

THE CITY OF AUBURN ALABAMA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2009



City of Auburn

The City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2009

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, 2009

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 31, 2010

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, 2009 is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Auburn management. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government and its component units. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The Report

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

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

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

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

The City's related organization, the Housing Authority of the City of Auburn, is not required to be included in the reporting entity and accordingly is excluded from this report. Audited financial statements for the Housing Authority are available upon request at the Authority's business office at 931 Booker Street, Auburn, AL 36832.

GASB Reporting Requirements Each year, management evaluates new GASB reporting requirements to determine if the government is

affected. The requirements issued by GASB that became effective during this fiscal period and those that will become effective in the next fiscal period are described in this document.

During fiscal 2009, GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," became effective for the City. Information related to the implementation of this statement can be found in Note 15, Other Postemployment Benefits, in the Notes to the Basic Financial Statements section of the CAFR.

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 became effective during the fiscal 2009 period. This statement is not applicable to the City at this time.

GASB Statement 51, "Accounting and Financial Reporting for Intangible Assets," becomes effective for the fiscal 2010 period. This statement establishes accounting requirements for intangible assets, such as easements, water rights, and computer software. Management is aware of the requirements of this statement and will be prepared for implementation by this date.

GASB Statement 53, "Accounting and Financial Reporting for Derivative Instruments," establishes requirements for the reporting of derivative instruments by state and local governments. This statement becomes effective for the City during the fiscal 2010 period. The City does not own any derivative instruments at this time.

City Profile

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

In June 2009, Auburn was named as one of the "10 best places to live" by *U. S. News & World Report*. The list focused on areas with low costs of living, strong economies, and ample recreational opportunities for citizens. The article describes Auburn as "a diamond on the eastern Alabama plains." Auburn University,

Chewacla State Park, and nearby Grand National golf course were mentioned as reasons to consider Auburn as a place to live.

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



Auburn is conveniently located on Interstate 85.

Auburn's population has grown from 1,831 in 1900 to an estimated 56,088 in 2009. Population growth has averaged 3% per year. As the population has grown and the economic base diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multi-cultural citizenry.

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

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

Approximately 459 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

During fiscal 2009, the priorities of school funding, street construction, sewer system upgrades, traffic improvements, and growth planning were addressed. The City contributed \$7.0 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

During fiscal year 2009, there were five City debt issuances that permit significant improvements to be made to the City's infrastructure, providing a higher quality of life to its citizens.

On October 10, 2008, the City issued \$2.0 million general obligation warrants to finance the Samford Avenue Extension project. This road, which opened in May 2009, will improve traffic flow as well as provide more development acreage in an area near Exit 57 on Interstate 85.

On December 1, 2008, the City issued a \$25.3 million general obligation warrant. Proceeds from this borrowing were used to repay a short-term note and to finance capital improvements to the sewer system. These sewer improvements include the Saugahatchee interceptor cured-in-place pipe rehabilitation, the construction of phase II of the Choctafaula interceptor, improvements to the Northside transfer force main, and the Timberwood interceptor reinforcement project. Also in December, the City issued an \$8.5 million warrant on behalf of Auburn City Schools, to finance certain improvements and additions to Auburn High School, primarily the renovation of the fine arts facilities and auditorium.

The City Council authorized a special election held in January 2009 for citizens to vote on the projects to be funded with proceeds from the Special Five Mill Tax bonds. Projects included in this election were identified based on results of the Annual Citizen Survey. In July 2009, the City issued general obligation debt totaling \$9.0 million for projects comprising infrastructure, such as the Donahue Drive/Magnolia Avenue intersection improvements, various street resurfacing and striping projects, and bridge improvements.

In September, the City issued a \$15.2 million general obligation refunding warrant to refund a portion of the 2001 general obligation sewer warrants. This refunding allowed the City to take advantage of favorable interest rates.

The Planning Department began a significant initiative in fiscal 2009. During the summer, Planning invited citizens to participate in the development of a new comprehensive plan for the City of Auburn. CompPlan 2030 is designed to develop the City's mission to provide economical delivery of quality services, and was created in response to the needs of Auburn's citizens. The City of Auburn would like to plan and manage growth, so that Auburn has an attractive and sustainable built environment where natural resources are protected and conserved.



The CompPlan 2030 initiative encourages the citizens of Auburn to participate in public meetings and share their ideas about the future of Auburn. This project will continue throughout fiscal 2010, with the generation of vision statements based on input from the citizens. The result will provide guidance for the future in the form of a policy statement that will be considered for approval by the Auburn City Council.

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

The Fire Division includes 43 regular, full-time firefighters and 55 student firefighters, operating five fire stations. The City currently has a 3/9 fire insurance rating. The Communications Division provides E-911 emergency response and dispatch services to the

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

Public Works Services The City's Public Works Department oversees the development and maintenance of the City's transportation systems. The City's roadway system currently includes over 650 miles of paved streets and less than 2.2 miles of unpaved road. Public Works expends approximately \$1.5 million per fiscal year on road maintenance.

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

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

Leisure Services In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and Library provide many leisure time choices to residents. The Library has 46 internet-connected public computer workstations available to the public; the Library had 123,046 patron sign-ins during fiscal 2009 and checked out 238,809 items. The Library offers wireless internet access so that patrons may use their laptop computers in the facility. The Library also has 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.

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 Auburn City Schools provide services to more than 5,600 students. The City Schools' facilities include an early education center, six 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 twelve have earned doctorates. The City School system spends an average of \$9,014 annually per pupil.



Yarbrough Elementary School

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 nearly 300. Auburn High School offers an International Baccalaureate (IB) Program, a rigorous program based on the syllabi for 11th and 12th grades used by outstanding education systems throughout the world. Auburn is one of 11 high schools in Alabama to offer this curriculum. Excellent choral, drama, art, band, academic teams, sports, and other extra curricular programs are offered and encouraged. All schools (grades 1-12) have a media center, art teacher, music teacher, and one or more full-time counselors.

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 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 seventeen consecutive years.



Auburn University's Mascot, Aubie

Auburn University's student body is taught by approximately 1,180 full-time faculty members, and the student to faculty ratio is 18 to 1. Approximately 96% of Auburn students receiving their degrees are employed full-time after graduation. The University is

nationally known for the achievements of its veterinary medicine, engineering, and business graduates. Auburn offers degrees in 13 schools and colleges at the undergraduate, graduate, and professional levels.

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 24,602 for fall semester of the 2009/2010 academic year. Included in the total enrollment are 3,689 graduate students.

Southern Union State Community College is located in Auburn's sister city, Opelika, which is also the Lee County seat. Southern Union is located six miles from Auburn and offers courses in business, accounting, computer science, industrial electricity and electronics technology, automotive mechanics technology, welding, and more. Fall 2009 enrollment at the Opelika campus was approximately 4,200.

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

Healthcare The Auburn area is served by the East Alabama Medical Center (EAMC). Among the many services that EAMC provides are open-heart surgery and cancer treatment, both of which are highly acclaimed specialties at the hospital. EAMC, which was named as one of *Fortune's* "100 best companies to work for" list in 2001 and 2002, has over 2,700 employees, making it the second largest employer in Lee County. Of these employees, more than 500 work at facilities in Auburn such as HealthPlus Fitness Center, Bethany House, Hospice, and several assisted living communities.

EAMC's main building is licensed for 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 delivery services, and two commercial bus lines.

Auburn University operates the Auburn University Regional Airport with the financial support of the three local governments in Lee County. 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.

Factors Affecting Financial Conditions

Local Economy

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

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

The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having assisted in the recruitment of more than forty companies, resulting in the creation of over 4,000 jobs in the last 25 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the first phase of the newest park, Auburn Technology Park West, was completed in 2008.

In addition, the City has partnered with Auburn University and the State of Alabama to construct a University-based research park. Construction of the first building in the Auburn Research Park was completed in 2008, with Northrop Grumman Corporation being the first official tenant. The City of Auburn and Auburn University continue to work together to recruit prospects for the first phase of the Research Park. In the summer of 2009, Auburn University and Siemens Medical Solutions USA, Inc. announced the signing of a master research agreement for the establishment of the Auburn University Magnetic Resonance Imaging (MRI) Research Center. The Auburn University MRI Research Center will be located in a new building in Phase I of the Auburn Research Park, directly adjacent to Building I. The facility will have a Siemens 3T (Tesla) scanner that will be used for both clinical and research purposes, and a Siemens 7T Investigational Device that allows viewing of microscopic tissue metabolism for research purposes. The 7T will be a shielded whole body unit, the first of its kind in the world and will put Auburn University at the forefront of MRI research. The new technology has prompted partnerships with East Alabama Medical Center, the University Of Alabama at Birmingham School of Medicine, and China's Central South University. Recruitment efforts for Research Park projects are ongoing.



Building I – Auburn Research Park

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: Aluminum Technology Schmid

North America, Inc.; Briggs & Stratton Corporation; CV Holdings, LLC; Donaldson Company; EPOS Corporation; Leggett & Platt, Inc.; MasterBrand Cabinets, Inc.; Nikki America Fuel Systems; Northrop Grumman Corporation; Seohan Auto USA Corporation; Straehle + Hess USA, Inc.; Touchstone Precision, Inc.; and Weidmann Plastics.



Aluminum Technology Schmid - ATPW

The Auburn Center for Developing Industries (ACDI), a small business incubator facility, opened in 1989 to enable new business ventures to become established in a cost-controlled environment while adding jobs to the community. This project has been highly successful, graduating several of its tenants to the City's industrial parks and expanding its facilities three times. Current tenants located in the incubator include a biotechnology company, a robotics automation repair and design company, an automotive conveyer systems company, and a systems engineering and technology development company.

While the past year proved to be economically challenging, Auburn's industrial sector weathered the storm and was fortunate enough to see several expansions in 2009. In the summer of 2009, Borbet Alabama, Inc. completed a 29,000 square foot expansion to their existing facility in the Auburn Technology Park North. The expansion resulted in a capital investment of over \$20 million and created 67 new jobs. Summer 2009 also saw the location of a new tenant in Auburn Technology Park West. Aluminum Technology Schmid North America, Inc. graduated from the incubator facility and moved into a brand new 40,000 square foot facility. In addition to these expansions, several other existing industries expanded operations in 2009, including Straehle + Hess USA, Inc. (another incubator graduate); Cumberland Plastics Systems, LLC; Seohan Auto USA Corporation; and Seohan-NTN Driveshaft Corporation. In total, new and

expanded industry in 2009 represented 332 new jobs and \$43.7 million in capital investment.

The Auburn Exchange Shopping Center at Exit 57 now encompasses more than 220,000 square feet of shopping for residents, including a Sam's Club and an Academy Sports + Outdoors store. Additional tenants near the new shopping center include a bank, a family-style restaurant, a used car dealership, a car wash, and a fast food restaurant. CVS Pharmacy recently completed the addition of two new stores in the Auburn market. Two new grocery stores will open in Auburn in spring 2010. Publix will open its first supermarket in Auburn at Hamilton Place Shopping Center at the intersection of Moore's Mill Road and Hamilton Road. Earthfare, an organic supermarket, will open its first Alabama location at Flint's Crossing Shopping Center at the intersection of East University Drive and Opelika Road, across from the Village Mall.



Auburn Exchange Shopping Center – Exit 57

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; collaboration with Habitat for Humanity; and administering numerous housing rehabilitation and other public service programs funded by the federal Community Development Block Grant Program. The North Auburn Housing Development Corporation (NAHDC), a non-profit organization dedicated to affordable housing in Auburn, and the City of Auburn are currently collaborating in the development of Phase I of the Northwest Village Subdivision. As Auburn's newest affordable housing subdivision, the Northwest Village Subdivision was created to give Auburn residents the opportunity to purchase a home. Currently, nine families reside in the subdivision. Construction of five additional homes is now underway.

The physical boundaries of the City continue to expand with residential, commercial, and industrial growth. During fiscal 2009, the City's Planning Commission recommended annexing 642.76 acres into the City limits as part of the City's long-range plan for growth through annexation. All annexations are initiated by request of the property owners. The Planning Commission also approved 12 new subdivisions, incorporating 284 single-family lots.

In fiscal 2009, building permits were issued for 243 new single-family residences valued at \$53.6 million. The average valuation for single-family homes was \$220,576. Also permitted during fiscal 2009 were 84 multi-family buildings valued at \$83.4 million and 20 new commercial and industrial facilities valued at \$27.7 million.

Risk Management

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

Long-term Financial Planning

The City's capital improvements program contains over \$93 million in identified projects over the next five years (FY10 through FY14). Increasing the capacity and updating the technology of the sewer system will require approximately \$17 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 \$53.2 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 \$16.2 million. Funding sources for these city buildings include proceeds of bonds and the General Fund.

Other projects, including culture and recreation, utility mapping, and downtown improvements are included in the capital improvements program at an approximate cost of \$11.9 million. Various funding options,

including debt and grants, will be identified at the appropriate time.

Financial Information

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

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

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

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

Based on a recommendation from the City Manager, the City Council approved a change from an annual budget to a two-year or biennial budget. The City has been using biennial budgeting since fiscal 2001. The

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

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

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

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

During fiscal 2009, idle cash was invested in certificates of deposit with terms and rates ranging from 120 days

at 1.58% to 18 months at 4.18%. The City's demand deposit operating account is currently earning 1.00%.

General Fund Reserves The City Council has adopted a policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses. Management has an informal goal of 20-25%. The ending fund balance as a percentage of expenditures and other financing uses for the fiscal 2009 period was 38.52%, exceeding management's informal goal. There is a planned reduction of this percentage in fiscal 2010.

Other Information

Independent Audit The government is required by State law to undergo an annual audit by independent public accountants; to meet federal requirements of the Single Audit Act Amendments of 1996, and the resultant issuance of OMB Circular No. A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*), the City's audit report must be signed

by a certified public accountant. The accounting firm of Machen, McChesney and Chastain, LLP was selected through a competitive proposal process. The auditor's report on the basic financial statements and

the combining and individual fund statements and schedules is included in the *financial* section of this report.

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

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2008. This was the twenty-third consecutive year that the City has received this prestigious award. In order to be

The 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, 2008. This was the twenty-third consecutive year that the City has received this prestigious award.

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, 2008. 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, 2009. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

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

In closing, the commitment to the achievement of mandated priorities speaks to the progressive leadership and dedication to public service of the Mayor and the City Council. Their support for a policy

of financial integrity has been instrumental in the preparation of this report.



