

City of Auburn, Alabama

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended September 30, 2005



Town Creek Park, Auburn's newest park, includes walking trails, a beautiful lake, and several relaxing spots, including swings at various locations throughout the park. A grand opening ceremony for the park was held on November 5, 2005. Adjacent to the park is Auburn's newest cemetery, Town Creek Cemetery, which includes beautiful and serene surroundings. The 95-acre park and cemetery is located in the heart of Auburn off South Gay Street.

The City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2005

City Council

Bill Ham, Jr., Mayor

K. Ted Wilson, Mayor Pro Tem

Verlinda J. White

Sheila Eckman

Dick Phelan

Logan B. Gray

Roberta Jackel

Carolyn Mathews

Gene Dulaney

Management

Charles M. Duggan, Jr., Acting City Manager

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

Prepared by

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Allison Edge, Principal Financial Analyst

Heather DeWitt, Finance Information Officer



City of Auburn

City of Auburn, Alabama
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2005

Table of Contents

	Page
Introductory Section	
Letter of Transmittal	5
GFOA Certificate of Achievement	14
Organizational Chart.....	16
Map of the City of Auburn.....	17
Financial Section	
Independent Auditor’s Report	19
Management’s Discussion and Analysis	21
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	36
Statement of Activities	37
Fund Financial Statements:	
Balance Sheet – Governmental Funds	38
Statement of Revenues, Expenditures, and Changes in Funds Balances - Governmental Funds	39
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	40
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	41
Statement of Revenues, Expenditures, and Changes in Fund Balances – Special School Tax Special Revenue Fund	42
Statement of Net Assets – Proprietary Funds.....	43
Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Proprietary Funds.....	44
Statement of Cash Flows – Proprietary Funds	45
Discretely Presented Component Units – Statement of Net Assets	47
Discretely Presented Component Units – Combining Statement of Activities	48
Discretely Presented Component Units –Combining Statement of Revenues, Expenses and Changes in Net Assets	49
Statement of Fiduciary Net Assets.....	50
Statement of Changes in Fiduciary Net Assets	51
Guide to Notes to the Financial Statements	53
Notes to the Financial Statements.....	55
Combining and Individual Funds Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	118
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	120
<i>Special Revenue Funds</i>	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	

City of Auburn, Alabama
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2005

Table of Contents (continued)

	Page
Financial Section (continued)	
Seven-Cent Gas Tax Special Revenue Fund.....	122
Four-Cent Gas Tax Special Revenue Fund	122
Public Safety Substance Abuse Special Revenue Fund	123
City Gas Tax Special Revenue Fund.....	123
Special Additional School Tax Special Revenue Fund	124
<i>Debt Service Funds</i>	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
GORSIW Series 76 Debt Service Fund.....	124
Special 5-Mill Tax Debt Service Fund	125
Capital Assets Used in the Operation of Governmental Funds	
Schedule by Source.....	128
Schedule by Function and Activity	129
Schedule of Changes by Function and Activity.....	130
Statistical Section	
Guide to Statistical Tables	131
Table 1 - Net Assets by Activities Type	133
Table 2 - Changes in Net Assets	134
Table 3 - General Government Tax Revenues by Source.....	136
Table 4 - Fund Balances of Governmental Funds	137
Table 5 - Changes in Fund Balances of Governmental Funds.....	138
Table 6 - Components of Sales Tax Revenue.....	140
Table 7 - Revenue Rates for General Sales Tax.....	140
Table 8 - Principal Revenue Remitters of Sales and Use Tax.....	141
Table 9 - Ratios of Outstanding Debt by Type.....	141
Table 10 - Ratios of General Bonded Debt Outstanding	142
Table 11 - Direct and Overlapping Governmental Activities Debt	142
Table 12 - Legal Debt Margin Information	143
Table 13 - Pledged Revenue Coverage	144
Table 14 - Demographic and Economic Statistics	145
Table 15 - Principal Employers.....	146
Table 16 - Full-Time Equivalent Employees by Function/Program.....	147
Table 17 - Operating Indicators by Function/Program.....	148
Table 18 - Capital Asset Statistics by Function/Program.....	149
<i>Appendix I</i> Statement of Revenues by Source and Other Financing Sources – Budget and Actual	151
<i>Appendix II</i> General Fund Statement of Expenditures by Department and Category (Budget Basis) - Budget and Actual	153
<i>Appendix III</i> Governmental Funds Expenditures by Function.....	158
Index	159



City of Auburn

Home of Auburn University

Letter of Transmittal

March 31, 2006

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

The comprehensive annual financial report of The City of Auburn (the government) for the fiscal year ended September 30, 2005 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 and account groups 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 comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, and the primary government's organization chart. The financial section includes the management's discussion and analysis (MD&A), the basic financial statements for the primary government and its separately presented component units and the primary government's combining and individual fund and account group financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The MD&A contains a narrative introduction, overview, and analysis of

the City's financial statements, and should be read in conjunction with this letter of transmittal. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. In contrast to the financial section information, the statistical section information and the appendices have not been audited.

This report includes all funds and account groups of the primary government and its component units. The primary government provides a full range of services. These services include public safety (police, fire, E-911 communications, and

building codes enforcement), environmental services (including solid waste collection, recycling, right-of-way maintenance, animal control, and maintenance of City vehicles), public works (including engineering, streets construction and maintenance, capital projects management and inspection), culture and recreation (including cemeteries and parks, recreation services, and library services), economic and community development, planning, and general administrative services.

During fiscal 1994, the City of Auburn implemented the Governmental Accounting Standards Board's 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 Parks and Recreation Board have been included as separately presented component units of the City's reporting entity in the comprehensive annual financial report. The Commercial Development

The early implementation of the Governmental Accounting Standards Board Statement 44, Economic Condition Reporting: The Statistical Section, has improved the usefulness of the statistical section information.

Authority of the City of Auburn was incorporated on August 12, 2004. As of September 30, 2005, the Authority had no financial activity, and therefore, is not presented in the Basic Financial Statements. However, the Authority will be presented as a component unit in the future. The City's related organization, the Housing Authority of the City of Auburn, is not required to be included in the reporting entity and accordingly is excluded from this report. Audited financial statements for the Housing Authority are available upon request at the Authority's business office at 931 Booker Street, Auburn, AL 36832.

In 2005, the Auburn Center for Developing Industries was formally conveyed to the City's Industrial Development Board. The Industrial Development Board now holds title to the Center's land and buildings and makes management decisions regarding the leasing activities of the Center. Therefore, the Center is now presented as a component unit of the City's Industrial Development Board and is no longer included as a discretely presented component unit of the City of Auburn.

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

The early implementation of the Governmental Accounting Standards Board Statement 44, *Economic Condition Reporting: The Statistical Section*, has improved the usefulness of the statistical section information. New information that users have identified as important is now included, and certain information previously required has been eliminated. This section of the Comprehensive Annual Financial Report is the

chief source of information regarding the government's *economic condition*. The information in the new statistical section is organized around five objectives. These objectives are: financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

City Profile

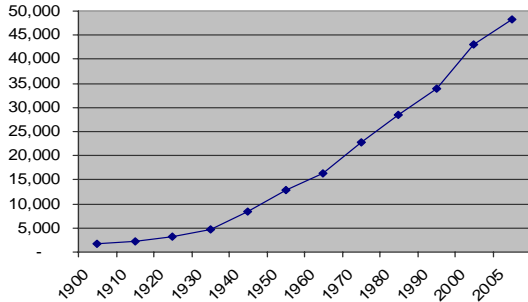
The City of Auburn, located in east central Alabama, is a thriving and diverse university-based community. The City was incorporated in Lee County in February of 1839. The establishment of Auburn University in 1856 marked the beginning of a mutually beneficial partnership producing what *Demographics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

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



Auburn's population has grown from 1,831 in 1900 to an estimated 48,348 in 2005. Population growth has averaged more than 3% per year. As the population has grown and the economic base has diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multi-cultural citizenry.

Auburn Population



Auburn’s population has grown steadily since 1960

Auburn has a Council/Manager form of municipal government. The City Council consists of nine members, eight elected from four dual-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 Acting City Manager since February 2006. The City departments include:

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

Approximately 407 regular, full-time employees staff these departments, producing high-quality and cost-effective public services.

Major Initiatives

During fiscal 2005, the priorities of school funding, recreation facility expansion, improvements to the City’s buildings, streets and traffic flow management were addressed. The City contributed \$5.9 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support. An increase in the City’s property tax millage for schools was approved by a significant majority of the voters during fiscal 1996.

During fiscal year 2005, there were four debt issuances that will permit significant improvements to be made to the City’s infrastructure and will provide a higher quality of life to its citizens.

On March 1, 2005, the City issued \$9.9 million general obligation bonds. This debt issuance refunded 1997 debt with the remaining \$5 million to be used for certain capital improvements authorized at a Special Municipal Bond election held on August 24, 2004. These improvements include bridge improvements, street reconstruction, intersection and traffic signal improvements, and construction of a new fire station.

In April, the City issued a \$2 million general obligation warrant to finance infrastructure improvements related to the Richland Road Capital Improvements Project. This project consists of right-of-way acquisition, road construction, drainage structures, sidewalks, and other fixtures on Richland Road, where the City of Auburn’s tennis center is under construction. Two property owners will reimburse the City for certain costs related to the Richland Road project.

On July 19, 2005, the City issued a \$10 million general obligation warrant. This warrant repaid amounts previously drawn on a line of credit and provided additional funds to finance infrastructure improvements necessary for the redevelopment of Colonial University Village Mall, a regional retail center.

In August, the City issued a \$33 million general obligation warrant for capital improvements to the public school system. The city school system will use the proceeds to build additional classrooms and labs, improve multi-purpose and food preparation areas, and construct a new elementary school.

In addition to the improvements financed by the aforementioned debt issuances, the projects to be financed by the \$6.3 million warrant issued in fiscal year 2004 have been changed to reflect the desires that the citizens of Auburn communicated during the annual citizen survey. A more significant portion of the proceeds of this borrowing are allocated to street reconstruction.

A significant initiative during 2005 relates to the establishment of a research park in Auburn. This

project is a joint initiative between Auburn University and the Auburn Research and Technology Foundation, with financial support from the State of Alabama and the City of Auburn. This park will enhance and promote economic development within the region and state and broaden the research industry in east Alabama.

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 108 police officers, providing an average emergency call response time of 2-3 minutes. The Auburn University Campus Police department merged with the City of Auburn Police Department effective July 1, 2004. Now all law enforcement and public safety services for the campus are handled by the City. This merger allows for more comprehensive and higher quality public safety protection for residents and students living in Auburn, without duplication of services.

The Fire Division includes 37 regular, full-time firefighters and 52 student firefighters, manning four fire stations. Design for a fifth fire station began during fiscal year 2005, and construction is scheduled to begin in 2006. The staffing, training, and equipment levels in the Fire Division enable City residents to enjoy a Class 2 fire insurance rating. Communications provides E-911 emergency response and dispatch services to the public. Codes enforcement monitors construction activities within the City and compliance with public safety ordinances. Ambulance services are provided via a contract with East Alabama Medical Center.

Public Works Services. The City's Public Works Department oversees the development and maintenance of the City's transportation systems. The City's roadway system currently includes over 597 miles of paved streets and less than 2.5 miles of unpaved road. Public Works expends approximately \$1.5 million per fiscal year on road maintenance.

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

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

Leisure Services. In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and City Library provide many leisure time choices to residents. The Library has 26 internet-connected computer workstations available to the public, which had 68,882 patron sign-ins during fiscal 2005. In fiscal 2005, the Library installed wireless internet access so that patrons may use their laptop computers in the facility. The Library also added a children's edition of the public access catalog to provide younger users with an easy and graphically appealing way to search the library catalog.

Due to the increased popularity of the City Library, a \$1.75 million, 12,000 square foot expansion is planned for fiscal year 2007 to accommodate the growing number of patrons. This new expansion will house Youth Services, additional public-use computers, and two offices.



The Parks and Recreation Department maintains sixteen City parks, four cemeteries, numerous recreation facilities - including three recreation centers, two pools, ten tennis courts, four youth baseball complexes, a seven-field soccer complex, a two-field football complex, 30 miles of bike paths, an award-winning five-field competition class softball complex, a community arts center and

more. Parks and Recreation provides programs ranging from organized team sports leagues for football, basketball, soccer, baseball, and softball to music and dancing lessons to summer day camps and swimming teams.

Education Services. The Auburn City Schools provide services to more than 5,300 students. The City Schools' facilities include an early education center, five elementary schools, one middle school, one junior high school, and one high school. Teacher to student ratios range from 1:18 in the early education center to 1:23 in the middle and high schools. Of its teachers and administrators, 70% have advanced degrees and their average employment within the Auburn City system is twelve years. The City Schools expend an average of \$7,664 annually per pupil.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. It has been rated among the top 100 school systems in the nation by *Offspring Parenting* magazine (a subsidiary of *The Wall Street Journal*). The system consistently produces an average of six National Merit Scholars out of a graduating class of 290. Auburn High School offers the International Baccalaureate (IB) Program, a rigorous program based on the syllabi for 11th and 12th grades used by outstanding education systems throughout the world. Excellent choral, art, band, sports, and other extra curricular programs are offered and encouraged. Music and art teachers are in all the schools beginning with first grade. Participation in athletic programs begins in Grade 7.

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

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

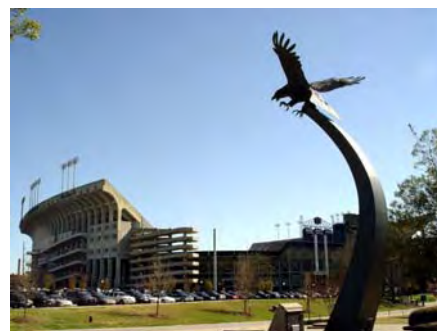
- Columbus State University, Columbus, GA
- Tuskegee University, Tuskegee, AL
- Southern Union State Community College, Opelika, AL
- Chattahoochee Valley Community College, Phenix City, AL
- LaGrange College, LaGrange, GA
- Central Alabama Community College, Alexander City, AL
- Auburn University at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

The Auburn City Schools system has been rated among the top 100 school systems in the nation... The quality of the school system is a significant factor in the City's recent residential and industrial growth.

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

Auburn University's student body is taught by 1,177 full-time and 299 part-time faculty members. Approximately 96% of Auburn students receiving their degrees are employed full-time after graduation. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates.

As the City's largest employer, Auburn University is a major contributor to the local economy. Enrollment, which has remained steady over the past ten years, was 23,333 for the fall semester 2005. Included in the total enrollment are 3,169 graduate students.



Jordan-Hare Stadium at Auburn University

- Auburn University, in Auburn

Southern Union State Community College is located in Auburn's sister city, Opelika, which is also the Lee County seat. Southern Union is less than ten miles from Auburn and offers courses in business, accounting, computer science, industrial electricity and electronics, automotive technology, welding, and more. Fall 2005 enrollment was approximately 3,700.

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

Factors Affecting Financial Conditions

Local Economy

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

In the mid-1980's, the City government began a conscious effort to strengthen the City's economic base through diversification. The City government created an Economic Development Department, whose mission it is to recruit small to medium-

sized technology-based companies that could offer a high level of employment to citizens, with the corresponding improvements in salaries and benefits.

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

The City's innovative economic development tools include a Revolving Loan Fund program funded from a loan repayment stream that was the product of certain federal grant programs, facilitation of public-private technology partnerships with Auburn University, a small-business incubator facility, a workforce development initiative, and property tax abatements. The focused and creative use of these tools resulted in the location of the following companies, among others, in the City's industrial parks and the Auburn Center for Developing Industries: ATS Wheels, Briggs & Stratton Corporation, Falk Corporation, Donaldson Company, EPOS Corporation, Hoerbiger Hydraulics, Inc., Leggett & Platt, Inc., MasterBrand Cabinets, Inc., Nikki America Fuel Systems, Touchstone Precision, Inc., and Weidmann Plastics.

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

The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having assisted in the recruitment of more than thirty-five companies that have resulted in the creation of more than 4,000 jobs.

Auburn Technology Park North (ATPN) continues its industrial growth with the addition of three new manufacturing facilities. Pyongsan America, Inc., a Korean company, recently completed a new 40,000 square foot manufacturing facility in ATPN. Pyongsan will make a capital investment of \$2.7 million and will employ 70 people when fully operational. Pyongsan manufactures HVAC tubing for the automotive industry. In addition, SCA, a plastic injection molding company for the automotive industry, completed construction of a 55,000 square foot facility in Auburn Technology Park North. SCA, also from Korea, will make a capital investment of \$5.7 million and will create 55 new jobs once in full production. Leggett & Platt, Inc., a Fortune 500 company headquartered in Carthage, Missouri, recently completed construction on a 140,000 square foot facility in ATPN. Leggett & Platt will employ 160 people at full production and invest \$25 million in the community. Leggett & Platt will supply Briggs & Stratton aluminum castings. Construction of the 450-acre Auburn Technology Park West is expected to begin in spring of 2006.

Commercial development continues to be strong in Auburn. Numerous projects, including banks, restaurants, and other retail operations, have opened along the U.S. Highway 29/South College corridor, just off Interstate Highway 85. A \$40 million expansion of Colonial University Village retail shopping mall was completed with the expansion of Dillard's and JC Penney's. New national retailers and streetscape tenants at Colonial University Village include Belk, Ann Taylor Loft, Chico's, Coldwater Creek, Jos. A Bank, Lane Bryant, and Talbots. Several other major national retailers are currently considering lease options at University Village.

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

complete five houses this year. Phase I of the project should be complete in 3-5 years.



Northwest Village Subdivision Groundbreaking

Financial activities in Auburn are anchored by thirteen different banks with eighteen locations (excluding ATMs). These financial institutions have combined assets of approximately \$758 million. The largest bank in the City is an independent bank and the State's four largest bank holding companies all have offices in Auburn. In addition, there are two federal credit unions and six nationally associated investment brokers providing financial services to Auburn's residents and businesses.

The physical boundaries of the City continue to expand with residential, commercial, and industrial growth. During fiscal 2005, the City annexed 2,202 acres into the City limits as part of the City's long-range plan for growth through annexation. All annexations are initiated by request of the property owners. The City's Planning Commission approved twenty new subdivisions, incorporating 917 single-family and eight multi-family residential lots.

In fiscal 2005, building permits were issued for 486 new single-family residences valued at \$94.8 million (\uparrow 13.8 %), ninety-eight of which had valuations in excess of \$250,000 each. Also permitted during fiscal 2005 were 35 multi-family buildings valued at \$23.1 million (\downarrow 13.3%) and 11 new commercial and industrial facilities valued at \$12.3 million (\downarrow 43.1%). In response to several years of significant growth, the City completed construction of three new fire stations in fiscal 1998 and another fire station is planned for construction in FY 06.

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 \$91.9 million in identified projects over the next six years (FY 05 through FY 10). Increasing the capacity of the sewer systems will require approximately \$16.2 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 \$44.0 million. This outlay is expected to be funded through identified sources including shared funding, state and federal grant funds, and debt.

Renovations and expansion of existing city buildings are planned with a projected cost of \$5.6 million. Funding sources for these city buildings include proceeds of bonds and the General Fund. Included in the projected costs for city buildings is planned expansion of fire protection – buildings and equipment – that will require approximately \$2.2 million.

Industrial park land acquisition and infrastructure construction over the next six years is planned with an estimated cost of \$11 million. Other projects, including culture and recreation and downtown improvements are included in the six-year program at an approximate cost of \$14.4 million. Various funding options, including debt, will be identified at the appropriate time.

Financial Information

Management of the government is responsible for establishing and maintaining an internal control structure design to ensure that the assets of the government are protected from loss, theft, or

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

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

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

Budgeting. Budgetary tracking is maintained at the line item level by the encumbrance of actual or estimated purchase amount prior to the release of purchase orders to vendors. Accountability for budgetary compliance is held at the department level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The City Manager has the authority to make adjustments between budget line items. Purchase orders resulting in an overrun of a departmental balance are released only after the approval of the City Manager.

In the summer of 2000, the City Manager recommended and the City Council approved a change from an annual budget to a two-year or biennial budget for fiscal years 2001 and 2002. The objectives of a biennial budget process were two-fold: to give the Council and City management a longer time budgeting horizon and to reduce the amount of staff time required for developing and adjusting the budget. Under the annual budgeting

The objectives of a biennial budget process were two-fold: to give the Council and City management a longer budgeting horizon and to reduce the amount of staff time required for developing and adjusting the budget.

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 year-end. Activities of the General Fund, the Debt Service funds, and most Special Revenue funds are included in the annual appropriated budget. Encumbrances lapse at year end; however, encumbrances remaining against a positive department budget balance are generally re-appropriated as "prior year carryover" during the Mid-Biennium Budget Review.

The City's budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the *financial* section of this report are presented in accordance with GAAP; that is, all capital outlays have been aggregated in a single line captioned "capital outlay." Debt service expenditures are presented in a single line caption in the GAAP financial statements as well. *Appendix II* presents the General Fund's expenditures compared to the budget for fiscal 2005 as budgeted, with the capital outlays and debt service expenditures presented within departments. *Appendix II-A* provides a reconciliation of the GAAP-basis expenditures to the budget basis of expenditures.

Other Information

Independent Audit. The government is required by State law to undergo an annual audit by independent public accountants; however, to meet federal requirements of the Single Audit Act Amendments of 1996, and the resultant issuance of OMB Circular No. A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*), the City's audit report is required to be signed by a certified public accountant. The accounting firm of Machen, McChesney and Chastain, LLP was selected through a competitive proposal process. The auditor's report on the basic financial statements and the combining and individual fund

statements and schedules is included in the *financial* section of this report. The auditor's reports related specifically to the Single Audit are included in a separately issued Single Audit Report.

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its comprehensive annual

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City... This was the nineteenth consecutive year that the City has achieved this prestigious award.

financial report for the fiscal year ended September 30, 2004. This was the nineteenth consecutive year

that the City has achieved his prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Auburn for its PAFR for the fiscal year ended September 30, 2004. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

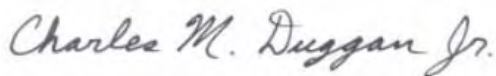
In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR

whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

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

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

Acknowledgments. The preparation of the comprehensive annual financial report could not be accomplished without the dedicated services of an efficient Finance Department staff. We express appreciation to each member of the Department and to those members of other City departments for their contributions made in the preparation of this report. In closing, the commitment to the achievement of mandated priorities speaks to the progressive leadership and dedication to public service of the Mayor and the City Council. Their support for a policy of financial integrity has been instrumental in the preparation of this report.



Charles M. Duggan, Jr.
Acting City Manager



Andrea E. Jackson, 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, 2004

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 employer assessment systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

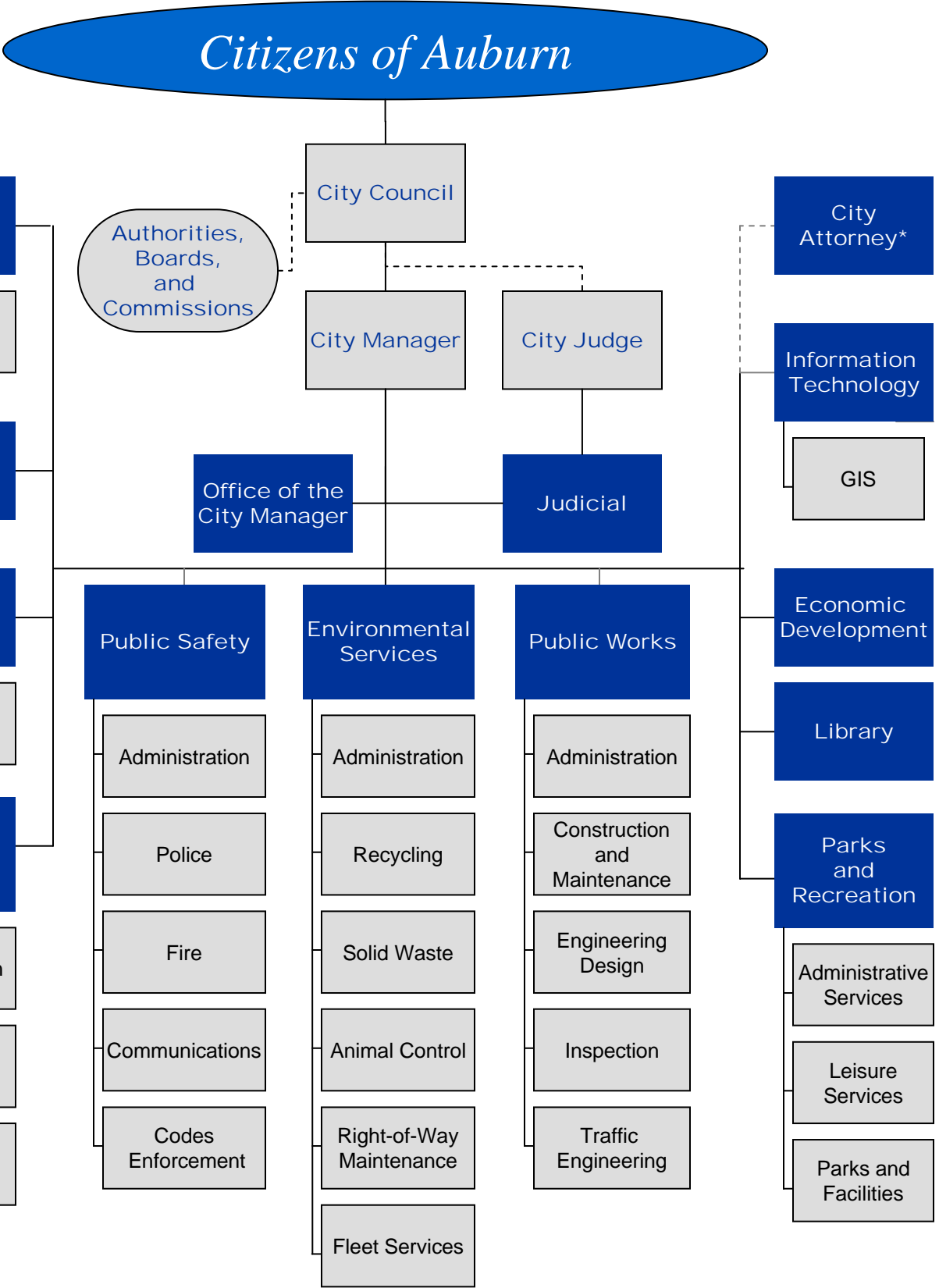


Executive Director



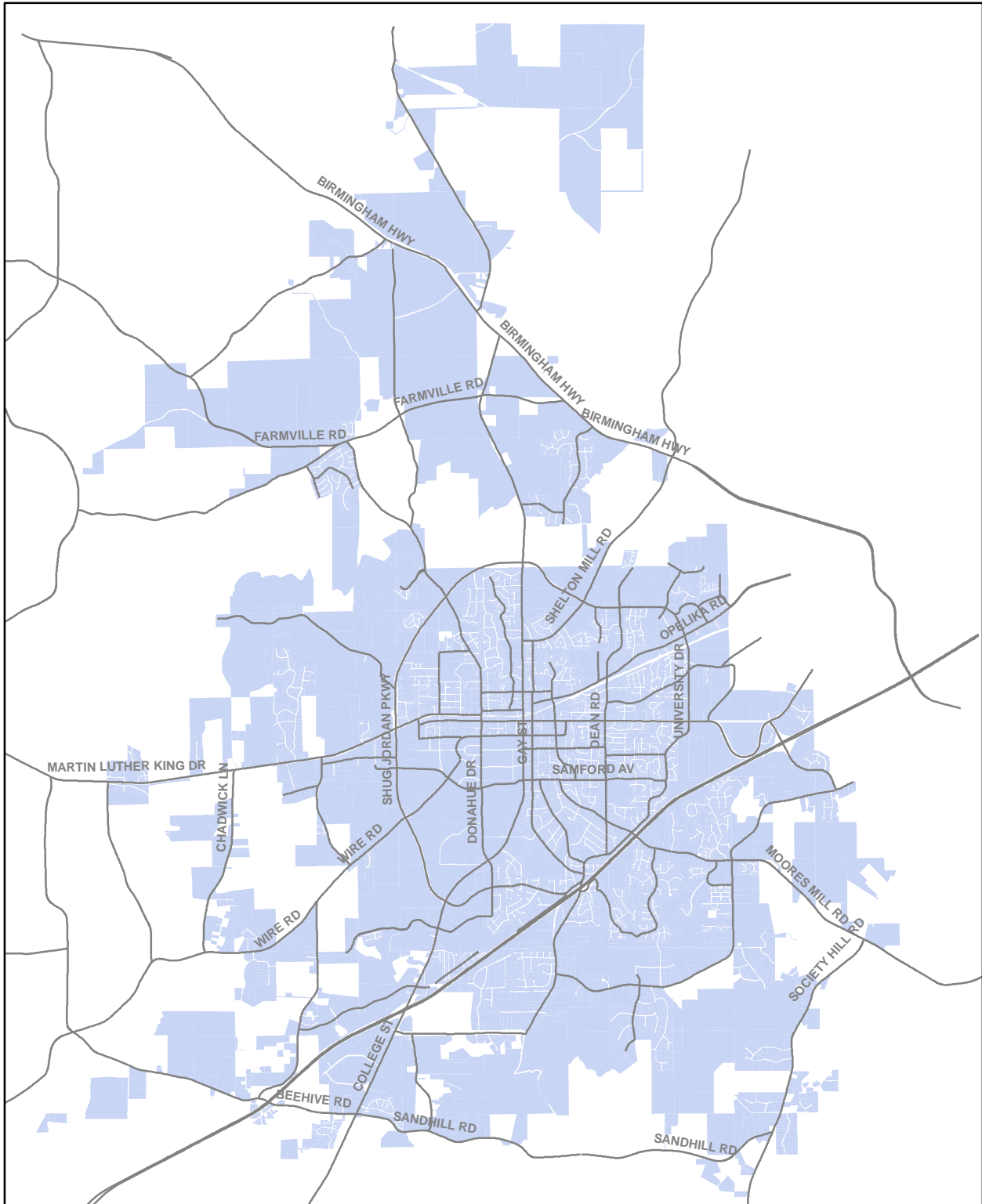
City of Auburn

Organization Chart



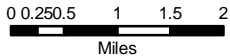
* City Attorney services are contracted outside the organization

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

 City Limits



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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.



City of Auburn



MACHEN,
McCHESNEY &
CHASTAIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Donald G. Chastain, CPA
Michael D. Machen, CPA, CVA
Melissa W. Motley, 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, 2005, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Water Works Board and the Industrial Development Board (component units) were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Special School Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2006, on our consideration of the City of Auburn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 21 through 34, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Machen, McChesney & Chastain, LLP

Auburn, Alabama

January 31, 2006



City of Auburn

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Auburn's comprehensive annual financial report (CAFR) presents City management's discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2005. Please read this in conjunction with the City's financial statements, which follow this section and the additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of the CAFR.

FINANCIAL HIGHLIGHTS

- ▶ The assets of the City of Auburn exceeded its liabilities at the close of the fiscal year by \$5,954,267 (net assets). Of this amount, the City had a deficit unrestricted net assets of \$37.3 million offset by \$8.4 million in restricted net assets and \$34.8 million in capital assets net of related debt.
- ▶ The primary government experienced a 79.9% decrease in net assets from \$29.6 million at September 30, 2004 to \$5.9 million at September 30, 2005. This change in net assets is due primarily to the borrowing and subsequent appropriation of \$33 million to the Auburn City School System.
- ▶ At the close of the current fiscal year, the City's governmental funds reported a *combined* fund balance of \$43.4 million. This was a slight decrease (< 0.1%) from the prior year.
- ▶ At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$14.7 million, or 22.6% of total general fund expenditures. This was an increase of \$3.4 million or 30% over fiscal year 2004.
- ▶ Sales and use tax, the City's single largest revenue source, increased 2.6% during the 2005 fiscal year. The current sales tax rate remained at 3% throughout fiscal year 2005. The last rate change was a ½ % increase in August 2003.

- ▶ In both fiscal years 2004 and 2005, the City continued to support its employees through a 3% cost of living raise.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- ▶ 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 to spend on a particular sport's expenses.

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

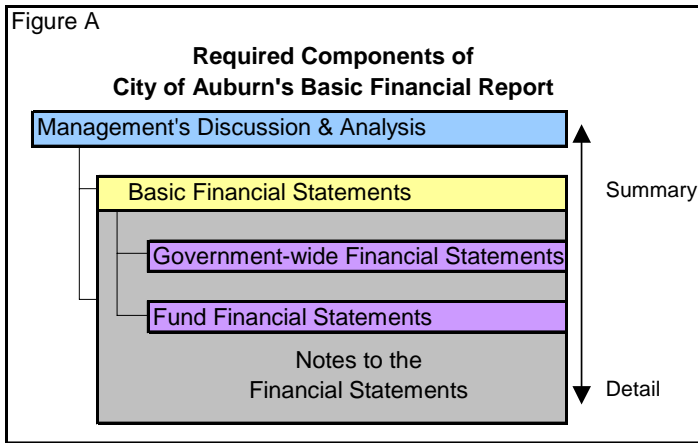


Figure B summarizes the major elements of the financial statements, explaining the portion of the City government they include and the types of information they contain. The remainder of this overview explains the structure and contents of each of the financial statements.

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

Pursuant to a resolution passed in a previous fiscal year, all capital assets of the Auburn Center for Developing Industries (previously reported as a discretely presented component unit of the City) were deeded to the Industrial Development Board of the City of Auburn at fair market value during 2005. See note 19 for detail on this transaction.

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 revenue and spending for particular purposes.

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

The City has three kinds of funds:

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

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

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

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

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Net assets The City's *combined* net assets at September 30, 2005 totaled \$5,954,267 (see Table 1). Governmental Activities' net assets decreased by \$25.54 million, while Business-type Activities' net assets increased \$1.8 million.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Table 1

City of Auburn's Net Assets
September 30, 2005 and 2004

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 51,871,926	\$ 51,187,984	\$ 8,885,125	\$ 8,832,656	\$ 60,757,051	\$ 60,020,640
Capital assets (not retroactive)	55,943,467	45,238,072	40,336,815	38,966,193	96,280,282	84,204,265
Total assets	107,815,393	96,426,056	49,221,940	47,798,849	157,037,333	144,224,905
Current liabilities	9,123,382	11,247,180	1,353,138	1,519,215	10,476,520	12,766,395
Long-Term debt and other liabilities	111,084,728	72,034,045	29,521,817	29,770,792	140,606,545	101,804,837
Total liabilities	120,208,110	83,281,225	30,874,955	31,290,007	151,083,065	114,571,232
Net assets:						
Invested in capital asset, net of related debt	22,454,277	23,976,799	12,376,420	11,725,340	34,830,697	35,702,139
Restricted	6,983,053	4,901,497	1,460,163	4,444,361	8,443,216	9,345,858
Unrestricted	(41,830,047)	(15,733,465)	4,510,401	339,141	(37,319,646)	(15,394,324)
Total net assets	\$ (12,392,717)	\$ 13,144,831	\$ 18,346,984	\$ 16,508,842	\$ 5,954,267	\$ 29,653,673

Most of the Governmental Activities' net assets are invested in capital assets (buildings, equipment, roads, etc.). The investment in capital assets at September 30, 2005 was \$55.94 million. Debt outstanding related to the capital assets was \$33.48 million. The large negative unrestricted net assets in FY 2004 (\$15.73 million) and the even larger unrestricted net assets balance in FY 2005 (\$41.83 million) is the result of a common financing circumstance in Alabama: the City of Auburn issues debt in the City's name for the benefit of the Board of Education, a component unit under the City of Auburn's oversight. The City of Auburn therefore must report the debt on the City's books. However,

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

Table 2 has been created to show the detail of school-related debt contained in unrestricted net assets. Total City debt issued to benefit the City Schools and outstanding at September 30, 2005, was \$64,985,275, an increase of \$32,117,912 (97.7%) from the prior year. This increase is due to a principal pay-down of current borrowings and the \$33.01 million debt issuance by the City for the Auburn City Schools benefit. Due to Auburn's

strong fiscal management, Governmental Activities' other unrestricted net assets remain strong at \$23.1 million (eliminating the effect of school debt) at the end of fiscal 2005. These amounts plus other net asset components create overall negative net assets of \$12.39 million at the end of this fiscal year.

