

City of Auburn, Alabama
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
Fiscal Year Ended September 30, 2007



INDOOR COURTS



HARD COURTS



CLAY COURTS

THE YARBROUGH TENNIS CENTER
COMPLETED SUMMER OF 2007



CLUBHOUSE

The Yarbrough Tennis Center is the City of Auburn's newest athletic facility. It is also the home to the Auburn University men's and women's tennis teams. The facility features six indoor courts, twelve outdoor hard courts with stadium seating, sixteen clay courts, a clubhouse with pro shop, men's and women's locker rooms, concessions and a meeting area.

The City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2007

City Council

Bill Ham, Jr., Mayor
Dick Phelan, Mayor Pro Tem
Arthur Dowdell
Sheila Eckman
Tom Worden
Brent Beard
Robin Kelley
Gene Dulaney
Bob Norman

Management

Charles M. Duggan, Jr., City Manager

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

Prepared by

Finance Department

Andrea Jackson, CPA, Director/Treasurer

Penny L. Smith, CPA, Deputy Director/Treasurer

Allison Edge, CPA, Principal Financial Analyst

Shona Griffith, Finance Information Officer



City of Auburn

City of Auburn, Alabama
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2007

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 31, 2008

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

The Comprehensive Annual Financial Report (CAFR) of The City of Auburn (the government) for the fiscal year ended September 30, 2007 is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Auburn management. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government and its component units. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The Report

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

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

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

During fiscal 1994, the City of Auburn implemented the Governmental Accounting Standards Board's (GASB) statement on defining the reporting entity. As a result, the City's Board of Education, Water Works Board, Industrial Development Board, Commercial Development Authority, and Public Park and Recreation Board have been included as separately presented component units of the City's reporting entity in the CAFR.

The CAFR is presented in three sections: introductory, financial, and statistical.

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.

As a result of the implementation of GASB Statement 34, the government-wide financial statements have been added to complement the fund level financial statements. The government-wide statements show separate data for

“governmental activities” and “business-type activities.” The MD&A, added as part of the implementation of GASB 34, serves as the narrative introduction to the basic financial statements and contains the comparative data formerly presented in this letter of transmittal. Another significant change involved the reporting of infrastructure. Under GASB 34 guidelines, the City has begun to report and depreciate all capital assets, including infrastructure, for the first time. The City has included in its capitalization, the infrastructure assets acquired beginning in fiscal 2003; during fiscal 2007, a prior period adjustment was made to reflect the retroactive infrastructure assets placed in service prior to October 1, 2002. These assets consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. This retroactive infrastructure adjustment increased governmental activities’ net assets by \$30,200,313.

GASB Statement 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,” becomes effective for the City for the 9/30/2009 fiscal period. The City is aware of the requirements of this statement and is preparing for implementation by this date.

GASB Statement 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,” established criteria that governments will use to ascertain whether certain transactions should be regarded as sales or a collateralized borrowing. The requirements of this statement become effective for the fiscal 2008 period. At the present time, the City does not have any transactions of this nature.

GASB Statement 49, “Accounting and Financial Reporting for Pollution Remediation Obligations,” provides guidance on how to calculate and report the costs and obligations associated with pollution clean-up efforts. The requirements of this statement become effective for the fiscal 2009 period. The City is aware of this new pronouncement and will evaluate its implications.

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 51,906 in 2007. Population growth has averaged more than 3% per year. As the population has grown and the economic base diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multi-cultural citizenry.

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

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

Approximately 420 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

During fiscal 2007, the priorities of school funding, recreation facility construction, street construction, traffic flow management, and commercial infrastructure construction were addressed. The City contributed \$6.8 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

During fiscal year 2007, there were two 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 January 1, 2007, the City issued \$5.2 million general obligation bonds to finance certain capital projects of the City. These projects include construction of a new tennis center and expansion of the City library.

The Yarbrough Tennis Center opened in July 2007. There are 16 outdoor clay courts, 12 outdoor hard courts with stadium seating, and 6 indoor courts. The center also has a clubhouse with pro shop, men and women's locker rooms, a concessions area, and a meeting area.



Yarbrough Tennis Center

In March 2007, the City issued a \$7 million line of credit to provide financing for the design and construction of infrastructure around the intersection of Glenn Avenue and Bent Creek Road. This infrastructure will facilitate the construction of a major commercial development, including a warehouse club super-center. The City plans to permanently finance this line of credit in fiscal 2008.

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 97 sworn officers, providing an average emergency call response time of 2-3 minutes. The Auburn University Campus Police department merged with the City of Auburn Public Safety 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 66 student firefighters, operating four fire stations. Construction of a fifth fire station began in fiscal 2007, and the fire station is expected to be open in early fiscal 2008. The staffing, training, and equipment levels in the Fire Division enable City residents to enjoy a Class 2/9 fire insurance rating. Communications provides E-911 emergency response and dispatch services to the public. The Codes Enforcement Division monitors construction activities within the City and compliance with public safety ordinances. Ambulance services are provided via a contract with East Alabama Medical Center.

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

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

Environmental Services Given Auburn University's origins as an agricultural and mechanical college, it is not surprising that Auburn's residents give a high priority to its environmental quality of life. The City's Environmental Services Department maintains the cleanliness of the City's rights of way to a standard considered remarkable for a university town.

Environmental Services collects household waste, recyclables, and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. Environmental Services is also responsible for animal control and maintenance of the City's vehicle fleet.

Leisure Services In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and City Library provide many leisure time choices to residents. The Library has 26 internet-connected public computer workstations available to the public; the Library had 108,993 patron sign-ins during fiscal 2007 and checked out 201,669 items. 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 easily understood and graphically appealing way to search the library catalog.

Due to the increased popularity of the City Library, a \$1.75 million, 10,000 square foot expansion project began in September 2007. This addition will accommodate the growing number of patrons and will house Youth Services, additional public-use computers, and two offices. The expansion is expected to be complete in early summer 2008.



Auburn Public Library Expansion

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

and dancing lessons to summer day camps and swimming teams.

Education Services The Auburn City Schools provide services to more than 5,500 students. The City Schools' facilities include an early education center, five elementary schools, one middle school, one junior high school, and one high school. Teacher to student ratios range from 1:18 in the early education center to 1:23 in the middle and high schools. Of its teachers and administrators, approximately 68% hold advanced degrees and their average employment within the Auburn City system is twelve years. The City Schools expend an average of \$9,014 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, academic teams, 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 13 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, commercial, and industrial growth.

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

- Auburn University, in Auburn
- Columbus State University, Columbus, GA
- Tuskegee University, Tuskegee, 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 Montgomery, Montgomery, AL
- Huntingdon College, Montgomery, AL
- Alabama State University, Montgomery, AL
- Troy University at Montgomery, Montgomery, AL
- Faulkner University, Montgomery, AL
- Patterson State Technical College, Montgomery, AL

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



Auburn University

Auburn University's student body is taught by approximately 1,139 full-time faculty members, and the student to faculty ratio is 18 to 1. Approximately 96% of Auburn students receiving their degrees are employed full-time after graduation. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates.

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 24,137 for fall semester of the 2007/2008 academic year. Included in the total enrollment are 3,375 graduate students.

Southern Union State Community College is located in Auburn's sister city, Opelika, which is also the Lee County seat. Southern Union is less than ten miles from Auburn and offers courses in business, accounting, computer science, industrial electricity and electronics, automotive technology, welding, and more. Fall 2007 enrollment was approximately 4,960.

Utilities The City's Water Works Board, drawing from Lake Ogletree as its main source, provides water services. The City's Water Resource Management department also manages two wastewater treatment plants with a total treatment capacity of 12 million gallons per day. 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 coordinates and implements the Phase II Stormwater Regulations published by the federal government in 1999, while offering educational opportunities about stormwater issues and enforcing the City's erosion and sediment control ordinance.

Healthcare The Auburn area is served by the East Alabama Medical Center (EAMC). Among the many services that EAMC provides are open-heart surgery and cancer treatment, both of which are highly acclaimed specialties at the hospital. EAMC, which was named as one of *Fortune's* "100 best companies to work for" list in 2001 and 2002, has over 2600 employees, making it the second largest employer in Lee County. Of these employees, more than 500 work at facilities in Auburn such as HealthPlus Fitness Center, Hospice, and Home Care.



East Alabama Medical Center

EAMC's main building is licensed for 352 beds, and the center provides emergency medical transport services to the City of Auburn. In addition, EAMC operates the Auburn University Medical Clinic on the Auburn University campus.

Transportation The Auburn area is highly accessible by various transportation modes. Situated at the intersections of Interstate 85 with US Highways 280 and 29, the cities of Atlanta, Montgomery and Birmingham are all within an easy two-hour drive. Auburn is served by four

trucking terminals, all within 25 miles of the City, three overnight package carriers, and two commercial bus lines.

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



Auburn-Opelika Airport

Factors Affecting Financial Conditions

Local Economy

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

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

The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having assisted in the recruitment of more than forty companies, resulting

in the creation of more than 4,490 jobs. The location of these companies in Auburn has meant that the City had to acquire and develop three industrial-technology parks, with a fourth currently under development. Construction of Auburn Technology Park West is underway, with plans to locate the first tenant in the Park by late 2008. In addition, the City is partnering with Auburn University and the State of Alabama to construct a University-based research park. In the summer of 2007, the City of Auburn and Auburn University announced that Northrop Grumman Corporation would be the first tenant in the Auburn Research Park. Company officials have temporarily located their offices in the Auburn Center for Developing Industries. Construction of the first building in the Research Park, and the future home of one of Northrop Grumman Corporation's National Work Force Centers, is in progress.

The City's innovative economic development tools include a Revolving Loan 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 highly successful, graduating several of its tenants to the City's industrial parks and expanding its facilities three times. Current tenants located in the incubator include an automotive textile manufacturer and an automation repair and maintenance company.



Auburn Technology Park North

Auburn's industrial sector has seen tremendous growth and expansion in the last year. In February 2007, City and State officials announced the Auburn locations of Seohan-NTN Driveshaft USA Corporation and Seohan Auto USA Corporation. These two companies will jointly occupy a 250,000 square foot building in the Auburn Industrial Park. Combined, these companies will bring 170 new jobs and \$38 million in capital investment to the City. In addition to new companies, several existing industries expanded production at their facilities in 2007 to accommodate customer demand. These companies include Capitol Plastic Products, LLC; CV Holdings, LLC; Weidmann Plastics Technology; and SCA, Inc. In total, expansions at these four industries represent 170 new jobs and \$66.35 million in capital investment. Several major industrial announcements are in the works in the coming months, including the announcement of the first tenant in Auburn Technology Park West.

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, including Santa Fe Cattle Company steakhouse.

Infrastructure improvements were recently completed at Auburn's I-85 Exit 57 to make way for additional commercial development, including a new Sam's Club warehouse supercenter. City officials recently announced that Academy Sports + Outdoors would build an 85,000 square foot retail store adjacent to the new Sam's Club store. The Auburn Exchange Shopping Center, home to Sam's Club and a future Academy Sports + Outdoors location, now encompasses more than 220,000 square feet of shopping for residents.

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

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

The physical boundaries of the City continue to expand with residential, commercial, and industrial growth. During fiscal 2007, the City annexed 513 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 27 new subdivisions, incorporating 947 single-family lots and 1,453 units for multi-family residences.

In fiscal 2007, building permits were issued for 334 new single-family residences valued at \$84.3 million (↓25%), 146 of which had valuations in excess of \$250,000 each. Also permitted during fiscal 2007 were 15 multi-family buildings valued at \$64.7 million (↑50%) and 19 new commercial and industrial facilities valued at \$35.6 million (↑38%).

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 \$127.1 million in identified projects over the next five years (FY 08 through FY 12). Increasing the capacity and updating the technology of the sewer system will require approximately \$30.2 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 \$54.7 million. This outlay will be funded through identified sources including shared funding, state and federal grant funds, and debt.

Renovations and expansion of existing city buildings are planned with a projected cost of \$14.8 million. Funding sources for these city buildings include proceeds of bonds and the General Fund.

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

Financial Information

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

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

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

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

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 horizon for budgeting and to reduce the amount of staff time required for developing and adjusting the budget. Under the annual budgeting process, Auburn conducted a Mid-Year Budget Review process each April that was nearly as rigorous as the budget development each summer. With a Biennial Budget, the Mid-Year Review is streamlined and there is an in-depth Mid-Biennium Review.

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

appropriated as “prior year carryover” during the Mid-Biennium Budget Review.

The City’s budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the *financial* section of this report are presented in accordance with GAAP; that is, all capital outlays have been aggregated in a single line captioned “capital outlay.” Debt service expenditures are presented in a single line caption in the GAAP financial statements, as well. *Appendix II* presents the General Fund’s expenditures compared to the budget for fiscal 2007 as budgeted, with the capital outlays and debt service expenditures presented within departments.

Other Information

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

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

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2006. This was the twenty-first consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to the City of Auburn for its PAFR for the fiscal year ended September 30,

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to the City of Auburn for its PAFR for the fiscal year ended September 30, 2006.

2006. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award-recognizing

conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

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

In addition, the City has also received a GFOA Award for Distinguished Budget Presentation for its biennium beginning October 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

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

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

Charles M. Duggan Jr.

Charles M. Duggan, Jr.
City Manager

Andrea E. Jackson

Andrea E. Jackson, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Auburn
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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



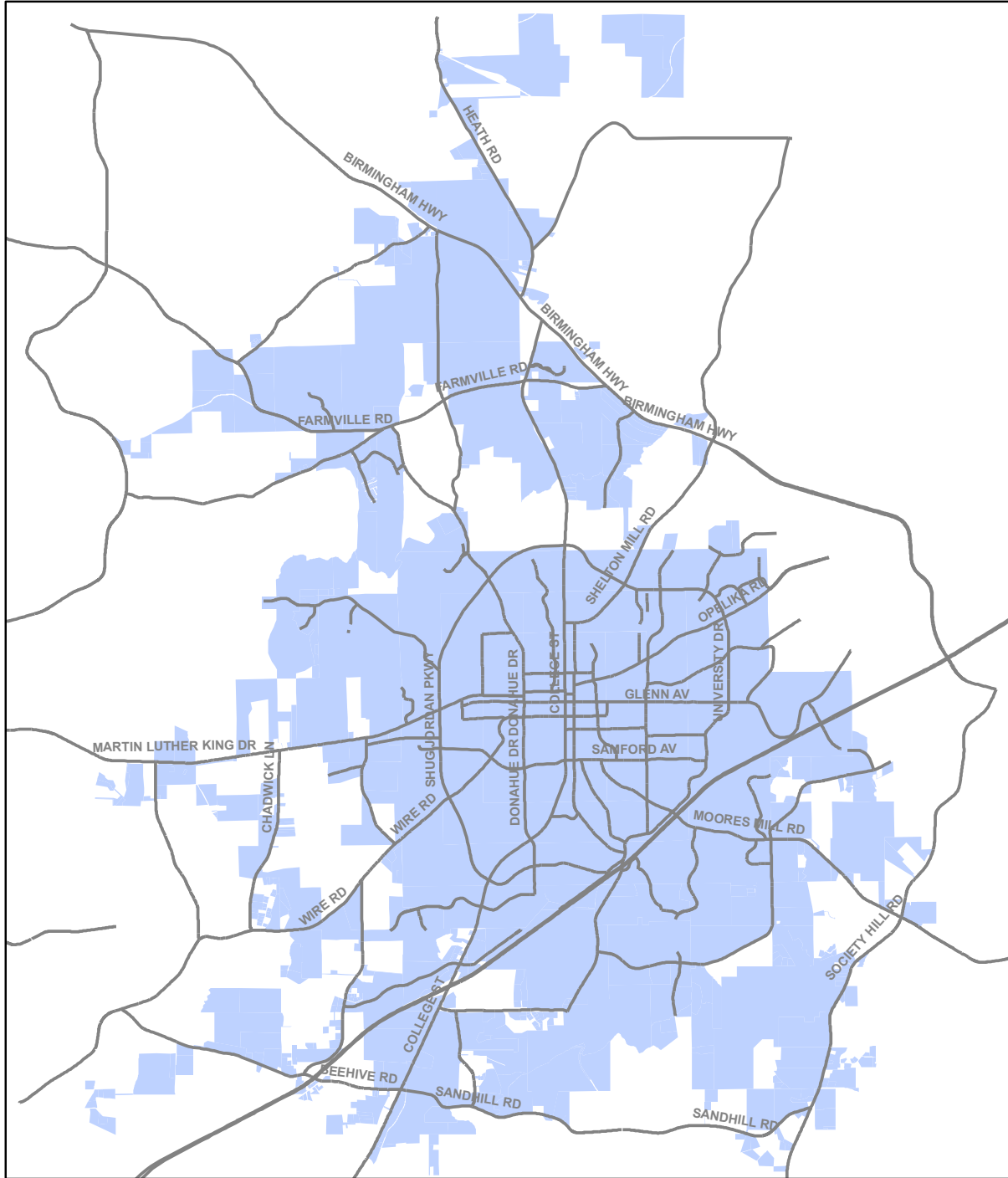
Charles S. Cox

President

Jeffrey R. Emery

Executive Director

City of Auburn as of September 30, 2007



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

Auburn City Limits

 City Limits

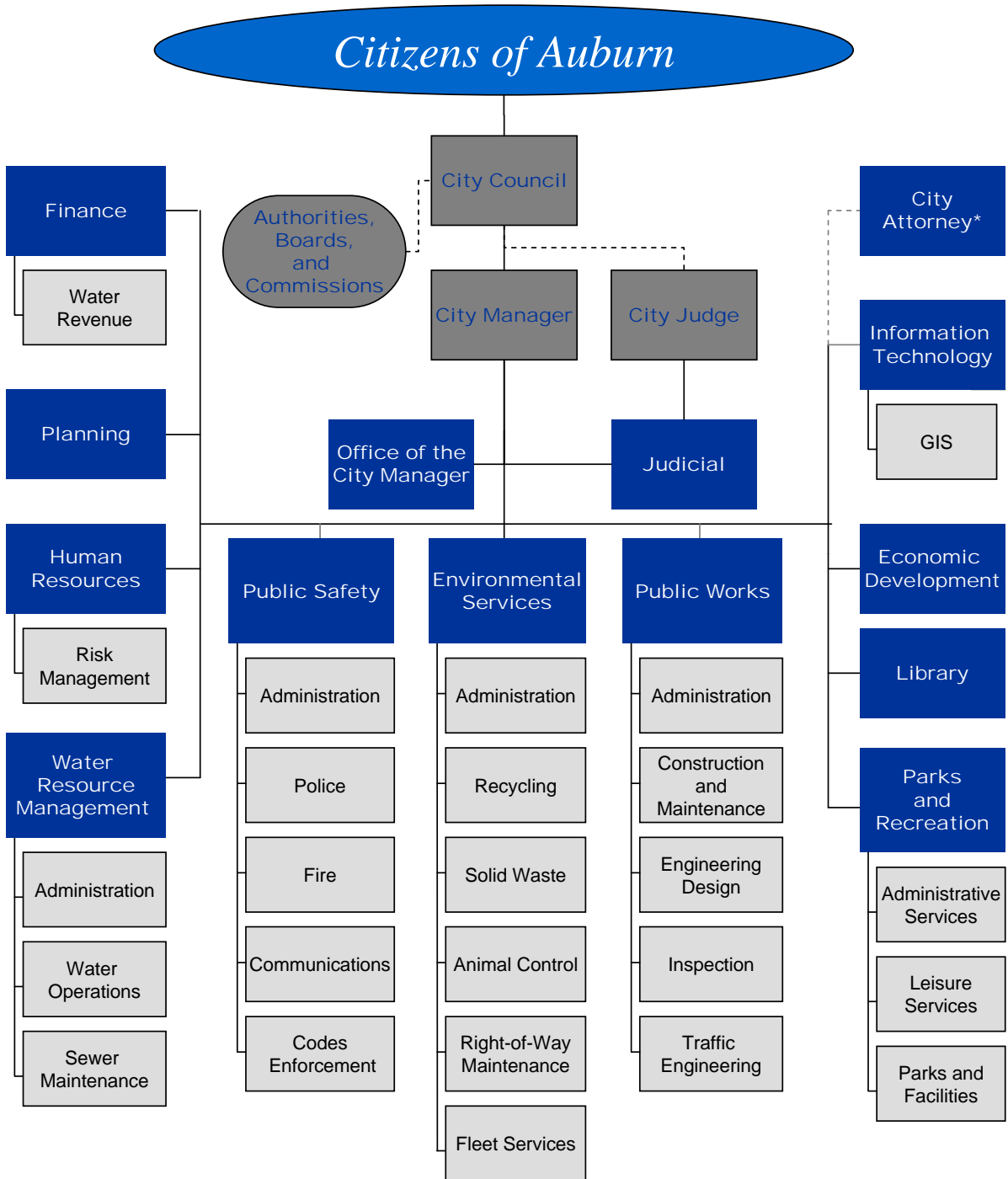
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Organization Chart



* City Attorney services are contracted outside the organization

Legend:	Policy or Judicial Authority	Department	Division or Sub-Departmental Unit
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Anne McChesney May, CPA
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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Water Works Board, the Industrial Development Board, the Public Park and Recreation Board, and the Commercial Development Authority (component units) were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2007, and the respective changes in financial position and, where applicable, cash flows 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 March 26, 2008, on our consideration of the City of Auburn, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 33, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the budgetary comparison schedules, the capital assets schedules, and statistical section 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, the budgetary comparison schedules, and the capital assets schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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
March 26, 2008





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, 2007. 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 \$37.7 million (net assets). Of this amount, the City had a deficit unrestricted net assets of \$42.1 million offset by \$8.6 million in restricted net assets and \$71.2 million in capital assets net of related debt.
- ▶ The primary government experienced a 243.2% increase in net assets from \$10.9 million at September 30, 2006 to \$37.7 million at September 30, 2007.
- ▶ At the close of the current fiscal year, the City's governmental funds reported a *combined* fund balance of \$46.1 million. This was a decrease (7.2%) from the prior year.
- ▶ At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$14.8 million, or 24.02% of total General Fund expenditures. This was an increase of \$985,061 or 7.1% from fiscal year 2006.
- ▶ Sales and use tax, the City's single largest revenue source, increased 4.9% during the 2007 fiscal year. The City's sales tax rate remained at 3% throughout fiscal year 2007. The last rate change was a ½ % increase in August 2003.
- ▶ In both fiscal years 2006 and 2007, the City continued to support its employees through a 3% cost of living raise.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- ▶ The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- ▶ The remaining statements are fund financial statements that focus on individual elements of the City government, reporting the City's operations in more detail than the government-wide statements.
 - ◉ The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - ◉ Proprietary funds statements offer short- and long-term financial information about the activities the government operates like businesses, such as the sewer system.

- Fiduciary funds statements convey information about financial relationships in which the City acts solely as a trustee for the benefit of others, like athletic organizations' resources held for spending on specific sports' activities.

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

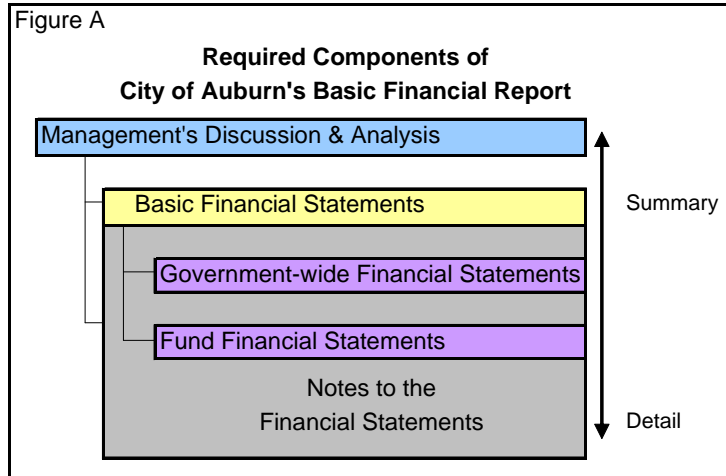


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portion of the City government they include and the types of information they contain. The remainder of this overview explains the structure and contents of each of the financial statements.

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 fiscal year's revenues and expenses are accounted for in the *statement of activities*, presenting the change in net assets for the most recently completed fiscal year. All changes in net assets (revenues and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

(Continued on next page)

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 or long-term debt included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when it is received or paid.	All revenues and expenses during the year regardless of when it is received or paid.

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

- ▶ **Governmental activities.** Most of the City's basic services are included in this category, such as the services provided by the Public Safety, 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: the City of Auburn Board of Education, City of Auburn Water Works Board, City of Auburn Industrial Development Board, City of Auburn Public Park and Recreation Board, and the City of Auburn Commercial Development Authority. Although legally separate entities, 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.

Fund Financial Statements

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

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

The City has three kinds of funds:

- ▶ *Governmental funds.* Most of the City's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending in subsequent years. Consequently, the governmental funds statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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 statements and government-wide statements on governmental activities.

- ▶ *Proprietary funds.* Services provided to the general public for which customers are charged a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary funds' financial statements, like the government-wide statements, provide both long- and short-term financial information. 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 fiscal years. A budgetary comparison statement for the General Fund has been provided immediately following the fund financial statements.

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

Net assets The City's *combined* net assets at September 30, 2007 totaled \$37.7 (see Table 1). Governmental Activities' net assets increased by \$23.0 million, while Business-type Activities' net assets increased \$3.7 million.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Table 1

City of Auburn's Net Assets
September 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 53,083,921	\$ 60,280,093	\$ 3,682,697	\$ 8,644,716	\$ 56,766,618	\$ 68,924,809
Capital assets	95,913,849	60,297,989	50,055,431	42,663,013	145,969,280	102,961,002
Total assets	148,997,770	120,578,082	53,738,128	51,307,729	202,735,898	171,885,811
Current liabilities	18,110,685	11,249,472	2,063,329	1,530,705	20,174,014	12,780,177
Long-Term debt and other liabilities	117,200,986	118,673,691	27,647,937	29,442,275	144,848,923	148,115,966
Total liabilities	135,311,671	129,923,163	29,711,266	30,972,980	165,022,937	160,896,143
Net assets:						
Invested in capital asset, net of related debt	48,933,540	30,277,386	22,279,811	14,868,116	71,213,351	45,145,502
Restricted	8,621,350	8,295,236	-	1,931,130	8,621,350	10,226,366
Unrestricted	(43,868,791)	(47,917,701)	1,747,051	3,535,503	(42,121,740)	(44,382,198)
Total net assets	\$ 13,686,099	\$ (9,345,079)	\$ 24,026,862	\$ 20,334,749	\$ 37,712,961	\$ 10,989,670

Most of the Governmental Activities' net assets are invested in capital assets (buildings, equipment, roads, etc.). The investment in capital assets at September 30, 2007 was \$95.9 million. Debt outstanding related to the capital assets was \$46.9 million. The large negative unrestricted net assets in FY 2006 (\$47.92 million) and FY 2007 (\$43.87 million) are the result of a common financing circumstance in Alabama: the City of Auburn issues debt in the City's name for the benefit of the Board of Education, a component unit under the City of Auburn's oversight. The City of Auburn therefore must report the debt on the City's books. However, the City does not have a legal right (title) to the assets associated with the debt (which are owned by the School Board); hence, the large negative unrestricted net assets balances.

Similarly, an innovative partnership was formed this year among the City of Auburn, Auburn University and the State of Alabama to build a research park on the University campus. The City of Auburn committed \$5 million for project infrastructure. Borrowing these funds in February of 2006 produced a similar effect on the balance sheet as did the City Board of Education borrowing. The research park infrastructure will be owned by Auburn University (a component unit of the State of Alabama), but the debt principal will be included in the City's liabilities.

In fiscal year 2006, the City entered into an agreement with Auburn University to facilitate the issuance of debt to enable Auburn University to finance the construction of an expansion of the City's new tennis complex. Payment of principal and interest on this debt is reimbursed by Auburn University. The joint tennis facility is owned and operated by the City's Public Park and Recreation Board, a component unit of the City. In this case, the debt principal of \$3.7 million is included in the City's liabilities and the offsetting capital asset is included as part of the Public Park and Recreation Board, increasing the deficit in the City's unrestricted net assets.

Table 2 has been created to show the detail of debt issued by the City to acquire or construct capital assets owned by other entities contained in unrestricted net assets. Total City debt issued to benefit the City Schools and outstanding at September 30, 2007, was \$63.1 million a decrease of \$983,123 (1.5%) from the prior year. This decrease is due to the City's principal repayments on current borrowings for the Auburn City Schools' benefit. Debt issued in respect to agreements made with Auburn University was \$7.8 million, an increase from the prior year of \$3.1 million. This increase is due to the new debt for the Auburn University portion of the tennis center mentioned above. Due to Auburn's sound fiscal management, Governmental Activities' other unrestricted net assets remain strong at \$19.2 million (eliminating the effect of other entities' debt) at the end of fiscal 2007. These amounts plus other net asset components create overall positive net assets of \$13.7 million at the end of this fiscal year.

Table 2

Governmental Activities

Net Assets	<u>2007</u>	<u>2006</u>
Invested in capital assets, net	48,933,540	30,277,386
Restricted (deficit)		
Debt Service	1,641,921	2,499,524
Capital Projects	2,748,975	1,022,428
Fed and State Grants	475,714	386,762
Special Rev, non-grant	3,754,740	4,386,522
Unrestricted		
Governmental Activities	27,017,950	20,858,625
City School Debt	(63,064,711)	(64,047,834)
AU Debt	(7,822,031)	(4,728,492)
	<u>13,686,098</u>	<u>(9,345,079)</u>

The total net assets of the City's Business-type Activities increased by 18.3% to \$24.0 million in fiscal year 2007 from \$20.3 million in fiscal year 2006. 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 eliminated this fiscal year due to the early payoff of zero coupon bond held in the Sewer Revenue Fund. Unrestricted net assets of Business-type Activities totaled \$1.7 million at 2007 fiscal year-end.

Changes in net assets The primary government's net assets increased by \$26.7 million (243.2%) in fiscal year 2007 over the prior year. Total assets increased by \$30.8 million (18.0%) in fiscal 2007. The major component of this increase in total assets was the \$43.0 million (41.8%) increase in capital assets.

The governmental activities' capital assets increase of \$35.6 million (59.1%) included all retroactive infrastructure, which was recorded in fiscal 2007. The City of Auburn completed implementation of the Governmental Accounting Standards Board's (GASB) Statement 34, "Basic Financial Statements for State and Local Government." This statement significantly changed financial reporting for local governments. Included in this change was the requirement to report infrastructure assets. Governments implementing statement 34 in fiscal year 2003 (Phase 2 governments) were 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 was required. Consequently beginning with the fiscal year ending September 30, 2003, the City 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 had been placed in service since October 1, 2002. The following is a list (Table 3) of retroactive infrastructure assets including depreciation that were

recorded in fiscal 2007, bringing the net book value increase in capital assets for governmental activities to \$30.2 million.

Table 3

Retroactive Infrastructure Additions:

	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Streets	\$ 51,131,270	\$ 31,259,893	\$ 19,871,377
Drainage	11,066,183	6,171,277	4,894,906
Traffic Signals	2,571,556	924,796	1,646,760
Sidewalks	2,486,070	1,227,167	1,258,903
Bike Lanes/Paths	1,719,823	244,380	1,475,443
Bridges	886,113	269,090	617,023
Multi-Use Paths	492,638	56,739	435,899
Total	<u>\$ 70,353,654</u>	<u>\$ 40,153,342</u>	<u>\$ 30,200,312</u>

The business-type activities' increase in net assets of \$3.7 million is mainly attributed to the contribution of sewer lines by developers and the capitalization of projects related to new sewer lines. This increase in capital assets totaled \$7.4 million. In addition, the investment account related to the 2001 Sewer Zero Coupon Bond issued to Veolia Water was liquidated prior to its maturity date, causing a decrease in net assets of \$3.7 million.

The fiscal 2007 net increase in total liabilities of the primary government was \$4.1 million (2.6%). The increase in long-term debt, \$3.8 million (2.4%), accounted for most of the net change: the City issued two borrowings totaling over \$14 million in fiscal year 2007 to fund various capital projects within the City. The City also liquidated certain debt to put the Sewer Revenue Fund in a more advantageous position to finance future system expansion and upgrades.

The primary government's total net assets increased by \$26.7 million (243.2%) in fiscal 2007. Changes in the elements of net assets include 1) the deficit in unrestricted net assets decrease of \$2.3 million and 2) investments in capital assets, net of related debt, increase of \$26.1 million.

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

- ▶ The \$3.7 million borrowing for Auburn University's portion of construction of the Auburn Tennis Complex in 2007. The debt service payable by the City is reimbursed by Auburn University as payments are due. This debt was used in conjunction with another City borrowing to build a state of the art tennis facility to be owned and operated by the Public Park and Recreation Board, a component unit of the City of Auburn. This debt had a negative effect on net assets because the infrastructure assets constructed are reported as assets, not of the City, but of the Public Park and Recreation Board.
- ▶ The Board of Education's capital assets are reported in the separate component units' column of the Statement of Net Assets, while the debt related to the acquisition of the Board's 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, 2007 were \$67.5 million; while the City's general obligation debt issued on the Schools' behalf had principal outstanding of \$63.0 million at September 30, 2007.

Ignoring the effect of the City's issuing debt on behalf of the Board of Education and Auburn University would result in positive unrestricted net assets of \$27.02 million (Table 2), which would more accurately reflect the City's net assets.