Charles M. Duggan, Jr.
City Manager



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, 2008

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

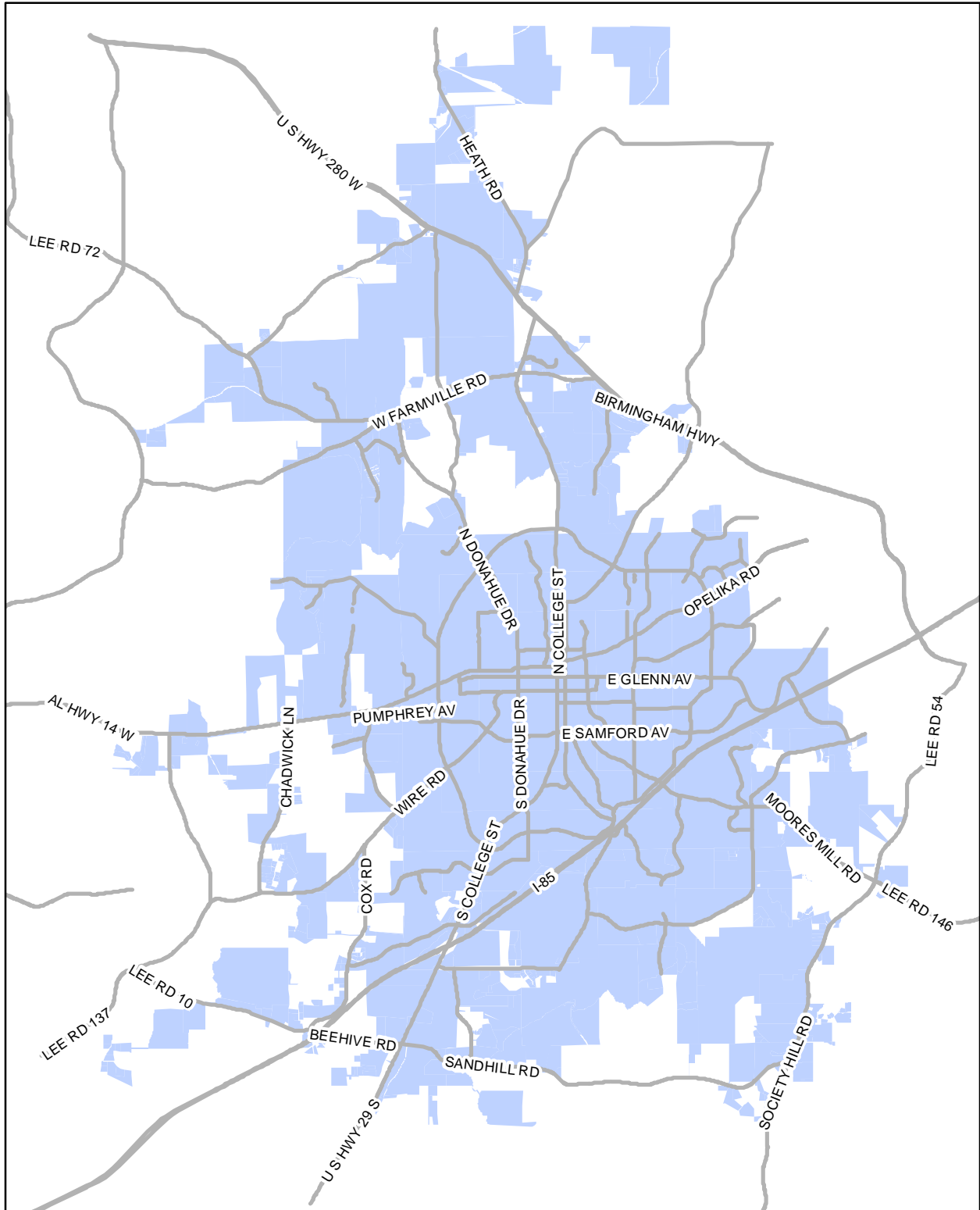


President

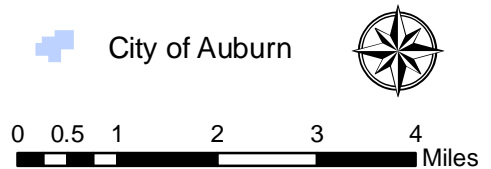


Executive Director

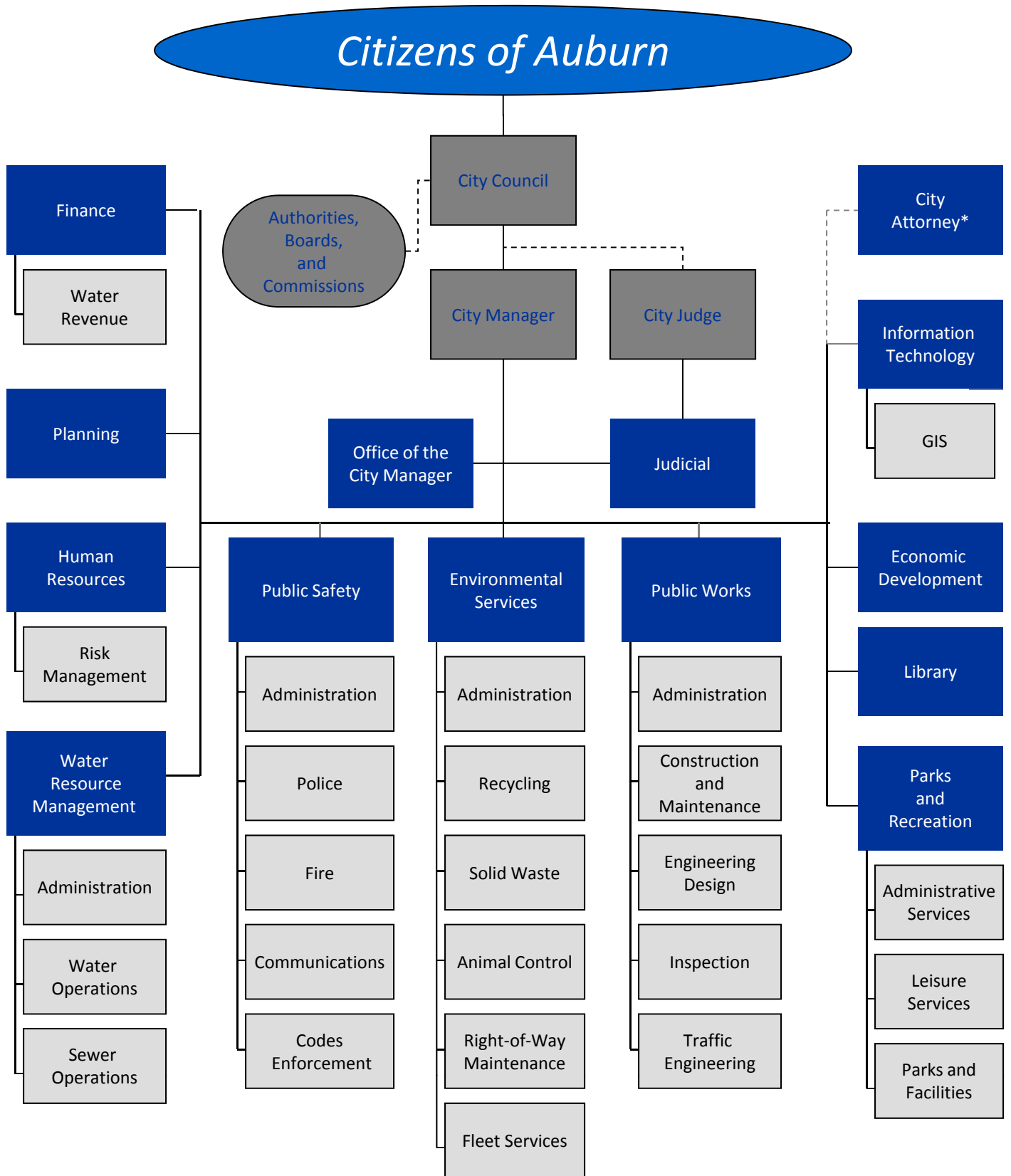
City of Auburn as of September 30, 2009



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



Organization Chart



* City Attorney services are contracted outside the organization

Legend:	Policy or Judicial Authority	Department	Division or Sub-Departmental Unit
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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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Special School Tax Fund and the Special Additional 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 16, 2010, 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 important for assessing the results of our audit.

The management's discussion and analysis on pages 15 through 38, 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 16, 2010



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, 2009. Please read this in conjunction with the City's financial statements, which follow this section, and the additional information furnished in the letter of transmittal, which can be found in the introductory section of the CAFR.

FINANCIAL HIGHLIGHTS

- ▶ The assets of the City of Auburn exceeded its liabilities at the close of the fiscal year by \$48.5 million (net assets). Of this amount, the City had a deficit unrestricted net assets of \$84.5 million offset by \$31.7 million in restricted net assets and \$101.3 million in capital assets net of related debt.
- ▶ The primary government experienced a 6.9% decrease in net assets from \$52.1 million at September 30, 2008 to \$48.5 million at September 30, 2009.
- ▶ At the close of the current fiscal year, the City's governmental funds reported a *combined* fund balance of \$46.9 million. This was an increase of \$6.0 million (14.8%) from prior year.
- ▶ At the end of the current fiscal year, total fund balance for the General Fund was \$28.8 million or 51.2% of total General Fund expenditures and other financing uses; total fund balance decreased by \$21,674 (0.1%) from fiscal year 2008. Total ending fund balance in the General Fund comprised 53.4% of total revenues in 2009 and 52.5% of revenues in 2008.
- ▶ The unreserved and undesignated fund balance for the General Fund was \$15.4 million, or 27.3% of total General Fund expenditures; this was an increase of \$4.1 million (25.8%) from fiscal 2008.
- ▶ Sales and use tax, the City's single largest revenue source, decreased 4.3% (\$900,976) during the 2009 fiscal year, reflecting the continued slowdown in the economy. The City's sales tax rate remained at 3% throughout fiscal year 2009. The last rate change was a ½ % increase in August 2003.
- ▶ Other significant changes in revenue during 2009: licensing and permits increased by \$1.1 million or 13.1%, charges for services were down 29.8% (\$2,216,950) – due to a change in accounting for the Solid Waste and Recycling divisions in the Environmental Services department; and occupation license fees declined slightly, by 0.8% (\$67,178).
- ▶ In both fiscal years 2008 and 2009, the City continued to support its employees through a 3% cost of living raise. The Consumer Price Index rose 3.8% in fiscal 2008 and declined 0.4% in 2009.

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.

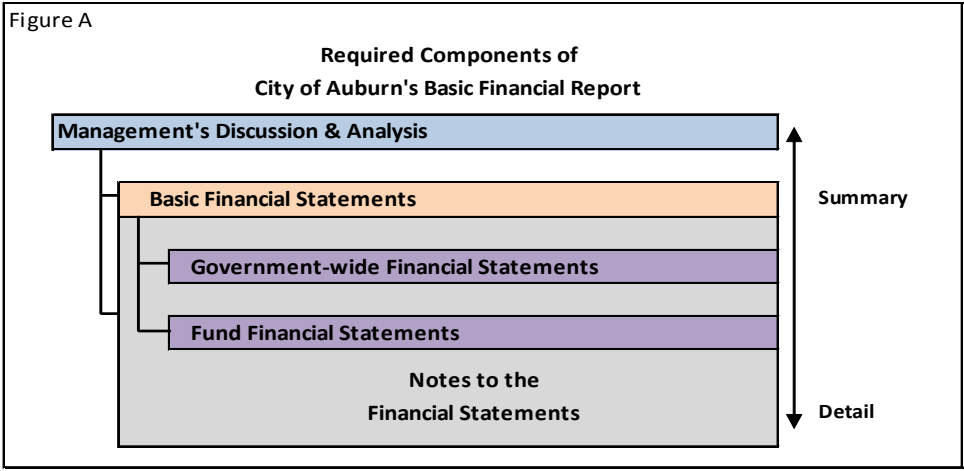


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portion of the City government included and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

Government-wide Statements

The *government-wide financial statements* report information about the City as a whole, using accounting methods similar to those used by private-sector companies.

- ▶ The *statement of net assets* includes all of the government’s assets and liabilities, with the difference between the two reported as net assets.
- ▶ All of the fiscal year’s revenues and expenses are accounted for in the *statement of activities*, presenting the change in net assets for the most recently completed fiscal year. All changes in net assets (revenues and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

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

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

- ▶ *Governmental activities.* Most of the City's basic services are included in this category, such as the services provided by the Public Safety, Public Works, Parks and Recreation, Human Resources, and Finance departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- ▶ *Business-type activities.* The City charges fees to customers to help it cover the costs of certain services it provides to the general public. The City's Sewer Revenue Fund and Solid Waste Management Fund are included in this category as enterprise funds.
- ▶ *Discretely Presented Component Units.* The City includes five other entities in this report: the City of Auburn Board of Education, 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. within the Notes to the Financial Statements regarding the availability of separately issued component unit financial statements.

Fund Financial Statements

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

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

The City has three kinds of funds:

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

Because governmental fund information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Doing so provides a better understanding of the long-term impact of the government's short-term funding decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between governmental funds statements and government-wide statements on governmental activities.

- ▶ *Proprietary funds.* Services provided to the general public for which customers are charged a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary funds' financial statements, like the government-wide statements, provide both long- and short-term financial information. At the beginning of fiscal year 2009, the City decided to separate the services provided by the solid waste and recycling divisions of the Environmental Services department into an enterprise fund, the Solid Waste Management Fund. This creates another proprietary fund in addition to the Sewer Revenue Fund. These funds function like a business activity; therefore, the financial statements provide additional information, such as depreciation expense and cash flows, which are not presented for governmental funds.
- ▶ *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City of Auburn's own programs. These private-purpose trust fund accounts provide for the revenues and expenditures of independent associations supporting youth athletic programs.

The City adopts a biennial budget for its General Fund and most other governmental funds. For legal compliance, comparison, and reporting purposes, this budget is 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, 2009 totaled \$48.5 million (see Table 1). Governmental Activities' net assets decreased by \$4.8 million, while Business-type Activities' net assets increased \$1.2 million during fiscal 2009.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Table 1

City of Auburn's Net Assets September 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 52,931,506	\$ 48,652,828	\$ 24,193,454	\$ 1,798,736	\$ 77,124,960	\$ 50,451,564
Capital assets	112,361,929	111,220,412	66,780,050	58,518,531	179,141,979	169,738,943
Total assets	165,293,435	159,873,240	90,973,504	60,317,267	256,266,939	220,190,507
Current liabilities	13,740,152	12,471,332	18,793,661	2,535,314	32,533,813	15,006,646
Long-Term debt and other liabilities	128,436,018	119,488,862	46,812,797	33,600,981	175,248,815	153,089,843
Total liabilities	142,176,170	131,960,194	65,606,458	36,136,295	207,782,628	168,096,489
Net assets:						
Invested in capital asset, net of related debt	75,764,472	74,502,152	25,486,581	24,755,968	101,251,053	99,258,120
Restricted	10,992,367	9,642,375	20,739,857	-	31,732,224	9,642,375
Unrestricted	(63,639,574)	(56,231,481)	(20,859,392)	(574,995)	(84,498,966)	(56,806,476)
Total net assets	\$ 23,117,265	\$ 27,913,046	\$ 25,367,046	\$ 24,180,973	\$ 48,484,311	\$ 52,094,019

Most of the Governmental Activities' net assets are invested in capital assets (buildings, equipment, roads, etc.). The investment in capital assets at September 30, 2009 was \$75.8 million. Debt outstanding related to the capital assets was \$134 million. The large negative unrestricted net assets in FY 2008 (\$56.2 million) and FY 2009 (\$63.6 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 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 do the City Board of Education borrowings. The research park infrastructure is owned by Auburn University (a component unit of the State of Alabama), but the debt principal is included in the City's liabilities.

