There were no amounts related to the note receivable from the ARTF remaining due to the City at September 30, 2011.

During the construction period, and until the purchase option was exercised by the ARTF under the sublease, the improvements made on the facility site were titled to the Industrial Development Board. Total construction costs were recorded as Construction In Progress by the Board, and interest was capitalized on the construction costs. As of October 7, 2011, construction costs totaling \$11,097,139 had been incurred by the Board and interest of \$51,825 had been capitalized in connection with construction. Capital contributions from the ARTF equal to the total costs incurred that were repaid under the loan agreement were recorded in the amounts of \$679,613 for fiscal year 2007, \$8,456,103 for fiscal year 2008, \$1,049,704 for fiscal year 2009, \$915,160 for fiscal year 2010 and \$48,383 for fiscal year 2011. Total interest charged to ARTF in fiscal year 2011 was \$167. On October 7, 2011, upon repayment of all obligations owed by the ARTF, the Board recorded a capital contribution to the ARTF of \$11,148,963 and removed the total construction costs that were recorded as construction in progress.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8. PROPERTY FOR RESALE

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2003, the City purchased seven outparcels of land for future mall expansion totaling \$4,131,127.

COMPONENT UNITS

Industrial Development Board

The following is a schedule of changes in property for resale for the year ended September 30, 2011:

	Balance 10/1/2010	Additions	Reclassi- fications	Disposals	Balance 9/30/2011
Land	\$ 6,108,205	\$ -	\$ (807,170)	\$ -	\$ 5,301,035
Buildings	2,443,727	-	(2,443,727)	-	-
Improvements in progress	4,346,460	904,803	237,192	-	5,488,455
Total property for resale	<u>\$ 12,898,392</u>	<u>\$ 904,803</u>	<u>\$ (3,013,705)</u>	<u>\$ -</u>	<u>\$ 10,789,490</u>

The net reclassification consists of an adjustment to land previously reclassified to land held for leasing by the Board in the amount of \$46,719 (caused by a change in estimated costs to complete certain improvements in progress), and a reclassification of property previously held for resale to land and building held for leasing in the amount of \$3,060,423.

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. The tax rates are applied to 10% of the appraised value of residential property, also called assessed value. The tax rates are also applied to commercial property at 20%, utility property at 30% and vehicles at 15%.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 10. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 10/1/2010	Prior Period Adjustment	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 13,274,522	\$ 1,153,947	\$ 743,139	\$ (14,906)	\$ 15,156,702
Construction in progress	4,042,193	(113,625)	4,907,015	(7,488,276)	1,347,307
Total capital assets, not being depreciated	17,316,715	1,040,322	5,650,154	(7,503,182)	16,504,009
Capital assets, being depreciated:					
Buildings and improvements	38,559,230	-	172,599	(22,172)	38,709,657
Communication equipment	397,236	-	-	-	397,236
Heavy equipment	2,310,554	-	82,680	(84,671)	2,308,563
Office equipment	3,163,798	-	121,936	(135,684)	3,150,050
Small tools and equipment	1,052,100	-	40,186	(26,993)	1,065,293
Vehicles	6,881,171	-	562,548	(259,111)	7,184,608
Infrastructure	119,212,106	-	7,771,951	-	126,984,057
Total capital assets, being depreciated	171,576,195	-	8,751,900	(528,631)	179,799,464
Less accumulated depreciation for:					
Buildings and improvements	(9,658,540)	-	(1,028,865)	5,588	(10,681,817)
Communication equipment	(236,883)	-	(71,774)	-	(308,657)
Heavy equipment	(1,608,634)	-	(122,889)	79,191	(1,652,332)
Office equipment	(2,064,188)	-	(373,651)	133,867	(2,303,972)
Small tools and equipment	(748,400)	-	(108,353)	26,993	(829,760)
Vehicles	(5,368,158)	-	(613,504)	252,416	(5,729,246)
Infrastructure	(49,374,853)	-	(2,732,353)	-	(52,107,206)
Total accumulated depreciation	(69,059,656)	-	(5,051,389)	498,055	(73,612,990)
Total capital assets, being depreciated, net	102,516,539	-	3,700,511	(30,576)	106,186,474
Governmental activities capital assets, net	<u>\$ 119,833,254</u>	<u>\$ 1,040,322</u>	<u>\$ 9,350,665</u>	<u>\$ (7,533,758)</u>	<u>\$ 122,690,483</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 10. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2011, was as follows:

	Balance 10/1/2010	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>3,638,201</u>	<u>1,884,029</u>	<u>(5,027,328)</u>	<u>494,902</u>
Total capital assets, not being depreciated	<u>3,802,827</u>	<u>1,884,029</u>	<u>(5,027,328)</u>	<u>659,528</u>
Capital assets, being depreciated:				
Buildings and improvements	10,559,316	11,273	-	10,570,589
Sewage plants and lines	63,578,049	5,389,575	(1,305,798)	67,661,826
Machinery and equipment	1,258,928	55,131	(29,659)	1,284,400
Small tools and equipment	7,200	-	-	7,200
Vehicles	<u>2,747,935</u>	<u>139,045</u>	<u>(14,316)</u>	<u>2,872,664</u>
Total capital assets, being depreciated	<u>78,151,428</u>	<u>5,595,024</u>	<u>(1,349,773)</u>	<u>82,396,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,941,859)	(213,145)	-	(2,155,004)
Sewage plants and lines	(10,098,118)	(1,245,960)	1,305,799	(10,038,279)
Machinery and equipment	(761,585)	(110,786)	27,033	(845,338)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	<u>(2,011,751)</u>	<u>(268,049)</u>	<u>14,316</u>	<u>(2,265,484)</u>
Total accumulated depreciation	<u>(14,820,513)</u>	<u>(1,837,940)</u>	<u>1,347,148</u>	<u>(15,311,305)</u>
Total capital assets, being depreciated, net	<u>63,330,915</u>	<u>3,757,084</u>	<u>(2,625)</u>	<u>67,085,374</u>
Business-type activities capital assets, net	<u>\$ 67,133,742</u>	<u>\$ 5,641,113</u>	<u>\$ (5,029,953)</u>	<u>\$ 67,744,902</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, 2011, the City incurred interest costs of \$2,181,618; total interest expense was \$2,051,418, and interest cost of \$130,200 was capitalized in connection with the cost of construction in progress.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 10. CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
General government and administration	\$ 351,327
Public works	2,958,913
Environmental services	83,199
Public safety	834,905
Library	179,359
Parks and recreation	596,858
Planning	555
Economic development	6,698
Employee services	39,575
Total depreciation expense - governmental activities	<u>\$ 5,051,389</u>
Business-type activities:	
Sewer revenue fund	\$ 1,584,640
Solid waste management fund	253,300
Total depreciation expense - business-type activities	<u>\$ 1,837,940</u>

COMPONENT UNITS**Board of Education**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 10/1/2010	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,181,582	\$ 821,771	\$ -	\$ 4,003,353
Construction in progress	2,000	4,800	-	6,800
Total capital assets, not being depreciated	<u>3,183,582</u>	<u>826,571</u>	<u>-</u>	<u>4,010,153</u>
Capital assets, being depreciated:				
Land improvements	3,520,370	965	-	3,521,335
Buildings and improvements	91,731,359	556,668	-	92,288,027
Furniture, equipment and vehicles	6,681,647	606,979	(202,521)	7,086,105
Equipment under capital lease	1,477,527	-	-	1,477,527
Total capital assets, being depreciated	<u>103,410,903</u>	<u>1,164,612</u>	<u>(202,521)</u>	<u>104,372,994</u>
Less accumulated depreciation for:				
Land improvements	(2,234,856)	(125,867)	-	(2,360,723)
Buildings and improvements	(18,191,586)	(2,311,391)	-	(20,502,977)
Furniture, equipment and vehicles	(3,683,606)	(845,863)	202,521	(4,326,948)
Total accumulated depreciation	<u>(24,110,048)</u>	<u>(3,283,121)</u>	<u>202,521</u>	<u>(27,190,648)</u>
Total capital assets, being depreciated, net	<u>79,300,855</u>	<u>(2,118,509)</u>	<u>-</u>	<u>77,182,346</u>
Total governmental activities capital assets, net	<u>\$ 82,484,437</u>	<u>\$ (1,291,938)</u>	<u>\$ -</u>	<u>\$ 81,192,499</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 10. CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
Instruction	\$ 2,843,753
Operation and maintenance	17,156
Auxiliary services	
Student transportation services	206,509
Food services	<u>215,703</u>
Total depreciation expense - Governmental activities	<u>\$ 3,283,121</u>

Water Works Board

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 10/1/2010	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2011
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,401,875	\$ -	\$ -	\$ 1,401,875
Construction in progress	<u>1,082,919</u>	<u>1,736,318</u>	<u>(1,668,862)</u>	<u>1,150,375</u>
Total capital assets, not being depreciated	<u>2,484,794</u>	<u>1,736,318</u>	<u>(1,668,862)</u>	<u>2,552,250</u>
Capital assets, being depreciated:				
Utility system and plant	59,236,747	1,952,116	-	61,188,863
Buildings and improvements	5,564,894	67,889	-	5,632,783
Office equipment	792,389	40,880	(223,256)	610,013
Mobile equipment	771,822	115,972	(35,813)	851,981
Tools	307,281	12,313	-	319,594
Deferred water rights*	<u>4,504,701</u>	<u>-</u>	<u>-</u>	<u>4,504,701</u>
Total capital assets, being depreciated	<u>71,177,834</u>	<u>2,189,170</u>	<u>(259,069)</u>	<u>73,107,935</u>
Less accumulated depreciation for:				
Utility system and plant	(17,978,420)	(1,274,327)	-	(19,252,747)
Buildings and improvements	(1,107,949)	(223,324)	-	(1,331,273)
Office equipment	(307,104)	(75,106)	100,465	(281,745)
Mobile equipment	(576,113)	(69,982)	35,813	(610,282)
Tools	(215,215)	(44,462)	-	(259,677)
Deferred water rights*	<u>(4,052,821)</u>	<u>(169,456)</u>	<u>-</u>	<u>(4,222,277)</u>
Total accumulated depreciation	<u>(24,237,622)</u>	<u>(1,856,657)</u>	<u>136,278</u>	<u>(25,958,001)</u>
Total capital assets, being depreciated, net	<u>46,940,212</u>	<u>332,513</u>	<u>(122,791)</u>	<u>47,149,934</u>
Business-type activity capital assets, net	<u>\$ 49,425,006</u>	<u>\$ 2,068,831</u>	<u>\$ (1,791,653)</u>	<u>\$ 49,702,184</u>

*Beginning balances added for intangible assets with implementation of GASB Statement No. 51

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, 2011, the Board incurred interest costs of \$861,617; total interest expense was \$844,052, and interest cost of \$17,565 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 10. CAPITAL ASSETS - CONTINUED

Industrial Development Board

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 10/1/2010	Additions	Retirements/ Reclassifications	Balance 9/30/2011
Capital assets, not being depreciated:				
Land	\$ 5,022,091	\$ 616,696	\$ (61,286)	\$ 5,577,501
Construction in progress	<u>11,725,914</u>	<u>6,796,122</u>	<u>(15,199,205)</u>	<u>3,322,831</u>
Total capital assets, not being depreciated	<u>16,748,005</u>	<u>7,412,818</u>	<u>(15,260,491)</u>	<u>8,900,332</u>
Capital assets, being depreciated:				
Buildings	35,570,726	2,754,278	2,200,553	40,525,557
Building improvements	2,568,476	1,340,509	(516,441)	3,392,544
Land improvements	1,580,874	-	-	1,580,874
Equipment	514,629	-	-	514,629
Vehicles	<u>116,223</u>	<u>-</u>	<u>(23,600)</u>	<u>92,623</u>
Total capital assets, being depreciated	<u>40,350,928</u>	<u>4,094,787</u>	<u>1,660,512</u>	<u>46,106,227</u>
Accumulated depreciation				
Buildings	(4,289,128)	(718,004)	79,842	(4,927,290)
Building improvements	(323,976)	(57,209)	72,295	(308,890)
Land improvements	(378,769)	(53,203)	-	(431,972)
Equipment	(399,638)	(29,427)	-	(429,065)
Vehicles	<u>(109,896)</u>	<u>(6,330)</u>	<u>23,599</u>	<u>(92,627)</u>
Total accumulated depreciation	<u>(5,501,407)</u>	<u>(864,173)</u>	<u>175,736</u>	<u>(6,189,844)</u>
Total capital assets, being depreciated, net	<u>34,849,521</u>	<u>3,230,614</u>	<u>1,836,248</u>	<u>39,916,383</u>
Total capital assets, net	<u>\$ 51,597,526</u>	<u>\$ 10,643,432</u>	<u>\$ (13,424,243)</u>	<u>\$ 48,816,715</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, 2011, the Board incurred interest costs of \$2,127,745; total interest expense was \$2,047,367, and interest costs of \$80,377 were capitalized in connection with construction of buildings owned by the Board and held for leasing.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 10. CAPITAL ASSETS - CONTINUED

Public Park and Recreation Board

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 10/1/2010	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2011
Business-type activity:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,535	\$ -	\$ (1,535)	\$ -
Capital assets, being depreciated:				
Buildings and improvements	7,172,907	78,161	-	7,251,068
Machinery and equipment	55,454	-	-	55,454
Vehicles	46,103	-	-	46,103
Total capital assets, being depreciated	7,274,464	78,161	-	7,352,625
Less accumulated depreciation for:				
Buildings and improvements	(900,577)	(289,255)	-	(1,189,832)
Machinery and equipment	(7,801)	(8,757)	-	(16,558)
Vehicles	(18,442)	(9,221)	-	(27,663)
Total accumulated depreciation	(926,820)	(307,233)	-	(1,234,053)
Total capital assets, being depreciated, net	6,347,644	(229,072)	-	6,118,572
Business-type activity capital assets, net	<u>\$ 6,349,179</u>	<u>\$ (229,072)</u>	<u>\$ (1,535)</u>	<u>\$ 6,118,572</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

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, 2011, was as follows:

	Balance 10/1/2010	Additions	Reductions	Balance 9/30/2011	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 25,920,000	\$ -	\$ (2,720,000)	\$ 23,200,000	\$ 2,905,000
General obligation warrants	113,223,374	-	(7,744,788)	105,478,586	7,845,041
Add: deferred amounts for issuance premiums	3,266,261	-	(202,725)	3,063,536	-
Less: deferred amounts on refunding	<u>(2,127,806)</u>	<u>-</u>	<u>145,419</u>	<u>(1,982,387)</u>	<u>-</u>
Total bonds and warrants payable	140,281,829	-	(10,522,094)	129,759,735	10,750,041
Accumulated annual leave	2,599,496	128,151	(274,137)	2,453,510	224,028
Claims payable	341,469	68,518	(263,081)	146,906	44,920
Landfill closure and postclosure care liability	175,000	-	(7,000)	168,000	7,000
Other postemployment benefits liability	<u>100,161</u>	<u>52,691</u>	<u>-</u>	<u>152,852</u>	<u>-</u>
Governmental activity long-term liabilities	<u>143,497,955</u>	<u>249,360</u>	<u>(11,066,312)</u>	<u>132,681,003</u>	<u>11,025,989</u>
Business-type activities:					
General obligation warrants payable	45,880,000	-	(1,105,000)	44,775,000	1,155,000
Add: deferred amounts for issuance premiums	718,158	-	(51,604)	666,554	-
Less: deferred amounts on refunding	(790,338)	-	59,648	(730,690)	-
Less: deferred amounts for issuance discounts	<u>(113,921)</u>	<u>-</u>	<u>10,567</u>	<u>(103,354)</u>	<u>-</u>
Total warrants payable	45,693,899	-	(1,086,389)	44,607,510	1,155,000
Accumulated annual leave	173,020	34,890	(39,749)	168,161	15,355
Other postemployment benefits liability	<u>11,155</u>	<u>9,513</u>	<u>-</u>	<u>20,668</u>	<u>-</u>
Business-type activity long-term liabilities	<u>45,878,074</u>	<u>44,403</u>	<u>(1,126,138)</u>	<u>44,796,339</u>	<u>1,170,355</u>
Total primary government long-term liabilities	<u>\$ 189,376,029</u>	<u>\$ 293,763</u>	<u>\$ (12,192,450)</u>	<u>\$ 177,477,342</u>	<u>\$ 12,196,344</u>