Governmental Activities

Table 4 on the following page presents the cost of each of the City's functions/programs, as well as each program's net expenses (total expenses less fees generated by the program's activities and intergovernmental support). The Net (Expense) Revenue amounts in this table show the financial burden that was placed on the City's general revenues by each of these functions.

Table 4 **City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2007 and 2006**

Functions and programs	Expenses		Program Revenues		Net (Expense) Revenue	
	2007	2006	2007	2006	2007	2006
Governmental activities						
General government	\$ 5,283,272	\$ 4,660,538	\$ 9,972,285	\$ 9,142,719	\$ 4,689,013	\$ 4,482,181
Public works	7,507,853	9,169,765	608,006	841,963	(6,899,847)	(8,327,802)
Environmental services	4,066,793	4,008,405	2,688,785	2,571,865	(1,378,008)	(1,436,540)
Public safety	13,516,129	12,887,286	3,005,307	2,762,595	(10,510,822)	(10,124,691)
Library	1,370,600	1,292,363	29,236	30,226	(1,341,364)	(1,262,137)
Parks and recreation	11,055,017	4,962,677	1,200,959	715,687	(9,854,058)	(4,246,990)
Social and economic development	12,049,201	5,765,202	1,031,811	862,017	(11,017,390)	(4,903,185)
Other functions	2,074,220	1,993,874	423,037	517,280	(1,651,183)	(1,476,594)
Education (payments to Board of Education)	12,625,643	10,001,243	-	-	(12,625,643)	(10,001,243)
Interest on long-term debt	5,688,402	5,519,505	-	-	(5,688,402)	(5,519,505)
Total governmental activities	75,237,130	60,260,858	18,959,426	17,444,352	(56,277,704)	(42,816,506)
Business-type activities						
Sewer	6,305,910	6,221,067	9,698,019	7,623,287	3,392,109	1,402,220
Industrial parks	141,742	284	-	-	(141,742)	(284)
Total business-type activities	6,447,652	6,221,351	9,698,019	7,623,287	3,250,367	1,401,936
Total primary government	\$ 81,684,782	\$ 66,482,209	\$ 28,657,445	\$ 25,067,639	(53,027,337)	(41,414,570)
General revenues:						
Taxes						
Sales taxes					21,784,157	20,773,724
Property taxes					15,057,103	12,658,858
Occupation license fees					7,826,656	7,402,470
Rental and leasing taxes					1,501,112	1,591,682
Lodging taxes					1,369,273	1,085,063
Motor fuel taxes					504,228	491,778
Other taxes					121,760	123,728
Interest and investment earnings					2,366,521	2,300,840
Gain (loss) on asset disposals					42,192	158,638
Miscellaneous					32,228	316,311
Special items--certain capital asset transactions					627,963	(453,119)
Special items--certain receivable transaction					(2,252,879)	-
Total general revenues					48,980,314	46,449,973
Change in net assets -						
General revenues less net expenses					(4,047,023)	5,035,403
Beginning net assets (restated)					41,759,983	5,954,267
Ending net assets					\$ 37,712,960	\$ 10,989,670

The cost of governmental activities this year was \$75.2 million. Program revenues provided \$18.9 million to finance the costs of the City's governmental activities. The amount that Auburn taxpayers paid to provide for governmental activities' expenses through general revenues (taxes, license fees, interest earnings, etc.) was \$56.3 million.

In fiscal 2007, expenses for business-type activities were \$6.4 million; business-type activities revenue provided \$9.7 million. Total City expenses for both governmental and business-type activities exceeded revenues, including general revenues, by \$4.0 million for fiscal 2007.

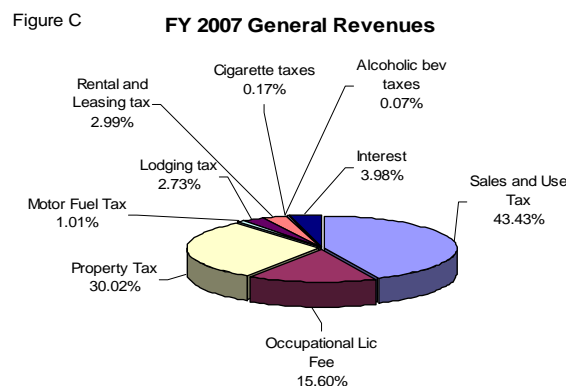
As detailed below, Table 5 divides total program revenue by source for 2007 and 2006 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative below provide insight into changes in program revenue.

Some of the program costs of governmental activities in 2007 were paid by revenues collected from those who directly benefited from the programs (\$15.8 million). These revenue sources include:

- Business license fees, which generated \$5.3 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 \$2.7 million in fiscal 2007, an increase of 4.5% 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 offsets public safety expenditures by \$1.9 million for the year ending 2007.

Program revenue by source:	Primary Government	
	2007	2006
Charges for Services	\$ 22,516,964	\$ 20,629,388
Operating grants and Contributions	1,841,713	2,051,801
Capital Grants and Contributions	4,298,768	2,386,450
Total Program Revenue	<u>\$ 28,657,445</u>	<u>\$ 25,067,639</u>

- ▶ Program costs were also defrayed by grants and contributions (\$3.2 million). A large portion of this funding comes from the Community Development Block Grant (CDBG) from the federal Department of Housing and Urban Development. Fiscal 2007 CDBG revenues of \$1.0 million 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 \$345,000.
- ▶ The City financed the \$56.3 million net expenses for governmental activities from taxes, license fees and other general revenues, such as interest earnings.
- Figure C shows the various sources of general revenues for fiscal year 2007:



- General revenues are defined as all revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues. All other non-tax revenues (including license fees, interest, gains and

losses, and contributions) that do not meet the criteria for program revenues are reported as general revenues.

- The largest of the City's general revenues is sales and use tax, comprising 43.4% 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 (30.0%). 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 (15.6%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn transferred \$27.9 million to component units during fiscal 2007. Of this amount, \$12.6 million was paid to the Board of Education, which included \$5.8 million paid from education property taxes. The \$6.8 million appropriated from the City's General Fund represents the continued commitment by the City of Auburn in response to the Citizen Survey results, which show that educational funding is the citizens' highest priority, consistently year after year.

Business-type Activities

The City owns two wastewater treatment plants that are operated by Veolia Water, a Houston, Texas based engineering and contract services firm. Table 6 details the general revenues associated with business type activities (see Table 4 for totals). This chart shows program revenue of the Sewer Revenue Fund business-type activity, including charges for services (sewer treatment and disposal) and capital grants and contributions, increased over the prior year by \$2.1 million or 27.2%. The increase in Sewer Fund revenue represents growth in the number of customers as well as expansion of sewer system capital assets through increases each year in developers' contributions of installed sewer lines (recorded at fair value at the time of donation). Sewer Fund expenses (operating plus non-operating) increased by 1.4% to \$6.3 million. The expense of the contract with Veolia Water to operate the City's wastewater treatment plants in 2007 has increased over the past fiscal year, accounting for the majority of the growth in Sewer expenses.

The Industrial Park Fund was closed in fiscal year 2007. The advances to component units and advances from other funds were liquidated, moving the remaining cash appropriately to the Industrial Development Board and other funds through the operating statement.

Functions and programs	Business Type Activities (Condensed)	
	Fiscal Years ended September 30, 2007 and 2006	
	Net (Expense) Revenue	
	2007	2006
Business-type activities:		
Sewer Revenue	\$ 9,698,019	\$ 7,623,287
Sewer Expense	6,305,910	6,221,067
Net Sewer Revenue	3,392,109	1,402,220
Net Industrial Parks (Expense)	(141,742)	(284)
Total functions and programs revenues	3,250,367	1,401,936
General revenues:		
Interest and investment earnings	370,249	416,657
Gain (loss) on asset disposals	66,128	18,895
Miscellaneous	258	278,160
Transfers to other funds	5,110	(127,883)
Total general revenues	441,745	585,829
Change in net assets -		
General revenues less net expenses	3,692,112	1,987,765
Beginning net assets	20,334,750	18,346,986
Ending net assets	\$ 24,026,862	\$ 20,334,751

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2007 fiscal year, its governmental funds reported a *combined* fund balance of \$46.1 million. This reflects a decrease from the prior year of \$3.6 million. This decrease is directly attributable to the transfer of capital borrowing proceeds from the primary government to component units during fiscal year 2007. Except for this anomaly, the resulting increase would have been a reflection of the activity typical of Auburn: to budget revenues in a realistically conservative manner and to use the budget as a tool for managing expenditures to remain within budget. The City continued various infrastructure and economic development projects throughout the fiscal year. These activities included construction of the Bent Creek/I-85 Interchange and continued installation of infrastructure at the Auburn Research Park. A new state-of-the-art tennis complex was opened during fiscal 2007, as well.

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

Governmental revenues ~

- ▶ Total revenues of the governmental funds showed growth of 11.2% or \$7.1 million over the prior year.
- ▶ Sales and use tax revenue increased 4.9% during the 2007 fiscal year. The sales tax rate remained at 3%, with the last rate increase occurring in 2003.
- ▶ Lodging taxes increased by 26.2% (\$284,210) in fiscal year 2007. This growth resulted, in part, from a rate increase in lodging taxes from 4% to 7%, effective February 1, 2006. With the City's influx of visitors to City and Auburn University events, the City utilizes this increase in taxes to fund the extra services required by the added transient population.
- ▶ Rental and leasing taxes increased by 79.7% (\$653,430). Although some of this represents growth, this line item includes residential rental license fees, for which the payment schedule was changed from quarterly to annually effective January 1, 2006.
- ▶ General property tax revenues improved by 15.0%, contributing additional revenue of \$1.9 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 \$14.1 million (19.6%) in fiscal 2007 from fiscal 2006. The major component of this increase in governmental expenditures was the rise in payments to component units by \$14.8 million.

Governmental Funds - Expenditures Comparison

Table 7

Paid to component units:

	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 07>FY 06</u>
General revenues			
provided to City Schools	\$ 6,795,523	\$ 6,795,523	\$ -
Education property taxes			
distributed to City Schools	5,830,120	3,205,720	2,624,400
Comm Dvlp Authority	7,005,300	-	7,005,300
Public Park & Rec Brd	6,166,754	161,117	6,005,637
Industrial Development Board	2,098,003	2,936,378	(838,375)
	<u>\$ 27,895,700</u>	<u>\$ 13,098,738</u>	<u>\$ 14,796,962</u>
Total - Component Units			

Table 7 from the previous page details the expense for each component unit. Narrative below explains each increase:

- ▶ The City appropriated \$6.8 million out of its general revenue to the Auburn City Schools for fiscal year 2007, as in 2006.
- ▶ In addition to the City's general fund providing support to the schools, the Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for all debt service issued by the City of Auburn for the Auburn Board of Education and provide additional funds for operating expenses of the school system. This year the Board drew \$5.8 million for operations, an increase of \$2.6 million or 81.9%.
- ▶ The City borrowed \$7 million for commercial development activities. This amount was appropriated to the Commercial Development Authority, a component unit of the City of Auburn, to construct and improve infrastructure around a new commercial center designed to serve Auburn citizens.
- ▶ As described in other sections, the City of Auburn entered into two borrowings, \$3.7 million (Auburn University) and \$2.7 million (City of Auburn) to fund the construction of a tennis facility. Construction and now ownership and management of the facility are under the oversight of the Public Park and Recreation Board (PPRB). The 2007 portion of these transfers plus some operating costs make up the increase of \$6 million in transfers to the PPRB.

Proprietary Funds

The City's combined proprietary funds, which account for its business-type activities, reflect increased net assets of \$3.7 million at the end of fiscal 2007, an 18.3% 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 by 9.3% or (\$573,337) for 2007 as compared to 2006. Sewer service rates were increased 5% in fiscal 2006, but had not been increased since 1994.

In addition to operating revenue from sewer service charges, the Sewer Fund's net assets were increased by \$2.96 million from developers' contributions of sewer lines in fiscal 2007. This amount is a 71% (\$1.2 million) increase over the prior year's developer contributions to the Sewer Fund and reflects the robust level of construction activity within the City as well as the City's initiatives to require developers to contribute to the cost of infrastructure for new developments.

Proprietary funds' expenses ~

In the Sewer Revenue Fund, the City's major proprietary fund, operating expenses for fiscal 2007 increased by \$132,354 (2.8%). The largest component of this increase was management fees (\$281,775 or 19.3%), attributable to an increase in the contract payment to Veolia Water, the company that manages the two wastewater treatment plants. Smaller expense increases included salaries and benefits (\$100,822 or 10.4%) and utilities (\$65,519 or 16.1%). The salaries and benefits expenses increased, in part, due to vacant positions in 2006 that were filled in 2007. Utilities costs increased nationally; in addition, the Southside plant's larger capacity naturally affected operating costs. It should be noted that professional services decreased by \$284,479 or 63.9% in fiscal year 2007. This decrease was mainly due to the

decline in sludge hauling activities. An annual review of the Veolia contract revealed that sludge hauling was included in the management agreement, and therefore, that cost was shifted to Veolia.

Analysis of Changes in Major Funds

The General Fund (Governmental) ~

At the end of fiscal 2007, the total fund balance of the City's General Fund increased \$381,191 (1.4%) from the prior year's ending balance. Many fluctuations in the balances between the years produced this result. The most notable of the differences is a reduction in encumbrances of \$1.4 million (66.2%); this was caused by a decrease in signed construction contracts (\$1.8 million at the end of fiscal year 2006 as opposed to only \$444,363 in construction contract commitments at the end of fiscal year 2007). A decrease in cash of \$944,406 (5.5%) was produced by differences in the timing of revenues and expenses between years. Revenues and other financing sources over expenditures and other financing uses increased fund balance by \$381,195. These changes, together with other smaller changes in the components of assets and liabilities, produced an ending fund balance in the General Fund of \$28.1 million.

Special School Tax Fund (Governmental) ~

The Special School Tax Fund continues to be classified as a major fund of the City. As a special revenue fund, it accounts for five of the sixteen mills of education ad valorem tax revenue which is used to pay principal and interest on bonds issued for Auburn City Schools. The Board of Education elected to draw \$5.8 million (up from 2006 by \$2.6 million) in accumulated funds from the special school property tax funds this year. This increase in additional payments to component units reduced cash by approximately \$900,000, which in turn reduced fund balance by \$898,560 (52.3%) to \$820,428.

Bent Creek/West Technology Park Capital Project Fund (Governmental) ~

The Bent Creek/West Technology Park capital project fund was created in fiscal year 2006 to account for the borrowing of \$6 million for infrastructure projects. Due to unforeseen delays and changes made to certain projects by the Alabama Department of Transportation, this fund remained essentially intact throughout fiscal year 2007. Contracts have now been signed and the work has begun on the infrastructure project for the City's West Technology Park, a significant portion of the fund's planned expenditures.

Sewer Fund (Business-type activity) ~

Generally, the Sewer Revenue Fund accounts for the provision of sewer services to the City's residents and businesses. In addition, the Sewer Fund accounts for the capital expansion 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 wastewater treatment technologies. The construction activities funded by this debt began in fiscal 2002 and continued through 2005.

Included in the principal amount of the 2001 borrowing was a zero-coupon warrant with a maturity value of \$9.4 million. Interest accrued on the zero coupon warrant at the approximate interest rate of 5.7%, compounded semiannually. Sinking fund payments were required on January 1 and July 1 each year until the final maturity date of January 1, 2012. On June 19, 2007 the City obtained a \$12.1 million General Obligation Line of Credit for sewer system purposes. This line of credit was issued, in part, to prepay the 2001 zero-coupon warrant and primarily to finance construction of capital improvements to the wastewater collection and

treatment system. In addition to the sinking fund for the zero-coupon warrant, a guaranteed investment contract (GIC) was purchased to ensure that the maturity value of \$9.4 million would be available on the maturity date. To retire the zero-coupon warrant, the GIC was liquidated, producing funds in the amount of \$4.6 million, which coupled with a draw from the \$12.1M line of credit for \$2.7 million provided the zero-coupon early payoff amount of \$7.3 million.

In fiscal 2007, the Sewer Fund's net assets increased by 18.3% or \$3.7 million. While total net assets increased, the unrestricted/unreserved component of net assets declined from \$3.5 million to \$1.7 million. This was offset by an increase in the amount invested in capital assets, net of related debt, by \$7.4 million. Due to the liquidation of the guaranteed investment contract related to the zero coupon bond,, the Sewer Fund no longer has restricted assets and restricted net assets.

Total assets of the Sewer Fund increased \$2.5 million; the majority of this increase was caused by acquisition of capital assets net of accumulated depreciation in the amount of \$7.4 million, a 17.3% increase. The increase in Sewer Fund capital assets, which includes the capitalization of assets donated by developers at \$2.96 million, netted against the drawdown in cash and investments and restricted investments of \$4.9 million, produces the net increase in Sewer Fund assets listed above. There was a decrease in liabilities at \$1.3 million or 4.1%, consisting almost wholly of a decline in long-term liabilities of \$1.8 million to \$27.6 million, due to the early repayment of the 2001 zero coupon warrant. The Sewer Fund generated an operating income of \$1.8 million in 2007. After non-operating revenues and expenses, the Sewer Fund's income before operating transfers and capital contributions was \$863,457.

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 2007 *final* General Fund budget projected \$52.0 million in revenue and \$9.4 million in other financing sources; appropriations were approved for \$65.4 million in expenditures and \$0 other financing uses, producing a planned deficit of \$3.9 million to be absorbed in the General Fund's fund balance. Actual amounts for revenues (\$54.3 million), other financing sources (\$7.7 million), expenditures (\$61.6 million), and other financing uses (\$0) netted favorably in comparison to the budget. As a result, the General Fund balance increased by \$381,192.

The original revenue projections were \$3.3 million under the final budget. This change was caused by an overall better than projected growth for most revenue sources. Auburn experienced growth in sales and use taxes (up by 4.9%), lodging taxes (up by 26.2%), general property tax (up by 15.0%) and occupational license fees (up by 5.7%). These revenue trends reflect the expanding population of the City of Auburn and its diversified economic base.

In order to respond to economic development opportunities, the City of Auburn obtained a line of credit to borrow up to \$8.8 million, which contributed to the increase in the *final* budget of total expenditures over the *original* budget by \$12.9 million (24.8%). The total operating budget for all departments was increased slightly by \$175,753 in the *final* budget. Although almost all departments' budgets were increased in the final budget, the two largest increases (\$61,955 and \$61,401) were in the amount appropriated for Public Safety and Parks and Recreation departments.

Total actual operating expenditures for all departments were under budget by \$1.7 million in fiscal 2007. This favorable effect is typical for Auburn and results from management's active use of the budget to control expenditures. All individual departments kept expenditures under final budget.

The budget for payments to component units was increased considerably (\$9.2 million, 110.2%) during the mid-year budget review to reflect increases in transfers to the Commercial Development Authority (\$7 million) and the Public Parks and Recreation Board (\$6.2 million).

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

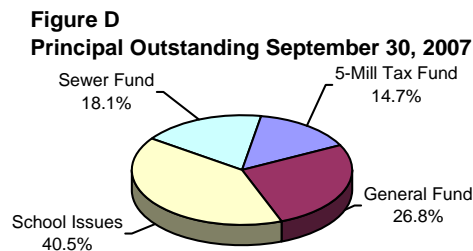
At the end of 2007, the City had invested \$145.9 million in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$43.1 million (41.8%) over last year. This increase is the direct result of the inclusion of retroactive infrastructure as required by GASB Statement 34. See the changes to net assets section for details.

The City committed through borrowings and referendums to continue or complete some major projects in fiscal year ending 2008. Some of these include: Infrastructure and landscaping in the West Technology Park at ~\$3.5 million, expansion of the City Library at ~\$2.0 million, and infrastructure improvements in the new Auburn University Research Park at \$5 million. Note 10 provide additional detail on capital assets.

Long-term Debt

At 2007 fiscal year-end, the City had \$158.9 million in long-term debt outstanding, of which \$14.2 million will mature during fiscal 2008. The net increase in long-term debt from the previous year was \$3.8 million or 2.4%. The City's long-term debt is comprised of bonds, warrants, and notes payable.

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



Long-term debt with \$22.9 million in principal outstanding at fiscal year-end will be paid from the Special Five-Mill Tax Fund. The most recent Special Five-Mill Tax Fund referendum occurred in fiscal year 2006. The approval rate for the referendum, which included the tennis center and expansion of the existing library, was 85.6%. The City issues debt for the Auburn City Board of

Education. The principal amount of current outstanding school issues stands at \$63 million, which will be repaid from dedicated school ad valorem taxes.

- ▶ The Sewer Revenue Fund (a business-type activity of the City) pays for two long-term debt issues with total principal outstanding of \$28.3 million.
- ▶ This leaves \$41.7 million in outstanding principal, the repayment of which will be funded solely from the General Fund.

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

New debt during fiscal 2007 consists of the following:

- ▶ On June 19, 2007, in anticipation of permanent refunding, the City issued its \$12,100,000 General Obligation Warrants to liquidate the 2001 Zero Coupon General Obligation Warrants and to provide construction financing for improvements to the wastewater collection and treatment system.
- ▶ The City issued its \$5.2 million General Obligation Bonds on January 1, 2007 to finance the construction of the new tennis complex and the expansion of the City library.
- ▶ The City entered into a \$7.0 million line of credit on August 16, 2005, for the purpose of supporting the Community Development Authority in constructing certain public improvements on or around the intersection of Glenn Avenue and Bent Creek Road to facilitate the location and construction on adjacent property of a large-scale community shopping center. The City borrowed the full \$7,000,000 on March 13, 2007. This amount is reported as long-term notes payable as the City plans to permanently finance the line of credit in fiscal year 2008. Subsequent to September 30, 2007, the City increased the line of credit by \$1,800,000, for a total of \$8,800,000.

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 \$58.1 million, resulting in a legal debt margin (additional legal debt capacity) of \$52.6 million.

Although sales and use tax is considered a revenue source subject to variations in the economy, the consistent growth in 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 for 2007 is 10.22% compared to 12.4% at the end of 2006. Auburn has been able to both expand and maintain its infrastructure to meet citizens' needs based on careful financial management in response to citizens' priorities, which includes long-term capital planning and financial projection processes.

Bond Ratings

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Mission Statement

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

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

Even with a slowdown in the housing market experienced within the State of Alabama and the nation as a whole, Auburn has remained a stable and growing economy. Price level changes within the City are comparable with national indices. The City's unemployment rates typically compare favorably with the State's and national rates. The most recent data available show that Auburn's 2007 unemployment rate was 3.5%, as compared with 3.7% for the State of Alabama and the national rate of 4.8% (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), Commercial Development Authority (CDA), and Economic Development Department have partnered to bring more than 4,000 new jobs to the City over the past two decades. The IDB targets small to mid-sized, higher technology and ecologically friendly companies in a variety of industries with the ability to provide jobs with good salaries and benefits. Many of the recruited industries are based on technology partnerships with the University. 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 area contributes significantly to a vibrant ambiance and vigorous business activity.

The City of Auburn, Auburn University and the State of Alabama have entered into a partnership to contribute a combined \$20 million to construct and build a state-of-the-art 156-acre research park to advance the evolving technology corridor extending from Atlanta to Montgomery along Interstate Highway 85. The commitment of infrastructure by the City is almost complete and the first tenant in the research park has been announced.

The City's public schools have received consistently high ratings for the qualifications of its faculty and staff and the achievements of its students, as well as strong local funding levels. The excellence of the City School system has proved a major factor in the City's residential

growth and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family detached homes has grown 48% from fiscal 1999 (225 permits) to fiscal 2007 (334 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 44.43 square miles in 1999 to 55.92 square miles in 2007. Population growth has averaged about 3% per year for the last 26 years.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2007 and 2008. The City Council conducted a comprehensive Revenue Review in the spring of 2007. 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 input into the long-term forecasting model to determine the effects on fund balances using various scenarios. Use of the long-term forecasting model is helpful for determining the effects of tax or fee increases that may be considered, as well as the need for borrowing, within the context of proposed expenditures.

The Council has established a goal for maintaining the fund balance in the General Fund at not less than 20% of expenditures plus other financing uses. The City has consistently exceeded this goal; the total fund balance at September 30, 2007 stood at 46% of expenditures. The total fund balance in the General Fund includes \$4.6 million designated by the Council for use only in the event of natural disaster or significant, unprojected economic downturn. Total fund balance less the designated \$4.6 million comprised 38.2% of expenditures.

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

To address the need for funding of capital facilities expansion, the Council imposed sewer system access fees for the first time in 1996. Access fees are levied on new development when such development ties on to the sewer system. The Council adopted increases in access fees for residential-sized meters effective in April 2005, the first increase in sewer access fees since their initiation in 1996. This rate did not change in fiscal 2007.

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, 2007. The previous water rate increase was effective October 1, 2005. The Water Board also levies system access fees, to provide funding for system expansion. The Board first imposed system access fees in 1996 and approved an increase in residential-sized meters effective April 1, 2005. No increase in access fees was levied in fiscal 2007.

An expanding populace translates into additional needs for public services and facilities. Auburn citizens have enjoyed and continue to expect a high quality of life from their City government. In the past, Auburn citizens have demonstrated their willingness to pay for these services and facilities by supporting the Council's decision to increase the sales tax rate. This 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.



City of Auburn

Basic Financial Statements

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



City of Auburn

CITY OF AUBURN, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	Primary		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 30,046,745	\$ 2,317,451	\$ 32,364,196	\$ 15,429,917
Certificates of deposit	4,845,046	-	4,845,046	54,690
Investments	-	-	-	5,000
Receivables, net	7,737,938	1,022,266	8,760,204	2,365,195
Due from component units	398,508	7,350	405,858	-
Inventories	17,308	17,152	34,460	256,855
Current portion of mortgages and notes receivable	487,062	-	487,062	242,572
Current portion of net investment in capital leases	-	-	-	222,084
Property tax receivable	-	-	-	3,494,177
Due from other governments	-	-	-	668,027
Due from primary government	-	-	-	328,917
Other current assets	144,318	8,194	152,512	42,341
Total current assets	<u>43,676,925</u>	<u>3,372,413</u>	<u>47,049,338</u>	<u>23,109,775</u>
Noncurrent assets:				
Restricted Assets				
Cash and cash equivalents	140	-	140	11,442,914
Investments	-	-	-	21,122
Accrued interest receivable	-	-	-	7,998
Mortgages and notes receivable, net of current portion	876,412	-	876,412	607,462
Net investment in capital leases, net of current portion	-	-	-	3,260,430
Advances to component units	3,358,309	-	3,358,309	-
Advances to other agencies	402,019	-	402,019	-
Property for resale	4,131,127	-	4,131,127	6,914,064
Bond issue costs, net	638,988	310,284	949,272	904,024
Deferred water rights, net	-	-	-	960,248
Capital assets not being depreciated	14,896,261	4,141,721	19,037,982	22,970,805
Capital assets net of accumulated depreciation	81,017,588	45,913,710	126,931,298	137,203,323
Total noncurrent assets	<u>105,320,844</u>	<u>50,365,715</u>	<u>155,686,559</u>	<u>184,292,390</u>
Total assets	<u>\$ 148,997,769</u>	<u>\$ 53,738,128</u>	<u>\$ 202,735,897</u>	<u>\$ 207,402,165</u>
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,315,681
Current portion of long-term debt	-	-	-	547,650
Accrued interest payable	-	-	-	307,485
Accounts payable and other accrued liabilities	2,527,491	798,345	3,325,836	3,220,086
Due to component units	318,170	10,746	328,916	-
Accrued interest payable	814,679	287,805	1,102,484	-
Salaries and benefits payable	330,100	-	330,100	3,799,717
Claims payable	110,503	-	110,503	-
Customer deposits	182,337	491,433	673,770	619,441
Unearned revenue	116,091	-	116,091	3,508,354
Current portion of long-term debt unrest	13,711,313	475,000	14,186,313	525,000
Short term notes payable	-	-	-	1,135,625
Due to primary government	-	-	-	405,858
Current portion water supply agreement payable	-	-	-	204,249
Total current liabilities	<u>18,110,684</u>	<u>2,063,329</u>	<u>20,174,013</u>	<u>16,589,146</u>
Noncurrent liabilities:				
Advances from primary government	-	-	-	3,358,309
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	-	-	622,901
Long-term debt and other liabilities	117,200,986	27,647,937	144,848,923	57,023,180
Total noncurrent liabilities	<u>117,200,986</u>	<u>27,647,937</u>	<u>144,848,923</u>	<u>61,004,390</u>
Total liabilities	<u>135,311,670</u>	<u>29,711,266</u>	<u>165,022,936</u>	<u>77,593,536</u>
NET ASSETS				
Invested in capital assets, net of related debt	48,933,540	22,279,811	71,213,351	114,603,714
Restricted for :				
Capital projects	1,641,921	-	1,641,921	6,895,270
Debt service	2,748,975	-	2,748,975	2,798,870
Federal and state grants	475,714	-	475,714	-
Restricted for Other projects	-	-	-	210,747
Special revenues, non-grant	3,754,740	-	3,754,740	-
Unrestricted (deficit)	(43,868,791)	1,747,051	(42,121,740)	5,300,028
Total net assets	<u>\$ 13,686,099</u>	<u>\$ 24,026,862</u>	<u>\$ 37,712,961</u>	<u>\$ 129,808,629</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, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government and administration	\$ 5,283,272	\$ 9,018,591	\$ 953,694	\$ -	\$ 4,689,013	\$ -	\$ 4,689,013	
Public works	7,507,853	-	261,227	346,779	(6,899,847)	-	(6,899,847)	
Environmental services	4,066,793	2,686,555	-	2,230	(1,378,008)	-	(1,378,008)	
Public safety	13,516,129	2,907,125	95,432	2,750	(10,510,821)	-	(10,510,821)	
Library	1,370,600	29,236	-	-	(1,341,364)	-	(1,341,364)	
Parks and recreation	11,055,017	715,521	17,635	467,803	(9,854,059)	-	(9,854,059)	
Planning	604,603	61,459	-	-	(543,144)	-	(543,144)	
Social and economic development	12,049,201	-	513,725	518,086	(11,017,390)	-	(11,017,390)	
Human resources	536,067	-	-	-	(536,067)	-	(536,067)	
Risk management	933,550	361,578	-	-	(571,972)	-	(571,972)	
Education (payments to Board of Education)	12,625,643	-	-	-	(12,625,643)	-	(12,625,643)	
Interest on long-term debt	5,688,402	-	-	-	(5,688,402)	-	(5,688,402)	
Total governmental activities	<u>75,237,130</u>	<u>15,780,065</u>	<u>1,841,713</u>	<u>1,337,648</u>	<u>(56,277,705)</u>	<u>-</u>	<u>(56,277,705)</u>	
Business-type Activities:								
Sewer Fund	6,305,910	6,736,899	-	2,961,120	-	3,392,109	3,392,109	
City Industrial Park	141,742	-	-	-	-	(141,742)	(141,742)	
Total business-type activities	<u>6,447,652</u>	<u>6,736,899</u>	<u>-</u>	<u>2,961,120</u>	<u>-</u>	<u>3,250,367</u>	<u>3,250,367</u>	
Total primary government	<u>81,684,782</u>	<u>22,516,964</u>	<u>1,841,713</u>	<u>4,298,768</u>	<u>(56,277,705)</u>	<u>3,250,367</u>	<u>(53,027,337)</u>	
Component units:								
Board of Education	54,813,651	3,730,651	29,054,323	999,141	-	-	-	\$ (21,029,536)
Water Works Board	7,827,593	6,796,022	-	3,349,591	-	-	-	2,318,020
Industrial Development Board	5,372,473	2,161,021	2,239,459	893,913	-	-	-	(78,080)
Public Park & Recreation Board	117,395	20,632	204,781	5,961,974	-	-	-	6,069,992
Commercial Development Authority	7,001,153	-	7,005,300	-	-	-	-	4,147
Total Component Units	<u>\$ 75,132,265</u>	<u>\$ 12,708,326</u>	<u>\$ 38,503,863</u>	<u>\$ 11,204,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,715,457)</u>
General revenues								
Taxes:								
Sales taxes					21,784,157	-	21,784,157	4,083,639
Occupational license fees					7,826,656	-	7,826,656	-
Property taxes					15,057,103	-	15,057,103	9,277,425
Motor fuel taxes					504,228	-	504,228	-
Lodgings taxes					1,369,273	-	1,369,273	-
Rental and leasing taxes					1,501,112	-	1,501,112	-
Cigarette taxes					86,776	-	86,776	-
Alcoholic beverage taxes					34,984	-	34,984	466,149
Other taxes					-	-	-	52,699
Appropriations from the City of Auburn					-	-	-	6,795,523
Federal and state aid not restricted					-	-	-	5,186
Interest and investment earnings					1,996,272	370,249	2,366,521	2,140,754
Gain (loss) on disposal of assets					(23,936)	66,128	42,192	25,149
Miscellaneous					31,970	258	32,228	463,232
Special items--certain capital asset transactions					627,963	-	627,963	-
Special items - certain receivable transactions					(2,252,879)	-	(2,252,879)	-
Transfers					(5,110)	5,110	-	-
Total general revenues, special items, and transfers					<u>48,538,569</u>	<u>441,745</u>	<u>48,980,314</u>	<u>23,309,756</u>
Change in net assets					(7,739,135)	3,692,112	(4,047,023)	10,594,299
Net assets - beginning					(9,345,079)	20,334,750	10,989,671	119,252,715
Prior period adjustment					30,770,313	-	30,770,313	(38,385)
Net assets - beginning, as restated					<u>21,425,234</u>	<u>20,334,750</u>	<u>41,759,984</u>	<u>119,214,330</u>
Net assets - ending					<u>\$ 13,686,099</u>	<u>\$ 24,026,862</u>	<u>\$ 37,712,961</u>	<u>\$ 129,808,629</u>