In fiscal year 2006, the City entered into an agreement with Auburn University to facilitate the issuance of the City's general obligation debt to enable Auburn University to finance the construction of an expansion of the City's tennis complex, which is leased to the University. Payment of principal and interest on this debt is reimbursed via the Auburn University lease payments. The joint tennis facility is owned and operated by the City's Public Park and Recreation Board, a component unit of the City. With respect to the Tennis Center, the debt principal of \$3.3 million outstanding 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 displays the detail of debt issued by the City to acquire or construct capital assets owned by other entities and thus affecting the City's unrestricted net assets. Total City debt for the benefit of the City Schools and outstanding at September 30, 2009, was \$68.6 million, an increase of \$6.6 million (10.6%) from the prior year, due mainly to a borrowing of \$8.5 million in fiscal 2009. Debt outstanding in respect to agreements made with Auburn University was \$6.5 million, a decrease from the prior year of \$652,631. This decrease is due to the City's principal repayments on current borrowings for the benefit of Auburn University. Due to Auburn's sound fiscal management, Governmental Activities' other unrestricted net assets remain strong at \$11.5 million (eliminating the effect of other entities' debt) at the end of fiscal 2009. These amounts plus other net asset components create overall positive net assets of \$23.1 million at the end of the 2009 fiscal year.

Table 2

Governmental Activities

Net Assets	<u>2009</u>	<u>2008</u>
Invested in capital assets, net	\$ 75,764,472	\$ 74,502,152
Restricted		
Debt Service	3,898,630	3,163,736
Capital Projects	1,238,259	1,956,144
Fed and State Grants	834,146	679,879
Special Rev, non-grant	5,021,332	3,842,616
Unrestricted (deficit)		
Governmental Activities	11,496,257	12,989,666
<i>City School Debt</i>	<i>(68,592,871)</i>	<i>(62,025,556)</i>
<i>AU Debt</i>	<i>(6,542,960)</i>	<i>(7,195,591)</i>
Total Net Assets-Governmental	<u>\$ 23,117,265</u>	<u>\$ 27,913,046</u>

The total net assets of the City's Business-type Activities increased by \$1.2 million to \$25.4 million in fiscal year 2009 from \$24.2 million in fiscal year 2008. Of that total, most of the overall change was due to the increase in capital assets (net of related debt) for the Sewer Revenue Fund, which moved upward by 3% or \$730,613. The restricted net assets increased by \$20.7 million; this increase and corresponding decrease in unrestricted net assets reflect a partial refunding of the 2001 General Obligation Sewer Warrants. This refunding transaction crossed the fiscal year end, creating an accounting anomaly wherein the funds were received in the fiscal year 2009 and the debt repayment occurred in the following fiscal year 2010 producing a \$20.7 million restricted net asset. Unrestricted net assets of Business-type Activities remains a deficit in 2009 due to the growth in liabilities in recent years and a decline in assets; the 2009 year end deficit, (excluding the debt refunding) was \$119,535.

Current and other assets for business-type activities increased by \$22.4 million in 2009. This increase was almost totally due to an increase in cash. Much of this cash injection consists of \$15.2 million from the issuance of bonds on September 1, 2009 and the prior capital financing from the December 1, 2008 issuance of \$25.4 million; \$4.9 million of the bond proceeds remained to be spent on infrastructure at September 30, 2009.

Changes in net assets The primary government's net assets decreased by \$3.6 million (6.9%) in fiscal year 2009. Total assets increased by \$36.1 million (16.4%) in fiscal 2009. Total liabilities increased by \$39.7 million. Both of the increases in assets and liabilities primarily result from the issuance and subsequent refunding of Sewer bonds and warrants. This is explained in greater detail in the *Debt Issuance* section of the Management's Discussion and Analysis. If the increase in assets and liabilities corresponding to the Sewer issuance and refunding is eliminated, then the net addition of capital assets consisting of constructed or purchased assets at \$2 million would be the primary cause of an increase in net assets and total assets. See the *Capital Assets* section of the Management's Discussion and Analysis for additional information.

The primary government's total net assets decreased by \$3.6 million (6.9%) in fiscal 2009. The major changes in the elements of net assets include 1) the increase in the deficit in unrestricted net assets by \$27.7 million, 2) the increase in restricted net assets of \$22.1 million and 3) the increase in investments in capital assets, net of related debt, of \$2 million.

The deficit in unrestricted net assets (Table 1) increased, in large part due to the effect of new borrowings made to fund infrastructure investment in Auburn's wastewater system. As discussed above in more detail, part of the debt increase includes a refunding that reduces the principal amount owed on Sewer debt by \$15.3 million at the beginning of fiscal year 2010. Eliminating the effect of the City's issuing debt on behalf of the Board of Education and Auburn University and taking out the effect of the Sewer refunding that was completed in October of 2009, the balance in unrestricted net assets for the primary government would be \$6 million, which would more accurately reflect the City's net asset position.

Governmental Activities

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

Table 3 **City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2008 and 2009**

Governmental Activities	<i>Expenses</i>		<i>Program Revenues</i>		<i>Net (Expense) Revenue</i>	
	2009	2008	2009	2008	2009	2008
Functions and programs						
General government	\$ 6,155,735	\$ 6,174,239	\$ 12,414,946	\$ 10,149,028	\$ 6,259,211	\$ 3,974,789
Public works	7,574,881	7,078,353	1,810,441	13,911,413	(5,764,440)	6,833,060
Environmental services	1,770,911	4,604,401	-	2,789,426	(1,770,911)	(1,814,975)
Public safety	16,288,317	15,143,318	3,426,199	3,643,543	(12,862,118)	(11,499,775)
Library	1,678,410	1,550,700	55,508	72,892	(1,622,902)	(1,477,808)
Parks and recreation	6,207,871	5,287,171	1,101,740	961,295	(5,106,131)	(4,325,876)
Social and economic development	5,353,639	10,794,553	1,255,128	1,065,747	(4,098,511)	(9,728,806)
Other functions	2,609,380	2,001,067	746,143	458,760	(1,863,237)	(1,542,307)
Education (payments to Board of Ed)	21,544,112	11,995,523	-	-	(21,544,112)	(11,995,523)
Interest on long-term debt	5,860,550	5,954,377	-	-	(5,860,550)	(5,954,377)
Total governmental activities	<u>75,043,806</u>	<u>70,583,702</u>	<u>20,810,105</u>	<u>33,052,104</u>	<u>(54,233,701)</u>	<u>(37,531,598)</u>
General revenues:						
Taxes						
Sales taxes					20,143,854	21,044,830
Property taxes					19,053,631	16,953,172
Occupation license fees					8,107,024	8,174,202
Rental and leasing taxes					451,563	538,541
Lodging taxes					1,184,540	1,425,637
Motor fuel taxes					260,447	502,460
Other taxes					198,071	168,184
Interest and investment earnings					827,049	1,255,843
Gain (loss) on asset disposals					(166,665)	31,509
Miscellaneous					10,277	30,925
Transfers					(631,870)	106,111
Special items--certain receivable transactions					-	1,727,516
Total general revenues					<u>49,437,921</u>	<u>51,958,930</u>
Change in net assets -						
General revenues less net expenses					(4,795,780)	14,427,332
Beginning net assets (restated)					<u>27,913,045</u>	<u>13,485,713</u>
Ending net assets					<u>\$ 23,117,265</u>	<u>\$ 27,913,045</u>

The cost of governmental activities this year was \$75 million. Program revenues provided \$20.8 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 \$54.2 million.

In fiscal 2009, expenses for business-type activities were \$11 million; business-type activities revenue provided \$12.1 million. Total City program income exceeded expenses for only one function: General government produced an excess of \$6,259,211. General government revenue includes business licenses fees, construction permits and court fines among other charges for services rendered administratively by the City of Auburn. In past years, the general government has typically produced net revenue for this function.

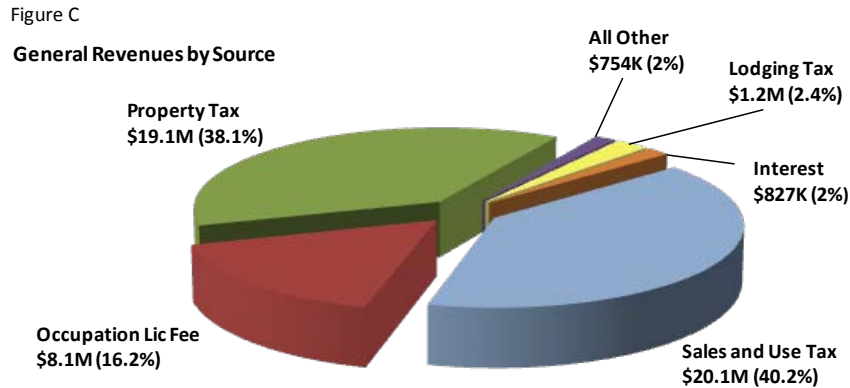
As detailed below, Table 4 divides total program revenue by source for 2009 and 2008 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative below provide insight into the changes in program revenue.

	<u>Primary Government</u>	
Program revenue by source:	<u>2009</u>	<u>2008</u>
Charges for services	\$ 26,813,540	\$ 22,786,873
Operating grants and contributions	2,976,232	2,112,431
Capital grants and contributions	<u>3,076,779</u>	<u>15,250,485</u>
Total Program Revenue	<u>\$ 32,866,551</u>	<u>\$ 40,149,789</u>

Some of the program costs of governmental activities in 2009 were paid by revenues collected from those who directly benefited from the programs (\$26.8 million). These revenue sources include:

- Business license fees, which generated \$5.3 million to pay the costs of providing general government services.
- Auburn University pays for fire and police services on campus. This revenue of \$3.1 million offsets public safety expenditures for the year ending 2009.
- ▶ Program costs were also defrayed by grants and contributions (\$6 million). A portion of this funding comes from the Community Development Block Grant (CDBG) program of the federal Department of Housing and Urban Development. Fiscal 2009 CDBG revenues of \$890,297 were used to rehabilitate inadequate housing, improve public facilities and provide utility and food assistance programs to eligible citizens.
- ▶ At the beginning of the fiscal year, the City moved the revenues and expenses associated with solid waste and recycling services in the Environmental Services function to a separate business-type activity fund. Were this change not made Environmental Services governmental activities program income and expenses would have been increased by \$3,790,349 and \$3,178,574, respectively.
- ▶ The City financed the \$54.2 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 2009:



- 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 40.6% of total general revenues. During this reporting period, the City’s sales tax rate was 3.0%.
- The second largest source of general revenues is property taxes (38.4%). 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 occupation license fees (16.4%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn made payments of \$24.9 million to component units of the primary government during fiscal 2009. Of this amount, \$21.5 million (86%) was paid to the Board of Education, including \$6.1 million paid from education property taxes and \$8.5 million from the proceeds of borrowing. The \$7.0 million appropriated to Schools from the City’s General Fund represents the continued commitment by the City of Auburn in response to the Citizen Survey results, which show that educational funding is the citizens’ highest priority, consistently year after year.

Business-type Activities

The City has two business-type activities. The largest is its sewer system, which includes two wastewater treatment plants operated by Veolia Water, a Houston, Texas based engineering and contract services firm. Table 5 details the summary revenues and expenses associated with this business-type activity. In late fiscal year 2008, the City engaged a utility rate consultant to review the sewer system rates for monthly service and access fees. Regarding the ability to meet the anticipated System expenditure and financial requirements, the study showed an inability to meet current operating and capital expenditure demands with the existing revenue stream. Upon reaching this conclusion, the City Council adopted a two phased rate increase. The first of a two-year phased rate increase plan was implemented on April 1, 2009, increasing sewer rates by 16%; an additional 16% increase will take effect on April 1, 2010. These increases will provide sufficient sewer revenues to fund the recently issued Series 2008 Warrants and to fund ongoing sewer operations. In addition to the monthly sewer service fees studied, the City also asked the firm to look at capital spending and make recommendations on the appropriateness of the then currently charged access fees. The City wanted to be sure that access fee

rates were, to the extent practical, fulfilling the purpose of assigning growth-related capital costs to those residents or users responsible for such additional costs, reducing the financial impact to the existing ratepayers.

The chart (Table 5) shows that program revenue of the Sewer Revenue Fund business-type activity, including charges for services (sewer treatment and disposal) and capital grants and contributions, increased from the prior year by \$1.3 million or 19.6%. This increase in Sewer Fund program revenue reflects an increase in sewer services fees by 11.75% (\$676,741) and sewer access fees by 146.26% (\$517,359). Sewer Fund revenue also increased due to the implementation of multi-cycle billing (explained below). Sewer Fund expenses (operating plus interest expense) increased by 13.4% to \$7.8 million. Increased interest associated with new debt and the payoff of refunded debt (a one-time cost) comprised most of the increase.

Table 5

Business Type Activities (Condensed)
Fiscal Years ended September 30, 2009 and 2008

	<i>Sewer Fund</i>		<i>Solid Waste Management Fd</i>		Total
	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>
Functions and programs	\$	\$	\$	\$	\$
<i>Operating expenses</i>	(5,934,315)	(5,666,927)	(3,178,575)	-	(9,112,890)
<i>Interest expense</i>	(1,890,914)	(1,236,928)	-	-	(1,890,914)
Program revenues					
<i>Charges for Services</i>	7,758,337	6,486,904	3,119,925	-	10,878,262
<i>Capital Contributions and Grants</i>	507,760	610,781	670,424	-	1,178,184
Net Revenue	440,868	193,830	611,774	-	1,052,642
Other non-operating rev (exp)					
<i>Interest and investment earnings</i>	136,999	43,263	2,239	-	139,238
<i>Gain (loss) on asset disposals</i>	13,112	22,625	15,635	-	28,747
<i>Miscellaneous</i>	3,648	504	351	-	3,999
<i>Transfers to/from General Fund</i>	(70,116)	(106,111)	31,563	-	(38,553)
Change in net assets	524,511	154,111	661,562	-	1,186,073
<i>Beginning net assets</i>	24,180,973	24,026,862	-	-	24,180,973
Ending net assets	24,705,484	24,180,973	661,562	-	25,367,046

At the beginning of the fiscal year the City created a second business-type activity, the Solid Waste Management Fund. Historically the City has accounted for the costs and revenue of providing the collection and disposal of solid waste and recycling in the General Fund; however, since governmental accounting principles allow local governments the option to use business-type accounting for activities that involve providing services to the general public on a user-charge basis, the City's management decided to take advantage of the opportunity to separate the revenue and expense of providing solid waste and recycling services from the other activities of the General Fund. This Fund has provided clear reporting of whether the user charges cover the costs to provide the services and the amount of any excess or deficit of revenues over costs. The Solid Waste Management Fund receives revenue from garbage charges to customers, special trash pickup fees, sales of recyclables and white goods tags (for pick-up of household appliances). Expenses include salaries and benefits of the Environmental Services employees whose duties include solid waste and recycling functions, landfill tipping fees, fuel and other supplies, and depreciation expense on the capital assets used in the solid waste and recycling functions. This Fund removed the cost of the solid waste and recycling divisions of Environmental Services from the General Fund. At the end of 2009, the fund had net revenue of \$611,774 and ending net assets of \$661,562. For comparative purposes only, Table 6 provides a comparison of the operating revenues and expenses as if this fund had been in place in 2008. Operating revenues and expenses increased by approximately 2.8% and 4.4% respectively. This increase in revenue is due to slight growth in the customer base and the implementation of multi-cycle billing. The small rise in expenses is the increase in associated costs of operations.