For the governmental activities, accumulated annual leave, claims payable, landfill closure and post closure care, and other postemployment benefits liabilities are generally liquidated by the General Fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Bonds, notes, warrants, and capital leases payable of the City of Auburn at September 30, 2011, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2011	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
Capital improvement bonds, Dated 06/01/98 (S. College Imp.)	3.95%-5.1%	2/1-8/1	Special 5-Mill Tax Fund ad va lorem taxes	\$ 2,000,000	\$ 620,000	2015
General obligation bonds, Dated 08/1/99 (Library, Watson Complex)	5%-5.4%	2/1-8/1	Special 5-Mill Tax Fund ad va lorem taxes	3,700,000	1,200,000	2014
Capital improvement bonds, Dated 05/01/02 (Soccer, Town Creek)	1.6%-4.75%	2/1-8/1	Special 5-Mill Tax Fund ad va lorem taxes	7,250,000	3,260,000	2016
General obligation bonds, Dated 03/01/05 (Refund '97 bonds and fund '05 projects)	2.2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad va lorem taxes	9,905,000	6,435,000	2021
('97 Bonds - Baseball, Arts Ctr., Pools, Kiesel) General obligation bonds, Dated 1/1/07 (Library, Tennis Center)	3.5%-5%	2/1-8/1	Special 5-Mill Tax Fund ad va lorem taxes	5,200,000	3,940,000	2021
General obligation bonds, Dated 7/1/09 ('09 Capital Projects)	2%-4%	5/1-11/1	Special 5-Mill Tax Fund ad va lorem taxes	9,000,000	7,745,000	2021
Total bonds payable				<u>37,055,000</u>	<u>23,200,000</u>	

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2011	Year of Final Principal Maturity
Warrants payable:						
General obligation warrants Dated 8/1/99 (City Hall, streets, etc.)	5%-5.6%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,110,000	2,145,000	2019
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	10,866	2011
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	1,643,444	2013
General obligation warrants Dated 08/01/05 (School expansion)	3.125%-5%	2/1-8/1	Special School Tax Fund ad valorem taxes	33,010,000	30,995,000	2035
General obligation warrants Dated 11/28/05 (West Tech Park)	3.66%	Monthly	Full faith credit and taxing power of the City of Auburn	6,000,000	2,396,457	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	2,116,575	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	3,038,128	2026
General obligation warrants Dated 5/27/08 (Refund 2000 Wts, 2002 Wts & LOC; Land) (2000 Wts - Salmon Prop; 2002 Wts - Drainage, streets, LOC - West Tech Park Improvements)	3.53%	Monthly	Full faith credit and taxing power of the City of Auburn	4,211,050	1,889,563	2015
General obligation warrants Dated 5/29/08 (Refund 2005 Mall Warrants)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,657,050	6,267,966	2018

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2011	Year of Final Principal Maturity
General obligation warrants						
Dated 5/29/08 (Refund Aub. Bank LOC (Aub. Bank LOC - Glenn Ave/Bent Creek)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,800,000	6,371,466	2018
General obligation warrants						
Dated 10/10/08 (Samford Avenue extension)	4.10%	Monthly	Full faith credit and taxing power of the City of Auburn	2,031,270	1,222,526	2015
General obligation warrants						
Dated 12/19/08 (Auburn HS renovations)	4.76%	Monthly	Special School Tax Fund ad valorem taxes	8,500,000	7,722,290	2028
General obligation refunding						
school warrants, Dated 6/1/10 (Refund 2002 School Warrants)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,020,000	25,480,000	2026
General obligation warrants						
Dated 7/27/10 (Refund IDB 2000-A Bonds)	2.90%	Monthly	Full faith credit and taxing power of the City of Auburn	3,010,000	2,725,285	2020
General obligation warrants						
Dated 7/27/10 (Refund IDB 2004-A Bonds)	4.84%	Monthly	Full faith credit and taxing power of the City of Auburn	10,275,000	9,713,635	2024
General obligation warrants						
Dated 8/20/10 (Purch Bldg - 155 AL St.)	3.03%	Monthly	Full faith credit and taxing power of the City of Auburn	1,870,000	1,740,386	2022
Total warrants payable				133,529,770	105,478,587	
Total governmental activity bonds and warrants payable				170,584,770	128,678,587	
Business-type activities:						
Warrants payable:						
General obligation warrants						
Dated 08/01/01 (sewer plant & expansion)	2.8%-5%	1/1-7/1	Sewer Fund	24,765,000	5,265,000	2024
General obligation warrants						
Dated 12/1/08 (Refund Compass Bank Note; Sewer capital projects)	4%-5.625%	6/1-12/1	Sewer Fund	25,370,000	24,265,000	2033
General obligation warrants						
Dated 9/1/09 (Partial refund 2001 Warrants)	3.5%-5%	1/1-7/1	Sewer Fund	15,245,000	15,245,000	2024
Total business type activity warrants payable				65,380,000	44,775,000	
Total bonds, notes, and warrants payable				\$ 235,964,770	\$ 173,453,587	

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds and warrants payable of the City of Auburn at September 30, 2011:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity		
	Total			Bonds and Warrants Payable			Warrants Payable		
	Principal	Interest	Total	Principal	Interest	Requirements	Principal	Interest	Requirements
2012	\$ 11,905,041	\$ 7,729,437	\$ 19,634,478	\$ 10,750,041	\$ 5,599,956	\$ 16,349,997	\$ 1,155,000	\$ 2,129,481	\$ 3,284,481
2013	12,802,021	7,231,770	20,033,791	10,922,021	5,167,470	16,089,491	1,880,000	2,064,300	3,944,300
2014	13,276,196	6,688,574	19,964,770	11,311,196	4,712,173	16,023,369	1,965,000	1,976,401	3,941,401
2015	12,155,153	6,116,002	18,271,155	10,090,153	4,236,294	14,326,447	2,065,000	1,879,708	3,944,708
2016	11,308,107	5,582,581	16,890,688	9,133,107	3,803,075	12,936,182	2,175,000	1,779,506	3,954,506
2017	10,384,832	5,071,787	15,456,619	8,109,832	3,396,713	11,506,545	2,275,000	1,675,074	3,950,074
2018	10,310,408	4,587,152	14,897,560	7,920,408	3,025,947	10,946,355	2,390,000	1,561,205	3,951,205
2019	9,103,947	4,152,480	13,256,427	6,593,947	2,713,775	9,307,722	2,510,000	1,438,705	3,948,705
2020	9,147,930	3,730,566	12,878,496	6,512,930	2,420,486	8,933,416	2,635,000	1,310,080	3,945,080
2021	9,201,950	3,318,508	12,520,458	6,451,950	2,127,990	8,579,940	2,750,000	1,190,518	3,940,518
2022	7,782,825	2,942,995	10,725,820	4,922,825	1,863,227	6,786,052	2,860,000	1,079,768	3,939,768
2023	7,933,697	2,605,886	10,539,583	4,953,697	1,645,212	6,598,909	2,980,000	960,674	3,940,674
2024	8,201,830	2,248,033	10,449,863	5,101,830	1,415,275	6,517,105	3,100,000	832,758	3,932,758
2025	5,479,102	1,934,724	7,413,826	4,389,102	1,196,463	5,585,565	1,090,000	738,261	1,828,261
2026	5,742,927	1,667,536	7,410,463	4,592,927	988,075	5,581,002	1,150,000	679,461	1,829,461
2027	3,285,048	1,387,476	4,672,524	2,075,048	769,965	2,845,013	1,210,000	617,511	1,827,511
2028	3,282,572	1,220,007	4,502,579	2,007,572	667,727	2,675,299	1,275,000	552,280	1,827,280
2029	2,940,000	1,063,980	4,003,980	1,595,000	582,156	2,177,156	1,345,000	481,824	1,826,824
2030	3,090,000	908,902	3,998,902	1,670,000	502,406	2,172,406	1,420,000	406,496	1,826,496
2031	3,255,000	744,875	3,999,875	1,755,000	418,906	2,173,906	1,500,000	325,969	1,825,969
2032	3,420,000	581,188	4,001,188	1,830,000	342,125	2,172,125	1,590,000	239,063	1,829,063
2033	3,590,000	409,157	3,999,157	1,910,000	262,063	2,172,063	1,680,000	147,094	1,827,094
2034	3,770,000	228,422	3,998,422	1,995,000	178,500	2,173,500	1,775,000	49,922	1,824,922
2035	2,085,000	91,219	2,176,219	2,085,000	91,219	2,176,219	-	-	-
Total	\$ 173,453,586	\$ 72,243,257	\$ 245,696,843	\$ 128,678,586	\$ 48,127,198	\$ 176,805,784	\$ 44,775,000	\$ 24,116,059	\$ 68,891,059

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

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, 2011, was as follows:

	Balance 10/1/2010	Additions	Reductions	Balance 9/30/2011	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2010 issue	\$ 21,595,000	\$ -	\$ (645,000)	\$ 20,950,000	\$ 650,000
Add: deferred amounts for issuance premiums	1,174,171	-	(54,192)	1,119,979	-
Less: deferred amounts on refunding	(1,967,508)	-	166,268	(1,801,240)	-
	<u>20,801,663</u>	<u>-</u>	<u>(532,924)</u>	<u>20,268,739</u>	<u>650,000</u>
 Water supply agreement with City of Opelika	 177,879	 -	 (177,879)	 -	 -
Unamortized discount	(11,562)	11,562	-	-	-
	<u>166,317</u>	<u>11,562</u>	<u>(177,879)</u>	<u>-</u>	<u>-</u>
 Accumulated annual leave	 94,373	 -	 (630)	 93,743	 -
Other postemployment benefits liability	8,366	5,412	-	13,778	-
	<u>102,739</u>	<u>5,412</u>	<u>(630)</u>	<u>107,521</u>	<u>-</u>
 Business-type activity long-term liabilities	 <u>\$ 21,070,719</u>	 <u>\$ 16,974</u>	 <u>\$ (711,433)</u>	 <u>\$ 20,376,260</u>	 <u>\$ 650,000</u>

Bonds payable at September 30, 2011, are comprised of an original bond issue of \$21,595,000 dated June 1, 2010. The 2010 bond proceeds were used to call the 2001 and 2002 series bonds dated July 1, 2001 and August 1, 2002, respectively, and to fund various capital projects. The 2010 bonds were issued at an average interest rate of 4.36%. The stated maturity dates of the 2010 bonds are September 1 beginning in 2011 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 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, 2011

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2011, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2011	Year of Final Principal Maturity
Business type activities						
Bonds payable:						
Capital improvement	3.0% to					
bonds, Dated 06/01/10	5.0%	3/1-9/1	Revenues	<u>\$ 21,595,000</u>	<u>\$ 20,950,000</u>	2032

The following schedule shows debt service to maturity for bonds and water supply agreement payable of the Water Works Board of the City of Auburn at September 30, 2011:

Year ending September 30	Principal	Interest	Total
2012	\$ 650,000	\$ 899,088	\$ 1,549,088
2013	660,000	893,888	1,553,888
2014	675,000	874,088	1,549,088
2015	710,000	840,337	1,550,337
2016	735,000	819,038	1,554,038
2017-2021	4,255,000	3,506,437	7,761,437
2022-2026	5,205,000	2,550,037	7,755,037
2027-2031	6,570,000	1,187,550	7,757,550
2032	<u>1,490,000</u>	<u>59,600</u>	<u>1,549,600</u>
Total	<u>\$ 20,950,000</u>	<u>\$ 11,630,063</u>	<u>\$ 32,580,063</u>

Revenue bonds

Water Revenue Bonds issued in 2010 are collateralized by a pledge of net system revenues derived and to be derived from the operation of the Board's water system. The Board is also required to maintain such rates and charges for the water service and other services supplied from the System and make collections from the users thereof in such a manner as shall produce revenues sufficient at all times (i) to provide for payment of all operating expenses, (ii) to produce annual net income of not less than 110% of the then applicable maximum annual debt service requirement and (iii) to make all monthly payments provided herein to be made into each of the special funds. These coverage requirements have been met by the Board for the year ended September 30, 2011.

Industrial Development Board

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Balance 10/01/10	Additions	Reductions	Balance 09/30/11	Due Within One Year
Notes payable	\$ 23,961,322	\$ 5,569,531	\$ (3,915,707)	\$ 25,615,146	\$ 2,956,299
Short term					
construction loans	-	5,460,273	(3,090,000)	2,370,273	2,370,273
Bonds payable	<u>5,460,000</u>	<u>-</u>	<u>(195,000)</u>	<u>5,265,000</u>	<u>205,000</u>
Total	<u>\$ 29,421,322</u>	<u>\$ 11,029,804</u>	<u>\$ (7,200,707)</u>	<u>\$ 33,250,419</u>	<u>\$ 5,531,572</u>

Short-term construction loans were issued to finance construction costs for improvements to property 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, 2011

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Bonds payable

Bonds payable at September 30, 2011 are comprised of Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds in the original principal amount of \$5,640,000. The bonds were used to fund real property improvements and to refund previous outstanding debt.

The debt service payments on the Series 2006-A bonds are limited obligations of the Board, payable solely out of payments received pursuant to an Appropriation Agreement with the City of Auburn and funds drawn by the trustee from a letter of credit issued by Aliant Bank. Under the agreement which was approved by City Council in July 2006 and amended in September 2011, the City has agreed to appropriate during each fiscal year an amount equal to the debt service on the bonds. The agreement is automatically renewed each fiscal year for a term of twelve months, unless the City passes a resolution electing not to renew the agreement prior to the first day of the applicable fiscal year. As of the date of these financial statements, the agreement had been extended to September 30, 2012. The City intends to fund the appropriations through additional tax revenues derived from future industrial recruitment. The Appropriation Agreement has been assigned and pledged by the Industrial Development Board as security for the bonds.

The bonds mature on July 1, 2026, and bear interest at a variable rate determined weekly by the Board's remarketing agent, The Frazer Lanier Company, Inc., with the interest 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. This method was used beginning on September 22, 2011, the date the bonds were remarketed. The rate in effect at September 30, 2011 was 0.24%. Prior to the date the bonds were remarketed, interest was charged by Allied Irish Bank at its prime lending rate plus 1%. The weighted average interest rate for fiscal year 2011 was 3.65%. Interest incurred for the fiscal year amounted to \$505,179.

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. On May 21, 2010, the bonds were tendered for payment, and were unable to be remarketed. Under the terms of the original trust indenture, the bonds were held by the trustee for the benefit of Allied Irish Bank, the original issuer of the letter of credit. Allied Irish Bank declined to extend the letter of credit. In September 2011, Aliant Bank agreed to provide a substitute letter of credit, and the bonds were remarketed.