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

**CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

	General Fund	Special School Tax Fund	Bent Creek/West Tech Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 16,282,428	\$ 795,244	\$ 5,900,688	\$ 11,913,572	\$ 34,891,931
Receivables, net	7,240,114	28,566	-	460,114	7,728,795
Due from other funds	176,881	-	-	-	176,881
Due from component units	398,508	-	-	-	398,508
Inventories	17,309	-	-	-	17,309
Prepaid items	52,830	-	-	-	52,830
Mortgages receivable	-	-	-	1,363,475	1,363,475
Advances to other funds	-	-	-	66,369	66,369
Advances to component units	3,358,309	-	-	-	3,358,309
Advances to other agencies	402,019	-	-	-	402,019
Property for resale	4,131,127	-	-	-	4,131,127
Total assets	<u>\$ 32,059,525</u>	<u>\$ 823,810</u>	<u>\$ 5,900,688</u>	<u>\$ 13,803,530</u>	<u>\$ 52,587,553</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,163,019	\$ 3,382	\$ 167,010	\$ 663,829	\$ 2,997,240
Due to component units	89,295	-	-	228,876	318,171
Customer deposits	108,023	-	-	-	108,023
Claims payable	110,503	-	-	-	110,503
Due to other funds	-	-	-	176,881	176,881
Deferred revenue	1,384,537	-	-	-	1,384,537
Deferred program revenue	-	-	-	1,363,524	1,363,524
Advances from other funds	66,369	-	-	-	66,369
Total liabilities	<u>3,921,746</u>	<u>3,382</u>	<u>167,010</u>	<u>2,433,110</u>	<u>6,525,249</u>
Fund balances:					
Reserved:					
Inventories	17,309	-	-	-	17,309
Prepaid Expenses	52,830	-	-	-	52,830
Encumbrances	739,850	-	-	1,822,596	2,562,446
Advances	3,760,328	-	-	66,369	3,826,697
Property for resale	4,131,127	-	-	-	4,131,127
Unreserved:					
Designated for emergency purposes	4,620,075	-	-	-	4,620,075
Undesignated	14,816,260	820,428	5,733,678	-	21,370,366
Unreserved, reported in nonmajor funds:					
Special revenue funds	-	-	-	4,104,028	4,104,028
Debt service funds	-	-	-	2,748,975	2,748,975
Capital projects funds	-	-	-	2,628,451	2,628,451
Total fund balances	<u>28,137,779</u>	<u>820,428</u>	<u>5,733,678</u>	<u>11,370,419</u>	<u>46,062,303</u>
Total liabilities and fund balances	<u>\$ 32,059,525</u>	<u>\$ 823,810</u>	<u>\$ 5,900,688</u>	<u>\$ 13,803,530</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	95,913,848
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(130,207,975)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,631,970
Prepaid items accounted for using the purchases method are not reported in the funds.	91,488
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(805,535)
Net assets of governmental activities	<u>\$ 13,686,099</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	Special School Tax Fund	Bent Creek/West Tech Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Sales and use taxes	\$ 21,784,157	\$ -	\$ -	\$ -	\$ 21,784,157
Occupational license fees	7,826,656	-	-	-	7,826,656
Motor fuel taxes	249,202	-	-	249,202	498,404
Lodging taxes	1,369,273	-	-	-	1,369,273
Rental and leasing taxes	1,473,112	-	-	-	1,473,112
Other taxes	121,760	-	-	-	121,760
Licenses and permits	7,311,513	-	-	-	7,311,513
General property tax	3,140,581	2,872,368	-	9,044,154	15,057,103
Charges for services	7,087,603	-	-	-	7,087,603
Fines and forfeitures	1,335,798	-	-	-	1,335,798
State shared taxes	905,354	-	-	260,566	1,165,920
Contributions from the public	471,936	-	-	22,075	494,010
Grants	235,479	-	-	1,239,979	1,475,458
Program income	-	-	-	1,206,632	1,206,632
Interest	913,652	52,543	268,213	777,552	2,011,961
Miscellaneous	111,057	-	-	11,093	122,150
Total revenues	<u>54,337,133</u>	<u>2,924,911</u>	<u>268,213</u>	<u>12,811,253</u>	<u>70,341,511</u>
Expenditures					
General government and administration	3,723,273	-	-	170,179	3,893,452
Public works	3,002,103	-	-	6,513	3,008,617
Environmental services	3,963,063	-	-	-	3,963,063
Public safety	12,860,310	-	-	200	12,860,510
Library	1,254,007	-	-	5	1,254,012
Parks and recreation	4,252,011	-	-	-	4,252,011
Planning	600,553	-	-	-	600,553
Economic development	890,768	-	-	566,473	1,457,241
Employee services	504,822	-	-	-	504,822
Risk management	929,627	-	-	-	929,627
Total departmental	<u>31,980,538</u>	<u>-</u>	<u>-</u>	<u>743,370</u>	<u>32,723,908</u>
Non-Departmental	1,100,944	105,222	-	289,244	1,495,410
Debt service:					
Administrative charges	6,850	6,200	-	107,675	120,725
Interest	1,904,939	2,948,806	-	866,286	5,720,031
Principal retirement	4,388,431	983,123	-	1,465,000	6,836,554
Capital outlay	5,093,024	-	105,118	3,137,886	8,336,028
Intergovernmental	1,395,717	-	-	1,746,095	3,141,812
Payments to component units	15,748,950	5,830,120	250,894	6,065,737	27,895,701
Total expenditures	<u>61,619,393</u>	<u>9,873,471</u>	<u>356,012</u>	<u>14,421,294</u>	<u>86,270,170</u>
Excess (deficiency) of revenues over expenditures	<u>(7,282,259)</u>	<u>(6,948,560)</u>	<u>(87,798)</u>	<u>(1,610,041)</u>	<u>(15,928,659)</u>
Other financing sources (uses)					
Debt issuance	7,000,000	-	-	5,200,000	12,200,000
Premium on debt issued	-	-	-	105,076	105,076
Sale of surplus assets	61,597	-	-	-	61,597
Transfers in	601,855	6,050,000	-	109,942	6,761,798
Transfers out	-	-	-	(6,762,544)	(6,762,544)
Total other financing sources (uses)	<u>7,663,452</u>	<u>6,050,000</u>	<u>-</u>	<u>(1,347,526)</u>	<u>12,365,927</u>
Net changes in fund balances	381,193	(898,560)	(87,798)	(2,957,567)	(3,562,732)
Fund balances, beginning of year	<u>27,756,586</u>	<u>1,718,988</u>	<u>5,821,476</u>	<u>14,327,988</u>	<u>49,625,038</u>
Fund balances, end of year	<u>\$ 28,137,779</u>	<u>\$ 820,428</u>	<u>\$ 5,733,678</u>	<u>\$ 11,370,421</u>	<u>\$ 46,062,306</u>

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

CITY OF AUBURN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

Net change in fund balances - total governmental funds	\$ (3,562,732)
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.	4,112,704
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to (increase) decrease net assets.	733,219
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.	(5,370,408)
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.	(2,386,830)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,229,467
Revenues previously recorded as deferred revenue in governmental funds that were recognized in prior years in the statement of activities, but in the current year in governmental funds.	<u>(2,494,555)</u>
Change in net assets - statement of activities	<u>\$ (7,739,135)</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales and use taxes	\$ 19,683,000	\$ 21,160,000	\$ 21,784,157	\$ 624,157
Occupational license fees	7,278,000	7,479,500	7,826,656	347,156
Motor fuel taxes	185,000	245,000	249,202	4,202
Lodging taxes	1,168,664	1,301,000	1,369,273	68,273
Rental and leasing taxes	1,550,800	1,480,500	1,473,112	(7,388)
Other taxes	113,500	119,800	121,760	1,960
Licenses and permits	6,674,600	7,188,649	7,311,513	122,864
General property tax	3,311,100	3,001,140	3,140,581	139,441
Charges for services	6,413,494	6,673,746	7,087,603	413,857
Fines and forfeitures	840,100	1,068,291	1,335,798	267,507
State shared taxes	693,100	920,246	905,354	(14,892)
Contributions from the public	244,739	311,145	471,936	160,791
Grants	10,000	209,000	235,479	26,479
Interest	560,000	826,000	913,652	87,652
Miscellaneous	52,400	59,753	111,057	51,304
Total revenues	<u>48,778,497</u>	<u>52,043,770</u>	<u>54,337,133</u>	<u>2,293,363</u>
Expenditures				
General government and administration	3,907,983	3,955,872	3,723,273	232,599
Public works	2,986,210	3,003,628	3,002,103	1,525
Environmental services	4,094,262	4,097,254	3,963,063	134,191
Public safety	13,695,433	13,757,388	12,860,310	897,078
Library	1,236,934	1,256,873	1,254,007	2,866
Parks and recreation	4,212,534	4,273,935	4,252,011	21,924
Planning	615,184	646,309	600,553	45,756
Economic development	909,349	909,285	890,768	18,517
Employee services	539,208	539,193	504,822	34,371
Risk management	1,325,048	1,258,161	929,627	328,534
Total departmental	<u>33,522,145</u>	<u>33,697,898</u>	<u>31,980,538</u>	<u>1,717,360</u>
Non-departmental	1,198,298	1,219,708	1,100,944	118,764
Debt service:				
Administrative charges	10,000	10,000	6,850	3,150
Interest	1,832,099	2,011,883	1,904,939	106,944
Principal retirement	4,526,330	4,287,552	4,388,431	(100,879)
Capital outlay	1,558,337	5,104,708	5,093,024	11,684
Intergovernmental	1,416,671	1,513,384	1,395,716	117,668
Payments to component units	8,349,823	17,553,450	15,748,950	1,804,500
Total expenditures	<u>52,413,703</u>	<u>65,398,583</u>	<u>61,619,393</u>	<u>3,779,190</u>
Excess (deficiency) of revenues over expenditures	<u>(3,635,206)</u>	<u>(13,354,813)</u>	<u>(7,282,260)</u>	<u>6,072,553</u>
Other financing sources (uses)				
Debt issuance	-	8,800,000	7,000,000	(1,800,000)
Sale of surplus assets	100,000	36,311	61,597	25,286
Transfers in	415,000	590,750	601,855	11,105
Total other financing sources (uses)	<u>515,000</u>	<u>9,427,061</u>	<u>7,663,452</u>	<u>(1,763,609)</u>
Net change in fund balances	(3,120,206)	(3,927,752)	381,192	4,308,944
Fund balances, beginning of year	<u>27,756,586</u>	<u>27,756,586</u>	<u>27,756,586</u>	<u>-</u>
Fund balances, end of year	<u>\$ 24,636,380</u>	<u>\$ 23,828,834</u>	<u>\$ 28,137,779</u>	<u>\$ 4,308,944</u>

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax	\$ 2,421,607	\$ 2,800,000	\$ 2,872,368	\$ 72,368
Interest	32,703	40,000	52,543	12,543
Total revenues	<u>2,454,310</u>	<u>2,840,000</u>	<u>2,924,911</u>	<u>84,911</u>
Expenditures				
Non-Departmental	153,000	90,000	105,222	(15,222)
Debt service:				
Administrative charges	9,900	9,900	6,200	3,700
Interest	2,994,600	2,994,600	2,948,806	45,794
Principal retirement	983,123	983,123	983,123	-
Payments to component units	5,830,120	5,830,120	5,830,120	-
Total expenditures	<u>9,970,743</u>	<u>9,907,743</u>	<u>9,873,471</u>	<u>34,272</u>
Excess (deficiency) of revenues over expenditures	(7,516,433)	(7,067,743)	(6,948,560)	119,183
Other financing sources (uses)				
Transfers in	<u>6,050,000</u>	<u>6,050,000</u>	<u>6,050,000</u>	<u>-</u>
Net changes in fund balances	(1,466,433)	(1,017,743)	(898,560)	119,183
Fund balances, beginning of year	<u>1,718,988</u>	<u>1,718,988</u>	<u>1,718,988</u>	<u>-</u>
Fund balances, end of year	<u>\$ 252,555</u>	<u>\$ 701,245</u>	<u>\$ 820,428</u>	<u>\$ 119,183</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, 2007**

	Major Fund <u>Sewer Revenue Fund</u>	Nonmajor Fund <u>Industrial Park Fund</u>	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,317,451	\$ -	\$ 2,317,451
Receivables, net	1,022,266	-	1,022,266
Due from component units	7,350	-	7,350
Other current assets	25,346	-	25,346
Total current assets	<u>3,372,413</u>	<u>-</u>	<u>3,372,413</u>
Noncurrent assets			
Bond issue costs, net	310,284	-	310,284
Capital assets not being depreciated	4,141,721	-	4,141,721
Capital assets net of accumulated depreciation	45,913,710	-	45,913,710
Total noncurrent assets	<u>50,365,715</u>	<u>-</u>	<u>50,365,715</u>
Total assets	<u>53,738,129</u>	<u>-</u>	<u>53,738,129</u>
Liabilities			
Current liabilities:			
Accounts payable	798,345	-	798,345
Due to component units	10,746	-	10,746
Accrued interest payable	287,805	-	287,805
Customer deposits	491,433	-	491,433
Current portion of long-term debt	475,000	-	475,000
Total current liabilities	<u>2,063,329</u>	<u>-</u>	<u>2,063,329</u>
Noncurrent liabilities:			
Long-term debt and other liabilities	27,647,937	-	27,647,937
Total noncurrent liabilities	<u>27,647,937</u>	<u>-</u>	<u>27,647,937</u>
Total liabilities	<u>29,711,266</u>	<u>-</u>	<u>29,711,266</u>
Net assets			
Invested in capital assets, net of related debt	22,279,811	-	22,279,811
Unrestricted (deficit)	1,747,051	-	1,747,051
Total net assets	<u>\$ 24,026,862</u>	<u>\$ -</u>	<u>\$ 24,026,862</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 NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Major Fund	Nonmajor Fund	
	Sewer Revenue Fund	Industrial Park Fund	Total
Operating revenues			
Sewer service charges	\$ 6,733,219	\$ -	\$ 6,733,219
Sewer tapping fees	3,680	-	3,680
Miscellaneous	258	-	258
Total operating revenues	<u>6,737,157</u>	<u>-</u>	<u>6,737,157</u>
Operating expenses			
Salaries and wages	878,951	-	878,951
Employee benefits	195,420	-	195,420
Repairs and maintenance	19,550	-	19,550
Utilities	472,901	288	473,189
Professional services	160,582	-	160,582
Rentals and leasing	70,250	-	70,250
Insurance	9,215	-	9,215
Office supplies	16,972	-	16,972
Fuels and lubricants	28,541	-	28,541
Agricultural and chemical supplies	28,866	-	28,866
Minor equipment and tools	38,394	-	38,394
Repair parts and materials	70,219	-	70,219
Clothing and linens	10,214	-	10,214
Sewer service fees	126,000	-	126,000
Management fees	1,742,737	-	1,742,737
Depreciation/amortization	987,371	-	987,371
Travel and training	16,571	-	16,571
Miscellaneous	1,104	-	1,104
Total operating expenses	<u>4,873,858</u>	<u>288</u>	<u>4,874,146</u>
Operating Income (loss)	<u>1,863,299</u>	<u>(288)</u>	<u>1,863,011</u>
Nonoperating revenues (expenses)			
Interest earned	366,082	4,167	370,249
Interest and fiscal charges	(1,432,052)	-	(1,432,052)
Gain on disposal of capital assets	66,128	-	66,128
Payments to component units	-	(141,455)	(141,455)
Total nonoperating revenues (expenses)	<u>(999,842)</u>	<u>(137,288)</u>	<u>(1,137,130)</u>
Income (loss) before transfers and capital contributions	863,457	(137,576)	725,882
Transfers in	-	206,965	206,965
Transfers out	(107,291)	(94,564)	(201,855)
Capital contributions from developers	2,961,120	-	2,961,120
Change in net assets	3,717,286	(25,174)	3,692,112
Net assets, beginning of year	<u>20,309,576</u>	<u>25,173</u>	<u>20,334,749</u>
Net assets, end of year	<u>\$ 24,026,862</u>	<u>\$ -</u>	<u>\$ 24,026,862</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, 2007**

	Major Fund	Nonmajor Fund	
	Sewer Revenue Fund	Industrial Park Fund	Total
Cash flows from operating activities			
Cash collected from customers	\$ 6,602,023	\$ -	\$ 6,602,023
Other cash collected	257	-	257
Customer deposits collected	29,430	-	29,430
Payments to suppliers for goods and services	(2,338,740)	(313)	(2,339,053)
Payments to employees for services	(1,069,464)	-	(1,069,464)
Net cash provided (consumed) by operating activities (A)	<u>3,223,507</u>	<u>(313)</u>	<u>3,223,194</u>
Cash flows from noncapital financing activities			
Repayments of advances to component units	-	141,455	141,455
Repayments of advances from other funds	-	(206,965)	(206,965)
Payments of transfers out	(107,291)	(29,054)	(136,345)
Net cash consumed by noncapital financing activities	<u>(107,291)</u>	<u>(94,564)</u>	<u>(201,855)</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(7,458,836)	-	(7,458,836)
Proceeds from borrowing	5,668,053	-	5,668,053
Proceeds from sale of assets	125,234	-	125,234
Acquisition and construction of capital assets	(5,205,344)	-	(5,205,344)
Contributions from developers	(145,900)	-	(145,900)
Interest and fiscal fees paid	(1,519,053)	-	(1,519,053)
Net cash consumed by capital and related financing activities	<u>(8,535,846)</u>	<u>-</u>	<u>(8,535,846)</u>
Cash flows from investing activities			
Interest on investments	421,432	4,167	425,599
Proceeds from sale of investments	3,672,640	-	3,672,640
Net cash provided by investing activities	<u>4,094,072</u>	<u>4,167</u>	<u>4,098,239</u>
Net increase (decrease) in cash	(1,325,559)	(90,710)	(1,416,269)
Cash and cash equivalents, beginning of year	<u>3,643,009</u>	<u>90,710</u>	<u>3,733,719</u>
Cash and cash equivalents, end of year	<u>\$ 2,317,450</u>	<u>\$ -</u>	<u>\$ 2,317,450</u>
Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):			
Operating income (loss)	\$ 1,863,298	\$ (288)	\$ 1,863,010
Add: Depreciation	987,371	-	987,371
Increase in customer deposits	29,430	-	29,430
Increase (decrease) in accounts payable	485,995	(25)	485,970
Increase in accrued leave	544	-	544
Deduct: Increase in customer receivables	(134,876)	-	(134,876)
Increase in prepaids	(948)	-	(948)
Decrease in amounts due component units	(7,306)	-	(7,306)
Net cash provided (consumed) by operating activities	<u>\$ 3,223,508</u>	<u>\$ (313)</u>	<u>\$ 3,223,195</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	<u>\$ 3,107,020</u>	<u>\$ -</u>	<u>\$ 3,107,020</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, 2007**

	Youth Athletic Associations' Private-Purpose Trust Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 147,768
Certificates of deposit	33,710
Total assets	181,478
 Net Assets	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	80,359
Auburn Soccer Organization	84,085
Auburn Youth Football	14,159
Auburn Community Tennis Association	2,875
Total net assets	\$ 181,478

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

CITY OF AUBURN, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Youth Athletic Associations' Private-purpose Trust Fund
Additions	
Program revenues:	
Baseball/Softball	\$ 266,702
Soccer	198,449
Football	29,956
Tennis	3,925
Total program revenues	499,032
Investment earnings:	
Baseball/Softball interest	2,130
Soccer interest	97
Total investment earnings	2,227
Total additions	501,259
 Deductions	
Program expenses:	
Baseball/Softball	312,763
Soccer	201,331
Football	25,917
Tennis	2,161
Total deductions	542,172
Change in net assets	(40,913)
Net assets-- beginning of the year	222,391
Net assets -- end of the year	\$ 181,478

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, 2007

	Major Component Units				Total	Nonmajor Component Unit	Total
	Board of Education	Water Works Board	Industrial Development Board	Commercial Development Authority		Public Park and Recreation Board	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 10,721,719	\$ 3,479,534	\$ 1,228,460	\$ 54	\$ 15,429,767	\$ 150	\$ 15,429,917
Certificates of deposit	-	-	54,690	-	54,690	-	54,690
Investments	5,000	-	-	-	5,000	-	5,000
Receivables, net	16,599	1,543,405	267,986	532,840	2,360,830	4,365	2,365,195
Inventories	105,351	151,504	-	-	256,855	-	256,855
Current portion of mortgages and notes receivable	-	-	242,572	-	242,572	-	242,572
Current portion of net investment in capital leases	-	-	222,084	-	222,084	-	222,084
Property tax receivable	3,494,177	-	-	-	3,494,177	-	3,494,177
Due from other governments	668,027	-	-	-	668,027	-	668,027
Due from primary government	-	10,746	318,171	-	328,917	-	328,917
Other current assets	-	42,341	-	-	42,341	-	42,341
Total current assets	<u>15,010,873</u>	<u>5,227,530</u>	<u>2,333,963</u>	<u>532,894</u>	<u>23,105,260</u>	<u>4,515</u>	<u>23,109,775</u>
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	6,836,994	4,560,073	45,847	-	11,442,914	-	11,442,914
Investments	-	-	21,122	-	21,122	-	21,122
Accrued interest receivable	-	7,998	-	-	7,998	-	7,998
Mortgages and notes receivable, net of current portion	-	-	607,462	-	607,462	-	607,462
Net investment in capital leases, net of current portion	-	-	3,260,430	-	3,260,430	-	3,260,430
Property for resale	-	-	6,914,064	-	6,914,064	-	6,914,064
Bond issue costs, net	-	400,527	503,497	-	904,024	-	904,024
Deferred water rights, net	-	960,248	-	-	960,248	-	960,248
Capital assets not being depreciated	14,825,989	2,982,179	5,162,637	-	22,970,805	-	22,970,805
Capital assets, net of accumulated depreciation	52,694,664	46,542,661	30,934,039	4,196	130,175,560	7,027,763	137,203,323
Total noncurrent assets	<u>74,357,647</u>	<u>55,453,686</u>	<u>47,449,098</u>	<u>4,196</u>	<u>177,264,627</u>	<u>7,027,763</u>	<u>184,292,390</u>
Total assets	<u>89,368,520</u>	<u>60,681,216</u>	<u>49,783,061</u>	<u>537,090</u>	<u>200,369,887</u>	<u>7,032,278</u>	<u>207,402,165</u>
LIABILITIES							
Current liabilities:							
Liabilities payable from restricted assets:							
Accounts payable	1,933,892	27,638	354,151	-	2,315,681	-	2,315,681
Current portion of long-term debt	-	547,650	-	-	547,650	-	547,650
Accrued interest payable	-	146,902	160,583	-	307,485	-	307,485
Accounts payable and other accrued liabilities	-	2,217,474	-	532,943	2,750,417	469,669	3,220,086
Salaries and benefits payable	3,794,443	5,274	-	-	3,799,717	-	3,799,717
Customer deposits	-	619,441	-	-	619,441	-	619,441
Deferred revenue	3,498,224	-	10,130	-	3,508,354	-	3,508,354
Current maturities of bonds payable	-	-	525,000	-	525,000	-	525,000
Current maturities of notes payable	-	-	1,135,625	-	1,135,625	-	1,135,625
Due to primary government	-	199,907	-	-	199,907	205,951	405,858
Current portion of water supply agreement payable	-	204,249	-	-	204,249	-	204,249
Total current liabilities	<u>9,226,559</u>	<u>3,968,535</u>	<u>2,185,489</u>	<u>532,943</u>	<u>15,913,526</u>	<u>675,620</u>	<u>16,589,146</u>
Noncurrent liabilities:							
Advances from primary government	-	-	3,358,309	-	3,358,309	-	3,358,309
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	622,901	-	-	622,901	-	622,901
Long-term debt and other liabilities	-	17,986,876	39,036,304	-	57,023,180	-	57,023,180
Total noncurrent liabilities	<u>-</u>	<u>18,609,777</u>	<u>42,394,613</u>	<u>-</u>	<u>61,004,390</u>	<u>-</u>	<u>61,004,390</u>
Total liabilities	<u>9,226,559</u>	<u>22,578,312</u>	<u>44,580,102</u>	<u>532,943</u>	<u>76,917,916</u>	<u>675,620</u>	<u>77,593,536</u>
NET ASSETS							
Invested in capital assets, net of related debt	67,520,653	32,213,050	7,838,052	4,196	107,575,951	7,027,763	114,603,714
Restricted for:							
Debt service	-	2,731,901	66,969	-	2,798,870	-	2,798,870
Capital projects	5,067,098	1,828,172	-	-	6,895,270	-	6,895,270
Other projects	210,747	-	-	-	210,747	-	210,747
Unrestricted (deficit)	7,343,463	1,329,781	(2,702,062)	(49)	5,971,133	(671,105)	5,300,028
Total net assets	<u>\$ 80,141,961</u>	<u>\$ 38,102,904</u>	<u>\$ 5,202,959</u>	<u>4,147</u>	<u>\$ 123,451,971</u>	<u>\$ 6,356,658</u>	<u>\$ 129,808,629</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 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Total Component Units		
					Governmental Activities	Business-Type Activities	Total
Component units							
Governmental activities:							
Auburn Board of Education							
Functions/Programs							
Instruction	\$ 32,441,474	\$ 829,567	\$ 21,992,234	\$ 454,347	\$ (9,165,326)	\$ -	\$ (9,165,326)
Instructional support	10,345,246	275,578	4,739,733	-	(5,329,935)	-	(5,329,935)
Operation and maintenance	4,758,075	112,044	20,326	324,809	(4,300,896)	-	(4,300,896)
Auxiliary services							
Student transportation services	1,839,637	14,438	1,839,195	187,648	201,644	-	201,644
Food services	2,544,153	2,029,947	123,352	32,337	(358,517)	-	(358,517)
General administrative services	2,266,128	10,119	207,048	-	(2,048,961)	-	(2,048,961)
Other	618,938	458,958	132,435	-	(27,545)	-	(27,545)
Total governmental activities	<u>54,813,651</u>	<u>3,730,651</u>	<u>29,054,323</u>	<u>999,141</u>	<u>(21,029,536)</u>	<u>-</u>	<u>(21,029,536)</u>
Business-type activities:							
Business-type component units	<u>20,318,614</u>	<u>8,977,675</u>	<u>9,449,540</u>	<u>10,205,478</u>	<u>-</u>	<u>8,314,079</u>	<u>8,314,079</u>
Total component units	<u>\$ 75,132,265</u>	<u>\$ 12,708,326</u>	<u>\$ 38,503,863</u>	<u>\$ 11,204,619</u>	<u>(21,029,536)</u>	<u>8,314,079</u>	<u>(12,715,457)</u>

General revenues:

Taxes:						
Sales taxes				4,083,639	-	4,083,639
Property taxes				9,277,425	-	9,277,425
Alcoholic beverage taxes				466,149	-	466,149
Other taxes				52,699	-	52,699
Unrestricted appropriations from the City of Auburn				6,795,523	-	6,795,523
Federal/state aid not restricted				5,186	-	5,186
Interest and investment earnings				1,458,493	682,261	2,140,754
Gain on disposal of assets				15,295	9,854	25,149
Miscellaneous				205,145	258,087	463,232
Total general revenues, special items, and transfers				<u>22,359,554</u>	<u>950,202</u>	<u>23,309,756</u>
Change in net assets				<u>1,330,018</u>	<u>9,264,281</u>	<u>10,594,299</u>
Net assets--beginning of year				78,811,943	40,440,772	119,252,715
Prior period adjustment				-	(38,385)	(38,385)
Net assets--beginning of year, as restated				<u>78,811,943</u>	<u>40,402,387</u>	<u>119,214,330</u>
Net assets--end of year				<u>\$ 80,141,961</u>	<u>\$ 49,666,668</u>	<u>\$ 129,808,629</u>

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE COMPONENT UNITS
STATEMENT OF NET ASSETS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER, 30 2007

	Major Business-type Component Units			Total	Nonmajor Business-type Component Unit	
	Water Works Board	Industrial Development Board	Commercial Development Authority		Public Park and Recreation Board	Total
Operating revenues						
Lease income	\$ -	\$ 2,090,341	\$ -	\$ 2,090,341	\$ -	\$ 2,090,341
Water sales and service	6,796,022	-	-	6,796,022	-	6,796,022
Sale of property	-	70,680	-	70,680	-	70,680
Tennis center revenue	-	-	-	-	20,632	20,632
Miscellaneous	195,512	58,200	-	253,712	4,375	258,087
Total operating revenues	<u>6,991,534</u>	<u>2,219,221</u>	<u>-</u>	<u>9,210,755</u>	<u>25,007</u>	<u>9,235,762</u>
Operating expenses						
Water pumping and purification expense	2,041,533	-	-	2,041,533	-	2,041,533
Water distribution expense	773,750	-	-	773,750	-	773,750
Meter reading expense	163,799	-	-	163,799	-	163,799
Billing and collections expense	522,276	-	-	522,276	-	522,276
Operations administration expense	262,576	-	-	262,576	-	262,576
Revenue administration expense	108,756	-	-	108,756	-	108,756
General operations expense	1,300,654	-	-	1,300,654	-	1,300,654
Cost of property sold	-	123,246	-	123,246	-	123,246
Salaries and wages	-	-	-	-	17,830	17,830
Employee benefits	-	-	-	-	2,741	2,741
Repairs and maintenance	-	96,904	-	96,904	8,987	105,891
Advertising	-	38,477	-	38,477	735	39,212
Utilities	-	85,154	-	85,154	14,010	99,164
Administrative costs and fees	-	-	49	49	-	49
Professional services	-	64,994	-	64,994	-	64,994
Office supplies	-	15,647	-	15,647	10,621	26,268
Recreational supplies	-	-	-	-	12,943	12,943
Bad debt expense	-	55,867	-	55,867	-	55,867
Depreciation/amortization	1,734,140	729,174	1,104	2,464,418	47,122	2,511,540
Industrial recruitment	-	291,966	-	291,966	-	291,966
Industrial incentives granted	-	1,137,898	-	1,137,898	-	1,137,898
Commercial incentives granted	-	-	7,000,000	7,000,000	-	7,000,000
Travel and training	-	21,334	-	21,334	-	21,334
Special events	-	65,542	-	65,542	-	65,542
Workforce development	-	159,422	-	159,422	-	159,422
Miscellaneous	-	6,702	-	6,702	2,406	9,108
Total operating expenses	<u>6,907,484</u>	<u>2,892,327</u>	<u>7,001,153</u>	<u>16,800,964</u>	<u>117,395</u>	<u>16,918,359</u>
Operating income (loss)	<u>84,050</u>	<u>(673,106)</u>	<u>(7,001,153)</u>	<u>(7,590,209)</u>	<u>(92,388)</u>	<u>(7,682,597)</u>
Non-operating revenues (expenses)						
Interest and investment earnings	378,047	304,214	-	682,261	-	682,261
Grant revenue	-	214,300	-	214,300	-	214,300
Appropriations from the City of Auburn	-	2,239,459	7,005,300	9,244,759	204,781	9,449,540
Interest and fiscal charges	(920,109)	(2,480,146)	-	(3,400,255)	-	(3,400,255)
Gain/loss on disposal of assets	9,854	-	-	9,854	-	9,854
Total non-operating revenues (expenses)	<u>(532,208)</u>	<u>277,827</u>	<u>7,005,300</u>	<u>6,750,919</u>	<u>204,781</u>	<u>6,955,700</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	<u>(448,158)</u>	<u>(395,279)</u>	<u>4,147</u>	<u>(839,290)</u>	<u>112,393</u>	<u>(726,897)</u>
Capital contributions						
From the City of Auburn	-	-	-	-	5,961,974	5,961,974
From other agencies	-	679,613	-	679,613	-	679,613
From developers	2,572,590	-	-	2,572,590	-	2,572,590
From access fees	777,001	-	-	777,001	-	777,001
Total capital contributions	<u>3,349,591</u>	<u>679,613</u>	<u>-</u>	<u>4,029,204</u>	<u>5,961,974</u>	<u>9,991,178</u>
Change in net assets	<u>2,901,433</u>	<u>284,334</u>	<u>4,147</u>	<u>3,189,914</u>	<u>6,074,367</u>	<u>9,264,281</u>
Net assets--beginning of year	35,201,471	4,957,010	-	40,158,481	282,291	40,440,772
Prior period adjustment	-	(38,385)	-	(38,385)	-	(38,385)
Net assets--beginning of year, as restated	<u>35,201,471</u>	<u>4,918,625</u>	<u>-</u>	<u>40,120,096</u>	<u>282,291</u>	<u>40,402,387</u>
Net assets--end of year	<u>\$ 38,102,904</u>	<u>\$ 5,202,959</u>	<u>\$ 4,147</u>	<u>\$ 43,310,010</u>	<u>\$ 6,356,658</u>	<u>\$ 49,666,668</u>

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

**CITY OF AUBURN, ALABAMA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
PUBLIC PARK AND RECREATION BOARD
FOR THE YEAR ENDED SEPTEMBER, 30 2007**

	Component Unit
	Public Park and Recreation Board
Cash flows from operating activities	
Cash collected from customers	\$ 20,642
Payments to suppliers for goods and services	(263,889)
Payments to employees for services	(20,571)
Net cash provided (consumed) by operating activities (A)	(263,818)
Cash flows from noncapital financing activities	
Repayment of advances from primary government	(167,931)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(5,734,854)
Contributions from state agency	3,262,414
Contributions from primary government	2,904,339
Net cash provided (consumed) by capital and related financing activities	431,899
Net increase (decrease) in cash	150
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ 150
 Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):	
Operating income (loss)	\$ (92,388)
Add: Depreciation/amortization expense	47,122
Deduct: Increase in accounts receivable	(4,365)
Decrease in accounts payable/accrued liabilities	(214,188)
Net cash provided (consumed) by operating activities	\$ (263,819)

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

City of Auburn, Alabama

Guide to Notes to the Financial Statements

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CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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.