Table 6

<u>Solid Waste Management Fund</u>	<u>FY 2009</u>	<u>FY 2008*</u>	<u>FY 09 > FY 08</u>	
	<i>Actual</i>	<i>Hypothetical</i>	<u>Amount</u>	<u>As %</u>
Charges for Services	\$ 3,119,925	\$ 3,034,426	\$ 85,499	2.8%
Operating expenses	3,178,575	3,044,974	133,601	4.4%
Deficit of revenues under expenses	\$ (58,650)	\$ (10,548)	\$ (48,102)	

*FY2008 amounts were based on General Fund revenue and costs for solid waste and recycling services.

This information should be used for comparative purposes only.

Sewer service and solid waste fees are included on the utility billings for water services, which are processed by the Water Works Board of the City of Auburn. Multi-cycle billing was implemented on March 1, 2009. This system places all customers by address into one of four groups (each group is a "cycle"), which reduces the length of time between meter reading and billing and allows the Water Revenue Office to bill, on a rotating basis, different quadrants of the City. This effectively smoothes out the workload over the month instead of concentrating most processing on a few days of the month. The change to multi-cycle billing provides more responsive customer service and decreases the percentage in the "over 30 days past due" component of the aged receivables. To date, multiple billing cycles have proven to be effective in workload management. The implementation also increased collections in the month following implementation due to the condensed cycles; this contributed to the increase in revenues for both the Sewer and Solid Waste fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2009 fiscal year, its governmental funds reported a *combined* fund balance of \$46.9 million. This reflects an increase of \$6.0 million from the prior year. The total increase in fund balance is comprised of a \$21,674 decrease in General Fund balance, a \$4.1 million increase in special revenue funds' fund balances; the debt service fund's fund balance increased by \$734,894 and capital projects funds' fund balances increased by \$847,232. The following narrative discusses the financial activities that comprise the major changes in governmental fund balances.

Governmental revenues ~

- ▶ Total revenues of the governmental funds showed growth of 2.9% or \$2.1 million over the prior year.
- ▶ Sales and use tax revenue, the General Fund's single largest revenue source, decreased 4.3% (\$900,976) during the 2009 fiscal year. This downward trend resulted from the general economic slowdown. The sales tax rate remained at 3%, with the last rate increase occurring in 2003.
- ▶ General property tax revenues improved by 12.4%, contributing additional revenue of \$2.1 million to the governmental funds. Property taxes are a lagging economic indicator and as such showed growth in 2009, despite the decline in housing prices nationwide. Another reason property taxes remain stable is due to Auburn's ability to remain an attractive City and the overall health of the realty market in the Auburn area (low foreclosure rate and low turnover). Some growth in property taxes results from expansion of the city limits through voluntary annexations.
- ▶ Licenses and permits revenues increased by 13.1% (\$1,084,769) due predominately to an increase in business license fee revenue of 8.02% (\$393,748) and construction permit fees of

30.82% (\$396,017). Business license fees received were based on calendar year 2008 gross receipts from businesses. Auburn's economy was good in 2008, with growth in sales as well as new enterprises. Construction permits in 2009 saw an increase due mainly to three large construction projects based in the Auburn area including a new church, parking garage and apartment complex.

- ▶ Fiscal year 2009 saw a small decline in occupational license fees of \$67,178 (0.8%). Even though Auburn saw a net increase in jobs in the fiscal year, the general economic downturn suppressed any realized revenue growth due to the flattening or cuts of the wage base across businesses and industry.
- ▶ Revenue from charges for services decreased by 29.7% (\$2,209,151), primarily due to the creation of the Solid Waste Management Fund which moved the activities of the solid waste and recycling divisions from the General Fund (governmental) to an enterprise fund (business-type).
- ▶ Contributions from the public increased \$1.7 million, mainly due to the call of two letters of credit totaling \$1.6 million; the letters secured the warrants issued to finance a road extension project. The project was completed in fiscal year 2008 and agreements were signed whereby the affected property owners contracted to pay the City the net cost of construction with interest over ten years. Due to an inability to make timely payments, the City called both developers' letters of credit. The corresponding warrants were paid in full on November 7, 2008.
- ▶ Deterioration in the interest rate environment during fiscal 2009 resulted in a lesser amount of interest income by \$338,322, a 31.3% decline from the prior year.

Governmental expenditures ~

Total governmental expenditures decreased by \$14.8 million (14.6%) in fiscal 2009 from fiscal 2008. The major component of this decrease in governmental expenditures was the decrease in debt service principal repayments resulting from the City's refunding of debt during 2008 (see long term debt). To summarize the changes in governmental funds' expenditures:

- ▶ In the governmental funds, departmental expenditures increased slightly by \$374,953 (1.1%). Contributing to the upward trend was the 3% cost of living adjustment authorized for all regular employees, which affected all departments. The most significant increases in spending were seen in Public Works (\$1.4 million, 45.7%) and Public Safety (\$952,011, 6.6%). This increased spending in Public Works resulted, in small part from the factors mentions above, but principally from City and grant funded infrastructure improvements which are owned by either the State of Alabama or Lee County. (When the City does not own the asset, the expenditure is recorded as a departmental expenditure rather than capital outlay). Public Safety continued to upgrade software and computers with a large technology grant awarded in fiscal year 2008.
- ▶ Departmental expenditures in the governmental funds also shifted downward by \$2.7 million due to a change in accounting for the Solid Waste and Recycling divisions of the Environmental Services Department. As explained more fully in the Business-type Activities section, these two divisions' costs, along with the corresponding solid waste revenue were lifted out of the General Fund and placed in an enterprise fund (Solid Waste Management Fund).

- ▶ Expenditures for non-departmental purposes decreased by \$307,145 (13.9%). Contributing factors were a decrease in capital projects spending, coupled with increased costs for electricity.
- ▶ Total debt service expenditures of \$16.1 million in the governmental funds reflect a decrease of \$18.3 million from the prior year. Debt service expenditures included \$10.1 million for principal, \$5.9 million for interest and \$157,374 for related fees. In fiscal year 2008, the City refinanced some outstanding debt to obtain lower interest rates; the amount of debt service principal refunded during 2008 was \$20 million. Excluding the effect of the refinancing in 2008, the resulting increase in 2009 debt service expenditures over the prior year was \$1.7 million (12.2%). This smaller increase (\$1.7 million) is the result of the principal payoff of two warrants used for infrastructure improvements, as explained on the preceding page.
- ▶ Capital outlay expenditures of the governmental funds were down in 2009 by \$1.2 million (17.8%); the majority of the decrease took place in the General Fund where capital outlays decreased by \$1.2 million in 2009. Capital outlay expenditures are highly variable, depending on the availability of general revenues, grants and borrowed funds.
- ▶ The City's payments to its component units in 2009 increased by \$5 million from fiscal 2008 (25.0%), as shown in Table 7. In 2009, the City borrowed \$8.5 million to fund school related capital projects, which upon receipt was transferred to the schools for proper expenditure in accordance with the bond indenture. Excluding this transfer of debt proceeds, revenues contributed to the Auburn City Schools increased by 8.74% or \$1 million. Final payments were made to the Commercial Development Authority (CDA) in 2008 for the development of Exit 57 on Interstate 85, resulting in a decrease in payments to the CDA of \$1.8 million in 2009. The Public Park and Recreation Board continues to receive amounts from the General Fund for the operation of the Yarbrough Tennis Center. The 2009 transfer increased by \$1 million primarily to complete a complex transaction between the Public Park and Recreation Board, the City and Auburn University in the payment of capital expenditures and subsequent transfers for the building of the tennis facility. Included in the 2009 payments to the Industrial Development Board was \$594,303 for construction of infrastructure in the Auburn Technology Park West; the 2008 amount was \$3.4 million. Payments to the Industrial Development Board for continuing programs and debt service increased by \$92,333 or 5% in 2009.

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

Governmental Funds - Expenditures Comparison			Table 7
<u>Paid to component units:</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 09 > FY 08</u>
Auburn City Schools			
General revenues	\$ 6,988,003	\$ 6,795,523	\$ 192,480
Education property taxes	6,056,109	5,200,000	856,109
Debt issuance - Schools	8,500,000	-	8,500,000
Subtotal to Schools	21,544,112	11,995,523	9,548,589
Commercial Development Auth	3,450	1,805,170	(1,801,720)
Public Park & Rec Board	1,108,048	58,164	1,049,884
Industrial Development Board	2,263,865	6,080,417	(3,816,552)
Total - Component Units	<u>\$ 24,919,475</u>	<u>\$ 19,939,274</u>	<u>\$ 4,980,201</u>

- ▶ The City appropriated \$7.0 million out of its general revenue to the Auburn City Schools for fiscal year 2009, an increase of \$192,480 from 2008.

- ▶ In addition to the City's General Fund providing support to the schools, the School Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for interest and principal on school debt issued by the City of Auburn for the Auburn Board of Education and provide additional funds for operating expenses of the school system. This year the Board drew \$6.1 million for operations, an increase of \$856,109 or 16.5% over the prior year, to address the decrease in State appropriations for education.
- ▶ On December 19, 2008 a City general obligation warrant of \$8.5 million was issued to fund capital projects of the City school system. Upon receipt, this amount was transferred to the Board of Education to pay construction contracts and commitments in accordance with warrant documents. The Board of Education submits a monthly reconciliation to the City of all warrant-funded construction activities.
- ▶ In 2008, the City borrowed \$1.8 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. The only expenditures appropriated to the CDA in 2009 were audit fees of \$3,450.
- ▶ As described in other sections, the City of Auburn entered into two borrowings to fund the construction of a tennis facility: \$3.7 million (related to the portion leased to Auburn University) and \$2.7 million (related to the City of Auburn's portion). Construction was completed late in 2008 and now ownership and management of the facility are under the oversight of the Public Park and Recreation Board (PPRB) component unit. Fiscal 2009 saw an increase in transfers to the PPRB of \$1 million. Of this amount, transfers made for operations of the tennis facility were \$386,696. The remaining amount of \$721,352 completes a complex transaction between the Public Park and Recreation Board, the City of Auburn and Auburn University to complete the payment of capital expenditures and subsequent transfers for the building of the tennis facility.

Proprietary Funds

At the beginning of fiscal year 2009, the City created the Solid Waste Management Fund, an enterprise fund. The Solid Waste Management Fund accounts for collection and disposal of solid waste and recycling material provided to residents and businesses within the City limits. The Sewer Revenue Fund, also an enterprise fund, accounts for sewer collection, treatment and disposal services provided to the same constituents. The City's proprietary fund(s), which account for its business-type activities, reflect increased net assets of \$1.2 million at the end of fiscal 2009, a 4.9% increase. Combined operating income increased by \$948,890 (115.7%) from the prior year.

Proprietary funds' revenues, other resources ~

Sewer Fund operating revenues increased by 19.6% or (\$1.3 million) for 2009 as compared to 2008. Much of the increase can be attributed to the approved rate hike of 16% on April 1, 2009. In addition to operating revenue, the Sewer Fund's net assets were increased by \$507,760 from developers' contributions of sewer lines in fiscal 2009. This amount is a 14.8% (\$88,021) decrease from the prior year's developer contributions to the Sewer Fund and reflects the continued slowdown in subdivision construction during the fiscal period covered by this CAFR. Overall increases for the combined proprietary funds will be skewed due to the establishment of the Solid Waste Management Fund in 2009. Fiscal year 2010 will provide a more meaningful comparison.

Proprietary funds' expenses ~

In the Sewer Revenue Fund, operating expenses for fiscal 2009 increased by \$267,387 or 4.7%. The three largest components of this increase were additional costs of salaries and benefits at \$129,033 (explained by a 3% cost of living raise for all employees), utilities at \$133,354 (which continue to rise nationally) and depreciation at \$159,121 (due to new sewer system infrastructure improvements). In the Solid Waste Management Fund, operating expenses were at \$3.2 million. Salaries and benefits make up the majority at \$1.9 million. Other significant expenses include professional services at \$486,705 and depreciation at \$222,304 on capital assets used for solid waste and recycling pickup and disposal. An advance of \$216,892 from the General Fund was received for the purchase of a new solid waste truck.

For a more detailed discussion of the above funds see the *Business-type Activities* section of this Management's Discussion and Analysis.

Analysis of Changes in Major Funds

Major funds are funds whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The General Fund is always considered a major fund. The major funds presented are considered to be of particular importance to the financial statement users. In addition to the General Fund, and the Special Additional School Tax Fund, the following funds were determined by testing to be major funds in the 2009 fiscal year: The Special School Tax Fund and the 2009 Capital Projects Fund. The Sewer Revenue Fund has been a major fund since the implementation of GASB 34.

The General Fund (Governmental) ~

At the end of fiscal 2009, the total fund balance of the City's General Fund decreased \$21,674 (0.1%) from the prior year's ending balance. Fund Balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. The 2009 total ending fund balance was \$28.83 million, compared to \$28.85 million at the end of 2008. Total reserved fund balances decreased by \$4.1 million (31.8%); of this amount, the reserve for encumbrances reduced by \$4.3 million due to a decrease in approved but uncompleted construction contracts (less than \$100,000 at the end of fiscal year 2009, as opposed to \$4.2 million in construction contract commitments at the end of fiscal year 2008). Total unreserved fund balance in the General Fund increased by \$4.1 million (25.8%) in 2009.

The General Fund's total assets decreased by \$2.0 million (5.9%) during 2009. General external receivables decreased by \$1.8 million, primarily from satisfaction of a large receivable resulting from the Richland Road special capital improvement project, which involved the re-construction of a major road, the costs of which were borne by two developers.

Total liabilities in the General Fund decreased by \$1.9 million (40.6%) in 2009. The most significant component of that change was a decrease in deferred revenue of \$1.5 million (61.2%). This resulted from the satisfaction through letters of credit of a special capital improvement receivable valued at \$1.6 million, as mentioned above.

Special School Tax Fund (Governmental) ~

The Special School Tax Fund was classified as a major fund of the City this year; this fund was not a major fund in the 2008 report. 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 City bonds issued for Auburn City Schools. This became a major fund due primarily to increases in payments to component units at \$9.4 million, the bulk of which was a transfer of debt proceeds (\$8.5 million), borrowed in December of 2008. Another contributing factor was an increase in principal payments of \$890,000. Transfers out to the school board also increased in the 2009 fiscal year. With double digit increases in ad valorem tax revenue (13.9% in 2009) in the last 4 years and proration in State funding, the Auburn City School Board decided that, in addition to making budget reductions, they would draw increased funds of \$2.8 million for operations for the 2009 fiscal year.

Special Additional School Tax Fund (Governmental) ~

For both 2008 and 2009, the Special Additional School Tax Fund was classified as a major fund of the City. As a special revenue fund, it accounts for eleven of the sixteen mills of education ad valorem tax revenue which is transferred to the Special School Tax Fund and then used to pay principal and interest on City bonds issued for Auburn City Schools. Increases of \$989,223 (13.9%) boosted ad valorem tax revenue in this fund to over \$8.1 million in the fiscal year. This continued rise in revenue resulted in the classification of the Special Additional School Tax Fund as a major fund for the second year.