Table 2

Governmental Activities

Net Assets	2005	2004
Invested in capital assets, net	22,454,277	23,976,799
Restricted (deficit)		
Debt Service	2,184,462	1,523,137
Capital Projects	1,090,383	1,240,579
Fed and State Grants	148,980	108,269
Special Rev, non-grant	3,559,228	2,029,512
<i>City School Debt (Restricted 04 and Unrestricted '05)</i>	<i>(64,985,275)</i>	<i>(32,867,363)</i>
Unrestricted	<u>23,155,228</u>	<u>17,133,898</u>
	<u>(12,392,717)</u>	<u>13,144,831</u>

The total net assets of the City's Business-type Activities increased by 11.1% to \$18.3 million in fiscal year 2005 from \$16.5 million in fiscal year 2004. Of that total, most is comprised of capital assets, net of related debt for the Sewer Revenue Fund. Restricted net assets of the Business-type Activities were \$1.4 million, representing funds reserved for capital projects and debt service. Excluding these categories, unrestricted net assets totaled \$4.5 million at 2005 fiscal year-end.

Changes in net assets The primary government's net assets decreased by \$23.7 million (79.9%) in fiscal year 2005 over the prior year. Total assets increased by \$12.8 million (8.9%) in fiscal 2005. The major components of this increase in total assets were: 1) \$12.1 million increase in capital assets, which included construction in progress of \$9.3 million, an indicator of the many projects underway within the City; 2) a reduction in the receivable from component units of \$5.25 million, which was funded on a temporary basis via a line of credit and transformed into an appropriation when permanent borrowing was completed in 2005 (The receivable from component units resulted from the City's lending \$5.25 million to the Industrial Development Board for the purchase of property for development of a new technology park and other industrial development expenditures.); 3) and an increase in cash and cash equivalents of \$4.8 million.

The fiscal 2005 net increase in total liabilities of the primary government was \$36.5 million (31.9%). The increase in long-term debt, \$38.8 million (38.1%),

accounted for almost all of the increase. The City issued four different warrants and bonds totaling over \$54 million in fiscal year 2005 to fund various capital projects within the City. Of the \$54 million, \$10 million repaid amounts previously drawn on a line of credit, and \$4.9 million was used to refund and defease outstanding 1997 Series General Obligation Capital Improvement Bonds. Accounts payable, salaries payable and current liabilities increased by \$507,000 over the prior year.

The primary government's total net assets decreased by \$23.7 million (79.9%) in fiscal 2005. Significant changes in the elements of net assets included 1) the deficit in unrestricted net assets increased by \$21.9 million; 2) net assets restricted for capital projects decreased by \$2.5 million; and 3) net assets restricted for special revenue increased by \$1.5 million.

Unrestricted net assets (Table 1) declined in large part due to the \$33 million dollar school borrowing in fiscal year 2005. The City's school board debt is reported as a large deficit because the Board of Education's capital assets are reported in the separate component units' column of the Statement of Net Assets and the debt related to the acquisition of the Schools' capital assets is reported in the Primary Government's portion of the Statement of Net Assets. The Board of Education's capital assets at September 30, 2005 were \$38,641,063; while the City's general obligation debt issued on the Schools' behalf had principal outstanding of \$64,985,275 at September 30, 2005. Eliminating the effect of the City's issuing debt on behalf of the Board of Education would show an increase in the City's unrestricted net assets of \$6.02 million. This increase is due to revenue's growth by \$2.17 million or 5.5% over fiscal year 2004. Excluding the appropriation of the \$33 million debt proceeds to the School Board results in a \$9.99 million increase in the excess of revenues over expenses in fiscal 2005 (See Table 4).

The City's single largest revenue source is sales and use taxes, which generated \$18.4 million in fiscal year 2005, compared to \$17.9 million in fiscal year 2004. In FY 2005, 29.3% of all City revenue came from sales and use tax collections. \$21.4 million of total revenue was derived from program revenue, which consists of charges for services, federal and state grants, and other contributions. Property taxes provided \$11.8 million in revenue;

occupation license fees generated \$6.7 million and rental and leasing tax revenue totaled \$1.4 million.

Governmental Activities

Due to the large City borrowing of \$33.3 million appropriated to the Auburn Board of Education, City revenues, including general revenues, were insufficient by \$23.4 million at the end of fiscal year 2005. To better guide the reader of the City's financial statements, an additional chart (Table 3) has been added which eliminates the effect of the pass-through borrowing to the Auburn City Schools, providing a clearer picture of the expenditures and revenues of the City. This chart shows (in green text) the amount of \$33,387,810 transferred to the Auburn Board of Education which equaled bond proceeds less amounts paid for bond issuance costs. The narrative below contains amounts and percentages that show both the original amount and the amount less the appropriation to the Board of Education (in green text). This will enable the

reader to compare the City of Auburn's activities for both fiscal year 2005 and fiscal year 2004.

Functions and programs	Net (Expense) Revenue	
	2005	2004
Total Governmental Activities	\$ (66,296,960)	\$ (29,436,157)
Less: Borrowing Appropriated to BOE	33,387,810	-
Total Business-type activities	1,497,764	1,689,314
Total primary government	<u>(31,411,386)</u>	<u>(27,746,843)</u>
General revenues:		
Total General Revenues	41,406,974	39,192,374
Change in net assets -		
General revenues less net expenses	9,995,588	11,445,531
Beginning net assets (restated)	29,346,489	18,208,142
Ending net assets	<u>\$ 39,342,077</u>	<u>\$ 29,653,673</u>

Table 4 presents the cost of each of the City's functions/programs as well as each program's net cost (total expenses less fees generated by the program's activities and intergovernmental aid).

Table 4 City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2005 and 2004

Functions and programs	Expenses		Program Revenues		Net (Expense) Revenue	
	2005	2004	2005	2004	2005	2004
Governmental activities						
General government	\$ 4,789,687	\$ 4,189,200	\$ 8,230,292	\$ 7,618,974	\$ 3,440,605	\$ 3,429,774
Public works	2,960,817	2,724,146	758,335	745,302	(2,202,482)	(1,978,844)
Environmental services	4,038,158	3,498,406	2,459,025	2,323,581	(1,579,133)	(1,174,825)
Public safety	12,634,612	10,699,162	2,694,364	842,435	(9,940,248)	(9,856,727)
Library	1,146,947	1,052,313	25,937	83,207	(1,121,010)	(969,106)
Parks and recreation	4,247,362	3,745,118	466,948	254,792	(3,780,414)	(3,490,326)
Social and economic development	3,894,096	1,559,427	313,964	1,122,112	(3,580,132)	(437,315)
Other functions	1,481,183	1,248,353	247,730	202,522	(1,233,453)	(1,045,831)
Education (payments to Board of Education)	42,322,984	10,404,387	-	-	(42,322,984)	(10,404,387)
Interest on long-term debt	3,929,464	3,508,570	-	-	(3,929,464)	(3,508,570)
Total governmental activities	<u>81,445,310</u>	<u>42,629,082</u>	<u>15,196,595</u>	<u>13,192,925</u>	<u>(66,248,715)</u>	<u>(29,436,157)</u>
Business-type activities						
Sewer	4,753,076	4,434,526	6,251,053	6,124,066	1,497,977	1,689,540
Industrial parks	213	226	-	-	(213)	(226)
Total business-type activities	<u>4,753,289</u>	<u>4,434,752</u>	<u>6,251,053</u>	<u>6,124,066</u>	<u>1,497,764</u>	<u>1,689,314</u>
Total primary government	<u>\$ 86,198,599</u>	<u>\$ 47,063,834</u>	<u>\$ 21,447,648</u>	<u>\$ 19,316,991</u>	<u>(64,750,951)</u>	<u>(27,746,843)</u>
General revenues						
Sales taxes					18,429,013	17,959,076
Property taxes					11,791,602	10,176,644
Occupation license fees					6,785,103	7,197,943
Rental and leasing taxes					1,456,463	1,463,934
Lodging taxes					668,094	568,887
Motor fuel taxes					461,800	495,322
Other taxes					120,661	123,759
Interest and investment earnings					1,226,531	1,175,853
Gain (loss) on asset disposals					18,245	2,644
Miscellaneous					6,656	28,312
Total general revenues before extraordinary items					<u>40,964,168</u>	<u>39,192,374</u>
Special items--certain capital asset transactions (see note 19)					173,492	-
Extraordinary item - gain on building destroyed by fire					221,070	-
Total general revenues					<u>41,358,730</u>	<u>39,192,374</u>
Change in net assets -						
General revenues less net expenses					(23,392,221)	11,445,531
Beginning net assets (restated)					29,346,489	18,208,142
Ending net assets					<u>\$ 5,954,268</u>	<u>\$ 29,653,673</u>

The net cost shows the financial burden that was placed on the City's general revenues by each of these functions.

- ▶ The cost of governmental activities this year was \$81.4 million (\$48.1 million). However, the amount that our taxpayers paid for these activities through general revenues (taxes and license fees) was \$66.3 million (\$32.9 million).

As discussed below, Table 5 spreads total program revenue by source for 2005 and 2004 into three components: Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions. These totals coupled with the narrative below provides insight into changes in program revenue.

Table 5

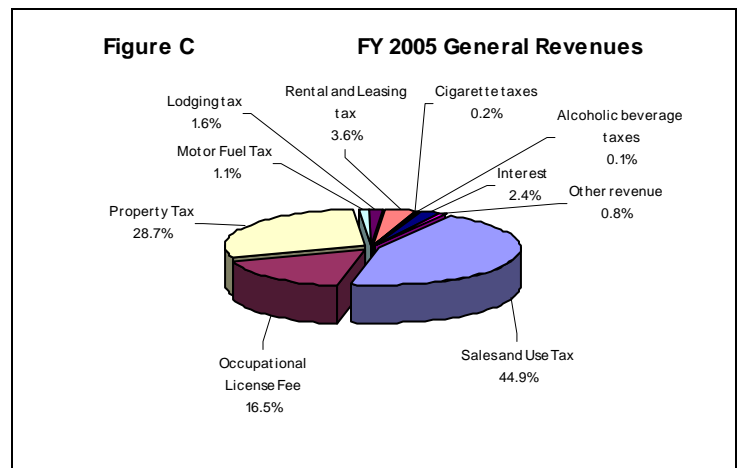
Program revenue by source:	2005	2004
	Primary Government	Primary Government
Charges for Services	\$ 18,483,614	\$ 15,773,575
Operating grants and Contributions	1,678,375	2,093,912
Capital Grants and Contributions	1,285,659	1,449,504
Total Program Revenue	<u>\$ 21,447,648</u>	<u>\$ 19,316,991</u>

Some of the program costs of governmental activities in 2005 were paid by revenues collected from those who directly benefited from the programs (\$15.2 million). These revenue sources include:

- Business license fees, which generated \$5.2 million to pay the costs of providing general government services.
- The City's solid waste collection and recycling programs were funded, in part, by citizen-customers' solid waste collection fees, which totaled \$2.4 million in fiscal 2005, an increase of 5.8% from last year's revenue.
- Auburn University and downtown businesses pay fees for services related to extra patrols downtown and fire and police services on campus. This revenue offset public safety expenditures by \$1.7 million for the year ending 2005. This increased over last year due to the public safety merger between Auburn University and the City of Auburn during the last quarter of FY 04.
- ▶ Program costs were also defrayed by grants and contributions (\$1.9 million). A large portion of this funding comes from the Community

Development Block Grant from the federal Department of Housing and Urban Development. Fiscal 2005 CDBG revenues of \$273,879 were used to rehabilitate inadequate housing, improve public facilities and provide utility and food assistance programs to eligible citizens.

- ▶ The City has also worked to obtain grant funding from the Alabama Department of Transportation to share the cost of expansion or replacement of roads and bridges through capital grants in excess of \$470,000.
- ▶ The City financed the \$66.3 million (\$32.9 million) net expenses for governmental activities from the \$41.4 million in taxes, license fees and other general revenues, such as interest earnings.
- ▶ Figure C shows the various sources of general revenues for fiscal year 2005:



- General revenues are defined as all revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues. All other non-tax revenues (including interest, gains and losses and contributions) that do not meet the criteria for program revenues are reported as general revenues.
- The largest of the City's general revenues is sales and use tax, comprising 44.6% of total general revenues. During this reporting period the City's sales tax rate was 3.0%.
- The second largest source of general revenues is property taxes (28.5%). Of the total 26 mills the City receives in property

taxes, 16 mills are legally dedicated for the City Board of Education.

- The third largest general revenue source is occupational license fees (16.4%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn transferred \$44.1 million to component units during fiscal 2005. Of this amount, \$33.3 million was an appropriation of debt proceeds to the Board of Education, and \$8.9 million was paid to the Board of Education, which included \$2.9 million paid from education property taxes. The \$6 million appropriated from the City's General Fund represents the continued commitment by the City of Auburn in response to the Citizen Survey's identifying educational funding as the citizens' highest priority, consistently year after year.

The City had three special or extraordinary items occur within fiscal year 2005 that produced fiscal revenue. First, the City deeded certain real property consisting of land and buildings to the Water Board in exchange for a parcel of undeveloped land owned by the Board. The transfer was recorded at fair market value, and a gain was recognized by the City equal to \$1,194,159. Second, the City deeded land and improvements held as park property to the Auburn Board of Education. Again, this transaction was recorded by the City equal to the difference in the fair market value and the net book value of the assets transferred at \$968,182. The transfer at fair market value was deducted from the gain which resulted in a net increase of \$173,492. Third, pursuant to a joint venture agreement with the City of Opelika, the City of Auburn owns and operates the Indian Pines Golf course. In July 2005, a fire destroyed the clubhouse at Indian Pines of which insurance proceeds came to the Cities in the amount of \$510,000. The City of Auburn's share of the proceeds (\$255,000) less the book value of the building (\$33,930) is reported as an extraordinary gain of \$221,070.

Business-type Activities

The City owns two wastewater treatment plants that are operated by Veolia Water, a Houston, Texas based engineering and contract services firm. Revenue charged for services of this business-type activity (sewer treatment and disposal) increased by less than 1% to \$5.3 million, and expenses (operating plus non-operating) increased by 7.2%

to \$4.7 million. The Sewer Revenue Fund also increases its capital assets each year through developer contributions of installed sewer lines (recorded at fair value at the time of donation). In fiscal 2005, this contribution was valued at \$979,578.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a *combined* fund balance of \$43.4 million. This reflects a minute decrease from last year. This small decrease does not reflect a quiet year for the City; through various funding sources the City has launched many projects and facilitated much infrastructure improvement.

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

Governmental revenues ~

- ▶ Total revenues of the governmental funds showed growth of 4.4% or \$2.4 million over the prior year.
- ▶ Sales and use tax revenue increased 2.6% during the 2005 fiscal year. The sales tax rate remained at 3%, with the last rate increase occurring in 2003.
- ▶ Charges for services increased by 51.8% or \$2.1 million during fiscal year 2005. This increase is due in part to public safety charges to Auburn University increasing by more than \$1 million during fiscal year 2005, solid waste fees increasing by more than \$150,000 due to a larger consumer base resulting from the City's growth, and public safety fees for providing security services for businesses and schools increasing by approximately \$145,000.
- ▶ Licenses and permits revenue for fiscal 2005 increased by \$404,202 (7.2%). Most of the increase resulted from growth in business license fees (\$196,707) and building permit fees (\$304,766). Business license fees are based on gross receipts, so increased revenue from this source results from increased business activity within the City. Building permit revenue growth is indicative of robust residential and commercial development in Auburn.
- ▶ General property tax revenues improved 15.7%, contributing additional revenue of \$1.6 million to the governmental funds. Growth in

property taxes results from expansion of the city limits through voluntary annexations, as well as appreciation in property values, attributable in part to new construction and improvements.

Governmental expenditures ~

Total governmental expenditures increased by \$58.2 million (108.1%) in fiscal 2005 from fiscal 2004. The major components of this increase in governmental expenditures include:

- ▶ The major component of this increase was the appropriation to the Auburn City Schools. A borrowing of \$33 million occurred in July 2005, the proceeds of which were appropriated to the Board of Education for construction and repairs to school facilities located in Auburn. This increased payments to component units by \$33.7 million or 323.8%
- ▶ Major capital outlay expenditures in fiscal year 2005 included: construction of a new cemetery and passive park (\$1.5 million) to be completed in fiscal 2006, renovations and upgrades to two of the City's sports complexes (\$1.3 million), reconstruction of roads and intersection improvements at over \$1 million. There was also resurfacing work performed in low and moderate-income areas (\$416,992) as well as the purchase of public safety and environmental services specialty vehicles (\$223,552).
- ▶ Debt service increased dramatically from fiscal year 2004 due to the payoff of a line of credit originally issued for infrastructure projects both of the City and Industrial Development Board.

The City's combined proprietary funds, which account for its business activities, reflect increased net assets of \$1.8 million at the end of fiscal 2005, an 11.1% increase.

Proprietary funds' revenues, other resources ~

- ▶ The City's major proprietary fund is its Sewer Revenue Fund, which accounts for sewer treatment and disposal services provided to citizens and businesses within the city limits. Sewer Fund revenues from sewer service charges increased 1% in fiscal 2005, providing an additional \$51,003 in resources. Sewer service rates were increased in fiscal 2005, but had not been increased since 1994.

- ▶ In addition to improved operating revenue from sewer service charges, the Sewer Fund's net assets were increased by \$979,578 from developers' contributions of sewer lines in fiscal 2005. This amount is an 8.8% (\$78,903) increase over the prior year's developer contributions to the Sewer Fund and reflects the robust level of construction activity within the City.

Proprietary funds' expenses ~

- ▶ In the Sewer Fund, the City's major proprietary fund, operating expenses for fiscal 2005 increased by \$443,100 (14.6%). The largest component of this increase was salaries and benefits (\$160,018 or 30.2%), attributable to additional positions and a retirement payment for accumulated leave. Other significant expense increases included minor equipment and tools (\$50,833 or 151.8%) and utilities (\$47,145 or 3.7%).

Analysis of Changes in Major Funds

The General Fund (Governmental) ~

At the end of fiscal 2005, the total fund balance of the City's General Fund decreased \$3.1 million (10.3%) from the prior year's ending balance. General Fund total assets decreased by \$2.6 million (7.9%). This decrease was staged in 2004 with the issuance of an \$8 million line of credit to provide interim financing for some Industrial Development Board projects. Of this \$8 million \$5.25 million was set up as a due from component units. The IDB obtained permanent financing for \$5.25 million in fiscal 2005, which enabled the City to reduce the amount outstanding on the line of credit by \$5.25 million and eliminate this asset in 2005.

Federal Grant Loan Repayment Fund (Governmental) ~

The City's Federal Grant Loan Repayment Fund is a major fund due to the large mortgage receivable balances on the Fund's balance sheet. In the 1980s, the City received numerous federal grants to assist housing and urban development. Under these programs, the City loaned the grant funds to promote housing and commercial capital improvements within the City. As these loans are repaid to the City, these monies are recycled for other Title 1 eligible activities. The mortgages receivable of the Federal Grant Loan Repayment Fund decreased by \$450,947 (10.1%) during fiscal

2005; while total fund balances increased by \$60,237, the excess of the Fund's revenues over expenditures.

Special School Tax Fund (Governmental) ~

The Special School Tax Fund was added in 2005 to the list of major funds accounted for by the City. As a special revenue fund, it accounts for five of the sixteen mills ad valorem tax revenue used to pay principal and interest on bonds issued for the Auburn City Schools. This fund progressed to major fund status due to a bond issuance of \$33 million by the City on behalf of the schools. This caused a dramatic increase in other financing sources; subsequent appropriation of these funds to the Board of Education vaulted expenses as well. Total revenues and other financing sources increased \$33,909,205 or 608.6% and expenses increased by \$34,076,989 or 648.7%; the net effect on fund balance between revenues and expenses was minimal at \$150,946.

Sewer Fund (Business-type activity) ~

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

In fiscal 2005, the Sewer Fund's net assets increased by 11.1% or \$1.8 million. While total net assets increased, the restricted capital asset component of net assets decreased significantly, from \$2.4 million to \$0. This was offset by the increase in unrestricted net assets of \$4.1 million.

Total assets of the Sewer Fund increased \$1.4 million; the majority of this increase was caused by capital assets net of related debt which expanded by \$1.3 million or 3.5%, including construction costs capitalized in 2005. There was a minimal decrease in liabilities at \$415,055 or 1.3%, the result of a net decrease in current liabilities, long-term debt and other liabilities. The Sewer Fund generated an operating income of \$1.8 million in 2005. After non-operating revenues and expenses, the income before operating transfers and capital contributions

was \$761,010. Sewer Fund net assets were also increased by the addition of capital assets donated by developers with an estimated fair value at date of donation of \$979,578.

General Fund Budgetary Highlights

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

The fiscal year 2005 final General Fund budget projected \$44.5 million in revenue and \$11.2 million in other financing sources; appropriations were made for \$58.2 million in expenditures and \$726,000 in other financing uses, producing a planned deficit of \$3.1 million to be absorbed in the General Fund balance. Actual amounts for revenues (\$46 million), other sources (\$16.4 million), expenditures (\$65.2 million) netted favorably in comparison to the budget. As a result, the General Fund balance decreased as expected by \$2.8 million.

The original revenue projections were \$2 million less than the final budget. This was caused by two factors: 1) a charges for services rate increase and 2) better than projected growth for service fees. Auburn also saw growth in sales and use taxes (up by 2.6%), lodging taxes (up by 17.4%), general property tax (up by 15.7%) and licenses and permits (up by 7.2%). These revenue trends reflect the expanding population of the City of Auburn and its economic base.

In response to the expanding demand for public services and facilities, the City's expenditure appropriations at year-end increased over the original budget by \$4.8 million (9.1%). The total operating budget for all departments was increased by \$2.3 million in the final budget. Although all departments' budgets were increased in the final budget, the most significant increase was appropriated for Public Safety, which provides police and fire services, communication services, and codes enforcement. On July 1, 2004, the City of Auburn incorporated the public safety services for Auburn University with its own. At that point, the City began providing law enforcement services on

Auburn University's property (8.8 square miles). Between the two entities, the City acquired equipment, including vehicles, and 27 police officers. The agreement provided for reimbursement by Auburn University of all personnel costs plus some additional expenses. This reimbursement is appropriately accounted for as General Fund revenue. The final budget for Public Safety was increased over the original budget of \$10.5 million by 18.2% to \$12.4 million, because a full year of expenditures would be included in 2005 for public safety services to the University.

Total operating expenditures for all departments were under budget by \$1.7 million in fiscal 2005. This favorable result is typical for Auburn, and results from management's active use of the budget to control expenditures. All departments came in under final budget. Debt service expenditures of \$19.2 million were over the final budget by 39% due to the early payoff of a local line of credit originally opened for the Industrial Development Board. Capital outlay expenditures were significantly under budget by \$4.2 million (116%) due to improvements in infrastructure around the Colonial University Village Mall.

The budget for long-term debt proceeds was increased during the mid-year budget review to reflect the mid-year borrowings. By the end of the year, a second draw of \$5.8 million from a line of credit coupled with subsequent permanent financing of the same issue forced the debt issuance to be over budget by \$5.9 million.

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

At the end of 2005, the City had invested \$96.2 million in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$12.1 million (14.3%) over last year. This increase is the direct result of the completion of a few large projects at parks and recreation facilities and improvements to the infrastructure at the Colonial University Village Mall.

The City committed through borrowings and referendums to continue or complete some major projects in fiscal year ending 2006. Some of the highlights include: bridge improvements or

replacements at \$2.9 million, road reconstruction at \$1.5 million and a new fire station at \$600,000.

As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, the City has included infrastructure capital assets in the Statement of Net Assets beginning in fiscal year 2003. The reader should note that GASB 34 allows additional time for governments to inventory the infrastructure capital assets acquired prior to the implementation of the new accounting requirement. The Statement of Net Assets in this report includes only those infrastructure capital assets constructed and acquired during fiscal years 2003, 2004, and 2005. The City is working to develop the retroactive infrastructure capital assets data for inclusion in future years' financial statements and anticipates completion of this effort by the deadline set by GASB 34. Note 7 provides additional detail on capital assets.

Long-term Debt

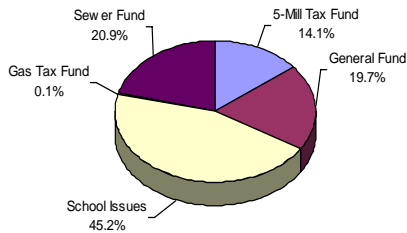
At 2005 fiscal year-end, the City had \$146.6 million in long-term debt outstanding, of which \$6 million will mature during fiscal 2006. The net increase in long-term debt from the previous year was \$35.6 million or 32.1%. The City's long-term debt is comprised of bonds, warrants, notes, and capital leases payable.

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

- ▶ Long-term debt with \$20.2 million in principal outstanding at fiscal year-end will be paid from the Five-Mill Tax fund. This fund receives five mills of property tax revenue, which is used to pay principal and interest on bonds approved in referenda by the registered voters of the City. The most recent referendum occurred in fiscal year 2005. The approval rate for the referendum of various projects including bridge improvements and a new fire station was 97%.

Figure D

Principal Outstanding September 30, 2005



- ▶ The City issues debt for the Auburn City Board of Education. The principal amount of its current outstanding issues stands at \$64.9 million, which will be repaid from special school ad valorem taxes.
- ▶ The City's gas tax provides repayment of a street improvement warrant with principal remaining of \$75,000.
- ▶ The Sewer Revenue Fund (a business activity of the City) pays for two long-term debt issues with total principal outstanding of \$30.1 million.
- ▶ This leaves \$28.3 million in outstanding principal, the repayment of which will be funded solely from the General Fund.

The reader may refer to Note 8 for more detail concerning the debt issuances and debt outstanding of the City and its component units.

New debt resulted from four different issuances:

- ▶ A general obligation bond in the amount of \$9,905,000 was issued on March 1, 2005. This borrowing served two functions: 1) \$4.9 million was used to refund and defease outstanding 1997 Series General Obligation Capital Improvement Bonds, effectively reducing the interest rate by 86 basis points; 2) \$5 million was issued to finance infrastructure improvements, including several bridge improvements, some additional street reconstruction and various intersection improvements.
- ▶ On April 7, 2005, the City issued its \$2,000,000 General Obligation Warrants to finance infrastructure improvements under the Richland Road Special Capital Improvement Project (see Note 25). As of September 30, 2005, only \$51,646 had been drawn against the principal.

- ▶ A taxable general obligation warrant was issued on July 19, 2005 to provide permanent financing to an infrastructure project furthering the redevelopment of Colonial University Village Mall. This resulted in \$4,131,127 in land purchased and \$5,869,000 in infrastructure improvements.
- ▶ As mentioned previously, the City issued \$33,010,000 general obligation warrants in August 2005 to finance the cost of construction and improvements for Auburn City Schools. This debt financing will have a significant positive effect on the Auburn City Schools by funding construction of a new elementary school, providing five new multipurpose areas in the elementary schools and expanding the existing middle, junior high, and high schools.

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. The outstanding debt applicable to this limit is \$47.2 million, resulting in a legal debt margin of \$50.8 million.

Although sales and use tax is considered a revenue source subject to variations in the economy, the consistent growth and stable economy of Auburn, in conjunction with the City government's sound management practices, means that debt repayment remains predictable. The ratio of debt service to total expenditures is 7.7%, excluding payments on two lines of credit that were replaced with permanent financing. Auburn has been able to both expand and maintain its infrastructure to meet citizens needs based on careful financial management in response to citizens' priorities as determined by an annual citizen survey, as well as active citizen involvement.

Bond Ratings

The City received its most recent bond ratings in July 2005. The City's rating received from Moody's Investors Service was Aa3; Standard & Poor's rated the City's general obligation bonds at AA-. The City's other long-term debt carries the same ratings.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Mission Statement

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

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

Even with the general economic downturn experienced within the State of Alabama over the past several years, Auburn has remained a stable and growing economy. Price level changes within the City are comparable with national indices. The City's unemployment rates typically compare favorably with the State and national rates. The most recent data available show that Auburn's 2005 unemployment rate was 3%, as compared with 4.4% for the State of Alabama and the national rate of 5.5% (source: U.S. Bureau of Labor Statistics).

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

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

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

The City's public schools have received consistently high ratings for the qualifications of the faculty and staff and the achievements of their students, as well as strong local funding levels. The excellence of the City School system has proved a major factor in the City's residential growth, and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family detached homes has grown 116% from fiscal 1999 (225 permits) to fiscal 2005 (486 permits). Many families relocate to Auburn to take advantage of the excellent public schools, even though the breadwinners' jobs are in other nearby cities. The City's size has grown from 29.35 square miles in 1999 to 55.36 square miles in 2005. Population growth has averaged about 3% per year for the last 25 years.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2005 and 2006. The City Council conducted a comprehensive Revenue Review in the spring of 2003. The Revenue Review is conducted once every four years with the goal of evaluating the City's overall revenue structure within the context of long-term financial projections, to facilitate the Council's consideration of tax or fee increases. However, tax and fee increases are studied also during the development of the biennial

budget and during each mid-biennium budget review. As part of the City's budget processes, projected revenues and proposed expenditures are keyed into the long-term forecasting model to determine the effects on fund balances of various scenarios. Use of the long-term forecasting model is helpful for determining the effects of tax or fee increases that may be considered, as well as the need for borrowing

The Council has established a goal for maintaining the fund balance in the General Fund at not less than 6% of budgeted expenditures. The City has consistently exceeded this goal; the unreserved and undesignated fund balance at September 30, 2005 stood at 25.3% of expenditures, an increase from 25.0% at the close of fiscal 2004. In addition to the unrestricted, undesignated fund balance, the General Fund balance includes \$4.3 million designated by the Council for use only in the event of natural disaster or significant, unprojected economic downturn.

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 2003. As part of the privatization, rates were increased significantly, and funds were set aside to forestall sewer rate increases. The Council adopted a sewer service charge increase of 5%, effective for fiscal 2005. This was the first rate increase for sewer services since 1994. To address the need for funding for capital facilities expansion, the Council imposed sewer system access fees for the first time in 1996. Access fees are levied on new development when such development ties on to the sewer system. The Council adopted increases in access fees for residential-sized meters effective in April 2005, which was the first increase in sewer access fees since they were initiated in 1996.

Water services are provided by the City's component unit, Auburn Water Works Board. The

Water Board's philosophy is to levy small, frequent water service fee increases, to minimize the effect of rate increases on their customers. The Water Board implemented a 5% increase in the basic water service rates effective October 1, 2004. The previous water rate increase was effective October 1, 2002. The Water Board also levies system access fees, to provide funding for system expansion. The Board first imposed system access fees in 1996 and approved an increase in residential-sized meters effective April 1, 2005.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

These statements provide a summary overview of the financial position of all funds and account groups 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 account group and for each of the City's discretely presented component units.