BLENDING COMPONENT UNITS

City of Auburn Public Library Board

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

DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the government-wide financial statements include the financial data of the City's five discretely presented component units. These organizations are legally separate from the City and are included in the reporting entity because the primary government is financially accountable for the component unit. The component unit major fund statements reflect these discretely presented component units.

City of Auburn Board of Education

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

City of Auburn Water Works Board

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

City of Auburn Industrial Development Board

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

City of Auburn Public Park and Recreation Board

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

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

Commercial Development Authority of the City of Auburn

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

The City is the Authority's primary source of operating funds. The City has responsibility for funding deficits and operating deficiencies of the Authority and City Council exercises significant influence over the Authority's actions. The Commercial Development Authority of the City of Auburn is presented as a proprietary fund type or business-type activity.

Complete financial statements of the individual component units can be obtained from the following locations or can be requested from the City's Finance Director. The City of Auburn Public Park and Recreation Board and the Commercial Development Authority do not prepare separately issued financial statements.

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RELATED ORGANIZATIONS

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

City of Auburn Housing Authority

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

JOINT VENTURE

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

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July, 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2007, the City's remaining net investment in the Indian Pines Golf Course is \$503,300.

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

Indian Pines Recreation Authority

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2007, is as follows:

Total assets (net of accumulated depreciation on Capital assets)	\$ 1,835,366
Total liabilities	<u>529,093</u>
Total net assets	<u>\$ 1,306,273</u>
Total revenues	\$ 1,043,347
Total expenses	(1,053,290)
Other revenues	9,948
Other expenses	(5,320)
Extraordinary gain	<u>58,671</u>
Net decrease in net assets	<u>\$ 53,356</u>

The Authority had a note payable to the City with a balance of \$402,019 as of September 30, 2007. All other liabilities were current liabilities consisting of accounts payable, accrued payroll and payroll taxes, and deferred revenue and other accrued liabilities totaling \$127,074. The note has been included in the City's financial statements as an advance to other agency.

Lee-Russell Council of Governments

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

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

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

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

East Alabama Regional Solid Waste Disposal Authority

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

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.

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

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

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

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

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City defines the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days. The specific types of major revenue sources that are susceptible to accrual include sales and use taxes, occupational license fees, lodging taxes, rental and leasing taxes, gasoline taxes, and fines.

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

D. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$130,207,975 difference are as follows:

Bonds and warrants payable	\$ 117,829,623
Less: Deferred amount on refunding	(124,381)
Less: Deferred charge for issuance costs	(638,989)
Add: Issuance premium	1,111,251
Notes payable	9,805,835
Compensated absences	1,696,545
Claims and judgments	332,091
Landfill closure and post-closure care	<u>196,000</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 130,207,975</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 \$4,112,704 difference are as follows:

Capital outlay	\$ 8,336,030
Depreciation expense	<u>(4,223,326)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 4,112,704</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to (increase) decrease net assets." The details of this \$733,219 difference are as follows:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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	\$	198,145
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In the statement of activities, only the gain or loss on the disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold or disposed of:

Net loss on disposed assets		(92,889)
Net gain on disposed assets		<u>627,963</u>

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

	\$	<u>733,219</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 \$5,370,408 difference are as follows:

Debt issued or incurred:

General obligation bonds	\$	5,200,000
Notes payable		7,000,000
Add: issue premium		105,076
Less: issue costs		(98,114)
Principal repayments		<u>(6,836,554)</u>

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

	\$	<u>5,370,408</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 \$2,386,830 difference are as follows:

Compensated absences	\$	317,147
Accrued interest		5,267
Other long-term liabilities		(197,649)
Amortization of prepaid expenses		14,910
Amortization of deferred amount on refunding		15,879
Amortization of issuance costs		31,172
Amortization of bond premiums		(52,775)
Special item - HODAG mortgage payoff		<u>2,252,879</u>

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

	\$	<u>2,386,830</u>
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CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

1. The City Manager submits to the City Council a proposed budget (operating and capital) prior to the beginning of each biennial period. The proposed budget is for two one-year periods, each beginning on October 1 and ending on the following September 30.
2. Prior to September 30, the budget is legally enacted through passage of an ordinance. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Annual budgets were legally adopted for the 2007 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 principal retirement of \$4,388,431 exceeded appropriations of \$4,287,552.

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

Cash and cash equivalents of the Board of Education include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

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.

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. The Board of Education usually only invests in certificates of deposit and interest-bearing demand deposits. The Water Works Board is invested in mutual funds comprised of 100% U.S. Treasury securities. The Industrial Development Board has invested in certificates of deposit (see Note 4).

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

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

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

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

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

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

Beginning with the fiscal year ending September 30, 2003, the City has capitalized its public domain ("infrastructure") assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems that have been placed in service since October 1, 2002. As a "Phase 2 Government", the City of Auburn was allowed to defer retroactive reporting of all major infrastructure assets until fiscal year 2007. Where actual historical costs and construction dates were identified through a review of City records, those dates and costs were utilized.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

L. Risk Financing

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

The City is a self-insurer under the Alabama Workmen's Compensation Law for its worker's compensation exposure. Worker's compensation claims exceeding \$250,000 in an accident period are covered through a private insurance carrier. Risk management activities relating to worker'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 coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

COMPONENT UNITS

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

Employee health insurance is provided through the Public Education Employees' Health Insurance Plan (PEEHIP), a public entity risk pool, administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 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, 2007. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

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

For risk of loss from claims arising from torts (general liability), the Board is covered by the City's commercial insurance purchased from third parties. 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, 2007. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

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

For risk of loss from claims arising from torts (general liability), the Authority is covered by the City's commercial insurance purchased from third parties. Prior to 2001, the City had retained risk of loss for these claims and includes the Authority 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 Authority had no liability for unpaid claims at September 30, 2007. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. Long-Term Obligations

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

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

N. Compensated Absences

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

COMPONENT UNITS

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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.

- O. **Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees.
- P. **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, 2007, but which had not been received or completed at that date. Encumbrances are not included as expenditures in the governmental funds' operating statements.
 2. **Reserve for inventories** indicates that the portion of fund balance represented by inventories is not available for appropriation.
 3. **Reserve for advances to other funds** recognizes that advances to other funds constitute loans to other funds which are not expected to be repaid within one year of the balance sheet date and separately identifies that amount as a portion of fund balance which is not appropriable.
 4. **Reserve for debt service** indicates the amount of fund balance which is legally segregated for payment of debt service expenditures.
 5. **Reserve for property for resale** indicates the portion of fund balances that are not available for appropriation until the property is sold.
 6. **Reserve for prepaid items** indicates the portion of fund balance not available for appropriation because prepaid items do not represent available expendable financial resources.

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

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

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

Restricted Net Assets - represent liquid assets which have third party (statutory, bond covenant or granting agency) limitations on their use. Certain enterprise funds and component units have assets that are restricted for construction that is being funded with long-term debt and therefore, there are no net restricted assets for these amounts. The City would typically use restricted net assets first, as appropriate opportunities arise, but 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, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2007, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, the Public Park and Recreation Board, and the Commercial Development Authority are held in a certified qualified public depository, and as such, are deemed fully insured.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

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, 2007, is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 11,180,193	\$ 5,102,235	\$ -	\$ 16,282,428
Special School Tax Fund	795,104	-	140	795,244
Bent Creek/West Tech Park Fund	5,900,688	-	-	5,900,688
Other Governmental Funds	11,900,575	12,997	-	11,913,572
Total governmental activities	<u>29,776,560</u>	<u>5,115,232</u>	<u>140</u>	<u>34,891,932</u>
Business-type activities:				
Sewer Revenue Fund	2,003,371	-	314,080	2,317,451
Total primary government	<u>31,779,931</u>	<u>5,115,232</u>	<u>314,220</u>	<u>37,209,383</u>
Component Units:				
Board of Education	-	10,721,719	6,836,994	17,558,713
Water Works Board	-	3,479,534	4,560,073	8,039,607
Industrial Development Board	40,828	1,187,632	45,847	1,274,307
Public Park and Recreation Board	-	150	-	150
Commercial Development Authority	-	54	-	54
Total component units	<u>40,828</u>	<u>15,389,089</u>	<u>11,442,914</u>	<u>26,872,831</u>
Total reporting entity	<u>\$ 31,820,759</u>	<u>\$ 20,504,321</u>	<u>\$ 11,757,134</u>	<u>\$ 64,082,214</u>

NOTE 4. INVESTMENTS

COMPONENT UNITS

Board of Education

Investments of the Board consist of nonnegotiable, interest bearing demand deposits totaling \$5,000. They are carried at cost, which equals market value.

At September 30, 2007, the Board of Education's restricted cash were comprised of the following, all of which are insured by the SAFE Program:

<u>Restricted Cash</u>	Carrying Value	Fair Value
Cash	<u>\$ 6,836,994</u>	<u>\$ 6,836,994</u>

Water Works Board

At September 30, 2007, the Water Works Board's restricted cash and investments were comprised of the following:

<u>Restricted Cash and Investments</u>	Carrying Value	Fair Value	<u>Maturities</u>
Cash (insured through SAFE Program)	\$ 1,828,172	\$ 1,828,172	n/a
JP Morgan U.S. Treasury Securities	2,731,901	2,731,901	2011-2032
Money Market Fund	<u>\$ 4,560,073</u>	<u>\$ 4,560,073</u>	

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 4. INVESTMENTS - CONTINUED

The JP Morgan Money Market Fund listed above is an open-end mutual fund comprised of 100% U.S. Treasury securities. The fair value of the units in the fund equals the carrying value.

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

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

Industrial Development Board

At September 30, 2007, the Industrial Development Board's investments were comprised of the following:

<u>Restricted Cash and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash with fiscal agent (insured)	\$ 21,122	\$ 21,122
Cash (SAFE deposit)	<u>45,847</u>	<u>45,847</u>
Total restricted cash	<u>\$ 66,969</u>	<u>\$ 66,969</u>

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

<u>Unrestricted Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificates of deposit, AuburnBank, 2.80%, maturity date February 24, 2008	<u>\$ 54,690</u>	<u>\$ 54,690</u>

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

NOTE 5. INTEREST RATE SWAP

COMPONENT UNIT

Industrial Development Board

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

Terms – The swap was executed with Allied Irish Banks, PLC (the counterparty). The swap commenced on August 1, 2006 and matures on July 1, 2022, and the bonds were issued on July 1, 2006 and mature on July 1, 2026. The swap's notional amount of \$5,640,000 matches the \$5,640,000 variable rate bonds. Starting in fiscal year 2010, the notional value of the swap and the principal amount of the associated debt each decline. Under the swap, the Board pays the counterparty a fixed rate of 5.87% and receives a variable payment computed at the one month U.S. dollar London Interbank Offered Rate (LIBOR). The bonds' variable rate coupons are not based on an index but on market conditions. As of September 30, 2007, rates were as follows:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 5. INTEREST RATE SWAP - CONTINUED

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	5.87000%
Variable payment from counterparty	1 month USD LIBOR	5.51917%
Net interest rate swap payments		0.35083%
Variable rate bond payments		5.15000%
Synthetic interest rate on bonds		5.50083%

Fair Value – Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$362,417 as of September 30, 2007. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Board's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk – As of September 30, 2007, the Board is not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Board would be exposed to credit risk in the amount of the swap's fair value. To mitigate the potential for credit risk, if the counterparty's credit rating falls below BBB or the equivalent by two of the major rating agencies, the Board will have the option of terminating the agreement, requesting assignment of the agreement to another counterparty, or requiring that the counterparty provide collateral payable to the Board in the event the counterparty defaults under its obligations.

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

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

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

NOTE 6. ACCOUNTS RECEIVABLE

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

	General Fund	Special School Tax Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Component Units	Total
Receivables:						
Revenues receivable	\$ 7,290,448	\$ 28,566	\$ 136,282	\$ 1,004,618	\$ 2,524,706	\$ 10,984,620
Grants receivable	41,278	-	214,735	-	-	256,013
Receivable from other governmental units	661,577	-	-	-	-	661,577
Special assessments receivable	73,226	-	-	-	-	73,226
Other receivables	996,248	-	109,097	17,648	193,465	1,316,458
Gross receivables	9,062,777	28,566	460,114	1,022,266	2,718,171	13,291,894
Less: allowance for uncollectibles	(1,822,663)	-	-	-	(352,976)	(2,175,639)
Net receivables	\$ 7,240,114	\$ 28,566	\$ 460,114	\$ 1,022,266	\$ 2,365,195	\$ 11,116,255

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 7. MORTGAGES AND NOTES RECEIVABLE

COMPONENT UNITS

Industrial Development Board

Mortgages and notes receivable consist of the following as of September 30, 2007:

	Balance 10/01/2006	Additions	Reductions	Balance 09/30/2007	Due Within One Year
Mortgages receivable	\$ 200,000	\$ 6,000	\$ (3,332)	\$ 202,668	\$ 20,344
Notes receivable - ARTF	-	679,613	(32,246)	647,367	222,228
Total	\$ 200,000	\$ 685,613	\$ (35,578)	\$ 850,035	\$ 242,572

Mortgages Receivable

In June, 2006, the Industrial Development Board made a loan to a new company purchasing an existing industry located in one of its industrial parks. The principal amount of the loan was \$200,000 and the loan was secured by a second mortgage on the real property and by a personal guaranty from the owners of the company. The note bears interest at three percent (3.00%) per annum, and matures on July 1, 2016. Interest accrued at 3.00% from July 1, 2006 until July 1, 2007, at which time the \$6,000 accrued interest was added to the principal of the loan and the company began monthly payments to amortize the loan. Future payments due under the loan are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 20,344	\$ 5,802	\$ 26,146
2009	20,963	5,183	26,146
2010	21,601	4,545	26,146
2011	22,258	3,888	26,146
2012	22,935	3,211	26,146
2013	23,632	2,514	26,146
2014	24,351	1,795	26,146
2015	25,092	1,054	26,146
2016	21,492	297	21,789
	\$ 202,668	\$ 28,289	\$ 230,957

Notes Receivable – Auburn Research and Technology Foundation

In fiscal year 2007, the Board signed various agreements with the Auburn Research and Technology Foundation (ARTF) to provide financing necessary for ARTF to construct a research park in the City of Auburn. ARTF signed a project agreement with the State of Alabama whereby the State would provide reimbursement of funds not to exceed \$10 million for the construction of the park. To provide for financing of construction costs prior to reimbursement from the State, ARTF requested that the Board advance funds to pay for construction costs in anticipation of reimbursement from funds received by ARTF under the project agreement.

The facility site was leased to the Board by Auburn University, the owner of the real property, under the terms of a ground lease (the "ground lease"). During the lease term, the Board owns the facility and all other improvements located on the facility site. When construction of the facility is complete, the Board will sublease the facility and the site to ARTF pursuant to the terms of a sublease agreement (the "sublease"). The sublease provides ARTF with the option to purchase the facility at a purchase price equal to the total obligations owed by ARTF to the Board under the terms of the Construction and Loan Agreement (the "loan agreement") between the two parties.

Under the terms of the loan agreement, the Board agreed to loan ARTF up to \$10 million. Each advance by the Board to ARTF constitutes an interest bearing loan, with interest calculated on a per annum basis using the one-month London Interbank Offered Rate (LIBOR) plus 0.50%; the rate in effect at September 30, 2007 was 5.62375%. All amounts received by ARTF under its project agreement with the State are assigned and pledged to the Board as security for the

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 7. MORTGAGES AND NOTES RECEIVABLE – CONTINUED

obligations of ARTF under the loan agreement, and are remitted to the Board as soon as practicable upon receipt by ARTF. All reimbursements to the Board utilizing funds received under the project agreement are applied entirely to principal advanced under the loan agreement. The total obligations of ARTF under the loan agreement consist of total amounts advanced by the Board, net of any reimbursements from ARTF, plus the interest calculated on each advance. Upon the earlier of (i) the date on which 90% of the rentable space in the facility becomes occupied by tenants or (ii) two years from the date on which a certificate of occupancy is issued for the facility, the entire obligation becomes due and payable, and no further advances will be made by the Board.

The funds needed to enable the Board to make advances under the loan agreement are obtained from the City of Auburn, and are recorded by the Board as long-term advances payable to the City. Advances from the City to the Board bear interest in the same manner as the advances from the Board to ARTF. As repayments are received by the Board from ARTF, they are remitted to the City to reduce the outstanding advances. The balance owed to the City at September 30, 2007 was \$425,139, consisting of \$414,593 principal and \$10,546 interest.

During the construction period, and until the purchase option is exercised by ARTF under the sublease, the improvements made on the facility site are titled to the Industrial Development Board. Total construction costs are recorded as Construction In Progress by the Board, and interest is capitalized on the construction costs. As costs are incurred, they are recorded as Notes Receivable from ARTF. The current portion of Notes Receivable from ARTF consists of amounts that will be repaid by ARTF utilizing funds received under the State project agreement. As of September 30, 2007, construction costs totaling \$669,067 had been incurred by the Board and interest of \$10,546 had been capitalized in connection with construction. Contributed capital from ARTF equal to the total costs incurred that will be repaid under the loan agreement was recorded in the amount of \$679,613. The total obligations of ARTF outstanding at year end were \$647,367, and \$222,228 of that amount represents the current portion that is expected to be repaid in fiscal year 2008 from funds received under the State project agreement. Total interest charged to ARTF in fiscal year 2007 was \$10,546.

NOTE 8. PROPERTY FOR RESALE

CITY OF AUBURN PRIMARY GOVERNMENT

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

COMPONENT UNITS

Industrial Development Board

The following is a schedule of changes in property for resale for the year ended September 30, 2007:

	<u>Balance</u> 10/1/2006	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Disposals</u>	<u>Balance</u> 9/30/2007
Land	\$ 6,593,046	\$ 40,449	\$ 377,838	\$ (1,020,416)	\$ 5,990,917
Improvements in progress	<u>1,679,477</u>	<u>592,255</u>	<u>(1,310,200)</u>	<u>(38,385)</u>	<u>923,147</u>
Total property for resale	<u>\$ 8,272,523</u>	<u>\$ 632,704</u>	<u>\$ (932,362)</u>	<u>\$ (1,058,801)</u>	<u>\$ 6,914,064</u>

The net reclassification of the following transactions: \$135,406 represents land previously held by the Board for resale that was reclassified to land held for leasing due to execution of two operating leases during fiscal year 2007, and \$796,956 represents the cost of common areas in Auburn Technology Park North that are retained and depreciated by the Board upon completion of the development of the Park. The amount shown as disposals includes \$143,246 representing the cost of land and related improvements sold during the fiscal year, \$897,170 representing the cost of land and related improvements granted to two industries as an industrial incentive to locate in Auburn Technology Park North, and \$38,385 representing a prior period adjustment for additional development costs in Auburn Technology Park North that were allocated to lots sold in prior periods.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 9. PROPERTY TAXES

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1 and are due and payable between October 1 and December 31. The County bills and collects the taxes and remits them semimonthly to the City of Auburn. The City currently levies taxes of \$2.60 per \$100 assessed valuation for governmental purposes - \$.50 for general governmental services, \$.50 for payment of principal and interest on outstanding bonds of the municipality, \$.50 for school purposes and \$1.10 for the support and furtherance of education. The tax rates are applied to 10% of the appraised value, also called assessed value.

NOTE 10. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

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

	Balance 10/1/2006	Prior Period Adjustment	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2007
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,706,992	\$ 570,000	\$ 1,514,187	\$ (652,875)	\$ 11,138,304
Construction in progress	1,982,280	-	6,083,124	(4,307,448)	3,757,956
Total capital assets, not being depreciated	<u>11,689,272</u>	<u>570,000</u>	<u>7,597,311</u>	<u>(4,960,323)</u>	<u>14,896,260</u>
Capital assets, being depreciated:					
Buildings and improvements	32,243,265	-	362,461	(172,504)	32,433,222
Communication equipment	257,378	-	200,963	(191,131)	267,210
Heavy equipment	2,340,770	-	149,058	(42,404)	2,447,424
Office equipment	2,175,128	-	68,889	(44,942)	2,199,075
Small tools and equipment	920,221	-	106,630	(174,316)	852,535
Vehicles	7,803,442	-	1,526,784	(815,580)	8,514,646
Infrastructure	18,163,530	70,353,654	4,129,527	-	92,646,711
Total capital assets, being depreciated	<u>63,903,734</u>	<u>70,353,654</u>	<u>6,544,312</u>	<u>(1,440,877)</u>	<u>139,360,823</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,373,967)	-	(776,455)	107,973	(7,042,449)
Communication equipment	(172,076)	-	(41,158)	173,012	(40,222)
Heavy equipment	(1,105,518)	-	(205,242)	42,404	(1,268,356)
Office equipment	(976,768)	-	(310,483)	44,318	(1,242,933)
Small tools and equipment	(622,717)	-	(82,165)	165,535	(539,347)
Vehicles	(5,684,865)	-	(697,247)	797,036	(5,585,076)
Infrastructure	(357,470)	(40,153,341)	(2,114,041)	-	(42,624,852)
Total accumulated depreciation	<u>(15,293,381)</u>	<u>(40,153,341)</u>	<u>(4,226,791)</u>	<u>1,330,278</u>	<u>(58,343,235)</u>
Total capital assets, being depreciated, net	<u>48,610,353</u>	<u>30,200,313</u>	<u>2,317,521</u>	<u>(110,599)</u>	<u>81,017,588</u>
Governmental activity capital assets, net	<u>\$ 60,299,625</u>	<u>\$ 30,770,313</u>	<u>\$ 9,914,832</u>	<u>\$ (5,070,922)</u>	<u>\$ 95,913,848</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 10. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2007, was as follows:

	Balance 10/1/2006	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2007
Business-type activities (Sewer Fund):				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	2,743,786	5,224,796	(3,991,486)	3,977,096
Total capital assets, not being depreciated	2,908,412	5,224,796	(3,991,486)	4,141,722
Capital assets, being depreciated:				
Buildings and improvements	10,604,713	19,421	(5,973)	10,618,161
Sewage plants and lines	36,521,386	6,928,116	-	43,449,502
Machinery and equipment	513,253	213,941	(277,127)	450,067
Vehicles	714,578	44,107	(145,771)	612,914
Total capital assets, being depreciated	48,353,930	7,205,585	(428,871)	55,130,644
Less accumulated depreciation for:				
Buildings and improvements	(1,131,609)	(213,787)	5,973	(1,339,423)
Sewage plants and lines	(6,446,278)	(722,713)	-	(7,168,991)
Machinery and equipment	(440,028)	(19,790)	277,127	(182,691)
Vehicles	(581,414)	(31,081)	86,665	(525,830)
Total accumulated depreciation	(8,599,329)	(987,371)	369,765	(9,216,935)
Total capital assets, being depreciated, net	39,754,601	6,218,214	(59,106)	45,913,709
Business-type activity capital assets, net	\$ 42,663,013	\$ 11,443,010	\$ (4,050,592)	\$ 50,055,431

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, 2007, the City incurred interest costs of \$1,867,076; total interest expense was \$1,740,547, and interest cost of \$126,529 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	\$ 295,424
Economic development	9,569
Employee services	18,824
Public safety	543,440
Public works	2,424,261
Environmental services	217,517
Library	108,909
Parks and recreation	604,912
Planning	3,935
Total depreciation expense - governmental activities	\$ 4,226,791
Business-type activities:	
Sanitary sewer	\$ 987,371

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 10. CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

Board of Education

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

	<u>Balance 10/1/2006</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2007</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,227,472	\$ 145,610	\$ -	\$ 3,373,082
Construction in progress	<u>17,877,571</u>	<u>11,087,748</u>	<u>(17,512,412)</u>	<u>11,452,907</u>
Total capital assets, not being depreciated	<u>21,105,043</u>	<u>11,233,358</u>	<u>(17,512,412)</u>	<u>14,825,989</u>
Capital assets, being depreciated:				
Land improvements	2,889,932	149,925	-	3,039,857
Buildings and improvements	43,374,033	19,122,187	-	62,496,220
Furniture, equipment and vehicles	<u>3,522,047</u>	<u>905,618</u>	<u>(59,257)</u>	<u>4,368,408</u>
Total capital assets, being depreciated	<u>49,786,012</u>	<u>20,177,730</u>	<u>(59,257)</u>	<u>69,904,485</u>
Less accumulated depreciation for:				
Land improvements	(1,900,072)	(93,083)	-	(1,993,155)
Buildings and improvements	(11,943,653)	(1,033,081)	-	(12,976,734)
Furniture, equipment and vehicles	<u>(1,902,431)</u>	<u>(379,921)</u>	<u>42,420</u>	<u>(2,239,932)</u>
Total accumulated depreciation	<u>(15,746,156)</u>	<u>(1,506,085)</u>	<u>42,420</u>	<u>(17,209,821)</u>
Total capital assets, being depreciated, net	<u>34,039,856</u>	<u>18,671,645</u>	<u>(16,837)</u>	<u>52,694,664</u>
Total governmental activities capital assets, net	<u>\$ 55,144,899</u>	<u>\$ 29,905,003</u>	<u>\$ (17,529,249)</u>	<u>\$ 67,520,653</u>

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

Governmental activities:	
Instruction	\$ 885,578
Instructional support	282,391
Operation and maintenance	129,824
Auxiliary services	
Student transportation services	50,153
Food services	69,431
General administrative services	61,900
Other expenses	<u>26,808</u>
Total depreciation expense - Governmental activities	<u>\$ 1,506,085</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 10. CAPITAL ASSETS - CONTINUED

Water Works Board

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

	<u>Balance 10/1/2006</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2007</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,401,875	\$ -	\$ -	\$ 1,401,875
Construction in progress	<u>1,265,418</u>	<u>2,008,185</u>	<u>(1,693,299)</u>	<u>1,580,304</u>
Total capital assets, not being depreciated	<u>2,667,293</u>	<u>2,008,185</u>	<u>(1,693,299)</u>	<u>2,982,179</u>
Capital assets, being depreciated:				
Utility system and plant	57,897,485	3,788,078	(85,569)	61,599,994
Office equipment	250,506	21,321	(34,418)	237,409
Mobile equipment	795,220	89,213	(115,446)	768,987
Tools	<u>131,657</u>	<u>129,371</u>	<u>-</u>	<u>261,028</u>
Total capital assets, being depreciated	<u>59,074,868</u>	<u>4,027,983</u>	<u>(235,433)</u>	<u>62,867,418</u>
Less accumulated depreciation for:				
Utility system and plant	(14,167,912)	(1,419,607)	75,175	(15,512,344)
Office equipment	(157,036)	(26,935)	34,418	(149,553)
Mobile equipment	(574,004)	(51,302)	110,054	(515,252)
Tools	<u>(116,428)</u>	<u>(31,180)</u>	<u>-</u>	<u>(147,608)</u>
Total accumulated depreciation	<u>(15,015,380)</u>	<u>(1,529,024)</u>	<u>219,647</u>	<u>(16,324,757)</u>
Total capital assets, being depreciated, net	<u>44,059,488</u>	<u>2,498,959</u>	<u>(15,786)</u>	<u>46,542,661</u>
Business-type activity capital assets, net	<u>\$ 46,726,781</u>	<u>\$ 4,507,144</u>	<u>\$ (1,709,085)</u>	<u>\$ 49,524,840</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, 2007, the Board incurred interest costs of \$983,143; total interest expense was \$904,840, and interest cost of \$78,303 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 10. CAPITAL ASSETS - CONTINUED

Industrial Development Board

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,258,490	\$ -	\$ 224,534	\$ 4,483,024
Construction in progress	<u>1,943,118</u>	<u>4,470,004</u>	<u>(5,733,509)</u>	<u>679,613</u>
Total capital assets, not being depreciated	<u>6,201,608</u>	<u>4,470,004</u>	<u>(5,508,975)</u>	<u>5,162,637</u>
Capital assets, being depreciated:				
Buildings	24,295,038	5,365,081	-	29,660,119
Building improvements	2,086,930	350,266	-	2,437,196
Land improvements	712,850	3,753	707,828	1,424,431
Equipment	460,295	-	-	460,295
Vehicles	<u>116,223</u>	<u>-</u>	<u>-</u>	<u>116,223</u>
Total capital assets, being depreciated	<u>27,671,336</u>	<u>5,719,100</u>	<u>707,828</u>	<u>34,098,264</u>
Accumulated depreciation				
Buildings	(1,886,101)	(545,961)	-	(2,432,062)
Building improvements	(105,602)	(50,211)	-	(155,813)
Land improvements	(180,847)	(39,491)	-	(220,338)
Equipment	(228,937)	(55,153)	-	(284,090)
Vehicles	<u>(59,264)</u>	<u>(12,658)</u>	<u>-</u>	<u>(71,922)</u>
Total accumulated depreciation	<u>(2,460,751)</u>	<u>(703,474)</u>	<u>-</u>	<u>(3,164,225)</u>
Total capital assets, being depreciated, net	<u>25,210,585</u>	<u>5,015,626</u>	<u>707,828</u>	<u>30,934,039</u>
Business-type activity capital assets, net	<u>\$ 31,412,193</u>	<u>\$ 9,485,630</u>	<u>\$ (4,801,147)</u>	<u>\$ 36,096,676</u>

It is the Board's policy to capitalize net interest costs on funds borrowed to finance the construction of assets. For the year ended September 30, 2007, the Board incurred interest costs of \$2,614,795; total interest expense was \$2,270,276, and interest costs of \$344,519 were capitalized in connection with development of land held for resale and for construction of buildings owned by the Board and held for leasing.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 10. CAPITAL ASSETS - CONTINUED

Public Park and Recreation Board

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

	<u>Balance 10/1/2006</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2007</u>
Business-type activity:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,340,031	\$ 6,134,913	\$ (7,474,944)	\$ -
Capital assets, being depreciated:				
Buildings and improvements	-	7,068,310	-	7,068,310
Machinery and equipment	-	6,575	-	6,575
Total capital assets, being depreciated	-	7,074,885	-	7,074,885
Less accumulated depreciation for:				
Buildings and improvements	-	(47,122)	-	(47,122)
Total capital assets, being depreciated, net	-	7,027,763	-	7,027,763
Business-type activity capital assets, net	<u>\$ 1,340,031</u>	<u>\$ 13,162,676</u>	<u>\$ (7,474,944)</u>	<u>\$ 7,027,763</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES

CITY OF AUBURN PRIMARY GOVERNMENT

Changes in long-term liabilities

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

	Balance 10/1/2006	Additions	Reductions	Balance 9/30/2007	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 19,130,000	\$ 5,200,000	\$ (1,465,000)	\$ 22,865,000	\$ 1,630,000
General obligation warrants	100,281,811	-	(5,317,188)	94,964,623	4,819,906
Add: deferred amounts for issuance premiums	1,058,950	105,076	(52,775)	1,111,251	-
Less: deferred amounts on refunding	<u>(140,260)</u>	<u>-</u>	<u>15,879</u>	<u>(124,381)</u>	<u>-</u>
Total bonds and warrants payable	120,330,501	5,305,076	(6,819,084)	118,816,493	6,449,906
Notes payable	2,860,201	7,000,000	(54,366)	9,805,835	7,055,834
Accumulated annual leave	1,379,398	418,899	(101,752)	1,696,545	133,237
Claims payable	420,720	101,959	(125,252)	397,427	65,336
Landfill closure and postclosure care liability	<u>304,500</u>	<u>-</u>	<u>(108,500)</u>	<u>196,000</u>	<u>7,000</u>
Governmental activity long-term liabilities	<u>125,295,320</u>	<u>12,825,934</u>	<u>(7,208,954)</u>	<u>130,912,300</u>	<u>13,711,313</u>
Business-type activities:					
General obligation warrants payable:					
Zero coupon warrants	6,998,836	-	(6,998,836)	-	-
Warrants payable	23,055,000	-	(460,000)	22,595,000	475,000
Less: deferred amounts for issuance discounts	<u>(188,050)</u>	<u>-</u>	<u>10,901</u>	<u>(177,149)</u>	<u>-</u>
Total warrants payable	29,865,786	-	(7,447,935)	22,417,851	475,000
Notes payable	-	5,668,053	-	5,668,053	-
Accumulated annual leave	<u>36,489</u>	<u>652</u>	<u>(108)</u>	<u>37,033</u>	<u>-</u>
Business-type activity long-term liabilities	<u>29,902,275</u>	<u>5,668,705</u>	<u>(7,448,043)</u>	<u>28,122,937</u>	<u>475,000</u>
	<u>\$ 155,197,595</u>	<u>\$ 18,494,639</u>	<u>\$ (14,722,333)</u>	<u>\$ 158,969,901</u>	<u>\$ 14,186,313</u>