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 Aliant 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 letter of credit expires on September 22, 2012. If notice is not given by Aliant Bank within fifty days of the expiration of the letter of credit, it is automatically renewed in one-year periods until September 22, 2014. In the event the remarketing agent is unable to resell the tendered bonds, any principal drawn on the letter of credit to purchase the bonds bears interest at a variable rate equal to the prime rate plus 3%. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

<u>Fiscal Year</u>	
2012	\$ 205,000
2013	220,000
2014	<u>4,840,000</u>
	<u>\$ 5,265,000</u>

The Board is required to pay to Aliant Bank annual fees for the letter of credit in the amount of 1.75% of the outstanding principal amount of the stated principal amount of the letter of credit. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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:

<u>Fiscal Year</u>	<u>Series 2006-A</u>
2012	\$ 205,000
2013	220,000
2014	235,000
2015	255,000
2016	270,000
2017	290,000
2018	315,000
2019	335,000
2020	360,000
2021	385,000
2022	415,000
2023	445,000
2024	475,000
2025	510,000
2026	550,000
Total	<u>\$ 5,265,000</u>

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2011, using the variable interest rate in effect on the last day of the fiscal year (0.24%):

<u>Fiscal Year</u>	<u>Series 2006-A</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 205,000	\$ 12,554	\$ 217,554
2013	220,000	12,056	232,056
2014	235,000	11,522	246,522
2015	255,000	10,950	265,950
2016	270,000	10,332	280,332
2017	290,000	9,676	299,676
2018	315,000	8,970	323,970
2019	335,000	8,206	343,206
2020	360,000	7,392	367,392
2021	385,000	6,518	391,518
2022	415,000	5,581	420,581
2023	445,000	4,573	449,573
2024	475,000	3,493	478,493
2025	510,000	2,339	512,339
2026	550,000	1,099	551,099
Total	<u>\$ 5,265,000</u>	<u>\$ 115,261</u>	<u>\$ 5,380,261</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Swap payments and associated debt – With respect to the Series 2006-A bonds, the Board entered into an interest rate swap agreement with Allied Irish Bank to hedge the changes in cash flows on the variable-rate bonds (see Note 5). Using rates as of September 30, 2011, debt service requirements of the variable rate debt and net swap payments on the associated hedging derivative instrument are presented below. These amounts assume that current interest rates on the variable-rate bonds and the current reference rates of the hedging derivative instrument will remain the same for their term. As these 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		
2012	\$ 205,000	\$ 12,554	\$ 294,549	\$ 512,103
2013	220,000	12,056	282,864	514,920
2014	235,000	11,522	270,334	516,856
2015	255,000	10,950	256,913	522,863
2016	270,000	10,332	242,412	522,744
2017	290,000	9,676	227,020	526,696
2018	315,000	8,970	210,455	534,425
2019	335,000	8,206	192,528	535,734
2020	360,000	7,392	173,429	540,821
2021	385,000	6,518	152,922	544,440
2022	415,000	5,581	101,241	521,822
2023	445,000	4,573	-	449,573
2024	475,000	3,493	-	478,493
2025	510,000	2,339	-	512,339
2026	550,000	1,099	-	551,099
Total	<u>\$ 5,265,000</u>	<u>\$ 115,261</u>	<u>\$ 2,404,667</u>	<u>\$ 7,784,928</u>

Notes payable

Notes payable of the Board at September 30, 2011, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/11	Year of Final Principal Maturity
AuburnBank	6.000%	Monthly	\$ 8,670,000	\$ 6,837,107	2013
AuburnBank	6.000%	Monthly	2,700,000	2,453,552	2013
AuburnBank	6.470%	Monthly	300,000	269,531	2016
AuburnBank	6.500%	Monthly	1,079,500	920,548	2012
AuburnBank	6.000%	Monthly	3,400,000	3,122,367	2013
AuburnBank	4.500%	Monthly	2,155,000	2,155,000	2017
AuburnBank	7.750%	Monthly	1,290,000	1,148,627	2012
AuburnBank	4.500%	Monthly	1,100,000	974,200	2013
AuburnBank	8.000%	Monthly	69,991	24,120	2013
AuburnBank	6.000%	Monthly	1,025,000	911,588	2012
AuburnBank	6.470%	Monthly	3,143,557	3,143,557	2013
AuburnBank	6.000%	Monthly	2,380,000	2,261,169	2014
AuburnBank	6.470%	Monthly	825,000	782,654	2014
Compass Bank	6.250%	Monthly	644,692	513,799	2016
Compass Bank	7.500%	Monthly	186,602	97,327	2012
Total notes payable			<u>\$ 28,969,342</u>	<u>\$ 25,615,146</u>	

Proceeds of the notes were used to construct industrial buildings held for leasing by the Board, and to finance equipment sold under a capital lease.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

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, 2011:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2012	\$ 2,957,208	\$ 1,421,767	\$ 4,378,975
2013	16,374,491	1,092,927	17,467,418
2014	3,076,876	235,435	3,312,311
2015	246,097	164,428	410,525
2016	1,167,628	150,459	1,318,087
2017	1,792,846	10,607	1,803,453
Total	<u>\$ 25,615,146</u>	<u>\$ 3,075,623</u>	<u>\$ 28,690,769</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, 2011, totaled \$343,121.

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, 2011, totaled \$1,203,811.

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, buildings and/or equipment located in the Board's industrial parks. The operating leases expire over the next twelve years and the capital leases expire over the next twenty-five 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, 2011, was \$5,577,501 and \$40,525,557, respectively; accumulated depreciation on the buildings was \$4,927,290. Rents received during 2011 were \$3,170,174. Of the seventeen leases in effect at September 30, 2011, sixteen 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. In September 2011, the lease was further amended to conform to the terms of the amended trust agreement related to the Series 2006-A bonds (see Note 11). Pursuant to the terms of an interest rate swap (see Note 5), rentals due under the lease were changed in 2009 to variable amounts equal to the total debt service on the Series 2006-A 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 and include payments due under the swap, rental amounts included in the following schedule are calculated using rates in effect as of September 30, 2011.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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, 2011:

<u>Fiscal Year</u>	
2012	\$ 3,442,701
2013	3,542,497
2014	3,551,801
2015	3,494,010
2016	3,441,590
2017	3,142,674
2018	2,973,462
2019	1,972,125
2020	1,815,877
2021	1,812,159
2022 and thereafter	<u>3,035,352</u>
Total	<u>\$ 32,224,248</u>

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. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during fiscal year 2011 were \$155,483. As of September 30, 2011, there were five leases in effect: four that expire within one year and one that expires in fiscal year 2013. Future minimum rentals due under the leases are as follows:

<u>Year</u>	
2012	\$ 11,318
2013	<u>350</u>
Total	<u>\$ 11,668</u>

Capital leases

- A. The Board has leased, under capital leases, ten parcels of land located in its Industrial Parks. 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 2013 to 2035, and several of these leases provide for renewal terms. No lease payments were received in fiscal year 2011 and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal. See Note 33 for disclosures pertaining to leases involving related parties.
- B. The Board has one sales-type capital lease involving manufacturing equipment. The initial lease term expires in 2016. The components of the net investment in sales-type capital leases at September 30, 2011 is as follows:

Total minimum lease payments to be received	\$ 605,991
Less: unearned income	<u>(83,475)</u>
Net investment in capital lease	<u>\$ 522,516</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 13. LEASE AGREEMENTS - CONTINUED

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

Fiscal Year	
2012	\$ 130,416
2013	130,416
2015	130,416
2015	130,416
2016	<u>84,327</u>
Total	<u>\$ 605,991</u>

NOTE 14. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

Plan Description. 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. 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. 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, P.O. Box 302150, Montgomery, Alabama 36130-2150 or by calling (334) 517-7000.

Funding Policy. 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, 2011, was 10.17% of covered payroll.

Annual Pension Cost. The City's annual pension cost of \$2,328,028 was equal to the City's required and actual contributions. 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)
9/30/08	\$ 1,786,009	100%	\$0
9/30/09	\$ 1,987,347	100%	\$0
9/30/10	\$ 2,075,866	100%	\$0

The required contribution was determined as part of the September 30, 2010, 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, 2010, was 30 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED

Funded Status and Funding Progress. As of September 30, 2010, the most recent actuarial valuation date, the plan was 60.9% funded. The actuarial accrued liability for benefits was \$73,290,093, and the actuarial value of assets was \$44,619,638, resulting in an unfunded actuarial accrued liability (UAAL) of \$28,670,455. The covered payroll (annual payroll of active employees covered by the plan) was \$23,588,767, and the ratio of the UAAL to the covered payroll was 121.5%.

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)
9/30/08	\$ 43,850,832	\$ 63,229,284	\$ 19,378,452	69.4%	\$ 21,739,441	89.1%
9/30/09	\$ 44,206,957	\$ 67,126,111	\$ 22,919,154	65.9%	\$ 22,972,396	99.8%
9/30/10***	\$ 44,619,638	\$ 72,941,848	\$ 28,322,210	61.2%	\$ 23,588,767	120.1%
9/30/10****	\$ 44,619,638	\$ 73,290,093	\$ 28,670,455	60.9%	\$ 23,588,767	121.5%

* Market value of assets as of September 30, 2010: \$37,350,387

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

*** Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

**** Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

COMPONENT UNITS

Board of Education

Plan Description. The Board contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Board are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under the formula method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150 or by calling (334) 517-7000.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 14. DEFINED BENEFIT PENSION PLANS – CONTINUED

Funding Policy. Employees are required by statute to contribute 5 percent of their salary to the Teachers' Retirement 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. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

Fiscal year ended September 30,	2011	2010	2009
Total percentage of covered payroll	17.51%	17.51%	17.07%
Contributions:			
Percentage contributed by the Board	12.51%	12.51%	12.07%
Percentage contributed by the employees	5.00%	5.00%	5.00%
Contributed by the Board	\$ 4,349,691	\$ 4,226,839	\$ 3,974,216
Contributed by the employees	1,738,777	1,689,545	1,646,356
Total contributions	<u>\$ 6,088,468</u>	<u>\$ 5,916,384</u>	<u>\$ 5,620,572</u>

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, 2011, was 4.86% of annual covered payroll; and the Board's annual pension cost of \$75,672 was equal to its required and actual contributions. The remaining amortization period at September 30, 2010, was 30 years.

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)
9/30/08	\$ 81,855	100%	\$0
9/30/09	\$ 73,355	100%	\$0
9/30/10	\$ 60,926	100%	\$0

The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits:

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)
9/30/08	\$ 2,364,216	\$ 2,491,732	\$ 127,516	94.9%	\$ 1,389,620	9.2%
9/30/09	\$ 2,411,739	\$ 2,776,252	\$ 364,513	86.9%	\$ 1,510,875	24.1%
9/30/10***	\$ 2,390,038	\$ 3,142,820	\$ 752,782	76.0%	\$ 1,572,780	47.9%
9/30/10****	\$ 2,390,038	\$ 3,161,262	\$ 771,224	75.6%	\$ 1,572,780	49.0%

* Market value of Assets as of September 30, 2010: \$1,999,334

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

*** Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

**** Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS

CITY OF AUBURN PRIMARY GOVERNMENT

The City of Auburn's General Employees' OPEB Plan is a single-employer, defined benefit OPEB plan. From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended September 30, 2009, the City recognized the cost of postemployment healthcare in the year when employee services are received, reported the accumulated liability from prior years, and provided information useful in assessing potential demands on the City's future cash flows. Because the City adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan description

The City provides medical benefits to employees upon retirement according to the retirement eligibility provisions as follows: 25 years of service at any age; or, age 60 and 10 years of service. The retirees pay 100% of the premium costs and specific deductibles. Employees do not contribute to their postemployment benefits costs until they retire and begin receiving those benefits. The City pays for all costs in excess of premiums and deductibles. Benefits and contribution requirements (both employee and employer) for the General Employees OPEB Plan are established by City ordinance and can only be amended by City Council. OPEB benefits are administered by City personnel. No separate financial statements are issued.

Funding policy

The City currently pays for postemployment health care benefits on a pay-as-you-go basis. Although the City could establish a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual required contribution

The City's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, amortization period of 30 years (the maximum amortization period allowed by GASB 45) has been used for the postemployment benefits. The total ARC for the year ending September 30, 2011 is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost as of beginning of year	\$ 103,571	\$ 18,713	\$ 36,429
Amortization of the unfunded AAL (UAAL) for 30 years	<u>126,547</u>	<u>40,858</u>	<u>92,845</u>
Total normal cost and amortization payment	230,118	59,571	129,274
Interest to end of year	<u>9,205</u>	<u>-</u>	<u>-</u>
Annual required contribution (ARC)	<u><u>\$ 239,323</u></u>	<u><u>\$ 59,571</u></u>	<u><u>\$ 129,274</u></u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Net postemployment benefit obligation

The table below shows the City's net other postemployment benefit (OPEB) obligation at September 30, 2011:

	2011	2010	2009
Annual required contribution (ARC)	\$ 239,323	\$ 59,571	\$ 129,274
Interest on net OPEB obligation (NOO) to end of year	4,787	-	-
NOO amortization adjustment to the ARC	(6,921)	-	-
Annual OPEB cost	237,189	59,571	129,274
Actual annual employer contribution - pay-go cost	(169,573)	(22,942)	(46,221)
Change in net OPEB obligation	67,616	36,629	83,053
Beginning net OPEB obligation	119,682	83,053	-
Ending net OPEB obligation	<u>\$ 187,298</u>	<u>\$ 119,682</u>	<u>\$ 83,053</u>
Ending net OPEB obligation by employer			
City of Auburn General Fund	\$ 152,852	\$ 100,161	\$ 69,529
Sewer Revenue Fund of City of Auburn	8,181	3,951	2,864
Solid Waste Management Fund of City of Auburn	12,487	7,204	4,773
Water Works Board of City of Auburn	13,778	8,366	5,887
Total	<u>\$ 187,298</u>	<u>\$ 119,682</u>	<u>\$ 83,053</u>

Funded status and funding progress

In the fiscal year ending September 30, 2011, the City contributed \$169,573 to its postemployment benefits plan. This represents 70.9% of the ARC. The plan has no assets and therefore has a funded ratio of zero. As of September 30, 2011, the most recent actuarial valuation, the actuarial accrued liability was \$2,275,792, which is defined as that portion, as determined by a particular actuarial cost method, of the actuarial present value of postemployment plan benefits and expenses which is not provided for by the future normal cost. Since the plan is not funded, the entire actuarial accrued liability was unfunded. The schedule of funding progress is included in the table below.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ((b - a)/c)
9/30/2008	\$ -	\$ 1,152,007	\$ 1,152,007	\$ -	\$ 21,902,318	5.3%
9/30/2009	-	1,533,348	1,533,348	-	22,572,357	6.8%
9/30/2010	-	2,275,792	2,275,792	-	23,129,637	9.8%

Actuarial methods and assumptions

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer portion has been estimated as the average claims plus administrative expenses, less the employee portion paid, over the preceding year for the retired group and has been used as the basis for projecting the medical trend assumption into the future. After age 65, Medicare becomes primary, but retirees are allowed to remain on this plan with the same contribution amount. The unfunded actuarial accrued liability is being amortized over 30 years.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Turnover rates are based on a standard actuarial termination table adjusted for the City's historical turnover experience. These rates approximate to an 8% average turnover annually. It is also assumed that 50% of retirees elect not to have retiree medical coverage because of the employee premium required.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2011, actuarial valuation, the liabilities were computed using the projected unit credit cost method with linear proration to decrement and level dollar amortization over 30 years based on an open group. The actuarial assumptions utilized a 4% discount rate and a 3% inflation rate. The expected rate of increase in medical cost is based on the plans actual experience initially with subsequent years based on a combination of employer history, national trend surveys, and professional judgement. The valuation assumes an 8% healthcare cost trend increase for fiscal year 2012, graded down to an ultimate annual rate of 5% for 2018 and later.

COMPONENT UNITS

Board of Education

The Board contributes to the Alabama Retired Education Employee's Health Care Trust (Trust), a multiple employer cost sharing defined benefit health care plan established in 2007 under the provisions of Act 2007-16 as an irrevocable trust fund. The Trust is administered by members of the Public Education Employees' Health Insurance Board (PEEHIB). The Trust provides health care benefits to state and local school system retirees. *Code of Alabama 1975*, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. The Alabama Retired Education Employees' plan issues a stand-alone financial report that includes financial statements and required supplementary information for the Trust. That report may be obtained at the Public Education Employees' Health Insurance Plan website <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Statements tab.

Code of Alabama 1975, Section 16-25A-8 provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. Retirees eligible for Medicare benefits must pay \$10 per month for coverage while those not eligible for Medicare must pay \$146 per month for coverage. The employer's share of premiums for retired Board employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. The fiscal year 2011 rate paid by the Board was \$752 per active participant per month; \$198.94, or approximately 26.45% of the allocation for active participants, represents the required contribution for retirees. This required contribution rate is determined annually by the State Legislature. The estimated portion of health insurance premiums paid by the Board for retired employees for fiscal years ending September 30, 2011 and 2010 was approximately \$1,969,150 and \$2,344,868 respectively, equal to its required contributions each year. The estimated portion of payments made on behalf of the Board for retiree drug subsidy payments for fiscal years ending September 30, 2011 and 2010 was approximately \$240,726 and \$173,685, respectively. The Board has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees. The requirements of GASBS No. 45 were implemented prospectively beginning at October 1, 2008.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 16. 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:

	<u>Fiscal Year</u>	
	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning of year	\$ 203,190	\$ 172,809
Included claims (including estimated claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	35,986	109,887
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>(76,082)</u>	<u>159,051</u>
Total incurred claims	<u>(40,096)</u>	<u>268,938</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(39,423)	(86,405)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(43,199)</u>	<u>(152,152)</u>
Total payments	<u>(82,622)</u>	<u>(238,557)</u>
Unpaid claims, end of year (includes estimated claims incurred but not reported)	<u>\$ 80,472</u>	<u>\$ 203,190</u>

Total general liability for uninsured risks and workmen's compensation claims liability at September 30, 2011, is recorded as follows: \$44,920 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$35,552, along with the estimated liability for insured risks of \$66,434, 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, 2011

NOTE 17. 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	
	2011	2010
Unpaid claims, beginning of year	\$ 117,017	\$ 106,454
Incurred claims (including estimated claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	2,471,918	2,129,783
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>47,859</u>	<u>38,441</u>
Total incurred claims	<u>2,519,777</u>	<u>2,168,224</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(2,397,152)	(2,012,767)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(164,875)</u>	<u>(144,894)</u>
Total payments	<u>(2,562,027)</u>	<u>(2,157,661)</u>
Unpaid claims, end of year (includes estimated claims incurred but not reported)	<u>\$ 74,767</u>	<u>\$ 117,017</u>

The unpaid claims as of September 30, 2011, are reported in the General Fund.

NOTE 18. 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, 2011, by the State (\$28,091) to individuals is reflected as an expense of the General Fund.