CITY OF AUBURN, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 33,751,633	\$ 5,006,319	\$ 38,757,952	\$ 18,978,804
Certificates of deposit	-	-	-	51,649
Receivables, net	5,821,361	720,279	6,541,640	1,730,035
Internal balances	206,965	(206,965)	-	-
Due from component units	73,100	22,832	95,932	-
Inventories	25,344	-	25,344	212,032
Current portion of mortgages receivable	75,994	-	75,994	-
Current portion of net investment in capital leases	-	-	-	191,519
Property tax receivable	-	-	-	2,713,484
Due from other governments	-	-	-	163,786
Due from primary government	-	-	-	92,148
Other current assets	121,671	7,564	129,235	52,615
Total current assets	<u>40,076,068</u>	<u>5,550,029</u>	<u>45,626,097</u>	<u>24,186,072</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	42,547	-	42,547	3,836,911
Investments	-	2,819,168	2,819,168	30,004,379
Accrued interest receivable	-	26,000	26,000	169,984
Mortgages receivable, net of current portion	4,091,052	-	4,091,052	-
Net investment in capital leases, net of current portion	-	-	-	3,668,908
Advances to component units	2,933,170	141,455	3,074,625	-
Property for resale	4,131,127	-	4,131,127	7,150,733
Bond issue costs, net	597,962	348,473	946,435	843,667
Deferred water rights, net	-	-	-	1,299,160
Capital assets not being depreciated	19,637,894	1,186,119	20,824,013	18,451,883
Capital assets net of accumulated depreciation	<u>36,305,573</u>	<u>39,150,696</u>	<u>75,456,269</u>	<u>94,465,491</u>
Total noncurrent assets	<u>67,739,325</u>	<u>43,671,911</u>	<u>111,411,236</u>	<u>159,891,116</u>
Total assets	<u>107,815,393</u>	<u>49,221,940</u>	<u>157,037,333</u>	<u>184,077,188</u>
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	121,840
Current portion of long-term debt	-	-	-	512,650
Accrued interest payable	-	-	-	152,075
Accounts payable and other accrued liabilities	1,660,097	198,603	1,858,700	3,325,365
Due to component units	92,148	-	92,148	-
Accrued interest payable	845,020	282,233	1,127,253	80,572
Salaries and benefits payable	685,541	-	685,541	2,858,695
Claims payable	114,187	-	114,187	-
Customer deposits	94,041	432,303	526,344	558,775
Deferred revenue	75,035	-	75,035	2,744,439
Current portion of long-term debt	5,557,313	440,000	5,997,313	9,911,580
Short term notes payable	-	-	-	257,673
Current portion of water supply agreement payable	-	-	-	176,880
Total current liabilities	<u>9,123,382</u>	<u>1,353,139</u>	<u>10,476,521</u>	<u>20,796,476</u>
Noncurrent liabilities:				
Advances from primary government	-	-	-	3,074,625
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	-	-	1,017,054
Long-term debt and other liabilities	<u>111,084,728</u>	<u>29,521,817</u>	<u>140,606,545</u>	<u>44,327,524</u>
Total noncurrent liabilities	<u>111,084,728</u>	<u>29,521,817</u>	<u>140,606,545</u>	<u>48,419,203</u>
Total liabilities	<u>120,208,110</u>	<u>30,874,956</u>	<u>151,083,066</u>	<u>69,215,679</u>
NET ASSETS				
Invested in capital assets, net of related debt	22,454,277	12,376,420	34,830,697	68,453,317
Restricted for:				
Debt service	2,184,462	1,460,163	3,644,625	2,560,415
Capital projects	1,090,383	-	1,090,383	34,747,702
Federal and state grants	148,980	-	148,980	-
Special revenues, non-grant	3,559,228	-	3,559,228	-
Other projects	-	-	-	76,880
Unrestricted (deficit)	(41,830,047)	4,510,401	(37,319,646)	9,023,195
Total net assets	<u>\$ (12,392,717)</u>	<u>\$ 18,346,984</u>	<u>\$ 5,954,267</u>	<u>\$ 114,861,509</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, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities		Business-Type Activities
Functions/Programs							
Primary Government:							
Governmental activities:							
General government and administration	\$ 4,789,687	\$ 7,455,522	\$ 774,770	\$ -	\$ 3,440,605	\$ 3,440,605	
Public works	2,960,817	-	478,929	279,406	(2,202,482)	(2,202,482)	
Environmental services	4,038,158	2,459,025	-	-	(1,579,133)	(1,579,133)	
Public safety	12,634,612	2,620,202	47,487	26,675	(9,940,248)	(9,940,248)	
Library	1,146,947	16,125	9,812	-	(1,121,010)	(1,121,010)	
Parks and recreation	4,247,362	413,535	53,413	-	(3,780,414)	(3,780,414)	
Planning	502,342	60,323	-	-	(442,019)	(442,019)	
Social and economic development	3,894,096	-	313,964	-	(3,580,132)	(3,580,132)	
Employee services	472,238	-	-	-	(472,238)	(472,238)	
Risk management	506,603	187,407	-	-	(319,196)	(319,196)	
Education (payments to Board of Education)	42,322,984	-	-	-	(42,322,984)	(42,322,984)	
Interest on long-term debt	3,929,464	-	-	-	(3,929,464)	(3,929,464)	
Total governmental activities	81,445,310	13,212,139	1,678,375	306,081	(66,248,715)	(66,248,715)	
Business-type activities:							
Sewer	4,753,076	5,271,475	-	979,578	1,497,977	1,497,977	
Industrial Parks	213	-	-	-	(213)	(213)	
Total business-type activities	4,753,289	5,271,475	-	979,578	1,497,764	1,497,764	
Total primary government	\$ 86,198,599	\$ 18,483,614	\$ 1,678,375	\$ 1,285,659	\$ (66,248,715)	\$ (64,750,951)	
Component units	\$ 51,413,121	\$ 10,545,115	\$ 23,457,682	\$ 35,746,139		18,335,815	
General revenues:							
Taxes:							
Sales taxes					18,429,013	18,429,013	
Occupational license fees					6,785,103	6,785,103	
Property taxes					11,791,602	11,791,602	
Motor fuel taxes					461,800	461,800	
Lodging taxes					668,094	668,094	
Rental and leasing taxes					1,456,463	1,456,463	
Cigarette taxes					91,188	91,188	
Alcoholic beverage taxes					29,473	29,473	
Other taxes					-	-	
Appropriations from the City of Auburn					-	-	
Federal and state aid not restricted					-	-	
Interest and investment earnings					-	-	
Gain on disposal of assets					981,502	981,502	
Miscellaneous					18,245	18,245	
Special items--certain capital asset transactions (see Note 19)					6,655	6,655	
Extraordinary item--gain on building destroyed by fire					173,492	173,492	
Transfers					221,070	221,070	
Total general revenues, special items, and transfers					(95,349)	(95,349)	
Change in net assets					41,018,351	41,018,351	
Net assets--beginning					340,378	340,378	
Prior period adjustment					1,838,142	1,838,142	
Net assets--beginning, as restated					16,508,842	16,508,842	
Net assets--ending					(307,184)	(307,184)	
Net assets--ending, as restated					12,837,647	12,837,647	
Net assets--ending					(12,392,717)	(12,392,717)	

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

CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 17,364,624	\$ 527,373	\$ 886,936	\$ 14,972,702	\$ 33,751,635
Receivables, net	5,619,663	25,087	-	152,243	5,796,993
Due from other funds	41,578	-	-	-	41,578
Due from component units	70,684	-	2,416	-	73,100
Inventories	25,344	-	-	-	25,344
Prepaid items	16,781	-	-	-	16,781
Mortgages receivable	-	-	4,018,066	148,980	4,167,046
Advances to					
Other funds	-	-	273,334	-	273,334
Component units	2,933,170	-	-	-	2,933,170
Property for resale	4,131,127	-	-	-	4,131,127
Restricted cash	-	42,547	-	-	42,547
Total assets	<u>\$ 30,202,971</u>	<u>\$ 595,007</u>	<u>\$ 5,180,752</u>	<u>\$ 15,273,925</u>	<u>\$ 51,252,655</u>
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	\$ 1,826,193	\$ 27,572	\$ -	\$ 622,302	\$ 2,476,067
Due to component units	92,148	-	-	-	92,148
Customer deposits	77,800	-	-	-	77,800
Due to other funds	-	-	-	41,579	41,579
Deferred revenue	831,259	-	-	-	831,259
Deferred program revenue	-	-	4,018,614	148,980	4,167,594
Advances from other funds	66,369	-	-	-	66,369
Accrued interest payable from restricted assets	-	42,332	-	-	42,332
Total liabilities	<u>2,893,769</u>	<u>69,904</u>	<u>4,018,614</u>	<u>812,861</u>	<u>7,795,148</u>
Fund balances:					
Reserved:					
Inventories	25,344	-	-	-	25,344
Prepaid items	16,781	-	-	-	16,781
Encumbrances	714,320	-	1,200	2,716,946	3,432,466
Advances	2,933,170	-	273,334	-	3,206,504
Property for resale	4,131,127	-	-	-	4,131,127
Unreserved:					
Designated for emergency purposes	4,419,717	-	-	-	4,419,717
Designated for equipment replacement	299,578	-	-	-	299,578
Undesignated (deficit)	14,769,165	525,102	887,604	-	16,181,871
Unreserved, reported in nonmajor funds:					
Special revenue funds	-	-	-	3,221,707	3,221,707
Debt service funds	-	-	-	2,116,996	2,116,996
Capital projects funds	-	-	-	6,405,416	6,405,416
Total fund balances	<u>27,309,202</u>	<u>525,102</u>	<u>1,162,138</u>	<u>14,461,065</u>	<u>43,457,507</u>
Total liabilities and fund balances	<u>\$ 30,202,971</u>	<u>\$ 595,006</u>	<u>\$ 5,180,752</u>	<u>\$ 15,273,926</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	55,943,467
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the current period	(116,044,079)
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds	4,923,818
Prepaid items accounted for using the purchases method are not reported in the funds	104,890
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds	(778,320)
Net assets of governmental activities	<u>\$ (12,392,717)</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Sales and use taxes	\$ 18,429,013	\$ -	\$ -	\$ -	\$ 18,429,013
Occupational license fees	6,785,103	-	-	-	6,785,103
Motor fuel taxes	220,541	-	-	235,761	456,302
Lodging taxes	668,094	-	-	-	668,094
Rental and leasing taxes	1,456,463	-	-	-	1,456,463
Other taxes	120,661	-	-	-	120,661
Licenses and permits	6,001,452	-	-	-	6,001,452
General property tax	2,893,436	2,220,905	-	6,996,904	12,111,245
Charges for services	6,371,963	-	-	-	6,371,963
Fines and forfeitures	1,013,374	-	-	-	1,013,374
State shared taxes	760,445	-	-	260,647	1,021,092
Contributions from the public	152,598	-	-	42,171	194,769
Grants	520,061	-	-	273,879	793,940
Program income	-	-	549,327	-	549,327
Interest	496,081	7,604	106,313	375,976	985,974
Miscellaneous	75,695	-	-	-	75,695
Total revenues	45,964,980	2,228,509	655,640	8,185,338	57,034,467
Expenditures					
General government and administration	3,438,940	-	-	155,913	3,594,853
Public works	2,433,580	-	-	-	2,433,580
Environmental services	3,630,390	-	-	-	3,630,390
Public safety	11,734,485	-	-	23,501	11,757,986
Library	1,049,762	-	-	-	1,049,762
Parks and recreation	3,799,044	-	-	-	3,799,044
Planning	507,098	-	-	-	507,098
Economic Development	598,636	-	87,702	71,582	757,920
Employee services	459,278	-	-	-	459,278
Risk management	511,523	-	-	-	511,523
Total departmental	28,162,736	-	87,702	250,996	28,501,434
Non-departmental	1,098,695	76,174	-	247,371	1,422,240
Debt service	19,233,751	2,870,444	-	1,785,211	23,889,406
Capital outlay	7,860,351	-	-	5,123,368	12,983,719
Intergovernmental	1,177,306	-	-	-	1,177,306
Payments to component units	7,713,961	36,383,810	-	-	44,097,771
Total expenditures	65,246,800	39,330,428	87,702	7,406,946	112,071,876
Excess (deficiency) of revenues over expenditures	(19,281,820)	(37,101,919)	567,938	778,392	(55,037,409)
Other financing sources (uses)					
Debt issuance	15,920,646	33,010,000	-	9,905,000	58,835,646
Premium on debt issued	-	792,821	-	328,038	1,120,859
Payment to refunded bond escrow agent	-	-	-	(5,026,414)	(5,026,414)
Transfers in	509,450	3,450,000	-	5,189,283	9,148,733
Transfers out	(218,056)	-	-	(9,034,283)	(9,252,339)
Total other financing sources (uses)	16,212,040	37,252,821	-	1,361,624	54,826,485
Extraordinary item					
Insurance proceeds from building destroyed by fire	255,000	-	-	-	255,000
Net changes in fund balances	(2,814,780)	150,902	567,938	2,140,016	44,076
Fund balances, beginning of year	30,123,982	374,200	650,953	12,321,049	43,470,184
Prior period adjustment	-	-	(56,753)	-	(56,753)
Fund balances, beginning of year, as restated	30,123,982	374,200	594,200	12,321,049	43,413,431
Fund balances, end of year	\$ 27,309,202	\$ 525,102	\$ 1,162,138	\$ 14,461,065	\$ 43,457,507

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

CITY OF AUBURN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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

Net change in fund balances--total governmental funds	\$	44,076
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.		10,838,085
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		174,495
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.		(34,754,088)
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.		(804,158)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		462,090
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.		(1,190,864)
Change in net assets--statement of activities	\$	<u>(25,230,364)</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales and use taxes	\$ 18,626,000	\$ 18,626,000	\$ 18,429,013	\$ (196,987)
Occupational license fees	6,425,000	7,175,000	6,785,103	(389,897)
Motor fuel taxes	240,000	236,000	220,541	(15,459)
Lodging taxes	582,500	603,142	668,094	64,952
Rental and leasing taxes	1,326,000	1,335,500	1,456,463	120,963
Other taxes	121,500	117,800	120,661	2,861
Licenses and permits	5,783,919	5,901,690	6,001,452	99,762
General property tax	2,467,500	2,560,191	2,893,436	333,245
Charges for services	4,039,291	5,631,962	6,371,963	740,001
Fines and forfeitures	835,000	835,060	1,013,374	178,314
State shared taxes	547,500	643,412	760,445	117,033
Contributions from the public	4,000	39,000	152,598	113,598
Grants	1,195,000	459,412	520,061	60,649
Interest	265,000	305,000	496,081	191,081
Miscellaneous	72,500	63,000	75,695	12,695
Total revenues	42,530,710	44,532,169	45,964,980	1,432,811
Expenditures				
General government and administration	3,594,493	3,693,084	3,438,940	254,144
Public works	2,540,596	2,638,008	2,433,580	204,428
Environmental services	3,645,187	3,760,819	3,630,390	130,429
Public safety	10,530,532	12,449,149	11,734,485	714,664
Library	1,162,199	1,170,266	1,049,762	120,504
Parks and recreation	3,760,598	3,863,636	3,799,044	64,592
Planning	486,787	515,631	507,098	8,533
Economic Development	640,437	637,778	598,636	39,142
Employee services	519,374	519,364	459,278	60,086
Risk management	682,150	677,863	511,523	166,340
Total departmental	27,562,353	29,925,598	28,162,736	1,762,862
Non-departmental	1,459,691	1,796,616	1,098,695	697,921
Debt service	4,649,568	13,882,723	19,233,751	(5,351,028)
Capital outlay	2,387,387	3,637,997	7,860,351	(4,222,354)
Intergovernmental	1,126,555	1,289,434	1,177,306	112,128
Payments to component units	16,174,579	7,674,579	7,713,961	(39,382)
Total expenditures	53,360,133	58,206,947	65,246,800	(7,039,853)
Excess (deficiency) of revenues over expenditures	(10,829,423)	(13,674,778)	(19,281,820)	(5,607,042)
Other financing sources (uses)				
Debt issuance	8,500,000	10,000,000	15,920,646	5,920,646
Transfers in	1,235,450	1,235,450	509,450	(726,000)
Transfers out	-	(726,000)	(218,056)	507,944
Total other financing sources (uses)	9,735,450	10,509,450	16,212,040	5,702,590
Extraordinary item				
Insurance proceeds from building destroyed by fire	-	-	255,000	255,000
Net changes in fund balances	(1,093,973)	(3,165,328)	(2,814,780)	350,548
Fund balances, beginning of year	30,123,982	30,123,982	30,123,982	-
Fund balances, end of year	\$ 29,030,009	\$ 26,958,654	\$ 27,309,202	\$ 350,548

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
General property tax	\$ 2,020,000	\$ 2,062,525	\$ 2,220,905	\$ 158,380
Interest	3,500	6,000	7,604	1,604
Total revenues	<u>2,023,500</u>	<u>2,068,525</u>	<u>2,228,509</u>	<u>159,984</u>
Expenditures				
Non-departmental	79,000	84,256	76,174	8,082
Debt service	2,450,552	2,827,552	2,870,444	(42,892)
Payments to component units	2,828,000	36,006,000	36,383,810	(377,810)
Total expenditures	<u>5,357,552</u>	<u>38,917,808</u>	<u>39,330,428</u>	<u>(412,620)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,334,052)</u>	<u>(36,849,283)</u>	<u>(37,101,919)</u>	<u>(252,636)</u>
Other financing sources (uses)				
Debt issuance	-	33,385,000	33,010,000	(375,000)
Premium on debt issued	-	-	792,821	792,821
Transfers in	3,450,000	3,450,000	3,450,000	-
Total other financing sources (uses)	<u>3,450,000</u>	<u>36,835,000</u>	<u>37,252,821</u>	<u>417,821</u>
Net changes in fund balances	115,948	(14,283)	150,902	165,185
Fund balances, beginning of year	<u>374,200</u>	<u>374,200</u>	<u>374,200</u>	<u>-</u>
Fund balances, end of year	<u>\$ 490,148</u>	<u>\$ 359,917</u>	<u>\$ 525,102</u>	<u>\$ 165,185</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, 2005

	Major Fund <u>Sewer Revenue Fund</u>	Nonmajor Fund <u>Industrial Park Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,919,384	\$ 86,934	\$ 5,006,318
Receivables, net	720,279	-	720,279
Due From other funds	-	-	-
Due from component units	22,832	-	22,832
Other current assets	7,564	-	7,564
Total current assets	<u>5,670,059</u>	<u>86,934</u>	<u>5,756,993</u>
Noncurrent assets			
Restricted assets			
Investments	2,819,168	-	2,819,168
Accrued interest receivable	26,000	-	26,000
Advances to component units	-	141,455	141,455
Bond issue costs, net	348,473	-	348,473
Capital assets, net	40,336,815	-	40,336,815
Total noncurrent assets	<u>43,530,456</u>	<u>141,455</u>	<u>43,671,911</u>
Total assets	<u>49,200,515</u>	<u>228,389</u>	<u>49,428,904</u>
LIABILITIES			
Current liabilities:			
Accounts payable	198,583	19	198,602
Accrued interest payable	282,233	-	282,233
Customer deposits	432,303	-	432,303
Current portion of long-term debt	440,000	-	440,000
Total current liabilities	<u>1,353,119</u>	<u>19</u>	<u>1,353,138</u>
Noncurrent liabilities:			
Advances from other funds	-	206,965	206,965
Long-term debt and other liabilities	29,521,816	-	29,521,816
Total noncurrent liabilities	<u>29,521,816</u>	<u>206,965</u>	<u>29,728,781</u>
Total liabilities	<u>30,874,935</u>	<u>206,984</u>	<u>31,081,919</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,376,420	-	12,376,420
Restricted for:			
Debt service	1,460,163	-	1,460,163
Unrestricted (deficit)	4,488,997	21,405	4,510,402
Total net assets	<u>\$ 18,325,580</u>	<u>\$ 21,405</u>	<u>\$ 18,346,985</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Major Fund <u>Sewer Revenue Fund</u>	Nonmajor Fund <u>Industrial Park Fund</u>	<u>Total</u>
Operating revenues			
Sewer service charges	\$ 5,258,808	\$ -	\$ 5,258,808
Sewer tapping fees	3,250	-	3,250
Miscellaneous	9,417	-	9,417
Total operating revenues	<u>5,271,475</u>	<u>-</u>	<u>5,271,475</u>
Operating expenses			
Salaries and wages	605,354	-	605,354
Employee benefits	114,830	-	114,830
Repairs and maintenance	20,792	-	20,792
Utilities	351,978	213	352,191
Professional services	187,736	-	187,736
Rentals and leasing	22,830	-	22,830
Insurance	12,106	-	12,106
Office supplies	13,753	-	13,753
Fuels and lubricants	14,489	-	14,489
Agricultural and chemical supplies	14,580	-	14,580
Minor equipment and tools	84,326	-	84,326
Repair parts and materials	37,997	-	37,997
Clothing and linens	5,955	-	5,955
Sewer service fees	126,000	-	126,000
Management fees	977,073	-	977,073
Depreciation/amortization	873,919	-	873,919
Travel and training	5,685	-	5,685
Miscellaneous	3,274	-	3,274
Total operating expenses	<u>3,472,677</u>	<u>213</u>	<u>3,472,890</u>
Operating income (loss)	<u>1,798,798</u>	<u>(213)</u>	<u>1,798,585</u>
Nonoperating revenues (expenses)			
Interest earned	242,610	2,419	245,029
Interest and fiscal charges	(1,280,398)	-	(1,280,398)
Total nonoperating revenues (expenses)	<u>(1,037,788)</u>	<u>2,419</u>	<u>(1,035,369)</u>
Income (loss) before operating transfers and capital contributions	761,010	2,206	763,216
Transfers in from other funds	218,056	-	218,056
Transfers out to other funds	(122,707)	-	(122,707)
Capital contributions from developers	979,578	-	979,578
Change in net assets	1,835,937	2,206	1,838,143
Net assets, beginning of year	16,489,643	19,199	16,508,842
Net assets, end of year	<u>\$ 18,325,580</u>	<u>\$ 21,405</u>	<u>\$ 18,346,985</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Major Fund <u>Sewer Revenue Fund</u>	Nonmajor Fund <u>Industrial Park Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash collected from customers	\$ 5,229,689	\$ -	\$ 5,229,689
Customer deposits collected	36,958	-	36,958
Payments to suppliers for goods and services	(2,098,843)	(212)	(2,099,055)
Payments to employees for services	<u>(679,385)</u>	<u>-</u>	<u>(679,385)</u>
Net cash provided (consumed) by operating activities (A)	<u>2,488,419</u>	<u>(212)</u>	<u>2,488,207</u>
Cash flows from noncapital financing activities			
Payments of transfers out	<u>(111,594)</u>	<u>-</u>	<u>(111,594)</u>
Net cash consumed by noncapital financing activities	<u>(111,594)</u>	<u>-</u>	<u>(111,594)</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(433,240)	-	(433,240)
Acquisition and construction of capital assets	(814,191)	-	(814,191)
Interest and fiscal fees paid	<u>(1,136,340)</u>	<u>-</u>	<u>(1,136,340)</u>
Net cash provided (consumed) by capital and related financing activities	<u>(2,383,771)</u>	<u>-</u>	<u>(2,383,771)</u>
Cash flows from investing activities			
Interest on investments	247,174	2,419	249,593
Purchase of investments	<u>(775,033)</u>	<u>-</u>	<u>(775,033)</u>
Net cash provided by investing activities	<u>(527,859)</u>	<u>2,419</u>	<u>(525,440)</u>
Net increase (decrease) in cash	(534,805)	2,207	(532,598)
Cash and cash equivalents, beginning of year	<u>5,454,189</u>	<u>84,727</u>	<u>5,538,916</u>
Cash and cash equivalents, end of year	<u>\$ 4,919,384</u>	<u>\$ 86,934</u>	<u>\$ 5,006,318</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Major Fund <u>Sewer Revenue Fund</u>	Nonmajor Fund <u>Industrial Park Fund</u>	<u>Total</u>
RECONCILIATION OF NET INCOME TO CASH PROVIDED (CONSUMED) BY OPERATING ACTIVITIES (A)			
Operating income (loss)	\$ 1,798,798	\$ (213)	\$ 1,798,585
Add: Depreciation/amortization expense	873,919	-	873,919
Increase in accounts payable/accrued liabilities	-	1	1
Increase in customer deposits	36,958	-	36,958
Increase in accrued leave	6,561	-	6,561
Deduct: Increase in receivable from Water Board	(41,786)	-	(41,786)
Increase in prepaid expenses	(1,761)	-	(1,761)
Decrease in accounts payable/accrued liabilities	(184,270)	-	(184,270)
Net cash provided (consumed) by operating activities	<u>\$ 2,488,419</u>	<u>\$ (212)</u>	<u>\$ 2,488,207</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	\$ 963,578	\$ -	\$ 963,578
Net book value of assets transferred to General Fund	(8,257)	-	(8,257)
Cost of sewer lines constructed by the General Fund and transferred to the Sewer Fund	<u>215,200</u>	<u>-</u>	<u>215,200</u>
Total noncash transactions	<u>\$ 1,170,521</u>	<u>\$ -</u>	<u>\$ 1,170,521</u>

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Major Component Units			
	Board of Education	Water Works Board	Industrial Development Board	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,433,066	\$ 4,566,950	\$ 978,788	\$ 18,978,804
Certificates of deposit	-	-	51,649	51,649
Receivables, net	431,373	1,251,028	47,634	1,730,035
Inventories	72,013	140,019	-	212,032
Current portion of net investment in capital leases	-	-	191,519	191,519
Property tax receivable	2,713,484	-	-	2,713,484
Due from other governments	163,786	-	-	163,786
Due from primary government	-	22,847	69,301	92,148
Other current assets	-	43,297	9,318	52,615
Total current assets	<u>16,813,722</u>	<u>6,024,141</u>	<u>1,348,209</u>	<u>24,186,072</u>
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	-	3,790,560	46,351	3,836,911
Investments	29,171,552	832,827	-	30,004,379
Accrued interest receivable	166,271	3,713	-	169,984
Net investment in capital leases, net of current portion	-	-	3,668,908	3,668,908
Property for resale	-	-	7,150,733	7,150,733
Bond issue costs, net	-	439,373	404,294	843,667
Deferred water rights, net	-	1,299,160	-	1,299,160
Capital assets not being depreciated	5,098,727	7,547,363	5,805,793	18,451,883
Capital assets, net of accumulated depreciation	<u>33,542,336</u>	<u>36,811,798</u>	<u>24,111,357</u>	<u>94,465,491</u>
Total noncurrent assets	<u>67,978,886</u>	<u>50,724,794</u>	<u>41,187,436</u>	<u>159,891,116</u>
Total assets	<u>84,792,608</u>	<u>56,748,935</u>	<u>42,535,645</u>	<u>184,077,188</u>
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	121,840	-	121,840
Current portion of long-term debt	-	512,650	-	512,650
Accrued interest payable	-	152,075	-	152,075
Accounts payable and other accrued liabilities	773,764	1,965,903	585,698	3,325,365
Accrued interest payable	-	-	80,572	80,572
Salaries and benefits payable	2,858,695	-	-	2,858,695
Customer deposits	-	558,775	-	558,775
Deferred revenue	2,743,039	-	1,400	2,744,439
Current portion of long-term debt	-	-	9,911,580	9,911,580
Short-term notes payable	-	-	257,673	257,673
Due to primary government	-	93,516	2,416	95,932
Current portion of water supply agreement payable	-	176,880	-	176,880
Total current liabilities	<u>6,375,498</u>	<u>3,581,639</u>	<u>10,839,339</u>	<u>20,796,476</u>
Noncurrent liabilities:				
Advances from primary government	-	-	3,074,625	3,074,625
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	1,017,054	-	1,017,054
Long-term debt and other liabilities	-	18,900,267	25,427,257	44,327,524
Total noncurrent liabilities	<u>-</u>	<u>19,917,321</u>	<u>28,501,882</u>	<u>48,419,203</u>
Total liabilities	<u>6,375,498</u>	<u>23,498,960</u>	<u>39,341,221</u>	<u>69,215,679</u>
NET ASSETS				
Invested in capital assets, net of related debt	38,641,063	25,861,594	3,950,660	68,453,317
Restricted for:				
Debt service	-	2,514,064	46,351	2,560,415
Capital projects	32,638,379	2,109,323	-	34,747,702
Other projects	76,880	-	-	76,880
Unrestricted (deficit)	7,060,788	2,764,994	(802,587)	9,023,195
Total net assets	<u>\$ 78,417,110</u>	<u>\$ 33,249,975</u>	<u>\$ 3,194,424</u>	<u>\$ 114,861,509</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, 2005

	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
Component units						
Governmental activities:						
Auburn Board of Education	\$ 24,418,574	\$ 675,160	\$ 17,112,289	\$ 33,614,787	\$ 26,983,662	\$ 26,983,662
Functions/Programs	7,974,201	252,810	3,385,749	39,708	(4,295,934)	(4,295,934)
Instruction	3,255,969	82,433	6,692	321,161	(2,845,683)	(2,845,683)
Operational support						
Operation and maintenance	1,404,209	1,018	1,093,430	151,590	(158,171)	(158,171)
Auxiliary services	2,064,992	1,661,822	80,424	-	(322,746)	(322,746)
Student transportation services	1,776,196	3,581	243,311	-	(1,529,304)	(1,529,304)
Food services	416,779	583,295	70,421	-	236,937	236,937
General administrative services	11,202	-	-	-	(11,202)	(11,202)
Other	41,322,122	3,260,119	21,992,316	34,127,246	18,057,559	18,057,559
Interest and fiscal charges						
Total governmental activities	10,090,999	7,284,996	1,465,366	1,618,893	-	278,256
Business-type activities:						
Business-type component units	\$ 51,413,121	\$ 10,545,115	\$ 23,457,682	\$ 35,746,139	18,057,559	278,256
Total component units						18,335,815
General revenues:						
Taxes:						
Sales taxes					3,106,311	3,106,311
Property taxes					5,641,278	5,641,278
Alcoholic beverage taxes					398,899	398,899
Other taxes					53,200	53,200
Unrestricted appropriations from the City of Auburn					5,939,173	5,939,173
Federal/state aid not restricted					21,194	21,194
Interest and investment earnings					523,983	523,983
Miscellaneous					63,835	63,835
Special items--certain capital asset transactions (see Note 19)					1,968,849	1,968,849
Total general revenues, special items, and transfers					17,736,722	17,736,722
Change in net assets					35,794,281	35,794,281
Net assets--beginning of year					42,622,829	42,622,829
Prior period adjustment					-	-
Net assets--beginning of year, as restated					42,622,829	42,622,829
Net assets--ending					78,417,110	78,417,110

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, 2005

	Water Works Board	Industrial Development Board	Total
Operating revenues			
Lease income	\$ -	\$ 1,875,695	\$ 1,875,695
Water sales and service	5,199,378	-	5,199,378
Miscellaneous	182,107	27,816	209,923
Total operating revenues	<u>5,381,485</u>	<u>1,903,511</u>	<u>7,284,996</u>
Operating expenses			
Water pumping and purification expense	1,345,956	-	1,345,956
Water distribution expense	563,523	-	563,523
Meter reading expense	169,638	-	169,638
Billing and collections expense	424,564	-	424,564
Operations administration expense	449,013	-	449,013
Revenue administration expense	121,671	-	121,671
General operations expense	524,766	-	524,766
Salaries and wages	-	46,886	46,886
Employee benefits	-	3,595	3,595
Repairs and maintenance	-	78,537	78,537
Advertising	-	17,916	17,916
Utilities	-	69,902	69,902
Professional services	-	86,887	86,887
Office supplies	-	14,678	14,678
Depreciation/amortization	1,147,417	608,514	1,755,931
Industrial recruitment	-	304,397	304,397
Industrial incentives granted	-	1,436,179	1,436,179
Travel and training	-	16,170	16,170
Special events	-	14,359	14,359
Contributions to other governments	-	67,615	67,615
Miscellaneous	-	2,646	2,646
Total operating expenses	<u>4,746,548</u>	<u>2,768,281</u>	<u>7,514,829</u>
Operating income (loss)	<u>634,937</u>	<u>(864,770)</u>	<u>(229,833)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	188,776	239,879	428,655
Appropriations from the City of Auburn	-	1,397,751	1,397,751
Appropriations from component units	-	67,615	67,615
Interest and fiscal charges	(868,199)	(1,707,971)	(2,576,170)
Other non-operating revenues	12,599	-	12,599
Total non-operating revenues (expenses)	<u>(666,824)</u>	<u>(2,726)</u>	<u>(669,550)</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	<u>(31,887)</u>	<u>(867,496)</u>	<u>(899,383)</u>
Capital contributions			
From the City of Auburn	374,083	-	374,083
From developers	667,310	-	667,310
From access fees	577,500	-	577,500
Total capital contributions	<u>1,618,893</u>	<u>-</u>	<u>1,618,893</u>
Special items			
Property swap with City of Auburn	1,969,265	-	1,969,265
Gain on sale of property	973,822	-	973,822
Capital assets transferred from component unit	-	1,132,437	1,132,437
Gain on transfer of assets to other government	-	263,038	263,038
Capital assets transferred to other government	-	(1,132,437)	(1,132,437)
Total special items	<u>2,943,087</u>	<u>263,038</u>	<u>3,206,125</u>
Change in net assets	<u>4,530,093</u>	<u>(604,458)</u>	<u>3,925,635</u>
Net assets--beginning of year	28,719,882	3,639,012	32,358,894
Prior period adjustment	-	159,870	159,870
Net assets--beginning of year, as restated	<u>28,719,882</u>	<u>3,798,882</u>	<u>32,518,764</u>
Net assets--end of year	<u>\$ 33,249,975</u>	<u>\$ 3,194,424</u>	<u>\$ 36,444,399</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, 2005

	<u>Youth Athletic Associations' Private-purpose Trust Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 153,505
Certificates of deposit	<u>32,591</u>
Total assets	<u>186,096</u>
NET ASSETS	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	85,143
Auburn Soccer Organization	92,617
Auburn Youth Football	5,786
Auburn Community Tennis Association	<u>2,550</u>
Total net assets	<u><u>\$ 186,096</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
SEPTEMBER 30, 2005

	Youth Athletic Associations' Private-purpose Trust Fund
ADDITIONS	
Program revenues:	
Baseball/Softball	\$ 196,812
Soccer	151,321
Football	21,089
Tennis	4,341
Total program revenues	373,563
Investment earnings:	
Baseball/Softball interest	935
Soccer interest	130
Total investment earnings	1,065
Total additions	374,628
 DEDUCTIONS	
Program expenses:	
Baseball/Softball	198,393
Soccer	133,418
Football	25,048
Tennis	1,791
Total deductions	358,650
Change in net assets	15,978
Net assets - beginning	170,118
Net assets - ending	\$ 186,096

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, 2005

	Page Number
1. Summary of Significant Accounting Policies.....	55
A. Reporting Entity.....	55
Blended Component Units.....	55
Discretely Presented Component Units.....	55
Related Organizations.....	57
Joint Venture.....	57
Jointly Governed Organizations.....	58
B. Basic Financial Statements – GASB Statement #34.....	59
C. Basis of Presentation.....	61
Governmental Funds.....	61
Proprietary Funds.....	61
Fiduciary Funds.....	61
D. Basis of Accounting.....	62
E. Reconciliation of Government-Wide and Fund Financial Statements.....	63
F. Budgets and Budgetary Accounting.....	65
G. Cash and Cash Equivalents.....	65
H. Investments.....	66
I. Restricted Assets.....	66
J. Accounts Receivable.....	66
K. Inventories.....	66
L. Capital Assets.....	66
M. Risk Financing.....	67
City of Auburn Primary Government.....	67
Component Units.....	67
N. Long-Term Obligations.....	69
O. Compensated Absences.....	69
City of Auburn Primary Government.....	69
Component Units.....	69
P. Postretirement Benefits.....	70
Q. Fund Balance.....	70
R. Net Assets.....	70
S. Interfund Transactions.....	71
T. Estimates.....	71
2. Deposits in Financial Institutions.....	71
3. Cash and Cash Equivalents.....	72
4. Investments.....	72
5. Accounts Receivable.....	74
6. Property Taxes.....	74
7. Capital Assets.....	75
City of Auburn Primary Government.....	75
Component Units.....	77
8. Long-Term Liabilities.....	80

Guide to Notes to the Financial Statements

September 30, 2003

City of Auburn Primary Government.....	80
Component Units.....	88
9. Deferred Program Revenue.....	94
10. Lease Agreements.....	94
11. Defined Benefit Pension Plans.....	96
City of Auburn Primary Government.....	96
Component Units.....	97
12. Self-Insurance – General Liability and Workmen’s Compensation.....	99
13. Medical Self-Insurance.....	100
14. Unemployment Compensation.....	100
15. Ad Valorem Tax Collection Expenses.....	101
16. Interfund Receivables and Payables.....	101
17. Interfund Transfers.....	102
18. Intra-Entity Transactions.....	102
19. Special and Extraordinary Items.....	103
20. Reporting of Federal Grant Loan Repayment Special Revenue Fund.....	105
21. Reporting of Public Safety Substance Abuse Revenue Fund.....	106
22. Reporting of General Fund Activities.....	107
23. Restricted Assets.....	111
City of Auburn Primary Government.....	111
Component Units.....	111
24. Deferred Water Rights – Water Works Board (Component Unit).....	111
25. Special Capital Improvement Projects.....	111
26. Deprivatization of Sewer Plants.....	112
27. Subsequent Events.....	113
City of Auburn Primary Government.....	113
Component Units.....	113
28. Commitments, Litigation, and Contingencies.....	114
City of Auburn Primary Government.....	114
Component Units.....	115
29. Prior Period Adjustments.....	116
30. Landfill Closure and Postclosure Care.....	116
31. Related Party Transactions.....	116

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

BLENDED COMPONENT UNITS

City of Auburn Public Library Board

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

DISCRETELY PRESENTED COMPONENT UNITS

The component unit column in the government-wide financial statements includes the financial data of three of the City's five discretely presented component units (the Public Parks and Recreation Board and the Commercial Development Authority currently have no financial activity, and the Auburn Center for Developing Industries is no longer reported as a component unit of the City). 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.

City of Auburn Board of Education

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

City of Auburn Water Works Board

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

Auburn Center for Developing Industries, Inc.

The Center is a nonprofit corporation governed by a seven-member Board of Directors. City Council appoints five of these members. Prior to fiscal year 2005, the City held title to the Center's land and buildings and was obligated for the Center's debt. In November 1994, the Auburn City Council passed a resolution which authorized the transfer of the Auburn Center for Developing Industries (ACDI) to the Industrial Development Board subject to a satisfactory

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the transfer took place. It remained the intent of the Board to accept the transfer of the ACDI property, however, the property was not formally conveyed until September 2005. Because the Industrial Development Board now holds title to the Center's land and buildings, is obligated for the Center's debt, and makes management decisions regarding the leasing activities of the Center, the Auburn Center for Developing Industries is now presented as a component unit of the Industrial Development Board and is no longer included as a discretely presented component unit of the City of Auburn. The net assets and operations of the Center are reflected in the reporting entity totals of the City of Auburn Industrial Development Board in these financial statements.

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.

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 Parks and Recreation Board

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

All three Board members are appointed by the City Council, which maintains a significant degree of control over the Board's officials. The City exercises total control over budgetary adoption requests and revisions and has responsibility for funding deficits and operating deficiencies of the Board. The Public Parks and Recreation Board is a proprietary fund type or business-type activity. The Public Parks and Recreation Board had no assets or debts outstanding at September 30, 2005, and no net income or loss for the fiscal year then ended.