2009 Capital Projects Fund (Governmental) ~

The 2009 Capital Projects fund was classified as a major fund this fiscal year. This fund was created in 2009 to account for the revenue and expenditure of bonds issued by the City at \$9 million for the constructing and acquiring of public transportation improvements, recreational facility improvements and improvements for fire protection services. Since funding was received only three months before year-end, on July 1, 2009, there was a large amount remaining in cash and cash equivalents at year-end. Cash and cash equivalents at September 30, 2009 totaled \$7.8 million. This amount was invested according to investment policies of the City and State law to enable interest earnings while the spend-down occurs for the projects planned.

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 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. Construction activities funded by this debt began in 2002 and continued through 2005.

On June 19, 2007, the City obtained a \$12.1 million general obligation line of credit for sewer system capital improvement purposes. This line of credit was issued to provide interim financing for construction of capital improvements to the wastewater collection and treatment system. In fiscal 2008, sewer line expansion and rehabilitation continued via various construction projects for the sewer infrastructure system, spending down the principal amount supplied through the line of credit. Contemplating a borrowing early in the fiscal year 2009, the General Fund extended to the Sewer Fund an interest free short-term loan to cover the construction costs until bonds could be issued. During fiscal year 2009, the Sewer Fund borrowed \$25.4 million. This issue had three distinct purposes: 1) to repay the General Fund short-term loan in the amount of \$1.9 million, 2) payoff of the Compass Bank note payable at \$12.1 million and 3) to complete and build \$10.8 million of planned infrastructure for the sanitary sewer system, to provide needed improvements and treatment capacity for the citizens of Auburn. Also on September 1, 2009 the City borrowed \$15.3 million to conduct a partial refunding of the 2001 general obligation warrants. This refunding took place in October of 2009. See table 8 which

displays the current and projected effect of borrowings and refunding on principal balances in the Sewer Fund. Across the fiscal years 2008 to 2010, the Sewer Fund has issued new capital bonds and refunded existing debt. The chart below displays the effect of these borrowings.

Table 8

Sewer Debt Outstanding Business-type activities:	Interest Rate	Principal Issued	Principal Outstanding			Yr of Final Maturity
			9/30/2008	9/30/2009	9/30/2010	
<i>General Obligation Warrants</i> dated 08/01/01 (sewer plant & expansion) <i>Note payable, Compass Bank,</i> Dated 06/19/07 (sewer improvements & refund zero coupon warrants dated 08/29/01)	2.8%-5%	\$ 24,765,000	<i>Audited</i> \$ 22,120,000	<i>Audited</i> \$ 21,625,000	<i>Projected</i> \$ 5,805,000	2024
<i>General Obligation Warrants</i> Dated 12/1/08 (Refund Compass Bank Note; Sewer capital projects)	4%-5.625%	25,370,000	-	25,370,000	24,830,000	2033
<i>General Obligation Warrants</i> Dated 9/1/09 (Partial refund 2001 Warrants)	3.5%-5%	15,245,000	-	15,245,000	15,245,000	2024
			<u>\$ 34,220,000</u>	<u>\$ 62,240,000</u>	<u>\$ 45,880,000</u>	

The Sewer Fund's net assets increased by \$524,511 (2.2%) in fiscal year 2009. While total net assets increased slightly, there were large changes in the components reported, due to the effect of the borrowings and subsequent refunding of the Sewer long-term debt. The unrestricted/unreserved component of net assets at year-end reported a deficit of \$20.7 million due to the increased restricted balances for capital projects to \$4.9 million and the amount restricted for debt service at \$15.9 million. In October of 2009 (FY2010) the restricted balance in debt service was reduced by \$15.3 million when part of the 2001 bonds were refunded. In addition, the Restricted for Capital Assets balance at \$4.9 million represents the remaining amount to be spent on capital projects outlined in the bond indenture.

Total assets of the Sewer Fund increased \$28.8 million; the majority of this increase is cash and cash equivalents of \$21.1 million. This was a temporary peak; it was reduced by \$15.3 million in October of 2009 at the partial payoff of the refunded 2001 warrants. Cash also increased due to the remaining \$4.9 million to be spent from the capital borrowing. Another portion of this increase was caused by acquisition of capital assets in the amount of \$7.4 million, a 12.7% increase. The increase in Sewer Fund capital assets included the capitalization of assets donated by developers at \$507,760.

There was an increase in Sewer Fund liabilities of \$28.3 million or 76.8%, consisting primarily of the increase in long-term debt of \$28.8 million. This increase brought total long-term debt (warrants and notes payable) to \$62.2 million at the end of 2009, due to borrowings for capital projects and refinancing. More detail is provided above and in the *Capital Assets* and *Debt Management* sections.

The Sewer Fund generated operating income of \$1.8 million in 2009, a rise of \$1 million from 2008. Operating revenues increased by \$1.3 million, the growth is attributed to rate increases, added customers, and multi-cycle billing. Operating expenses increased by \$267,387 (4.7%); major factors were increased depreciation (\$159,121), utilities (\$133,354), and salaries and benefits (\$129,033). Including non-operating revenues and expenses, the Sewer Fund's income before operating transfers and capital contributions in 2009 was \$86,867; in 2008, there was loss of \$350,559 before transfers and contributions. The major change in non-operating items was the \$653,986 or 52.9% increase in interest and fiscal charges, the result of new borrowings and refinancings.

General Fund Budgetary Highlights

The City of Auburn adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. Auburn's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. The budget is integrated with the

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

The fiscal year 2009 *final* General Fund budget projected \$52.2 million in revenue and \$2.9 million in other financing sources; appropriations were approved for \$59.4 million in expenditures and \$550,000 in other financing uses, producing a planned reduction of \$4.9 million in the General Fund's balance. Actual amounts for revenues (\$54 million), other financing sources (\$2.3 million), expenditures (\$56.3 million), and other financing uses (\$89,103) netted in a small deficit for the fiscal year. As a result, the General Fund balance decreased by \$21,674 in 2009.

The original revenue projections in the General Fund were \$115,164 over the *final* budget. The budget adjustments resulted from varied growth/decline in many revenue sources, the largest difference found in sales and use tax (down by 9%). Other increases/decreases were seen in occupation license fees (up by 2.7%), property taxes (up by 9.9%), lodging taxes (down by 6.3%), and licenses and permits (up by 5.7%). These revenue trends reflect the changing economic environment which makes budgeting a more challenging task. Auburn is able to alter the course of spending as a result of management's assessment of revenue changes during the year, with tools such as monthly financial reports and department budget to actual reports.

Total actual departmental expenditures in the General Fund were under budget by \$3.5 million in fiscal 2009. All individual departments kept expenditures under final budget. Non-departmental expenditures were under budget by \$72,324 and debt service expenditures exceeded budget by \$1.7 million. This increase was the result of the principal payoff of two warrants used for infrastructure improvements. Other financing sources and uses actual amounts compared unfavorably with the budget by \$132,158.

The total operating budget for all departments was increased by \$862,782 in the *final* budget. Although almost all departments' budgets were increased in the *final* budget, the two largest increases (\$558,989 and \$240,534) were in the amount appropriated for the Public Safety and Parks and Recreation departments. Public Safety received a technology grant which provided laptop computers to be placed in each police vehicle; costs of the software for the computers comprised the majority of the increase in Public Safety's department budget. Two recreation-related advisory boards are linked financially to the General Fund. Funding for these entities accounted for the bulk of the increase in the *final* Parks and Recreation department operating budget.

Capital outlay increased in the *final* budget by 7.2% or \$273,644. Capital spending related to infrastructure projects finishing ahead of schedule comprised a majority of the increase. Payments to component units also increased in the *final* budget by 3.9% or \$351,913. The greater part of this change consisted of the amendment of an unbudgeted transfer to a component unit. Debt issuances were reduced by \$468,730 due to a road construction project bid coming under budget.

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

As of September 30, 2009, the City owned \$179.1 million invested in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, wastewater infrastructure, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$9.4 million (5.54%) over last year. The majority of the increase is made up of new or updated sewer lines and mains.

Table 9 lists the largest capital asset additions to the City for fiscal year 2009:

<i>Wastewater system expansion and improvements</i>	
Timberwood Interceptor reinforcement	\$ 828,937
Timberwood Sewer extension	1,186,999
Northside transfer force main	1,469,310
Saugahatchee interceptor CIPP	2,720,689
<i>Subtotal - Sewer</i>	6,205,935
<i>Roadway - Resurface and restripe identified City roads</i>	1,364,081
<i>Buildings - Improvements at Boykin Community Center</i>	255,411
<i>Recreation Facilities - Samford pool renovations</i>	610,879
Total	\$ 8,436,306

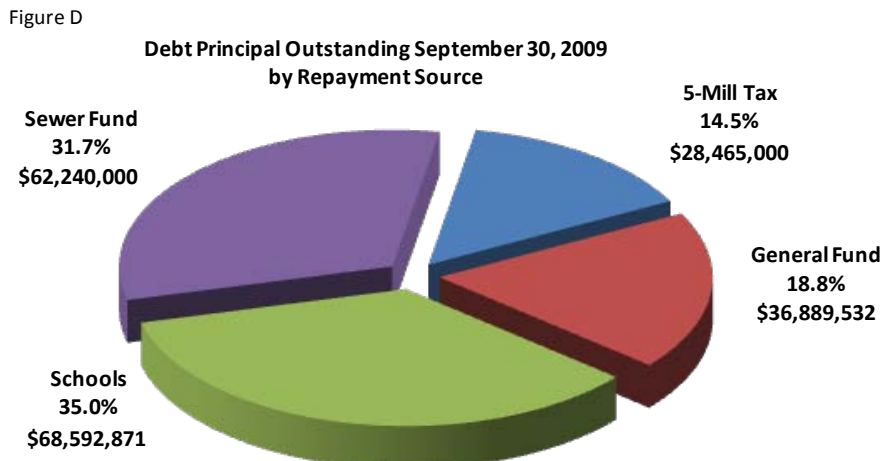
The City has committed, through borrowings and referendums, to continue or complete some major projects in fiscal year 2010. Major projects include: Frank Brown Recreation Center improvements totaling ~\$1 million, intersection improvements at Donahue and Magnolia totaling ~\$1 million, road resurfacing (about \$3.5 million) and sewer system projects (~\$9 million). Note 10 of the narrative notes to the financial statements provide additional detail on capital assets.

Long-term Debt

At 2009 fiscal year-end, the City owed \$201.1 million in long-term debt outstanding, of which \$10.5 million will mature and \$15.3 million will be refunded during fiscal 2010. The fiscal 2009 net increase in long-term debt from the previous year (excluding the refunding) was \$23.9 million or 14.8%. The City's long-term debt is comprised of bonds, warrants, and notes payable.

General obligation debt is generally 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. The City issues general obligation debt for sewer purposes, which is intended to be repaid from the Sewer Fund.

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



Long-term debt with \$28.5 million in principal outstanding at fiscal year-end will be paid from the Special Five-Mill Tax Fund. A Special Five-Mill Tax Fund referendum was held in January of 2009 and related debt issued in July of 2009. The approval rate for the referendum projects, which included infrastructure, public works, and facility improvements throughout the City, was 91.8%. The City issues debt for the Auburn City Board of Education. The principal amount of currently outstanding school issues stands at \$68.6 million, which will be repaid from dedicated school ad valorem taxes. The Sewer Revenue Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$62.2 million; this includes \$15.3 million of debt refunded in October 2009 (FY2010). The remaining \$36.9 million in outstanding principal will be repaid solely from the General Fund. The reader may refer to Note 11 of the narrative notes to the financial statements for more detail concerning the debt issuances and debt outstanding of the City and its component units.

New debt issued during fiscal 2009 consists of the following:

- ▶ On October 10, 2008, the City issued its \$2,031,270 General Obligation Warrant to finance the East Samford Avenue Extension Project. The Warrant bears interest at a rate of 4.10%, payable monthly beginning October 2008 and continuing through September 2015
- ▶ On December 1, 2008, the City issued its \$25,370,000 Sewer Refunding and Capital Improvement Warrant to refund the \$12,100,000 Compass Bank Note Payable and to finance capital improvements to the sewer system, including the Saugahatchee interceptor cured-in-place pipeline rehabilitation, the construction of the Choctafaula pump station, improvements to the Northside transfer force main, the Choctafaula interceptor project – phase 2 improvements, and various other additions and capital improvements. The Warrant bears interest at rates ranging from 4.0%-5.625%, payable monthly beginning January 2009 and continuing through December 2033.
- ▶ On December 19, 2008, the City issued its \$8,500,000 General Obligation Warrant, on behalf of Auburn City Schools, to finance additions and renovations at Auburn High School. The Warrant bears interest at rates ranging from 4.76%, payable monthly beginning January 2009 and continuing through June 2028.
- ▶ On July 1, 2009, the City issued its \$9,000,000 General Obligation Bonds for the purpose of acquiring, providing and constructing various capital improvements within the City including constructing and acquiring public transportation improvements, recreational facility improvements and improvements for fire protection services. The Bonds bear interest at rates ranging from 2%-4%, payable semiannually beginning November 2009 and continuing through May 2021.
- ▶ On September 1, 2009, the City issued its \$15,245,000 General Obligation Refunding Warrant to refund a portion of the 2001 General Obligation Sewer Warrants and to finance sewer capital projects. The Warrant bears interest at rates ranging from 3.5%-5.0%, payable semiannually beginning January 2010 and continuing through January 2024. On October 22, 2009, subsequent to the fiscal year-end, the City refunded \$15,300,000 of the \$21,625,000 outstanding 2001 General Obligation Sewer Warrants. The City completed the current refunding to reduce its total debt service payments over the next 15 years by \$1.3 million to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$122,480.

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, and water and

sewer purposes are exempt from the legal debt limit. The City's outstanding debt applicable to this limit is \$69 million, resulting in a legal debt margin (additional legal debt capacity) of \$78.2 million.

An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2009 is 18.6%. The ratio for 2008 was 33.9%; however, if both the total debt service expenditures (\$34.4 million) and total expenditures (\$101.5 million) are adjusted to eliminate the debt service principal expenditures related to a refunding, the 2008 ratio is 17.6%. The ratio for 2007 was 14.7%. City management assesses this ratio during the budgeting process and has established a goal of reducing the ratio to 10-12%.

Bond Ratings

The City received its most recent bond ratings in September 2009. The City received an upgrade from Standard & Poor's to AA+ from AA in November 2008; this rating was confirmed in September 2009. 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:

City of Auburn Mission Statement

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

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

The City's robust budgetary processes, proactive financial management efforts, aggressive (yet selective) industrial and commercial recruitment strategies, the presence of Auburn University, a diversified revenue base and the exceptional City public school system, all combine to position Auburn as a strong municipal economy. Even with a slowdown in the general economy experienced within the State of Alabama and the nation as a whole, Auburn has remained a relatively stable and growing economy, although the rate of growth has slowed. The City's unemployment rates typically compare favorably

with the State's and national rates. The most recent data available show that for December 2009, the Auburn-Opelika area's unemployment rate was 9.2%, the second lowest rate in the State of Alabama. The State's unemployment rate in December 2009 was 10.9%; the national rate was 10% (source: US Bureau of Labor Statistics).