NOTE 19. AD VALOREM TAX COLLECTION EXPENSE

The City is charged a collection fee by the County Revenue Commissioner 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, 2011:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 3,791,243 *	\$ 84,323	\$ 57,024	\$ 3,649,896
Special 5-Mill Tax Fund	5	3,777,188 **	84,323	57,024	3,635,841
Special School Tax Fund	<u>16</u>	<u>12,765,191</u>	<u>283,404</u>	<u>194,480</u>	<u>12,287,307</u>
Property tax totals	<u>26</u>	<u>\$ 20,333,622</u>	<u>\$ 452,050</u>	<u>\$ 308,528</u>	<u>\$ 19,573,044</u>

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

** Reduced by industrial tax exemptions.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 20. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2011 consist of the following:

<u>Amount</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Purpose</u>
<u>\$ 620,665</u>	General Fund	Nonmajor Governmental Fund	Provide cash flow for grants program and fund capital projects
<u>\$ 14,115</u>	General Fund	Nonmajor Proprietary Fund	Provide temporary funds for capital projects
	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>	<u>Purpose</u>
<u>\$ 216,892</u>	General Fund	Nonmajor Proprietary Fund	Provide funding for equipment purchase

NOTE 21. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2011:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 471,126	\$ 319,414
Nonmajor Governmental Funds	<u>94,108</u>	<u>494,174</u>
Total governmental activities	<u>565,234</u>	<u>813,588</u>
Major Proprietary Fund		
Sewer Revenue Fund	-	71,060
Nonmajor proprietary fund	<u>319,414</u>	<u>-</u>
Total business-type activities	<u>319,414</u>	<u>71,060</u>
Total primary government	<u>\$ 884,648</u>	<u>\$ 884,648</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 22. 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		
Auburn City Board of Education	\$ 800,000	\$ -
Water Works Board	816,875	131,182
Primary Government		
General Fund	3,745	263,761
Special School Tax Fund	-	800,000
Sewer Revenue Fund	125,161	552,729
Nonmajor proprietary fund	<u>2,276</u>	<u>385</u>
Total	<u>\$ 1,748,057</u>	<u>\$ 1,748,057</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.

B. Long-term advances

	<u>Advances To</u>	<u>Advances From</u>
Primary Government		
General Fund	\$ 2,452,853	\$ -
Special School Tax Fund	560,000	-
Component Units		
Auburn City Board of Education	-	560,000
Industrial Development Board	<u>-</u>	<u>2,452,853</u>
Total	<u>\$ 3,012,853</u>	<u>\$ 3,012,853</u>

Amounts loaned from the City of Auburn to its component units consist primarily of funding for construction projects. Repayment from the Industrial Development Board will be made from future property sales. Repayment from the Auburn City Board of Education will be made by transferring from the Special School Tax Fund to the City General Fund \$140,000 per year for five years from the general property taxes collected by the City on behalf of the school board.

C. Payments between the City and Component Units

	<u>Appropriations From Primary Government</u>	<u>Payments to Component Units</u>
Primary Government		
General Fund	\$ -	\$ 7,885,052
Special School Tax Fund	-	7,573,639
Nonmajor governmental funds	-	297,151
Component Units		
Auburn City Board of Education	14,624,398	-
Industrial Development Board	843,568	-
Public Parks and Recreation Board	<u>287,876</u>	<u>-</u>
Total	<u>\$ 15,755,842</u>	<u>\$ 15,755,842</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 22. INTRA-ENTITY TRANSACTIONS - CONTINUED

C. Payments between the City and Component Units - Continued

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) paid on behalf of the Board of Education are reflected on the City's books as debt service expenditures and amounted to \$4,856,116. The City also makes debt service payments on behalf of the Commercial Development Authority that are not included in the schedule above. The debt payments (including bond trustee fees) paid on behalf of the Commercial Development Authority are reflected on the City's books as debt service expenditures and amounted to \$1,100,540.

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 Shelton Park Urban Development Action Grant (UDAG) Fund, the Revolving Loan Fund, the Affordable Housing Fund, the CDBG RLF Housing Rehab Loan Program Fund, and the CDBG RLF Affordable Housing Loan Program Fund.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

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

Selected financial information for the sub-funds of the Federal Grant Loan Repayment Fund for the current fiscal year is as follows:

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Total
Assets						
Cash and cash equivalents	\$ 27,929	\$ 26,651	\$ 25,620	\$ 92	\$ 62,951	\$ 143,243
Receivables, net	-	2,174	-	-	-	2,174
Mortgages receivable	<u>115,785</u>	<u>165,159</u>	<u>62,128</u>	<u>869,520</u>	<u>334,291</u>	<u>1,546,883</u>
Total assets	<u>\$ 143,714</u>	<u>\$ 193,984</u>	<u>\$ 87,748</u>	<u>\$ 869,612</u>	<u>\$ 397,242</u>	<u>\$ 1,692,300</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 62	\$ -	\$ 151	\$ 213
Deferred program revenue	<u>115,785</u>	<u>165,159</u>	<u>62,177</u>	<u>869,520</u>	<u>334,291</u>	<u>1,546,932</u>
Total liabilities	115,785	165,159	62,239	869,520	334,442	1,547,145
Fund balance:						
Restricted - social & economic	<u>87,626</u>	<u>(75,973)</u>	<u>70,610</u>	<u>92</u>	<u>62,800</u>	<u>145,155</u>
Total liabilities and fund balance	<u>\$ 203,411</u>	<u>\$ 89,186</u>	<u>\$ 132,849</u>	<u>\$ 869,612</u>	<u>\$ 397,242</u>	<u>\$ 1,692,300</u>
Revenues						
Program income	\$ 12,460	\$ 222,019	\$ 4,202	\$ 14,165	\$ 132,976	\$ 385,822
Miscellaneous	-	-	87	-	86	173
Other interest	<u>15,469</u>	<u>10,707</u>	<u>2,243</u>	<u>1,322</u>	<u>7,193</u>	<u>36,934</u>
Total revenues	<u>27,929</u>	<u>232,726</u>	<u>6,532</u>	<u>15,487</u>	<u>140,255</u>	<u>422,929</u>
Expenditures						
Economic development	-	182,550	-	-	-	182,550
Payments to component units	<u>-</u>	<u>186,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,600</u>
Total expenditures	<u>-</u>	<u>369,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,150</u>
Excess (deficiency) of revenues over expenditures	27,929	(136,424)	6,532	15,487	140,255	53,779
Other financing sources (uses)						
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,837)</u>	<u>(78,271)</u>	<u>(94,108)</u>
Net changes in fund balances	27,929	(136,424)	6,532	(350)	61,984	(40,329)
Fund balance,						
beginning of year	<u>59,697</u>	<u>60,451</u>	<u>64,078</u>	<u>442</u>	<u>816</u>	<u>185,484</u>
Fund balance, end of year	<u>\$ 87,626</u>	<u>\$ (75,973)</u>	<u>\$ 70,610</u>	<u>\$ 92</u>	<u>\$ 62,800</u>	<u>\$ 145,155</u>

*Net of interfund eliminations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 24. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE 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	\$ 72,998	\$ 59,946	\$ 132,944
Liabilities and fund equity			
Fund equity			
Restricted - law enforcement	\$ 72,998	\$ 59,946	\$ 132,944
Revenues			
Contributions from the public	\$ 23,506	\$ 9,635	\$ 33,141
Interest	660	572	1,232
Total revenues	24,166	10,207	34,373
Expenditures			
Public safety	11,384	4,908	16,292
Excess (deficiency) of revenues over expenditures	12,782	5,299	18,081
Other financing sources (uses)			
Sale of surplus assets	-	5,935	5,935
Net changes in fund balances	12,782	11,234	24,016
Fund equity, beginning of year	60,216	48,712	108,928
Fund equity, end of year	\$ 72,998	\$ 59,946	\$ 132,944

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
ASSETS					
Cash	\$ 937,987	\$ -	\$ -	\$ -	\$ 937,987
Equity in pooled cash and cash equivalents	10,273,205	1,500,460	2,581,258	1,228,753	15,583,676
Restricted cash and investments	<u>176,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,679</u>
Total cash and cash equivalents	11,387,871	1,500,460	2,581,258	1,228,753	16,698,342
Certificate of deposit	3,156,448	-	-	-	3,156,448
Receivables					
Revenues	5,597,509	-	-	-	5,597,509
Other governmental units	778,355	-	-	-	778,355
Special assessments	25,107	-	-	-	25,107
Other	888,918	307	16,567	-	905,792
Due from other funds	634,780	-	-	-	634,780
Due from component units	263,761	-	-	-	263,761
Inventories, at cost	17,768	-	-	-	17,768
Prepaid expenses	372,672	-	-	-	372,672
Advances to other funds	216,892	-	-	-	216,892
Advances to component units	2,452,853	-	-	-	2,452,853
Advances to other agencies	313,193	-	-	-	313,193
Property for resale	<u>4,131,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,131,127</u>
TOTAL ASSETS	<u>\$ 30,237,254</u>	<u>\$ 1,500,767</u>	<u>\$ 2,597,825</u>	<u>\$ 1,228,753</u>	<u>\$ 35,564,599</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued liabilities	\$ 3,827,775	\$ 136,808	\$ 887	\$ 44,920	\$ 4,010,390
Customer deposits	132,544	-	-	-	132,544
Due to component units	3,745	-	-	-	3,745
Deferred revenue	740,770	1,516,992	59,619	-	2,317,381
Claims payable	<u>-</u>	<u>-</u>	<u>74,766</u>	<u>-</u>	<u>74,766</u>
Total liabilities	<u>4,704,834</u>	<u>1,653,800</u>	<u>135,272</u>	<u>44,920</u>	<u>6,538,826</u>
Fund balances					
Fund balances					
Nonspendable					
Inventories and prepaids	390,440	-	-	-	390,440
Property for resale	4,131,127	-	-	-	4,131,127
Advances	2,982,938	-	-	-	2,982,938
Restricted					
Law enforcement	176,679	-	-	-	176,679
Assigned					
General	2,816,598	1,930,022	-	-	4,746,620
Social and economic	108,100	-	-	-	108,100
Unassigned	<u>15,196,186</u>	<u>(2,083,055)</u>	<u>2,142,372</u>	<u>1,234,366</u>	<u>16,489,869</u>
Total fund balance	<u>25,802,068</u>	<u>(153,033)</u>	<u>2,142,372</u>	<u>1,234,366</u>	<u>29,025,773</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 30,506,902</u>	<u>\$ 1,500,767</u>	<u>\$ 2,277,644</u>	<u>\$ 1,279,286</u>	<u>\$ 35,564,599</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues					
Sales and use taxes	\$ 22,987,406	\$ -	\$ -	\$ -	\$ 22,987,406
Occupational license fees	9,033,443	-	-	-	9,033,443
Motor fuel taxes	576,855	-	-	-	576,855
Lodging taxes	1,371,789	-	-	-	1,371,789
Rental and leasing taxes	473,732	-	-	-	473,732
Other taxes	210,972	-	-	-	210,972
Licenses and permits	8,860,187	-	-	-	8,860,187
General property tax	4,423,726	-	-	-	4,423,726
Charges for services	5,032,362	-	745,281	-	5,777,643
Fines and forfeitures	1,247,137	-	-	-	1,247,137
State shared taxes	816,241	-	-	-	816,241
Contributions from the public	300,738	364,215	-	-	664,953
Interest	160,912	-	25,544	12,988	199,444
Miscellaneous	71,263	-	-	-	71,263
Total revenues	55,566,763	364,215	770,825	12,988	56,714,791
Expenditures					
General government and administration	4,543,986	-	-	-	4,543,986
Public works	3,377,182	-	-	-	3,377,182
Environmental services	1,665,499	-	-	-	1,665,499
Public safety	16,547,410	-	-	-	16,547,410
Library	1,433,753	-	-	-	1,433,753
Parks and recreation	4,714,322	-	-	-	4,714,322
Planning	573,465	-	-	-	573,465
Economic development	968,779	-	-	-	968,779
Employee services	655,029	-	-	-	655,029
Risk management	123,413	-	998,298	147,346	1,269,057
Total departmental	34,602,838	-	998,298	147,346	35,748,482
Non-departmental	1,295,819	-	-	-	1,295,819
Debt service:					
Administrative charges	-	11,250	-	-	11,250
Interest	1,937,841	-	-	-	1,937,841
Principal retirement	5,915,163	-	-	-	5,915,163
Capital outlay	805,720	494,489	-	-	1,300,209
Intergovernmental	876,083	-	-	-	876,083
Payments to component units	7,885,052	-	-	-	7,885,052
Total expenditures	53,318,516	505,739	998,298	147,346	54,969,899
Excess (deficiency) of revenues over expenditures	2,248,247	(141,524)	(227,473)	(134,358)	1,744,892
Other financing sources (uses)					
Sale of surplus assets	27,705	-	-	-	27,705
Transfers in	471,126	-	-	-	471,126
Transfers out	(319,414)	-	-	-	(319,414)
Total other financing sources (uses)	179,417	-	-	-	179,417
Net changes in fund balances	2,427,664	(141,524)	(227,473)	(134,358)	1,924,309
Fund balances, beginning of year	23,374,404	(11,509)	2,369,845	1,368,724	27,101,464
Fund balances, end of year	\$ 25,802,068	\$ (153,033)	\$ 2,142,372	\$ 1,234,366	\$ 29,025,773

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 26. RESTRICTED ASSETS

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 and restricted cash collected from access fees. Access fees are assessed to developers and maintained in a capital fund account. Board approval is required to use the access fees received to finance the design, acquisition and/or construction of capital projects that expand the Board's water collection, treatment and distribution system.

Industrial Development Board

Restricted assets of the Industrial Development Board consist of restricted cash for debt service payments in accordance with the terms of a bond indenture.

NOTE 27. DEFERRED WATER RIGHTS

The Board entered into a Water Supply Agreement with the City of Opelika Water Board in June 1983 (See Note 11.) 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, 2011, follows:

Deferred water rights, beginning of year	\$ 451,880
Amortization of deferred water rights	<u>(169,456)</u>
Deferred water rights, end of year	<u>\$ 282,424</u>

NOTE 28. 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 10.6 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 was 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., 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 28. DEPRIVATIZATION OF SEWER PLANTS - CONTINUED

- C. The City issued a noninterest bearing General Obligation Warrant to the Partnership in the amount of \$9,400,000; due January 1, 2012 (these warrants were refunded during 2007).
- 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.
- 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.

On August 1, 2001, in order 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 2024.

Effective August 1, 2001, the Base Service Charge included in the original Service Agreement is no longer payable to U.S. Filter by the City. The Additional Service Charge (\$1,756,541, annually) continues to be payable to Veolia Water Inc. (successor to U.S. Filter) under the terms of the extension of the Service Agreement until January 1, 2020.

NOTE 29. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

Subsequent to September 30, 2011, the City Council approved various design and construction contracts totaling approximately \$10,933,000, professional services type contracts totaling approximately \$117,000, equipment and computer software purchases totaling approximately \$1,855,000, and Revolving Loan Fund loans to an existing business for expansion up to \$15,000.

Subsequent to September 30, 2011, the City issued its \$2,600,126 General Obligation Road Construction Warrant, dated October 7, 2011, to pay the costs of certain public roadway improvements within the City known as the West Phase of Cary Creek Parkway. The warrant bears interest at a rate equal to 100 basis points plus 65% of 30-Day LIBOR, adjusted monthly, payable on July 9, 2012. A promissory note, dated October 7, 2011, signed by the developer, states that the developer will pay the principal sum of \$2,600,126, or such lesser amount as shall be equal to the aggregate principal sum due from the City under the General Obligation Road Construction Warrant, plus interest in an amount equal to the aggregate amount due from the City under the General Obligation Road Construction Warrant and such payment shall be due on July 3, 2012.

Subsequent to September 30, 2011, the City issued its \$18,500,000 General Obligation Capital Improvement School Warrant, dated February 22, 2012, to pay the costs of certain capital improvements, including acquiring land and construction and equipping of a new public elementary school located on North College Street and the purchase of land for the construction of a secondary public educational building. The warrant bears interest at a rate of 2.78%, payable monthly beginning March 1, 2012, and continuing through February 1, 2032.

Management has evaluated subsequent events through March 26, 2012, the date these financial statements were available to be issued.

COMPONENT UNITS

Board of Education

Subsequent to September 30, 2011, the Board entered into an agreement with a contractor in the amount of \$10,195,271 for the construction of a new elementary school. The construction of this school will be funded through bonds issued by the City on behalf of the Board. Also, subsequent to year end, the Board approved the purchase of six 78-passenger buses at a total cost of \$502,494 and one special needs bus at a cost of \$93,844.