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 the City Council exercises significant influence over the Authority's actions.

As of September 30, 2005, the Authority had no financial activity, and therefore, is not included in the Basic Financial Statements. In the future, the Authority will be presented as a proprietary fund type or business-type activity.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The component unit major fund statements and the nonmajor combining statements reflect these discretely presented component units.

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

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

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

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

RELATED ORGANIZATIONS

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The following organization is a related organization that is excluded from the reporting entity:

City of Auburn Housing Authority

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

JOINT VENTURE

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

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July 2005, the clubhouse was destroyed by fire (see Note 19). Insurance proceeds were received, and in fiscal year 2006, the two cities will appropriate the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2005, the City's remaining net investment in the Indian Pines Golf Course is \$503,300, after removing the cost of the clubhouse.

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. The Indian Pines Golf Course Venture had no debts outstanding at September 30, 2005, and no net income or loss for the fiscal year then ended.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Unaudited summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2005, is as follows:

Total assets (net of accumulated depreciation on Capital assets)	\$ 1,383,499
Total liabilities	433,050
Total net assets	<u>\$ 950,449</u>
Total revenues	\$ 838,547
Total expenses	(1,014,684)
Extraordinary gain	11,721
Net decrease in net assets	<u>\$ (164,416)</u>

The Authority had no debts outstanding as of September 30, 2005, other than current liabilities consisting of accounts payable, accrued payroll and payroll taxes, and deferred revenue and other accrued liabilities totaling \$433,050. None of the amounts reflected above has been included in the City's financial statements.

Lee-Russell Council of Governments

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

The Council of Governments provides transportation services, governmental planning services and services to the aging in Lee and Russell counties, an area including 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Convention and Visitors Bureau

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

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

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting.
- Reporting infrastructure assets.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Recording of depreciation expense on all capital assets.
- A change in the fund financial statements to focus on major funds.
- Budget comparison schedules, containing the original budget and amended final budget, for the general fund and each major special revenue fund for which annual budgets are legally adopted.

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

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

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

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

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

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

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

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MAJOR FUNDS

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

The City reports the following major governmental funds:

The General Fund (See note above).

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following other fund type:

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

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

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

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

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$116,044,079 difference are as follows:

Bonds and warrants payable	\$ 110,677,644
Less: Deferred amount on refunding	(156,138)
Less: Deferred charge for issuance costs	(597,962)
Add: Issuance premium	1,106,095
Notes payable	2,913,168
Capital leases payable	67,971
Compensated absences	1,496,907
Claims and judgements	221,394
Landfill closure and post-closure care	<u>315,000</u>
 Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net assets - governmental activities</i>	 <u><u>\$ 116,044,079</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 \$10,838,085 difference are as follows:

Capital outlay	\$ 12,983,719
Depreciation expense	<u>(2,145,634)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	 <u><u>\$ 10,838,085</u></u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets." The details of this \$174,495 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	\$ 26,677
Transfers from proprietary fund types	8,257
Transfers from component units	1,975,865

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:

Net book value of assets destroyed by fire	(33,930)
Net book value of assets transferred by the City to its discretely presented component units	<u>(1,802,374)</u>

<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 174,495</u>
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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 \$34,754,088 difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$ 9,905,000
General obligation warrants	43,061,646
Notes payable	5,869,000
Add: issue premium	1,120,859
Less: issue costs	(606,308)
Principal repayments	(19,527,032)
Payment to escrow agent for refunding	<u>(5,069,077)</u>

<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 34,754,088</u>
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Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds." The details of this \$804,158 difference are as follows:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated absences	\$ 507,251
Accrued interest	255,731
Other long-term liabilities	34,501
Amortization of prepaid expenses	5,153
Amortization of deferred amount on refunding	7,939
Amortization of issuance costs	8,347
Amortization of bond premiums	<u>(14,764)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 804,158</u>

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

1. The City Manager submits to the City Council a proposed budget (operating and capital) prior to the beginning of each biennial period. The proposed budget is for two one-year periods, each beginning on October 1 and ending on the following September 30.
2. Prior to September 30, the budget is legally enacted through passage of an ordinance. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Annual budgets were legally adopted for the 2005 fiscal year for the General Fund, Seven-Cent State Gasoline Tax Fund, Four-Cent State Gasoline Tax Fund, City Gasoline Tax Fund, Special School Tax Fund, Special Additional School Tax Fund, Public Safety Substance Abuse Fund, and all Debt Service Funds.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for his department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
7. All budgetary appropriations expire at fiscal year-end. Encumbrances of departments that did not exceed their departmental budgets may be added to the subsequent year's appropriations at the time of the mid-biennium budget review, if the City Manager so recommends and if the Council approves.
8. Excess of expenditures over appropriations: In the General Fund, debt service expenditures of \$19,233,751 exceeded appropriations of \$13,882,723; capital outlay expenditures of \$7,860,351 exceeded appropriations of \$3,637,997; and payments to component units of \$7,713,961 exceeded appropriations of \$7,674,579.

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- I. **Restricted Assets** - Certain debt proceeds of the City's enterprise funds and component units, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

- J. **Accounts Receivable** - Revenues receivable are reflected net of an allowance for doubtful accounts. For the General Fund, the Sewer Fund and the Water Works Board component unit, the amount of the allowance is equal to accounts receivable in excess of 60 days past due.

- K. **Inventories** - Inventories of the City of Auburn primary government are valued at first-in, first-out cost and consist of gasoline, parts, and supplies held for consumption. The amount of such inventories is recorded as an asset in the General Fund, and the cost of inventories is recorded as an expenditure at the time used. In the Governmental Fund Financial Statements, the General Fund fund balance is reserved to indicate that assets equal to the inventory reserve are not available for future appropriation.

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

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

- L. **Capital Assets**

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

M. Risk Financing

CITY OF AUBURN PRIMARY GOVERNMENT

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

The City has chosen to retain the risk of loss for risks associated with its employees' health insurance plan. Premiums are charged to other funds and component units that account for employees eligible for coverage by the plan. Total premiums allocated to the participating entities are calculated using trends in actual claims experience. Employees may also be charged for extended benefits at their option. Medical claims exceeding \$60,000 per covered individual, per year, or approximately \$1,707,693 in the aggregate for the group, per year, are covered through a private insurance carrier. Liabilities associated with the plan are recorded in the General Fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

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

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

COMPONENT UNITS

Board of Education - The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and its transportation fleet. Settled claims in the past three

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

years have not exceeded the commercial insurance coverage. Also, there have been no significant reductions in insurance coverage from the prior year.

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

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

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

Water Works Board employees are covered under the City's health insurance plan. Premiums are charged to the Board and are calculated using trends in actual claims experience along with overall program costs, including third-party administration and reinsurance. Employees may also be charged for extended benefits at their option. Medical claims exceeding \$60,000 per covered individual, per year, or approximately \$1,707,693 in the aggregate for the group, per year, are covered through a private insurance carrier.

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

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

For risk of loss from claims arising from torts (general liability), the Board is covered by the City's commercial insurance purchased from third parties. Prior to 2001, the City had retained risk of loss for these claims and includes the Board in its calculation of claims liability. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Board had no liability for unpaid claims at September 30, 2005. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

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

For risk of loss from claims arising from torts (general liability), the Board is covered by the City's commercial insurance purchased from third parties. Prior to 2001, the City had retained risk of loss for these claims and includes the Board in its calculation of claims liability. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Board had no liability for unpaid claims at September 30, 2005. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-Term Obligations

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

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

O. Compensated Absences

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

COMPONENT UNITS

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

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

Certified and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate a maximum of 225 days of sick leave. Employees may use up to 225 days of 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water Works Board - The Board allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours at current wage rates. Upon retirement with at least ten years of service, an employee can receive payment of one-half of accumulated sick leave hours if hired before April 5, 1994. All employees may elect to apply unused accumulated sick-leave hours toward their retirement. Accrued vacation and sick leave amounted to \$183,918 at September 30, 2005.

- P. Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees.
- Q. Fund Balance** - In the fund financial statements, portions of governmental funds' fund balances are separately identified as reserves; such reservations indicate the amount of the fund's net assets which are not appropriable for expenditure or which are legally segregated for a specific future use.
1. Reserve for encumbrances indicates that a portion of fund balance has been segregated for expenditure upon vendor performance. Amounts reserved for encumbrances represent material commitments for goods and services which were ordered at September 30, 2005, but which had not been received or completed at that date. Encumbrances are not included as expenditures in the governmental funds' operating statements.
 2. Reserve for inventories indicates that the portion of fund balance represented by inventories is not available for appropriation.
 3. Reserve for advances to other funds recognizes that advances to other funds constitute loans to other funds which are not expected to be repaid within one year of the balance sheet date and separately identifies that amount as a portion of fund balance which is not appropriable.
 4. Reserve for debt service indicates the amount of fund balance which is legally segregated for payment of debt service expenditures.
 5. Reserve for property for resale indicates the portion of fund balances that are not available for appropriation until the property is sold.
 6. Reserve for prepaid items indicates the portion of fund balance not available for appropriation because prepaid items do not represent available expendable financial resources.

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

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

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 16.
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 16.
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 17.

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

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

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2005, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, and the Public Parks and Recreation Board are held in a certified qualified public depository, and as such, are deemed fully insured.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 3. CASH AND CASH EQUIVALENTS

Total cash and cash equivalents of the City contain restricted and unrestricted cash (nonpooled) as well as a cash pool that is available for use by all funds of the primary government and the Industrial Development Board component unit. Interest earned from deposits made with pooled cash is allocated to each of the funds based on the fund's equity balance. The composition of cash and cash equivalents at September 30, 2005, is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 17,220,813	\$ 143,812	\$ -	\$ 17,364,625
Special School Tax Fund	527,373	-	42,547	569,920
Federal Grant Loan Repayment Fund	886,937	-	-	886,937
Other Governmental Funds	14,937,925	22,156	-	14,972,702
Total governmental activities	<u>33,573,048</u>	<u>165,968</u>	<u>42,547</u>	<u>33,794,184</u>
Business-type activities:				
Sewer Revenue Fund	3,812,565	-	1,106,819	4,919,384
Industrial Park Fund	86,934	-	-	86,934
Total business-type activities	<u>3,899,499</u>	<u>-</u>	<u>1,106,819</u>	<u>5,006,318</u>
Total primary government	<u>37,472,547</u>	<u>165,968</u>	<u>1,149,366</u>	<u>38,800,502</u>
Component Units:				
Board of Education	-	13,433,066	-	13,433,066
Water Works Board	-	4,566,950	3,790,560	8,357,510
Industrial Development Board	50,895	927,893	46,351	1,025,139
Total component units	<u>50,895</u>	<u>18,927,909</u>	<u>3,836,911</u>	<u>22,815,715</u>
Total reporting entity	<u>\$ 37,523,442</u>	<u>\$ 19,093,877</u>	<u>\$ 4,986,277</u>	<u>\$ 61,616,217</u>

NOTE 4. INVESTMENTS

CITY OF AUBURN PRIMARY GOVERNMENT

At September 30, 2005, the City of Auburn's investments were comprised of the following:

<u>Restricted Investments -</u>	<u>Carrying</u>	<u>Fair</u>
<u>Sewer Revenue Fund</u>	<u>Value</u>	<u>Value</u>
Repurchase agreements	<u>\$2,819,168</u>	<u>\$2,819,168</u>

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

COMPONENT UNITS

Water Works Board

At September 30, 2005, the Water Works Board's restricted cash and investments were comprised of the following:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 4. INVESTMENTS (CONTINUED)

<u>Restricted Cash and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (insured through SAFE Program - see Note 2)	\$2,109,323	\$2,109,323
JP Morgan U.S. Treasury Securities		
Money Market Fund	<u>1,681,237</u>	<u>1,681,237</u>
Cash and cash equivalents	<u>3,790,560</u>	<u>3,790,560</u>
U.S. Treasury Bonds	<u>832,827</u>	<u>832,827</u>
	<u>\$4,623,387</u>	<u>\$4,623,387</u>

The JP Morgan Money Market Fund listed above is an open-end mutual fund comprised of 100% U.S. Treasury securities. As such, the fund is not categorized as to credit risk because it is not evidenced by securities that exist in a physical or book entry form. The fair value of the units in the fund equals the carrying value. The cost of the U.S. Treasury Bonds listed above is \$734,279.

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

During the fiscal year ended September 30, 2005, the Water Works Board recognized a net increase in the fair value of investments of \$12,599. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end was \$98,548.

Industrial Development Board

At September 30, 2005, the Industrial Development Board's investments were comprised of the following:

<u>Restricted Cash and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (insured)	<u>\$ 46,351</u>	<u>\$ 46,351</u>

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

<u>Unrestricted Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificates of deposit		
AuburnBank, 2.05%, maturity date February 24, 2006	<u>\$ 51,649</u>	<u>\$ 51,649</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 5. ACCOUNTS RECEIVABLE

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

	General Fund	Special School Tax Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Component Units	Total
Receivables:						
Revenues receivable	\$ 5,651,185	\$ 25,087	\$ 124,242	\$ 719,909	\$ 2,188,525	\$ 8,708,948
Grants receivable	66,792	-	28,000	-	-	94,792
Receivable from other governmental units	621,000	-	-	-	100	621,100
Special assessments receivable	313,231	-	-	-	-	313,231
Other receivables	<u>589,616</u>	<u>-</u>	<u>-</u>	<u>370</u>	<u>22,501</u>	<u>612,487</u>
Gross receivables	7,241,824	25,087	152,242	720,279	2,211,126	10,350,558
Less: allowance for uncollectibles	<u>(1,622,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(481,091)</u>	<u>(2,103,251)</u>
Net receivables	<u>\$ 5,619,664</u>	<u>\$ 25,087</u>	<u>\$ 152,242</u>	<u>\$ 720,279</u>	<u>\$ 1,730,035</u>	<u>\$ 8,247,307</u>

NOTE 6. 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 7. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance 10/1/2004	Prior Period Adjustment	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2005
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,036,836	\$ (85,900)	\$ 1,973,631	\$ (637,641)	\$ 10,286,926
Construction in progress	8,161,960	-	6,776,009	(5,587,001)	9,350,968
Total capital assets, not being depreciated	<u>17,198,796</u>	<u>(85,900)</u>	<u>8,749,640</u>	<u>(6,224,642)</u>	<u>19,637,894</u>
Capital assets, being depreciated:					
Buildings and improvements	27,286,975	(518,309)	3,192,368	(612,743)	29,348,291
Communication equipment	204,196	-	10,936	-	215,132
Heavy equipment	1,764,192	-	281,687	-	2,045,879
Office equipment	1,323,182	-	555,161	-	1,878,343
Small tools and equipment	725,657	-	27,815	-	753,472
Vehicles	7,329,175	-	389,521	(158,430)	7,560,266
Infrastructure	2,905,495	-	6,589,300	-	9,494,795
Total capital assets, being depreciated	<u>41,538,872</u>	<u>(518,309)</u>	<u>11,046,788</u>	<u>(771,173)</u>	<u>51,296,178</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,663,503)	297,025	(955,931)	197,530	(6,124,879)
Communication equipment	(126,860)	-	(19,403)	-	(146,263)
Heavy equipment	(1,071,395)	-	(146,431)	-	(1,217,826)
Office equipment	(523,120)	-	(182,287)	-	(705,407)
Small tools and equipment	(493,592)	-	(67,845)	1,638	(559,799)
Vehicles	(5,591,352)	-	(636,033)	158,430	(6,068,955)
Infrastructure	(29,774)	-	(137,702)	-	(167,476)
Total accumulated depreciation	<u>(13,499,596)</u>	<u>297,025</u>	<u>(2,145,632)</u>	<u>357,598</u>	<u>(14,990,605)</u>
Total capital assets, being depreciated, net	<u>28,039,276</u>	<u>(221,284)</u>	<u>8,901,156</u>	<u>(413,575)</u>	<u>36,305,573</u>
Governmental activity capital assets, net	<u>\$ 45,238,072</u>	<u>\$ (307,184)</u>	<u>\$ 17,650,796</u>	<u>\$ (6,638,217)</u>	<u>\$ 55,943,467</u>

Capital assets for which the actual acquisition cost was not determinable are recorded at estimated cost. Estimated costs were determined based on knowledge of prices of similar items and of price levels at the time of acquisition. The City's total investment in capital assets of \$55,943,467 includes \$374,000 at estimated cost. Included in the total cost of vehicles are vehicles under capital leases with a cost of \$504,048.

Capital asset activity for the City's business-type activities for the year ended September 30, 2005, was as follows:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 7. CAPITAL ASSETS (CONTINUED)

	Balance 10/1/2004	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2005
Business-type activities (Sewer Fund):				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	7,375,876	1,010,391	(7,364,774)	1,021,493
Total capital assets, not being depreciated	7,540,502	1,010,391	(7,364,774)	1,186,119
Capital assets, being depreciated:				
Buildings and improvements	11,092,868	-	(18,012)	11,074,856
Sewage plants and lines	25,927,059	8,543,553	-	34,470,612
Machinery and equipment	511,397	35,326	-	546,723
Vehicles	655,962	28,301	-	684,263
Total capital assets, being depreciated	38,187,286	8,607,180	(18,012)	46,776,454
Less accumulated depreciation for:				
Buildings and improvements	(801,021)	(214,969)	9,756	(1,006,234)
Sewage plants and lines	(5,138,453)	(526,264)	-	(5,664,717)
Machinery and equipment	(329,812)	(75,088)	-	(404,900)
Vehicles	(492,309)	(57,598)	-	(549,907)
Total accumulated depreciation	(6,761,595)	(873,919)	9,756	(7,625,758)
Total capital assets, being depreciated, net	31,425,691	7,733,261	(8,256)	39,150,696
Business-type activity capital assets, net	\$ 38,966,193	\$ 8,743,652	\$ (7,373,030)	\$ 40,336,815

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, 2005, the City incurred interest costs of \$1,524,226; total interest expense was \$1,280,398, and interest cost of \$243,828 was capitalized in connection with the cost of construction in progress.

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

Governmental activities:	
General government and administration	\$ 726,613
Economic development	5,989
Employee services	3,888
Public safety	480,322
Public works	276,187
Environmental services	146,990
Library	87,907
Parks and recreation	415,029
Planning	2,707
Total depreciation expense - governmental activities	\$ 2,145,632
Business-type activities:	
Sanitary sewer	\$ 873,919

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 7. CAPITAL ASSETS (CONTINUED)

COMPONENT UNITS

Board of Education

Capital asset activity for the year ended September 30, 2005, was as follows:

	<u>Balance 10/1/2004</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,918,656	\$ 871,940	\$ -	\$ 2,790,596
Construction in progress	34,124	2,308,131	(34,124)	2,308,131
Total capital assets, not being depreciated	<u>1,952,780</u>	<u>3,180,071</u>	<u>(34,124)</u>	<u>5,098,727</u>
Capital assets, being depreciated:				
Land improvements	2,762,637	127,295	-	2,889,932
Buildings and improvements	40,982,683	1,079,959	-	42,062,642
Equipment and vehicles	2,912,694	371,366	(85,313)	3,198,747
Total capital assets, being depreciated	<u>46,658,014</u>	<u>1,578,620</u>	<u>(85,313)</u>	<u>48,151,321</u>
Less accumulated depreciation for:				
Land improvements	(1,706,892)	(99,777)	-	(1,806,669)
Buildings and improvements	(10,032,311)	(915,482)	-	(10,947,793)
Equipment and vehicles	(1,676,116)	(248,405)	69,998	(1,854,523)
Total accumulated depreciation	<u>(13,415,319)</u>	<u>(1,263,664)</u>	<u>69,998</u>	<u>(14,608,985)</u>
Total capital assets, being depreciated, net	<u>33,242,695</u>	<u>314,956</u>	<u>(15,315)</u>	<u>33,542,336</u>
Total governmental activities capital assets, net	<u><u>\$35,195,475</u></u>	<u><u>\$ 3,495,027</u></u>	<u><u>\$ (49,439)</u></u>	<u><u>\$38,641,063</u></u>

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

Governmental activities:	
Instruction	\$ 665,229
Instructional support	217,263
Operation and maintenance	88,580
Auxiliary services	
Student transportation services	161,926
Food services	56,299
General administrative services	48,366
Other expenses	26,001
Total depreciation expense - Governmental activities	<u><u>\$ 1,263,664</u></u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 7. CAPITAL ASSETS (CONTINUED)

Water Works Board

Capital asset activity for the year ended September 30, 2005, was as follows:

	<u>Balance 10/1/2004</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2005</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 576,317	\$ 918,758	\$ (93,200)	\$ 1,401,875
Construction in progress	<u>11,455,868</u>	<u>3,025,208</u>	<u>(8,335,588)</u>	<u>6,145,488</u>
Total capital assets, not being depreciated	<u>12,032,185</u>	<u>3,943,966</u>	<u>(8,428,788)</u>	<u>7,547,363</u>
Capital assets, being depreciated:				
Utility system and plant	40,665,138	10,422,714	(1,230,929)	49,856,923
Office equipment	143,159	20,140	-	163,299
Mobile equipment	762,983	54,485	-	817,468
Tools	<u>125,827</u>	<u>5,829</u>	<u>-</u>	<u>131,656</u>
Total capital assets, being depreciated	<u>41,697,107</u>	<u>10,503,168</u>	<u>(1,230,929)</u>	<u>50,969,346</u>
Less accumulated depreciation for:				
Utility system and plant	(12,480,622)	(858,589)	35,351	(13,303,860)
Office equipment	(131,574)	(4,394)	-	(135,968)
Mobile equipment	(544,459)	(66,458)	-	(610,917)
Tools	<u>(95,055)</u>	<u>(11,748)</u>	<u>-</u>	<u>(106,803)</u>
Total accumulated depreciation	<u>(13,251,710)</u>	<u>(941,189)</u>	<u>35,351</u>	<u>(14,157,548)</u>
Total capital assets, being depreciated, net	<u>28,445,397</u>	<u>9,561,979</u>	<u>(1,195,578)</u>	<u>36,811,798</u>
Business-type activity capital assets, net	<u>\$40,477,582</u>	<u>\$13,505,945</u>	<u>\$ (9,624,366)</u>	<u>\$44,359,161</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, 2005, the Board incurred interest costs of \$1,027,900; total interest expense was \$857,923, and interest cost of \$169,977 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 7. CAPITAL ASSETS (CONTINUED)

Industrial Development Board

Capital asset activity for the year ended September 30, 2005, was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Non-depreciable assets:				
Land	3,872,910	\$ 78,000	\$ (261,846)	\$ 3,689,064
Construction in progress	2,161,601	1,313,674	(1,358,546)	2,116,729
Total non-depreciable assets	6,034,511	1,391,674	(1,620,392)	5,805,793
Depreciable assets:				
Buildings	22,947,609	977,668	(1,043,135)	22,882,142
Building improvements	804,754	1,238,795	-	2,043,549
Land improvements	586,305	39,763	-	626,068
Equipment	325,773	22,944	(11,651)	337,066
Vehicles	52,935	-	-	52,935
Total depreciable assets	24,717,376	2,279,170	(1,054,786)	25,941,760
Total capital assets	30,751,887	2,357,170	(1,316,632)	31,792,425
Accumulated depreciation				
Buildings	(975,627)	(436,347)	-	(1,411,974)
Building improvements	(24,676)	(33,552)	-	(58,228)
Land improvements	(136,853)	(20,648)	-	(157,501)
Equipment	(112,234)	(59,768)	11,651	(160,351)
Vehicles	(31,761)	(10,587)	-	(42,348)
Total accumulated depreciation	(1,281,151)	(560,902)	11,651	(1,830,403)
Depreciable assets, net	23,436,225	1,718,268	(1,043,135)	24,111,357
Capital assets, net	\$ 29,470,736	\$ 1,796,268	\$ (1,304,981)	\$ 29,962,022

It is the Board's policy to capitalize net interest costs on funds borrowed to finance the construction of assets. For the year ended September 30, 2005, total interest costs incurred were \$1,111,352; interest expense was \$981,041, interest cost of \$130,311 was capitalized in connection with construction of buildings included above that are owned by the Board and held for leasing.

During fiscal year 2004, the Board purchased a building and land located in one of its Technology Parks with the intention of holding it for leasing. While renovating the building in fiscal year 2005, management obtained a commitment from a third party to purchase the building during fiscal year 2006. The cost of the land (\$261,846) was reclassified to land held for resale, and the cost of the building (\$1,043,135) was reclassified to construction in progress due to the pending sale.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES

CITY OF AUBURN PRIMARY GOVERNMENT

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2005, was as follows:

	<u>Balance 10/01/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/2005</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 15,915,000	\$ 9,905,000	\$ (5,595,000)	\$ 20,225,000	\$ 1,095,000
General obligation warrants	50,796,922	43,061,646	(3,405,924)	90,452,644	4,226,886
Add: deferred amounts for issuance premiums	-	1,120,859	(14,764)	1,106,095	-
Less: deferred amounts on refunding	-	(164,077)	7,939	(156,138)	-
Total bonds and warrants payable	<u>66,711,922</u>	<u>53,923,428</u>	<u>(9,007,749)</u>	<u>111,627,601</u>	<u>5,321,886</u>
Notes payable	12,345,931	5,869,000	(15,301,763)	2,913,168	52,968
Capital leases payable	198,839	-	(130,868)	67,971	67,971
Accumulated annual leave	989,657	638,045	(130,795)	1,496,907	103,988
Claims payable	336,891	205,360	(320,857)	221,394	-
Landfill closure and postclosure care liability	<u>165,000</u>	<u>160,500</u>	<u>(10,500)</u>	<u>315,000</u>	<u>10,500</u>
Governmental activity long-term liabilities	<u>80,748,240</u>	<u>60,796,333</u>	<u>(24,902,532)</u>	<u>116,642,041</u>	<u>5,557,313</u>
Business-type activities:					
General obligation Warrants payable:					
Zero coupon warrants	6,254,732	361,599	-	6,616,331	-
Warrants payable	23,925,000	-	(430,000)	23,495,000	440,000
Less: deferred amounts for issuance discounts	(209,853)	-	10,902	(198,951)	-
Total warrants payable	<u>29,969,879</u>	<u>361,599</u>	<u>(419,098)</u>	<u>29,912,380</u>	<u>440,000</u>
Capital leases payable	3,240	-	(3,240)	-	-
Accumulated annual leave	<u>42,876</u>	<u>6,561</u>	<u>-</u>	<u>49,437</u>	<u>-</u>
Business-type activity long-term liabilities	<u>30,015,995</u>	<u>368,160</u>	<u>(422,338)</u>	<u>29,961,817</u>	<u>440,000</u>
	<u>\$ 110,764,235</u>	<u>\$ 61,164,493</u>	<u>\$ (25,324,870)</u>	<u>\$ 146,603,858</u>	<u>\$ 5,997,313</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

Bonds, notes, warrants, and capital leases payable of the City of Auburn at September 30, 2005, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2005	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
General obligation bonds, Dated 03/01/05 (Refund 97 bonds, and fund '05 projects)	2.2%-5.0%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 9,905,000	\$ 9,905,000	2021
Capital improvement bonds, Dated 05/01/02 (Soccer, Town Creek)	1.60%-4.75%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	7,250,000	5,965,000	2016
Capital improvement bonds, Dated 06/01/98 (S. College Imp.)	3.95%-5.10%	2/1-8-1	Special 5-Mill Tax Fund ad valorem taxes	2,000,000	1,335,000	2015
General obligation bonds, Dated 08/1/99 (Library, Watson Complex)	5.0%-5.4%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	3,700,000	3,020,000	2014
Total bonds payable				<u>22,855,000</u>	<u>20,225,000</u>	
Notes payable:						
Note payable, AuburnBank, Dated 05/13/04 (West Tech Park)	4%	Monthly	Full faith credit and taxing power of the City of Auburn	6,500,000	1,250,000	2007
Note payable, AuburnBank, Dated 05/13/04 (Ag Tech Bldg)	4%	Monthly	Full faith credit and taxing power of the City of Auburn	1,500,000	1,500,000	2007
Note payable, East Alabama Medical Center, dated 10/15/96	0%	1-Oct	General Fund	250,000	75,000	2007
Note Payable, East Alabama Medical Center, dated 10/27/97	5%	1-Nov	General Fund	250,000	88,168	2008
Total notes payable				<u>8,500,000</u>	<u>2,913,168</u>	

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

Warrants payable:	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2005	Year of Final Principal Maturity
General obligation w warrant, Dated 08/05/98 (Dean Rd. Ext.)	5.16%	Quarterly	General Fund	810,672	288,124	2008
General obligation refunding warrant, dated 09/01/98 (12/01/91 G.O.)	3.75%-4.25%	6/1-12/1	General Fund	3,370,000	870,000	2007
General obligation refunding school w arrants, Dated 09/01/98 (87,90 & 92 G.O. School)	3.75%-4.55%	6/1-12/1	Special School Tax Fund ad valorem taxes	8,170,000	4,295,000	2011
Capital improvement warrant Dated 09/30/98 (Drake, Harris & Lib. prop)	5.47%	Monthly	Full faith credit and taxing power of the City of Auburn	1,200,000	430,891	2008
General obligation w arrants Dated 8/1/99 (City Hall, streets, etc.)	5.0%-5.6%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,110,000	3,265,000	2019
General obligation school w warrant dated 10/6/99 (computer eq.)	5.98%	Monthly	Special School Tax Fund ad valorem taxes	857,750	405,275	2009
General obligation w arrants Dated 08/01/05 (School capital expansion)	3.125%-5.0%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	33,010,000	33,010,000	2035
General obligation w arrants Dated 08/05/00 (Salmon Prop.)	6.93%	Monthly	Full faith credit and taxing power of the City of Auburn	1,507,034	857,131	2020
General obligation w warrant Dated 04/08/03 (heavy eq., 122 Tichenor)	5.11%	Monthly	Full faith credit and taxing power of the City of Auburn	1,065,500	584,937	2008
General obligation w arrants Dated 04/10/01 (Frale property)	7.52%	Monthly	Full faith credit and taxing power of the City of Auburn	428,000	276,989	2006
General obligation w arrants Dated 09/28/01 (Drainage projects)	4.85%	Monthly	Full faith credit and taxing power of the City of Auburn	1,035,400	688,537	2011

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2005	Year of Final Principal Maturity
General obligation warrants Dated 06/27/02 (Drainage, streets)	5.74%	Monthly	Full faith credit and taxing power of the City of Auburn	1,937,000	1,424,388	2012
General obligation warrants Dated 12/23/03 (Infrastructure improve.)	3.93%	Monthly	Full faith credit and taxing power of the City of Auburn	6,300,000	5,370,323	2013
General obligation warrants Dated 12/31/03 (Infrastructure improve.)	2.73%	Monthly	Full faith credit and taxing power of the City of Auburn	2,056,598	1,368,451	2008
General obligation refunding school warrants dated 02/01/02 (92,94 & 96 Warrants)	4.10%-5.125%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,275,000	27,275,000	2026
General obligation warrant dated 04/07/05 (Richland Road)	3.78%	Quarterly	Full faith credit and taxing power of the City of Auburn	2,000,000	51,646	2006
General obligation warrants Dated 07/19/05 (Mall expansion)	5.05%	Monthly	Full faith credit and taxing power of the City of Auburn	10,000,000	9,915,952	2014
Total general governmental issues				105,132,954	90,377,644	
Payable from specific revenue sources:						
Refunding street improvement warrants dated 8/1/76	5.5%-6%	2/1-8/1	City Gas Tax Fund city gas tax	1,000,000	75,000	2006
Total warrants payable				106,132,954	90,452,644	
Capital leases payable:						
Capital lease, Regions Financial Leasing, dated 10/15/00	6.47%	Monthly	General Fund	88,500	1,719	2005
Capital lease, Regions Financial Leasing, dated 07/15/01	5.80%	Monthly	General Fund	88,500	16,584	2006

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2005	Year of Final Principal Maturity
Capital lease, Regions Financial Leasing, dated 07/15/01	5.49%	Monthly	General Fund	92,368	17,204	2006
Capital lease, Regions Financial Leasing, dated 04/15/01	5.80%	Monthly	General Fund	85,776	12,921	2006
Capital lease, Regions Financial Leasing, dated 04/15/01	5.80%	Monthly	General Fund	147,904	19,543	2006
Total capital leases payable				503,048	67,971	
Total governmental activity bonds, notes, warrants, and capital leases payable				137,991,002	113,658,783	
Business-type activities:						
Warrants payable:						
Zero coupon general obligation warrants dated 08/29/01 (sewer plant & expansion)	5.70%	1/1-7/1	Sewer Fund	5,257,326	6,616,331	2012
General obligation warrants dated 08/01/01 (sewer plant & expansion)	2.8%-5.0%	1/1-7/1	Sewer Fund	24,765,000	23,495,000	2024
Total business type activity bonds and warrants payable				30,022,326	30,111,331	
Total bonds, notes, warrants, and capital leases payable				\$ 168,013,328	\$ 143,770,114	

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

The City has five leases with Regions Financial Leasing, Inc., all for the purchase of vehicles. The remaining balance on these agreements is \$67,971 plus interest, which will be due in monthly installments. The agreements include a funding clause which states that if funds are not appropriated for any future fiscal period, the City will not be obligated to make any payments due beyond the end of the then current fiscal period. While this will not constitute an event of default, the leasing companies will be entitled to repossess the equipment and will retain all sums previously paid as compensation for machine use and depreciation. The City had an open line of credit with no specified limit at September 30, 2005, with Regions Financial Leasing, Inc., available for additional capital leases.

The following schedule shows the total principal and interest payments required by the terms of all of the capital leases:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>\$ 67,971</u>	<u>\$ 1,553</u>	<u>\$ 69,524</u>

The City issued its \$10,000,000 Taxable General Obligation Warrant on July 19, 2005, to repay amounts previously drawn on a line of credit obtained on January 22, 2003 in the amount of \$4,131,127, and to finance certain infrastructure improvements in the amount of \$5,869,000, related to furthering the redevelopment of Colonial Mall. The Warrant bears interest at a rate of 5.05%, payable on the tenth day of each month beginning August 2005 and continuing through July 2014.

On August 1, 2005, the City issued \$33,010,000 in General Obligation Capital Improvement School Warrants with an average interest rate of 4.62% to finance the costs of constructing capital improvements to the public schools in the City.

On April 7, 2005, the City issued its \$2,000,000 General Obligation Warrant bearing interest at 3.78% to finance infrastructure improvements under the Richland Road Special Capital Improvement Project (see note 25). As of September 30, 2005, \$51,646 had been drawn against the Warrant.

The City issued its \$9,905,000 General Obligation Bonds on March 1, 2005 with an average interest rate of 4.15% to advance refund and defease \$4,905,000 of outstanding 1997 Series General Obligation Capital Improvement Bonds with an average interest rate of 5.01%, and to finance certain capital improvements and projects authorized at a Special Municipal Bond Election held August 24, 2004. The net proceeds of \$5,026,414 (after an original issue premium of \$328,038, payment of issuance costs of \$191,298, and transferring \$5,015,327 to a construction account) plus an additional \$42,663 of City funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Series bonds. As a result, the 1997 Series bonds were considered to be defeased as of the date of issue, and were removed from the government-wide statement of net assets. On August 1, 2005, all of the outstanding 1997 Series bonds were called for redemption and paid from the escrow funds. Consequently, at September 30, 2005, the City had no outstanding defeased debt.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$164,077. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2015 using the straight-line method. The City completed the advance refunding to reduce its total debt service payments over the next fifteen years by \$81,998 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$158,182.