For the governmental activities, accumulated annual leave, 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, 2007

NOTE 11. LONG-TERM LIABILITIES – CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	September 30, 2007	Principal Maturity
Governmental activities:						
Bonds payable:						
General obligation bonds,						
Dated 1/1/07 (Library, Tennis Center)	3.5%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 5,200,000	\$ 4,975,000	2021
General obligation bonds,						
Dated 03/01/05						
(Refund 97 bonds, and fund '05 projects)	2.2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	9,905,000	9,100,000	2021
Capital improvement bonds,						
Dated 05/01/02 (Soccer, Town Creek)	1.6%-4.75%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	7,250,000	5,185,000	2016
Capital improvement bonds,						
Dated 06/01/98 (S. College Imp.)	3.95%-5.1%	2/1-8-1	Special 5-Mill Tax Fund ad valorem taxes	2,000,000	1,120,000	2015
General obligation bonds,						
Dated 08/1/99 (Library, Watson Complex)	5%-5.4%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	3,700,000	2,485,000	2014
Total bonds payable				<u>28,055,000</u>	<u>22,865,000</u>	
Notes payable:						
Note payable, AuburnBank,						
Dated 03/13/07 (Comm. Dev. Authority)	7.5%	Quarterly	General Fund	7,000,000	7,000,000	2008
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	25,000	2007
Note Payable, East Alabama						
Medical Center, dated 10/27/97	5%	1-Nov	General Fund	250,000	30,835	2008
Total notes payable				<u>15,500,000</u>	<u>9,805,835</u>	

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES -- CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2007	Year of Final Principal Maturity
Warrants payable:						
General obligation warrant, Dated 08/05/98 (Dean Rd. Ext.)	5.16%	Quarterly	General Fund	810,672	48,119	2008
General obligation refunding school warrants, Dated 09/01/98 (87,90 & 92 G.O. School)	3.75%-4.55%	6/1-12/1	Special School Tax Fund ad valorem taxes	8,170,000	2,565,000	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	151,537	2008
General obligation warrants Dated 8/1/99 (City Hall, streets, etc.)	5%-5.6%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,110,000	2,925,000	2019
General obligation school warrant dated 10/6/99 (computer eq.)	5.98%	Monthly	Special School Tax Fund ad valorem taxes	857,750	214,711	2009
General obligation warrants Dated 08/01/05 (School capital expansion)	3.125%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	33,010,000	33,010,000	2035
General obligation warrants Dated 08/05/00 (Salmon Prop.)	6.93%	Monthly	Full faith credit and taxing power of the City of Auburn	1,507,034	536,761	2010
General obligation warrant Dated 04/08/03 (heavy eq., 122 Tichenor)	5.11%	Monthly	Full faith credit and taxing power of the City of Auburn	1,065,500	138,985	2008
General obligation warrants Dated 09/28/01 (Drainage projects)	4.85%	Monthly	Full faith credit and taxing power of the City of Auburn	1,035,400	484,128	2011

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2007	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	1,058,095	2012
General obligation warrants						
Dated 12/23/03 (Infrastructure improve.)	3.93%	Monthly	Full faith credit and taxing power of the City of Auburn	6,300,000	4,225,298	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	540,723	2008
General obligation refunding school warrants dated 02/01/02 (92,94 & 96 Warrants)	4.1%-5.125%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,275,000	27,275,000	2026
General obligation warrants						
Dated 07/19/05 (Mall expansion)	5.05%	Monthly	Full faith credit and taxing power of the City of Auburn	10,000,000	8,988,312	2014
General obligation warrants						
Dated 11/28/05 (West Technology Park)	3.66%	Monthly	Full faith credit and taxing power of the City of Auburn	6,000,000	4,980,923	2014
General obligation warrants						
Dated 02/09/06 (AU Research Park)	4.08%	Monthly	Full faith credit and taxing power of the City of Auburn	5,000,000	4,247,773	2015
General obligation warrants						
Dated 09/22/06 (Tennis Center - AU Portior	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	3,574,258	2026
Total warrants payable				<u>114,034,954</u>	<u>94,964,623</u>	
Total governmental activity bonds, notes, and warrants payable				<u>157,589,954</u>	<u>127,635,458</u>	
Business-type activities:						
Warrants payable:						
General obligation warrants						
dated 08/01/01 (sewer plant & expansion)	2.8%-5%	1/1-7/1	Sewer Fund	24,765,000	22,595,000	2024
Notes payable:						
Note payable, Compass Bank,						
Dated 06/19/07 (sewer improvements						
& refund zero coupon warrants dated 08/29	4.07%	5/1-11/1	Sewer Fund	5,668,053	5,668,053	2008
Total business type activity warrants and notes payable				<u>30,433,053</u>	<u>28,263,053</u>	
Total bonds, notes, and warrants payable				<u>\$188,023,007</u>	<u>\$155,898,511</u>	

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The City entered into a \$7,000,000 Line of Credit on August 16, 2005, for the purpose of supporting the Community Development Authority in constructing certain public improvements on or around the intersection of Glenn Avenue and Bent Creek Road to facilitate the location and construction on adjacent property of a large-scale community shopping center. The city borrowed the full \$7,000,000 on March 13, 2007. The Note bears interest at 7.5%, payable on a quarterly basis beginning on September 15, 2007, and continuing until maturity. This amount is reported as long-term notes payable as the City plans to permanently finance the line of credit in fiscal year 2008. Subsequent to September 30, 2007, the City increased the Line of Credit by \$1,800,000 for a total of \$8,800,000.

The City issued its \$5,200,000 General Obligation Bonds on January 1, 2007 with an average interest rate of 4.23% to finance the construction the new tennis center and the expansion of the City library.

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 was \$9,400,000. Interest accrued 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. On June 19, 2007, the City issued its \$12,100,000 General Obligation Warrants to retire temporarily in anticipation of permanent refunding these 2001 Zero Coupon General Obligation Warrants and to finance construction of capital improvements to the wastewater collection and treatment system.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds, notes, warrants and capital leases payable of the City of Auburn at September 30, 2007:

Fiscal Year	Total Annual Requirements			Governmental Activity Bonds, Notes, and Warrants Payable			Business-type Activity Warrants and Notes Payable		
	Principal	Interest	Total	Payable from			Principal	Interest	Requirements
				General Governmental					
			Principal	Interest	Requirements	Principal	Interest	Requirements	
2008	\$ 16,730,741	\$ 7,147,102	\$ 23,877,843	\$ 16,255,741	\$ 5,812,349	\$ 22,068,090	\$ 475,000	\$ 1,334,753	\$ 1,809,753
2009	12,925,600	6,124,756	19,050,356	6,762,547	5,059,813	11,822,360	6,163,053	1,064,943	7,227,996
2010	7,488,324	5,810,101	13,298,425	6,968,324	4,768,193	11,736,517	520,000	1,041,908	1,561,908
2011	7,733,104	5,492,020	13,225,124	7,193,104	4,472,113	11,665,217	540,000	1,019,907	1,559,907
2012	7,932,343	5,156,817	13,089,160	7,367,343	4,160,538	11,527,881	565,000	996,279	1,561,279
2013	8,789,876	4,791,037	13,580,913	7,519,876	3,835,940	11,355,816	1,270,000	955,097	2,225,097
2014	13,541,925	4,355,822	17,897,747	12,216,925	3,460,423	15,677,348	1,325,000	895,399	2,220,399
2015	6,742,321	3,792,690	10,535,011	5,352,321	2,961,110	8,313,431	1,390,000	831,580	2,221,580
2016	6,320,751	3,484,426	9,805,177	4,865,751	2,721,142	7,586,893	1,455,000	763,284	2,218,284
2017	5,173,264	3,196,951	8,370,215	3,648,264	2,507,076	6,155,340	1,525,000	689,875	2,214,875
2018	5,411,098	2,943,659	8,354,757	3,811,098	2,331,909	6,143,007	1,600,000	611,750	2,211,750
2019	5,654,267	2,689,397	8,343,664	3,974,267	2,159,647	6,133,914	1,680,000	529,750	2,209,750
2020	5,572,785	2,421,434	7,994,219	3,807,785	1,977,809	5,785,594	1,765,000	443,625	2,208,625
2021	5,796,668	2,150,514	7,947,182	3,941,668	1,797,389	5,739,057	1,855,000	353,125	2,208,125
2022	5,230,930	1,883,965	7,114,895	3,285,930	1,625,840	4,911,770	1,945,000	258,125	2,203,125
2023	5,495,587	1,621,557	7,117,144	3,450,587	1,463,182	4,913,769	2,045,000	158,375	2,203,375
2024	5,770,658	1,345,986	7,116,644	3,625,658	1,292,361	4,918,019	2,145,000	53,625	2,198,625
2025	3,801,159	1,112,860	4,914,019	3,801,159	1,112,860	4,914,019	-	-	-
2026	3,987,110	924,660	4,911,770	3,987,110	924,660	4,911,770	-	-	-
2027	1,445,000	730,156	2,175,156	1,445,000	730,156	2,175,156	-	-	-
2028	1,515,000	657,906	2,172,906	1,515,000	657,906	2,172,906	-	-	-
2029	1,595,000	582,156	2,177,156	1,595,000	582,156	2,177,156	-	-	-
2030	1,670,000	502,406	2,172,406	1,670,000	502,406	2,172,406	-	-	-
2031	1,755,000	418,906	2,173,906	1,755,000	418,906	2,173,906	-	-	-
2032	1,830,000	342,125	2,172,125	1,830,000	342,125	2,172,125	-	-	-
2033	1,910,000	262,063	2,172,063	1,910,000	262,063	2,172,063	-	-	-
2034	1,995,000	178,500	2,173,500	1,995,000	178,500	2,173,500	-	-	-
2035	2,085,000	91,219	2,176,219	2,085,000	91,219	2,176,219	-	-	-
Total	\$ 155,898,511	\$ 70,211,191	\$ 226,109,702	\$ 127,635,458	\$ 58,209,791	\$ 185,845,249	\$ 28,263,053	\$ 12,001,400	\$ 40,264,453

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

COMPONENT UNITS

Water Works Board

Changes in long-term liabilities

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

	Balance 10/1/2006	Additions	Reductions	Balance 9/30/2007	Due Within One Year
Business-type activities:					
Bonds payable	\$ 19,110,350	\$ 125,833	\$ (545,000)	\$ 18,691,183	\$ 565,000
Unamortized deferred amount on refunding	<u>(274,710)</u>	<u>17,350</u>	<u>-</u>	<u>(257,360)</u>	<u>(17,350)</u>
	<u>18,835,640</u>	<u>143,183</u>	<u>(545,000)</u>	<u>18,433,823</u>	<u>547,650</u>
 Water supply agreement with City of Opelika	 1,246,977	 -	 (267,233)	 979,744	 267,141
Unamortized discount	<u>(229,923)</u>	<u>77,329</u>	<u>-</u>	<u>(152,594)</u>	<u>(62,892)</u>
	<u>1,017,054</u>	<u>77,329</u>	<u>(267,233)</u>	<u>827,150</u>	<u>204,249</u>
 Accumulated annual leave Business-type activity	 <u>162,534</u>	 <u>-</u>	 <u>(61,831)</u>	 <u>100,703</u>	 <u>-</u>
long-term liabilities	<u>\$ 20,015,228</u>	<u>\$ 220,512</u>	<u>\$ (874,064)</u>	<u>\$ 19,361,676</u>	<u>\$ 751,899</u>

Bonds payable at September 30, 2007, are comprised of original bond issues of \$11,080,000 dated July 1, 2001, and \$9,799,657 dated August 1, 2002. The 2001 bond proceeds were used to fund various water system renovations and improvements. The 2001 bonds are issued at rates varying from 2.75% to 5.125%, mature July 1, 2026, and are callable at July 1, 2011, at a declining premium. The 2002 bond proceeds were used to call the 1993 Series bonds dated May 1, 1993, and to fund various construction projects. The 2002 issue consists of two elements. The "current interest bonds" were issued in the principal amount of \$7,955,000 bearing interest at rates ranging from 1.5% to 4.8%, payable semiannually on March 1 and September 1, and mature on September 1 beginning in 2003 and continuing through 2022. The bonds are callable at September 1, 2011, at a declining premium. The "capital appreciation bonds" were issued in the principal amount of \$1,844,657, with yield to maturity rates ranging from 5.37% to 5.45% compounded semiannually and payable at their stated maturity or upon redemption prior to their stated maturity. The stated maturity amount and dates are \$1,330,000 each September 1 beginning in 2027 and continuing through 2032, for a total maturity amount of \$7,980,000. As of September 30, 2007, the accreted value of the bonds was \$2,421,184.

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, 2007:

Bonds and water supply agreement payable, September 30, 2006	\$ 20,127,404
Retirement of debt	(734,904)
Accretion of interest	<u>125,833</u>
Bonds and water supply agreement payable, September 30, 2007	<u>\$ 19,518,333</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Annual requirements (principal and interest) to amortize long-term debt at September 30, 2007, are as follows:

Year ending September 30	Bonds Payable	Water Supply Agreement	Total
2008	\$ 1,329,995	\$ 267,141	\$ 1,597,136
2009	1,332,520	267,670	1,600,190
2010	1,330,340	267,054	1,597,394
2011	1,331,048	177,879	1,508,927
2012	1,330,163	-	1,330,163
2013-2017	6,650,428	-	6,650,428
2018-2022	6,652,595	-	6,652,595
2023-2026	<u>5,322,818</u>	<u>-</u>	<u>5,322,818</u>
Subtotal	25,279,907	979,744	26,259,651
Less amount representing interest	<u>(9,009,906)</u>	<u>(152,594)</u>	<u>(9,162,500)</u>
Total	<u>\$ 16,270,001</u>	<u>\$ 827,150</u>	<u>\$ 17,097,151</u>

The above schedule does not reflect the noninterest bearing bonds which will mature at \$1,330,000 each year from 2027 through 2032, for a total of \$7,980,000. As of September 30, 2007, the amount included in bonds payable is \$2,421,182, which equals the original principal amount of \$1,844,657 plus the accretion of interest through September 30, 2007 of \$576,525.

Industrial Development Board

Changes in long-term liabilities

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

	Balance 10/01/06	Additions	Reductions	Balance 09/30/07	Due Within One Year
Notes payable	\$ 17,584,860	\$ 3,415,000	\$ (691,326)	\$ 20,308,534	\$ 1,135,625
Short term					
construction loans	1,100,000	1,025,000	(2,125,000)	-	-
Bonds payable	21,021,370	-	(485,000)	20,536,370	525,000
Less: deferred amount on refunding	<u>(167,508)</u>	<u>-</u>	<u>19,533</u>	<u>(147,975)</u>	<u>-</u>
Total	<u>\$ 39,538,722</u>	<u>\$ 4,440,000</u>	<u>\$ (3,281,793)</u>	<u>\$ 40,696,929</u>	<u>\$ 1,660,625</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

Bonds payable at September 30, 2007 are comprised of Series 2000-A Tax Exempt Infrastructure Improvement Bonds in the original principal amount of \$4,680,000, Series 2004-A Taxable Industrial Development Refunding and Infrastructure Bonds in the original principal amount of \$12,075,000, and Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds in the original principal amount of \$5,640,000. The bonds were used to fund various infrastructure and real property improvements, and to refund previous outstanding debt.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The debt service payments on the Series 2000-A, the Series 2004-A, and the Series 2006-A bonds are limited obligations of the Board payable solely out of payments received pursuant to Appropriation Agreements with the City of Auburn and funds drawn by the trustee from letters of credit issued by Allied Irish Bank. Under the agreements which were approved by City Council in October, 2005, the City has agreed to appropriate during each fiscal year an amount equal to the debt service on the bonds. The initial term of the agreements ends on September 30, 2007. 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, 2008. The City intends to fund the appropriations through future sales of industrial property, and additional tax revenues derived from future industrial recruitment. The Appropriation Agreements have been assigned and pledged by the Industrial Development Board as security for the bonds.

The Series 2000-A bonds mature on May 1, 2020 the 2004-A bonds mature on May 1, 2024, and the 2006-A bonds mature on July 1, 2026. The bonds bear interest at a variable rate determined weekly by the Board's remarketing agent, The Frazer Lanier Company, Inc., and interest is payable in arrears on the first business day of the following month. The rate is the lowest rate that would, in the opinion of the remarketing agent, result in the market value of the bonds being 100% of the purchase price on the date of determination, with a maximum rate of 10% per annum for the Series 2000-A bonds and 12% per annum for the Series 2004-A and the Series 2006-A bonds. The weighted average interest rate for fiscal year 2007 was 3.76% for the Series 2000-A bonds, 5.35% for the Series 2004-A bonds, and 5.35% for the Series 2006-A bonds, and interest incurred for the fiscal year amounted to \$138,614 for the Series 2000-A bonds, \$636,832 for the Series 2004-A bonds, and \$341,827 for the Series 2006-A bonds. The rate in effect at September 30, 2007 for the Series 2000-A bonds was 4.00% and for the Series 2004-A and the Series 2006-A bonds was 5.15%.

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 letter of credit for the Series 2000-A bonds expires on October 12, 2008; the Series 2004-A letter of credit expires on October 12, 2010; and the letter of credit for the Series 2006-A bonds expires on July 10, 2009. After the expiration date, the letters of credit may be extended upon approval of Allied Irish Bank. In the event the remarketing agent is unable to resell the tendered bonds, any principal drawn on the letters of credit to purchase the bonds bears interest at a variable rate equal to the prime rate plus 2%. If the bonds are not resold, the principal drawn on the letter of credit to purchase the bonds would be due in full at the expiration of the letters of credit in October 2008 for Series 2000-A, in October 2010 for the Series 2004-A, and in July 2010 for the Series 2006-A bonds. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

Fiscal Year	Series 2000-A	Series 2004-A	Series 2006-A	Total
2008	\$ 190,000	\$ 335,000	\$ -	\$ 525,000
2009	3,400,000	360,000	-	3,760,000
2010	-	390,000	5,640,000	6,030,000
2011	-	10,230,000	-	10,230,000
	<u>\$ 3,590,000</u>	<u>\$ 11,315,000</u>	<u>\$ 5,640,000</u>	<u>\$ 20,545,000</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

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

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

Fiscal Year	Series 2000-A	Series 2004-A	Series 2006-A	Total
2008	\$ 190,000	\$ 335,000	\$ -	\$ 525,000
2009	200,000	360,000	-	560,000
2010	210,000	390,000	180,000	780,000
2011	225,000	425,000	195,000	845,000
2012	240,000	455,000	205,000	900,000
2013	255,000	495,000	220,000	970,000
2014	270,000	530,000	235,000	1,035,000
2015	285,000	575,000	255,000	1,115,000
2016	305,000	620,000	270,000	1,195,000
2017	320,000	670,000	290,000	1,280,000
2018	340,000	725,000	315,000	1,380,000
2019	365,000	780,000	335,000	1,480,000
2020	385,000	845,000	360,000	1,590,000
2021	-	910,000	385,000	1,295,000
2022	-	985,000	415,000	1,400,000
2023	-	1,065,000	445,000	1,510,000
2024	-	1,150,000	475,000	1,625,000
2025	-	-	510,000	510,000
2026	-	-	550,000	550,000
Total	<u>\$ 3,590,000</u>	<u>\$ 11,315,000</u>	<u>\$ 5,640,000</u>	<u>\$ 20,545,000</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2007, using the variable interest rate in effect on the last day of the fiscal year (4.00% for Series 2000-A, and 5.15% for Series 2004-A and Series 2006-A):

Fiscal Year	Series 2000-A		Series 2004-A		Series 2006-A		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2008	\$ 190,000	\$ 140,414	\$ 335,000	\$ 575,491	\$ -	\$ 290,460	\$ 1,531,365
2009	200,000	132,647	360,000	557,698	-	290,460	1,540,805
2010	210,000	124,479	390,000	538,511	180,000	288,911	1,731,901
2011	225,000	115,827	425,000	517,670	195,000	279,512	1,758,009
2012	240,000	106,576	455,000	495,135	205,000	269,383	1,771,094
2013	255,000	96,724	495,000	470,839	220,000	258,696	1,796,259
2014	270,000	86,273	530,000	444,591	235,000	247,237	1,813,101
2015	285,000	75,221	575,000	416,325	255,000	234,963	1,841,509
2016	305,000	63,486	620,000	385,741	270,000	221,701	1,865,928
2017	320,000	51,035	670,000	352,731	290,000	207,624	1,891,390
2018	340,000	37,899	725,000	317,039	315,000	192,474	1,927,412
2019	365,000	23,880	780,000	278,514	335,000	176,079	1,958,473
2020	385,000	8,945	845,000	236,941	360,000	158,612	1,994,498
2021	-	-	910,000	192,020	385,000	139,856	1,626,876
2022	-	-	985,000	143,536	415,000	119,771	1,663,307
2023	-	-	1,065,000	91,082	445,000	98,140	1,699,222
2024	-	-	1,150,000	34,399	475,000	74,964	1,734,363
2025	-	-	-	-	510,000	50,201	560,201
2026	-	-	-	-	550,000	23,591	573,591
Total	<u>\$ 3,590,000</u>	<u>\$ 1,063,406</u>	<u>\$ 11,315,000</u>	<u>\$ 6,048,263</u>	<u>\$ 5,640,000</u>	<u>\$ 3,622,635</u>	<u>\$ 31,279,304</u>

Swap payments and associated debt – With respect to the Series 2006-A bonds, the Board entered into an interest rate swap agreement with Allied Irish Bank to effectively change the Board's variable interest rate on the bonds to a fixed rate. Using rates as of September 30, 2007, debt service requirements of the variable rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Fiscal Year	Series 2006-A Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2008	\$ -	\$ 290,460	\$ 19,787	\$ 310,247
2009	-	290,460	19,787	310,247
2010	180,000	288,911	19,681	488,592
2011	195,000	279,512	19,041	493,553
2012	205,000	269,383	18,351	492,734
2013	220,000	258,696	17,623	496,319
2014	235,000	247,237	16,842	499,079
2015	255,000	234,963	16,006	505,969
2016	270,000	221,701	15,103	506,804
2017	290,000	207,624	14,144	511,768
2018	315,000	192,474	13,112	520,586
2019	335,000	176,079	11,995	523,074
2020	360,000	158,612	10,805	529,417
2021	385,000	139,856	9,527	534,383
2022	415,000	119,771	6,308	541,079
2023	445,000	98,140	-	543,140
2024	475,000	74,964	-	549,964
2025	510,000	50,201	-	560,201
2026	550,000	23,591	-	573,591
Total	<u>\$ 5,640,000</u>	<u>\$ 3,622,635</u>	<u>\$ 228,112</u>	<u>\$ 9,490,747</u>

Notes payable

Notes payable of the Board at September 30, 2007, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issues	Principal Outstanding 9/30/07	Year of Final Principal Maturity
AuburnBank	7.500%	Monthly	\$ 8,670,000	\$ 7,676,718	2010
AuburnBank	7.500%	Monthly	957,500	898,890	2012
AuburnBank	8.750%	Monthly	300,000	282,707	2011
AuburnBank	7.500%	Monthly	775,000	383,232	2008
AuburnBank	7.250%	Monthly	4,250,000	3,482,514	2009
AuburnBank	6.250%	Monthly	447,147	376,328	2009
AuburnBank	7.250%	Monthly	1,079,500	1,042,608	2009
AuburnBank	6.500%	Monthly	100,000	63,598	2009
AuburnBank	6.500%	Monthly	750,000	648,931	2009
AuburnBank	6.500%	Monthly	1,955,000	1,801,435	2009
AuburnBank	7.250%	Monthly	150,000	125,414	2010
AuburnBank	7.750%	Monthly	1,290,000	1,276,525	2012
AuburnBank	8.250%	Monthly	1,100,000	1,082,045	2012
AuburnBank	7.500%	Monthly	1,025,000	1,022,841	2012
Compass Bank	7.500%	Monthly	186,602	144,748	2012
Total notes payable			<u>\$ 23,035,749</u>	<u>\$ 20,308,534</u>	

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2007:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2008	\$ 1,135,622	\$ 1,466,854	\$ 2,602,476
2009	7,448,333	1,192,324	8,640,657
2010	7,391,034	658,665	8,049,699
2011	411,452	331,796	743,248
2012	<u>3,922,093</u>	<u>163,942</u>	<u>4,086,035</u>
Total	<u>\$ 20,308,534</u>	<u>\$ 3,813,581</u>	<u>\$ 24,122,115</u>

NOTE 12. DEFERRED PROGRAM REVENUE

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, deferred revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest and deferred revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2007, totaled \$887,810.

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, 2007, totaled \$475,714.

During fiscal year 2007, all mortgages under the Urban Development Action Grants, Housing Development Action Grants, and Community Development Block Grants were combined into the CDBG RLF Housing Rehab Loan Program Fund, and as such, all deferred revenue related to these mortgages is now combined into this one fund.

NOTE 13. LEASE AGREEMENTS

COMPONENT UNITS

Industrial Development Board

Description of leasing arrangements - The Board's leasing activities consist of the leasing of industrial space in facilities owned by the Board (operating leases) and sales-type capital leases to various industries for land and/or buildings located in the Board's industrial parks. The operating leases expire over the next fifteen years and the capital leases expire over the next twenty-eight 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, 2007, was \$4,483,024 and \$29,660,119, respectively; accumulated depreciation on the buildings was \$2,432,067. Rents received during 2007 were \$2,003,800. Of the fourteen leases in effect at September 30, 2007, thirteen were noncancelable, with one having an option for the lessee to occupy more space at a higher rental rate; one lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term. The lease provides for automatic one-year renewal terms ending on June 1, 2014, and annual minimum rentals of \$24,000.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 13. LEASE AGREEMENTS - CONTINUED

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

As of September 30, 2007, one industry leasing a facility from the Board was in default of its lease. Amounts due under the lease at that date totaled \$44,089. As of the date of these financial statements, the Board was unable to determine if the receivable amount is collectible, therefore, this amount has been recorded as an allowance for uncollectible receivables by the Board at September 30, 2007.

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, 2007:

Fiscal Year	
2008	\$ 2,338,911
2009	1,916,960
2010	1,557,668
2011	1,557,668
2012	1,475,491
2013	1,422,232
2014	1,422,232
2015	1,383,232
2016	1,362,232
2017	1,214,699
2018 and thereafter	<u>1,104,436</u>
Total	<u>\$ 16,755,761</u>

Capital leases

- A. The Board has leased, under capital leases, eleven parcels of land located in its Industrial Parks. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2014 to 2035, and several of these leases provide for renewal terms. No lease payments were received in fiscal year 2007 and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal. See Note 34 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 North. The initial lease term expires in 2019. The components of the net investment in sales-type capital leases at September 30, 2007, are as follows:

Total minimum lease payments to be received	\$ 5,021,944
Less: unearned income	<u>(1,539,430)</u>
Net investment in capital lease	<u>\$ 3,482,514</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 13. LEASE AGREEMENTS - CONTINUED

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

Fiscal Year		
2008	\$	468,002
2009		468,002
2010		468,002
2011		468,002
2012		468,002
2013		468,002
2014		468,002
2015		468,002
2016		468,002
2017		468,002
2018		341,924
Total	\$	5,021,944

The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. The leases are noncancelable operating leases, most with one year terms. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during 2007 were \$147,804. As of September 30, 2007, there were four leases in effect: two that expire within one year, and two that expire in fiscal year 2009. Future minimum rentals due under the leases are as follows:

Fiscal Year		
2008	\$	121,017
2009		86,667
Total	\$	207,684

NOTE 14. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

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, 2007, was 8.97% of covered payroll.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED

The City's annual pension cost of \$1,405,332 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2006, actuarial valuation using the entry age actuarial cost method. 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, 2006, was 20 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/04	\$ 1,011,607	100%	\$0
9/30/05	\$ 1,202,567	100%	\$0
9/30/06	\$ 1,332,813	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)
9/30/04 **	\$ 33,178,371	\$ 39,385,554	\$ 6,207,183	84.2%	\$ 16,676,516	37.2%
9/30/05	\$ 35,870,622	\$ 46,694,811	\$ 10,824,189	76.8%	\$ 18,719,256	57.8%
9/30/06 ***	\$ 38,535,864	\$ 52,125,575	\$ 13,589,712	73.9%	\$ 19,101,701	71.1%

* 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 August 4, 2005.

*** Reflects changes in actuarial assumptions.

COMPONENT UNITS

Board of Education

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Employees are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

Fiscal year ended September 30,	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total percentage of covered payroll	14.36%	13.17%	12.03%
Contributions:			
Percentage contributed by the Board	9.36%	8.17%	7.03%
Percentage contributed by the employees	5.00%	5.00%	5.00%
Contributed by the Board	\$ 2,776,775	\$ 2,131,760	\$ 1,636,443
Contributed by the employees	<u>1,483,353</u>	<u>1,304,576</u>	<u>1,164,236</u>
Total contributions	<u>\$ 4,260,128</u>	<u>\$ 3,436,336</u>	<u>\$ 2,800,679</u>

Water Works Board

The Board also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City. The Board's contribution rate for the year-ended September 30, 2007, was 5.46% of covered payroll; and the Board's annual pension cost of \$70,827 was equal to its required and actual contributions. The remaining amortization period at September 30, 2006, was 10 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/04	\$ 49,266	100%	\$0
9/30/05	\$ 66,860	100%	\$0
9/30/06	\$ 66,656	100%	\$0

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED

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)	UAL as a Percentage of Covered P/R ((b - a)/c)
9/30/04 **	\$ 2,087,718	\$ 2,164,290	\$ 76,572	96.5%	\$ 1,180,221	6.5%
9/30/05	\$ 2,224,828	\$ 2,390,092	\$ 165,263	93.1%	\$ 1,193,856	13.8%
9/30/06 ***	\$ 2,149,403	\$ 2,222,023	\$ 72,620	96.7%	\$ 1,289,259	5.6%

* 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 August 4, 2005.

*** Reflects changes in actuarial assumptions.

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

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

	Fiscal Year	
	2007	2006
Unpaid claims, beginning of year	<u>\$ 331,787</u>	<u>\$ 126,510</u>
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	138,748	136,385
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>57,508</u>	<u>200,049</u>
Total incurred claims	<u>196,256</u>	<u>336,434</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(34,341)	(43,939)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(278,366)</u>	<u>(87,218)</u>
Total payments	<u>(312,707)</u>	<u>(131,157)</u>
Unpaid claims, end of year	<u>\$ 215,336</u>	<u>\$ 331,787</u>

Total general liability for uninsured risks and workmen's compensation claims liability at September 30, 2007, is recorded as follows: \$65,336 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$150,000, along with the estimated liability for insured risks of \$182,091, 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, 2007

NOTE 16. MEDICAL SELF-INSURANCE

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

	Fiscal Year	
	2007	2006
Unpaid claims, beginning of year	\$ 141,153	\$ 114,186
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	1,992,968	1,762,636
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>28,246</u>	<u>(28,964)</u>
Total incurred claims	<u>2,021,214</u>	<u>1,733,672</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(1,882,464)	(1,621,483)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(169,400)</u>	<u>(85,222)</u>
Total payments	<u>(2,051,864)</u>	<u>(1,706,705)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 110,503</u>	<u>\$ 141,153</u>

The unpaid claims as of September 30, 2007, are reported in the General Fund.

NOTE 17. UNEMPLOYMENT COMPENSATION

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2007, by the State (\$13,885) to individuals is reflected as an expense of the General Fund.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 18. AD VALOREM TAX COLLECTION EXPENSE

The City is charged a collection fee by the County Tax Assessor and Collector for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year-ended September 30, 2007:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 2,734,144 *	\$ 57,868	\$ 23,139	\$ 2,653,137
Special 5-Mill Tax Fund	5	2,724,946 **	57,868	23,139	2,643,939
Special School Tax Fund	5	2,872,368	71,118	23,536	2,777,714
Special Additional School Tax Fund	11	6,319,209	156,458	51,779	6,110,972
Property tax totals	<u>26</u>	<u>\$ 14,650,667</u>	<u>\$ 343,312</u>	<u>\$ 121,593</u>	<u>\$ 14,185,762</u>

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

** Reduced by industrial tax exemptions.

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2007 consist of the following:

Amount	Due To Other Funds	Due From Other Funds	Purpose
<u>\$ 176,881</u>	Nonmajor Governmental Funds	General Fund	Provide cash flow for grants program and fund capital projects
	Advances To Other Funds	Advances From Other Funds	Purpose
<u>\$ 66,369</u>	Nonmajor Governmental Funds	General Fund	Provide funds for public improvement project

NOTE 20. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2007:

	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 601,855	\$ -
Special School Tax Fund	6,050,000	-
Nonmajor Governmental Funds	<u>109,942</u>	<u>6,762,544</u>
Total governmental activities	<u>6,761,797</u>	<u>6,762,544</u>
Major Enterprise Fund		
Sewer Revenue Fund	-	111,654
Nonmajor Enterprise Fund	<u>206,965</u>	<u>94,564</u>
Total business-type activities	<u>206,965</u>	<u>206,218</u>
Total primary government	<u>\$ 6,968,762</u>	<u>\$ 6,968,762</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 20. INTERFUND TRANSFERS - CONTINUED

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

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

NOTE 21. INTRA-ENTITY TRANSACTIONS

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

A. Short-term receivables and payables

	Due To	Due From
Component Units		
Industrial Development Board	\$ -	\$ 318,171
Water Works Board	199,907	10,746
Public Park and Recreation Board	205,951	-
Primary Government		
General Fund	89,295	398,508
Nonmajor governmental funds	228,876	-
Sewer Revenue Fund	10,746	7,350
Total	\$ 734,775	\$ 734,775

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

B. Long-term advances

	Advances To	Advances From
Primary Government		
General Fund	\$ 3,358,309	\$ -
Component Units		
Industrial Development Board	-	3,358,309
Total	\$ 3,358,309	\$ 3,358,309

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 21. INTRA-ENTITY TRANSACTIONS - CONTINUED

C. Payments between the City and Component Units

	Appropriations From Primary Government	Payments to Component Units
Primary Government		
General Fund	\$ -	\$ 15,748,950
Special School Tax Fund	-	5,830,120
Bent Creek/West Tech Park Fund	-	250,894
Nonmajor governmental funds	-	6,065,737
Nonmajor Enterprise Fund	-	141,455
Component Units		
Auburn City Board of Education	12,625,643	-
Industrial Development Board	2,239,459	-
Public Parks and Recreation Board	6,166,754	-
Commercial Development Authority	7,005,300	-
Total	\$ 28,037,156	\$ 28,037,156

Payments from the City to its component units consist primarily of funding for routine operating expenses and debt service payments. The payments between the City and its component units do not balance in the fund financial statements due to a difference in the measurement focus and basis of accounting between governmental funds and proprietary-type component units. In addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education that are not recorded as payments to the Board. The debt payments (including bond trustee fees) are reflected on the City's books as debt service expenditures and amounted to \$3,977,721.