Industrial Development Board

Subsequent to September 30, 2011, land and buildings held for leasing were sold by the Board with proceeds of \$5,681,815. Net book value of the land and buildings sold was \$6,264,059. Proceeds were used to retire associated debt in the amount of \$5,231,857. Additionally, the Board made improvements totaling approximately \$146,722 to various property owned by the Board.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 29. SUBSEQUENT EVENTS - CONTINUED

The Board signed three construction contracts subsequent to September 30, 2011, totaling approximately \$2.75 million for an expansion project, sitework for a new project, and improvements to Auburn Technology Park West. \$1.9 million of short-term construction financing was obtained by the Board to finance the construction cost. Upon completion, the expansion project will be leased to the industry through an operating lease. Additionally, the Board obtained a short term construction loan in the amount of \$1.95 million to fund a construction contract that was underway as of September 30, 2011. That loan was subsequently converted to permanent financing.

Subsequent to year end, the Board refinanced two mortgages, and converted two short term construction loans to permanent financing. Proceeds of the refinancing debt were approximately \$6.5 million, and the balance of the refinanced debt as of September 30, 2011 was approximately \$4.2 million. Loan closing costs totaling approximately \$14,500 were paid in connection with the conversion to permanent financing. Additionally, the Board retired debt of approximately \$580,000 subsequent to September 30, 2011, but prior to the date of these financial statements.

Prior to the date of these financial statements but subsequent to September 30, 2011, the Board provided a working capital loan to a local industry in the amount of \$5 million. To fund the loan, the Board borrowed the \$5 million from its local bank pool on a short term note. Interest charged to the industry is equal to interest incurred by the Board on the short term note, plus and administrative fee. The term of the loan is twelve months.

Subsequent to September 30, 2011, various incentive packages were committed to four companies as incentives to locate in Auburn or to expand existing operations. The incentives include property acquisitions at discounted values; cash assistance for relocation, training, and site preparation; working capital loans; tax abatements; and construction financing. As of the date of these financial statements, some of the cash assistance totaling approximately \$275,000 and a working capital loan of \$5 million had been disbursed. The Board approved issuance of construction financing in the approximate amount of \$2.6 million, but the loan had not been finalized as of the date of these financial statements.

NOTE 30. 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 \$4,255,000 as of September 30, 2011.

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:

<u>Fiscal Year</u>	<u>Appropriation</u>
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	<u>376,020</u>
Total	<u>\$ 5,275,166</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 30. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

In July 2006, the City entered into a development, funding and cooperation agreement with Auburn University and The Public Park and Recreation Board of the City of Auburn. The agreement provided 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 were paid from general obligation bonds and warrants. The entire complex is being leased by the City to the Park Board for a period of twenty years. The Park Board subleases the University tennis facility to Auburn University, also for a period of twenty years. The tennis complex was completed in August 2007.

Claims and Litigation - As of September 30, 2011, the City had been named defendant in two pending lawsuits. Neither of these suits specify a dollar amount of damages claimed. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$37,300.

In fiscal year 2011, the City expended \$90,488 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

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.

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 noncancelable leases was \$96,298 for the fiscal year ended September 30, 2011.

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 80,081
2013	50,398
2014	19,274
2015	975
Total	<u>\$ 150,728</u>

During fiscal year 2009, the Board entered into lease agreements with Hewlett-Packard Financial Services Company for the purchase of student laptop computers. These agreements qualified as capital leases for accounting purposes and were recorded at the present value of the future minimum lease payments as of the date of inception. Interest expense for the year ended September 30, 2011, was \$48,914.

The following is a summary of changes in obligations under capital leases of the Board for the year ended September 30, 2011:

	<u>Capital Lease Payable</u>
Balance, September 30, 2010	\$ 1,219,388
Retirement of debt	<u>(345,773)</u>
Balance, September 30, 2011	<u>\$ 873,615</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 30. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

The approximate remaining annual minimum lease payments under the capital leases existing as of September 30, 2011, are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 360,761	\$ 34,002	\$ 394,763
2013	454,918	18,192	473,110
2014	57,936	1,254	59,190
	<u>\$ 873,615</u>	<u>\$ 53,448</u>	<u>\$ 927,063</u>

Water Works Board

Commitments – The Water Works Board has commitments for construction projects in connection with system improvements. The cost to complete the projects as of September 30, 2011 is approximately \$282,910.

Industrial Development Board

Commitments - As of September 30, 2011, the Board was committed under certain construction contracts in the amount of \$2,061,716. Additionally, various incentive packages were committed to five companies as incentives to locate in Auburn or to expand existing operations. The incentives include property acquisition as discounted values; cash assistance for site preparation, relocation and training; and a working capital loan. As of the date of these financial statements, cash incentives of \$585,402 had been paid, and a \$100,000 working capital loan was made. See Note 29 for additional commitments made subsequent to year-end.

In connection with a package of incentives offered to a company that chose to locate in Auburn during FY 2008, the Board agreed to make available for a period of five years a 25-acre lot in Auburn Technology Park West. The lot had an estimated value of \$750,000 at September 30, 2011.

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.

NOTE 31. PRIOR PERIOD ADJUSTMENTS

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2011, a prior period adjustment of \$1,040,321 was recorded to adjust the capitalized value of land and remove a project from CIP which was not City owned. During fiscal year 2011, the City discovered these easements were undervalued due to incorrect total square footage amounts within the city limits used for the average value calculation. Square footage amounts were corrected using new GIS technology and the fiscal year 2010 easement values were adjusted by \$1,153,946. It was also discovered during fiscal year 2011 that improvements for a project that is not City owned were booked to construction in progress in fiscal year 2010. Construction in progress has been adjusted by \$113,625 to remove this project.

Also during fiscal year 2011, prior period adjustments totaling \$793,733 were recorded to the Sewer and Solid Waste funds (business-type activities.) Historically, the Water Works Board has billed and collected the City's Sewer and Solid Waste utilities due from its citizens. During fiscal year 2011, the City began recording the receivables for Sewer and Solid Waste directly in the appropriate funds in the City's general ledger. Conversely, the Water Works Board stopped recording the Sewer and Solid Waste fund activity in the Board's general ledger. As a result, a prior period adjustment of \$441,021 was recorded in the Sewer fund to adjust the customer receivables for accounts written off, to adjust allowance accounts, and to book a receivable from the Water Works Board representing deposits through 2010. A prior period adjustment of \$352,712 was recorded in the Solid Waste fund to adjust customer receivables for accounts written off and to adjust allowance accounts.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 31. PRIOR PERIOD ADJUSTMENTS - CONTINUED

COMPONENT UNIT

Water Works Board

During fiscal year 2011, prior period adjustments totaling \$696,708 were recorded.

Historically, the Board has billed and collected the City's Sewer and Solid Waste utilities due from its citizens. Consequently, the Board recorded receivables, an allowance for uncollectible accounts and a payable to the City related to the Sewer and Solid Waste funds. During fiscal year 2011, the City began recording the receivables for Sewer and Solid Waste directly in the appropriate funds in the City's general ledger. Conversely, the Board stopped recording the Sewer and Solid Waste fund activity in the Board's general ledger. As a result, a prior period adjustment of \$272,571 was recorded to remove the receivables and related payable to the City for Sewer and Solid Waste funds from the Board's books. An additional prior period adjustment of \$546,928 was recorded to remove the allowance for uncollectible accounts related to these two City funds from the Board's books. These prior period adjustments increased net assets by \$819,498.

Also during fiscal year 2011, a prior period adjustment of \$122,790 was recorded to reclassify a professional services fee expense that was recorded as a fixed asset in fiscal year 2009. The adjustment to remove the asset from the books includes the cost basis of \$223,255 less accumulated depreciation of \$100,465. It was determined during fiscal year 2011 that the cost was not capitalizable and should have been expensed in fiscal year 2009. The prior period adjustment reduced net assets by \$122,790.

NOTE 32. 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. Post closure care costs are paid only after the date that the landfill stops accepting waste; the City reports these post closure care costs in governmental activities' long-term debt and other liabilities. There were no expenditures for landfill closure and post closure care during fiscal year 2011. The \$168,000 reported as landfill post closure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2011, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 33. RELATED PARTY TRANSACTIONS

COMPONENT UNIT

Industrial Development Board

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.



City of Auburn

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 and Five Cent Gas Tax Fund accounts for Auburn's share of the State of Alabama four and five 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.

Grants – General Activities Fund accounts for state and federal grants.

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

Federal Grant Loan Repayment Fund accounts for mortgage revenue from grants provided by the U.S. Department of Housing and Urban Development used to fund Title I projects within the city.

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.

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.

'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.

Bent Creek/West Technology Park Fund accounts for the proceeds of a 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 collaboration among the City of Auburn, Auburn University, and the State of Alabama.

2009 Capital Projects Fund accounts for the revenue and expenditure of bonds issued by the City for the construction and acquisition of public transportation improvements, recreational facility improvements, and fire protection services improvements.

CITY OF AUBURN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

	Special Revenue Funds							Debt Service Fund
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Public Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Total	
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Cash and cash equivalents	57,815	45,726	132,943	151,764	-	143,243	531,491	3,693,941
Receivables, net	13,597	10,503	-	54,107	64,106	2,174	144,487	29,981
Mortgages receivable	-	-	-	-	-	1,546,883	1,546,883	-
Total assets	71,412	56,229	132,943	205,871	64,106	1,692,300	2,222,861	3,723,922
LIABILITIES AND FUND BALANCES								
Accounts payable and accrued liabilities	-	-	-	43,800	2,091	213	46,104	-
Due to other funds	-	-	-	-	62,015	-	62,015	-
Deferred program revenue	-	-	-	-	-	1,546,932	1,546,932	-
Total liabilities	-	-	-	43,800	64,106	1,547,145	1,655,051	-
Fund balances:								
Restricted								
Roads, bridges and streets	71,412	56,229	-	-	-	-	127,641	-
Law enforcement	-	-	132,943	-	-	-	132,943	-
General grants	-	-	-	162,071	-	-	162,071	-
Social and economic	-	-	-	-	-	145,155	145,155	-
Capital projects	-	-	-	-	-	-	-	-
Committed								
Debt service	-	-	-	-	-	-	-	3,723,922
Total fund balances	71,412	56,229	132,943	162,071	-	145,155	567,810	3,723,922
Total liabilities and fund balances	71,412	56,229	132,943	205,871	64,106	1,692,300	2,222,861	3,723,922

Capital Projects Funds						
	'03 6.3 Mill Capital Projects Fund	Bent Creek Interchange/ West Tech Park Fund	Tennis Center/ AU Portion Fund	AU Research Park Capital Projects Fund	2009 Capital Projects Fund	Total Nonmajor Governmental Funds
	\$	\$	\$	\$	\$	\$
ASSETS						
Cash and cash equivalents	49,747	401,337	-	-	-	4,676,516
Receivables, net	-	-	-	-	1,525,143	1,699,611
Mortgages receivable	-	-	-	-	-	1,546,883
Total assets	49,747	401,337	-	-	1,525,143	7,923,010
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued liabilities	-	-	-	-	45,493	91,597
Due to other funds	-	-	-	-	558,650	620,665
Deferred program revenue	-	-	-	-	-	1,546,932
Total liabilities	-	-	-	-	604,143	2,259,194
Fund balances:						
Restricted						
Roads, bridges and streets	-	-	-	-	-	127,641
Law enforcement	-	-	-	-	-	132,943
General grants	-	-	-	-	-	162,071
Social and economic	-	-	-	-	-	145,155
Capital projects	49,747	401,337	-	-	921,000	1,372,084
Committed						
Debt service	-	-	-	-	-	3,723,922
Total fund balances	49,747	401,337	-	-	921,000	5,663,816
Total liabilities and fund balances	49,747	401,337	-	-	1,525,143	7,923,010

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds						Debt Service Fund
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Public Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
General property taxes	-	-	-	-	-	-	3,777,188
State shared taxes	135,626	105,870	-	-	-	-	-
Contributions from the public	-	-	33,141	-	-	-	-
Grants	-	-	-	1,011,308	871,484	-	-
Program income	-	-	-	-	-	385,822	-
Interest	1,104	836	1,232	-	-	36,934	47,247
Miscellaneous	-	-	-	-	-	173	-
Total revenues	136,730	106,706	34,373	1,011,308	871,484	422,929	3,824,435
Expenditures							
General government and administration	-	-	-	277,161	-	-	-
Public works	-	-	-	-	-	-	-
Public safety	-	-	16,292	129,167	-	-	-
Library	-	-	-	21,877	-	-	-
Economic development	-	-	-	-	883,995	182,551	-
Total departmental	-	-	16,292	428,205	883,995	182,551	-
Non-departmental	-	-	-	-	-	-	141,347
Debt service:							
Principal retirement	-	-	-	-	-	-	2,720,000
Interest	-	-	-	-	-	-	1,062,192
Administrative charges	-	-	-	-	-	-	8,017
Capital outlay	-	-	-	589,814	81,597	-	-
Payments to component units	-	-	-	-	-	186,600	-
Total expenditures	-	-	16,292	1,018,019	965,592	369,151	3,931,556
Excess (deficiency) of revenues over expenditures	136,730	106,706	18,081	(6,711)	(94,108)	53,778	(107,121)
Other financing sources (uses)							
Sale of surplus assets	-	-	5,935	-	-	-	-
Transfers in	-	-	-	-	94,108	-	-
Transfers out	(225,000)	(170,000)	-	-	-	(94,108)	-
Total other financing sources (uses)	(225,000)	(170,000)	5,935	-	94,108	(94,108)	-
Net changes in fund balances	(88,270)	(63,294)	24,016	(6,711)	-	(40,330)	(107,121)
Fund balances, beginning of year	159,682	119,523	108,927	168,782	-	185,485	3,831,043
Fund balances, end of year	71,412	56,229	132,943	162,071	-	145,155	3,723,922

	Capital Projects Funds						Total Nonmajor Governmental Funds
	'03 6.3 Mill Capital Projects Fund	Bent Creek Interchange/ West Tech Park Fund	Tennis Center/ AU Portion Fund	AU Research Park Capital Projects Fund	2009 Capital Projects Fund	Total	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
General property taxes	-	-	-	-	-	-	3,777,188
State shared taxes	-	-	-	-	-	-	241,496
Contributions from the public	-	-	-	-	-	-	959,037
Grants	33,200	-	-	-	925,896	925,896	2,205,074
Program income	-	-	-	-	289,082	322,282	385,822
Interest	471	4,022	186	375	10,840	15,894	103,247
Miscellaneous	-	-	-	-	-	-	173
Total revenues	33,671	4,022	186	375	1,225,818	1,264,072	7,672,037
Expenditures							
General government and administration	-	-	-	-	-	-	277,161
Public works	34,798	-	-	-	339,129	373,927	373,927
Public safety	-	-	-	-	-	-	145,459
Library	-	-	-	-	-	-	21,877
Economic development	-	-	-	-	-	-	1,066,546
Total departmental	34,798	-	-	-	339,129	373,927	1,884,970
Non-departmental	-	-	-	-	-	-	141,347
Debt service:							
Principal retirement	-	-	-	-	-	-	2,720,000
Interest	-	-	-	-	-	-	1,062,192
Administrative charges	-	-	-	-	-	-	8,017
Capital outlay	14,858	-	-	56,276	3,731,665	3,802,799	4,474,210
Payments to component units	-	6,138	104,413	-	-	110,551	297,151
Total expenditures	49,656	6,138	104,413	56,276	4,070,794	4,287,277	10,587,887
Excess (deficiency) of revenues over expenditures	(15,985)	(2,116)	(104,227)	(55,901)	(2,844,976)	(3,023,205)	(2,915,850)
Other financing sources (uses)							
Sale of surplus assets	-	-	-	-	-	-	5,935
Transfers in	-	-	-	-	-	-	94,108
Transfers out	-	-	-	(5,067)	-	(5,067)	(494,175)
Total other financing sources (uses)	-	-	-	(5,067)	-	(5,067)	(394,132)
Net changes in fund balances	(15,985)	(2,116)	(104,227)	(60,968)	(2,844,976)	(3,028,272)	(3,309,982)
Fund balances, beginning of year	65,732	403,453	104,227	60,968	3,765,976	4,400,356	8,973,798
Fund balances, end of year	49,747	401,337	-	-	921,000	1,372,084	5,663,816

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, 2011

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
	\$	\$	\$	\$
Revenues				
State shared taxes	118,500	118,500	135,626	17,126
Interest	1,000	1,000	1,104	104
Total revenues	119,500	119,500	136,730	17,230
Other financing sources (uses)				
Transfers out	(225,000)	(225,000)	(225,000)	-
Net changes in fund balances	(105,500)	(105,500)	(88,270)	17,230
Fund balances, beginning of year	159,682	159,682	159,682	-
Fund balances, end of year	54,182	54,182	71,412	17,230

CITY OF AUBURN, ALABAMA
FOUR AND FIVE CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
	\$	\$	\$	\$
Revenues				
State shared taxes	95,000	95,000	105,870	10,870
Interest	1,000	1,000	836	(164)
Total revenues	96,000	96,000	106,706	10,706
Other financing sources (uses)				
Transfers out	(170,000)	(170,000)	(170,000)	-
Net changes in fund balances	(74,000)	(74,000)	(63,294)	10,706
Fund balances, beginning of year	119,523	119,523	119,523	-
Fund balances, end of year	45,523	45,523	56,229	10,706

CITY OF AUBURN, ALABAMA
PUBLIC SAFETY SUBSTANCE ABUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
	\$	\$	\$	\$
Revenues				
Contributions from the public	500	32,750	33,141	391
Interest	2,500	1,225	1,232	7
Total revenues	3,000	33,975	34,373	398
Expenditures				
Public safety	3,000	18,945	16,292	2,653
Capital outlay	15,000	15,000	-	15,000
Total expenditures	18,000	33,945	16,292	17,653
Excess (deficiency) of revenues over expenditures	(15,000)	30	18,081	18,051
Other financing sources (uses)				
Sale of surplus assets	-	-	5,935	5,935
Net changes in fund balances	(15,000)	30	24,016	23,986
Fund balances, beginning of year	108,927	108,927	108,927	-
Fund balances, end of year	93,927	108,957	132,943	23,986

CITY OF AUBURN, ALABAMA
SPECIAL 5-MILL TAX DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
	\$	\$	\$	\$
Revenues				
General property tax	3,708,000	3,708,000	3,777,188	69,188
Interest	40,000	45,000	47,247	2,247
Total revenues	3,748,000	3,753,000	3,824,435	71,435
Expenditures				
Non-departmental	130,000	140,000	141,347	(1,347)
Debt service:				
Principal retirement	2,720,000	2,720,000	2,720,000	-
Interest	1,062,274	1,062,274	1,062,192	82
Administrative charges	110,000	10,000	8,017	1,983
Total expenditures	4,022,274	3,932,274	3,931,556	718
Net changes in fund balances	(274,274)	(179,274)	(107,121)	72,153
Fund balances, beginning of year	3,831,043	3,831,043	3,831,043	-
Fund balances, end of year	3,556,769	3,651,769	3,723,922	72,153



City of Auburn

Nonmajor Component Units

Public Park & Recreation Board

In October of 1990, the Auburn City Council authorized the establishment of a park and recreation board, primarily to act as an advisor to 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.