In fiscal year 2001, the City issued a noninterest bearing General Obligation Warrant in connection with the deprivitization of the sewer plants, a business-type activity. The original principal amount of the Warrant was \$5,257,326 and the maturity amount is \$9,400,000. Interest accrues on the original principal at the approximate interest rate of 5.7%, compounded semi-annually on January 1 and July 1 each year until the final maturity date, January 1, 2012. As of September 30, 2005, the accreted value of the warrant was \$6,616,331. In order to provide for the payment of the Warrant at its maturity, the City has made and will make semi-annual sinking fund payments on January 1 and July 1 each year, beginning January 1, 2002. The sinking fund will be invested in repurchase agreements fully collateralized by securities authorized by state law so that the earnings, together with the deposit, will be sufficient to pay the maturity value of \$9,400,000 on January 1, 2012. The balance in the sinking fund at September 30, 2005, was \$2,819,168.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

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

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$ 672,518
2007	672,518
2008	672,518
2009	672,518
2010	672,518
2011	672,518
2012	336,259
Total	<u>\$4,371,367</u>

The following schedule shows debt service to maturity for bonds, notes, warrants and capital leases payable of the City of Auburn at September 30, 2005:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

Fiscal Year	Governmental Activity Bonds, Notes, Warrants and Capital Leases										
	Payable from General Governmental Issues			Payable from Specific Revenue			Business-type Activity Warrants and Capital Leases				
	Total Annual Requirements	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Requirements	Total
2006	\$ 5,884,869	\$ 6,225,096	\$ 12,109,965	\$ 5,369,869	\$ 5,099,133	\$ 10,548,952	\$ 440,000	\$ 1,121,013	\$ 1,561,013		
2007	8,513,526	5,969,424	14,482,950	8,053,526	4,864,957	-	460,000	1,104,467	1,564,467		
2008	5,556,030	5,724,486	11,280,516	5,081,030	4,637,906	-	475,000	1,086,580	1,561,580		
2009	5,721,022	5,488,653	11,209,675	5,226,022	4,423,710	-	495,000	1,064,943	1,559,943		
2010	5,885,931	5,235,166	11,121,097	5,365,931	4,193,258	-	520,000	1,041,908	1,561,908		
2011	6,051,959	4,980,827	11,032,786	5,511,959	3,960,920	-	540,000	1,019,907	1,559,907		
2012	6,197,945	4,712,341	10,910,286	5,632,945	3,716,062	-	565,000	996,279	1,561,279		
2013	6,972,446	4,415,940	11,388,386	5,702,446	3,460,843	-	1,270,000	955,097	2,225,097		
2014	11,645,058	4,054,836	15,699,894	10,320,058	3,159,437	-	1,325,000	895,399	2,220,399		
2015	5,750,000	3,559,558	9,309,558	4,360,000	2,727,978	-	1,390,000	831,580	2,221,580		
2016	5,765,000	3,280,864	9,045,864	4,310,000	2,517,580	-	1,455,000	763,284	2,218,284		
2017	4,590,000	3,020,403	7,610,403	3,065,000	2,330,528	-	1,525,000	689,875	2,214,875		
2018	4,795,000	2,793,444	7,588,444	3,195,000	2,181,694	-	1,600,000	611,750	2,211,750		
2019	5,005,000	2,564,851	7,569,851	3,325,000	2,035,101	-	1,680,000	529,750	2,209,750		
2020	4,890,000	2,323,906	7,213,906	3,125,000	1,880,281	-	1,765,000	443,625	2,208,625		
2021	5,075,000	2,081,469	7,156,469	3,220,000	1,728,344	-	1,855,000	353,125	2,208,125		
2022	5,005,000	1,834,281	6,839,281	3,060,000	1,576,156	-	1,945,000	258,125	2,203,125		
2023	5,260,000	1,581,531	6,841,531	3,215,000	1,423,156	-	2,045,000	158,375	2,203,375		
2024	5,525,000	1,316,031	6,841,031	3,380,000	1,262,406	-	2,145,000	53,625	2,198,625		
2025	3,545,000	1,093,406	4,638,406	3,545,000	1,093,406	-	-	-	-		
2026	3,720,000	916,156	4,636,156	3,720,000	916,156	-	-	-	-		
2027	1,445,000	730,156	2,175,156	1,445,000	730,156	-	-	-	-		
2028	1,515,000	657,906	2,172,906	1,515,000	657,906	-	-	-	-		
2029	1,595,000	582,156	2,177,156	1,595,000	582,156	-	-	-	-		
2030	1,670,000	502,406	2,172,406	1,670,000	502,406	-	-	-	-		
2031	1,755,000	418,906	2,173,906	1,755,000	418,906	-	-	-	-		
2032	1,830,000	342,125	2,172,125	1,830,000	342,125	-	-	-	-		
2033	1,910,000	262,063	2,172,063	1,910,000	262,063	-	-	-	-		
2034	1,995,000	178,500	2,173,500	1,995,000	178,500	-	-	-	-		
2035	2,085,000	91,219	2,176,219	2,085,000	91,219	-	-	-	-		
Total	\$ 137,153,786	\$ 76,938,106	\$ 214,091,892	\$ 113,583,786	\$ 62,954,449	\$ 176,618,185	\$ 23,495,000	\$ 13,978,707	\$ 37,473,707		

The above schedule does not reflect the noninterest bearing Business-type Activity Warrant which will mature at the principal amount of \$9,400,000 in 2012. As of September 30, 2005, the amount included in Business-type Activity Warrants payable is \$6,616,331, which equals the original principal amount of \$5,257,326 plus the accretion of interest through September 30, 2005 of \$1,359,005. Sinking fund requirements are disclosed previously in this note.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

COMPONENT UNITS

Board of Education

The following is a summary of changes in long-term debt of the Auburn City Board of Education for the year ended September 30, 2005:

Capital Leases Payable	
Balance, September 30, 2004	\$ 280,089
Retirement of debt	(280,089)
Balance, September 30, 2005	\$ -

Water Works Board

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2005, was as follows:

	Balance 10/1/2004	Additions	Reductions	Balance 9/30/2005	Due Within One Year
Business-type activities:					
Bonds payable	\$19,922,961	\$113,097	\$(515,000)	\$19,521,058	\$530,000
Unamortized deferred amount on refunding	(309,410)	17,350	-	(292,060)	(17,350)
	19,613,551	130,447	(515,000)	19,228,998	512,650
 Water supply agreement with City of Opelika	1,781,914	-	(267,187)	1,514,727	267,750
Unamortized discount	(423,738)	102,945	-	(320,793)	(90,870)
	1,358,176	102,945	(267,187)	1,193,934	176,880
 Accumulated annual leave	169,252	14,666	-	183,918	-
Business-type activity long-term liabilities	\$21,140,979	\$248,058	\$(782,187)	\$20,606,850	\$689,530

Bonds payable at September 30, 2005, are comprised of original bond issues of \$11,080,000 dated July 1, 2001, and \$9,799,657 dated August 1, 2002. The 2001 bond proceeds were used to fund various water system renovations and improvements. The 2001 bonds are issued at rates varying from 2.75% to 5.125%, mature July 1, 2026, and are callable at July 1, 2011, at a declining premium. The 2002 bond proceeds were used to call the 1993 Series bonds dated May 1, 1993, and to fund various construction projects. The 2002 issue consists of two elements. The "current interest bonds" were issued in the principal amount of \$7,955,000 bearing interest at rates ranging from 1.5% to 4.8%, payable semiannually on March 1 and September 1, and mature on September 1 beginning in 2003 and continuing through 2022. The bonds are callable at September 1, 2011, at a declining premium. The "capital appreciation bonds" were issued in the principal amount of \$1,844,656.80, with yield to maturity rates ranging from 5.37% to 5.45% compounded semiannually and payable at their stated maturity or upon redemption prior to their stated maturity. The stated maturity dates are September 1 beginning in 2027 and continuing through 2032.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

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

The following is a summary of the changes in bonds and water supply agreement payable for the year ended September 30, 2005:

Bonds and water supply agreement payable, September 30, 2004	\$21,281,137
Retirement of debt	(679,242)
Accretion of interest	<u>113,097</u>
Bonds and water supply agreement payable, September 30, 2005	<u><u>\$20,714,992</u></u>

Annual requirements (principal and interest) to amortize long-term debt at September 30, 2005, are as follows:

Year ending September 30	Bonds Payable	Water Supply Agreement	Total
2006	\$ 1,329,648	\$ 267,750	\$ 1,597,398
2007	1,328,015	267,234	1,595,249
2008	1,329,995	267,141	1,597,136
2009	1,332,520	267,670	1,600,190
2010	1,330,340	267,054	1,597,394
2011-2015	6,650,523	177,879	6,828,402
2016-2020	6,650,448	-	6,650,448
2021-2025	6,656,250	-	6,656,250
2026-2030	<u>1,329,831</u>	<u>-</u>	<u>1,329,831</u>
Subtotal	27,937,570	1,514,728	29,452,298
Add zero coupon bonds	2,176,057	-	2,176,057
Less amount representing interest	<u>(10,592,569)</u>	<u>(320,794)</u>	<u>(10,913,363)</u>
Total	<u><u>\$19,521,058</u></u>	<u><u>\$1,193,934</u></u>	<u><u>\$20,714,992</u></u>

Industrial Development Board

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2005, was as follows:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

	Balance 10/01/04	Additions	Reductions	Balance 09/30/05	Due Within One Year
Notes payable	\$ 20,350,169	\$ 150,000	\$ (838,824)	\$ 19,661,345	\$ 9,456,580
Short term					
construction loans	-	257,673	-	257,673	257,673
Capital leases payable	656	-	(656)	-	-
Bonds payable	10,620,000	12,075,000	(6,850,000)	15,845,000	455,000
Less: deferred amount					
on refunding	-	(178,994)	11,486	(167,508)	
Total	<u>\$ 30,970,825</u>	<u>\$ 12,303,679</u>	<u>\$ (7,677,994)</u>	<u>\$ 35,596,510</u>	<u>\$ 10,169,253</u>

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

Bonds payable

On October 12, 2004, the Board issued its Series 2004-A Taxable Industrial Development Refunding and Infrastructure Bonds in the principal amount of \$12,075,000. A portion of the proceeds was used to pay the costs of obtaining a substitute letter of credit to replace the existing letter of credit that secured the outstanding Series 2000-A Tax Exempt Infrastructure Improvement Bonds in the principal amount of \$4,085,000.

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

The proceeds of the bonds were used for a current refunding of the outstanding principal of the Board's Series 2000-B Taxable Refunding Bonds, to acquire certain real property and pay the costs of certain public improvements thereon and within the City, to pay the cost of obtaining and delivering the substitute letter of credit to secure the Series 2000-A Tax Exempt Infrastructure Improvement Bonds, and to pay the costs of issuing the Series 2004-A bonds.

The current refunding resulted in a difference between the net carrying amount and the reacquisition price of the old debt of \$178,994. This difference, reported in the accompanying financial statements as a reduction in bonds payable, is being amortized as a component of interest expense through the year 2020 using the straight-line method. Because both the old and the new debt bear interest at variable rates, the difference in cash flows required to service the old and the new debt and the economic gain or loss (difference between the present values of the old and new debt service payments) cannot be calculated. The refunding was undertaken to remove restrictive debt covenants associated with the Series 2000-B bonds and to extend the term of cash flows for debt service.

The Series 2000-A bonds mature on May 1, 2020 and the 2004-A bonds mature on May 1, 2024. The bonds bear interest at a variable rate determined weekly by the Board's remarketing agent, The Frazier Lanier Company, Inc., and interest is payable in arrears on the first business day of the following month. The rate is the lowest rate that would, in the opinion of the remarketing agent, result in the market value of the bonds being 100% of the purchase price on the date of determination, with a maximum rate of 10% per annum for the Series 2000-A bonds and 12% per annum for the Series 2004-A bonds. The weighted average interest rate for fiscal year 2005 was 2.264% and 2.851% for the Series 2000-A.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

and Series 2004-A bonds, respectively, and interest incurred for the fiscal year amounted to \$90,817 for the Series 2000-A bonds and \$331,438 for the Series 2004-A bonds. The rate in effect at September 30, 2005 for the Series 2000-A bonds was 2.88% and for the Series 2004-A bonds was 3.85%

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.

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

Fiscal Year	Series 2000-A	Series 2004-B	Total
2006	\$ 165,000	\$ 290,000	\$ 455,000
2007	175,000	310,000	485,000
2008	3,590,000	11,315,000	14,905,000
	\$ 3,930,000	\$ 11,915,000	\$ 15,845,000

The Board is required to pay to Allied Irish Bank annual fees for the letters of credit in the amount of 1.00% of the outstanding principal amount of the bonds plus 35 days of interest at 10% for Series 2000-A and 12% for Series 2004-A. 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.

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:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

Fiscal Year	Series 2000-A	Series 2004-A	Total
2006	165,000	290,000	455,000
2007	175,000	310,000	485,000
2008	190,000	335,000	525,000
2009	200,000	360,000	560,000
2010	210,000	390,000	600,000
2011	225,000	425,000	650,000
2012	240,000	455,000	695,000
2013	255,000	495,000	750,000
2014	270,000	530,000	800,000
2015	285,000	575,000	860,000
2016	305,000	620,000	925,000
2017	320,000	670,000	990,000
2018	340,000	725,000	1,065,000
2019	365,000	780,000	1,145,000
2020	385,000	845,000	1,230,000
2021	-	910,000	910,000
2022	-	985,000	985,000
2023	-	1,065,000	1,065,000
2024	-	1,150,000	1,150,000
Total	<u>\$ 3,930,000</u>	<u>\$ 11,915,000</u>	<u>\$ 15,845,000</u>

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2005, using the variable interest rate in effect on the last day of the fiscal year (2.88% for Series 2000-A, and 3.85% for Series 2004-B:

Fiscal Year	Series 2000-A		Series 2004-A		Total
	Principal	Interest	Principal	Interest	
2006	\$ 165,000	\$ 111,192	\$ 290,000	\$ 454,047	\$ 1,020,239
2007	175,000	106,319	310,000	442,560	1,033,879
2008	190,000	101,098	335,000	430,221	1,056,319
2009	200,000	95,506	360,000	416,920	1,072,426
2010	210,000	89,625	390,000	402,576	1,092,201
2011	225,000	83,396	425,000	386,996	1,120,392
2012	240,000	76,735	455,000	370,450	1,142,185
2013	255,000	69,642	495,000	351,987	1,171,629
2014	270,000	62,116	530,000	332,364	1,194,480
2015	285,000	54,159	575,000	311,233	1,225,392
2016	305,000	45,710	620,000	288,369	1,259,079
2017	320,000	36,745	670,000	263,692	1,290,437
2018	340,000	27,287	725,000	237,010	1,329,297
2019	365,000	17,194	780,000	208,210	1,370,404
2020	385,000	6,440	845,000	177,131	1,413,571
2021	-	-	910,000	143,549	1,053,549
2022	-	-	985,000	107,304	1,092,304
2023	-	-	1,065,000	68,090	1,133,090
2024	-	-	1,150,000	25,716	1,175,716
Total	<u>\$ 3,930,000</u>	<u>\$ 983,164</u>	<u>\$ 11,915,000</u>	<u>\$ 5,418,425</u>	<u>\$ 22,246,589</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

Notes payable

Notes payable of the Board at September 30, 2005, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issues	Principal Outstanding 9/30/05	Year of Final Principal Maturity
AuburnBank	5.010%	Monthly	\$ 8,670,000	\$ 8,147,454	2006
AuburnBank	6.675%	Monthly	957,500	921,195	2007
AuburnBank	7.500%	Monthly	300,000	288,506	2006
AuburnBank	7.500%	Monthly	775,000	594,242	2006
AuburnBank	6.864%	Monthly	4,250,000	3,860,426	2009
AuburnBank	6.250%	Monthly	447,147	419,293	2009
AuburnBank	6.890%	Monthly	2,320,500	2,229,768	2009
AuburnBank	7.250%	Monthly	240,425	201,456	2009
AuburnBank	6.500%	Monthly	100,000	86,936	2009
AuburnBank	6.500%	Monthly	750,000	695,457	2008
AuburnBank	6.500%	Monthly	1,955,000	1,907,893	2009
AuburnBank	7.250%	Monthly	150,000	147,779	2010
Compass Bank	7.750%	Monthly	186,602	160,940	2017
Total notes payable			<u>\$ 21,102,174</u>	<u>\$ 19,661,345</u>	

The following schedule shows debt service to maturity for notes and capital leases payable of the Industrial Development Board at September 30, 2005:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2006	\$ 9,456,580	\$ 1,141,808	\$ 10,598,388
2007	1,367,973	655,333	2,023,306
2008	492,825	582,731	1,075,556
2009	8,123,708	341,309	8,465,017
2010	111,137	14,096	125,233
2011	13,169	7,996	21,165
2012	14,227	6,938	21,165
2013	15,370	5,795	21,165
2014	16,604	4,561	21,165
2015	17,938	3,227	21,165
2016	19,378	1,787	21,165
2017	12,436	331	12,767
Total	<u>\$ 19,661,345</u>	<u>\$ 2,765,912</u>	<u>\$ 22,427,257</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 9. 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, 2005, totaled \$4,018,066. One mortgage, with a principal balance of \$3,394,939, was subjected to a modification agreement during fiscal year 1994, which deferred a portion of the interest payments until 1999. Under the new terms, the City would receive \$10,000 each January towards the regular interest payment due at that time (\$37,812), with the remainder of the interest payment deferred until January 1999. The deferred amounts would accrue interest at six percent, compounded annually until that date, at which time the entire deferral, including compounded interest, plus the regularly scheduled interest payment of \$37,812 and principal of \$100,000 would be due. During fiscal year 1999, the City received a settlement of \$84,000 which satisfied the balance of the deferral at September 30, 1996. The modification agreement was deemed invalid at the time of settlement; and subsequent to September 30, 1999, the City received \$246,671 which satisfied the remaining deferral and the compounded interest in addition to the \$100,000 principal payment plus the regular principal and interest due. The original terms of the mortgage remain in effect.

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, 2005, totaled \$148,980.

NOTE 10. LEASE AGREEMENTS

COMPONENT UNITS

Industrial Development Board

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

Operating leases - The Industrial Development Board began leasing industrial space during fiscal year 1995. The cost of land and buildings held for leasing by the Board at September 30, 2005, was \$3,689,064 and \$22,882,142, respectively; accumulated depreciation on the buildings was \$1,411,974. Rents received during 2005 were \$1,715,960. Of the ten leases in effect at September 30, 2005, nine were noncancelable, with two 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, 2016, and annual minimum rentals of \$24,000.

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, 2005:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 10. LEASE AGREEMENTS (CONTINUED)

Fiscal Year		
2006	\$	1,907,431
2007		1,766,877
2008		1,685,625
2009		1,549,112
2010		1,452,242
2011		1,452,242
2012		1,397,903
2013		1,359,090
2014		1,251,510
2015		899,638
2016 and thereafter		2,663,226
Total	\$	17,384,896

Capital leases

- A. The Board has leased six parcels of land located in its Industrial Parks under capital leases. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2007 to 2035. There were no lease payments received in fiscal year 2005 and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal. See Note 31 for disclosures pertaining to leases involving related parties.
- B. The Board has one sales-type capital lease involving a lot and building located in its Technology Park. The initial lease term expires in 2019. The components of the net investment in sales-type capital leases at September 30, 2005, are as follows:

Total minimum lease payments to be received	\$ 4,680,184
Less: unearned income	(819,757)
Net investment in capital lease	\$ 3,860,427

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:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 10. LEASE AGREEMENTS (CONTINUED)

Fiscal Year		
2006	\$	429,002
2007		468,002
2008		468,002
2009		468,002
2010		468,002
2011		468,002
2012		468,002
2013		468,002
2014		468,002
2015		468,002
2016		39,164
Total	\$	4,680,184

NOTE 11. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

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, 2005, was 6.97% of covered payroll.

The City's annual pension cost of \$1,202,261 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2004, 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, 2004, was 18 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 11. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
09/30/02	\$608,506	100%	\$0
09/30/03	\$853,490	100%	\$0
09/30/04	\$1,011,607	100%	\$0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ((b - a)/c)
9/30/02 **	\$29,155,748	\$33,709,551	\$ 4,553,803	86.5%	\$12,547,314	36.3%
9/30/03 ***	\$30,917,517	\$36,814,509	\$ 5,896,992	84.0%	\$14,929,171	39.5%
9/30/04 ****	\$33,178,371	\$39,385,554	\$ 6,207,183	84.2%	\$16,676,516	37.2%

- * Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- ** Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.
- *** Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.
- **** Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

COMPONENT UNITS

Board of Education

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

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

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

Covered employees are required by state statute to contribute five (5) percent of their salary to the System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. For the year-ended September 30, 2005, the Board's contribution requirement is an actuarially determined rate equal to 7.03% (6.56% in 2004) of annual covered payroll. The Board's contributions to the plan for the years ending September 30, 2005 and 2004, were \$1,636,443 and \$1,429,219, respectively. These amounts were equal to the required contributions for the same periods.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 11. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Water Works Board

The Board also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City. The Board's contribution rate for the year-ended September 30, 2005, was 5.26% of covered payroll; and the Board's annual pension cost of \$66,643 was equal to its required and actual contributions.

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

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/02	\$31,064	100%	\$0
9/30/03	\$22,224	100%	\$0
9/30/04	\$49,266	100%	\$0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ((b - a)/c)
9/30/02 **	\$1,858,567	\$1,847,993	\$ (10,574)	100.6%	\$1,066,840	-1.0%
9/30/03 ***	\$1,932,954	\$2,022,834	\$ 89,880	95.6%	\$1,151,627	7.8%
9/30/04 ****	\$2,087,718	\$2,164,290	\$ 76,572	96.5%	\$1,180,221	6.5%

- * Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- ** Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.
- *** Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.
- **** Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 12. LIABILITY AND WORKMEN'S COMPENSATION SELF-INSURANCE

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

	Fiscal Year	
	2005	2004
Unpaid claims, beginning of year	\$ 281,655	\$ 256,848
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	78,184	140,805
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	(101,279)	-
Total incurred claims	(23,095)	140,805
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(24,485)	(35,514)
Claims attributable to prior years' events where the City has retained risk of loss	(107,565)	(80,484)
Total payments	(132,050)	(115,998)
Unpaid claims, end of year	\$ 126,510	\$ 281,655

Total general liability for uninsured risks and workmen's compensation claims liability at September 30, 2005, is recorded as follows: \$10,110 is recorded as a current liability in the General Fund's accounts payable and accrued liabilities, and the long-term portion, \$116,400, along with the estimated liability for insured risks of \$104,994, 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, 2005

NOTE 13. 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	
	2005	2004
Unpaid claims, beginning of year	\$ 102,159	\$ 109,459
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	1,426,390	1,355,848
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	(8,370)	(15,925)
Total incurred claims	1,418,020	1,339,923
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(1,314,626)	(1,259,040)
Claims attributable to prior years' events where the City has retained risk of loss	(91,367)	(88,183)
Total payments	(1,405,993)	(1,347,223)
Unpaid claims, end of year (includes claims incurred but not reported)	\$ 114,186	\$ 102,159

The unpaid claims as of September 30, 2005, are reported in the General Fund.

NOTE 14. 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, 2005, by the State (\$50,267.56) to individuals is reflected as an expense of the General Fund.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 15. AD VALOREM TAX COLLECTION EXPENSE

The City is charged a collection fee by the County Tax Assessor and Collector for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year-ended September 30, 2005:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 1,883,928 *	\$ 33,961	\$ 30,151	\$ 1,819,816
Special 5-Mill Tax Fund	5	1,872,030 **	33,961	30,151	1,807,918
Special School Tax Fund	5	1,984,026	36,201	30,151	1,917,674
Special Additional School Tax Fund	11	4,364,856	79,640	66,337	4,218,879
Property tax totals	<u>26</u>	<u>\$ 10,104,840</u>	<u>\$ 183,763</u>	<u>\$ 156,790</u>	<u>\$ 9,764,287</u>

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

** Reduced by industrial tax exemptions.

NOTE 16. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2005 consist of the following:

Amount	Due To Other Funds	Due From Other Funds	Purpose
<u>\$ 41,578</u>	Nonmajor Governmental Funds	General Fund	Provide cash flow for grants program
	Advances To Other Funds	Advances From Other Funds	Purpose
\$ 206,965	Federal Grant Loan Repayment Funds	Nonmajor Proprietary Fund	Provide funding for property for resale
<u>66,369</u>	Federal Grant Loan Repayment Funds	General Fund	Provide funds for public improvement project
<u>\$ 273,334</u>			

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 17. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2005:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 509,450	\$ 218,056
Special School Tax Fund	3,450,000	-
Federal Grant Loan Repayment Fund	-	-
Nonmajor Governmental Funds	<u>5,189,283</u>	<u>9,034,283</u>
Total governmental activities	<u>9,148,733</u>	<u>9,252,339</u>
Major Enterprise Fund		
Sewer Revenue Fund	<u>218,056</u>	<u>122,707</u>
Total business-type activities	<u>218,056</u>	<u>122,707</u>
Total primary government	<u>\$ 9,366,789</u>	<u>\$ 9,375,046</u>

The difference of \$8,257 between transfers in and transfers out represents the net book value of capital assets transferred from the Sewer Revenue Fund to the General Fund. Because capital assets are not accounted for in the governmental activities fund financial statements, the entry to record the transfer in is recorded only in the government-wide statement of activities. Consequently, transfers do not balance at the fund level.

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

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

NOTE 18. INTRA-ENTITY TRANSACTIONS

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

A. Short-term receivables and payables

	<u>Due To</u>	<u>Due From</u>
Component Units		
Industrial Development Board	\$ 2,416	\$ 69,301
Water Works Board	93,516	22,847
Primary Government		
General Fund	92,148	70,684
Federal Grant Loan Repayment Fund	-	2,416
Sewer Revenue Fund	-	22,832
Total	<u>\$ 188,080</u>	<u>\$ 188,080</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 18. INTRA-ENTITY TRANSACTIONS (CONTINUED)

B. Long-term advances

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

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

C. Payments between the City and Component Units

	Appropriations From Primary Government	Payments to Component Units
Primary Government		
General Fund	\$ -	7,713,961
Special School Tax Fund	-	36,383,810
Component Units		
Auburn City Board of Education	42,322,983	-
Industrial Development Board	1,397,751	-
Water Works Board	374,083	-
Total	\$ 44,094,817	\$ 44,097,771

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 fiscal year 2005, the City issued debt on behalf of the Board of Education and transferred cash from issuance to the Board in the amount of \$33,387,810. However in addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education that are not recorded as payments to the Board. The debt payments (including bond trustee fees) are reflected on the City's books as debt service expenditures and amounted to \$2,444,551.

NOTE 19. SPECIAL AND EXTRAORDINARY ITEMS

Special Items

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. During fiscal year 2005, the City had three capital asset transactions that were considered unusual (i.e., only incidentally related to its ordinary and typical activities), all of which involved one of its discretely presented component units.

Property swap with Water Works Board – During 2005, the City deeded certain real property consisting of land and buildings to the Water Board in exchange for a parcel of undeveloped land owned by the Board. The properties exchanged were deemed to be of equal value, and the value was established by obtaining appraisals on the property transferred by the City. The transfer was recorded at fair market value, and a gain was recognized by each entity equal to the difference between the fair market value and the net book value of the property transferred. Subsequent to the swap, the Water Board sold a portion of the property to a third party for a gain, which was also reported as a special item.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 19. SPECIAL AND EXTRAORDINARY ITEMS (CONTINUED)

Property transfer to Board of Education – In fiscal year 2005, the City deeded land and improvements held as park property (Duck Samford Stadium) to the Auburn Board of Education. The transfer was recorded at the fair market value on the date of donation, and a gain on the transfer was recorded by the City equal to the difference between the fair market value and the net book value of the assets transferred.

Transfer of Auburn Center for Developing Industries – Pursuant to a resolution passed in a previous fiscal year, all capital assets of the Auburn Center for Developing Industries (previously reported as a component unit of the City) were deeded to the Industrial Development Board of the City of Auburn at fair market value during fiscal year 2005. The assets were transferred at fair market value, and a gain on the transfer was recorded by the Center equal to the difference between the fair market value and the net book value of the assets transferred. As the Center for Developing Industries is now reported as a component unit of the Industrial Development Board (see note 1), the net transaction is reported as a special item in the reporting entity totals for the Industrial Development Board in the accompanying discretely presented component units' combining statement of activities.

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

	Primary Government City of Auburn	Component Units			Total
		Auburn Water Board	Auburn Board of Education	Industrial Development Board	
Sw ap between City and Water Board:					
Fair market value of property received	\$ 1,975,865	\$ 1,975,865	\$ -	\$ -	\$ 1,975,865
Net book value of property sw apped	(781,706)	(6,600)	-	-	(6,600)
Gain on sw ap	<u>1,194,159</u>	<u>1,969,265</u>	<u>-</u>	<u>-</u>	<u>1,969,265</u>
Gain on subsequent sale of property obtained in sw ap	<u>-</u>	<u>973,822</u>	<u>-</u>	<u>-</u>	<u>973,822</u>
Transfer of property to Board of Education:					
Fair market value of property transferred	1,988,849	-	-	-	-
Net book value of property transferred	(1,020,667)	-	-	-	-
Gain on transfer	<u>968,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer recorded at fair market value	<u>(1,988,849)</u>	<u>-</u>	<u>1,988,849</u>	<u>-</u>	<u>1,988,849</u>
Transfer of Auburn Center for Developing Industries' capital assets to Industrial Development Board:					
Fair market value of property transferred	-	-	-	1,132,437	1,132,437
Net book value of property transferred	-	-	-	(869,399)	(869,399)
Gain on transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,038</u>	<u>263,038</u>
Net special items	<u>\$ 173,492</u>	<u>\$ 2,943,087</u>	<u>\$ 1,988,849</u>	<u>\$ 263,038</u>	<u>\$ 5,194,974</u>

Extraordinary Item

As described in Note 1, the City is a party to a joint venture agreement with the City of Opelika to own and operate the Indian Pines Golf Course. The two cities each contributed capital to the joint venture which was used to purchase the land and buildings comprising the golf facility, and the property is deeded to the two cities as tenants in common. The Indian Pines

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 19. SPECIAL AND EXTRAORDINARY ITEMS (CONTINUED)

Recreation Authority leases the property from the two cities. In July 2005, a fire destroyed the clubhouse at Indian Pines. Insurance proceeds totaling \$510,000 were received for the building, which was a complete loss. The Indian Pines Recreation Authority plans to have the clubhouse rebuilt in fiscal year 2006 using the proceeds from the insurance, which will be appropriated back to the Authority by the two cities upon council approval, and additional funds contributed by the Authority. Since capital assets are not reported in governmental activities fund financial statements, the City of Auburn's share of the insurance proceeds (\$255,000) is reported as an extraordinary item in the governmental funds' statement of revenues, expenditures, and changes in fund balances. In the government-wide statement of activities, the insurance proceeds of \$255,000 were reduced by the net book value of the destroyed building (\$33,930) to record an extraordinary gain of \$221,070.