The Auburn City Council is committed to the development of a diversified economic base, with Auburn University as the cornerstone. The City's Industrial Development Board (IDB), Commercial Development Authority (CDA), and Economic Development Department have partnered to bring more than 4,000 new jobs to the City over the past two decades. The IDB targets small to mid-sized, higher technology and ecologically friendly companies in a variety of industries with the ability to provide jobs with good salaries and benefits. Many of the recruited industries are based on technology partnerships with the University. In addition, the City's advantageous location on Interstate 85 and its proximity to various automotive manufacturing facilities in Alabama and west central Georgia make Auburn a natural choice for second and third tier automotive suppliers. The additional payrolls brought to the City generate occupation license fees, business license fees, and sales tax revenues, which enable the City to provide the high levels of services and facilities expected by its citizens. Auburn University, the State's largest land-grant university, is a stabilizing force in the local economy. The University has consciously controlled the growth of the student body at around 1% per year. The proximity of the University to the City's downtown area contributes significantly to a vibrant ambiance and vigorous business activity.

The City of Auburn, Auburn University and the State of Alabama have entered into a partnership to contribute a combined \$20 million to construct and build a state-of-the-art, 156-acre research park to advance the evolving technology corridor extending from Atlanta to Montgomery along Interstate Highway 85. The park's infrastructure and first building are complete; and the first tenant, Northrup Grummond, has already located in the research park. By the end of fiscal year 2009, a second building was announced for a Magnetic Resonance Imaging (MRI) research center. In the 45,000 square-foot facility, Auburn University will partner with Siemens Medical Solutions USA to conduct research and house clinical studies.

The City's public schools have received consistently high ratings for the qualifications of its faculty and staff and the achievements of its students, as well as strong local funding levels. The excellence of the City School system has proved a major factor in the City's residential growth and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family detached homes has dropped back to more historical levels for the area, fiscal 1999 (225 permits) to fiscal 2009 (243 permits), after a period of significant growth from 2004 – 2007, during which an average of 445 single family homes were permitted each year. For the first five months of fiscal 2010, the number of single family homes permitted was up by 55% as compared to the same period in 2009. Fiscal year to date multi-family permit valuations at February 2010 were down only slightly, at 4%, under February 2009. Many families relocate to Auburn to take advantage of the excellent public schools, even though the breadwinners' jobs are in other nearby cities. Commercial/industrial/institutional building activity (including new construction and additions/renovations) is down as of February 2010, compared to the same fiscal period in 2009, both in terms of the number of permits (36%) and their valuation (88%). The City's size has grown from 44.43 square miles in 1999 to 57.9 square miles in 2009. Population growth has averaged about 3% per year; the growth rate for 2009 was 3.2%.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2009 and 2010. For the new biennium, revenues were projected even more conservatively than is typical, borrowing plans were scaled back significantly, and some capital expenditures were shifted out of the General Fund to be financed by the Special Five Mill Tax Fund's resources. The City Council conducted a comprehensive Revenue Review in the spring of 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 the City's long-term financial projections, to facilitate the Council's consideration of tax or fee increases. However, tax and fee increases are studied also during the development of the biennial budget and during each mid-biennium budget review. As part of the City's budget processes, projected revenues and proposed expenditures are input into the long-term forecasting model to determine the effects on fund balances of various scenarios. Use of the long-term forecasting model is helpful for determining the effects of tax or fee increases that may be considered, as well as the need for borrowing, within the context of proposed expenditure scenarios.

The Council has established a goal for maintaining the fund balance in the General Fund at not less than 20% of expenditures plus other financing uses. The City has consistently exceeded this goal; the total fund balance in the General Fund at September 30, 2009 stood at 51% of expenditures compared to 36% in 2008. The total fund balance 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 43% of expenditures. Another useful measure is the comparison of fund balance with total revenues, excluding other financing sources. The General Fund's total fund balance as a percentage of revenues was 53.4% at the end of fiscal 2009 and 52.5% at the end of 2008, another indication of the stability of fund balance.

The only utility service provided by the primary government is wastewater treatment and disposal. The City privatized the construction and operation of two wastewater treatment plants in 1984; the two plants were reacquired in 2001. Sewer rate increases of 5% were effective October 1, 2006 and 2008, 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. In 2008, the City engaged a rate consultant to study the Sewer Fund's rate and fee structure. Following the completion of the sewer rate study, the Council approved increases in both sewer service fees and sewer access fees, in a phased approach. The first increase was effective April 1, 2009; an additional increase will be effective April 1, 2010.

Water services are provided by the City's component unit, Auburn Water Works Board. During fiscal year 2009, the Board engaged a utility rate consulting firm to perform a study of the Board's rates, expenses and long-term capital plan. The Board approved a rate increase based on the results of the rate study effective June 11, 2009. Even with the rate increase, Auburn's fees remain below the average water rates charged by a number of neighboring utilities.

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. The slowing global economy and the unpredictability of the future impart an even higher importance to administering the City's revenue ordinances equitably, monitoring the City's financial status continuously, and budgeting for the prudent expenditures of public resources. City management is committed to all of these efforts.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS	\$	\$	\$	\$
Current assets:				
Cash and cash equivalents	25,223,770	21,223,394	46,447,164	18,244,317
Certificates of deposit	10,205,005	1,000,000	11,205,005	5,057,865
Receivables, net	6,534,012	1,204,215	7,738,227	834,751
Due from component units	378,908	-	378,908	-
Inventories	15,070	17,070	32,140	293,294
Current portion of mortgages and notes receivable	211,717	-	211,717	20,473
Property tax receivable	-	-	-	4,110,857
Due from other governments	-	-	-	734,500
Due from primary government	-	-	-	66,006
Other current assets	113,595	6,514	120,109	45,646
Total current assets	<u>42,682,077</u>	<u>23,451,193</u>	<u>66,133,270</u>	<u>29,407,709</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	52	-	52	4,386,559
Investments	-	-	-	27,222
Mortgages and notes receivable, net of current portion	1,100,712	-	1,100,712	1,162,273
Advances to other funds	216,892	-	216,892	-
Advances to component units	3,740,008	-	3,740,008	-
Advances to other agencies	359,930	-	359,930	-
Property for resale	4,131,127	-	4,131,127	13,063,442
Bond issue costs, net	700,708	742,261	1,442,969	912,822
Deferred water rights, net	-	-	-	621,336
Capital assets not being depreciated	18,575,952	9,182,802	27,758,754	30,340,938
Capital assets net of accumulated depreciation	93,785,977	57,597,248	151,383,225	156,766,110
Total noncurrent assets	<u>122,611,358</u>	<u>67,522,311</u>	<u>190,133,669</u>	<u>207,280,702</u>
Total assets	<u>165,293,435</u>	<u>90,973,504</u>	<u>256,266,939</u>	<u>236,688,411</u>
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	4,113
Current portion of long-term debt	-	-	-	610,000
Accrued interest payable	-	-	-	272,415
Accounts payable and other accrued liabilities	2,130,221	869,119	2,999,340	3,684,326
Due to component units	55,179	10,828	66,007	-
Accrued interest payable	825,819	731,588	1,557,407	-
Salaries and benefits payable	381,002	-	381,002	4,533,325
Claims payable	106,453	-	106,453	-
Customer deposits	162,102	566,586	728,688	658,955
Unearned revenue	367,376	240,000	607,376	4,199,985
Current portion of long-term debt	9,712,000	16,375,540	26,087,540	6,240,000
Short term notes payable	-	-	-	822,813
Due to primary government	-	-	-	378,908
Obligations under capital leases	-	-	-	1,384,141
Current portion water supply agreement payable	-	-	-	236,437
Total current liabilities	<u>13,740,152</u>	<u>18,793,661</u>	<u>32,533,813</u>	<u>23,025,418</u>
Noncurrent liabilities:				
Advances from primary government	-	216,892	216,892	3,740,008
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	-	-	166,317
Long-term debt and other liabilities	128,436,018	46,595,905	175,031,923	54,996,700
Total noncurrent liabilities	<u>128,436,018</u>	<u>46,812,797</u>	<u>175,248,815</u>	<u>58,903,025</u>
Total liabilities	<u>142,176,170</u>	<u>65,606,458</u>	<u>207,782,628</u>	<u>81,928,443</u>
NET ASSETS				
Invested in capital assets, net of related debt	75,764,472	25,486,581	101,251,053	135,593,168
Restricted for :				
Capital projects	1,238,259	4,859,981	6,098,240	7,920,065
Debt service	3,898,630	15,879,876	19,778,506	2,548,885
Federal and state grants	834,146	-	834,146	-
Restricted for other projects	-	-	-	208,971
Special revenues (gas tax and road projects)	205,761	-	205,761	-
Special revenues (ad valorem tax for schools)	4,707,807	-	4,707,807	-
Special revenues (public safety)	107,764	-	107,764	-
Unrestricted (deficit)	(63,639,574)	(20,859,392)	(84,498,966)	8,488,879
Total net assets	<u>23,117,265</u>	<u>25,367,046</u>	<u>48,484,311</u>	<u>154,759,968</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, 2009

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	6,155,735	11,254,130	1,160,816	-	6,259,211	-	6,259,211	
Public works	7,574,881	-	489,364	1,321,077	(5,764,440)	-	(5,764,440)	
Environmental services	1,770,911	-	-	-	(1,770,911)	-	(1,770,911)	
Public safety	16,288,317	3,091,180	56,832	278,187	(12,862,118)	-	(12,862,118)	
Library	1,678,410	37,558	12,642	5,308	(1,622,902)	-	(1,622,902)	
Parks and recreation	6,207,871	807,267	12,750	281,723	(5,106,131)	-	(5,106,131)	
Planning	614,034	30,002	-	-	(584,032)	-	(584,032)	
Social and economic development	5,353,639	-	1,242,828	12,300	(4,098,511)	-	(4,098,511)	
Human resources	697,585	-	-	-	(697,585)	-	(697,585)	
Risk management	1,297,761	716,141	-	-	(581,620)	-	(581,620)	
Education (payments to Board of Education)	21,544,112	-	-	-	(21,544,112)	-	(21,544,112)	
Interest on long-term debt	5,860,550	-	-	-	(5,860,550)	-	(5,860,550)	
Total governmental activities	<u>75,043,806</u>	<u>15,936,278</u>	<u>2,975,232</u>	<u>1,898,595</u>	<u>(54,233,701)</u>	<u>-</u>	<u>(54,233,701)</u>	
Business-type Activities:								
Sewer Fund	7,825,230	7,758,337	-	507,760	-	440,867	440,867	
Solid Waste Management Fund	3,178,574	3,118,925	1,000	670,424	-	611,775	611,775	
Total business-type activities	<u>11,003,804</u>	<u>10,877,262</u>	<u>1,000</u>	<u>1,178,184</u>	<u>-</u>	<u>1,052,642</u>	<u>1,052,642</u>	
Total primary government	<u>86,047,610</u>	<u>26,813,540</u>	<u>2,976,232</u>	<u>3,076,779</u>	<u>(54,233,701)</u>	<u>1,052,642</u>	<u>(53,181,059)</u>	
Component units:								
Board of Education	59,598,189	4,287,910	28,647,468	4,786,790	-	-	-	(21,876,021)
Water Works Board	8,132,599	6,839,376	-	600,090	-	-	-	(693,133)
Industrial Development Board	4,266,314	2,520,696	2,263,866	1,049,705	-	-	-	1,567,953
Public Park & Recreation Board	683,796	66,395	549,537	561,960	-	-	-	494,096
Commercial Development Authority	5,229	-	-	-	-	-	-	(5,229)
Total Component Units	<u>72,686,127</u>	<u>13,714,377</u>	<u>31,460,871</u>	<u>6,998,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,512,334)</u>
General revenues								
Taxes:								
Sales taxes					20,143,854	-	20,143,854	3,967,730
Occupational license fees					8,107,024	-	8,107,024	-
Property taxes					19,053,631	-	19,053,631	10,387,249
Motor fuel taxes					260,447	-	260,447	-
Lodgings taxes					1,184,540	-	1,184,540	-
Rental and leasing taxes					451,563	-	451,563	-
Cigarette taxes					78,290	-	78,290	-
Alcoholic beverage taxes					119,781	-	119,781	479,628
Other taxes					-	-	-	49,907
Appropriations from the City of Auburn					-	-	-	6,988,003
Federal and state aid not restricted					-	-	-	8,501,426
Interest and investment earnings					827,049	139,237	966,286	901,335
Gain (loss) on disposal of assets					(166,665)	28,748	(137,917)	321
Miscellaneous					10,277	3,999	14,276	571,690
Transfers					(631,870)	(38,553)	(670,423)	-
Total general revenues, special items, and transfers					<u>49,437,921</u>	<u>133,431</u>	<u>49,571,352</u>	<u>31,847,289</u>
Change in net assets					(4,795,780)	1,186,073	(3,609,707)	11,334,955
Net assets - beginning					27,913,045	24,180,973	52,094,018	143,635,477
Prior period adjustment					-	-	-	(210,464)
Net assets - beginning, as restated					<u>27,913,045</u>	<u>24,180,973</u>	<u>52,094,018</u>	<u>143,425,013</u>
Net assets - ending					<u>23,117,265</u>	<u>25,367,046</u>	<u>48,484,311</u>	<u>154,759,968</u>

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

**CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	General Fund	Special School Tax Fund	Special Additional School Tax Fund	2009 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$	\$
ASSETS						
Cash and cash equivalents	16,899,559	1,314,031	3,298,334	7,765,004	6,151,898	35,428,826
Receivables, net	5,835,249	29,981	65,958	4,655	598,169	6,534,012
Due from other funds	242,312	-	-	-	-	242,312
Due from component units	224,053	-	-	73,260	81,596	378,909
Inventories	15,070	-	-	-	-	15,070
Prepaid items	10,068	-	-	-	-	10,068
Mortgages receivable	-	-	-	-	1,312,429	1,312,429
Advances to other funds	216,892	-	-	-	-	216,892
Advances to component units	3,740,008	-	-	-	-	3,740,008
Advances to other agencies	359,930	-	-	-	-	359,930
Property for resale	4,131,127	-	-	-	-	4,131,127
Total assets	31,674,268	1,344,012	3,364,292	7,842,919	8,144,092	52,369,583
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	1,649,740	500	-	585,635	424,776	2,660,651
Due to component units	55,179	-	-	-	-	55,179
Customer deposits	105,144	-	-	-	-	105,144
Claims payable	106,453	-	-	-	-	106,453
Due to other funds	-	-	-	-	242,312	242,312
Deferred revenue	929,493	-	-	-	-	929,493
Deferred program revenue	-	-	-	-	1,312,478	1,312,478
Total liabilities	2,846,009	500	-	585,635	1,979,566	5,411,710
Fund balances:						
Reserved:						
Inventories	15,070	-	-	-	-	15,070
Prepaid expenses	10,068	-	-	-	-	10,068
Encumbrances	371,213	-	-	1,674,714	461,187	2,507,114
Advances	4,316,831	-	-	-	-	4,316,831
Property for resale	4,131,127	-	-	-	-	4,131,127
Unreserved:						
Designated for emergency purposes	4,620,075	-	-	-	-	4,620,075
Undesignated	15,363,875	1,343,512	3,364,292	5,582,570	-	25,654,249
Unreserved, reported in nonmajor funds:						
Special revenue funds	-	-	-	-	984,855	984,855
Debt service funds	-	-	-	-	3,898,630	3,898,630
Capital projects funds	-	-	-	-	819,854	819,854
Total fund balances	28,828,259	1,343,512	3,364,292	7,257,284	6,164,526	46,957,873
Total liabilities and fund balances	31,674,268	1,344,012	3,364,292	7,842,919	8,144,092	