NOTE 22. 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 2007, the City had two transactions that were considered unusual (i.e., only incidentally related to its ordinary and typical activities).

Property Swap – During fiscal year 2007, the City swapped the Wright Street parking lot with an adjusted basis of \$672,037 for the Gay Street parking lot valued at \$1,300,000. The Gay Street parking lot was recorded at the fair market value of the lot on the date of the swap, and a gain on the transaction of \$627,963 was recorded by the City equal to the difference between the fair market value of the property received and the historical cost of the property transferred. Since capital assets are not accounted for in the governmental activities' fund financial statements, the gain on the transaction is reported as a special item in the government-wide statement of activities with no corresponding entry in the governmental fund financial statements.

Mortgage Payoff – During fiscal year 2007, the City accepted the advance payoff of a HODAG mortgage originally scheduled to mature in 2027. In exchange for \$1,075,000, the City released Lakeside Apartments Limited Partnership from the outstanding mortgage balance of \$3,327,879. The \$1,075,000 represents the net present value of the future payments foregone at a discount rate of 9.08%. The difference between the payment received and the outstanding mortgage balance of \$2,252,879 is listed as a special item on the government-wide statement of activities. In the governmental activities' fund financial statements; there is an offsetting reduction of both mortgages receivable and deferred revenue.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 23. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND

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

In previous years, the City received various HODAG and UDAG federal grants which were used to make loans to private entities to be used for housing and business development activities within the City. As the City receives repayments from these loans, the repayments of funds may be expended for Title I eligible purposes. The City is using some of these repayments to make loans and to grant incentives to private entities and individuals for further housing and business development activities. Based on their related purposes and activities, the following Special Revenue Funds are presented as a single fund entitled the Federal Grant Loan Repayment Fund: the Housing Development Action Grant (HODAG) Fund, the Urban Development Action Grant (UDAG) Funds, the Revolving Loan Fund, the Affordable Housing Fund, and the CDBG RLF Housing Rehab Loan Program 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*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Total
Cash and cash equivalents	\$ -	\$ 453	\$ 1,211,244	\$ 23,159	\$ 12,346	\$ 1,247,202
Mortgages receivable	-	152,795	638,572	96,394	475,714	1,363,475
Advances to other funds	-	-	66,369	-	-	66,369
Total assets	<u>\$ -</u>	<u>\$ 153,248</u>	<u>\$ 1,916,185</u>	<u>\$ 119,553</u>	<u>\$ 488,060</u>	<u>\$ 2,677,046</u>
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,000	\$ -	\$ 174	\$ 1,174
Deferred program revenue	-	152,795	638,572	96,443	475,714	1,363,524
Due to component units	-	-	228,876	-	-	228,876
Fund balance-reserved for advances	-	-	66,369	-	-	66,369
Fund balance-unreserved	<u>1,238,555</u>	<u>60,222</u>	<u>(316,955)</u>	<u>23,110</u>	<u>12,171</u>	<u>1,017,103</u>
Total liabilities and fund balance	<u>\$ 1,238,555</u>	<u>\$ 213,017</u>	<u>\$ 617,862</u>	<u>\$ 119,553</u>	<u>\$ 488,059</u>	<u>\$ 2,677,046</u>
Revenues						
Program income	\$ 1,108,610	\$ 13,035	\$ 53,294	\$ 4,991	\$ 26,702	\$ 1,206,632
Miscellaneous	500	-	-	96	-	596
Other interest	<u>34,307</u>	<u>17,736</u>	<u>14,299</u>	<u>4,068</u>	<u>392</u>	<u>70,802</u>
Total revenues	1,143,417	30,771	67,593	9,155	27,094	1,278,030
Expenditures						
Economic development	<u>-</u>	<u>-</u>	<u>208,500</u>	<u>-</u>	<u>-</u>	<u>208,500</u>
Excess (deficiency) of revenues over expenditures	<u>1,143,417</u>	<u>30,771</u>	<u>(140,907)</u>	<u>9,155</u>	<u>27,094</u>	<u>1,069,530</u>
Other financing sources (uses)						
Transfers in	94,564	-	-	-	-	94,564
Transfers out	<u>(206,965)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,923)</u>	<u>(221,888)</u>
Total other financing sources (uses)	<u>(112,401)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,923)</u>	<u>(127,324)</u>
Net changes in fund balances	1,031,016	30,771	(140,907)	9,155	12,171	942,206
Fund balances, beginning of year	<u>207,539</u>	<u>29,451</u>	<u>(109,679)</u>	<u>13,955</u>	<u>-</u>	<u>141,266</u>
Fund balances, end of year	<u>\$ 1,238,555</u>	<u>\$ 60,222</u>	<u>\$ (250,586)</u>	<u>\$ 23,110</u>	<u>\$ 12,171</u>	<u>\$ 1,083,472</u>

*Net of interfund eliminations.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 24. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE REVENUE FUND

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

	<u>State Funded Seizures</u>	<u>Public Safety Substance Abuse (other seizures)</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 62,775	\$ 122,483	\$ 185,258
Liabilities and fund balance			
Fund balance-unreserved	\$ 62,775	\$ 122,483	\$ 185,258
Revenues			
Confiscation revenue	\$ 3,719	\$ 18,356	\$ 22,075
Other interest	2,770	5,200	7,970
Total revenues	6,489	23,556	30,045
Expenditures			
Public safety	-	200	200
Capital outlay	-	6,312	6,312
Total expenditures	-	6,512	6,512
Excess (deficiency) of revenues over expenditures	6,489	17,044	23,533
Beginning fund balance	56,286	105,439	161,725
Ending fund balance	\$ 62,775	\$ 122,483	\$ 185,258

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES

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

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
ASSETS							
Cash	\$ 5,102,235	-	-	-	-	-	\$ 5,102,235
Equity in pooled cash and cash equivalents	<u>9,157,347</u>	<u>25,045</u>	<u>1,549</u>	-	<u>1,171,269</u>	<u>824,983</u>	<u>11,180,193</u>
Total cash and cash equivalents	14,259,582	25,045	1,549	-	1,171,269	824,983	16,282,428
Receivables							
Revenues	5,467,785	-	-	-	-	-	5,467,785
Grants	41,278	-	-	-	-	-	41,278
Other governmental units	661,577	-	-	-	-	-	661,577
Special assessments	25,107	-	-	48,119	-	-	73,226
Other	962,888	-	-	621	9,603	23,136	996,248
Due from other funds	176,881	-	-	-	-	-	176,881
Due from component units	398,508	-	-	-	-	-	398,508
Inventories, at cost	17,309	-	-	-	-	-	17,309
Prepaid expenses	52,830	-	-	-	-	-	52,830
Advances to component units	3,358,309	-	-	-	-	-	3,358,309
Advances to other agencies	402,019	-	-	-	-	-	402,019
Property for resale	4,131,127	-	-	-	-	-	4,131,127
TOTAL ASSETS	<u>\$ 29,955,200</u>	<u>\$ 25,045</u>	<u>\$ 1,549</u>	<u>\$ 48,740</u>	<u>\$ 1,180,872</u>	<u>\$ 848,119</u>	<u>\$ 32,059,525</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	<u>General Government Operations</u>	<u>Community Built Playground</u>	<u>Veterans Memorial Monument</u>	<u>Special Improvement Projects</u>	<u>Employee Benefit Risk Financing</u>	<u>General Liability Risk Financing</u>	<u>Total (Net of Eliminations)</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities							
Accounts payable and accrued liabilities	\$ 2,015,207	-	-	\$ 78,389	\$ 4,084	\$ 65,336	\$ 2,163,016
Customer deposits	108,023	-	-	-	-	-	108,023
Due to component units	89,295	-	-	-	-	-	89,295
Deferred revenue	1,336,418	-	-	48,119	-	-	1,384,537
Claims payable	-	-	-	-	110,503	-	110,503
Advances from other funds	-	-	66,369	-	-	-	66,369
Total liabilities	<u>3,548,943</u>	<u>-</u>	<u>66,369</u>	<u>126,508</u>	<u>114,587</u>	<u>65,336</u>	<u>3,921,743</u>
Fund equity and other credits							
Fund balances							
Reserved for-							
Inventories	17,309	-	-	-	-	-	17,309
Prepaid expenses	52,830	-	-	-	-	-	52,830
Encumbrances	415,611	-	-	324,239	-	-	739,850
Advances	3,760,328	-	-	-	-	-	3,760,328
Property for resale	4,131,127	-	-	-	-	-	4,131,127
Unreserved -							
Designated -							
Future emergency purchases	4,620,075	-	-	-	-	-	4,620,075
Undesignated (deficit)	<u>15,489,670</u>	<u>25,045</u>	<u>(64,820)</u>	<u>(1,914,662)</u>	<u>898,247</u>	<u>382,783</u>	<u>14,816,263</u>
Total equity and other credits	<u>28,486,950</u>	<u>25,045</u>	<u>(64,820)</u>	<u>(1,590,423)</u>	<u>898,247</u>	<u>382,783</u>	<u>28,137,782</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 32,035,893</u>	<u>\$ 25,045</u>	<u>\$ 1,549</u>	<u>\$ (1,463,915)</u>	<u>\$ 1,012,834</u>	<u>\$ 448,119</u>	<u>\$ 32,059,525</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues							
Sales and use taxes	\$ 21,784,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,784,157
Occupational license taxes	7,826,656	-	-	-	-	-	7,826,656
Motor fuel taxes	249,202	-	-	-	-	-	249,202
Lodging taxes	1,369,273	-	-	-	-	-	1,369,273
Rental and leasing taxes	1,473,112	-	-	-	-	-	1,473,112
Other taxes	121,760	-	-	-	-	-	121,760
Licenses and permits	7,311,513	-	-	-	-	-	7,311,513
General property tax	3,140,581	-	-	-	-	-	3,140,581
Fees for services	6,726,025	-	-	-	361,578	-	7,087,603
Fines and forfeitures	1,335,798	-	-	-	-	-	1,335,798
State shared taxes	905,354	-	-	-	-	-	905,354
Contributions from the public	314,752	-	8,340	148,844	-	-	471,936
Grants	235,479	-	-	-	-	-	235,479
Other interest	816,881	1,115	23	7,089	53,300	35,245	913,653
Miscellaneous	111,057	-	-	-	-	-	111,057
Total revenues	53,721,600	1,115	8,363	155,933	414,878	35,245	54,337,134
Expenditures							
General government and administration	3,723,273	-	-	-	-	-	3,723,273
Public works	3,002,103	-	-	-	-	-	3,002,103
Environmental services	3,963,063	-	-	-	-	-	3,963,063
Public safety	12,860,310	-	-	-	-	-	12,860,310
Library	1,254,007	-	-	-	-	-	1,254,007
Parks and recreation	4,247,737	-	4,274	-	-	-	4,252,011

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Planning	600,553	-	-	-	-	-	600,553
Economic development	890,768	-	-	-	-	-	890,768
Employee services	504,822	-	-	-	-	-	504,822
Risk management	176,097	-	-	-	526,495	227,035	929,627
Total departmental	31,222,733	-	4,274	-	526,495	227,035	31,980,537
Non-departmental	1,100,944	-	-	-	-	-	1,100,944
Debt service:							
Administrative charges	6,350	-	-	500	-	-	6,850
Interest	1,896,612	-	-	8,326	-	-	1,904,938
Principal retirement	4,239,587	-	-	148,844	-	-	4,388,431
Capital outlay	3,618,906	-	-	1,474,118	-	-	5,093,024
Intergovernmental	1,395,716	-	-	-	-	-	1,395,716
Payments to component units	15,748,950	-	-	-	-	-	15,748,950
Total expenditures	59,229,798	-	4,274	1,631,788	526,495	227,035	61,619,390
Excess (deficiency) of revenues over expenditures	(5,508,198)	1,115	4,089	(1,475,855)	(111,617)	(191,790)	(7,282,256)
Other financing sources (uses)							
Long-term debt proceeds	7,000,000	-	-	-	-	-	7,000,000
Sale of surplus assets	61,597	-	-	-	-	-	61,597
Transfers in	742,822	-	-	-	-	-	742,822
Transfers out	-	-	-	-	-	(140,967)	(140,967)
Total other financing sources (uses)	7,804,419	-	-	-	-	(140,967)	7,663,452
Net changes in fund balances	2,296,221	1,115	4,089	(1,475,855)	(111,617)	(332,757)	381,196
Fund balances, beginning of year	26,190,729	23,930	(68,909)	(114,568)	1,009,864	715,540	27,756,586
Fund balances, end of year	\$ 28,486,950	\$ 25,045	\$ (64,820)	\$ (1,590,423)	\$ 898,247	\$ 382,783	\$ 28,137,782

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 26. RESTRICTED ASSETS

COMPONENT UNITS

Water Works Board

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

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.

NOTE 27. DEFERRED WATER RIGHTS

The Board entered into a Water Supply Agreement with the City of Opelika Water Board in June 1983 (See Note 11.) Auburn's share, as computed under the agreement, of the initial expenditures, capital contributions, bonds payable, and interest incurred through October 27, 1986 (when the agreement became operational), has been capitalized as deferred water rights. On October 27, 1986, the date Opelika's source supply became operational; amortization of the deferred water rights over the remaining life of the agreement began. A summary of deferred water rights at September 30, 2007, follows:

Deferred water rights, beginning of year	\$ 1,129,704
Amortization of deferred water rights	<u>(169,456)</u>
Deferred water rights, end of year	<u>\$ 960,248</u>

NOTE 28. SPECIAL CAPITAL IMPROVEMENT PROJECTS

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

The Dean Road Extension project was completed in fiscal year 1999, and an agreement was signed whereby the affected property owners agreed to pay the City \$810,672 (the net cost to the City for construction) with interest at 5.16% over ten years. Amounts collected under the agreement in fiscal year 2007 included principal of \$148,844 and interest of \$8,326; the balance due from the property owners at September 30, 2007, was \$48,119. During construction, the costs were funded by state grants and existing General Fund resources and, accordingly, were recorded as capital outlay expenditures in the year incurred. At the time the agreement was signed with the property owners, the City issued a general obligation warrant in the amount of \$810,672 to recover the costs incurred by the General Fund, and the property owners pledged an irrevocable letter of credit to secure the warrant. The warrant is backed by the full faith credit and taxing power of the City and is not secured by liens against the property.

NOTE 29. DEPRIVATIZATION OF SEWER PLANTS

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

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

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

- A. Base Service Charge – payable monthly, and on an annual basis will increase from \$1,332,440 for the first twelve month period to \$2,216,964 for the seventh through twenty-fifth periods. The Base Service Charge was intended to cover the costs of debt service on the debt issued to finance the construction of the treatment plants. Effective August 1, 2001, the date that the original bonds issued in connection with the project were repaid, the base service charge is no longer payable to the Partnership.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 29. DEPRIVATIZATION OF SEWER PLANTS - CONTINUED

- 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 (see Note 11 regarding current refunding of these warrants during 2007).
- D. The City agreed to enter into a contract with the Partnership for the design, engineering and management of a construction program to upgrade the sewer system in the approximate capital amount of \$10,000,000.
- E. The City and the Partnership agreed to extend the existing contract for the operation of the wastewater treatment plants (included in the Service Agreement) until January 1, 2020.

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.

Effective August 1, 2001, the Base Service Charge included in the original Service Agreement is no longer payable to the Partnership by the City. The Additional Service Charge (\$1,742,737, annually) continues to be payable under the terms of the extension of the Service Agreement until January 1, 2020.

NOTE 30. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

Subsequent to September 30, 2007, the City Council approved various design and construction contracts totaling approximately \$6,296,000 and equipment and computer software purchases totaling approximately \$837,000.

COMPONENT UNITS

Industrial Development Board

Subsequent to September 30, 2007, the Board approved a package of incentives to a company considering a relocation that included providing a site in the Auburn Technology Park North, providing up to \$77,000 for site work and relocation expenses, providing office space during construction at the Auburn Center for Developing Industries facility at no rental cost, providing construction financing for the building, and granting a tax abatement for the building and capital equipment.

After year end, the Board executed construction contracts totaling \$5,758,243 for two new buildings, and obtained construction financing for one of the buildings in the amount of \$3,400,000. Additionally, a contract for Phase I construction costs at Auburn Technology Park West was signed in the amount of \$2,698,438.

Subsequent to year end, the Board approved the grading and sale of a lot in the Auburn Technology Park West. Also, three companies that are currently leasing buildings under capital leases with the Board exercised their rights to purchase the buildings at a nominal cost. The property was transferred by the Board to the respective companies after September 30, 2007.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES

CITY OF AUBURN PRIMARY GOVERNMENT

Commitments - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was \$9,604,801 as of September 30, 2007.

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

<u>Fiscal Year</u>	<u>Appropriation</u>
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	<u>376,020</u>
Total	<u>\$ 6,790,511</u>

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

In July 2006, the City entered into a development, funding and cooperation agreement with Auburn University and The Public Park and Recreation Board of the City of Auburn. The agreement provided for the construction of a tennis facility on approximately 11.21 acres of City owned land to include both an Auburn City tennis facility and an Auburn University tennis facility. The costs for constructing the tennis facilities were paid from general obligation bonds and warrants. The land for the complex is being leased by the City to the Park Board for a period of twenty years. The Park Board subleases the University tennis facility to Auburn University, also for a period of twenty years. The tennis complex was completed in August 2007.

Claims and Litigation - As of September 30, 2007, the City had been named defendant in six pending lawsuits. Five of these suits do not specify a dollar amount of damages claimed, and the total damages claimed in the suit specifying damages is \$500,000. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$182,091.

In fiscal year 2007, the City expended \$204,430 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, 2007

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES - CONTINUED

COMPONENT UNITS

Board of Education

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

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
AJHS Cafeteria Architect Fees	\$ 138,000	\$ 39,225	\$ 98,775	\$ -
Fencing Security Gates	76,476	66,917	9,559	-
AHS Classroom Addition	3,112,167	1,652,976	1,459,191	-
Transportation Facility	143,592	103,706	39,886	-
Bus Wash/Fuel Maintenance	1,602,545	1,562,870	39,675	-
Richland Road School	<u>8,897,282</u>	<u>7,899,954</u>	<u>997,328</u>	-
Total	<u>\$ 13,970,062</u>	<u>\$ 11,325,648</u>	<u>\$ 2,644,414</u>	<u>\$ -</u>

The Board is obligated under certain leases which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the results of these lease agreements are not reflected as part of the Board's capital assets. The Board has several non-cancelable leases for certain equipment that are classified as operating leases. Rent expense under these non-cancelable leases was \$77,021 for the fiscal year ended September 30, 2007.

The approximate remaining annual minimum lease payments under the noncancelable leases existing as of September 30, 2007 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2008	53,537
2009	<u>35,605</u>
Total	<u>\$ 89,142</u>

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

Water Works Board

Commitments - The Water Works Board has commitments for construction projects in connection with system improvements. The cost to complete the projects is approximately \$524,000.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES - CONTINUED

Industrial Development Board

Commitments – Pursuant to the note receivable from the Auburn Research and Technology Foundation, the Board has committed to loan the Foundation up to \$10,000,000 to finance the construction of a new research park. During 2007, \$634,367 was expended for construction, and the remaining commitment at September 30, 2007 was \$9,365,633.

In connection with a package of incentives offered to a company that chose to locate in Auburn, the Board agreed to make available for a period of five years a 25 acre lot in Auburn Technology Park West. The approximate value of the lot at September 30, 2007 was \$625,000.

As of September 30, 2007, the Board had committed approximately \$350,000 to companies currently located in its industrial parks to assist with expansion costs. The Board had also committed approximately \$25,000 for improvements to the Auburn Center For Developing Industries building to assist various tenants who are leasing space there.

Prior to September 30, 2007, the Board had approved an incentive package for a company that will be locating in Auburn. Incentives committed include cash assistance in the amount of \$245,000 for rent, relocation and training, temporary rental space in the Board's Auburn Center For Developing Industries facility at no cost with an estimated value of \$20,250, and a tax abatement for capital equipment and other personal property.

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.

Commercial Development Authority of the City of Auburn

Commitments – In August 2005 the Authority entered into a \$7,000,000 line of credit agreement for the purpose of making funds available to pay the cost of constructing certain public improvements on or around the intersection of Glenn Avenue and Bent Creek Road to facilitate the location and construction on adjacent property of a large-scale community shopping center. The City of Auburn agreed to support the Authority by providing the necessary financial support for the repayment of the line of credit. As of September 30, 2007, the Authority had paid to the developer \$7,216,755 and had received \$7,000,000 from the City. In July 2007, the City agreed to increase their support and the principal amount of the line of credit by \$1,800,000 to fund the cost of additional infrastructure improvements.

NOTE 32. PRIOR PERIOD ADJUSTMENTS

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2007, a prior period adjustment was recorded to reflect the retroactive reporting of all major infrastructure assets placed in service prior to October 1, 2002. The City recorded infrastructure assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems totaling \$70,353,654, with accumulated depreciation of \$40,153,341 as of September 30, 2006, for a net prior period adjustment to increase governmental activities net assets by \$30,200,313.

During fiscal year 2007, a prior period adjustment was recorded to reflect the fair market value of 33 acres of land donated to the City during a prior year. The fair market value of the land at the time of donation of \$570,000 equals the increase in governmental activities net assets.

COMPONENT UNITS

Industrial Development Board

During fiscal year 2006, a prior period adjustment was recorded for additional costs of developing property in Auburn Technology Park North that were allocated to lots previously sold or reclassified as land held for leasing by the Board in prior periods. When the development of the Park was completed in fiscal year 2007, additional costs of \$38,385 were discovered that should have been allocated to a lot sold in fiscal year 2006. A prior period adjustment was recorded to decrease the Board's net assets by the amount of these costs.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 33. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill closed in fiscal year 2000. Postclosure care costs are paid only after the date that the landfill stops accepting waste; the City reports these postclosure care costs in governmental activities' long-term debt and other liabilities. There were no expenditures for landfill closure and postclosure care during fiscal year 2007. The \$196,000 reported as landfill postclosure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2007, represents estimated costs of postclosure care based on what it would cost to perform all postclosure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 34. RELATED PARTY TRANSACTIONS

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

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

Capital Projects Funds

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

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

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

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

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

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

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

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

CITY OF AUBURN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007

	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	Federal Grant Loan Repayment Funds	Public Library Board	Total	GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total	
ASSETS													
Cash and cash equivalents	\$ 38,713	\$ 48,779	\$ 185,259	\$ 92,196	\$ 2,634,570	\$ -	\$ 1,247,203	\$ 12,997	\$ 4,259,717	\$ -	\$ 2,720,409	\$ 2,720,409	
Receivables, net	13,222	10,314	-	21,334	62,846	214,735	-	-	322,451	-	28,566	28,566	
Advances to other funds	-	-	-	-	-	-	66,369	-	66,369	-	-	-	
Mortgages receivable	-	-	-	-	-	-	1,363,475	-	1,363,475	-	-	-	
Total assets	\$ 51,935	\$ 59,093	\$ 185,259	\$ 113,530	\$ 2,697,417	\$ 214,735	\$ 2,677,047	\$ 12,997	\$ 6,012,012	\$ -	\$ 2,748,975	\$ 2,748,975	
LIABILITIES AND FUND BALANCES													
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,854	\$ 1,175	\$ -	\$ 39,028	\$ -	\$ -	\$ -	
Due to component units	-	-	-	-	-	-	228,876	-	228,876	-	-	-	
Due to other funds	-	-	-	-	-	176,881	-	-	176,881	-	-	-	
Deferred program revenue	-	-	-	-	-	-	1,363,524	-	1,363,524	-	-	-	
Total liabilities	-	-	-	-	-	214,735	1,593,575	-	1,808,310	-	-	-	
Fund balances:													
Reserved:													
Encumbrances	-	-	-	-	-	33,305	-	-	33,305	-	-	-	
Advances	-	-	-	-	-	-	66,369	-	66,369	-	-	-	
Unreserved:													
Undesignated (deficit)	51,935	59,093	185,259	113,530	2,697,417	(33,305)	1,017,104	12,997	4,104,028	-	2,748,975	2,748,975	
Total fund balances	51,935	59,093	185,259	113,530	2,697,417	-	1,083,473	12,997	4,203,702	-	2,748,975	2,748,975	
Total liabilities and fund balances	\$ 51,935	\$ 59,093	\$ 185,259	\$ 113,530	\$ 2,697,417	\$ 214,735	\$ 2,677,047	\$ 12,997	\$ 6,012,012	\$ -	\$ 2,748,975	\$ 2,748,975	

Capital Projects Funds

	'01 Capital Projects Fund	'03 6.3 Mil Capital Projects Fund	'03 2.1 Mil Capital Projects Fund	'05 Capital Projects Fund	Tennis Center/ Library Expansion Fund	Tennis Center/ AU Portion Fund	AU Research Park Capital Projects Fund	Total	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ 1,026,803	\$ -	\$ 441,796	\$ 2,527,933	\$ 361,573	\$ 575,342	\$ 4,933,446	\$ 11,913,572
Receivables, net	-	24,001	-	85,096	-	-	-	109,097	460,114
Advances to other funds	-	-	-	-	-	-	-	-	66,369
Mortgages receivable	-	-	-	-	-	-	-	-	1,363,475
Total assets	\$ -	\$ 1,050,803	\$ -	\$ 526,892	\$ 2,527,933	\$ 361,573	\$ 575,342	\$ 5,042,543	\$ 13,803,530
LIABILITIES AND FUND BALANCES									
Accounts payable and accrued liabilities	\$ -	\$ 8,715	\$ -	\$ 222,339	\$ 45,893	\$ -	\$ 347,854	\$ 624,801	\$ 663,829
Due to component units	-	-	-	-	-	-	-	-	228,876
Due to other funds	-	-	-	-	-	-	-	-	176,881
Deferred program revenue	-	-	-	-	-	-	-	-	1,363,524
Total liabilities	-	8,715	-	222,339	45,893	-	347,854	624,801	2,433,110
Fund balances:									
Reserved:									
Encumbrances	-	78,531	-	43,308	1,666,376	-	1,076	1,789,291	1,822,596
Advances	-	-	-	-	-	-	-	-	66,369
Unreserved:									
Undesignated (deficit)	-	963,557	-	261,244	815,664	361,573	226,412	2,628,451	9,481,455
Total fund balances	-	1,042,088	-	304,553	2,482,040	361,573	227,488	4,417,743	11,370,420
Total liabilities and fund balances	\$ -	\$ 1,050,803	\$ -	\$ 526,892	\$ 2,527,933	\$ 361,573	\$ 575,342	\$ 5,042,543	\$ 13,803,530

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

	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	Federal Grant Loan Repayment Funds	Public Library Board	Total	GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total
Revenues												
Motor fuel taxes	\$ -	\$ -	\$ -	\$ 249,201	\$ -	\$ -	\$ -	\$ -	\$ 249,201	\$ -	\$ -	\$ 249,201
General property tax	-	-	-	6,319,208	-	-	-	-	6,319,208	-	2,724,946	2,724,946
State shared taxes	146,131	114,436	-	-	-	-	-	-	260,567	-	-	260,567
Contributions from the public	-	-	22,075	-	-	-	-	-	22,075	-	-	22,075
Grants	-	-	-	-	-	1,031,315	-	-	1,031,315	-	-	1,031,315
Program income	-	-	-	-	-	-	1,206,632	-	1,206,632	-	-	1,206,632
Interest	2,332	2,243	7,970	4,273	170,238	-	70,803	193	258,052	14	160,965	160,969
Miscellaneous	-	-	-	-	-	-	596	-	596	-	-	596
Total revenues	148,463	116,679	30,045	253,474	6,489,446	1,031,315	1,278,031	193	9,347,645	14	2,885,901	2,885,915
Expenditures												
General government and administration	-	-	-	-	-	170,179	-	-	170,179	-	-	170,179
Library	-	-	-	-	-	-	-	5	5	-	-	5
Public works	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	200	-	-	-	-	-	200	-	-	200
Economic Development	-	-	-	-	-	357,973	208,500	-	566,473	-	-	566,473
Total departmental	-	-	200	-	-	528,152	208,500	5	736,857	-	-	736,857
Non-departmental	-	-	-	-	208,237	-	-	-	208,237	-	81,007	81,007
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	1,465,000	1,465,000
Interest	-	-	-	-	-	-	-	-	-	-	866,286	866,286
Administrative charges	-	-	-	-	-	-	-	-	-	-	107,675	107,675
Capital outlay	-	-	6,312	-	-	518,086	-	-	524,397	-	-	524,397
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-
Payments to component units	-	-	-	-	-	-	-	-	-	-	103,763	103,763
Total expenditures	-	-	6,512	-	208,237	1,046,237	208,500	5	1,469,491	-	2,623,732	2,623,732
Excess (deficiency) of revenues over expenditures	148,463	116,679	23,533	253,474	6,281,209	(14,922)	1,069,531	188	7,878,154	14	262,169	262,183
Other financing sources (uses)												
Debt issuance	-	-	-	-	-	-	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	14,923	94,564	-	109,487	-	456	456
Transfers out	(150,000)	(100,000)	-	(225,000)	(6,050,000)	-	(221,888)	-	(6,746,888)	(13,188)	-	(13,188)
Total other financing sources (uses)	(150,000)	(100,000)	-	(225,000)	(6,050,000)	14,923	(127,324)	-	(6,637,401)	(13,188)	456	(12,732)
Net changes in fund balances	(1,537)	16,679	23,533	28,474	231,209	-	942,207	188	1,240,753	(13,174)	262,625	249,451
Fund balances, beginning of year	53,472	42,414	161,725	85,056	2,466,207	-	141,266	12,809	2,962,949	13,174	2,486,351	2,499,524
Fund balances, end of year	\$ 51,935	\$ 59,093	\$ 185,259	\$ 113,529	\$ 2,697,416	\$ -	\$ 1,083,473	\$ 12,997	\$ 4,203,702	\$ -	\$ 2,748,975	\$ 2,748,975

Capital Projects Funds

	'01 Capital Projects Fund	'03 6.3 Mill Capital Projects Fund	'03 2.1 Mill Capital Projects Fund	'05 Capital Projects Fund	Tennis Center/ Library Expansion Fund	Tennis Center/ AU Portion Fund	AU Research Park Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues								
Motor fuel taxes	-	-	-	-	-	-	-	\$ 249,201
General property tax	-	-	-	-	-	-	-	9,044,154
State shared taxes	-	-	-	-	-	-	-	260,567
Contributions from the public	-	-	-	-	-	-	-	22,075
Grants	-	91,568	-	117,096	-	-	-	1,239,979
Program income	-	-	-	-	-	-	-	1,206,632
Interest	1,024	54,599	22	73,780	90,008	85,103	53,995	777,552
Miscellaneous	-	-	-	-	-	-	10,497	11,093
Total revenues	1,024	146,167	22	190,876	90,008	85,103	64,492	12,811,253
Expenditures								
General government and administration	-	-	-	-	-	-	-	170,179
Library	-	-	-	-	-	-	-	5
Public works	-	6,513	-	-	-	-	-	6,513
Public safety	-	-	-	-	-	-	-	200
Economic Development	-	-	-	-	-	-	-	586,473
Total departmental	-	6,513	-	-	-	-	-	743,370
Non-departmental	-	-	-	-	-	-	-	289,244
Debt service:								
Principal retirement	-	-	-	-	-	-	-	1,465,000
Interest	-	-	-	-	-	-	-	866,286
Administrative charges	-	-	-	-	-	-	-	107,675
Capital outlay	50,614	227,397	719	2,168,013	166,747	-	-	3,137,887
Intergovernmental	-	-	-	153	-	-	1,745,942	1,746,095
Payments to component units	-	-	-	-	2,699,560	3,262,414	-	6,065,737
Total expenditures	50,614	233,910	719	2,168,166	2,866,307	3,262,414	1,745,942	14,421,295
Excess (deficiency) of revenues over expenditures	(49,590)	(87,743)	(696)	(1,977,290)	(2,776,299)	(3,177,311)	(1,681,451)	(1,610,042)
Other financing sources (uses)								
Debt issuance	-	-	-	-	5,200,000	-	-	5,200,000
Premium on debt issued	-	-	-	-	105,076	-	-	105,076
Transfers in	-	-	-	-	-	-	-	109,942
Transfers out	(2,013)	-	-	(456)	-	-	-	(6,762,544)
Total other financing sources (uses)	(2,013)	-	-	(456)	5,305,076	-	-	(1,347,526)
Net changes in fund balances	(51,603)	(87,743)	(1,152)	(1,977,290)	2,528,777	(3,177,311)	(1,681,451)	(2,957,568)
Fund balances, beginning of year	51,603	1,129,832	1,152	2,281,843	(46,737)	3,538,883	1,908,939	14,327,989
Fund balances, end of year	\$ -	\$ 1,042,088	\$ -	\$ 304,553	\$ 2,482,041	\$ 361,573	\$ 227,488	\$ 11,370,421