NOTE 20. 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 to private entities and individuals for further housing and business development activities. Based on their related purposes and activities, the following Special Revenue Funds are presented as a single fund entitled the Federal Grant Loan Repayment Fund: the Housing Development Action Grant (HODAG) Fund, the Urban Development Action Grant (UDAG) Funds, the Revolving Loan Fund, and the Affordable Housing Fund. Selected financial information for the sub-funds of the Federal Grant Loan Repayment Fund for the current fiscal year are as follows:

	HODAG*	Shelton Park*	Magnolia Plaza*	Revolving Loan*	Affordable Housing*	Total
Cash and cash equivalents	\$ 71,725	\$ 67,474	\$ 403,237	\$ 310,836	\$ 33,664	\$ 886,936
Mortgages receivable	3,394,939	189,742	-	327,473	105,912	4,018,066
Due from component units	-	-	-	2,416	-	2,416
Advances to other funds	206,965	-	-	66,369	-	273,334
Total assets	<u>\$ 3,673,629</u>	<u>\$ 257,216</u>	<u>\$ 403,237</u>	<u>\$ 707,094</u>	<u>\$ 139,576</u>	<u>\$ 5,180,752</u>
Deferred program revenue	\$ 3,395,438	\$ 189,742	\$ -	\$ 327,473	\$ 105,961	\$ 4,018,614
Fund balance-reserved for advances	206,965	-	-	66,369	-	273,334
Fund balance-unreserved	71,226	67,474	403,237	313,252	33,615	888,804
Total liabilities and fund balance	<u>\$ 3,673,629</u>	<u>\$ 257,216</u>	<u>\$ 403,237</u>	<u>\$ 707,094</u>	<u>\$ 139,576</u>	<u>\$ 5,180,752</u>
Revenues						
Program income	\$ 34,293	\$ 25,458	\$ 350,772	\$ 134,754	\$ 4,050	\$ 549,327
Other interest	35,880	17,413	16,071	33,047	3,902	106,313
Total revenues	<u>70,173</u>	<u>42,871</u>	<u>366,843</u>	<u>167,801</u>	<u>7,952</u>	<u>655,640</u>
Expenditures						
Economic development	-	-	-	87,600	102	87,702
Net changes in fund balances	<u>70,173</u>	<u>42,871</u>	<u>366,843</u>	<u>80,201</u>	<u>7,850</u>	<u>567,938</u>
Fund balances, beginning of year	208,018	24,603	36,394	356,173	25,765	650,953
Prior period adjustment	-	-	-	(56,753)	-	(56,753)
Fund balances, beginning of year, as restated	<u>208,018</u>	<u>24,603</u>	<u>36,394</u>	<u>299,420</u>	<u>25,765</u>	<u>594,200</u>
Fund balances, end of year	<u>\$ 278,191</u>	<u>\$ 67,474</u>	<u>\$ 403,237</u>	<u>\$ 379,621</u>	<u>\$ 33,615</u>	<u>\$ 1,162,138</u>

*Net of interfund eliminations.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 21. 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	\$ 48,222	\$ 125,984	\$ 174,206
Liabilities and fund balance			
Accounts payable and accrued liabilities	\$ 326	\$ -	\$ 326
Fund balance-unreserved	47,896	125,984	173,880
Total liabilities and fund balance	\$ 48,222	\$ 125,984	\$ 174,206
Revenues			
Confiscation revenue	\$ 20,768	\$ 21,403	\$ 42,171
Other interest	1,271	2,832	4,103
Total revenues	22,039	24,235	46,274
Expenditures			
Public safety	20,499	3,003	23,502
Excess (deficiency) of revenues over expenditures	1,540	21,232	22,772
Beginning fund balance	46,356	104,752	151,108
Ending fund balance	\$ 47,896	\$ 125,984	\$ 173,880

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 22. REPORTING OF GENERAL FUND ACTIVITIES

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

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
ASSETS							
Cash	\$ 143,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,812
Equity in pooled cash and cash equivalents	15,449,138	22,874	2,110	-	935,891	810,800	17,220,813
Restricted cash and investments	-	-	-	-	-	-	-
Total cash and cash equivalents	15,592,950	22,874	2,110	-	935,891	810,800	17,364,625
Receivables							
Revenues	4,029,136	-	-	-	(113)	-	4,029,023
Grants	66,792	-	-	-	-	-	66,792
Other governmental units	621,000	-	-	-	-	-	621,000
Special assessments	25,107	-	-	288,125	-	-	313,232
Other	577,338	-	-	3,771	8,508	-	589,617
Due from other funds	41,578	-	-	-	-	-	41,578
Due from component units	43,169	-	-	-	27,515	-	70,684
Inventories, at cost	25,344	-	-	-	-	-	25,344
Prepaid expenses	16,781	-	-	-	-	-	16,781
Advances to component units	2,933,170	-	-	-	-	-	2,933,170
Property for resale	4,131,127	-	-	-	-	-	4,131,127
TOTAL ASSETS	28,103,492	22,874	2,110	291,896	971,801	810,800	30,202,973

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 22. REPORTING OF GENERAL FUND ACTIVITIES (CONTINUED)

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
LIABILITIES, FUND							
EQUITY AND OTHER CREDITS							
Liabilities							
Accounts payable and accrued liabilities	\$ 1,676,134	-	-	\$ 24,740	\$ -	\$ 11,133	\$ 1,712,007
Customer deposits	77,800	-	-	-	-	-	77,800
Due to other funds	-	-	-	-	-	-	-
Due to component units	92,148	-	-	-	-	-	92,148
Deferred revenue	543,133	-	-	288,125	-	-	831,258
Claims payable	-	-	-	-	114,187	-	114,187
Advances from other funds	-	-	66,369	-	-	-	66,369
Total liabilities	<u>2,389,215</u>	<u>-</u>	<u>66,369</u>	<u>312,865</u>	<u>114,187</u>	<u>11,133</u>	<u>2,893,769</u>
Fund equity and other credits							
Fund balances							
Reserved for-							
Inventories	25,344	-	-	-	-	-	25,344
Prepaid expenses	16,781	-	-	-	-	-	16,781
Encumbrances	711,762	-	83	2,475	-	-	714,320
Advances	2,933,170	-	-	-	-	-	2,933,170
Property for resale	4,131,127	-	-	-	-	-	4,131,127
Unreserved -							
Designated -							
Future emergency purchases	4,419,717	-	-	-	-	-	4,419,717
Equipment replacement	299,578	-	-	-	-	-	299,578
Undesignated (deficit)	13,349,969	22,874	(64,342)	(23,446)	1,082,380	401,731	14,769,166
Total equity and other credits	<u>25,887,448</u>	<u>22,874</u>	<u>(64,259)</u>	<u>(20,971)</u>	<u>1,082,380</u>	<u>401,731</u>	<u>27,309,203</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 28,276,663</u>	<u>\$ 22,874</u>	<u>\$ 2,110</u>	<u>\$ 291,894</u>	<u>\$ 1,196,567</u>	<u>\$ 412,864</u>	<u>\$ 30,202,972</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 22. REPORTING OF GENERAL FUND ACTIVITIES (CONTINUED)

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues							
Sales and use taxes	\$ 18,429,013	-	-	-	-	-	\$ 18,429,013
Occupational license taxes	6,785,103	-	-	-	-	-	6,785,103
Motor fuel taxes	220,541	-	-	-	-	-	220,541
Lodging taxes	668,094	-	-	-	-	-	668,094
Rental and leasing taxes	1,456,463	-	-	-	-	-	1,456,463
Other taxes	120,661	-	-	-	-	-	120,661
Licenses and permits	6,001,452	-	-	-	-	-	6,001,452
General property tax	2,893,436	-	-	-	-	-	2,893,436
Fees for services	6,211,393	-	-	-	160,570	-	6,371,963
Fines and forfeitures	1,013,374	-	-	-	-	-	1,013,374
State shared taxes	760,445	-	-	-	-	-	760,445
Contributions from the public	58,002	-	7,990	86,606	-	-	152,598
Grants	520,061	-	-	-	-	-	520,061
Program income	-	-	-	-	-	-	-
Other interest	449,946	630	127	16,760	15,332	13,286	496,081
Miscellaneous	75,695	-	-	-	-	-	75,695
Total revenues	45,663,679	630	8,117	103,366	175,902	13,286	45,964,980
Expenditures							
General government and administration	3,438,940	-	-	-	-	-	3,438,940
Public works	2,433,580	-	-	-	-	-	2,433,580
Environmental services	3,630,390	-	-	-	-	-	3,630,390
Public safety	11,734,485	-	-	-	-	-	11,734,485
Library	1,049,762	-	-	-	-	-	1,049,762
Parks and recreation	3,787,274	-	11,771	-	-	-	3,799,045

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 22. REPORTING OF GENERAL FUND ACTIVITIES (CONTINUED)

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Planning	507,098	-	-	-	-	-	507,098
Economic development	598,636	-	-	-	-	-	598,636
Employee services	459,278	-	-	-	-	-	459,278
Risk management	208,496	-	-	-	-	303,027	511,523
Total departmental	27,847,939	-	11,771	-	-	303,027	28,162,737
Non-departmental	1,019,992	-	-	113	78,590	-	1,098,695
Debt service	19,129,466	-	-	104,284	-	-	19,233,750
Capital outlay	7,789,432	-	-	70,919	-	-	7,860,351
Intergovernmental	1,177,306	-	-	-	-	-	1,177,306
Payments to component units	7,713,961	-	-	-	-	-	7,713,961
Total expenditures	64,678,096	-	11,771	175,316	78,590	303,027	65,246,800
Excess (deficiency) of revenues over expenditures	(19,014,417)	630	(3,654)	(71,950)	97,312	(289,741)	(19,281,820)
Other financing sources (uses)							
Long-term debt proceeds	15,869,001	-	-	51,646	-	-	15,920,647
Transfers in	509,450	-	-	-	-	-	509,450
Transfers out	(218,056)	-	-	-	-	-	(218,056)
Total other financing sources (uses)	16,160,395	-	-	51,646	-	-	16,212,041
Extraordinary item							
Insurance proceeds from fire	255,000	-	-	-	-	-	255,000
Net changes in fund balances	(2,599,022)	630	(3,654)	(20,304)	97,312	(289,741)	(2,814,779)
Fund balances, beginning of year	28,486,470	22,244	(60,605)	(667)	985,068	691,472	30,123,982
Fund balances, end of year	\$ 25,887,448	\$ 22,874	\$ (64,259)	\$ (20,971)	\$ 1,082,380	\$ 401,731	\$ 27,309,203

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 23. RESTRICTED ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

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

COMPONENT UNITS

Water Works Board

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

Industrial Development Board

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

NOTE 24. DEFERRED WATER RIGHTS – WATER WORKS BOARD (COMPONENT UNIT)

The Board entered into a Water Supply Agreement with the City of Opelika Water Board in June 1983 (See Note 8.) Auburn's share, as computed under the agreement, of the initial expenditures, capital contributions, bonds payable, and interest incurred through October 27, 1986 (when the agreement became operational), has been capitalized as deferred water rights. On October 27, 1986, the date Opelika's source supply became operational, amortization of the deferred water rights over the remaining life of the agreement began. A summary of deferred water rights at September 30, 2005, follows:

Deferred water rights, beginning of year	\$ 1,468,616
Amortization of deferred water rights	<u>(169,456)</u>
Deferred water rights, end of year	<u>\$ 1,299,160</u>

NOTE 25. SPECIAL CAPITAL IMPROVEMENT PROJECTS

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

The Dean Road Extension project was completed in fiscal year 1999, and an agreement was signed whereby the affected property owners agreed to pay the City \$810,672 (the net cost to the City for construction) with interest at 5.16% over ten years. Amounts collected under the agreement in fiscal year 2005 included principal of \$86,606 and interest of \$17,678; the balance due from the property owners at September 30, 2005, was \$288,125. During construction, the costs were funded by state grants and existing General Fund resources and, accordingly, were recorded as capital outlay expenditures in the year incurred. At the time the agreement was signed with the property owners, the City issued a general obligation warrant in the amount of \$810,672 to recover the costs incurred by the General Fund, and the property owners pledged an irrevocable letter of credit to secure the warrant. The warrant is backed by the full faith credit and taxing power of the City and is not secured by liens against the property.

During fiscal year 2005, the City began the Richland Road Construction Project consisting of right-of-way acquisition, road construction, drainage structures, sidewalks, street lighting poles, and other fixtures on a road within the City known as Richland Road. The City will finance the base under the roadway, the middle four feet of asphalt, and a sidewalk four feet wide. Two property owners have agreed to reimburse the City for the remaining costs of the project, including all costs of right-of-way acquisition, construction costs exceeding the City's portion, construction period interest, testing, advertising, engineering, attorney's fees, and other direct administrative costs incurred by the City. In 2005, the City issued a General Obligation Warrant in the amount of \$2,000,000 to finance costs incurred during the construction period (see note 8). The warrant is backed by the full faith credit and taxing power of the City and is not secured by liens against the property. Promissory notes secured by letters of credit and personal guarantees were obtained from the property owners to guarantee

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 25. SPECIAL CAPITAL IMPROVEMENT PROJECTS CONTINUED

the entire cost of construction. Upon permanent financing, actual costs will be determined and new promissory notes, letters of credit and personal guarantees will be provided for the property owners' share of the total cost of the project.

NOTE 26. DEPRIVATIZATION OF SEWER PLANTS

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

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

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

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

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

- A. The Partnership deposited all amounts remaining in its debt service reserve fund (established with issuance of its 1984 bonds), after payment of interest due on the outstanding bonds, into an escrow account.
- B. The City deposited to the escrow account the remaining amounts required to redeem the original bonds.
- C. The City issued a noninterest bearing General Obligation Warrant to the Partnership in the amount of \$9,400,000, due January 1, 2012.
- D. The City agreed to enter into a contract with the Partnership for the design, engineering and management of a construction program to upgrade the sewer system in the approximate capital amount of \$10,000,000.
- E. The City and the Partnership agreed to extend the existing contract for the operation of the wastewater treatment plants (included in the Service Agreement) until January 1, 2020.

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

Effective August 1, 2001, the Base Service Charge included in the original Service Agreement is no longer payable to the Partnership by the City. The Additional Service Charge (\$977,073, annually) continues to be payable under the terms of the extension of the Service Agreement until January 1, 2020.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 27. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

Subsequent to September 30, 2005, the City issued general obligation warrants in the principal amount of \$6,000,000 for the design and construction of infrastructure in Auburn Technology Park West. The warrants bear interest at a fixed rate of 3.658% with monthly payments for nine years, and the warrants are non-callable. The city also issued general obligation warrants in the principal amount of \$5,000,000 to provide financing for the design and construction of infrastructure in the Auburn University Research Park. The borrowing is at the fixed rate of 4.08% with monthly payments for nine years and is callable at any time. Additionally, Council approved a Special Five Mill Tax referendum, with a proposed date of April 11, 2006. Voters will be asked to approve a bond issue in the amount of \$5,200,000 to fund improvements to the public library and construction of a tennis center as a joint project between the City and Auburn University. An appropriation agreement with the Industrial Development Board was approved by Council to provide funding for debt service payments on \$5,515,000 of debt issued by the Board to refinance and expand an existing industrial property.

The City Council approved a new professional services agreement with Waste Away Group, Inc. to provide solid waste disposal service for a period of three years. Council authorized a three percent (3%) increase in lodging tax. Council authorized amending the Community Development Block Grant Program (CDBG) to increase the maximum loan amount in the Housing Deferred Rehabilitation Loan Policy and the City-Wide Loan Policy. The City also conveyed a lot from the Shug Jordan Commercial Park to the Industrial Development Board (IDB). Council approved the purchase of property in the amount of \$900,000, pending the satisfactory result of environmental testing during the 90-day due diligence period, and approved the purchase of approximately 10.4 acres of land at \$25,000 per acre.

Council approved the expenditure of a \$20,000 training grant from the City's Revolving Loan Fund to a new company as an incentive to create new employment opportunities at the Auburn plant. Various design and construction contracts totaling approximately \$3,180,000 and equipment and computer software purchases totaling approximately \$2,200,000 were approved by Council subsequent to September 30, 2005. Also, Council approved appropriations for fiscal year 2006 totaling approximately \$330,000 in exchange for services to be provided, and approved the appropriation of insurance proceeds in the amount of \$255,000 to the Indian Pines Recreation Authority to assist in the reconstruction of the clubhouse that was destroyed by fire (see Note 19).

In February, 2006, Council accepted the resignation of the City Manager, and approved a settlement agreement that authorized payments to the former City Manger equal to twelve months' annual base salary, less required withholdings, twelve months of car allowance, health insurance and life insurance premiums for a twelve month period, and 35 days of vacation leave. The value of the severance package totalled approximately \$276,000.

COMPONENT UNITS

Industrial Development Board

Subsequent to September 30, 2005, the Board approved the issuance of Taxable Industrial Development Refunding and Improvement Bonds, Series 2005-A, in the principal amount of \$5,515,000 for the purposes of refinancing and expanding a building held by the Board for leasing. Debt service payments will be funded through an appropriation agreement from the City of Auburn.

Subsequent to September 30, 2005, the Board approved several incentive packages for an industries that have chosen to locate plants in Auburn. The incentives include lease agreements, application for site preparation grants, and additional funding for infrastructure improvements and training.

An amendment to the professional services contract for engineering services for the Auburn Technology Park-West was approved at an additional cost of \$285,696. Also, the Board approved the purchase of capital equipment costing \$174,251 to be used for workforce development.

Construction was completed on a building owned by the Board and held for leasing, and permanent financing was obtained for the facility. Additionally, a lot in the Shug Jordan Commercial Park was conveyed to the Board by the City, and the Board approved the sale of approximately 1.5 acres in Auburn Technology Park-North to be used for expansion by an existing company.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 28. 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 \$5,271,090 as of September 30, 2005.

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

Fiscal Year	Appropriation
2006	\$ 375,455
2007	377,080
2008	378,380
2009	379,105
2010	379,230
2011	378,630
2012	377,480
2013	375,970
2014	378,875
2015	376,113
2016	378,062
2017	379,303
2018	376,802
2019	378,803
2020	375,052
2021	375,803
2022	375,803
2023	375,053
2024	376,027
2025	376,020
Total	\$ 7,543,046

Claims and Litigation - As of September 30, 2005, the City had been named defendant in 6 pending lawsuits. One of these suits does not specify a dollar amount of damages claimed, and the total damages claimed in the suits specifying damages is \$251,907,000. Additionally, an EEOC claim was filed against the City in fiscal year 2005. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$104,994. Subsequent to September 30, 2005, one of the lawsuits was settled for the amount of estimated liability accrued by management, and an additional EEOC complaint was filed.

In fiscal year 2005, the City expended \$96,953 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 28. COMMITMENTS, LITIGATION AND CONTINGENCIES (CONTINUED)

COMPONENT UNITS

Board of Education

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

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
Central Office Addition	\$ 569,027	\$ 311,154	\$ 257,873	\$ -
Drake, Auburn High and AEEC	10,418,093	1,523,396	8,894,697	-
Auburn High School Roof	165,450	164,386	1,064	-
Total	<u>\$ 11,152,570</u>	<u>\$ 1,998,936</u>	<u>\$ 9,153,634</u>	<u>\$ -</u>

The Board has several non-cancelable leases for certain equipment that are classified as operating leases. Rent expense under these non-cancelable leases was \$69,550 for the fiscal year ended September 30, 2005. In addition to these leases, the Board has entered into a non-cancelable operating lease for which the liability has been assumed by a third party. As responsibility for the lease payments belongs to the third party by agreement, the minimum lease payments have not been included below.

The approximate remaining annual minimum lease payments under the noncancelable leases existing as of September 30, 2005 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$ 69,550
2007	69,293
2008	32,790
2009	17,506
Total	<u>\$ 189,139</u>

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

Water Works Board

Commitments – The Water Works Board has commitments for construction projects in connection with system improvements and a new water and sewer complex. The cost to complete the projects is approximately \$398,000.

Industrial Development Board

Commitments - At September 30, 2005, the Board was committed under certain construction contracts in the amount of \$1,218,402. Also, during fiscal year 2005, the Board signed an operating lease agreement for a parcel of land and a building that was under construction at fiscal year end. The lease is for an initial term of 3 years, with consecutive renewal options that could extend the total lease term to ten years. Rentals will be \$9,304 per month for the initial lease term, and the lessee has the option to purchase the building during the term of the lease for an amount equal to the fair market value of the property or the Board's outstanding indebtedness on the property, whichever is greater, reduced by the fair market value of the land and the amount of any leasehold improvements made by the lessee. Lease inception begins upon occupancy of the building.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 28. COMMITMENTS, LITIGATION AND CONTINGENCIES (CONTINUED)

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 29. PRIOR PERIOD ADJUSTMENTS

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2005, the City discovered that capital assets with a cost basis of \$604,209 and accumulated depreciation of \$297,025 were inadvertently recorded twice in a prior period. The net book value of \$307,184 was removed from the government-wide statement of net assets; because capital assets are not accounted for in the governmental fund financial statements, no adjustment was necessary to those statements.

Also in a prior year, the Federal Grant Loan Repayment Fund advanced funds to an industry to finance an equity injection into the building that they are renting from the Industrial Development Board. The loan was inadvertently recorded as an advance to the Industrial Development Board rather than a loan to the company. Therefore, under the modified accrual basis of accounting, expenditures were understated by the amount of the loan (\$64,000) and revenues were understated by the amount of loan repayments (\$7,247) in the governmental fund financial statements. Because the government-wide statement of net assets is presented using the accrual basis of accounting, no adjustment was necessary to those statements.

COMPONENT UNITS

Industrial Development Board

In a prior fiscal year, the Board recorded an advance from the City of Auburn (Federal Grant Loan Repayment Funds) for an equity injection towards the renovation of a building owned by the Board and leased to an industry. The equity injection (\$64,000) should have been recorded as contributed capital from the industry, and a portion of the rent collected from the industry (\$7,247) should have been paid to the Federal Grant Loan Repayment Fund to reduce the principal amount advanced for the equity injection. The net amount of the transaction (\$56,753) was recorded as an increase to the Board's net assets in fiscal year 2005.

Also in fiscal year 2005, the Board received reimbursements for expense recorded in a previous fiscal year. The net amount of the reimbursements (\$103,117) was recorded as an increase to the Board's net assets in fiscal year 2005.

NOTE 30. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill closed in fiscal year 2000. Postclosure care costs are paid only after the date that the landfill stops accepting waste; the City reports these postclosure care costs in governmental activities' long-term debt and other liabilities. The total amount expended for landfill closure and postclosure care during fiscal year 2005 was \$1,525. This amount is reflected in General Fund expenditures. The \$315,000 reported as landfill postclosure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2005, represents estimated costs of postclosure care based on what it would cost to perform all postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 31. RELATED PARTY TRANSACTIONS

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Four-Cent Gas Tax Fund accounts for Auburn's share of the State of Alabama four cent gas tax revenues and is disbursed 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 to be used for enforcement of laws against drug trafficking.

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

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

Community Development Block Grant Fund accounts for those funds received for federal Community Development Block Grants.

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

Debt Service Funds

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

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

Special 5-Mill Tax Fund accounts for general property tax receipts used to pay principal and interest on voted bonds of the City.

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.

'99 Bond Projects Fund accounts for the proceeds of the General Obligation Bonds dated August 1, 1999. Use of the proceeds is for acquiring, providing and constructing a new public library and other capital improvements to municipal buildings in the City.

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

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

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

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

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

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

CITY OF AUBURN, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2005

	Special Revenue Funds							Debt Service Funds			
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety-Substance Abuse Fund	City Gas Tax Fund	Special Additional School Tax Fund	Community Development Block Grant Fund	Public Library Board	Total	GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total
ASSETS											
Cash and cash equivalents	\$ 28,499	\$ 27,090	\$ 174,207	\$ 32,553	\$ 2,909,112	\$ 22,056	\$ 12,619	\$ 3,206,136	\$ 37,820	\$ 2,054,089	\$ 2,091,909
Receivables, net	12,989	10,189	-	20,782	55,196	28,000	-	127,156	-	25,087	25,087
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Mortgages receivable	-	-	-	-	-	148,980	-	148,980	-	-	-
Advances to	-	-	-	-	-	-	-	-	-	-	-
Other funds	-	-	-	-	-	-	-	-	-	-	-
Component units	-	-	-	-	-	-	-	-	-	-	-
Property for resale	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 41,488	\$ 37,279	\$ 174,207	\$ 53,335	\$ 2,964,308	\$ 199,036	\$ 12,619	\$ 3,482,272	\$ 37,820	\$ 2,079,176	\$ 2,116,996
LIABILITIES AND FUND BALANCES											
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 326	\$ -	\$ -	\$ 8,477	\$ -	\$ 8,803	\$ -	\$ -	\$ -
Payables to other governments	-	-	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	41,579	-	41,579	-	-	-
Claims payable	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Deferred program revenue	-	-	-	-	-	148,980	-	148,980	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	326	-	-	199,036	-	199,362	-	-	-
Fund balances:											
Reserved:											
Inventories	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	61,204	-	61,204	-	-	-
Advances	-	-	-	-	-	-	-	-	-	-	-
Property for resale	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Designated for emergency purposes	-	-	-	-	-	-	-	-	-	-	-
Undesignated (deficit)	41,488	37,279	173,881	53,335	2,964,309	(61,204)	12,619	3,221,707	37,820	2,079,176	2,116,996
Total fund balances	41,488	37,279	173,881	53,335	2,964,309	-	12,619	3,282,911	37,820	2,079,176	2,116,996
Total liabilities and fund balances	\$ 41,488	\$ 37,279	\$ 174,207	\$ 53,335	\$ 2,964,309	\$ 199,036	\$ 12,619	\$ 3,482,273	\$ 37,820	\$ 2,079,176	\$ 2,116,996

	Debt Service Funds				Capital Projects Funds							Total Nonmajor Governmental Funds
	GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total	'99 Bond Projects Fund	'97/98 Capital Projects Fund	'01 Capital Projects Fund	'03 6.3 Mill Capital Projects Fund	'03 2.1 Mill Capital Projects Fund	'05 Capital Projects Fund	AU Research Park Capital Projects Fund	Total	
ASSETS												
Cash and cash equivalents	\$ 37,820	\$ 2,054,089	\$ 2,091,909	\$ -	\$ 530,817	\$ 537,095	\$ 3,048,575	\$ 673,998	\$ 4,884,172	\$ -	\$ 9,674,657	\$ 14,972,702
Receivables, net	-	25,087	25,087	-	-	-	-	-	-	-	-	152,243
Montgages receivable	-	-	-	-	-	-	-	-	-	-	-	148,980
Total assets	\$ 37,820	\$ 2,079,176	\$ 2,116,996	\$ -	\$ 530,817	\$ 537,095	\$ 3,048,575	\$ 673,998	\$ 4,884,172	\$ -	\$ 9,674,657	\$ 15,273,925
LIABILITIES AND FUND BALANCES												
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,336	\$ 236,068	\$ 116,494	\$ 3,219	\$ 180,382	\$ 613,499	622,302
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	41,579
Deferred program revenue	-	-	-	-	-	-	-	-	-	-	-	148,980
Total liabilities	-	-	-	-	-	77,336	236,068	116,494	3,219	180,382	613,499	812,861
Fund balances:												
Reserved:												
Encumbrances	-	-	-	-	-	214,314	1,963,986	239,267	169,070	69,105	2,655,742	2,716,946
Unreserved:												
Undesignated (deficit)	37,820	2,079,176	2,116,996	-	530,817	245,445	848,521	318,237	4,711,883	(249,487)	6,405,416	11,744,119
Total fund balances	\$ 37,820	\$ 2,079,176	\$ 2,116,996	\$ -	\$ 530,817	\$ 459,759	\$ 2,812,507	\$ 557,504	\$ 4,880,953	\$ (180,382)	\$ 9,061,158	\$ 14,461,065
Total liabilities and fund balances	\$ 37,820	\$ 2,079,176	\$ 2,116,996	\$ -	\$ 530,817	\$ 537,095	\$ 3,048,575	\$ 673,998	\$ 4,884,172	\$ -	\$ 9,674,657	\$ 15,273,925

CITY OF AUBURN, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue Funds							Total
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety- Substance Abuse Fund	City Gas Tax Fund	Special Additional School Tax Fund	Community Development Block Grant Fund	Public Library Board	
	Fund	Fund	Fund	Fund	Fund	Fund	Board	
Revenues								
Sales and use taxes	-	-	-	-	-	-	-	-
Occupational license fees	-	-	-	-	-	-	-	-
Motor fuel taxes	\$ -	\$ -	\$ -	\$ 235,761	\$ -	\$ -	\$ -	\$ 235,761
Lodging taxes	-	-	-	-	-	-	-	-
Rental and leasing taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
General property tax	-	-	-	-	4,887,541	-	-	4,887,541
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
State shared taxes	146,582	114,065	-	-	-	-	-	260,647
Contributions from the public	-	-	42,171	-	-	-	-	42,171
Grants	-	-	-	-	-	273,879	-	273,879
Program income	-	-	-	-	-	-	-	-
Interest	1,021	839	4,103	1,269	91,799	-	76	99,107
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	147,603	114,904	46,274	237,030	4,979,340	273,879	76	5,799,106
Expenditures								
General government and administration	-	-	-	-	-	155,913	-	155,913
Public works	-	-	-	-	-	-	-	-
Environmental services	-	-	-	-	-	-	-	-
Public safety	-	-	23,501	-	-	-	-	23,501
Library	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	71,582	-	71,582
Employee services	-	-	-	-	-	-	-	-
Risk management	-	-	-	-	-	-	-	-
Total departmental	-	-	23,501	-	-	227,495	-	250,996
Non-departmental	-	-	-	-	169,084	-	-	169,084
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	46,384	-	46,384
Intergovernmental	-	-	-	-	-	-	-	-
Payments to component units	-	-	-	-	-	-	-	-
Total expenditures	-	-	23,501	-	169,084	273,879	-	466,464
Excess (deficiency) of revenues over expenditures	147,603	114,904	22,773	237,030	4,810,256	-	76	5,332,642
Other financing sources (uses)								
Debt issuance	-	-	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(135,000)	(100,000)	-	(239,000)	(3,450,000)	-	-	(3,924,000)
Total other financing sources (uses)	(135,000)	(100,000)	-	(239,000)	(3,450,000)	-	-	(3,924,000)
Net changes in fund balances	12,603	14,904	22,773	(1,970)	1,360,256	-	76	1,408,642
Fund balances, beginning of year	28,885	22,375	151,108	55,305	1,604,053	-	12,543	1,874,269
Prior period adjustment	-	-	-	-	-	-	-	-
Fund balances, beginning of year	28,885	22,375	151,108	55,305	1,604,053	-	12,543	1,874,269
Fund balances, end of year	\$ 41,488	\$ 37,279	\$ 173,881	\$ 53,335	\$ 2,964,309	\$ -	\$ 12,619	\$ 3,282,911

Debt Service Funds			Capital Projects Funds							Total Nonmajor Governmental Funds	
GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total	'99 Bond Projects Fund	'97/98 Capital Projects Fund	'01 Capital Projects Fund	'03 6.3 Mil Capital Projects Fund	'03 2.1 Mil Capital Projects Fund	'05 Capital Projects Fund	AU Research Park Capital Projects Fund	Total	Total Nonmajor Governmental Funds
-	-	-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,761
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	2,109,363	2,109,363	-	-	-	-	-	-	-	-	6,996,904
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	260,647
-	-	-	-	-	-	-	-	-	-	-	42,171
-	-	-	-	-	-	-	-	-	-	-	273,879
-	-	-	-	-	-	-	-	-	-	-	-
1,694	72,101	73,795	-	10,416	28,659	114,608	22,766	26,625	-	203,074	375,976
-	-	-	-	-	-	-	-	-	-	-	-
<u>1,694</u>	<u>2,181,464</u>	<u>2,183,158</u>	<u>-</u>	<u>10,416</u>	<u>28,659</u>	<u>114,608</u>	<u>22,766</u>	<u>26,625</u>	<u>-</u>	<u>203,074</u>	<u>8,185,338</u>
-	-	-	-	-	-	-	-	-	-	-	155,913
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	23,501
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	71,582
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	250,996
-	74,385	74,385	-	3,902	-	-	-	-	-	3,902	247,371
79,570	1,610,685	1,690,255	-	-	-	-	-	94,956	-	94,956	1,785,211
-	-	-	-	-	1,532,926	2,753,239	449,438	160,999	180,382	5,076,984	5,123,368
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
<u>79,570</u>	<u>1,685,070</u>	<u>1,764,640</u>	<u>-</u>	<u>3,902</u>	<u>1,532,926</u>	<u>2,753,239</u>	<u>449,438</u>	<u>255,955</u>	<u>180,382</u>	<u>5,175,842</u>	<u>7,406,946</u>
(77,876)	496,394	418,518	-	6,514	(1,504,267)	(2,638,631)	(426,672)	(229,330)	(180,382)	(4,972,768)	778,392
-	9,905,000	9,905,000	-	-	-	-	-	-	-	-	9,905,000
-	328,038	328,038	-	-	-	-	-	-	-	-	328,038
-	(5,026,414)	(5,026,414)	-	-	-	-	-	-	-	-	(5,026,414)
79,000	-	79,000	-	-	-	-	-	5,110,283	-	5,110,283	5,189,283
-	(5,110,283)	(5,110,283)	-	-	-	-	-	-	-	-	(9,034,283)
<u>79,000</u>	<u>96,341</u>	<u>175,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,110,283</u>	<u>-</u>	<u>5,110,283</u>	<u>1,361,624</u>
1,124	592,735	593,859	-	6,514	(1,504,267)	(2,638,631)	(426,672)	4,880,953	(180,382)	137,515	2,140,016
36,696	1,486,441	1,523,137	-	524,303	1,964,026	5,451,138	984,176	-	-	8,923,643	12,321,049
-	-	-	-	-	-	-	-	-	-	-	-
<u>36,696</u>	<u>1,486,441</u>	<u>1,523,137</u>	<u>-</u>	<u>524,303</u>	<u>1,964,026</u>	<u>5,451,138</u>	<u>984,176</u>	<u>-</u>	<u>-</u>	<u>8,923,643</u>	<u>12,321,049</u>
<u>\$ 37,820</u>	<u>\$ 2,079,176</u>	<u>\$ 2,116,996</u>	<u>\$ -</u>	<u>\$ 530,817</u>	<u>\$ 459,759</u>	<u>\$ 2,812,507</u>	<u>\$ 557,504</u>	<u>\$ 4,880,953</u>	<u>\$ (180,382)</u>	<u>\$ 9,061,158</u>	<u>\$ 14,461,065</u>

CITY OF AUBURN, ALABAMA
SEVEN-CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State shared taxes	\$ 144,000	\$ 144,000	\$ 146,582	\$ 2,582
Interest	1,200	1,000	1,021	21
Total revenues	<u>145,200</u>	<u>145,000</u>	<u>147,603</u>	<u>2,603</u>
Transfers out	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>-</u>
Net changes in fund balances	10,200	10,000	12,603	2,603
Fund balances, beginning of year	<u>28,885</u>	<u>28,885</u>	<u>28,885</u>	<u>-</u>
Fund balances, end of year	<u>\$ 39,085</u>	<u>\$ 38,885</u>	<u>\$ 41,488</u>	<u>\$ 2,603</u>

CITY OF AUBURN, ALABAMA
FOUR-CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State shared taxes	\$ 107,000	\$ 101,500	\$ 114,065	\$ 12,565
Interest	1,000	500	839	339
Miscellaneous	-	-	-	-
Total revenues	<u>108,000</u>	<u>102,000</u>	<u>114,904</u>	<u>12,904</u>
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net changes in fund balances	8,000	2,000	14,904	12,904
Fund balances, beginning of year	<u>22,375</u>	<u>22,375</u>	<u>22,375</u>	<u>-</u>
Fund balances, end of year	<u>\$ 30,375</u>	<u>\$ 24,375</u>	<u>\$ 37,279</u>	<u>\$ 12,904</u>

CITY OF AUBURN, ALABAMA
PUBLIC SAFETY SUBSTANCE ABUSE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions from the public	\$ 10,500	\$ 5,700	\$ 42,171	\$ 36,471
Interest	1,500	2,800	4,103	1,303
Total revenues	<u>12,000</u>	<u>8,500</u>	<u>46,274</u>	<u>37,774</u>
Expenditures				
Public safety	<u>4,000</u>	<u>10,500</u>	<u>23,501</u>	<u>(13,001)</u>
Net changes in fund balances	8,000	(2,000)	22,773	24,773
Fund balances, beginning of year	<u>151,108</u>	<u>151,108</u>	<u>151,108</u>	<u>-</u>
Fund balances, end of year	<u>\$ 159,108</u>	<u>\$ 149,108</u>	<u>\$ 173,881</u>	<u>\$ 24,773</u>

CITY OF AUBURN, ALABAMA
CITY GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Motor fuel taxes	\$ 240,000	\$ 230,000	\$ 235,761	\$ 5,761
Interest	1,500	750	1,269	519
Total revenues	<u>241,500</u>	<u>230,750</u>	<u>237,030</u>	<u>6,280</u>
Transfers out	<u>(239,000)</u>	<u>(239,000)</u>	<u>(239,000)</u>	<u>-</u>
Net changes in fund balances	2,500	(8,250)	(1,970)	6,280
Fund balances, beginning of year	55,305	55,305	55,305	-
Fund balances, end of year	<u>\$ 57,805</u>	<u>\$ 47,055</u>	<u>\$ 53,335</u>	<u>\$ 6,280</u>

CITY OF AUBURN, ALABAMA
SPECIAL SCHOOL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax	\$ 4,430,000	\$ 4,523,261	\$ 4,887,541	\$ 364,280
Interest	25,000	45,000	91,799	46,799
Total revenues	<u>4,455,000</u>	<u>4,568,261</u>	<u>4,979,340</u>	<u>411,079</u>
Expenditures				
Non-departmental	<u>168,000</u>	<u>179,175</u>	<u>169,084</u>	<u>10,091</u>
Excess (deficiency) of revenues over expenditures	4,287,000	4,389,086	4,810,256	421,170
Other financing sources (uses)				
Transfers out	<u>(3,450,000)</u>	<u>(3,450,000)</u>	<u>(3,450,000)</u>	<u>-</u>
Net changes in fund balances	837,000	939,086	1,360,256	421,170
Fund balances, beginning of year	<u>1,604,053</u>	<u>1,604,053</u>	<u>1,604,053</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,441,053</u>	<u>\$ 2,543,139</u>	<u>\$ 2,964,309</u>	<u>\$ 421,170</u>

CITY OF AUBURN, ALABAMA
GORSIW SERIES 76 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 500	\$ 750	\$ 1,694	\$ 944
Total revenues	<u>500</u>	<u>750</u>	<u>1,694</u>	<u>944</u>
Expenditures				
Debt service	<u>79,570</u>	<u>79,570</u>	<u>79,570</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(79,070)	(78,820)	(77,876)	944
Other financing sources (uses)				
Transfers in	<u>79,000</u>	<u>79,000</u>	<u>79,000</u>	<u>-</u>
Net changes in fund balances	(70)	180	1,124	944
Fund balances, beginning of year	36,696	36,696	36,696	-
Fund balances, end of year	<u>\$ 36,626</u>	<u>\$ 36,876</u>	<u>\$ 37,820</u>	<u>\$ 944</u>

CITY OF AUBURN, ALABAMA
SPECIAL 5-MILL TAX DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax	\$ 1,950,000	\$ 2,062,525	\$ 2,109,363	\$ 46,838
Interest	50,000	50,000	72,101	22,101
Total revenues	<u>2,000,000</u>	<u>2,112,525</u>	<u>2,181,464</u>	<u>68,939</u>
Expenditures				
Non-departmental	79,000	84,256	74,385	9,871
Debt service	1,930,366	1,375,770	1,610,685	(234,915)
Total expenditures	<u>2,009,366</u>	<u>1,460,026</u>	<u>1,685,070</u>	<u>(225,044)</u>
Excess (deficiency) of revenues over expenditures	<u>(9,366)</u>	<u>652,499</u>	<u>496,394</u>	<u>(156,105)</u>
Other financing sources (uses)				
Debt issuance	-	-	9,905,000	9,905,000
Premium on debt issued			328,038	328,038
Payment to refunded bond escrow agent	-	-	(5,026,414)	(5,026,414)
Transfers out	-	-	(5,110,283)	(5,110,283)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>96,341</u>	<u>96,341</u>
Net changes in fund balances	(9,366)	652,499	592,735	(59,764)
Fund balances, beginning of year	<u>1,486,441</u>	<u>1,486,441</u>	<u>1,486,441</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,477,075</u>	<u>\$ 2,138,940</u>	<u>\$ 2,079,176</u>	<u>\$ (59,764)</u>