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.	112,361,930
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(137,447,310)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,874,596
Prepaid items accounted for using the purchases method are not reported in the funds.	103,527
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(733,351)
Net assets of governmental activities	23,117,265

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, 2009

	General Fund	Special School Tax Fund	Special Additional School Tax Fund	2009 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$	\$
Revenues						
Sales and use taxes	20,143,854	-	-	-	-	20,143,854
Occupational license fees	8,107,024	-	-	-	-	8,107,024
Motor fuel taxes	511,874	-	-	-	-	511,874
Lodging taxes	1,184,540	-	-	-	-	1,184,540
Rental and leasing taxes	451,563	-	-	-	-	451,563
Other taxes	198,072	-	-	-	-	198,072
Licenses and permits	9,350,937	-	-	-	-	9,350,937
General property taxes	3,828,737	3,675,235	8,085,517	-	3,464,143	19,053,632
Charges for services	5,223,826	-	-	-	7,799	5,231,625
Fines and forfeitures	1,201,777	-	-	-	-	1,201,777
State shared taxes	1,152,631	-	-	-	237,936	1,390,567
Contributions from the public	2,135,776	-	-	710	192,578	2,329,064
Grants	-	-	-	-	2,125,631	2,125,631
Program income	-	-	-	-	836,384	836,384
Interest	467,783	38,005	98,515	27,694	219,858	851,855
Miscellaneous	59,927	-	-	-	93	60,020
Total revenues	54,018,321	3,713,240	8,184,032	28,404	7,084,422	73,028,419
Expenditures						
General government and administration	4,127,351	-	-	-	-	4,127,351
Public works	3,213,333	-	-	27,347	1,102,457	4,343,137
Environmental services	1,636,517	-	-	-	-	1,636,517
Public safety	15,062,177	-	-	-	256,368	15,318,545
Library	1,438,473	-	-	-	12,342	1,450,815
Parks and recreation	4,356,992	-	-	-	2,000	4,358,992
Planning	609,721	-	-	-	-	609,721
Economic development	930,343	-	-	-	1,196,540	2,126,883
Employee services	637,204	-	-	-	-	637,204
Risk management	1,231,524	-	-	-	-	1,231,524
Total departmental	33,243,635	-	-	27,347	2,569,707	35,840,689
Non-Departmental	1,372,321	129,622	284,068	-	120,376	1,906,387
Debt service:						
Administrative charges	7,500	9,548	-	130,203	10,123	157,374
Interest	1,732,284	3,207,097	-	-	921,910	5,861,291
Principal retirement	6,357,624	1,932,685	-	-	1,770,000	10,060,309
Capital outlay	3,090,503	-	-	1,673,094	938,730	5,702,327
Intergovernmental	1,228,888	-	-	-	969,839	2,198,727
Payments to component units	9,207,103	14,556,109	-	-	1,156,263	24,919,475
Total expenditures	56,239,858	19,835,061	284,068	1,830,644	8,456,948	86,646,579
Excess (deficiency) of revenues over expenditures	(2,221,537)	(16,121,821)	7,899,964	(1,802,240)	(1,372,526)	(13,618,160)
Other financing sources (uses)						
Debt issuance	2,031,270	8,500,000	-	9,059,524	-	19,590,794
Refunding bonds	-	-	-	-	-	-
Sale of surplus assets	16,919	-	-	-	-	16,919
Transfers in	240,776	8,138,820	-	-	327,521	8,707,117
Transfers out	(89,103)	-	(8,138,820)	-	(431,521)	(8,659,444)
Total other financing sources (uses)	2,199,862	16,638,820	(8,138,820)	9,059,524	(104,000)	19,655,386
Net changes in fund balances	(21,675)	516,999	(238,856)	7,257,284	(1,476,526)	6,037,226
Fund balances, beginning of year	28,849,934	826,513	3,603,148	-	7,641,052	40,920,647
Fund balances, end of year	28,828,259	1,343,512	3,364,292	7,257,284	6,164,526	46,957,873

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, 2009

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

Net change in fund balances - total governmental funds	\$	6,037,226
<p>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.</p>		
		2,004,805
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to (increase) decrease net assets.</p>		
		(863,288)
<p>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.</p>		
		(9,400,279)
<p>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.</p>		
		(909,306)
<p>Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		54,307
<p>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.</p>		
		<u>(1,719,245)</u>
Change in net assets - statement of activities	\$	<u>(4,795,780)</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
	\$	\$	\$	\$
Revenues				
Sales and use taxes	21,575,000	19,631,371	20,143,854	512,483
Occupational license fees	7,997,500	8,215,000	8,107,024	(107,976)
Motor fuel taxes	200,000	480,000	511,874	31,874
Lodging taxes	1,227,500	1,150,000	1,184,540	34,540
Rental and leasing taxes	535,000	468,000	451,563	(16,437)
Other taxes	192,000	200,000	198,072	(1,928)
Licenses and permits	8,412,850	8,893,084	9,350,937	457,853
General property taxes	3,495,000	3,841,381	3,828,737	(12,644)
Charges for services	4,920,455	4,989,548	5,223,826	234,278
Fines and forfeitures	1,125,000	1,105,000	1,201,777	96,777
State shared taxes	672,500	905,071	1,152,631	247,560
Contributions from the public	276,614	489,299	2,135,776	1,646,477
Grants	860,000	1,212,951	-	(1,212,951)
Interest	732,515	529,515	467,783	(61,732)
Miscellaneous	74,750	71,300	59,927	(11,373)
Total revenues	<u>52,296,684</u>	<u>52,181,520</u>	<u>54,018,321</u>	<u>1,836,801</u>
Expenditures				
General government and administration	4,303,241	4,390,460	4,127,351	263,109
Public works	3,318,075	3,342,305	3,213,333	128,972
Environmental services	1,774,236	1,769,781	1,636,517	133,264
Public safety	15,887,935	16,446,924	15,062,177	1,384,747
Library	1,524,699	1,536,298	1,438,473	97,825
Parks and recreation	4,800,811	5,041,345	4,356,992	684,353
Planning	684,242	685,111	609,721	75,390
Economic development	979,944	984,755	930,343	54,412
Employee services	795,486	813,105	637,204	175,901
Risk management	1,867,724	1,789,091	1,231,524	557,567
Total departmental	<u>35,936,393</u>	<u>36,799,175</u>	<u>33,243,635</u>	<u>3,555,540</u>
Non-departmental	1,192,588	1,444,645	1,372,321	72,324
Debt service:				
Administrative charges	10,000	10,000	7,500	2,500
Interest	1,759,729	1,707,045	1,732,284	(25,239)
Principal retirement	4,643,000	4,705,778	6,357,624	(1,651,846)
Capital outlay	3,804,500	4,078,144	3,090,503	987,641
Intergovernmental	1,272,489	1,304,169	1,228,888	75,281
Payments to component units	8,963,003	9,314,916	9,207,103	107,813
Total expenditures	<u>57,581,702</u>	<u>59,363,872</u>	<u>56,239,858</u>	<u>3,124,014</u>
Excess (deficiency) of revenues over expenditures	<u>(5,285,018)</u>	<u>(7,182,352)</u>	<u>(2,221,537)</u>	<u>4,960,815</u>
Other financing sources (uses)				
Debt issuance	2,500,000	2,031,270	2,031,270	-
Sale of surplus assets	30,000	15,000	16,919	1,919
Transfers in	1,047,000	835,750	240,776	(594,974)
Transfers out	(550,000)	(550,000)	(89,103)	460,897
Total other financing sources (uses)	<u>3,027,000</u>	<u>2,332,020</u>	<u>2,199,862</u>	<u>(132,158)</u>
Net change in fund balances	(2,258,018)	(4,850,332)	(21,675)	4,828,657
Fund balances, beginning of year	<u>28,849,934</u>	<u>28,849,934</u>	<u>28,849,934</u>	<u>-</u>
Fund balances, end of year	<u>26,591,916</u>	<u>23,999,602</u>	<u>28,828,259</u>	<u>4,828,657</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
	\$	\$	\$	<u>Favorable</u>
				<u>(Unfavorable)</u>
	\$	\$	\$	\$
Revenues				
General property taxes	3,360,000	3,650,000	3,675,235	25,235
Interest	30,000	30,000	38,005	8,005
Total revenues	<u>3,390,000</u>	<u>3,680,000</u>	<u>3,713,240</u>	<u>33,240</u>
Expenditures				
Non-Departmental	120,000	120,000	129,622	(9,622)
Debt service:				
Administrative charges	-	-	9,548	(9,548)
Interest	3,250,596	3,250,596	3,207,097	43,499
Principal retirement	2,102,115	2,102,115	1,932,685	169,430
Payments to component units	14,556,109	14,556,109	14,556,109	-
Total expenditures	<u>20,028,820</u>	<u>20,028,820</u>	<u>19,835,061</u>	<u>193,759</u>
Excess (deficiency) of revenues over expenditures	<u>(16,638,820)</u>	<u>(16,348,820)</u>	<u>(16,121,821)</u>	<u>226,999</u>
Other financing sources (uses)				
Debt issuance	8,500,000	8,500,000	8,500,000	
Transfers in	8,138,820	8,138,820	8,138,820	-
Total other financing sources (uses)	<u>16,638,820</u>	<u>16,638,820</u>	<u>16,638,820</u>	<u>-</u>
Net changes in fund balances	-	290,000	516,999	226,999
Fund balances, beginning of year	<u>826,513</u>	<u>826,513</u>	<u>826,513</u>	<u>-</u>
Fund balances, end of year	<u><u>826,513</u></u>	<u><u>1,116,513</u></u>	<u><u>1,343,512</u></u>	<u><u>226,999</u></u>

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

CITY OF AUBURN, ALABAMA
SPECIAL ADDITIONAL SCHOOL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property taxes	7,320,000	7,960,000	8,085,517	125,517
Interest	100,000	85,000	98,515	13,515
Total revenues	<u>7,420,000</u>	<u>8,045,000</u>	<u>8,184,032</u>	<u>139,032</u>
Expenditures				
Non-Departmental	<u>255,000</u>	<u>255,000</u>	<u>284,068</u>	<u>(29,068)</u>
Excess (deficiency) of revenues over expenditures	7,165,000	7,790,000	7,899,964	109,964
Other financing sources (uses)				
Transfers out	<u>(8,138,820)</u>	<u>(8,138,820)</u>	<u>(8,138,820)</u>	<u>-</u>
Net changes in fund balances	(973,820)	(348,820)	(238,856)	109,964
Fund balances, beginning of year	<u>3,603,148</u>	<u>3,603,148</u>	<u>3,603,148</u>	<u>-</u>
Fund balances, end of year	<u><u>2,629,328</u></u>	<u><u>3,254,328</u></u>	<u><u>3,364,292</u></u>	<u><u>109,964</u></u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	21,179,772	43,622	21,223,394
Certificates of deposit	1,000,000	-	1,000,000
Receivables, net	956,701	247,514	1,204,215
Other current assets	23,459	125	23,584
Total current assets	23,159,932	291,261	23,451,193
Noncurrent assets			
Bond issue costs, net	742,261	-	742,261
Capital assets not being depreciated	9,182,802	-	9,182,802
Capital assets net of accumulated depreciation	56,783,713	813,535	57,597,248
Total noncurrent assets	66,708,776	813,535	67,522,311
Total assets	89,868,708	1,104,796	90,973,504
LIABILITIES			
Current liabilities:			
Accounts payable	761,216	107,903	869,119
Due to component units	10,660	168	10,828
Accrued interest payable	731,588	-	731,588
Customer deposits	566,586	-	566,586
Deferred revenue	240,000	-	240,000
Current portion of long-term debt	16,375,540	-	16,375,540
Total current liabilities	18,685,590	108,071	18,793,661
Noncurrent liabilities:			
Advances from other funds	-	216,892	216,892
Long-term debt and other liabilities	46,477,634	118,271	46,595,905
Total liabilities	65,163,224	443,234	65,606,458
NET ASSETS			
Invested in capital assets, net of related debt	24,673,046	813,535	25,486,581
Restricted for capital projects	4,859,981	-	4,859,981
Restricted for debt service	15,879,876	-	15,879,876
Unrestricted (deficit)	(20,707,419)	(151,973)	(20,859,392)
Total net assets	24,705,484	661,562	25,367,046

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, 2009

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
Operating revenues	\$	\$	\$
Charges for services	7,756,187	3,118,925	10,875,112
Sewer tapping fees	2,150	-	2,150
Contributions from the public	-	1,000	1,000
Miscellaneous	3,647	351	3,998
Total operating revenues	<u>7,761,984</u>	<u>3,120,276</u>	<u>10,882,260</u>
Operating expenses			
Salaries and wages	1,036,852	1,527,324	2,564,176
Employee benefits	231,307	418,034	649,341
Repairs and maintenance	15,686	41,298	56,984
Utilities	706,809	-	706,809
Professional services	303,724	486,705	790,429
Rentals and leasing	70,391	-	70,391
Insurance	10,842	-	10,842
Office supplies	10,913	-	10,913
Fuels and lubricants	23,202	146,262	169,464
Agricultural and chemical supplies	45,845	1,328	47,173
Minor equipment and tools	60,794	27,859	88,653
Repair parts and materials	58,542	165,065	223,607
Clothing and linens	9,623	-	9,623
Sewer service fees	126,000	-	126,000
Management fees	1,848,868	135,000	1,983,868
Depreciation/amortization	1,362,616	222,304	1,584,920
Travel and training	11,650	7,396	19,046
Miscellaneous	650	-	650
Total operating expenses	<u>5,934,314</u>	<u>3,178,575</u>	<u>9,112,889</u>
Operating Income	<u>1,827,670</u>	<u>(58,299)</u>	<u>1,769,371</u>
Nonoperating revenues (expenses)			
Interest earned	136,999	2,239	139,238
Interest and fiscal charges	(1,890,914)	-	(1,890,914)
Gain on disposal of capital assets	13,112	15,635	28,747
Total nonoperating revenues (expenses)	<u>(1,740,803)</u>	<u>17,874</u>	<u>(1,722,929)</u>
Income (loss) before transfers and capital contributions	86,867	(40,425)	46,442
Transfers	(70,116)	31,563	(38,553)
Capital contributions	<u>507,760</u>	<u>670,424</u>	<u>1,178,184</u>
Change in net assets	524,511	661,562	1,186,073
Net assets, beginning of year	<u>24,180,973</u>	<u>-</u>	<u>24,180,973</u>
Net assets, end of year	<u>24,705,484</u>	<u>661,562</u>	<u>25,367,046</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, 2009