**CITY OF AUBURN, ALABAMA
SEVEN-CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State shared taxes	\$ 125,000	\$ 130,600	\$ 146,131	\$ 15,531
Interest	500	1,500	2,332	832
Total revenues	<u>125,500</u>	<u>132,100</u>	<u>148,463</u>	<u>16,363</u>
Other financing sources (uses)				
Transfers out	<u>(135,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net changes in fund balances	(9,500)	(17,900)	(1,537)	16,363
Fund balances, beginning of year	<u>53,472</u>	<u>53,472</u>	<u>53,472</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 43,972</u></u>	<u><u>\$ 35,572</u></u>	<u><u>\$ 51,935</u></u>	<u><u>\$ 16,363</u></u>

**CITY OF AUBURN, ALABAMA
FOUR-CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State shared taxes	\$ 100,000	\$ 100,000	\$ 114,436	\$ 14,436
Interest	839	1,200	2,243	1,043
Total revenues	<u>100,839</u>	<u>101,200</u>	<u>116,679</u>	<u>15,479</u>
Other financing sources (uses)				
Transfers out	<u>(90,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net changes in fund balances	10,839	1,200	16,679	15,479
Fund balances, beginning of year	<u>42,414</u>	<u>42,414</u>	<u>42,414</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 53,253</u></u>	<u><u>\$ 43,614</u></u>	<u><u>\$ 59,093</u></u>	<u><u>\$ 15,479</u></u>

**CITY OF AUBURN, ALABAMA
PUBLIC SAFETY SUBSTANCE ABUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Contributions from the public	\$ 20,000	\$ 6,650	\$ 22,075	\$ 15,425
Grants	-	-	-	-
Interest	4,000	5,500	7,970	2,470
Total revenues	<u>24,000</u>	<u>20,400</u>	<u>30,045</u>	<u>9,645</u>
Expenditures				
Public works	-	-	-	-
Capital outlay	-	23,000	6,312	16,688
Total expenditures	<u>8,000</u>	<u>23,000</u>	<u>6,512</u>	<u>16,488</u>
Net changes in fund balances	16,000	(2,600)	23,533	26,133
Fund balances, beginning of year	<u>161,725</u>	<u>161,725</u>	<u>161,725</u>	<u>-</u>
Fund balances, end of year	<u>\$ 177,725</u>	<u>\$ 159,125</u>	<u>\$ 185,259</u>	<u>\$ 26,133</u>

**CITY OF AUBURN, ALABAMA
CITY GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Motor fuel taxes	\$ 175,000	\$ 200,000	\$ 249,201	\$ 49,201
Interest	900	2,200	4,273	2,073
Total revenues	<u>175,900</u>	<u>202,200</u>	<u>253,474</u>	<u>51,274</u>
Other financing sources (uses)				
Transfers in	38,770	-	-	-
Transfers out	(190,000)	(225,000)	(225,000)	-
Total other financing sources (uses)	<u>(151,230)</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Net changes in fund balances	24,670	(22,800)	28,474	51,274
Fund balances, beginning of year	<u>85,056</u>	<u>85,056</u>	<u>85,056</u>	<u>-</u>
Fund balances, end of year	<u>\$ 109,726</u>	<u>\$ 62,256</u>	<u>\$ 113,529</u>	<u>\$ 51,274</u>

CITY OF AUBURN, ALABAMA
SPECIAL ADDITIONAL SCHOOL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
General property tax	\$ 5,328,010	\$ 6,140,000	\$ 6,319,208	\$ 179,208
Interest	146,140	150,000	170,238	20,238
Total revenues	<u>5,474,150</u>	<u>6,290,000</u>	<u>6,489,446</u>	<u>199,446</u>
Expenditures				
Non-departmental	<u>337,000</u>	<u>194,000</u>	<u>208,237</u>	<u>(14,237)</u>
Excess (deficiency) of revenues over expenditures	5,137,150	6,096,000	6,281,209	185,209
Other financing sources (uses)				
Transfers out	<u>(6,050,000)</u>	<u>(6,050,000)</u>	<u>(6,050,000)</u>	<u>-</u>
Net changes in fund balances	(912,850)	46,000	231,209	185,209
Fund balances, beginning of year	<u>2,466,207</u>	<u>2,466,207</u>	<u>2,466,207</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,553,357</u>	<u>\$ 2,512,207</u>	<u>\$ 2,697,416</u>	<u>\$ 185,209</u>

CITY OF AUBURN, ALABAMA
SPECIAL 5-MILL TAX DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
General property tax	\$ 2,363,663	\$ 2,650,000	\$ 2,724,946	\$ 74,946
Interest	90,000	125,000	160,955	35,955
Total revenues	<u>2,453,663</u>	<u>2,775,000</u>	<u>2,885,901</u>	<u>110,901</u>
Expenditures				
Non-departmental	105,893	96,061	81,007	15,054
Debt service:				
Principal retirement	1,465,000	1,465,000	1,465,000	-
Interest	1,100,586	1,100,586	866,286	234,300
Administrative charges	7,000	7,000	107,675	(100,675)
Payments to component units	-	-	103,763	(103,763)
Total expenditures	<u>2,678,479</u>	<u>2,668,647</u>	<u>2,623,732</u>	<u>44,915</u>
Excess (deficiency) of revenues over expenditures	<u>(224,816)</u>	<u>106,353</u>	<u>262,169</u>	<u>155,816</u>
Other financing sources (uses)				
Debt issuance	5,250,000	-	-	-
Transfers out	<u>(5,250,000)</u>	<u>-</u>	<u>456</u>	<u>456</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>456</u>	<u>456</u>
Net changes in fund balances	(224,816)	106,353	262,625	156,272
Fund balances, beginning of year	<u>2,486,351</u>	<u>2,486,351</u>	<u>2,486,351</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,261,535</u>	<u>\$ 2,592,704</u>	<u>\$ 2,748,975</u>	<u>\$ 156,272</u>



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

City of Auburn

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2007

Governmental funds capital assets	
Land, buildings and improvements	\$ 43,571,527
Construction in progress	3,757,956
Communication equipment	267,210
Heavy equipment	2,447,424
Office equipment	2,199,075
Small tools and equipment	852,535
Vehicles	8,514,646
Infrastructure	92,646,711
Total governmental funds capital assets	<u>\$ 154,257,084</u>

Investment in governmental funds capital assets by source	
General fund revenues	\$ 106,438,928
Capital projects funds	37,526,536
Federal grants	4,043,248
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	1,780,458
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	368,540
Total investment in governmental funds capital assets	<u>\$ 154,257,084</u>

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2007

Function and Activity	Total	Land Buildings & Improvements	Construction in Progress	Communication Equipment	Heavy Equipment	Office Equipment	Small Tools and Equipment	Vehicles	Infrastructure
General government and administration									
Information technology	\$ 1,446,115	\$ 27,021	\$ -	\$ 5,600	\$ -	\$ 926,035	\$ 41,399	\$ 67,478	\$ 378,582
Geographical information systems	152,273	-	-	-	-	152,273	-	-	-
Judicial	20,734	12,400	-	-	-	8,334	-	-	-
Administrative	182,023	150,855	-	-	-	7,495	-	23,673	-
Finance	774,204	-	-	-	-	756,024	-	18,180	-
Total general government and administration	2,575,349	190,276	-	5,600	-	1,850,160	41,399	109,331	378,582
Public works administration	91,910,698	887,570	-	-	1,078,126	98,380	65,946	992,125	88,788,551
Environmental services	3,527,500	350,445	-	-	600,400	6,658	95,755	2,474,242	-
Public safety administration	4,118,206	3,835,994	-	225,995	-	14,536	-	41,680	-
Fire	2,834,847	197,191	-	-	291,774	-	89,146	2,256,736	-
Police and jail administration	2,248,372	130,593	-	35,615	-	38,746	336,841	1,706,577	-
Codes enforcement	77,332	-	-	-	-	7,421	-	69,911	-
Library	3,227,311	3,055,145	-	-	-	172,166	-	-	-
Parks and recreation	21,595,112	16,619,476	-	-	477,124	5,425	223,448	790,061	3,479,578
Planning	42,769	-	-	-	-	5,583	-	37,186	-
Human resource management	482,330	462,889	-	-	-	-	-	19,441	-
Economic development	170,323	152,967	-	-	-	-	-	17,356	-
Total departmental	132,810,149	25,882,548	-	287,210	2,447,424	2,199,075	852,535	8,514,646	92,646,711
Nondepartmental	21,446,935	17,688,979	3,757,956	-	-	-	-	-	-
Total governmental funds capital assets	\$ 154,257,084	\$ 43,571,527	\$ 3,757,956	\$ 287,210	\$ 2,447,424	\$ 2,199,075	\$ 852,535	\$ 8,514,646	\$ 92,646,711

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, 2007

	Governmental Funds Capital Assets September 30, 2006	Prior Period Adjustment	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2007
General government and administration					
Information technology	\$ 732,072	\$ -	\$ 898,995	\$ (184,952)	\$ 1,446,115
Geographical information systems	133,095	-	19,178	-	152,273
Judicial	20,734	-	-	-	20,734
Administrative	182,023	-	-	-	182,023
Finance	219,973	-	570,095	(15,864)	774,204
Total general government and administration	1,287,897	-	1,488,268	(200,816)	2,575,349
Public works administration	8,969,785	70,353,654	12,787,913	(200,654)	91,910,698
Environmental services	3,085,414	-	714,446	(272,360)	3,527,500
Public safety administration	422,804	-	3,774,153	(78,751)	4,118,206
Fire	2,187,615	-	1,019,501	(372,269)	2,834,847
Police and jail administration	2,198,993	-	356,985	(307,606)	2,248,372
Codes enforcement	77,332	-	-	-	77,332
Library	3,221,744	-	1,265,368	(1,259,801)	3,227,311
Parks and recreation	13,725,502	-	8,005,107	(135,497)	21,595,112
Planning	42,769	-	-	-	42,769
Human resource management	482,330	-	-	-	482,330
Economic development	170,323	-	-	-	170,323
Total departmental	35,872,508	70,353,654	29,411,740	(2,827,754)	132,810,149
Nondepartmental	39,720,499	570,000	1,321,997	(20,165,561)	21,446,935
Total governmental funds capital assets	\$ 75,593,007	\$ 70,923,654	\$ 30,733,738	\$ (22,993,315)	\$ 154,257,084

STATISTICAL SECTION

This part of the City of Auburn’s comprehensive annual financial report presents detailed information about the government’s economic condition. This section aids in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends – Tables 1-5	129
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
Revenue Capacity – Tables 6-8	136
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, the sales tax.</i>	
Debt Capacity – Tables 9-13	138
<i>These schedules contain information to help the reader assess the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information – Tables 14-15	141
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information – Tables 16-18	143
<i>These schedules contain information to help the reader understand the government’s operations and resources.</i>	

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.



City of Auburn

Table 1

City of Auburn

Net Assets by Activity Type

Last Five Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Primary government - governmental activities					
Invested in capital assets, net of related debt	\$ 17,249,619	\$ 23,976,799	\$ 22,454,277	\$ 30,277,386	\$ 48,933,540
Restricted	(26,814,317)	4,901,497	6,983,053	8,295,236	8,621,350
Unrestricted	13,771,290	(15,733,465)	(41,830,047)	(47,917,701)	(43,868,791)
Total governmental activities net assets	<u>\$ 4,206,592</u>	<u>\$ 13,144,831</u>	<u>\$ (12,392,717)</u>	<u>\$ (9,345,079)</u>	<u>\$ 13,686,099</u>
Primary government - business-type activities					
Invested in capital assets, net of related debt	\$ 12,466,156	\$ 11,725,340	\$ 12,376,420	\$ 14,868,116	\$ 22,279,811
Restricted	9,621,721	4,444,361	1,460,163	1,931,130	-
Unrestricted	(7,469,591)	339,141	4,510,401	3,535,503	1,747,051
Total business-type activities net assets	<u>\$ 14,618,286</u>	<u>\$ 16,508,842</u>	<u>\$ 18,346,984</u>	<u>\$ 20,334,749</u>	<u>\$ 24,026,862</u>
Total primary government					
Invested in capital assets, net of related debt	\$ 29,715,775	\$ 35,702,139	\$ 34,830,697	\$ 45,145,502	\$ 71,213,351
Restricted	(17,192,596)	9,345,858	8,443,216	10,226,366	8,621,350
Unrestricted	6,301,699	(15,394,324)	(37,319,646)	(44,382,198)	(42,121,740)
Total primary government net assets	<u>\$ 18,824,878</u>	<u>\$ 29,653,673</u>	<u>\$ 5,954,267</u>	<u>\$ 10,989,670</u>	<u>\$ 37,712,961</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government and administration	\$ 3,807,989	\$ 4,189,200	\$ 4,789,687	\$ 4,660,538	\$ 5,283,272
Public works	2,598,479	2,724,146	2,960,817	9,169,765	7,507,853
Environmental services	3,563,536	3,498,406	4,038,158	4,008,405	4,066,793
Public safety	9,428,411	10,699,162	12,634,612	12,887,286	13,516,129
Library	947,709	1,052,313	1,146,947	1,292,363	1,370,600
Parks and recreation	3,598,629	3,745,118	4,247,362	4,962,677	11,055,017
Planning	379,761	381,375	502,342	492,700	604,603
Social and economic development	1,454,453	1,559,427	3,894,096	5,765,202	12,049,201
Human resources	434,485	440,976	472,238	483,065	536,067
Risk management	254,694	426,002	506,603	1,018,109	933,550
Payments to component units	8,105,050	10,404,387	-	-	-
Education (payments to Board of Education)	-	-	42,322,984	10,001,243	12,625,643
Interest on long-term debt	3,220,265	3,508,570	3,929,464	5,519,505	5,688,402
Total governmental activities expenses	<u>37,793,461</u>	<u>42,629,082</u>	<u>81,445,310</u>	<u>60,260,858</u>	<u>75,237,130</u>
Business-type activities:					
Sewer	4,487,091	4,434,526	4,753,076	6,221,067	6,305,910
Industrial Parks	188	226	213	284	141,742
Total business-type activities expenses	<u>4,487,279</u>	<u>4,434,752</u>	<u>4,753,289</u>	<u>6,221,351</u>	<u>6,447,652</u>
Total primary government expenses	<u>\$ 42,280,740</u>	<u>\$ 47,063,834</u>	<u>\$ 86,198,599</u>	<u>\$ 66,482,209</u>	<u>\$ 81,684,782</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government and administration	\$ 6,239,721	\$ 6,997,753	\$ 7,455,522	\$ 8,109,059	\$ 9,018,591
Public works	800	1,906	-	-	-
Environmental services	2,147,653	2,304,068	2,459,025	2,571,865	2,686,555
Public safety	594,138	799,832	2,620,202	2,611,876	2,907,125
Library	11,300	12,427	16,125	30,226	29,236
Parks and recreation	249,791	231,676	413,535	690,660	715,521
Planning	50,233	58,427	60,323	59,962	61,459
Employee services	676,662	-	-	-	-
Risk management	-	144,095	187,407	457,318	361,578
Operating grants and contributions	1,251,871	2,093,912	1,678,375	2,051,801	1,841,713
Capital grants and contributions	857,782	548,829	306,081	861,585	1,337,648
Total governmental activities program revenue	<u>12,079,951</u>	<u>13,192,925</u>	<u>15,196,595</u>	<u>17,444,352</u>	<u>18,959,426</u>
Business-type activities:					
Charges for services:					
Sewer	5,113,315	5,223,391	5,271,475	6,098,422	6,736,899
Capital grants and contributions	921,575	900,675	979,578	1,524,865	2,961,120
Total business-type activities program revenues	<u>6,034,890</u>	<u>6,124,066</u>	<u>6,251,053</u>	<u>7,623,287</u>	<u>9,698,019</u>
Total primary government program revenues	<u>\$ 18,114,841</u>	<u>\$ 19,316,991</u>	<u>\$ 21,447,648</u>	<u>\$ 25,067,639</u>	<u>\$ 28,657,445</u>
Net (expense)/revenue					
Governmental activities	\$ (25,713,510)	\$ (29,436,157)	\$ (66,248,715)	\$ (42,816,506)	\$ (56,277,704)
Business-type activities	1,547,611	1,689,314	1,497,764	1,401,936	3,250,367
Total primary government net expense	<u>\$ (24,165,899)</u>	<u>\$ (27,746,843)</u>	<u>\$ (64,750,951)</u>	<u>\$ (41,414,570)</u>	<u>\$ (53,027,337)</u>

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

Table 2 Continued

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Government activities:					
Taxes:					
Sales taxes	\$ 14,589,315	\$ 17,959,076	\$ 18,429,013	\$ 20,773,724	\$ 21,784,157
Occupational license fees	5,557,851	7,197,943	6,785,103	7,402,470	7,826,656
Property taxes	8,553,150	10,176,644	11,791,602	12,658,858	15,057,103
Motor fuel taxes	483,054	495,322	461,800	491,778	504,228
Lodging taxes	548,362	568,887	668,094	1,085,063	1,369,273
Rental and leasing taxes	1,121,061	1,463,934	1,456,463	1,591,682	1,501,112
Cigarette taxes	102,809	96,708	91,188	93,177	86,776
Alcoholic beverage taxes	25,790	27,051	29,473	30,551	34,984
Interest and investment earnings	887,885	854,188	981,502	1,884,183	1,996,272
Gain (loss) on disposal of assets	(1,074,742)	2,644	18,245	139,743	(23,936)
Miscellaneous	21,545	28,312	6,655	38,151	31,970
Special items	-	-	173,492	(453,119)	(1,624,916)
Extraordinary items	-	-	221,070	-	-
Transfers	111,910	120,424	(95,349)	127,883	(5,110)
Total governmental activities	<u>30,927,990</u>	<u>38,991,133</u>	<u>41,018,351</u>	<u>45,864,144</u>	<u>48,538,569</u>
Business-type activities:					
Interest and investment earnings	353,612	321,665	245,029	416,657	370,249
Gain (loss) on disposal of assets	(2,255)	-	-	18,895	66,128
Miscellaneous	-	-	-	278,160	258
Transfers	(111,910)	(120,424)	95,349	(127,883)	5,110
Total business-type activities	<u>239,447</u>	<u>201,241</u>	<u>340,378</u>	<u>585,829</u>	<u>441,745</u>
Total primary government	<u>\$ 31,167,437</u>	<u>\$ 39,192,374</u>	<u>\$ 41,358,729</u>	<u>\$ 46,449,973</u>	<u>\$ 48,980,314</u>
Changes in Net Assets					
Governmental activities	\$ 5,214,480	\$ 9,554,976	\$ (25,230,364)	\$ 3,047,638	\$ (7,739,135)
Business-type activities	1,787,058	1,890,555	1,838,142	1,987,765	3,692,112
Total primary government	<u>\$ 7,001,538</u>	<u>\$ 11,445,531</u>	<u>\$ (23,392,222)</u>	<u>\$ 5,035,403</u>	<u>\$ (4,047,023)</u>

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
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 ⁽²⁾	144,608	708,905	967,841	39,374	84,500	8,388,489	24,923,032
2004	17,959,076	172,784	751,944	1,019,463	79,347	89,209	9,959,852	30,031,675
2005	18,429,012	159,533	695,734	1,091,843	193,876	110,811	11,342,765	32,023,574
2006	20,773,724	170,340	717,911	1,584,378 ⁽³⁾	450,412	87,880	12,699,720	36,484,365
2007	21,784,157	159,104	724,202	2,312,939	269,083	112,779	13,221,355	38,583,619

* State Alcoholic Beverage Control Board

⁽¹⁾ Includes state shared taxes.

⁽²⁾ Sales tax rate increased from 2.5% to 3.0% effective 8/1/03.

⁽³⁾ Lodging tax increased from 4% to 7% in FY2006.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 2,596,287	\$ 1,499,497	\$ 1,560,286	\$ 2,114,199	\$ 1,463,210	\$ 5,559,675	\$ 8,697,744	\$ 7,820,742	\$ 9,305,314	\$ 8,701,444
Unreserved	3,088,423	5,353,434	5,742,247	7,663,595	12,635,576	13,480,580	21,426,238	19,488,460	18,451,274	19,436,335
Total general fund	\$ 5,684,710	\$ 6,852,931	\$ 7,302,533	\$ 9,777,794	\$ 14,098,786	\$ 19,040,255	\$ 30,123,982	\$ 27,309,202	\$ 27,756,588	\$ 28,137,779
All other governmental funds										
Reserved	\$ 6,233,529	\$ 4,046,112	\$ 3,877,600	\$ 3,294,305	\$ 3,702,320	\$ 1,423,641	\$ 4,520,843	\$ 2,991,480	\$ 4,190,300	\$ 1,888,965
Unreserved, reported in:										
Special revenue funds	1,453,272	1,585,723	2,773,620	2,626,707	1,687,538	1,213,631	2,526,426	4,634,413	3,898,499	4,924,456
Debt service funds	-	-	-	-	-	1,360,172	1,523,137	2,116,996	2,499,525	2,748,975
Capital projects funds	1,916,849	8,163,500	4,047,148	477,658	6,461,000	3,510,899	4,775,796	6,405,416	11,280,128	8,362,129
Total all other governmental funds	\$ 9,603,650	\$ 13,795,335	\$ 10,698,368	\$ 6,398,670	\$ 11,850,858	\$ 7,508,343	\$ 13,346,202	\$ 16,148,305	\$ 21,868,452	\$ 17,924,525

Table 5

City of Auburn

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Unaudited

	Fiscal Year										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Revenues											
Sales and use taxes	\$ 10,334,783	\$ 11,341,740	\$ 12,154,032	\$ 12,554,602	\$ 13,160,761	\$ 14,589,315	\$ 17,959,076	\$ 18,429,013	\$ 20,773,724	\$ 21,784,157	
Occupational license fees	3,969,148	4,253,353	4,654,854	5,063,472	4,981,415	5,557,851	7,197,943	6,785,103	7,402,470	7,826,656	
Motor fuel taxes	389,809	421,232	436,026	488,775	525,146	483,053	495,322	456,302	485,810	498,404	
Lodging taxes	175,896	186,454	385,507	380,479	485,260	548,361	568,887	668,094	1,085,063	1,369,273	
Rental and leasing taxes	888,118	937,072	781,310	936,397	1,172,031	1,121,061	1,463,934	1,456,463	819,682	1,473,112	
Other taxes	274,534	298,440	171,277	124,832	129,467	128,599	123,759	120,661	123,728	121,760	
Licenses and permits	3,040,924	3,198,118	3,808,628	4,339,969	4,406,442	4,886,027	5,597,240	6,001,452	6,518,522	7,311,513	
General property tax	5,822,444	6,359,933	7,483,965	7,868,281	8,451,821	8,830,021	10,470,043	12,111,245	13,088,999	15,057,103	
Charges for services	2,273,076	2,721,165	3,014,783	3,219,656	4,078,189	4,307,277	4,197,384	6,371,963	6,901,624	7,087,603	
Fines and forfeitures	675,476	695,051	754,366	816,976	750,521	829,147	876,748	1,013,374	1,083,225	1,335,798	
State shared taxes	460,784	476,665	429,873	571,516	676,609	735,804	838,939	1,021,092	1,285,313	1,165,920	
Contributions from the public	123,840	546,608	282,457	219,279	667,344	327,407	1,371,735	194,769	320,747	494,010	
Grants	255,305	88,934	363,506	1,169,960	1,202,656	1,237,731	2,011,292	793,940	1,284,695	1,475,458	
Program income	329,421	889,679	240,500	201,009	320,624	467,518	481,957	549,327	127,229	1,206,632	
Interest	760,049	758,038	1,230,958	980,948	871,934	855,743	855,952	985,974	1,883,720	2,011,961	
Intergovernmental	126,000	1,700,000	-	-	-	-	-	-	-	-	
Miscellaneous	251,076	364,125	415,208	259,158	335,117	105,879	108,811	75,695	95,972	122,150	
Total revenues	30,150,683	35,236,607	36,607,250	39,195,309	42,215,337	45,010,794	54,619,022	57,034,467	63,280,023	70,341,510	
Expenditures											
General government and administration	2,371,420	1,803,270	2,033,613	2,236,196	2,451,706	2,839,946	3,404,365	3,594,853	3,940,430	3,893,452	
Public works	1,620,707	1,556,509	1,527,151	1,686,608	1,623,529	2,065,180	2,236,624	2,433,580	2,849,130	3,008,617	
Environmental services	1,716,139	2,608,180	2,918,925	2,974,879	2,840,590	3,113,710	3,673,472	3,630,390	3,870,974	3,963,063	
Public safety	6,820,249	7,111,819	7,266,313	7,765,481	7,931,330	8,448,024	10,162,166	11,757,986	12,527,380	12,860,510	
Library	358,274	405,091	524,062	600,934	712,307	782,875	975,302	1,049,762	1,180,137	1,254,012	
Parks and recreation	2,342,526	2,562,971	2,840,584	2,840,715	2,897,477	3,032,220	3,370,517	3,799,044	4,190,163	4,252,011	
Housing rehab	-	-	-	4,838	72,850	-	-	-	-	-	-
Planning	328,312	297,658	317,167	315,014	355,626	346,760	373,985	507,098	486,927	600,553	
Economic development	755,646	770,341	426,311	357,028	927,599	880,402	653,010	757,920	1,639,314	1,433,446	
Employee services	300,858	309,625	337,905	339,936	352,443	399,949	427,345	459,278	472,691	504,822	
Risk management	343,497	316,937	666,096	351,926	311,404	294,934	431,210	511,523	246,881	929,627	
Non-departmental	542,578	774,355	953,209	1,005,195	2,441,539	2,739,900	1,403,798	1,422,240	1,867,443	1,495,410	
Debt service											
Principal	2,683,815	2,911,005	3,211,543	5,648,624	4,727,943	3,105,726	5,499,994	19,570,595 *	6,183,601	6,836,554	
Interest	2,239,005	1,738,522	2,408,740	2,567,056	3,028,691	3,747,321	3,503,675	4,318,811	5,519,505	5,840,756	
Capital Outlay	6,584,804	8,495,353	11,447,448	10,899,385	4,617,953	7,347,636	6,530,914	12,983,719	7,328,307	8,359,823	
Intergovernmental	3,560,092	4,496,973	4,030,782	4,914,630	4,867,674	796,317	809,166	1,177,306	6,742,832	3,141,812	
Payments to component units	1,181,559	2,718,756	2,120,458	3,925,869	15,794,285	8,105,050	10,404,387	44,097,771	13,098,738	27,895,701	
Total expenditures	33,749,481	38,877,365	43,030,307	48,434,314	55,954,946	48,045,950	53,859,930	112,071,876	72,144,453	86,270,169	
Excess of revenues over (under) expenditures	(3,598,798)	(3,640,758)	(6,423,057)	(9,239,005)	(13,739,609)	(3,035,156)	759,092	(55,037,409)	(8,864,430)	(15,928,659)	

Table 5 Continued

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other financing sources (uses)										
Debt issuance	\$ 18,847,785	\$ 8,836,730	\$ 3,810,608	\$ 5,149,620	\$ 36,062,829	\$ 5,196,627	\$ 16,356,598	\$ 58,835,646	\$ 14,740,290	\$ 12,200,000
Sale of surplus assets	-	-	-	-	-	-	-	-	177,942	61,597
Transfers in	2,384,106	2,593,632	4,139,568	2,256,830	4,217,365	4,328,628	4,281,419	9,148,733	7,071,256	6,761,798
Transfers out	(2,516,861)	(2,639,768)	(3,769,464)	(2,186,580)	(4,207,115)	(4,216,718)	(4,160,995)	(9,252,339)	(6,957,522)	(6,762,544)
Premium on debt issued	-	-	-	-	-	-	-	1,120,859	-	105,076
Payment to refunded bond escrow	(13,450,182)	-	-	-	(14,086,055)	-	-	(5,026,414)	-	-
Total other financing sources (uses)	5,264,848	8,790,594	4,180,712	5,219,870	21,987,024	5,308,537	16,477,022	54,826,485	15,031,966	12,365,927
Extraordinary item	-	-	-	-	-	-	-	255,000	-	-
Insurance proceeds - fire in building	-	-	-	-	-	-	-	-	-	-
Net changes in fund balances	\$ 1,666,050	\$ 5,149,836	\$ (2,242,345)	\$ (4,019,135)	\$ 8,247,415	\$ 2,273,381	\$ 17,236,114	\$ 44,076	\$ 6,167,536	\$ (3,562,732)
Debt service as a percentage of non-capital expenditures ⁽¹⁾	20.5%	16.7%	20.0%	23.3%	15.3%	17.6%	19.3%	24.3%	18.7%	16.3%

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

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

Table 6
City of Auburn ~ Primary Government
Components of Sales Tax Revenue
 Last Eight Fiscal Years*
 (amounts expressed in thousands)
Unaudited

	2000	2001	2002	2003^A	2004	2005	2006	2007
Apparel Stores	\$ 25,092	\$ 24,427	\$ 24,133	\$ 25,743	\$ 30,979	\$ 38,138	\$ 74,473	\$ 71,846
Grocery Stores	69,887	57,469	55,523	56,877	57,269	59,929	53,307	60,280
Eating & Drinking Establishments	58,508	60,960	65,441	68,641	70,983	75,052	101,287	111,409
Mass General Merchandise Stores	69,508	100,374	98,117	95,854	98,680	97,799	86,922	88,571
Auto Dealers & Supplies	98,812	156,944	100,730	134,933	151,290	160,833	103,690	116,070
Building Materials	14,066	15,521	21,080	57,692	28,674	32,569	49,464	55,721
Home Furnishing & Appliances	2,228	3,359	4,327	4,543	4,503	2,471	9,240	15,468
All Other Retail Sales	147,979	83,146	157,089	106,209	155,255	146,209	211,555	271,889
Totals	\$ 486,080	\$ 502,200	\$ 526,440	\$ 550,492	\$ 597,633	\$ 613,000	\$ 689,938	\$ 791,254

*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

Fiscal Year	City Sales Tax Rate	County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate
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%
2006	3.0%	1.0%	4.0%	8.0%
2007	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	1998 Rank	2007 Rank
Wal-Mart	4	1
Auburn University Financial Reporting	3	2
Kroger	5	3
Winn Dixie	1	4
Dillard's (formerly Gayfers)	2	5
Russell Land Co (formerly Spencer Lumber Co)	9	6
Builder's First Source		7
Bruno's	8	8
Belk		9
Carl Gregory Ford of Auburn		10
Sears	7	
J C Penney	10	
K-Mart	6	

¹ State law prohibits the disclosure of the amount of sales tax remitted and any information that could permit the remittance to be traced.

Table 9
City of Auburn ~ Primary Government
Ratios of Outstanding Debt by Type ⁽¹⁾

Last Ten Fiscal Years
(dollar amounts expressed in thousands, except per capita amount)
Unaudited

Fiscal Year	Governmental Activities				Business-Type Activities				Total Debt as Percentage of Personal Income	Total Debt Per Capita	
	General		Capital		Sewer		General				
	Obligation Bonds		Obligation Bonds	Leases	Bonds	Bonds ⁽²⁾	Obligation Bonds ⁽²⁾	Capital Leases			
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	12.58%	2,974
2006	122,272	-	-	-	-	30,054	-	-	152,326	12.91%	3,051
2007	127,635	-	-	-	-	28,263	-	-	155,898	10.41%	3,003

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

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

⁽²⁾ The City has issued General Obligation Bonds/Warrants for the Sewer Revenue Fund. It is the intention of the Council that the Bonds/Warrants be repaid from Sewer Fund revenue.

Table 10
City of Auburn ~ Primary Government
Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt ⁽¹⁾	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
1998	\$ 41,516,810 ⁽²⁾	\$ 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 ⁽³⁾	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 ⁽⁴⁾	2,116,996	111,473,816	4.40%	2,304
2006	122,272,012	2,499,525	119,772,487	4.13%	2,399
2007	127,635,458	2,748,975	124,886,483	4.44%	2,406

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

⁽¹⁾ Net bonded debt equals: G.O. bonds, notes, and warrants outstanding, less Debt Service funds' equity. Calculations exclude the G.O. debt intended to be repaid from sewer fund revenues.

⁽²⁾ City issued \$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.

⁽³⁾ 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.