City of Auburn



**Capital Assets Used in the Operation of
Governmental Funds**

City of Auburn

CITY OF AUBURN, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 SEPTEMBER 30, 2005

Governmental funds capital assets	
Land, buildings and improvements	\$ 39,635,217
Construction in progress	9,350,968
Communication equipment	215,132
Heavy equipment	2,045,879
Office equipment	1,878,343
Small tools and equipment	753,472
Vehicles	7,560,266
Infrastructure	9,494,795
Total governmental funds capital assets	<u>\$ 70,934,072</u>
Investment in governmental funds capital assets by source	
General fund revenues	\$ 32,285,180
Capital projects funds	30,279,394
Federal grants	2,889,271
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	1,012,313
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	368,540
Total investment in governmental funds capital assets	<u>\$ 70,934,072</u>

CITY OF AUBURN, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2005

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	\$ 627,264	\$ 12,816	\$ -	\$ -	\$ -	\$ 572,152	\$ -	\$ 42,296	\$ -
Information technology	95,396	-	-	-	-	44,694	26,993	23,709	-
Geographical information systems	20,734	12,400	-	-	-	8,334	-	-	-
Judicial	31,168	-	-	-	-	7,495	-	23,673	-
Administrative	45,603	-	-	-	-	27,423	-	18,180	-
Finance									
Total general government and administration	820,165	25,216	-	-	-	660,098	26,993	107,858	-
Public works	3,197,287	11,153	-	-	860,507	75,422	52,828	910,300	1,287,078
Environmental services	2,804,947	56,065	-	-	581,807	6,658	122,314	2,038,103	-
Public safety administration	236,304	90,401	-	67,033	-	21,454	-	57,416	-
Fire	2,072,565	14,299	-	-	46,855	-	81,866	1,929,545	-
Police and jail administration	2,041,070	133,600	-	26,194	-	20,148	263,908	1,597,221	-
Codes enforcement	77,332	-	-	-	-	7,421	-	69,911	-
Library	3,221,744	3,038,097	-	-	-	183,647	-	-	-
Parks and recreation	8,257,056	6,925,501	-	-	448,193	5,425	170,592	707,345	-
Planning	56,089	-	-	-	-	5,583	-	50,506	-
Human resource management	19,441	-	-	-	-	-	-	19,441	-
Economic development	72,621	-	-	-	-	-	-	72,621	-
Total departmental	22,876,621	10,294,332	-	93,227	1,937,362	985,855	718,501	7,560,266	1,287,078
Nondepartmental	48,057,451	29,340,885	9,350,968	121,905	108,517	892,488	34,971	-	8,207,717
Total governmental funds capital assets	\$ 70,934,072	\$ 39,635,217	\$ 9,350,968	\$ 215,132	\$ 2,045,879	\$ 1,878,343	\$ 753,472	\$ 7,560,266	\$ 9,494,795

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Governmental Funds Capital Assets September 30, 2004	Additions	Transfers and Deductions	Governmental Funds Capital Assets September 30, 2005
General government and administration				
Information technology	\$ 497,740	\$ 129,524	\$ -	\$ 627,264
Geographical information systems	81,285	14,111	-	95,396
Judicial	20,734	-	-	20,734
Administrative	23,673	7,495	-	31,168
Finance	48,383	6,095	(8,875)	45,603
Total general government and administration	671,815	157,225	(8,875)	820,165
Public works administration	1,655,678	1,558,361	(16,752)	3,197,287
Environmental services	2,708,952	95,995	-	2,804,947
Public safety administration	225,368	10,936	-	236,304
Fire	2,040,825	31,740	-	2,072,565
Police and jail administration	2,016,460	164,189	(139,579)	2,041,070
Codes enforcement	64,353	12,979	-	77,332
Library	3,221,744	-	-	3,221,744
Parks and recreation	5,125,923	3,278,208	(147,075)	8,257,056
Planning	39,119	16,970	-	56,089
Human resource management	19,441	-	-	19,441
Economic development	42,121	-	30,500	72,621
Total departmental	17,831,799	5,326,603	(281,781)	22,876,621
Nondepartmental	40,905,869	14,469,824	(7,318,242)	48,057,451
Total governmental funds capital assets	\$ 58,737,668	\$ 19,796,427	\$ (7,600,023)	\$ 70,934,072

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	133
<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	140
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, the sales tax.</i>	
Debt Capacity	141
<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	145
<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	147
<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 Activities Type
Last Three Fiscal Years

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities			
Invested in capital assets, net of related debt	\$ 17,249,619	\$ 23,976,799	\$ 22,454,277
Restricted	(26,814,317)	4,901,497	6,983,053
Unrestricted	13,771,290	(15,733,465)	(41,830,047)
Total governmental activities net assets	<u>4,206,592</u>	<u>13,144,831</u>	<u>-12,392,717</u>
Business-type Activities			
Invested in capital assets, net of related debt	\$ 12,466,156	\$ 11,725,340	\$ 12,376,420
Restricted	9,621,721	4,444,361	1,460,163
Unrestricted	(7,469,591)	339,141	4,510,401
Total business-type activities net assets	<u>14,618,286</u>	<u>16,508,842</u>	<u>18,346,984</u>
Primary government			
Invested in capital assets, net of related debt	\$ 29,715,775	\$ 35,702,139	\$ 34,830,697
Restricted	(17,192,596)	9,345,858	8,443,216
Unrestricted	6,301,699	(15,394,324)	(37,319,646)
Total primary government net assets	<u>18,824,878</u>	<u>29,653,673</u>	<u>5,954,267</u>

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

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses			
Governmental activities:			
General government and administration	\$ 3,807,989	\$ 4,189,200	\$ 4,789,687
Public works	2,598,479	2,724,146	2,960,817
Environmental services	3,563,536	3,498,406	4,038,158
Public safety	9,428,411	10,699,162	12,634,612
Library	947,709	1,052,313	1,146,947
Parks and recreation	3,598,629	3,745,118	4,247,362
Planning	379,761	381,375	502,342
Social and economic development*	1,454,453	1,559,427	3,894,096
Employee services	434,485	440,976	472,238
Risk management	254,694	426,002	506,603
Payments to component units*	8,105,050	10,404,387	-*
Education (payments to Board of Education)*	-	-	42,322,984
Interest on long-term debt	3,220,265	3,508,570	3,929,464
Total governmental activities expenses	<u>37,793,461</u>	<u>42,629,082</u>	<u>81,445,310</u>
Business-type activities:			
Sewer	4,487,091	4,434,526	4,753,076
Industrial Parks	188	226	213
Total business-type activities expenses	<u>4,487,279</u>	<u>4,434,752</u>	<u>4,753,289</u>
Total primary government expenses	<u>\$ 42,280,740</u>	<u>\$ 47,063,834</u>	<u>\$ 86,198,599</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 6,239,721	\$ 6,997,753	\$ 7,455,522
Public works	800	1,906	-
Environmental services	2,147,653	2,304,068	2,459,025
Public safety	594,138	799,832	2,620,202
Library	11,300	12,427	16,125
Parks and recreation	249,791	231,676	413,535
Planning	50,233	58,427	60,323
Employee services	676,662	-	-
Risk management	-	144,095	187,407
Operating grants and contributions	1,251,871	2,093,912	1,678,375
Capital grants and contributions	857,782	548,829	306,081
Total governmental activities program revenue	<u>12,079,951</u>	<u>13,192,925</u>	<u>15,196,595</u>
Business-type activities:			
Charges for services:			
Sewer	5,113,315	5,223,391	5,271,475
Capital grants and contributions	921,575	900,675	979,578
Total business-type activities program revenues	<u>6,034,890</u>	<u>6,124,066</u>	<u>6,251,053</u>
Total primary government program revenues	<u>\$ 18,114,841</u>	<u>\$ 19,316,991</u>	<u>\$ 21,447,648</u>
Net (expense)/revenue			
Governmental activities	\$ (25,713,510)	\$ (29,436,157)	\$ (66,248,715)
Business-type activities	1,547,611	1,689,314	1,497,764
Total primary government net expense	<u>\$ (24,165,899)</u>	<u>\$ (27,746,843)</u>	<u>\$ (64,750,951)</u>

*Presentation of payments to component units was changed in fiscal 2005: payments to the City Board of Education are shown separately, and payments to the City Industrial Development Board are included in the "social and economic development" function.

Table 2 Continued

	Fiscal Year		
	2003	2004	2005
General Revenues and Other Changes in Net Assets			
Government activities:			
Taxes:			
Sales taxes	14,589,315	17,959,076	18,429,013
Occupational license fees	5,557,851	7,197,943	6,785,103
Property taxes	8,553,150	10,176,644	11,791,602
Motor fuel taxes	483,054	495,322	461,800
Lodging taxes	548,362	568,887	668,094
Rental and leasing taxes	1,121,061	1,463,934	1,456,463
Cigarette taxes	102,809	96,708	91,188
Alcoholic beverage taxes	25,790	27,051	29,473
Interest and investment earnings	887,885	854,188	981,502
Gain (loss) on disposal of assets	(1,074,742)	2,644	18,245
Miscellaneous	21,545	28,312	6,655
Special items	-	-	173,492
Extraordinary items	-	-	221,070
Transfers	111,910	120,424	(95,349)
Total governmental activities	<u>30,927,990</u>	<u>38,991,133</u>	<u>41,018,351</u>
Business-type activities:			
Interest and investment earnings	353,612	321,665	245,029
Gain (loss) on disposal of assets	(2,255)	-	-
Transfers	(111,910)	(120,424)	95,349
Total business-type activities	<u>239,447</u>	<u>201,241</u>	<u>340,378</u>
Total primary government	<u>31,167,437</u>	<u>39,192,374</u>	<u>41,358,729</u>
Changes in Net Assets			
Governmental activities	5,214,480	9,554,976	(25,230,364)
Business-type activities	<u>1,787,058</u>	<u>1,890,555</u>	<u>1,838,142</u>
Total primary government	<u>7,001,538</u>	<u>11,445,531</u>	<u>(23,392,222)</u>

*GFOA recommended that we do not have the payments to component units. Starting with FY 2005, payments to the IDB are included in social and economic development. Payments to the school board are listed separately.

Table 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 Institution Tax		Motor Vehicle Tax	General Property Tax	Totals
1996	9,545,803	97,595	545,933	244,321	69,656	76,732	3,845,988	14,426,028	
1997	9,739,125	112,841	560,098	293,576	110,621	76,027	5,390,311 ⁽²⁾	16,282,599	
1998	10,300,115	124,329	590,923	292,834	100,516	66,570	5,431,807	16,907,094	
1999	11,313,849	122,863	625,478	313,969	100,493	64,854	5,969,272	18,510,778	
2000	12,154,032	116,981	653,974	439,425	36,447	76,447	7,082,494	20,559,800	
2001	12,554,602	105,137	680,049	513,913	22,755	74,584	7,459,103	21,410,143	
2002	13,160,761	125,754	748,700	828,711	7,869	108,910	8,050,340	23,031,045	
2003	14,589,315 ⁽³⁾	144,608	708,905	967,841	39,374	84,500	8,388,489	24,923,032	
2004	17,959,076	172,784	751,944	1,019,463	79,347	89,209	9,959,852	30,031,675	
2005	18,429,012	159,533	695,734	1,091,843	193,876	110,811	9,233,402	29,914,211	

* State Alcoholic Beverage Control Board

⁽¹⁾ Includes state shared taxes.

⁽²⁾ Special School Tax Fund millage increased from 5 mills to 11 mills effective 10/1/96

⁽³⁾ Sales tax rate increased from 2.5% to 3.0% effective 8/1/03

Table 4
City of Auburn
Fund Balance of Governmental Funds

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund										
Reserved	\$ 902,138	\$ 1,127,119	\$ 2,596,287	\$ 1,499,497	\$ 1,560,286	\$ 2,114,199	\$ 1,463,210	\$ 5,559,675	\$ 8,697,744	\$ 7,820,742
Unreserved	2,353,057	3,031,289	3,088,423	5,353,434	5,742,247	7,663,595	12,635,576	13,480,580	21,426,238	19,488,460
Total general fund	<u>\$ 3,255,195</u>	<u>\$ 4,158,408</u>	<u>\$ 5,684,710</u>	<u>\$ 6,852,931</u>	<u>\$ 7,302,533</u>	<u>\$ 9,777,794</u>	<u>\$ 14,098,786</u>	<u>\$ 19,040,255</u>	<u>\$ 30,123,982</u>	<u>\$ 27,309,202</u>
All other governmental funds										
Reserved	\$ 3,870,674	\$ 4,520,710	\$ 6,233,529	\$ 4,046,112	\$ 3,877,600	\$ 3,294,305	\$ 3,702,320	\$ 1,423,641	\$ 4,520,843	\$ 2,991,480
Unreserved, reported in:										
Special revenue funds	851,976	1,397,770	1,453,272	1,585,723	2,773,620	2,626,707	1,687,538	1,213,631	2,526,426	4,634,413
Debt service funds	-	-	-	-	-	-	-	1,360,172	1,523,137	2,116,996
Capital projects funds	(1,492,827)	3,487,129	1,916,849	8,163,500	4,047,148	477,658	6,461,000	3,510,899	4,775,796	6,405,416
Total all other governmental funds	<u>\$ 3,229,823</u>	<u>\$ 9,405,609</u>	<u>\$ 9,603,650</u>	<u>\$ 13,795,335</u>	<u>\$ 10,698,368</u>	<u>\$ 6,398,670</u>	<u>\$ 11,850,858</u>	<u>\$ 7,508,343</u>	<u>\$ 13,346,202</u>	<u>\$ 16,148,305</u>

Table 5

City of Auburn

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Revenues	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales and use taxes	\$ 9,545,803	\$ 9,758,416	\$ 10,334,783	\$ 11,341,740	\$ 12,154,032	\$ 12,554,602	\$ 13,160,761	\$ 14,589,315	\$ 17,959,076	\$ 18,429,013
Occupational license fees	3,503,339	3,716,005	3,969,148	4,253,353	4,654,854	5,063,472	4,981,415	5,557,851	7,197,943	6,785,103
Motor fuel taxes	355,685	362,297	389,809	421,232	436,026	488,775	525,146	483,053	495,322	456,302
Lodging taxes	154,275	160,997	175,896	186,454	385,507	380,479	485,260	548,361	563,887	668,094
Rental and leasing taxes	790,665	880,493	888,118	937,072	781,310	936,397	1,172,031	1,121,061	1,463,934	1,456,463
Other taxes	226,788	239,215	274,534	298,440	171,277	124,832	129,467	128,599	123,759	120,661
Licenses and permits	2,698,400	2,898,640	3,040,924	3,198,118	3,808,628	4,339,969	4,406,442	4,886,027	5,597,240	6,001,452
General property tax	3,949,693	5,390,311	5,822,444	6,359,933	7,483,965	7,868,281	8,451,821	8,830,021	10,470,043	12,111,245
Charges for services	2,005,605	2,105,698	2,273,076	2,721,165	3,014,783	3,219,656	4,078,189	4,307,277	4,197,384	6,371,963
Fines and forfeitures	665,316	749,580	675,476	695,051	754,366	816,976	750,521	829,147	876,748	1,013,374
State shared taxes	342,233	397,622	460,784	476,665	429,873	571,516	676,609	735,804	838,939	1,021,092
Contributions from the public	15,894	3,345	123,840	546,608	282,457	219,279	667,344	327,407	1,371,735	194,769
Grants	1,851,243	957,136	255,305	88,934	363,506	1,169,960	1,202,656	1,237,731	2,011,292	793,940
Program income	326,609	372,407	329,421	889,679	240,500	201,009	320,624	467,518	481,957	549,327
Interest	284,892	467,483	760,049	758,038	1,230,958	980,948	871,934	855,743	855,952	985,974
Intergovernmental	-	-	126,000	1,700,000	-	-	-	-	-	-
Miscellaneous	245,777	766,476	251,076	364,125	415,208	259,158	335,117	105,879	108,811	75,695
Total revenues	26,962,217	29,226,121	30,150,683	35,236,607	36,607,250	39,195,309	42,215,337	45,010,794	54,619,022	57,034,467
Expenditures										
General government and administration	1,757,221	2,023,073	2,371,420	1,803,270	2,033,613	2,236,196	2,451,706	2,839,946	3,404,365	3,594,853
Public works	1,254,350	1,426,234	1,620,707	1,556,509	1,527,151	1,686,608	1,623,529	2,065,180	2,236,624	2,433,580
Environmental services	1,512,963	1,865,715	1,716,139	2,608,180	2,918,925	2,974,879	2,840,590	3,113,710	3,673,472	3,630,390
Public safety	5,495,678	6,157,088	6,820,249	7,111,819	7,266,313	7,765,481	7,931,330	8,448,024	10,162,166	11,757,986
Library	354,165	367,610	358,274	405,091	524,062	600,934	712,307	782,875	975,302	1,049,762
Parks and recreation	1,983,656	2,069,850	2,342,526	2,562,971	2,840,584	2,847,715	2,897,477	3,032,220	3,370,517	3,799,044
Housing rehab	-	-	-	-	-	4,838	72,850	-	-	-
Planning	511,767	332,435	328,312	297,658	317,167	315,014	355,626	346,760	373,985	507,098
Economic development	495,657	629,794	755,646	770,341	426,311	357,028	927,599	880,402	653,010	757,920
Employee services	199,062	274,185	300,858	309,625	337,905	339,936	352,443	399,949	427,345	459,278
Risk management	-	419,924	343,497	316,937	666,096	351,926	311,404	294,934	431,210	511,523
Non-departmental	2,294,720	389,634	542,578	774,355	953,209	1,005,195	2,441,539	2,739,900	1,403,798	1,422,240
Debt service										
Principal	2,072,582	2,329,408	2,683,815	2,911,005	3,211,543	5,648,624	4,727,943	3,105,726	5,499,994	19,570,595 *
Interest	1,634,924	1,947,265	2,239,005	1,738,522	2,408,740	2,567,056	3,028,691	3,747,321	3,503,675	4,318,811
Capital Outlay	2,344,586	4,068,907	6,584,804	8,495,353	11,447,448	10,899,385	4,617,953	7,347,636	6,530,914	12,983,719
Intergovernmental	14,244,872	3,470,362	3,560,092	4,496,973	4,030,782	4,914,630	4,867,674	796,317	809,166	1,177,306
Payments to component units	194,654	917,128	1,181,559	2,718,756	2,120,458	3,925,869	15,794,285	8,105,050	10,404,387	44,097,771
Total expenditures	36,350,857	28,708,612	33,749,481	38,877,365	43,030,307	48,434,314	55,954,946	48,045,950	53,853,930	112,071,876
Excess of revenues over (under) expenditures	(9,388,640)	517,509	(3,598,798)	(3,640,758)	(6,423,057)	(9,239,005)	(13,739,609)	(3,035,156)	759,092	(65,037,409)

Table 5 Continued

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues										
Other financing sources (uses)										
Debt issuance	\$ 11,127,207	\$ 6,921,625	\$ 18,847,785	\$ 8,836,730	\$ 3,810,608	\$ 5,149,620	\$ 36,062,829	\$ 5,196,627	\$ 16,356,598	\$ 58,835,646
Transfers in	770,900	2,038,206	2,384,106	2,593,632	4,139,568	2,256,830	4,217,365	4,328,628	4,281,419	9,148,733
Transfers out	(773,704)	(2,086,418)	(2,516,861)	(2,639,768)	(3,769,464)	(2,186,580)	(4,207,115)	(4,216,718)	(4,160,995)	(9,252,339)
Premium on debt issued	-	-	-	-	-	-	-	-	-	1,120,859
Payment to refunded bond escrow	-	-	(13,450,182)	-	-	-	(14,086,055)	-	-	(5,026,414)
Total other financing sources (uses)	11,124,403	6,873,413	5,264,848	8,790,594	4,180,712	5,219,870	21,987,024	5,308,537	16,477,022	54,826,485
Extraordinary item										
Insurance proceeds from building destroyed by fire	-	-	-	-	-	-	-	-	-	255,000
Net changes in fund balances	\$ 1,735,763	\$ 7,390,922	\$ 1,666,050	\$ 5,149,836	\$ (2,242,345)	\$ (4,019,135)	\$ 8,247,415	\$ 2,273,381	\$ 17,236,114	\$ 44,076
Debt service as a percentage of non-capital expenditures	10.9%	18.4%	20.5%	16.7%	20.0%	23.3%	15.3%	17.6%	19.3%	24.3%

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

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

Last Six Fiscal Years*
(amounts expressed in thousands)
Unaudited

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003^A</u>	<u>2004</u>	<u>2005</u>
Apparel Stores	\$25,092	\$24,427	\$24,133	\$25,743	\$30,979	\$38,138
Grocery Stores	69,887	57,469	55,523	56,877	57,269	59,929
Eating & Drinking Establishments	58,508	60,960	65,441	68,641	70,983	75,052
Mass General Merchandise Stores	69,508	100,374	98,117	95,854	98,680	97,799
Auto Dealers & Supplies	98,812	156,944	100,730	134,933	151,290	160,833
Building Materials	14,066	15,521	21,080	57,692	28,674	32,569
Home Furnishing & Appliances	2,228	3,359	4,327	4,543	4,503	2,471
All Other Retail Sales	147,979	83,146	157,089	106,209	155,255	146,209
Totals	<u>\$ 486,080</u>	<u>\$ 502,200</u>	<u>\$ 526,440</u>	<u>\$ 550,492</u>	<u>\$ 597,633</u>	<u>\$ 613,000</u>

*The City does not have data prior to 2000 and plans to expand the years covered in the future.

^AThe sales tax rate for the City of Auburn changed from 2.5% to 3% in August 2003.

Table 7

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

Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>City Sales Tax Rate</u>	<u>County Sales Tax Rate</u>	<u>State Sales Tax Rate</u>	<u>Total Sales Tax Rate</u>
1996	2.5%	1.0%	4.0%	7.5%
1997	2.5%	1.0%	4.0%	7.5%
1998	2.5%	1.0%	4.0%	7.5%
1999	2.5%	1.0%	4.0%	7.5%
2000	2.5%	1.0%	4.0%	7.5%
2001	2.5%	1.0%	4.0%	7.5%
2002	2.5%	1.0%	4.0%	7.5%
2003	3.0%	1.0%	4.0%	8.0%
2004	3.0%	1.0%	4.0%	8.0%
2005	3.0%	1.0%	4.0%	8.0%

Source: State of Alabama Department of Revenue

Table 8

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

Current Year and Nine Years Ago

Unaudited

Employer	1996	2006
	Rank	Rank
Gayfers	1	
Auburn University	2	2
Wal-Mart	3	1
Kroger	4	3
K-Mart	5	-
Sears	6	-
Winn Dixie	7	6
Spencer Lumber Company	8	7
J C Penney	9	-
Alabama Gas Corporation	10	-
Dillard's	-	4
Waid Home Center	-	5
Belk	-	8
Carl Gregory Ford of Auburn	-	9
Bruno's	-	10

¹ State law prohibits the disclosure of confidential taxpayer data, such as the amount of sales tax remitted.

Table 9

City of Auburn ~ Primary Government
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(amounts expressed in thousands, except income percentage and per capita amount)

Unaudited

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Sewer Bonds	General Obligation Bonds	Capital Leases			
1996	\$ 33,251	-	\$ 423	\$ 34,609	-	\$ 423	\$ 68,706	13.07%	\$ 2,031
1997	37,996	-	448	86	-	-	38,530	6.39%	1,023
1998	41,517	-	401	47	-	-	41,965	7.12%	1,114
1999	47,739	-	372	6	-	-	48,117	6.91%	1,190
2000	48,050	-	660	-	-	142	48,852	6.03%	1,136
2001	46,765	-	1,443	30,048	-	110	78,366	10.56%	1,774
2002	65,805	-	952	30,330	-	74	97,161	12.04%	2,168
2003	67,872	-	530	30,253	-	38	98,693	11.33%	2,144
2004	79,058	-	199	30,253	-	38	109,548	12.04%	2,278
2005	113,591	-	68	30,111	-	-	143,770	15.71%	2,974

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

Table 10

City of Auburn ~ Primary Government
Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Unaudited

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
1996	\$33,251,157	\$2,609,779	\$30,641,378	2.76%	\$906
1997	37,996,342	3,255,817	34,740,525	2.87%	922
1998	41,516,810	2,691,429	38,825,381	2.89%	1,031
1999	47,739,467	2,687,321	45,052,146	2.63%	1,114
2000	48,049,589	1,933,975	46,115,614	2.56%	1,073
2001	78,366,373	1,894,330	76,472,043	3.96%	1,731
2002	97,160,213	1,894,330	95,265,883	4.65%	2,125
2003	98,692,366	1,360,172	97,332,194	4.02%	2,114
2004	78,912,853	1,523,137	77,389,716	2.89%	1,609
2005	113,590,812	2,184,462	111,406,350	4.09%	2,304

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

⁽²⁾ 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.

⁽³⁾ City issued \$11 million of G.O. School Warrants on behalf of the Board of Education to finance the construction of two new schools and a major addition to the Early Education Center. The City issues debt on the School Board's behalf.

⁽⁴⁾ 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.

Table 11

City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt

Fiscal Year 2005

Unaudited

	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 140,713,975		
Less: Debt Service Funds Equity	<u>2,116,996</u>		
Net Direct Debt	138,596,979	100%	\$ 138,596,979
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 21,686,659	39% ⁽¹⁾	<u>8,506,877</u>
Total Direct and Overlapping Debt			<u>\$ 147,103,856</u>

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

⁽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 2000

Table 12

City of Auburn ~ Primary Government
Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

Unaudited

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt limit	\$39,265	\$42,199	\$46,721	\$59,571	\$63,096	\$67,830	\$71,831	\$100,557	\$96,665	\$98,146
Total net debt applicable to limit	9,048	16,327	20,176	28,045	29,019	28,652	34,379	35,994	33,844	45,617
Legal debt margin	\$ 30,217	\$ 25,872	\$ 26,545	\$ 31,526	\$ 34,077	\$ 39,179	\$ 37,453	\$ 64,563	\$ 62,821	\$ 52,529
Total net debt applicable to limit as a percentage of debt limit	23.04%	38.69%	43.18%	47.08%	45.99%	42.24%	47.86%	35.79%	35.01%	46.48%

Legal Debt Margin Calculation for Fiscal Year 2005

Assessed value	\$490,731,975
Debt limit (20% of total assessed value)	98,146,395
Debt applicable to limit:	
General obligation bonds	140,713,975
Less: Exempt Debt	95,096,606
Total net debt applicable to limit	45,617,369
Legal debt margin	\$52,529,026

Table 13

City of Auburn ~ Primary Government

Pledged Revenue Coverage⁽¹⁾

Last Ten Fiscal Years

Unaudited

Sewer Revenue Bonds						
Fiscal Year	Sewer Charges and Other ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue	Principal	Interest	Coverage
1996	\$ 4,550,243	\$ 3,798,883	\$ 751,360	\$ 245,000	\$ 8,453	2.96
1997	4,478,551	3,947,624	530,927	-	-	-
1998	4,488,761	4,046,156	442,605	-	-	-
1999	4,659,615	4,273,848	385,767	-	-	-
2000	5,006,562	4,425,348	581,214	-	-	-
2001	4,562,913	4,175,127	387,786	31,678	7,387	9.93
2002	5,241,521	2,134,897	3,106,624	-	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	5,732,141	2,721,465	3,010,676	430,000	1,261,288	1.78

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

⁽²⁾ Includes sewer service charges, tapping fees, gains on property disposals and other net non-operating revenues.

⁽³⁾ Includes operating expenses and operating transfers out less depreciation expense.

Table 14

City of Auburn ~ Primary Government

Demographic and Economic Statistics

Last Ten Fiscal Years

Unaudited

Fiscal Year	Population⁽¹⁾	Personal Income (expressed in thousands)	Per Capita Personal Income (Lee County)⁽²⁾	Unemployment Rate⁽³⁾
1996	33,830	\$ 525,651	\$ 15,538	2.9
1997	37,664	603,302	16,018	4.9
1998	37,664	589,781	15,659	3.4
1999	40,425	696,765	17,236	3.6
2000	42,987	809,488	18,831	3.4
2001	44,179	742,163	16,799	3.6
2002	44,822	806,706	17,998	4.2
2003	46,032	871,064	18,923	4
2004	48,096	910,121	18,923	4.2
2005	48,348	914,889	18,923	3

⁽¹⁾ U. S. Census Bureau

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

⁽³⁾ State of Alabama, Department of Industrial Relations

Table 15

City of Auburn ~ Primary Government

Principal Employers

Current Year and Nine Years Ago

Unaudited

Employer	1996			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University	4,800	1	33.50%	6,871	1	36.02%
Briggs & Stratton Corporation	658	2	4.59%	1,100	2	5.77%
Auburn City Schools	550	3	3.84%	552	3	2.89%
Masterbrand Cabinets	-	-	-	496	4	2.60%
City of Auburn	322	7	2.25%	450	5	2.36%
Donaldson Company, Inc.	-	-	-	230	6	1.21%
Rexnord	-	-	-	210	7	1.10%
Matrix Wire	-	-	-	170	8	0.89%
ATS Wheels	-	-	-	155	9	0.81%
CV Holdings	-	-	-	150	10	0.79%
Master Lock	422	4	2.94%	-	-	-
Federal Government	395	5	2.76%	-	-	-
Winn Dixie	350	6	2.44%	-	-	-
Auburn University Hotel & Conference Center	303	8	2.11%	-	-	-
Capitol Vial	250	9	1.74%	-	-	-
Gayfers	228	10	1.59%	-	-	-
Total	8,278		57.77%	10,384		54.43%

Source: City of Auburn Economic Development Department, U. S. Census Bureau

Table 16

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

Last Ten Fiscal Years

Unaudited

Function	Full-Time Equivalent Employees as of September 30									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government	54	59	55	70	78	82	88	91	93	95
Public Safety										
Police	75	78	77	79	77	82	84	84	112	98
Fire	61	48	78	89	92	101	100	99	103	89
Communications	5	6	6	6	6	6	6	6	6	6
Codes	4	4	4	4	4	4	4	6	7	8
Public Works										
Engineering	12	17	19	9	9	8	8	10	10	10
Construction & Maintenance	24	26	22	12	10	10	12	16	15	17
Inspection	n/a	n/a	n/a	4	4	4	3	4	4	4
Traffic Engineering	n/a	n/a	n/a	n/a	3	2	2	3	2	3
Environmental Services										
Recycling	n/a	n/a	n/a	14	14	15	16	16	16	15
Solid Waste	34	36	36	17	17	15	14	14	13	14
Animal Control	1	2	2	2	2	2	1	2	2	2
ROW	n/a	n/a	n/a	15	13	13	12	15	10	10
Fleet Services	8	7	8	8	8	9	8	9	9	10
Parks and Recreation										
Leisure Services	14	13	12	13	14	15	15	15	15	14
Parks & Facilities	20	20	21	24	26	31	36	34	35	40
Sewer	10	10	11	12	11	11	11	11	12	15
Total	322	326	351	378	388	410	420	435	464	450

Source: Human Resources Department

Table 17
City of Auburn ~ Primary Government
Operating Indicators by Function/Program

Last Ten Fiscal Years
Unaudited

Function	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Physical arrests	2,566	2,591	2,407	2,208	2,385	3,246	2,595	2,135	2,339	2,921
Traffic violations	n/a	7,649	6,542	6,155	6,371	7,642	7,058	6,535	7,892	9,490
Fire										
Number of calls answered	760	678	739	844	987	981	1,119	1,167	1,149	1,147
Inspections	3,906	4,651	5,869	5,678	6,421	6,148	11,764	8,064	11,794	12,218
Public Works										
Potholes repaired	n/a	n/a	n/a	1,667	1,761	1,798	939	805	403	414
Environmental Services										
Refuse collected (tons/day)*	n/a	n/a	59	57	58	57	67	68	72	85
Recyclable collected (tons/day)*	1.78	2.33	1.86	2.08	2.59	2.72	3.49	3.46	3.38	3.52
Parks and Recreation										
Athletic participants	4,216	4,351	4,737	4,692	4,915	4,791	4,824	4,501	5,391	4,956
Community center admissions	77,402	79,987	51,841	115,220	89,672	92,092	87,033	81,659	75,001	83,374
Sewer										
Average daily sewage treatment millions of gallons)	6.2	5.92	6.11	4.72	5.1	5.4	5.14	6.6	6.15	6.86

*Each year consists of 251 work days.