This component unit currently accounts for the operation of the Yarbrough Tennis Center, which opened in July 2007.

Commercial Development Authority

On August 12, 2004, the Commercial Development Authority of the City of Auburn was incorporated. The City Council appoints all members of the Authority; the Authority conducts 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 the Council exercises significant influence over the Authority's actions. The Commercial Development Authority of the City of Auburn is presented as a proprietary fund type or business-type activity.

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Public Park and Recreation Board	Commercial Development Authority	Total
	\$	\$	\$
ASSETS			
Current assets:			
Cash and cash equivalents	150	-	150
Receivables, net	23,164	-	23,164
Total current assets	23,314	-	23,314
Noncurrent assets			
Capital assets, net of accumulated depreciation	6,118,572	-	6,118,572
Total assets	6,141,886	-	6,141,886
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	5,996	-	5,996
NET ASSETS			
Invested in capital assets, net of related debt	6,118,572	-	6,118,572
Unrestricted (deficit)	17,318	-	17,318
Total net assets	6,135,890	-	6,135,890

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER, 30 2011

	Public Park and Recreation Board	Commercial Development Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	72,559	-	72,559
Miscellaneous	68,315	100	68,415
Total operating revenues	<u>140,874</u>	<u>100</u>	<u>140,974</u>
Operating expenses			
Salaries and wages	130,776	-	130,776
Employee benefits	28,407	-	28,407
Repairs and maintenance	28,578	-	28,578
Advertising	126	-	126
Utilities	89,558	-	89,558
Rentals and leasing	2,137	-	2,137
Insurance	3,492	-	3,492
Minor equipment and tools	1,505	-	1,505
Professional services	520	-	520
Agricultural and chemical supplies	310	-	310
Recreational supplies	9,932	-	9,932
Depreciation/amortization	307,233	-	307,233
Travel and training	288	-	288
Miscellaneous	42	-	42
Total operating expenses	<u>602,904</u>	<u>-</u>	<u>602,904</u>
Operating income (loss)	<u>(462,030)</u>	<u>100</u>	<u>(461,930)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	27	-	27
Appropriations from the City of Auburn	183,463	-	183,463
Interest and fiscal charges	(796)	-	(796)
Total non-operating revenues (expenses)	<u>182,694</u>	<u>-</u>	<u>182,694</u>
Income (loss) before capital contributions	(279,336)	100	(279,236)
Capital contributions			
From the City of Auburn	<u>104,413</u>	<u>-</u>	<u>104,413</u>
Change in net assets	(174,923)	100	(174,823)
Net assets--beginning of year	<u>6,310,813</u>	<u>(100)</u>	<u>6,310,713</u>
Net assets--end of year	<u><u>6,135,890</u></u>	<u><u>-</u></u>	<u><u>6,135,890</u></u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER, 30 2011

	Public Park and Recreation Board	Commercial Development Authority	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	129,770	-	129,770
Payments to suppliers for goods and services	(181,068)	-	(181,068)
Payments to employees for services	(159,183)	-	(159,183)
Net cash provided (consumed) by operating activities (A)	(210,481)	-	(210,481)
Cash flows from noncapital financing activities			
Operating transfers in	183,463	-	183,463
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(76,626)	-	(76,626)
Interest and fiscal fees paid	(796)	-	(796)
Contributions from primary government	104,413	-	104,413
Net cash provided (consumed) by capital and related financing activities	26,991	-	26,991
Cash flows from investing activities			
Interest on investments	27	-	27
Net increase (decrease) in cash	-	-	-
Cash and cash equivalents, beginning of year	150	-	150
Cash and cash equivalents, end of year	150	-	150
Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):			
Operating income (loss)	(462,030)	100	(461,930)
Add: Depreciation/amortization expense	307,233	-	307,233
Less: Increase in accounts receivable	(11,104)		(11,104)
Decrease in accounts payable/accrued liabilities	(44,580)	(100)	(44,680)
Net cash provided (consumed) by operating activities	(210,481)	-	(210,481)

Capital Assets Used in the Operation of Governmental Funds

These schedules present supplementary information on capital assets by source and by function and activity. In addition, the changes in capital assets from the prior fiscal year are presented by function and activity.

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2011

Governmental funds capital assets	\$
Land, buildings and improvements	53,866,359
Construction in progress	1,347,307
Communication equipment	397,236
Heavy equipment	2,308,563
Office equipment	3,150,050
Small tools and equipment	1,065,293
Vehicles	7,184,608
Infrastructure	126,984,059
Total governmental funds capital assets	196,303,475
	<hr/> <hr/>
Investment in governmental funds capital assets by source	
General fund revenues	131,963,130
Capital projects funds	49,381,861
Federal grants	6,489,948
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	1,711,883
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	2,657,279
Total investment in governmental funds capital assets	196,303,475
	<hr/> <hr/>

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2011

Function and Activity	Total \$	Land Buildings & Improvements \$	Construction in Progress \$	Communication Equipment \$	Heavy Equipment \$	Office Equipment \$	Small Tools and Equipment \$	Vehicles \$	Infrastructure \$
General government and administration									
Information technology	1,999,815	27,021	-	5,600	-	1,238,687	41,399	67,478	619,630
Geographical information systems	206,316	-	-	-	-	206,316	-	-	-
Judicial	12,400	12,400	-	-	-	-	-	-	-
Administrative	265,722	239,513	2,536	-	-	-	-	23,673	-
Finance	780,204	-	-	-	-	762,024	-	18,180	-
Total general government and administration	3,264,457	278,934	2,536	5,600	-	2,207,027	41,399	109,331	619,630
Public works administration									
Environmental services	131,025,666	4,964,189	1,019,335	-	1,184,820	96,055	50,707	982,633	122,727,927
Public safety administration	1,627,719	348,745	-	-	410,412	6,659	108,255	753,648	-
Fire	5,561,971	4,686,196	99,109	239,836	-	373,741	-	21,763	141,326
Police and jail administration	3,028,267	197,191	-	-	279,762	-	168,221	2,383,093	-
Codes enforcement	2,841,306	130,593	-	151,800	-	172,670	411,341	1,974,902	-
Library	95,327	-	-	-	-	7,421	-	87,906	-
Parks and recreation	5,187,200	5,011,861	-	-	-	175,339	-	-	-
Planning	23,433,300	18,300,370	116,041	-	433,569	5,425	285,370	797,349	3,495,176
Human resource management	42,769	-	-	-	-	5,583	-	37,186	-
Economic development	592,773	473,202	-	-	-	100,130	-	19,441	-
Total departmental	285,156	157,514	110,286	-	-	-	-	17,356	-
	176,985,911	34,548,795	1,347,307	397,236	2,308,563	3,150,050	1,065,293	7,184,608	126,984,059
Nondepartmental									
	19,317,564	19,317,564	-	-	-	-	-	-	-
Total governmental funds capital assets	196,303,475	53,866,359	1,347,307	397,236	2,308,563	3,150,050	1,065,293	7,184,608	126,984,059

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2011

	Governmental Funds Capital Assets September 30, 2010	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2011
	\$	\$	\$	\$
General government and administration				
Information technology	1,972,825	77,697	(50,707)	1,999,815
Geographical information systems	190,773	22,286	(6,743)	206,316
Judicial	20,734	-	(8,334)	12,400
Administrative	240,335	114,044	(88,657)	265,722
Finance	780,204	-	-	780,204
Total general government and administration	3,204,871	214,027	(154,441)	3,264,457
Public works administration	124,144,908	13,979,713	(7,098,955)	131,025,666
Environmental services	1,379,563	310,295	(62,139)	1,627,719
Public safety administration	5,455,476	106,495	-	5,561,971
Fire	3,035,547	91,828	(99,108)	3,028,267
Police and jail administration	2,716,184	302,858	(177,736)	2,841,306
Codes enforcement	95,327	-	-	95,327
Library	5,267,537	24,804	(105,141)	5,187,200
Parks and recreation	23,379,424	147,536	(93,660)	23,433,300
Planning	42,769	-	-	42,769
Human resource management	592,773	-	-	592,773
Economic development	260,965	38,597	(14,406)	285,156
Total departmental	169,575,344	15,216,153	(7,805,586)	176,985,911
Nondepartmental	19,317,564	-	-	19,317,564
Total governmental funds capital assets	188,892,908	15,216,153	(7,805,586)	196,303,475

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.

Contents	Page
Financial Trends – Tables 1-5	141
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
Revenue Capacity – Tables 6-12	148
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, sales tax. Supplementary information on property tax is also presented in tables 9-12.</i>	
Debt Capacity – Tables 13-17	152
<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>	
Demographic and Economic Information – Tables 18-19.....	156
<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>	
Operating Information – Tables 20-22	158
<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 Nine Fiscal Years*

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities									
Invested in capital assets, net of related debt	17,249,619	23,976,799	28,158,145	27,697,793	57,850,766	74,502,152	75,764,472	81,866,977	87,677,067
Restricted	(26,814,317)	4,901,497	6,983,053	8,295,236	8,621,350	9,642,375	10,992,367	12,021,563	11,418,353
Unrestricted	13,771,290	(15,733,465)	(47,533,915)	(45,338,108)	(52,786,017)	(56,231,481)	(63,639,574)	(74,342,301)	(67,271,114)
Total governmental activities net assets	4,206,592	13,144,831	(12,392,717)	(9,345,079)	13,686,099	27,913,046	23,117,265	19,546,239	31,824,306
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	22,279,811	24,755,968	25,486,581	25,830,053	25,570,257
Restricted	9,621,721	4,444,361	1,460,163	1,931,130	-	-	20,739,857	3,876,709	1,956,004
Unrestricted	(7,469,591)	339,141	4,510,401	3,535,503	1,747,051	(574,995)	(20,859,392)	(2,025,635)	818,835
Total business-type activities net assets	14,618,286	16,508,842	18,346,984	20,334,749	24,026,862	24,180,973	25,367,046	27,681,127	28,345,096
Total primary government									
Invested in capital assets, net of related debt	29,715,775	35,702,139	34,830,697	42,565,909	80,130,577	99,258,120	101,251,053	107,697,030	113,247,324
Restricted	(17,192,596)	9,345,858	8,443,216	10,226,366	8,621,350	9,642,375	31,732,224	15,898,272	13,374,357
Unrestricted	6,301,699	(15,394,324)	(37,319,646)	(41,802,605)	(51,038,966)	(56,806,476)	(84,498,966)	(76,367,936)	(66,452,779)
Total primary government net assets	18,824,878	29,653,673	5,954,267	10,989,670	37,712,961	52,094,019	48,484,311	47,227,366	60,169,402

* Net assets information available starting in 2003 with the implementation of GASB Statement 34.

Table 2
City of Auburn
Changes in Net Assets
Last Nine Fiscal Years**

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities:									
General government and administration	3,807,989	4,189,200	4,789,687	4,660,538	5,283,272	6,174,239	6,155,735	6,270,653	6,696,333
Public works	2,598,479	2,724,146	2,960,817	9,169,765	7,507,853	7,078,353	7,574,881	6,844,357	7,176,200
Environmental services	3,563,536	3,498,406	4,038,158	4,008,405	4,066,793	4,604,401	1,770,911	1,670,173	1,759,158
Public safety	9,428,411	10,699,162	12,634,612	12,887,286	13,516,129	15,143,318	16,288,317	16,904,689	17,484,211
Library	947,709	1,052,313	1,146,947	1,292,363	1,370,600	1,550,700	1,678,410	1,613,894	1,641,371
Parks and recreation	3,598,629	3,745,118	4,247,362	4,962,677	11,055,017	5,287,171	6,207,871	5,377,218	5,611,356
Planning	379,761	381,375	502,342	492,700	604,603	648,516	614,034	665,283	573,462
Social and economic development	1,454,453	1,559,427	3,894,096	5,765,202	12,049,201	10,794,553	5,353,639	17,864,393	3,302,021
Human resources	434,485	440,976	472,238	483,065	536,067	584,270	697,585	704,963	702,065
Risk management	254,694	426,002	506,603	1,018,109	933,550	768,281	1,297,761	1,289,942	1,069,339
Payments to component units	8,105,050	10,404,387	- *	-	-	-	-	-	-
Education (payments to Board of Education)	-	-	42,322,984	10,001,243	12,625,643	11,995,523	21,544,112	13,530,795	14,624,398
Interest on long-term debt	3,220,265	3,508,570	3,929,464	5,519,505	5,688,402	5,954,377	5,860,550	5,346,829	5,914,822
Total governmental activities expenses	37,793,461	42,629,082	81,445,310	60,260,858	75,237,130	70,583,702	75,043,806	78,083,189	66,554,736
Business-type activities:									
Sewer Fund	4,487,091	4,434,526	4,753,076	6,221,067	6,305,910	6,903,856	7,825,230	7,804,203	8,173,912
Solid Waste Management Fund**	-	-	-	-	-	-	3,178,574	3,385,837	3,522,953
Industrial Parks	188	226	213	284	141,742	-	-	-	-
Total business-type activities expenses	4,487,279	4,434,752	4,753,289	6,221,351	6,447,652	6,903,856	11,003,804	11,190,040	11,696,865
Total primary government expenses	42,280,740	47,063,834	86,198,599	66,482,209	81,684,782	77,487,558	86,047,610	89,273,229	78,251,601
Program Revenues									
Governmental activities:									
Charges for services:									
General government and administration	6,239,721	6,997,753	7,455,522	8,109,059	9,018,591	9,203,949	11,254,130	10,890,570	10,540,374
Public works	800	1,906	-	-	-	-	-	-	-
Environmental services	2,147,653	2,304,068	2,459,025	2,571,865	2,686,555	2,789,426	-	-	-
Public safety	594,138	799,832	2,620,202	2,611,876	2,907,125	3,144,717	3,091,180	3,218,920	3,677,033
Library	11,300	12,427	16,125	30,226	29,236	32,435	37,558	42,893	34,621
Parks and recreation	249,791	231,676	413,535	690,660	715,521	670,682	807,267	785,095	791,821
Planning	50,233	58,427	60,323	59,962	61,459	43,379	30,002	38,322	40,872
Employee services	676,662	-	-	-	-	-	-	-	-
Risk management	-	144,095	187,407	457,318	361,578	415,381	716,141	741,130	745,281
Operating grants and contributions	1,251,871	2,093,912	1,678,375	2,051,801	1,841,713	2,112,431	2,975,232	2,378,429	2,747,298
Capital grants and contributions	857,782	548,829	306,081	861,585	1,337,648	14,639,704	1,898,595	4,238,477	3,698,776
Total governmental activities program revenue	12,079,951	13,192,925	15,196,595	17,444,352	18,959,426	33,052,104	20,810,105	22,333,836	22,276,076
Business-type activities:									
Charges for services:									
Sewer Fund	5,113,315	5,223,391	5,271,475	6,098,422	6,736,899	6,486,904	7,758,337	8,722,591	9,493,840
Solid Waste Management Fund**	-	-	-	-	-	-	3,118,925	3,133,116	2,961,625
Operating grants and contributions	-	-	-	-	-	-	1,000	39,831	21,595
Capital grants and contributions	921,575	900,675	979,578	1,524,865	2,961,120	610,781	1,178,184	605,467	373,520
Total business-type activities program revenues	6,034,890	6,124,066	6,251,053	7,623,287	9,698,019	7,097,685	12,056,446	12,501,005	12,850,580
Total primary government program revenues	18,114,841	19,316,991	21,447,648	25,067,639	28,657,445	40,149,789	32,866,551	34,834,841	35,126,656
Net (expense)/revenue									
Governmental activities	(25,713,510)	(29,436,157)	(66,248,715)	(42,816,506)	(56,277,704)	(37,531,598)	(54,233,701)	(55,749,353)	(44,278,660)
Business-type activities	1,547,611	1,689,314	1,497,764	1,401,936	3,250,367	193,829	1,052,642	1,310,965	1,153,715
Total primary government net expense	(24,165,899)	(27,746,843)	(64,750,951)	(41,414,570)	(53,027,337)	(37,337,769)	(53,181,059)	(54,438,388)	(43,124,945)

** Net assets information available starting in 2003 with the implementation of GASB Statement 34.

*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 Board of Education are listed separately.