⁽⁴⁾ City issued \$33 million of G. O. warrants to pay the costs of major additions to current schools and new school construction under the jurisdiction of the Board of Education.

Table 11
City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt
 Fiscal Year 2007
 Unaudited

	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
City of Auburn Direct Debt			
General Bonded Debt and Warrants	\$ 140,424,623		
Less: Debt Service Funds Equity	<u>2,748,975</u>		
Net Direct Debt	137,675,648	100%	\$ 137,675,648
Overlapping Debt			
Lee County General Bonded Debt and Warrants	\$ 18,625,000	39%	<u>7,263,750</u>
Total Direct and Overlapping Debt			<u>\$ 144,939,398</u>

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

⁽¹⁾The percentage of overlapping debt applicable is estimated based on population of the City of Auburn as compared to overall population in Lee County. Census Bureau Year 2000

Table 12
City of Auburn ~ Primary Government
Legal Debt Margin Information

Last Ten Fiscal Years
(amounts expressed in thousands)
Unaudited

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 46,721	\$ 59,571	\$ 63,096	\$ 67,830	\$ 71,831	\$ 100,557	\$ 96,665	\$ 98,146	\$ 98,974	\$ 110,789
Total net debt applicable to limit	20,176	28,045	29,019	28,652	34,379	35,994	33,844	45,617	55,364	54,764
Legal debt margin	26,545	31,526	34,077	39,179	37,453	64,563	62,821	52,529	43,610	56,025
Total net debt applicable to limit as a percentage of debt limit	43.18%	47.08%	45.99%	42.24%	47.86%	35.79%	35.01%	46.48%	55.94%	49.43%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 553,947,920
Debt limit (20% of total assessed value)	\$ 110,789,584
Debt applicable to limit:	
General obligation bonds	\$ 140,424,623
Less: Exempt Debt	85,659,711
Total net debt applicable to limit	54,764,912
Legal debt margin	\$ 56,024,672

Table 13
City of Auburn ~ Primary Government
Pledged Revenue Coverage⁽¹⁾
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Sewer G.O. Warrants ⁽²⁾					
	Sewer Charges and Other ⁽³⁾	Less: Operating Expenses ⁽⁴⁾	Net Available Revenue	Principal	Interest	Coverage
1998	\$ 4,504,720	\$ 4,106,580	\$ 398,140	\$ -	\$ -	-
1999	4,672,423	4,287,282	385,141	-	-	-
2000	5,014,902	4,742,308	272,594	-	-	-
2001	4,564,277	4,175,312	388,965	31,678	7,387	9.96
2002	5,241,693	2,135,104	3,106,589	-	1,492,907	2.08
2003	5,464,467	2,302,491	3,161,976	400,000	2,620,899	1.05
2004	5,543,200	2,312,004	3,231,196	415,000	2,524,900	1.10
2005	5,514,085	2,721,465	2,792,620	430,000	1,261,288	1.65
2006	6,601,081	3,823,649	2,777,432	440,000	1,121,013	1.78
2007	7,169,367	4,873,858	2,295,509	460,000	1,432,052	1.21

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

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

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

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

Table 14
City of Auburn ~ Primary Government
Demographic and Economic Statistics
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Population ⁽¹⁾	Personal Income (expressed in thousands) ⁽²⁾	Per Capita Personal Income (Lee County) ⁽²⁾	Unemployment Rate ⁽³⁾
1998	37,664	\$ 712,189	\$ 18,909	3.4%
1999	40,425	789,217	19,523	3.6%
2000	42,987	870,659	20,254	3.4%
2001	44,179	916,670	20,749	3.6%
2002	44,822	961,925	21,461	4.2%
2003	46,032	1,025,731	22,283	4.0%
2004	48,096	1,136,605	23,632	4.2%
2005	48,348	1,142,560	23,632	3.0%
2006	49,928	1,179,898	23,632	2.8%
2007	51,906	1,498,267	24,804	3.5%

⁽¹⁾ U. S. Census

⁽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	1998			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University	5,556	1	15.08%	7,026	1	19.07%
City of Auburn and Auburn Water Works Board	352	5	0.96%	782	2	2.12%
Auburn City Schools	680	2	1.85%	758	3	2.06%
Briggs & Stratton Corporation	672	3	1.82%	550	4	1.49%
Masterbrand Cabinets	300	7	0.81%	355	5	0.96%
CV Holdings	-	-	-	290	6	0.79%
ATS Wheels	-	-	-	256	7	0.69%
Rexnord	100	12	0.27%	253	8	0.69%
Federal Government	188	10	0.51%	250	9	0.68%
Donaldson Company, Inc.	-	-	-	200	10	0.54%
Auburn University Hotel & Conference Center	303	6	0.82%	180	11	0.49%
Dillard's	267	8	0.72%	175	12	0.48%
Capitol Vial	227	9	0.62%	175	12	0.48%
Winn Dixie	378	4	1.03%	145	13	0.39%
Kroger	160	11	0.43%	140	14	0.38%
Matrix Wire	100	12	0.27%	111	15	0.30%
Total	9,283		25.20%	11,646		31.61%

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

Table 16
City of Auburn ~ Primary Government
Regular Full-Time Employees by Function/Program

Last Ten Fiscal Years
Unaudited

	Authorized Regular Full-Time Employees as of September 30									
Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	46	59	62	63	70	75	75	73	73	74
Economic Development	5	5	7	7	8	9	11	13	14	14
Public Safety										
Police	80	79	79	79	83	78	107	110	109	112
Fire	34	34	31	31	32	30	29	30	43	43
Communications	9	6	6	6	6	6	6	6	7	9
Codes	4	4	4	4	4	6	7	8	9	9
Public Works										
Engineering	17	9	8	9	8	10	10	10	11	11
Construction & Maintenance	21	13	12	12	12	14	15	18	18	18
Inspection	n/a	4	4	4	4	4	4	4	6	6
Traffic Engineering	n/a	n/a	3	3	3	3	3	3	3	3
Environmental Services										
Recycling	n/a	15	16	16	16	16	16	16	16	16
Solid Waste	36	16	15	15	15	14	14	15	16	16
Animal Control	2	2	2	2	2	2	2	2	2	2
ROW	n/a	7	7	7	7	7	7	6	7	7
Fleet Services	8	8	8	9	9	9	9	10	10	10
Parks and Recreation										
Leisure Services	14	14	14	16	17	15	15	14	14	15
Parks & Facilities	22	22	24	24	24	24	24	26	26	26
Library	7	8	8	11	11	13	15	14	15	15
Sewer	12	12	11	12	11	11	11	13	19	15
Total	317	317	321	330	342	346	380	391	418	421

Source: City of Auburn Human Resources Department

Table 17

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

Last Ten Fiscal Years
Unaudited

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police	2,407	2,208	2,385	3,246	2,595	2,135	2,339	2,921	2,574	2,978
Physical arrests	6,542	6,155	6,371	7,642	7,058	6,535	7,892	9,490	10,435	14,077
Fire	739	844	987	981	1,119	1,167	1,149	1,147	1,342	2,258
Number of calls answered	5,869	5,678	6,421	6,148	6,208	6,314	6,256	6,324	1,860	1,857
Inspections^	n/a	1,667	1,761	1,798	939	805	403	414	347	230
Public Works										
Potholes repaired										
Environmental Services										
Refuse collected (tons/day)*	59	57	58	57	67	68	72	85	85	86
Recyclable collected (tons/day)*	1.86	2.08	2.59	2.72	3.49	3.46	3.38	3.52	3.89	3.38
Parks and Recreation										
Athletic participants	4,737	4,692	4,915	4,791	4,824	4,501	5,391	4,956	4,623	5,154
Community center admissions	51,841	115,220	89,672	92,092	87,033	81,659	75,001	83,374	114,484	96,106
Sewer										
Average daily sewage treatment (millions of gallons)	6.11	4.72	5.10	5.40	5.14	6.60	6.15	6.86	6.10	5.90

*Each year consists of 251 work days.

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

Source: City departments

Table 18

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

Last Ten Fiscal Years
Unaudited

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	34	49	45	59	59	59	77	86	88	89
Fire stations	4	4	4	4	4	4	4	4	4	4
Environmental Services										
Collection trucks	4	5	7	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)	123	160	196	196	286	313	565	597	650	658
Signaled Intersections	40	41	43	45	47	48	49	50	50	55
Parks and Recreation										
Parks acreage	1,820	1,820	1,820	1,838	1,838	1,914	1,914	1,914	1,914	1,914
Swimming pools	1	2	2	2	2	2	2	2	2	2
Tennis courts	14	14	14	14	14	14	14	10	10	44
Community centers	3	3	3	3	3	3	3	3	3	3
Sewer										
Sanitary sewers (miles)	125	133	138	170	176	183	195	201	210	235
Maximum daily treatment capacity (millions of gallons)	7	7	7	7	7	7	7	7	7	8

Sources: City departments



City of Auburn

City of Auburn, Alabama

Appendix I

General Fund*

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

Fiscal Year Ended September 30, 2007

	FY 2007		Variance Favorable (Unfavorable)	FY 2006	FY 07 > FY 06	
	Budget	Actual		Actual	Amount	As %
Revenues						
Locally levied taxes						
Gasoline taxes	245,000	249,202	4,202	242,958	6,244	2.57%
Sales and use taxes	21,160,000	21,784,157	624,157	20,773,724	1,010,433	4.86%
Lodging taxes	1,301,000	1,369,273	68,273	1,085,063	284,210	26.19%
Rental and leasing taxes	480,000	1,473,112	993,112	819,682	653,430	79.72%
Other taxes	\$ 119,800	\$ 121,760	\$ 1,960	\$ 123,728	\$ (1,968)	-1.59%
<i>Total locally levied taxes</i>	<u>23,305,800</u>	<u>24,997,504</u>	<u>1,691,704</u>	<u>23,045,155</u>	<u>1,952,349</u>	<u>8.47%</u>
Licenses and permits						
Franchise fees	855,199	855,198	(1)	779,205	75,993	9.75%
Business license fees	5,445,500	4,584,524	(860,976)	3,916,912	667,612	17.04%
Construction permits and fees	1,770,000	1,773,374	3,374	1,696,800	76,573	4.51%
Occupation license fees	7,479,500	7,826,656	347,156	7,402,470	424,186	5.73%
Certificate of Competency	2,400	2,400	-	2,400	-	0.00%
Parking fees	109,550	89,722	(19,828)	116,818	(27,096)	-23.19%
Dog licenses	6,500	6,295	(206)	6,387	(92)	-1.45%
<i>Total licenses and permits</i>	<u>15,668,649</u>	<u>15,138,169</u>	<u>(530,480)</u>	<u>13,920,992</u>	<u>1,217,177</u>	<u>8.74%</u>
General property taxes						
Ad valorem taxes	2,644,000	2,734,144	90,144	2,341,909	392,235	16.75%
Contributions in lieu of ad valorem taxes	357,140	406,437	49,297	388,778	17,659	4.54%
<i>Total general property taxes</i>	<u>3,001,140</u>	<u>3,140,581</u>	<u>139,441</u>	<u>2,730,687</u>	<u>409,895</u>	<u>15.01%</u>
Fees for services						
Solid waste collection fees	2,607,000	2,665,251	58,251	2,557,582	107,669	4.21%
E-911 service fees	362,000	429,522	67,522	415,753	13,769	3.31%
Parks and recreation fees	335,800	416,394	80,594	338,962	77,431	22.84%
Public safety charges	2,161,000	2,295,704	134,704	2,165,192	130,512	6.03%
Sewer management fees	126,000	126,000	-	126,000	-	0.00%
Judicial system fees	174,140	224,523	50,383	195,888	28,635	14.62%
Cemetery fees	228,600	243,620	15,020	316,345	(72,725)	-22.99%
Planning fees	62,000	61,459	(541)	59,962	1,497	2.50%
Finance fees	3,100	4,116	1,016	3,480	636	18.27%
Library fees	25,000	29,236	4,236	30,226	(990)	-3.28%
Public Works fees	3,000	1,750	(1,250)	12,888	(11,138)	-86.42%
Auburn University	-	2,916	2,916	30,931	(28,015)	-90.57%
Board of Education	93,000	83,388	(9,612)	92,277	(8,888)	-9.63%
<i>Total fees for services</i>	<u>6,180,640</u>	<u>6,583,879</u>	<u>403,239</u>	<u>6,345,487</u>	<u>238,392</u>	<u>3.76%</u>
Fines and forfeitures						
Court fines	753,691	971,666	217,975	920,106	51,560	5.60%
Parking fines	150,000	185,149	35,149	163,120	22,030	13.51%
Treatment Program	164,600	178,983	14,383	-	178,983	n/a
<i>Total fines and forfeitures</i>	<u>1,068,291</u>	<u>1,335,798</u>	<u>267,507</u>	<u>1,083,225</u>	<u>252,573</u>	<u>23.32%</u>
State shared taxes						
Business privilege tax	158,435	158,435	-	157,256	1,179	0.75%
Alabama Trust Fund distribution	292,729	292,729	-	253,869	38,860	15.31%
Motor vehicle tax	115,000	112,779	(2,221)	87,880	24,898	28.33%
Financial Institution Excise Tax	269,082	269,083	1	450,412	(181,329)	-40.26%

City of Auburn, Alabama

Appendix I

General Fund*

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

Fiscal Year Ended September 30, 2007

	FY 2007		Variance Favorable (Unfavorable)	FY 2006	FY 07 > FY 06	
	Budget	Actual		Actual	Amount	As %
State shared taxes (continued)						
Alcoholic Beverage Control						
Board profits distribution	\$ 85,000	\$ 72,328	\$ (12,672)	\$ 77,163	\$ (4,835)	-6.27%
Total state shared taxes	920,246	905,354	(14,892)	1,026,580	(121,226)	-11.81%
Contributions from the public						
For infrastructure projects	-	-	-	175,000	(175,000)	-100.00%
For parks and recreation	24,527	17,635	(6,892)	24,527	(6,893)	-28.10%
For AU Tennis Center Debt Svc.	275,614	275,613	(1)	-	275,613	n/a
Other donations	11,004	21,504	10,500	15,679	5,825	37.15%
Total contributions from the public	311,145	314,752	3,607	215,206	99,545	46.26%
Grants	209,000	235,479	26,479	321,315	(85,836)	-26.71%
Lease income	80,000	83,182	3,182	81,201	1,981	2.44%
Interest	751,000	816,881	65,881	814,558	2,323	0.29%
Miscellaneous revenues						
Concessions income	36,000	55,507	19,507	35,353	20,154	57.01%
Recycling	12,000	21,304	9,304	14,283	7,021	49.16%
Other	68,621	125,478	56,857	344,731	(219,253)	-63.60%
Total miscellaneous revenues	116,621	202,289	85,668	394,367	(192,078)	-48.71%
Total General Fund Revenues	51,612,532	53,753,868	2,141,336	49,978,773	3,775,095	7.55%
Other Financing Sources						
Long-term debt proceeds						
General obligation warrants	8,800,000	7,000,000	(1,800,000)	-	7,000,000	n/a
Total long-term debt proceeds	8,800,000	7,000,000	(1,800,000)	-	7,000,000	n/a
Operating transfers in from other funds						
From City Gas Tax Fund	225,000	225,000	-	160,000	65,000	40.63%
From State 7c Gas Tax Fund	150,000	150,000	-	135,000	15,000	11.11%
From State 9c Gas Tax Fund	100,000	100,000	-	110,000	(10,000)	-9.09%
From Water Board	55,000	58,964	3,964	138,617	(79,653)	-57.46%
From 1997 Capital Projects	-	-	-	549,522	(549,522)	-100.00%
From GORSIW Series '76	-	13,188	13,188	-	13,188	n/a
From 2001 Capita Projects	-	2,013	2,013	-	2,013	n/a
From Sewer Fund	115,750	115,795	45	115,750	45	0.04%
Total operating transfers in	645,750	664,959	19,209	1,208,889	(543,929)	-44.99%
Total other financing sources	9,445,750	7,664,959	(1,780,791)	1,208,889	6,456,071	534.05%
Total revenues and other financing sources (excluding Special Activities)	\$ 61,058,282	\$ 61,418,827	\$ 360,545	\$ 51,187,662	\$ 10,231,166	19.99%
Special Activities of the General Fund						
Interest	-	96,771	96,771	93,267	3,505	3.76%
Contributions from the public	-	157,184	157,184	97,742	59,443	60.82%
Total Special Activities	-	253,955	253,955	191,008	62,947	32.96%
Total revenues and other financing sources	\$ 61,058,282	\$ 61,672,783	\$ 614,501	\$ 51,378,670	\$ 10,294,113	20.04%

* This schedule provides information on revenues by source before transfers between general funds. Therefore totals presented may not agree to Note 25 of the City of Auburn financial statements nor the General Fund column per the Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds.

City of Auburn, Alabama

**Appendix II
General Fund***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2007

	FY 2007		Variance Favorable (Unfavorable)	FY 2006	FY 07 > FY 06	
	Budget	Actual		Prior Year Actual	Amount	As %
City Council						
Personal services	\$ 79,230	\$ 79,231	\$ (1)	\$ 58,447	\$ 20,784	35.56%
Contractual services	134,500	110,323	24,177	131,248	(20,925)	-15.94%
Totals	213,730	189,554	24,176	189,695	(141)	-0.07%
City Manager's Office						
Personal Services	430,633	357,136	73,497	640,768	(283,632)	-44.26%
Contractual services	58,590	30,863	27,727	31,285	(422)	-1.35%
Commodities	14,522	27,075	(12,553)	10,870	16,205	149.08%
Totals	503,745	415,074	88,671	682,923	(267,849)	-39.22%
Judicial						
Personal Services	386,613	385,072	1,541	370,214	14,858	4.01%
Contractual services	219,938	204,515	15,423	189,984	14,531	7.65%
Commodities	17,500	15,203	2,297	14,705	498	3.39%
Totals	624,051	604,790	19,261	574,903	29,887	5.20%
Information Technology						
<i>Information Technology</i>						
Personal Services	540,220	427,451	112,769	416,637	10,814	2.60%
Contractual services	222,290	250,369	(28,079)	208,135	42,234	20.29%
Commodities	262,646	312,761	(50,115)	276,190	36,571	13.24%
Capital Outlay	69,536	31,210	38,326	90,603	(59,393)	-65.55%
Projects	-	-	-	163,518	(163,518)	-100.00%
Subtotals	1,094,692	1,021,791	72,901	1,155,083	(133,292)	-11.54%
<i>Geographic Information Systems</i>						
Personal Services	183,841	120,004	63,837	143,973	(23,969)	-16.65%
Contractual services	67,960	19,009	48,951	26,783	(7,774)	-29.03%
Commodities	87,185	140,576	(53,391)	14,471	126,105	871.43%
Capital Outlay	-	12,228	(12,228)	37,699	(25,471)	-67.56%
Subtotals	338,986	291,817	47,169	222,926	68,891	30.90%
Totals	1,433,678	1,313,608	120,070	1,378,009	(64,401)	-4.67%
Finance						
Personal services	1,032,477	998,758	33,719	945,078	53,680	5.68%
Contractual services	140,447	138,076	2,371	137,273	803	0.58%
Commodities	86,245	82,789	3,456	74,922	7,867	10.50%
Totals	1,259,169	1,219,623	39,546	1,157,273	62,350	5.39%
Economic Development						
Personal services	876,638	858,053	18,585	792,423	65,630	8.28%
Contractual services	20,700	20,945	(245)	13,486	7,459	55.31%
Commodities	23,220	12,968	10,252	21,326	(8,358)	-39.19%
Capital Outlay	-	-	-	1,965	(1,965)	n/a
Totals	920,558	891,966	28,592	829,200	62,766	7.57%

City of Auburn, Alabama

Appendix II
General Fund*

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2007

	FY 2007		Variance Favorable (Unfavorable)	FY 2006	FY 07 > FY 06	
	Budget	Actual		Prior Year Actual	Amount	As %
Human Resources						
<i>Human Resources</i>						
Personal services	\$ 392,620	\$ 396,824	\$ (4,204)	\$ 374,551	\$ 22,273	5.95%
Contractual services	148,370	109,176	39,194	104,085	5,091	4.89%
Commodities	11,610	10,787	823	8,982	1,805	20.10%
Subtotals	552,600	516,787	35,813	487,618	29,169	5.98%
<i>Risk Management</i>						
Contractual services	302,810	205,732	97,078	237,319	(31,587)	-13.31%
Totals	855,410	722,519	132,891	724,937	(2,418)	-0.33%
Public Safety						
<i>Administration</i>						
Personal services	269,996	273,628	(3,632)	262,069	11,559	4.41%
Contractual services	845,847	775,914	69,933	774,207	1,707	0.22%
Commodities	92,550	49,603	42,947	52,481	(2,878)	-5.48%
Capital Outlay	34,914	38,588	-	-	-	-
Subtotals	1,243,307	1,137,733	109,248	1,088,757	48,976	4.50%
<i>Police</i>						
Personal services	7,076,173	6,558,502	517,671	6,161,712	396,790	6.44%
Contractual services	65,320	66,597	(1,277)	67,252	(655)	-0.97%
Commodities	571,475	559,401	12,074	498,190	61,211	12.29%
Capital Outlay	330,452	330,452	-	566,573	(236,121)	-41.68%
Projects	6,668	11,574	(4,906)	14,895	(3,321)	-22.30%
Subtotals	8,050,088	7,526,526	523,562	7,308,622	217,904	2.98%
<i>Fire</i>						
Personal services	3,453,274	3,151,597	301,677	3,219,388	(67,791)	-2.11%
Contractual services	153,498	130,982	22,516	102,588	28,394	27.68%
Commodities	159,700	199,319	(39,619)	257,979	(58,660)	-22.74%
Capital Outlay	1,032,974	1,018,502	14,472	252,199	766,303	303.85%
Debt Service	-	-	-	18,760	(18,760)	-100.00%
Subtotals	4,799,446	4,500,400	299,046	3,850,914	649,486	16.87%
<i>Communications</i>						
Personal services	622,275	588,081	34,194	503,247	84,834	16.86%
Contractual services	70,280	53,676	16,604	54,971	(1,295)	-2.36%
Commodities	30,200	4,074	26,126	6,946	(2,872)	-41.35%
Capital Outlay	193,802	200,963	(7,161)	14,096	186,867	1325.67%
Subtotals	916,557	846,794	69,763	579,260	267,534	46.19%
<i>Codes Enforcement</i>						
Personal services	445,164	457,366	(12,202)	381,098	76,268	20.01%
Contractual services	3,580	1,057	2,523	4,481	(3,424)	-76.41%
Commodities	11,800	15,532	(3,732)	20,931	(5,399)	-25.79%
Subtotals	460,544	473,955	(13,411)	406,510	67,445	16.59%
Totals	15,469,942	14,485,408	988,208	13,234,063	1,251,345	9.46%

City of Auburn, Alabama

**Appendix II
General Fund***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2007

	FY 2007		Variance Favorable (Unfavorable)	FY 2006	FY 07 > FY 06	
	Budget	Actual		Prior Year Actual	Amount	As %
Public Works						
<i>Administration</i>						
Personal services	\$ 333,190	\$ 335,127	\$ (1,937)	\$ 318,159	\$ 16,968	5.33%
Contractual services	133,600	123,244	10,356	120,624	2,620	2.17%
Commodities	44,200	46,674	(2,474)	62,523	(15,849)	-25.35%
Capital Outlay	23,887	23,886	1	8,211	15,675	n/a
Subtotals	534,877	528,931	5,946	509,517	19,414	3.81%
<i>Construction and Maintenance</i>						
Personal services	804,723	796,611	8,112	762,498	34,113	4.47%
Contractual services	110,330	108,592	1,738	127,035	(18,443)	-14.52%
Commodities	156,774	172,981	(16,207)	196,332	(23,351)	-11.89%
Capital Outlay	34,596	39,270	(4,674)	360,338	(321,068)	-89.10%
Debt Service	-	-	-	17,640	(17,640)	-100.00%
Subtotals	1,106,423	1,117,454	(11,031)	1,463,843	(346,389)	-23.66%
<i>Engineering Design</i>						
Personal services	665,136	686,190	(21,054)	574,631	111,559	19.41%
Contractual services	28,500	14,734	13,766	31,526	(16,792)	-53.26%
Commodities	32,500	29,007	3,493	23,941	5,066	21.16%
Capital Outlay	-	-	-	47,878	(47,878)	-100.00%
Subtotals	726,136	729,931	(3,795)	677,976	51,955	7.66%
<i>Inspection</i>						
Personal services	321,624	340,367	(18,743)	284,674	55,693	19.56%
Contractual services	18,100	6,943	11,157	13,619	(6,676)	-49.02%
Commodities	23,967	19,576	4,391	16,153	3,423	21.19%
Capital Outlay	23,583	23,583	-	48,613	(25,030)	-51.49%
Subtotals	387,274	390,469	(3,195)	363,059	27,410	7.55%
<i>Traffic Engineering</i>						
Personal services	212,337	179,028	33,309	177,507	1,521	0.86%
Contractual services	11,275	6,722	4,553	8,925	(2,203)	-24.68%
Commodities	87,750	101,422	(13,672)	95,529	5,893	6.17%
Capital Outlay	7,250	7,105	145	27,849	(20,744)	-74.49%
Subtotals	318,612	294,277	24,335	309,810	(15,533)	-5.01%
Totals	3,073,322	3,061,062	12,260	3,324,205	(263,143)	-7.92%
Environmental Services						
<i>Administration</i>						
Personal services	353,747	353,656	91	315,154	38,502	12.22%
Contractual services	131,927	104,086	27,841	140,856	(36,770)	-26.10%
Commodities	46,556	39,117	7,439	31,227	7,890	25.27%
Capital Outlay	-	-	-	22,256	(22,256)	-100.00%
Subtotals	532,230	496,859	35,371	509,493	(12,634)	-2.48%
<i>Recycling</i>						
Personal services	720,771	734,070	(13,299)	697,983	36,087	5.17%
Contractual services	234,500	158,785	75,715	195,248	(36,463)	-18.68%
Commodities	113,803	129,212	(15,409)	135,239	(6,027)	-4.46%
Capital Outlay	16,538	16,538	-	129,377	(112,839)	n/a
Debt Service	-	-	-	13,204	(13,204)	-100.00%
Subtotals	1,085,612	1,038,605	47,007	1,171,051	(132,446)	-11.31%

City of Auburn, Alabama

**Appendix II
General Fund***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2007

	FY 2007		Variance Favorable (Unfavorable)	FY 2006	FY 07 > FY 06	
	Budget	Actual		Prior Year Actual	Amount	As %
Environmental Services, cont.						
<i>Solid Waste</i>						
Personal services	\$ 691,155	\$ 692,355	\$ (1,200)	\$ 634,865	\$ 57,490	9.06%
Contractual services	258,000	250,624	7,376	270,363	(19,739)	-7.30%
Commodities	210,473	236,061	(25,588)	229,518	6,543	2.85%
Capital Outlay	272,477	274,002	(1,525)	355,659	(81,657)	n/a
Debt Service	-	-	-	19,920	(19,920)	-100.00%
Subtotals	1,432,105	1,453,042	(20,937)	1,510,325	(57,283)	-3.79%
<i>Animal Control</i>						
Personal services	99,693	98,944	749	93,329	5,615	6.02%
Contractual services	5,500	4,356	1,144	3,278	1,078	32.89%
Commodities	10,246	9,322	924	9,062	260	2.87%
Capital Outlay	11,853	11,853	-	14,668	(2,815)	n/a
Agency Support	89,737	89,737	-	91,772	(2,035)	-2.22%
Subtotals	217,029	214,212	2,817	212,109	2,103	0.99%
<i>ROW</i>						
Personal services	373,942	309,387	64,555	290,425	18,962	6.53%
Contractual services	31,259	25,847	5,412	28,283	(2,436)	-8.61%
Commodities	67,500	76,795	(9,295)	70,725	6,070	8.58%
Capital Outlay	33,956	13,956	20,000	114,982	(101,026)	-87.86%
Subtotals	506,657	425,985	80,672	504,415	(78,430)	-15.55%
<i>Fleet Services</i>						
Personal services	532,063	489,174	42,889	512,568	(23,394)	-4.56%
Contractual services	58,769	52,049	6,720	67,196	(15,147)	-22.54%
Commodities	65,298	64,254	1,044	66,564	(2,310)	-3.47%
Capital Outlay	55,195	62,694	(7,499)	-	62,694	#DIV/0!
Subtotals	711,325	668,171	43,154	646,328	21,843	3.38%
Totals	4,484,958	4,296,874	188,084	4,553,721	(256,847)	-5.64%
Library						
Personal services	988,029	957,917	30,112	896,763	61,154	6.82%
Contractual services	122,045	146,037	(23,992)	128,024	18,013	14.07%
Commodities	162,215	156,594	5,621	166,569	(9,975)	-5.99%
Capital Outlay	17,048	17,048	-	-	17,048	#DIV/0!
Projects	20,000	23,935	(3,935)	-	-	#DIV/0!
Totals	1,309,337	1,301,531	7,806	1,191,356	110,175	9.25%
Parks and Recreation						
<i>Administration</i>						
Personal services	303,404	298,011	5,393	288,345	9,666	3.35%
Contractual services	489,408	499,822	(10,414)	503,807	(3,985)	-0.79%
Commodities	96,300	294,117	(197,817)	242,035	52,082	21.52%
Subtotals	889,112	1,091,950	(202,838)	1,034,187	57,763	5.59%
<i>Leisure Services</i>						
Personal services	1,260,080	1,198,151	61,929	1,162,622	35,529	3.06%
Contractual services	98,515	75,046	23,469	84,219	(9,173)	-10.89%
Commodities	157,046	167,217	(10,171)	150,822	16,395	10.87%
Capital Outlay	-	-	-	15,274	(15,274)	-100.00%
Projects	-	9,770	(9,770)	-	9,770	#DIV/0!
Subtotals	1,515,641	1,450,184	65,457	1,412,937	37,247	2.64%

City of Auburn, Alabama

**Appendix II
General Fund***

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2007

	FY 2007		Variance Favorable (Unfavorable)	FY 2006	FY 07 > FY 06	
	Budget	Actual		Prior Year Actual	Amount	As %
Parks and Recreation, cont.						
<i>Parks and Facilities</i>						
Personal services	\$ 1,501,484	\$ 1,361,838	\$ 139,646	\$ 1,320,025	\$ 41,813	3.17%
Contractual services	134,650	140,860	(6,210)	178,611	(37,751)	-21.14%
Commodities	293,365	252,556	40,809	280,369	(27,813)	-9.92%
Capital Outlay	102,734	109,033	(6,299)	128,802	(19,769)	-15.35%
Subtotals	2,032,233	1,864,287	167,946	1,907,807	(43,520)	-2.28%
Totals	4,436,986	4,406,421	30,565	4,354,931	51,490	1.18%
Planning						
Personal services	501,885	446,482	55,403	416,754	29,728	7.13%
Contractual services	137,500	143,671	(6,171)	74,954	68,717	91.68%
Commodities	27,600	23,936	3,664	22,510	1,426	6.33%
Totals	666,985	614,089	52,896	514,218	99,871	19.42%
Totals for all departments	35,251,871	33,522,519	1,733,026	32,709,434	813,085	2.49%
Non-departmental						
<i>General Operations</i>						
Personal services	52,852	51,649	1,203	62,364	(10,715)	-17.18%
Contractual services	1,121,283	882,251	239,032	874,599	7,652	0.87%
Commodities	39,135	42,211	(3,076)	37,027	5,184	14.00%
Capital Outlay	3,510	3,510	-	14,205	(10,695)	-75.29%
Projects	145,000	134,210	10,790	15,833	118,377	747.66%
Subtotals	1,361,780	1,113,831	247,949	1,004,028	109,803	10.94%
<i>Project Operations</i>	2,695,403	1,367,083	1,328,320	954,217	412,866	43.27%
<i>Debt Service</i>	6,309,435	6,142,549	166,886	5,378,585	763,964	14.20%
<i>Intergovernmental</i>	8,308,907	8,166,969	141,938	8,442,638	(275,669)	-3.27%
Non-departmental Totals	18,675,525	16,790,432	1,885,093	15,779,468	1,010,964	6.41%
Other Financing Uses						
Transfers Out	11,157,927	9,377,696	1,780,231	2,222,309	7,155,387	321.98%
Total expenditures and other financing uses (excluding Special Activities)	65,085,323	59,690,647	5,394,676	50,711,211	8,979,436	17.71%
General Fund Special Activities						
<i>Veteran's Memorial Monument</i>	-	4,275	(4,275)	11,313	(7,038)	-62.21%
<i>Assessment Projects</i>	-	1,631,789	(1,631,789)	236,945	1,394,844	588.68%
<i>Liability Risk Retention</i>	513,895	391,138	122,757	470,829	(79,691)	-16.93%
<i>Employee Benefit Self-Insurance</i>	2,207,770	2,329,909	(122,139)	2,049,361	280,548	13.69%
Special Activities Total	2,721,665	4,357,111	(1,635,446)	2,768,448	1,588,663	57.38%
Total expenditures and other financing uses	\$ 67,806,988	\$ 64,047,758	\$ 3,759,230	\$ 53,479,659	\$ 10,568,099	19.76%

* This schedule provides information on departmental expenditures before reclassification of health insurance actual costs. Therefore totals presented will not agree to Note 25 of the City of Auburn financial statements nor the General Fund column per the Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds.



City of Auburn

City of Auburn, Alabama
Comprehensive Annual Financial Report
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