Source: City departments

Table 18

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

Last Ten Fiscal Years
Unaudited

Function	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	50	49	34	49	45	59	59	59	77	86
Fire stations	2	2	4	4	4	4	4	4	4	4
Environmental Services										
Collection trucks	9	9	4	5	7	8	8	8	8	8
Public Works										
Streets (miles)	n/a	n/a	n/a	n/a	123	196	196	313	565	597
Streetlights	n/a	n/a	n/a	n/a	n/a	46	47	48	48	49
Signaled Intersections	37	39	40	41	43	45	47	48	49	50
Parks and Recreation										
Parks acreage	1,820	1,820	1,820	1,820	1,820	1,838	1,838	1,914	1,914	1,914
Swimming pools	1	1	1	2	2	2	2	2	2	2
Tennis courts	14	14	14	14	14	14	14	14	14	10
Community centers	3	3	3	3	3	3	3	3	3	3
Sewer										
Sanitary sewers (miles)	110.77	120.04	124.61	132.66	138.25	170.07	176.12	183.36	194.96	200.79
Maximum daily treatment capacity (millions of gallons)	7	7	7	7	7	7	7	7	7	7

Sources: City departments



City of Auburn

City of Auburn, Alabama

Appendix I

General Fund

Statement of Revenues by Source and Other Financing Sources - Budget and Actual (unaudited)

Fiscal Year Ended September 30, 2005

	FY 2005		Variance Favorable (Unfavorable)	FY 2004	FY 05 > FY 04	
	Budget	Actual		Actual	Amount	As %
Locally levied taxes						
Cigarette taxes	\$ 87,800	\$ 91,188	\$ 3,388	\$ 96,708	\$ (5,520)	-5.71%
Gasoline taxes	236,000	220,541	(15,459)	258,380	(37,839)	-14.64%
Sales and use taxes	18,626,000	18,429,013	(196,987)	17,959,076	469,937	2.62%
Lodging taxes	603,142	668,094	64,952	568,887	99,207	17.44%
Rental and leasing taxes	426,500	426,891	391	450,576	(23,685)	-5.26%
<i>Total locally levied taxes</i>	<u>19,979,442</u>	<u>19,835,727</u>	<u>(143,715)</u>	<u>19,333,627</u>	<u>502,100</u>	<u>2.60%</u>
Licenses and permits						
Franchise fees	709,981	709,981	-	687,595	22,386	3.26%
Business license fees	4,568,009	4,697,510	129,501	4,467,662	229,848	5.14%
Construction permits and fees	1,410,000	1,467,474	57,474	1,327,683	139,791	10.53%
Occupation license fees	7,175,000	6,785,103	(389,897)	7,197,943	(412,840)	-5.74%
Parking fees	116,000	148,277	32,277	120,968	27,309	22.58%
Wholesale wine permits	30,000	29,473	(527)	27,051	2,422	8.95%
Dog licenses	6,700	6,485	(215)	6,691	(206)	-3.08%
<i>Total licenses and permits</i>	<u>14,015,690</u>	<u>13,844,303</u>	<u>(171,387)</u>	<u>13,835,593</u>	<u>8,710</u>	<u>0.06%</u>
General property taxes						
Ad valorem taxes	2,050,000	2,124,956	74,956	1,922,973	201,983	10.50%
Contributions in lieu of ad valorem taxes	510,191	768,480	258,289	510,191	258,289	50.63%
<i>Total general property taxes</i>	<u>2,560,191</u>	<u>2,893,436</u>	<u>333,245</u>	<u>2,433,164</u>	<u>460,272</u>	<u>18.92%</u>
Fees for services						
Solid waste collection fees	2,397,200	2,441,380	44,180	2,288,184	153,196	6.70%
E-911 service fees	345,025	429,971	84,946	345,529	84,442	24.44%
Parks and recreation fees	110,500	316,564	206,064	132,736	183,828	138.49%
Public safety charges	1,971,275	2,032,035	60,760	447,091	1,584,944	354.50%
Sewer management fees	126,000	126,000	-	126,000	-	0.00%
Judicial system fees	196,140	190,226	(5,914)	195,460	(5,234)	-2.68%
Information Technology service fees	12,300	12,300	-	164,103	(151,803)	-92.50%
Cemetery fees	64,200	69,300	5,100	62,820	6,480	10.32%
Planning fees	57,500	60,323	2,823	58,427	1,896	3.25%
Finance fees	2,500	2,667	167	5,149	(2,482)	-48.20%
Library fees	12,500	16,125	3,625	12,427	3,698	29.76%
Public Works fees	2,000	(156)	(2,156)	1,906	(2,062)	-108.18%
<i>Total fees for services</i>	<u>5,297,140</u>	<u>5,696,735</u>	<u>399,595</u>	<u>3,839,832</u>	<u>1,856,903</u>	<u>48.36%</u>
Fines and forfeitures						
Court fines	685,060	876,245	191,185	734,641	141,604	19.28%
Parking fines	150,000	137,129	(12,871)	142,106	(4,977)	-3.50%
<i>Total fines and forfeitures</i>	<u>835,060</u>	<u>1,013,374</u>	<u>178,314</u>	<u>876,747</u>	<u>136,627</u>	<u>15.58%</u>
State shared taxes						
Business privilege tax	156,085	156,085	-	154,923	1,162	0.75%
Alabama Trust Fund distribution	231,327	231,327	-	182,762	48,565	26.57%
Motor vehicle tax	160,000	110,811	(49,189)	89,209	21,602	24.22%
Financial Institution Excise Tax	12,000	193,876	181,876	79,347	114,529	144.34%

City of Auburn, Alabama
Appendix I
General Fund

Statement of Revenues by Source and Other Financing Sources - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2005

	FY 2005			FY 2004	FY 05 > FY 04	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Amount	As %
State shared taxes (continued)						
Alcoholic Beverage Control						
Board profits distribution	\$ 84,000	\$ 68,345	\$ (15,655)	\$ 76,076	\$ (7,731)	-10.16%
<i>Total state shared taxes</i>	643,412	760,444	117,032	582,317	178,127	30.59%
Contributions from the public						
For infrastructure projects	-	-	-	2,810	(2,810)	-100.00%
For parks and recreation	38,000	51,567	13,567	10,616	40,951	385.75%
Other donations	1,000	6,435	5,435	30,515	(24,080)	-78.91%
<i>Total contributions from the public</i>	39,000	58,002	19,002	43,941	14,061	32.00%
Grants	459,412	520,061	60,649	589,310	(69,249)	-11.75%
Lease income	83,000	88,617	5,617	82,870	5,747	6.93%
Interest	275,000	449,946	174,946	278,535	171,411	61.54%
Miscellaneous revenues						
Concessions income	40,000	27,671	(12,329)	36,121	(8,450)	-23.39%
Recycling	12,500	17,646	5,146	15,884	1,762	11.09%
Other	66,528	520,344	453,816	87,952	432,392	491.62%
<i>Total miscellaneous revenues</i>	119,028	565,661	446,633	139,957	425,704	304.17%
Total General Fund Revenues (excluding Special Activities)	44,306,375	45,726,306	1,419,931	42,035,893	3,690,413	8.78%
Special Activities of the General Fund						
Interest	30,000	46,136	16,136	140,148	(94,012)	-67.08%
Contributions from the public	-	94,596	94,596	1,302,621	(1,208,025)	-92.74%
Total Special Activities	30,000	140,732	110,732	1,442,769	(1,302,037)	-90.25%
Total General Fund Revenues	44,336,375	45,867,038	1,530,663	43,478,662	2,388,376	5.49%
Long-term debt proceeds						
General obligation warrants	10,000,000	15,869,000	5,869,000	8,000,000	7,869,000	98.36%
<i>Total long-term debt proceeds</i>	10,000,000	15,869,000	5,869,000	8,000,000	7,869,000	98.36%
Operating transfers in from other funds						
From City Gas Tax Fund	160,000	160,000	-	150,000	10,000	6.67%
From State 7c Gas Tax Fund	135,000	135,000	-	154,000	(19,000)	-12.34%
From State 9c Gas Tax Fund	100,000	100,000	-	120,000	(20,000)	-16.67%
From Water Board	80,000	149,588	69,588	234,080	(84,492)	-36.10%
From Liability Risk Retention	-	-	-	26,499	(26,499)	n/a
From Shelton Park	-	-	-	6,000	(6,000)	n/a
From 1999 Capital Projects	-	-	-	78,734	(78,734)	-100.00%
From Sewer Fund	114,450	114,450	-	113,182	1,268	1.12%
From Sewer Capital Projects Fund	-	-	-	7,242	(7,242)	n/a
From Insurance Fund	-	-	-	-	-	n/a
<i>Total operating transfers in</i>	589,450	659,038	69,588	889,737	(230,699)	-25.93%
Total other financing sources	10,589,450	16,528,038	5,938,588	8,889,737	7,638,301	85.92%
Total revenues and other financing sources	\$ 54,925,825	\$ 62,395,076	\$ 7,469,251	\$ 52,368,399	\$ 10,026,677	19.15%

City of Auburn, Alabama

Appendix II

General Fund

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)

Fiscal Year Ended September 30, 2005

	FY 2005		Variance Favorable (Unfavorable)	FY 2004	FY 05 > FY 04	
	Budget	Actual		Prior Year Actual	Amount	As %
City Council						
Personal services	\$ 58,562	\$ 58,562	\$ -	\$ 58,562	\$ -	0.00%
Contractual services	86,583	85,727	856	91,646	(5,919)	-6.46%
Totals	145,145	144,289	856	150,208	(5,919)	-3.94%
City Manager's Office						
Personal Services	430,470	444,130	(13,660)	437,486	6,644	1.52%
Contractual services	61,766	45,293	16,473	33,509	11,784	35.17%
Commodities	13,253	12,469	784	11,029	1,440	13.06%
Totals	505,489	501,892	3,597	482,024	19,868	4.12%
Judicial						
Personal Services	383,847	403,318	(19,471)	341,339	61,979	18.16%
Contractual services	125,337	153,688	(28,351)	146,190	7,498	5.13%
Commodities	22,900	16,687	6,213	8,182	8,505	103.95%
Totals	532,084	573,693	(41,609)	495,711	77,982	15.73%
Information Technology						
<i>Information Technology</i>						
Personal Services	534,447	455,338	79,109	472,792	(17,454)	-3.69%
Contractual services	200,793	178,970	21,823	165,028	13,942	8.45%
Commodities	187,518	203,165	(15,647)	196,528	6,637	3.38%
Capital Outlay	171,800	129,524	42,276	20,450	109,074	533.37%
Projects	330,800	215,065	115,735	-	215,065	0.00%
Subtotals	1,425,358	1,182,062	243,296	854,798	327,264	38.29%
<i>Geographic Information Systems</i>						
Personal Services	239,972	148,509	91,463	132,913	15,596	11.73%
Contractual services	72,262	39,199	33,063	87,197	(47,998)	-55.05%
Commodities	53,006	33,850	19,156	32,863	987	3.00%
Capital Outlay	-	14,111	(14,111)	-	14,111	0.00%
Subtotals	365,240	235,669	129,571	252,973	(17,304)	-6.84%
Totals	1,790,598	1,417,731	372,867	1,107,771	309,960	27.98%
Finance						
Personal services	938,478	889,345	49,133	821,373	67,972	8.28%
Contractual services	168,778	180,131	(11,353)	73,242	106,889	145.94%
Commodities	84,177	83,961	216	60,493	23,468	38.79%
Capital Outlay	-	6,095	(6,095)	-	6,095	0.00%
Totals	1,191,433	1,159,532	31,901	955,108	204,424	21.40%
Economic Development						
Personal services	602,557	563,155	39,402	463,657	99,498	21.46%
Contractual services	13,727	12,526	1,201	9,708	2,818	29.03%
Commodities	22,149	22,948	(799)	19,188	3,760	19.60%
Totals	638,433	598,629	39,804	492,553	106,076	21.54%

City of Auburn, Alabama

**Appendix II
General Fund**

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2005

	FY 2005		Variance Favorable (Unfavorable)	FY 2004	FY 05 > FY 04	
	Budget	Actual		Prior Year Actual	Amount	As %
Human Resources						
<i>Human Resources</i>						
Personal services	\$ 348,664	\$ 351,939	\$ (3,275)	\$ 312,946	\$ 38,993	12.46%
Contractual services	151,934	91,652	60,282	94,102	(2,450)	-2.60%
Commodities	10,726	14,750	(4,024)	7,231	7,519	103.98%
Subtotals	511,324	458,341	52,983	414,279	44,062	10.64%
<i>Risk Management</i>						
Contractual services	261,300	235,333	25,967	230,248	5,085	2.21%
Totals	772,624	693,674	78,950	644,527	49,147	7.63%
Public Safety						
<i>Administration</i>						
Personal services	235,100	244,866	(9,766)	244,607	259	0.11%
Contractual services	829,847	654,001	175,846	778,862	(124,861)	-16.03%
Commodities	96,550	77,234	19,316	46,270	30,964	66.92%
Capital Outlay	-	-	-	19,518	(19,518)	-100.00%
Subtotals	1,161,497	976,101	185,396	1,089,257	(113,156)	-10.39%
<i>Police</i>						
Personal services	6,527,610	5,902,380	625,230	4,688,247	1,214,133	25.90%
Contractual services	64,450	45,698	18,752	30,125	15,573	51.69%
Commodities	499,130	461,037	38,093	376,897	84,140	22.32%
Capital Outlay	327,000	137,515	189,485	274,942	(137,427)	-49.98%
Debt Service	-	-	-	94,038	(94,038)	-100.00%
Projects	15,000	14,908	92	-	14,908	0.00%
Subtotals	7,433,190	6,561,538	871,652	5,464,249	1,097,289	20.08%
<i>Fire</i>						
Personal services	2,833,495	3,119,901	(286,406)	2,811,179	308,722	10.98%
Contractual services	92,812	100,494	(7,682)	88,565	11,929	13.47%
Commodities	141,750	127,452	14,298	118,104	9,348	7.92%
Capital Outlay	45,000	31,740	13,260	44,460	(12,720)	-28.61%
Debt Service	41,229	41,199	30	37,766	3,433	9.09%
Subtotals	3,154,286	3,420,786	(266,500)	3,100,074	320,712	10.35%
<i>Communications</i>						
Personal services	433,894	461,114	(27,220)	365,307	95,807	26.23%
Contractual services	70,280	55,368	14,912	60,095	(4,727)	-7.87%
Commodities	25,150	4,715	20,435	3,076	1,639	53.28%
Capital Outlay	15,000	10,936				
Subtotals	544,324	532,133	8,127	428,478	103,655	24.19%
<i>Codes Enforcement</i>						
Personal services	368,261	324,638	43,623	307,839	16,799	5.46%
Contractual services	3,300	3,362	(62)	157	3,205	2041.40%
Commodities	16,650	12,507	4,143	7,265	5,242	72.15%
Capital Outlay	22,000	12,979	9,021	-	12,979	0.00%
Debt Service	-	-	-	-	-	n/a
Subtotals	410,211	353,486	56,725	315,261	38,225	12.12%
Totals	12,703,508	11,844,044	855,400	10,397,319	1,446,725	13.91%

City of Auburn, Alabama

**Appendix II
General Fund**

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2005

	FY 2005		Variance Favorable (Unfavorable)	FY 2004	FY 05 > FY 04	
	Budget	Actual		Prior Year Actual	Amount	As %
Public Works						
<i>Administration</i>						
Personal services	\$ 296,217	\$ 323,412	\$ (27,195)	\$ 275,219	\$ 48,193	17.51%
Contractual services	169,938	129,940	39,998	137,295	(7,355)	-5.36%
Commodities	48,697	57,993	(9,296)	48,258	9,735	20.17%
Subtotals	514,852	511,345	3,507	460,772	50,573	10.98%
<i>Construction and Maintenance</i>						
Personal services	702,691	660,911	41,780	531,257	129,654	24.41%
Contractual services	118,550	73,193	45,357	105,899	(32,706)	-30.88%
Commodities	153,617	168,707	(15,090)	179,866	(11,159)	-6.20%
Capital Outlay	224,182	216,405	7,777	23,345	193,060	826.99%
Debt Service	21,168	21,168	-	19,404	1,764	9.09%
Subtotals	1,220,208	1,140,384	79,824	859,771	280,613	32.64%
<i>Engineering Design</i>						
Personal services	521,121	509,718	11,403	439,235	70,483	16.05%
Contractual services	78,145	49,510	28,635	25,149	24,361	96.87%
Commodities	33,560	30,350	3,210	25,073	5,277	21.05%
Capital Outlay	15,095	6,795	8,300	-	6,795	0.00%
Subtotals	647,921	596,373	51,548	489,457	106,916	21.84%
<i>Inspection</i>						
Personal services	212,627	205,380	7,247	179,438	25,942	14.46%
Contractual services	26,923	15,037	11,886	11,888	3,149	26.49%
Commodities	13,900	9,922	3,978	8,956	966	10.79%
Capital Outlay	27,527	17,328	10,199	-	17,328	0.00%
Subtotals	280,977	247,667	33,310	200,282	47,385	23.66%
<i>Traffic Engineering</i>						
Personal services	157,348	154,567	2,781	136,561	18,006	13.19%
Contractual services	27,600	18,446	9,154	23,974	(5,528)	-23.06%
Commodities	57,934	36,300	21,634	43,283	(6,983)	-16.13%
Capital Outlay	27,363	30,756	(3,393)	23,961	6,795	28.36%
Subtotals	270,245	240,069	30,176	227,779	12,290	5.40%
Totals	2,934,203	2,735,838	198,365	2,238,061	497,777	22.24%
Environmental Services						
<i>Administration</i>						
Personal services	323,594	341,196	(17,602)	319,968	21,228	6.63%
Contractual services	158,296	117,496	40,800	112,587	4,909	4.36%
Commodities	58,029	40,938	17,091	38,684	2,254	5.83%
Capital Outlay	29,120	29,120	-	-	29,120	0.00%
Subtotals	569,039	528,750	40,289	471,239	57,511	12.20%
<i>Recycling</i>						
Personal services	626,298	660,556	(34,258)	548,513	112,043	20.43%
Contractual services	205,300	187,250	18,050	159,484	27,766	17.41%
Commodities	89,476	100,071	(10,595)	72,467	27,604	38.09%
Capital Outlay	15,000	-	15,000	-	-	0.00%
Debt Service	25,115	25,116	(1)	28,776	(3,660)	-12.72%
Subtotals	961,189	972,993	(11,804)	809,240	163,753	20.24%

City of Auburn, Alabama

Appendix II

General Fund

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)

Fiscal Year Ended September 30, 2005

	FY 2005		Variance Favorable (Unfavorable)	FY 2004	FY 05 > FY 04	
	Budget	Actual		Prior Year Actual	Amount	As %
Environmental Services, cont.						
<i>Solid Waste</i>						
Personal services	\$ 554,723	\$ 563,474	\$ (8,751)	\$ 469,490	\$ 93,984	20.02%
Contractual services	288,782	273,630	15,152	461,861	(188,231)	-40.75%
Commodities	188,982	188,541	441	136,572	51,969	38.05%
Capital Outlay	165,678	-	165,678	24,659	(24,659)	-100.00%
Debt Service	47,620	47,620	-	79,304	(31,684)	-39.95%
Subtotals	1,245,785	1,073,265	172,520	1,171,886	(98,621)	-8.42%
<i>Animal Control</i>						
Personal services	88,313	74,614	13,699	76,127	(1,513)	-1.99%
Contractual services	4,700	1,978	2,722	60,611	(58,633)	-96.74%
Commodities	15,055	10,181	4,874	6,557	3,624	55.27%
Agency Support	72,274	72,274	-	-	72,274	0.00%
Subtotals	180,342	159,047	21,295	143,295	15,752	10.99%
<i>ROW</i>						
Personal services	370,594	324,759	45,835	317,015	7,744	2.44%
Contractual services	42,998	43,323	(325)	19,512	23,811	122.03%
Commodities	78,634	81,482	(2,848)	56,527	24,955	44.15%
Capital Outlay	70,255	59,925	10,330	-	59,925	0.00%
Debt Service	3,463	3,463	-	19,048	(15,585)	-81.82%
Subtotals	565,944	512,952	52,992	412,102	100,850	24.47%
<i>Fleet Services</i>						
Personal services	470,317	473,267	(2,950)	390,216	83,051	21.28%
Contractual services	62,671	51,535	11,136	59,341	(7,806)	-13.15%
Commodities	51,347	51,405	(58)	60,174	(8,769)	-14.57%
Capital Outlay	6,950	6,950	-	-	6,950	0.00%
Subtotals	591,285	583,157	8,128	509,731	73,426	14.40%
Totals	4,113,584	3,830,164	283,420	3,517,493	312,671	8.89%
Library						
Personal services	898,473	810,186	88,287	714,538	95,648	13.39%
Contractual services	104,646	88,917	15,729	91,699	(2,782)	-3.03%
Commodities	124,814	122,942	1,872	127,729	(4,787)	-3.75%
Capital Outlay	10,100	10,946	(846)	91,717	(80,771)	-88.07%
Totals	1,138,033	1,032,991	105,042	1,025,683	7,308	0.71%
Parks and Recreation						
<i>Administration</i>						
Personal services	269,557	266,568	2,989	234,215	32,353	13.81%
Contractual services	499,200	414,675	84,525	385,069	29,606	7.69%
Commodities	35,400	208,291	(172,891)	51,823	156,468	301.93%
Subtotals	804,157	889,534	(85,377)	671,107	218,427	32.55%
<i>Leisure Services</i>						
Personal services	1,146,989	1,100,569	46,420	1,059,164	41,405	3.91%
Contractual services	83,005	50,778	32,227	66,233	(15,455)	-23.33%
Commodities	161,400	121,855	39,545	130,815	(8,960)	-6.85%
Capital Outlay	25,000	26,191	(1,191)	-	26,191	0.00%
Projects	-	15,209	(15,209)	-	15,209	0.00%
Subtotals	1,416,394	1,314,602	101,792	1,256,212	58,390	4.65%

City of Auburn, Alabama

**Appendix II
General Fund**

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2005

	FY 2005		Variance Favorable (Unfavorable)	FY 2004	FY 05 > FY 04	
	Budget	Actual		Prior Year Actual	Amount	As %
Parks and Recreation, cont.						
<i>Parks and Facilities</i>						
Personal services	\$ 1,229,665	\$ 1,211,288	\$ 18,377	\$ 996,642	\$ 214,646	21.54%
Contractual services	142,350	168,342	(25,992)	138,212	30,130	21.80%
Commodities	249,506	213,747	35,759	195,075	18,672	9.57%
Capital Outlay	195,000	144,652	50,348	56,172	88,480	157.52%
Subtotals	1,816,521	1,738,029	78,492	1,386,101	351,928	25.39%
Totals	4,037,072	3,942,165	94,907	3,313,420	628,745	18.98%
Planning						
Personal services	383,413	428,287	(44,874)	317,533	110,754	34.88%
Contractual services	66,039	39,640	26,399	26,000	13,640	52.46%
Commodities	46,560	31,554	15,006	18,046	13,508	74.85%
Capital Outlay	17,800	16,970	830	-	16,970	0.00%
Totals	513,812	516,451	(2,639)	361,579	154,872	42.83%
Totals for all departments	31,016,018	28,991,093	2,020,861	25,181,457	3,809,636	15.13%
Non-departmental						
<i>General Operations</i>						
Personal services	47,004	85,109	(38,105)	230,923	(145,814)	-63.14%
Contractual services	1,094,175	795,961	298,214	700,859	95,102	13.57%
Commodities	41,000	40,971	29	45,520	(4,549)	-9.99%
Capital Outlay	-	30,001	(30,001)	79,349	(49,348)	-62.19%
Projects	-	5,381,549	(5,381,549)	-	5,381,549	0.00%
Subtotals	1,182,179	6,333,591	(5,151,412)	1,056,651	5,276,940	499.40%
<i>Project Operations</i>	2,427,849	1,356,199	1,071,650	821,767	534,432	65.03%
<i>Debt Service</i>	13,744,128	18,990,900	(5,246,772)	3,170,303	15,820,597	499.02%
<i>Intergovernmental</i>	7,228,607	7,116,480	112,127	6,661,786	454,694	6.83%
Non-departmental Totals	24,582,763	33,797,170	(9,214,407)	11,710,507	22,086,663	188.61%
General Fund Special Activities						
<i>Former County Road</i>	-	-	-	-	-	0.00%
<i>Veteran's Memorial Monument</i>	-	11,772	(11,772)	10,663	1,109	10.40%
<i>Assessment Projects</i>	-	175,315	(175,315)	1,363,353	(1,188,038)	-87.14%
<i>Liability Risk Retention</i>	422,591	303,027	119,564	207,852	95,175	45.79%
<i>Employee Benefit Self-Insurance</i>	1,977,250	1,748,002	229,248	1,707,279	40,723	2.39%
Special Activities Total	2,399,841	2,238,116	161,725	3,289,147	(1,051,031)	-31.95%
Total expenditures	57,998,622	65,026,379	(7,027,757)	40,181,111	24,845,268	61.83%
Other Financing Uses						
Transfers Out	2,461,406	2,718,762	(257,356)	1,412,391	1,306,371	92.49%
Total General Fund	60,460,028	67,745,141	(7,285,113)	41,593,502	26,151,639	62.87%

**City of Auburn
Appendix III**

Governmental Funds Expenditures by Function (unaudited)
Fiscal Year Ended September 30, 2005

	General Government	Public Safety	Public Works	Environmental Services	Health and Welfare	Industrial Development & Education	Culture and Recreation	Capital Outlay	Debt Service	Totals
Administration and Staff Support	\$ 3,594,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,594,853
Public Works	-	-	2,433,580	-	-	-	-	-	-	2,433,580
Environmental Services	-	-	-	3,630,390	-	-	-	-	-	3,630,390
Public Safety Admin/Jail	-	976,101	-	-	-	-	-	-	-	976,101
Police	-	6,475,481	-	-	-	-	-	-	-	6,475,481
Fire	-	3,420,786	-	-	-	-	-	-	-	3,420,786
Communications	-	532,133	-	-	-	-	-	-	-	532,133
Codes Enforcement	-	353,485	-	-	-	-	-	-	-	353,485
Library	-	-	-	-	-	1,049,762	-	-	-	1,049,762
Parks and Recreation	-	-	-	-	-	3,799,044	-	-	-	3,799,044
Planning	507,098	-	-	-	-	-	-	-	-	507,098
Economic Development	757,920	-	-	-	-	-	-	-	-	757,920
Human Resources	459,278	-	-	-	-	-	-	-	-	459,278
Risk Management	511,523	-	-	-	-	-	-	-	-	511,523
Non-Departmental	1,422,240	-	-	-	-	-	-	-	-	1,422,240
Capital Outlay	-	-	-	-	-	-	-	12,983,719	-	12,983,719
Debt Service	-	-	-	-	-	-	-	-	23,889,406	23,889,406
Intergovernmental	327,312	568,070	21,647	-	504,987	43,834,938	18,123	-	-	45,275,077
Totals	\$ 7,580,224	\$ 12,326,057	\$ 2,455,227	\$ 3,630,390	\$ 504,987	\$ 43,834,938	\$ 4,866,929	\$ 12,983,719	\$ 23,889,406	\$ 112,071,877
As a percentage	6.76%	11.00%	2.19%	3.24%	0.45%	39.11%	4.34%	11.59%	21.32%	100%
Prior Year Totals (FY 04)	\$ 6,801,510	\$ 10,582,231	\$ 2,268,901	\$ 3,673,472	\$ 130,904	\$ 10,504,387	\$ 4,363,942	\$ 6,530,914	\$ 9,003,669	\$ 53,859,930
As a percentage	12.63%	19.65%	4.21%	6.82%	0.24%	19.50%	8.10%	12.13%	16.72%	100%

City of Auburn, Alabama
Comprehensive Annual Financial Report
Index

A

Accounting policies, 55-71
Accounting principles, 13, 19, 21, 55, 62, 65, 71
Accounts receivable, 66, 74
Accrual basis of accounting, 62
Actuarial valuation, 96-97
Alabama State University, 9
Allied Irish, 90-91
Annual leave, accumulated, 69
Appropriation agreement, 90-91
Auburn City Schools, 9
Auburn Technology Park, 11, 73
Auburn University, 9, 113, 146
Auburn University Montgomery, 9
AuburnBank, 73, 81, 93
Auburn-Opelika Convention and Visitors
Bureau, 59

B

Balance sheet, 22, 23, 29, 38, 63, 71, 118-119
Basis of accounting, 38, 61-62, 116
Board of Education, 5, 7, 23-30, 37, 48, 55, 57, 60,
65-69, 71-72, 77, 88, 97, 103-104, 115, 134, 142
Briggs and Stratton, 10-11, 146
Budget and Actual, 41-42, 62, 122-125, 151-157
Budgetary accounting, 65

C

Capital appreciation bonds, 88
Capital lease, 31, 36, 47, 63, 75, 80-81, 83-88, 90,
93-95
Capital Projects Funds, 38, 61, 117, 119, 121, 128,
137
Cash and cash equivalents, 25, 36, 38, 43, 45, 47,
50, 65-66, 72-73, 105-107, 118-119
Central Alabama Community College, 9
Chattahoochee Valley Community College, 9
City Gas Tax, 83, 117, 123, 152
City Hall, 13, 82, 117
City Library, 8
Claims and litigation, 114
Codes Enforcement, 5, 8, 16, 30, 55, 129, 130, 154,
158
Columbus State University, 9

Combining Balance Sheet, 118-119
Combining Statements of Revenues,
Expenditures and Changes in Fund Balances,
120
Commitments, litigation and contingencies, 114-116
Communications, 5, 8, 16, 55, 147, 154, 158
Community Built Playground, 107-110
Community Development Block Grant Fund, 11, 27,
94, 113, 117, 118, 120
Compass Bank, 93
Compensated absences, 63, 65, 69, 80
Component units, 5, 22-23, 25, 28-29, 32, 35-39,
41-43, 47-49, 55, 57, 60-61, 64-67, 69-72, 74, 77,
88, 96-97, 102-105, 107-108, 110-111, 113, 115-
116, 118-120, 134-135, 138
Construction in progress, 25, 75-79, 128
Council-Manager form of government, 55
Current interest bonds, 88

D

Dean Road Extension, 111
Debt Service Funds, 13, 38, 61, 65, 117-118, 121,
137, 142
Debt service to maturity, 86-87, 93
Deferred water rights, 36, 47, 111
Deficits, 56-57
Deprivatization of sewer plants, 112

E

E-911, 5, 8, 151
East Alabama Medical Center, 8, 59, 81
East Alabama Mental Health-Mental
Retardation Board, 59
East Alabama Regional Solid Waste Disposal
Authority, 59
Economic Development, 7, 8, 10-11, 16, 26, 33, 37,
39, 41, 55, 56, 76, 105, 110, 120, 129-130, 134-
135, 138, 153, 158
Employees' Retirement System of Alabama, 96
Enterprise Funds, 23-24, 66, 70, 103
Environmental Services, 5, 7-8, 23, 26, 29, 37, 39,
41, 76, 109, 120, 129-130, 134, 138, 147-149,
155-156, 158
Equity in pooled cash and cash equivalents, 107

City of Auburn, Alabama
Comprehensive Annual Financial Report
Index

F

Faulkner University, 8
Federal Grant Loan Repayment Fund, 29, 39, 62,
72, 101-102, 105, 116
Fiduciary Funds, 21-22, 24, 50-51, 60-61, 71
Finance, 7, 14, 16, 23, 29-30, 142, 151, 153
Fire Division, 8
Four-Cent Gas Tax Fund, 83, 117, 122, 152

G

GASB Statement 34, 6, 31
GASB Statement 44, 5
General Fund, 7, 12-13, 21, 24, 28-32, 34, 41, 46,
59-62, 65-67, 72, 80-84, 99-103, 107-111, 114,
116, 128, 137, 151-157
General liability claims, 99
General obligation bonds, 7, 32, 64, 81, 85, 117, 143
General Obligation Warrants, 32, 64, 80, 112-113,
152
GORSIW Series 76 Fund, 117-118, 121, 124
Government auditing standards, 12
Government Finance Officers' Association
(GFOA), 13-14
Governmental Accounting Standards Board
(GASB), 5-6, 31, 55, 59, 62, 96, 98
Governmental funds, 21-24, 28, 38-40, 61-65, 69-70,
72, 101-103, 105, 117-120, 128-130, 137-138, 158
Governmental fund types, 69

H

Health insurance plan, 67-68
Housing Authority, 6, 57
Housing Development Action Grants, 94
Human Resources, 7, 16, 23, 154, 158
Huntingdon College, 9

I

Independent Auditor's Report, 5
Indian Pines Golf Course, 28, 57-58, 104
Indian Pines Recreation Authority, 57-58, 105, 113
Industrial Development Board, 5-6, 10, 23, 25, 29,
31, 33, 55-57, 66, 68, 71-73, 79, 89-90, 93-94,
102-104, 111, 113, 115-116, 134
Industrial Park Fund, 23-24, 72
Information Technology, 7, 16, 129, 130, 151, 153
Interfund receivables and interfund payables, 71, 101
Interfund advances, 71

Interstate Highway 85, 6, 10
Inventories, 36, 38, 47, 66, 70, 107-108, 118-118
Investments, 36, 43, 45, 47, 65-66, 72-73, 96, 106

J

Judicial, 7, 16, 129-130, 151, 153

L

LaGrange College, 9
Lee County Youth Development Center, 59
Lee-Russell Council of Governments, 58
Letter of credit, 90-91, 111
Library, 5, 7-8, 16, 23, 26, 37, 39, 41, 55, 76, 81,
109, 113, 117-118, 120-130, 134, 138, 156, 158
Long-term debt, 23-26, 30-32, 36-37, 40, 43, 47,
60-61, 64, 69-70, 88-89, 99, 110, 116-117, 134,
152
Long-term liabilities, 38, 63, 65, 80-93

M

Management's Discussion and Analysis
(MD&A), 21-34
Medical claims, 67-68, 100
Modified accrual basis of accounting, 38, 61-62, 116

N

Nonmajor governmental fund, 101-102, 117-120
Note payable, 81

O

Office of the City Manager, 7, 13, 16

P

Parks and Recreation, 5, 7-8, 16, 23, 26, 31, 37, 39,
41, 55-56, 68, 71, 76, 109, 117, 120, 129-130,
134, 138, 147-149, 151-152, 156-158
Patterson State Technical College, 9
Pension Cost, 96, 98
Pension Liability, 96, 98
Planning, 5, 7-8, 11-12, 14, 16, 37, 39, 41, 55, 58,
76, 110, 120, 129-130, 134, 138, 151, 157-158
Police, 5, 8, 16, 27, 30, 55, 106, 129-130, 147-149,
154, 158
Population, 6-7, 10, 30, 33, 59, 142, 145

City of Auburn, Alabama
Comprehensive Annual Financial Report
Index

Primary Government, 5, 21, 24-27, 34, 36-37, 47,
55, 62, 65-67, 69, 71-72, 75-76, 80, 96, 101-103,
111, 113-114, 116, 133-136, 140-149
Property Taxes, 23, 25-29, 31, 34, 37, 48, 55, 62,
74, 135, 151
Proprietary Fund Types, 21-23, 29, 43-45, 55-56,
60-62, 64, 69, 101, 117
Public Library Board, 23, 55, 117
Public Park and Recreation Board, 5, 23, 55-56, 68,
71
Public Safety, 5, 7-8, 16, 21, 23, 26-33, 37, 39, 41,
55, 60, 65, 76, 106, 109, 117-118, 120, 123, 129-
130, 134, 138, 147, 149, 151, 154, 158
Public Safety Substance Abuse Fund, 65, 123
Public Works, 5, 7-8, 10, 16, 26, 37, 39, 41, 60, 76,
109, 120, 129-130, 134, 138, 147-149, 151, 155,
158

R

Recreation, 8, 12, 33, 55-56, 101, 107
Related party transactions, 116
Remarketing agent, 90-91
Reporting entity, 5-6, 55-58, 72, 104
Reserve for advances, 70
Reserve for encumbrances, 70
Reserve for inventories, 70
Reserve for prepaid items, 70
Reserve for property for resale, 70
Restricted cash and investments, 72-73, 107
Retirement benefits, 70, 97
Retirement Systems of Alabama, 69, 96-98
Revolving Loan Fund, 10, 105, 113
Risk financing, 12, 67, 107-110

S

Second mortgages, 94
Security for Alabama Funds Enhancement
(SAFE) Program, 73
Self-insurance, 12, 99-100, 157
Seven-Cent Gas Tax Fund, 117, 122
Sewer Revenue Fund, 22-25, 28-29, 32, 61-62, 72, 102
Sewer treatment plants, 85, 111-112
Southern Union State Community College, 9-10
Special 5-Mill Tax Fund, 81, 101, 117, 125
Special Additional School Tax Fund, 65, 101, 117
Special capital improvement projects, 32, 85, 111-112
Special Revenue Funds, 13, 30, 38, 42, 60-62, 105-
106, 117-118, 120, 122-124, 128, 137

Special School Tax Fund, 30, 42, 62, 65, 72, 82-83,
101-103, 136
State Insurance Fund, 67
Statement of Cash Flows, 22, 45
Statement Of Revenues, Expenditures and
Changes In Fund Balances, 39, 41-42, 63, 105,
120
Subsequent events, 113

T

Taxable Refunding Bonds, 90
Teachers' Retirement System, 69, 97-98
The Frazier Lanier Company, Inc., 90
Transportation, 6, 8, 27, 48, 58, 67, 77
Troy State University at Montgomery, 9
Tuskegee University, 9, 59

U

U.S Department of Housing and Urban
Development (HUD), 27, 29, 94
Unemployment compensation, 100
Urban Development Action Grants, 94, 105

V

Veterans Memorial Monument, 157

W

Water Board, City of Opelika, 77, 95
Water Resource Management, 7, 10, 16
Water Supply Agreement, 36, 47, 88-89, 111
Water Works Board, 5, 10, 23, 34, 55, 57, 66, 68,
70-73, 78, 88, 102-103, 111, 115

Z

Zero coupon general obligation warrants, 80, 89



City of Auburn