**In FY09, the Solid Waste Management Fund was created to account for charges from Environmental Services - Solid Waste and Recycling, which had previously been accounted for in the General Fund.

Table 2 Continued

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets	\$	\$	\$	\$	\$	\$	\$	\$	\$
Government activities:									
Taxes:									
Sales taxes	14,589,315	17,959,076	18,429,013	20,773,724	21,784,157	21,044,830	20,143,854	21,081,232	22,987,406
Occupational license fees	5,557,851	7,197,943	6,785,103	7,402,470	7,826,656	8,174,202	8,107,024	8,448,505	9,033,443
Property taxes	8,553,150	10,176,644	11,791,602	12,658,858	15,057,103	16,953,172	19,053,631	20,169,135	20,966,105
Motor fuel taxes	483,054	495,322	461,800	491,778	504,228	502,460	260,447	278,467	293,425
Lodging taxes	548,362	568,887	668,094	1,085,063	1,369,273	1,425,637	1,184,540	1,253,511	1,371,789
Rental and leasing taxes	1,121,061	1,463,934	1,456,463	1,591,682	1,501,112	538,541	451,563	420,201	473,732
Cigarette taxes	102,809	96,708	91,188	93,177	86,776	84,663	78,290	77,423	79,304
Alcoholic beverage taxes	25,790	27,051	29,473	30,551	34,984	83,521	119,781	121,710	131,668
Interest and investment earnings	887,885	854,188	981,502	1,884,183	1,996,272	1,255,843	827,049	512,963	362,808
Gain (loss) on disposal of assets	(1,074,742)	2,644	18,245	139,743	(23,936)	31,509	(166,665)	-	33,639
Miscellaneous	21,545	28,312	6,655	38,151	31,970	30,927	10,277	38,073	31,441
Special items	-	-	173,492	(453,119)	(1,624,916)	1,727,516	-	-	-
Extraordinary items	-	-	221,070	-	-	-	-	-	-
Transfers	111,910	120,424	(95,349)	127,883	(5,110)	106,111	(631,870)	(232,893)	(248,354)
Total governmental activities	30,927,990	38,991,133	41,018,351	45,864,144	48,538,569	51,958,932	49,437,921	52,168,327	55,516,406
Business-type activities:									
Interest and investment earnings	353,612	321,665	245,029	416,657	370,249	43,263	139,237	45,538	48,728
Gain (loss) on disposal of assets	(2,255)	-	-	18,895	66,128	22,625	28,748	12,598	(754)
Miscellaneous	-	-	-	278,160	258	504	3,999	37,087	7,656
Special items	-	-	-	-	-	-	-	675,000	-
Transfers	(111,910)	(120,424)	95,349	(127,883)	5,110	(106,111)	(38,553)	232,893	248,354
Total business-type activities	239,447	201,241	340,378	585,829	441,745	(39,719)	133,431	1,003,116	303,984
Total primary government	31,167,437	39,192,374	41,358,729	46,449,973	48,980,314	51,919,213	49,571,352	53,171,443	55,820,390
Changes in Net Assets									
Governmental activities	5,214,480	9,554,976	(25,230,364)	3,047,638	(7,739,135)	14,427,334	(4,795,780)	(3,581,026)	11,237,746
Business-type activities	1,787,058	1,890,555	1,838,142	1,987,765	3,692,112	154,110	1,186,073	2,314,081	1,457,699
Total primary government	7,001,538	11,445,531	(23,392,222)	5,035,403	(4,047,023)	14,581,444	(3,609,707)	(1,266,945)	12,695,445

Table 3

City of Auburn ~ Primary Government
General Government Tax Revenues by Source ⁽¹⁾

Last Ten Fiscal Years

Unaudited

Fiscal Year	Sales & Use Tax	Cigarette & ABC* Tax	Motor Fuel Tax	Lodging and Rental Tax	Financial			Totals
	\$	\$	\$	\$	Institution Tax	Motor Vehicle Tax	General Property Tax	\$
2002	13,160,761	125,754	748,700	828,711	7,869	108,910	8,050,340	23,031,045
2003	14,589,315 ⁽²⁾	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	18,429,013	159,533	695,734	1,091,843	193,876	110,811	11,342,765	32,023,575
2006	20,773,724	170,340	717,911	1,584,378 ⁽³⁾	450,412	87,880	12,699,720	36,484,365
2007	21,784,157	159,104	724,202	1,857,539	269,083	112,779	14,650,666	39,557,530
2008	21,044,830	162,266	739,673	1,910,610	277,306	115,165	16,420,033	40,669,884
2009	20,143,854	164,539	749,811	1,612,284	245,537	138,276	18,696,415	41,750,714
2010	21,081,231	146,915	788,560	1,662,229	-	108,006	19,739,993	43,526,934
2011	22,987,405 ⁽⁴⁾	168,268	818,351	1,839,015	184,886	126,685	20,333,624	46,458,234

* State Alcoholic Beverage Control Board

⁽¹⁾ Includes state shared taxes.⁽²⁾ Sales tax rate increased from 2.5% to 3.0% effective 8/1/03.⁽³⁾ Lodging tax increased from 4% to 7% in FY2006.⁽⁴⁾ Sales tax rate increased from 3.0% to 4.0% effective 8/1/11.

Table 4
City of Auburn
Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Reserved	1,463,210	5,559,675	8,697,744	7,820,742	9,305,314	8,701,444	12,967,664	8,844,309	7,451,985	-
Unreserved	12,635,576	13,480,580	21,426,238	19,488,460	18,451,274	19,436,335	15,882,269	19,983,950	19,649,481	-
Nonspendable	-	-	-	-	-	-	-	-	-	7,504,505
Restricted	-	-	-	-	-	-	-	-	-	176,679
Assigned	-	-	-	-	-	-	-	-	-	4,854,720
Unassigned	-	-	-	-	-	-	-	-	-	16,489,870
Total general fund	14,098,786	19,040,255	30,123,982	27,309,202	27,756,588	28,137,779	28,849,933	28,828,259	27,101,466	29,025,774
All other governmental funds										
Reserved	3,702,320	1,423,641	4,520,843	2,991,480	4,190,300	1,888,965	2,166,922	2,135,901	4,075,582	-
Unreserved, reported in:										
Special revenue funds	1,687,538	1,213,631	2,526,426	4,634,413	3,898,499	4,924,456	5,072,970	5,692,659	4,766,559	-
Debt service funds	-	1,360,172	1,523,137	2,116,996	2,499,525	2,748,975	3,163,736	3,898,630	3,831,043	-
Capital projects funds	6,461,000	3,510,899	4,775,796	6,405,416	11,280,128	8,362,129	1,667,086	6,402,424	1,297,837	-
Nonspendable	-	-	-	-	-	-	-	-	-	560,000
Restricted	-	-	-	-	-	-	-	-	-	6,291,517
Committed	-	-	-	-	-	-	-	-	-	3,723,922
Total all other governmental funds	11,850,858	7,508,343	13,346,202	16,148,305	21,868,452	17,924,525	12,070,714	18,129,614	13,971,021	10,575,439

⁽¹⁾ For fiscal year 2011, GASB Statement No. 54 was implemented requiring additional classifications of fund balance.

Table 5
City of Auburn
Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales and use taxes	13,160,761	14,589,315	17,959,076	18,429,013	20,773,724	21,784,157	21,044,830	20,143,854	21,081,232	22,987,406
Occupational license fees	4,981,415	5,557,851	7,197,943	6,785,103	7,402,470	7,826,656	8,174,202	8,107,024	8,448,505	9,033,443
Motor fuel taxes	525,146	483,053	495,322	456,302	485,810	498,404	496,966	511,874	547,407	576,855
Lodging taxes	485,260	548,361	568,887	668,094	1,085,063	1,369,273	1,425,637	1,184,540	1,253,511	1,371,789
Rental and leasing taxes	1,172,031	1,121,061	1,463,934	1,456,463	819,682	1,473,112	538,541	451,563	420,201	473,732
Other taxes	129,467	128,599	123,759	120,661	123,728	121,760	168,183	198,072	199,133	210,972
Licenses and permits	4,406,442	4,886,027	5,597,240	6,001,452	6,518,522	7,311,513	8,266,168	9,350,937	9,002,598	8,860,187
General property tax	8,451,821	8,830,021	10,470,043	12,111,245	13,088,499	15,057,103	16,953,172	19,053,632	20,169,134	20,966,105
Charges for services	4,078,189	4,307,277	4,197,384	6,371,963	6,901,624	7,087,603	7,440,776	5,231,625	5,286,945	5,777,642
Fines and forfeitures	750,521	829,147	876,748	1,013,374	1,083,225	1,335,798	1,267,362	1,201,777	1,323,548	1,247,137
State shared taxes	676,609	735,804	838,939	1,021,092	1,285,313	1,165,920	1,178,766	1,390,567	881,140	1,057,737
Contributions from the public	667,344	327,407	1,371,735	194,769	320,747	494,010	606,144	2,329,064	868,428	1,624,491
Grants	1,202,656	1,237,731	2,011,292	793,940	1,284,695	1,475,458	1,699,127	2,125,631	2,555,213	2,205,074
Program income	320,624	467,518	481,957	549,327	127,229	1,206,632	350,544	836,384	521,164	385,822
Interest	871,934	855,743	855,952	985,974	1,883,720	2,011,961	1,240,177	851,855	512,963	362,808
Miscellaneous	335,117	105,879	108,811	75,695	95,972	122,150	117,144	60,020	89,280	71,438
Total revenues	42,215,337	45,010,794	54,619,022	57,034,467	63,280,023	70,341,510	70,967,739	73,028,419	73,160,402	77,212,638
Expenditures										
General government and administration	2,451,706	2,839,946	3,404,365	3,594,853	3,940,430	3,893,452	4,017,923	4,127,351	4,417,596	4,821,147
Public works	1,623,529	2,065,180	2,236,624	2,433,580	2,849,130	3,008,617	2,981,356	4,343,137	3,530,072	3,751,109
Environmental services	2,840,590	3,113,710	3,673,472	3,630,390	3,870,974	3,963,063	4,298,499	1,636,517	1,609,168	1,665,499
Public safety	7,931,330	8,448,024	10,162,166	11,757,986	12,527,380	12,860,510	14,366,534	15,318,545	15,953,686	16,692,869
Library	712,307	782,875	975,302	1,049,762	1,180,137	1,254,012	1,416,673	1,450,815	1,425,399	1,455,630
Parks and recreation	2,897,477	3,032,220	3,370,517	3,799,044	4,190,163	4,252,011	4,575,572	4,358,992	4,580,462	4,714,322
Housing rehab	72,850	-	-	-	-	-	-	-	-	-
Planning	355,626	346,760	373,985	507,098	486,927	600,553	643,259	609,721	664,088	573,465
Economic development	927,599	880,402	653,010	757,920	1,639,314	1,433,446	1,674,592	2,126,883	2,187,721	2,035,324
Employee services	352,443	399,949	427,345	459,278	472,691	504,822	550,107	637,204	656,148	655,029
Risk management	311,404	294,934	431,210	511,523	246,881	929,627	941,221	1,231,524	1,313,917	1,269,056
Non-departmental	2,441,539	2,739,900	1,403,798	1,422,240	1,867,443	1,495,410	2,213,532	1,906,387	1,937,902	1,915,070
Debt service	4,727,943	3,105,726	5,499,994	19,570,595 *	6,183,601	6,836,554	28,354,631	10,060,309	9,989,029	10,464,788
Principal	3,028,691	3,747,321	3,503,675	4,318,811	5,519,505	5,840,756	6,042,452	6,018,665	5,622,881	6,049,543
Interest	4,617,953	7,347,636	6,530,914	12,983,719	7,328,307	8,359,823	6,939,861	5,702,327	10,521,541	5,774,421
Capital Outlay	4,867,674	796,317	809,166	1,177,306	6,742,832	3,141,812	2,515,343	2,198,727	1,022,118	876,083
Intergovernmental	15,794,285	8,105,050	10,404,387	44,097,771	13,098,738	27,895,701	19,939,274	24,919,475	28,818,541	15,755,842
Payments to component units	55,954,946	48,045,950	53,859,930	112,071,876	72,144,453	86,270,169	101,470,829	86,646,579	94,250,269	78,469,197
Total expenditures	(13,739,609)	(3,035,156)	759,092	(55,037,409)	(8,864,430)	(15,928,659)	(30,503,090)	(13,618,160)	(21,089,867)	(1,256,559)
Excess of revenues over (under) expenditures										

Table 5 Continued

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other financing sources (uses)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt issuance	36,062,829	5,196,627	16,356,598	58,835,646	14,740,290	12,200,000	13,927,516	19,590,794	15,155,000	-
Refunding	-	-	-	-	-	-	11,268,100	-	27,020,000	-
Sale of surplus assets	-	-	-	-	177,942	61,597	50,134	16,919	33,355	33,639
Transfers in	4,217,365	4,328,628	4,281,419	9,148,733	7,071,256	6,761,798	6,960,429	8,707,117	725,271	565,234
Transfers out	(4,207,115)	(4,216,718)	(4,160,995)	(9,252,339)	(6,957,522)	(6,762,544)	(6,844,749)	(8,659,444)	(958,164)	(813,589)
Premium on debt issued	-	-	-	1,120,859	-	105,076	-	-	2,313,257	-
Payment to refunded bond escrow	(14,086,055)	-	-	(5,026,414)	-	-	-	-	(29,084,241)	-
Total other financing sources (uses)	21,987,024	5,308,537	16,477,022	54,826,485	15,031,966	12,365,927	25,361,430	19,655,386	15,204,478	(214,716)
Extraordinary item	-	-	-	-	-	-	-	-	-	-
Insurance proceeds - fire in building	-	-	-	255,000	-	-	-	-	-	-
Net changes in fund balances	8,247,415	2,273,381	17,236,114	44,076	6,167,536	(3,562,732)	(5,141,660)	6,037,226	(5,885,389)	(1,471,275)
Debt service as a percentage of non-capital expenditures ⁽¹⁾	16.1%	18.0%	20.5%	24.7%	18.2%	16.3%	36.4%	19.9%	18.6%	22.7%

*This increase was due to the payoff of two lines of credit and permanently refinancing one.

⁽¹⁾ Non-capital expenditures equals total expenditures less capital outlay.

Table 6
City of Auburn ~ Primary Government
Components of Sales Tax Revenue

Last Ten Fiscal Years
(amounts expressed in thousands)
Unaudited

	2002	2003 ^A	2004	2005	2006	2007	2008	2009	2010	2011 ^B
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	24,133	25,743	30,979	38,138	74,473	71,846	66,699	57,276	60,201	68,169
Grocery Stores	55,523	56,877	57,269	59,929	53,307	60,280	51,372	51,435	55,799	70,663
Eating & Drinking Establishments	65,441	68,641	70,983	75,052	101,287	111,409	120,987	120,462	127,753	148,302
Mass General Merchandise Stores	98,117	95,854	98,680	97,799	86,922	88,571	110,116	115,686	114,644	122,437
Auto Dealers & Supplies	100,730	134,933	151,290	160,833	103,690	116,070	40,203	33,484	39,021	42,278
Building Materials	21,080	57,692	28,674	32,569	49,464	55,721	34,454	32,257	31,794	26,698
Home Furnishing & Appliances	4,327	4,543	4,503	2,471	9,240	15,468	14,823	11,085	9,733	11,126
All Other Retail Sales	157,089	106,209	155,255	146,209	211,555	271,889	258,296	244,863	254,509	273,606
Totals	526,440	550,492	597,633	613,000	689,938	791,254	696,950	666,548	693,454	763,279

^A City sales tax rate increased from 2.5% to 3.0% effective August 1, 2003.

^B City sales tax rate increased from 3.0% to 4.0% effective August 1, 2011.

Table 7
City of Auburn ~ Primary Government
Revenue Rates for General Sales Tax

Last Ten Fiscal Years

Unaudited

Fiscal Year	City		County		State		Total	
	Sales Tax Rate		Sales Tax Rate		Sales Tax Rate		Sales Tax Rate	
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%	
2006		3.0%	1.0%		4.0%		8.0%	
2007		3.0%	1.0%		4.0%		8.0%	
2008		3.0%	1.0%		4.0%		8.0%	
2009		3.0%	1.0%		4.0%		8.0%	
2010		3.0%	1.0%		4.0%		8.0%	
2011	^	4.0%	1.0%		4.0%		9.0%	

Source: State of Alabama Department of Revenue

* City sales tax rate increased from 2.5% to 3.0% effective August 1, 2003.

^ City sales tax rate increased from 3.0% to 4.0% effective August 1, 2011.

Table 8
City of Auburn ~ Primary Government
Principal Revenue Remitters of Sales and Use Tax¹

Current Year and Nine Years Ago

Unaudited

Employer	2002		2011	
	Rank		Rank	
Wal-Mart	1		1	
Auburn University Financial Reporting	2		2	
Sam's Club			3	
Kroger	3		4	
Academy Sports			5	
Publix #1294			6	
Chartwells			7	
Dillard's (formerly Gayfers)	4		8	
Belk			9	
Winn Dixie (Store 579)	7		10	

Source: City of Auburn Revenue Office

¹ State law prohibits the disclosure of the amount of sales tax remitted and any information that could enable the disclosure or calculation of confidential taxpayer information

Table 9
City of Auburn ~ Primary Government
Assessed Value of All Taxable Property

Last Ten Fiscal Years

Unaudited

Assessment Date October 1	Real Property	Personal Property	Utilities Property	Automobiles	Total Assessed Value
	\$	\$	\$	\$	\$
2002	250,274,360	40,803,880	14,426,140	38,786,580	344,290,960
2003	263,267,960	42,304,440	14,797,460	38,786,580	359,156,440
2004	330,195,380	42,342,320	16,221,300	43,490,476	432,249,476
2005	376,125,300	45,247,100	18,820,420	45,751,680	485,944,500
2006	419,812,060	56,529,600	18,528,360	51,496,920	546,366,940
2007	498,960,300	60,717,200	19,189,060	55,800,060	634,666,620
2008	561,064,220	70,291,960	19,484,380	57,778,420	708,618,980
2009	580,386,360	78,024,980	20,778,660	57,148,020	736,338,020
2010	597,793,360	79,243,140	21,537,060	52,835,980	751,409,540
2011	635,292,340	81,002,140	21,999,876	59,533,140	797,827,496

Source: Lee County Revenue Commissioner

Note: Property taxes are assessed and levied one year in arrears, on the following bases: residential - 10%, commercial - 20%, public utilities - 30%, automobiles - 15%.

Table 10
City of Auburn ~ Primary Government
Principal Remitters of Property Tax

Unaudited

Taxpayers	Total Assessed Value - Property in City Limits ¹	Property Taxes Paid ²	Taxes Paid as Total of City's Property Tax
	\$	\$	
Alabama Power Company (public utility)	16,108,020	825,972	3.94%
Briggs & Stratton (industrial)	10,059,720	442,929	2.11%
Copper Beach Townhome Communities (real estate development)	6,656,000	359,424	1.71%
Fairfield Auburn Exchange II, LLC (real estate development)	6,456,620	348,657	1.66%
HSRE Preiss Auburn, LLC (real estate management)	6,058,280	328,849	1.57%
Borbet Alabama, Inc. (industrial)	9,217,140	303,888	1.45%
Marelda University Village Mall (commercial retail)	4,921,500	265,761	1.27%
Pace Industries, Inc. (industrial)	4,890,180	240,450	1.15%
GEM Auburn, LLC/ Schenk Auburn, LLC (real estate management)	3,945,360	213,049	1.02%
Cleveland Brothers, Inc. (real estate development)	3,841,940	209,039	1.00%

Source: Lee County Revenue Commissioner

¹ Assessed 2010; collected October 2010 through September 2011

² 26-mill City levy only

Table 11
City of Auburn ~ Primary Government
Property Tax Rates ~ Direct and Overlapping Governments
(per \$1,000 of assessed value*)
Last Ten Fiscal Years

Fiscal Year	Direct Rates				Overlapping Rates										Total Direct & Overlapping Rates	
	City of Auburn				Lee County				State of Alabama							
	Operating Millage	Debt Service	Education	Total City Millage	Operating Millage	Roads and Bridges	County Hospital	Auburn District Schools	Dependent Children	Total County Millage	Operating Millage	Education	Veterans	Total State Millage		
2002	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2003	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2004	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2005	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2006	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2007	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2008	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2009	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2010	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2011	5.0	5.0	16.0	26.0	6.5	5.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0

* Property is assessed at the following rates, applied to its value as appraised by the Lee County Revenue Commissioner's Office: public utilities - 30%, commercial - 20%, residential - 10%, and motor vehicles - 15%.

Table 12
City of Auburn ~ Primary Government
Property Tax Levies and Collections - Real Property
Last Ten Fiscal Years

Fiscal Year	Taxes Levied	Taxes Collected	Percent of Total Tax Collections to Tax Levy
2002 *	7,397,762	8,050,340	108.8%
2003 *	7,943,114	8,388,489	105.6%
2004 *	8,329,616	9,959,853	119.6%
2005	10,107,734	10,039,390	99.3%
2006	11,445,013	11,332,304	99.0%
2007	12,866,621	13,221,355	102.8%
2008	15,050,531	14,948,469	99.3%
2009	16,921,855	17,236,254	101.9%
2010	17,658,940	18,384,549	104.1%
2011	18,162,913	18,855,829	103.8%

* Collections in 2002-2004 included personal property. Beginning in 2005, real property and personal property collections are reported separately.

Table 13
City of Auburn ~ Primary Government
Ratios of Outstanding Debt by Type ⁽¹⁾

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 Obligation Bonds	Capital Leases		General Obligation Bonds ⁽²⁾	Capital Leases		Percentage of Personal Income	Total Debt Per Capita
	\$	\$	\$	\$	\$	\$		
2002	65,805	952	74	30,330	74	97,161	12.04%	2,168
2003	67,872	530	38	30,253	38	98,693	11.33%	2,144
2004	79,058	199	38	30,253	38	109,548	12.04%	2,278
2005	113,591	68	-	30,111	-	143,770	12.58%	2,974
2006	122,272	-	-	30,054	-	152,326	12.91%	3,051
2007	127,635	-	-	28,263	-	155,898	10.41%	3,003
2008	124,476	-	-	34,220	-	158,696	10.58%	2,920
2009	133,947	-	-	62,240	-	196,187	13.01%	3,498
2010	139,143	-	-	45,880	-	185,023	12.32%	3,212
2011	128,679	-	-	44,775	-	173,454	11.79%	2,889

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ The City does not have any special assessment bonds.

⁽²⁾ 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 14
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 ⁽¹⁾	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
	\$	\$	\$		\$
2002	97,160,213 ⁽²⁾	1,894,330	95,265,883	27.67%	2,125
2003	98,692,366	1,360,172	97,332,194	27.10%	2,114
2004	78,912,853	1,523,137	77,389,716	17.90%	1,609
2005	113,590,812 ⁽³⁾	2,116,996	111,473,816	22.94%	2,304
2006	122,272,012	2,499,525	119,772,487	21.92%	2,399
2007	127,635,458	2,748,975	124,886,483	19.68%	2,406
2008	124,476,443	3,163,736	121,312,707	17.12%	2,232
2009	133,947,403	3,898,630	130,048,773	17.66%	2,319
2010	139,143,374 ⁽⁴⁾	3,831,044	135,312,330	18.00%	2,349
2011	128,678,587	3,723,922	124,954,665	15.66%	2,082

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ City issued \$27 million of G.O. Warrants to refund outstanding debt.

Table 15
City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt
Fiscal Year 2010
Unaudited

	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 128,678,587		
Less: Debt Service Funds Equity	<u>3,723,922</u>		
Net Direct Debt	124,954,665	100%	\$ 124,954,665
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 21,800,315	38%	<u>8,297,509</u>
Total Direct and Overlapping Debt			<u><u>\$ 133,252,174</u></u>

Sources: General bonded debt and warrants provided by the Lee County Administrator.

⁽¹⁾ 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 2010.

Table 16
City of Auburn ~ Primary Government
Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

Unaudited

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	71,831	100,557	96,665	98,146	98,974	110,789	141,724	147,267	150,282	159,565
Total net debt applicable to limit	34,379	35,994	33,844	45,617	55,364	54,764	62,451	65,355	73,116	64,479
Legal debt margin	37,453	64,563	62,821	52,529	43,610	56,025	79,273	81,912	77,166	95,086
Total net debt applicable to limit as a percentage of debt limit	47.86%	35.79%	35.01%	46.48%	55.94%	49.43%	44.07%	44.38%	48.65%	40.41%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 797,827,496
Debt limit (20% of total assessed value)	\$ 159,565,499
Debt applicable to limit:	
General obligation bonds	\$ 173,451,586
Less: Exempt Debt	108,972,290
Total net debt applicable to limit	64,479,296
Legal debt margin	\$ 95,086,203

Table 17
City of Auburn ~ Primary Government
Pledged Revenue Coverage⁽¹⁾

Last Ten Fiscal Years

Unaudited

Sewer G.O. Warrants ⁽²⁾						
Fiscal Year	Sewer Charges and Other ⁽³⁾	Less: Operating Expenses ⁽⁴⁾	Net Available Revenue	Principal	Interest	Coverage
	\$	\$	\$	\$	\$	
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
2006	6,601,081	3,823,649	2,777,432	440,000	1,121,013	1.78
2007	7,169,367	3,993,778	3,175,589	460,000	1,432,052	1.68
2008	6,553,296	4,569,543	1,983,753	475,000	1,236,928	1.16
2009	7,912,095	4,641,814	3,270,281	495,000	1,890,914	1.37
2010	8,803,453	4,548,588	4,254,865	1,060,000	1,788,254	1.49
2011	9,549,042	4,570,730	4,978,312	1,105,000	2,089,603	1.56

⁽¹⁾ The City does not have any Special Assessment Bonds.

⁽²⁾ General Obligation warrants issued but paid by Sewer Service Fee revenue.

⁽³⁾ Includes sewer service charges, tapping fees, sewer access fees, gains on property disposals and other non-operating revenues.

⁽⁴⁾ Includes operating expenses and operating transfers out less depreciation expense.

Table 18
City of Auburn ~ Primary Government
Demographic and Economic Statistics

Last Ten Fiscal Years

Unaudited

Fiscal Year	Population ⁽¹⁾	Personal Income		Per Capita		Unemployment Rate ⁽³⁾
		(expressed in thousands) ⁽²⁾	\$	Personal Income (Lee County) ⁽²⁾	\$	
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%
2006	49,928		1,179,898		23,632	2.8%
2007	51,906		1,498,267		24,804	3.5%
2008	54,348		1,499,487		25,399	4.5%
2009	56,088		1,499,913		25,943	4.1%
2010	57,608		1,501,560		26,065	7.6%
2011	60,022		1,471,139		24,510	7.9%

⁽¹⁾ U. S. Census Bureau & Auburn Interactive Growth Model

⁽²⁾ U. S. Department of Commerce, Bureau of Economic Analysis

⁽³⁾ State of Alabama, Department of Industrial Relations

Table 19
City of Auburn ~ Primary Government
Principal Employers
 Current Year and Nine Years Ago
Unaudited

	2002			2011		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University	4,980	1	23.92%	5,500	1	20.15%
Auburn City Schools	562	3	2.70%	900	2	3.30%
City of Auburn and Auburn Water Works Board	384	4	1.84%	760	3	2.78%
Briggs & Stratton Corporation	704	2	3.38%	600	4	2.20%
Wal-Mart Supercenter	-		-	350	5 (tie)	1.28%
Borbet Alabama, Inc. <i>(formerly ATS Wheels)</i>	-		-	350	5 (tie)	1.28%
CV Holdings, LLC	-		-	325	7	1.19%
SCA, Inc.	-		-	300	8	1.10%
Donaldson Company, Inc.	-		-	275	9	1.01%
Rexnord Industries, LLC	-		-	200	10	0.73%
Total	6,630		31.85%	9,560		34.28%

Source: City of Auburn Economic Development Department, Alabama Department of Industrial Relations

Table 20

City of Auburn ~ Primary Government
Regular Full-Time Employees by Function/Program

Last Ten Fiscal Years

Unaudited

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	70	75	75	73	73	74	76	77	77	81
Economic Development	8	9	11	13	14	14	13	13	13	13
Public Safety										
Police	83	78	107	110	109	112	113	115	113	113
Fire	32	30	29	30	43	43	43	43	43	43
Communications	6	6	6	6	7	9	11	11	11	11
Codes	4	6	7	8	9	9	9	9	9	9
Public Works										
Engineering	8	10	10	10	11	11	11	11	11	11
Construction & Maintenance	12	14	15	18	18	18	18	18	18	18
Inspection	4	4	4	4	6	6	6	6	6	6
Traffic Engineering	3	3	3	3	3	3	3	3	3	3
Environmental Services										
Recycling	16	16	16	16	16	16	16	16	16	16
Solid Waste	15	14	14	15	16	16	16	16	16	16
Animal Control	2	2	2	2	2	2	2	2	2	2
ROW	7	7	7	6	7	7	7	7	7	7
Fleet Services	9	9	9	10	10	10	10	10	10	10
Parks and Recreation										
Leisure Services	17	15	15	14	14	15	15	15	15	15
Parks & Facilities	24	24	24	26	26	26	27	26	26	26
Library	11	13	15	14	15	15	16	16	16	17
Sewer	11	11	11	13	19	15	15	16	16	16
Total	342	346	380	391	418	421	427	430	428	433

Source: City of Auburn Human Resources Department

Table 21
City of Auburn ~ Primary Government
Operating Indicators by Function/Program
 Last Ten Fiscal Years
Unaudited

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Physical arrests	2,595	2,135	2,339	2,921	2,574	2,978	3,143	2,480	2,643	2,712
Traffic violations	7,058	6,535	7,892	9,490	10,435	14,077	14,516	19,556	20,618	23,736
Fire										
Number of calls answered	1,119	1,167	1,149	1,147	1,342	2,258	2,330	2,523	4,025	4,065
Inspections^	6,208	6,314	6,256	6,324	1,860	1,857	1,792	1,752	1,575	1,391
Public Works										
Potholes repaired	939	805	403	414	347	230	210	273	750	625
Environmental Services										
Refuse collected (tons/day)*	67	68	72	85	85	86	86	88	91	104
Recyclable collected (tons/day)*	3.49	3.46	3.38	3.52	3.89	3.38	4.21	4.39	4.36	4.40
Parks and Recreation										
Athletic participants	4,824	4,501	5,391	4,956	4,623	5,154	5,648	5,031	4,959	2,964
Community center admissions	87,033	81,659	75,001	83,374	114,484	96,106	92,291	111,960	138,751	150,690
Sewer										
Average daily sewage treatment (millions of gallons)	5.14	6.60	6.15	6.86	6.10	5.90	5.60	6.70	6.69	6.02

*Each year consists of 251 work days.

^A change in software lowered the number of inspections performed in 2006.

Source: City departments

Table 22
City of Auburn ~ Primary Government
Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Unaudited

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	59	59	77	86	88	89	91	91	98	94
Fire stations	4	4	4	4	4	4	5	5	5	5
Environmental Services										
Collection trucks	8	8	8	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)	286	313	565	597	650	658	696	3	693	693
Signaled Intersections	47	48	49	50	50	55	56	58	59	60
Parks and Recreation										
Parks acreage	1,838	1,914	1,914	1,914	1,914	1,914	1,944	1,944	1,944	1,944
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	14	14	14	10	10	44	44	44	44	44
Community centers	3	3	3	3	3	3	3	3	4	4
Sewer										
Sanitary sewers (miles)	176	183	195	201	210	235	240	245	248	300
Maximum daily treatment capacity (millions of gallons)	7	7	7	7	7	8	8	11	11	11

Source: City departments

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