	Major Fund		Total
	Sewer Revenue Fund	Solid Waste Management Fund	
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	7,906,069	2,871,411	10,777,480
Other cash collected	3,647	1,351	4,998
Customer deposits collected	42,063	-	42,063
Deferred access fee revenue collected	240,000	-	240,000
Payments to suppliers for goods and services	(3,594,508)	(911,428)	(4,505,936)
Payments to employees for services	(1,232,140)	(1,897,740)	(3,129,880)
Net cash provided by operating activities (A)	<u>3,365,131</u>	<u>63,594</u>	<u>3,428,725</u>
Cash flows from noncapital financing activities			
Operating transfers in	-	31,563	31,563
Operating transfers out	(70,116)	-	(70,116)
Net cash provided (consumed) by noncapital financing activities	<u>(70,116)</u>	<u>31,563</u>	<u>(38,553)</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(12,595,000)	-	(12,595,000)
Proceeds from borrowing	41,307,515	-	41,307,515
Proceeds from sale of assets	13,112	15,635	28,747
Proceeds of advances from primary government	-	216,892	216,892
Acquisition and construction of capital assets	(8,193,583)	(286,301)	(8,479,884)
Repayments of amounts borrowed from other funds	(730,750)	-	(730,750)
Cash contributions from developers	232,100	-	232,100
Interest and fiscal fees paid	(2,395,855)	-	(2,395,855)
Net cash provided (consumed) by capital and related financing activities	<u>17,637,539</u>	<u>(53,774)</u>	<u>17,583,765</u>
Cash flows from investing activities			
Interest on investments	135,684	2,239	137,923
Purchases of investments	(1,000,000)	-	(1,000,000)
Net cash provided (consumed) by investing activities	<u>(864,316)</u>	<u>2,239</u>	<u>(862,077)</u>
Net increase in cash	20,068,238	43,622	20,111,860
Cash and cash equivalents, beginning of year	1,111,534	-	1,111,534
Cash and cash equivalents, end of year	<u>21,179,772</u>	<u>43,622</u>	<u>21,223,394</u>
Reconciliation of operating income to net cash provided by operating activities (A):			
Operating income	1,827,670	(58,299)	1,769,371
Add: Depreciation	1,362,616	222,304	1,584,920
Decrease in customer receivables	147,732	-	147,732
Increase in accounts payable	-	107,903	107,903
Increase in customer deposits	42,063	-	42,063
Increase in deferred revenue - access fees	240,000	-	240,000
Increase in accrued leave	32,494	34,385	66,879
Increase in OPEB liability	2,864	4,773	7,637
Increase in other current liabilities	5,612	168	5,780
Deduct: Increase in customer receivables	-	(247,515)	(247,515)
Increase in other current assets	-	(125)	(125)
Decrease in accounts payable	(295,920)	-	(295,920)
Net cash provided by operating activities	<u>3,365,131</u>	<u>63,594</u>	<u>3,428,725</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	275,660	-	275,660
Contributions of capital assets from primary government	-	749,537	749,537
Transfer of accrued leave from primary government	-	79,114	79,114
	<u>275,660</u>	<u>828,651</u>	<u>1,104,311</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, 2009**

	Youth Athletic Associations' Private- Purpose Trust Fund
ASSETS	\$
Current assets:	
Cash and cash equivalents	279,129
Certificates of deposit	34,716
Total assets	313,845
 NET ASSETS	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	120,859
Auburn Soccer Organization	168,570
Auburn Youth Football	19,707
Auburn Community Tennis Association	4,709
Total net assets	313,845

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, 2009

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
ADDITIONS	
Program revenues:	
Baseball/Softball	209,151
Soccer	261,855
Football	31,527
Tennis	8,718
Total program revenues	511,251
Investment earnings:	
Baseball/Softball interest	822
Soccer interest	103
Total investment earnings	925
Total additions	512,176
DEDUCTIONS	
Program expenses:	
Baseball/Softball	186,862
Soccer	186,132
Football	21,906
Tennis	9,147
Total deductions	404,047
Change in net assets	108,129
Net assets-- beginning of the year	205,716
Net assets -- end of the year	313,845

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, 2009

	Major Component Units				Total
	Board of Education	Water Works Board	Industrial Development Board	Nonmajor Component Units	
	\$	\$	\$	\$	\$
ASSETS					
Current assets:					
Cash and cash equivalents	13,765,523	3,352,144	1,126,497	153	18,244,317
Certificates of deposit	5,000,000	-	57,865	-	5,057,865
Receivables, net	4,925	669,683	145,501	14,642	834,751
Inventories	70,105	223,189	-	-	293,294
Current portion of mortgages and notes receivable	-	-	20,473	-	20,473
Property tax receivable	4,110,857	-	-	-	4,110,857
Due from other governments	734,500	-	-	-	734,500
Due from primary government	-	10,996	55,010	-	66,006
Other current assets	833	44,813	-	-	45,646
Total current assets	23,686,743	4,300,825	1,405,346	14,795	29,407,709
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	-	4,303,178	83,381	-	4,386,559
Investments	-	-	27,222	-	27,222
Mortgages and notes receivable, net of current portion	-	-	1,162,273	-	1,162,273
Property for resale	-	-	13,063,442	-	13,063,442
Bond issue costs, net	-	361,682	551,140	-	912,822
Deferred water rights, net	-	621,336	-	-	621,336
Capital assets not being depreciated	12,738,588	2,278,013	15,324,337	-	30,340,938
Capital assets, net of accumulated depreciation	65,960,054	47,063,181	37,136,444	6,606,431	156,766,110
Total noncurrent assets	78,698,642	54,627,390	67,348,239	6,606,431	207,280,702
Total assets	102,385,385	58,928,215	68,753,585	6,621,226	236,688,411
LIABILITIES					
Current liabilities:					
Liabilities payable from restricted assets:					
Accounts payable	-	4,113	-	-	4,113
Current portion of long-term debt	-	610,000	-	-	610,000
Accrued interest payable	-	140,457	131,958	-	272,415
Accounts payable and other accrued liabilities	1,554,327	2,012,622	106,531	10,846	3,684,326
Salaries and benefits payable	4,511,423	21,902	-	-	4,533,325
Customer deposits	-	658,955	-	-	658,955
Deferred revenue	4,154,634	-	45,351	-	4,199,985
Current maturities of bonds payable	-	-	6,240,000	-	6,240,000
Current maturities of notes payable	-	-	822,813	-	822,813
Due to primary government	-	378,908	-	-	378,908
Obligations under capital leases	1,384,141	-	-	-	1,384,141
Current portion of water supply agreement payable	-	236,437	-	-	236,437
Total current liabilities	11,604,525	4,063,394	7,346,653	10,846	23,025,418
Noncurrent liabilities:					
Advances from primary government	-	-	3,740,008	-	3,740,008
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	166,317	-	-	166,317
Long-term debt and other liabilities	-	17,083,808	37,912,892	-	54,996,700
Total noncurrent liabilities	-	17,250,125	41,652,900	-	58,903,025
Total liabilities	11,604,525	21,313,519	48,999,553	10,846	81,928,443
NET ASSETS					
Invested in capital assets, net of related debt	77,314,501	32,339,271	19,332,965	6,606,431	135,593,168
Restricted for:					
Debt service	-	2,438,281	110,604	-	2,548,885
Capital projects	6,055,168	1,864,897	-	-	7,920,065
Other projects	208,971	-	-	-	208,971
Unrestricted (deficit)	7,202,220	972,247	310,463	3,949	8,488,879
Total net assets	90,780,860	37,614,696	19,754,032	6,610,380	154,759,968

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 2009

	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	35,049,883	838,581	18,910,394	3,622,717	(11,678,191)	-	(11,678,191)
Instructional support	11,095,333	305,656	6,387,958	16,830	(4,384,889)	-	(4,384,889)
Operation and maintenance	5,237,343	124,432	1,177,670	564,143	(3,371,098)	-	(3,371,098)
Auxiliary services							
Student transportation services	2,239,306	80,633	1,777,894	582,129	201,350	-	201,350
Food services	3,114,922	2,223,858	140,638	971	(749,455)	-	(749,455)
General administrative services	2,022,812	1,815	167,677	-	(1,853,320)	-	(1,853,320)
Other	838,590	712,935	85,237	-	(40,418)	-	(40,418)
Total governmental activities	59,598,189	4,287,910	28,647,468	4,786,790	(21,876,021)	-	(21,876,021)
Business-type activities:							
Business-type component units	13,087,938	9,426,467	2,813,403	2,211,755	-	1,363,687	1,363,687
Total component units	<u>72,686,127</u>	<u>13,714,377</u>	<u>31,460,871</u>	<u>6,998,545</u>	<u>(21,876,021)</u>	<u>1,363,687</u>	<u>(20,512,334)</u>

General revenues:						
Taxes:						
Sales taxes				3,967,730	-	3,967,730
Property taxes				10,387,249	-	10,387,249
Alcoholic beverage taxes				479,628	-	479,628
Other taxes				49,907	-	49,907
Unrestricted appropriations from the City of Auburn				6,988,003	-	6,988,003
Federal/state aid not restricted				8,501,426	-	8,501,426
Interest and investment earnings				581,427	319,908	901,335
Gain (loss) on disposal of assets				1,660	(1,339)	321
Miscellaneous				215,003	356,687	571,690
Total general revenues, special items, and transfers				<u>31,172,033</u>	<u>675,256</u>	<u>31,847,289</u>
Change in net assets				9,296,012	2,038,943	11,334,955
Net assets--beginning of year				81,484,848	62,150,629	143,635,477
Prior period adjustment				-	(210,464)	(210,464)
Net assets--beginning of year, as restated				<u>81,484,848</u>	<u>61,940,165</u>	<u>143,425,013</u>
Net assets--end of year				<u>90,780,860</u>	<u>63,979,108</u>	<u>154,759,968</u>

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER, 30 2009

	Major Business-type Component Units		Nonmajor Business-type Component Units	Total
	Water Works Board	Industrial Development Board		
	\$	\$	\$	\$
Operating revenues				
Lease income	-	2,520,696	-	2,520,696
Water sales and service	6,839,376	-	-	6,839,376
Tennis center revenue	-	-	66,395	66,395
Miscellaneous	219,634	68,041	69,012	356,687
Total operating revenues	<u>7,059,010</u>	<u>2,588,737</u>	<u>135,407</u>	<u>9,783,154</u>
Operating expenses				
Water pumping and purification expense	2,008,779	-	-	2,008,779
Water distribution expense	881,368	-	-	881,368
Meter reading expense	380,187	-	-	380,187
Operations administration expense	217,221	-	-	217,221
Revenue administration expense	686,482	-	-	686,482
General operations expense	1,288,383	-	-	1,288,383
Salaries and wages	-	-	159,792	159,792
Employee benefits	-	-	30,684	30,684
Repairs and maintenance	-	121,315	63,990	185,305
Advertising	-	29,491	-	29,491
Utilities	-	88,578	114,948	203,526
Rentals and leasing	-	-	891	891
Insurance	-	-	2,201	2,201
Administrative costs and fees	-	-	12	12
Professional services	-	116,451	3,450	119,901
Office supplies	-	10,941	62	11,003
Recreational supplies	-	-	13,310	13,310
Depreciation/amortization	1,803,184	925,249	298,115	3,026,548
Industrial recruitment	-	271,125	-	271,125
Industrial incentives granted	-	45,131	-	45,131
Travel and training	-	9,203	858	10,061
Special events	-	54,561	-	54,561
Workforce development	-	11,025	-	11,025
Miscellaneous	-	10,106	-	10,106
Total operating expenses	<u>7,265,604</u>	<u>1,693,176</u>	<u>688,313</u>	<u>9,647,093</u>
Operating income (loss)	<u>(206,594)</u>	<u>895,561</u>	<u>(552,906)</u>	<u>136,061</u>
Non-operating revenues (expenses)				
Interest and investment earnings	111,477	208,431	-	319,908
Appropriations from the City of Auburn	-	2,263,866	549,538	2,813,404
Interest and fiscal charges	(866,995)	(2,573,138)	(712)	(3,440,845)
Gain/loss on disposal of assets	(1,339)	-	-	(1,339)
Total non-operating revenues (expenses)	<u>(756,857)</u>	<u>(100,841)</u>	<u>548,826</u>	<u>(308,872)</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	<u>(963,451)</u>	<u>794,720</u>	<u>(4,080)</u>	<u>(172,811)</u>
Capital contributions				
From the City of Auburn	-	-	561,960	561,960
From other agencies	-	1,049,705	-	1,049,705
From developers	202,965	-	-	202,965
From access fees	397,125	-	-	397,125
Total capital contributions	<u>600,090</u>	<u>1,049,705</u>	<u>561,960</u>	<u>2,211,755</u>
Change in net assets	<u>(363,361)</u>	<u>1,844,425</u>	<u>557,880</u>	<u>2,038,944</u>
Net assets--beginning of year, as restated	<u>37,978,057</u>	<u>17,909,607</u>	<u>6,052,500</u>	<u>61,940,164</u>
Net assets--end of year	<u>37,614,696</u>	<u>19,754,032</u>	<u>6,610,380</u>	<u>63,979,108</u>

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

Guide to Notes to the Financial Statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- A. **Reporting Entity** - As required by generally accepted accounting principles, the financial statements present the City of Auburn (the primary government) and its component units. The component units include organizations that are financially accountable to the City's executive or legislative branches (the Mayor or the Council, respectively) and other organizations for which the nature and significance of their relationships with the primary government are such that their exclusion could cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

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

City of Auburn Board of Education

The City Council appoints all members of the Board of Education. The City has assumed an obligation to provide financial support to the Board by consistently appropriating large amounts in excess of property taxes legally restricted for school purposes. Furthermore, the City has authority to levy taxes 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. In addition, the City and the Water Works Board are parties to an exchange of services agreement which provides that the City will supply management services to the Water Works Board. In exchange, the Water Works Board bills and collects service charges for the City's sewer and garbage services. The Water Works Board is presented as a proprietary fund type or business-type activity.

City of Auburn Industrial Development Board

The City Council appoints all members of the Industrial Development Board and has charged the Board with conducting the City's industrial development efforts on behalf of the City Council. The Board acts as an extension of the City Council for achieving the Council's goals to enhance the City's tax base and to provide opportunities for full employment to its citizens. The City's day-to-day industrial development activities are conducted by its Economic Development Department, which is staffed by City employees. The Economic Development Department functions as liaison between the Council and the Board.

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

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

City of Auburn Public Park and Recreation Board

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

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

Commercial Development Authority of the City of Auburn

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

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

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

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

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

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

RELATED ORGANIZATIONS

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations do 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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

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

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July, 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2009, the City's remaining net investment in the Indian Pines Golf Course is \$503,300.

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

Indian Pines Recreation Authority

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

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2009, is as follows:

Total assets (net of accumulated depreciation on Capital assets)	\$ 1,807,676
Total liabilities	475,983
Total net assets	<u>\$ 1,331,693</u>
Total revenues	\$ 1,059,305
Total expenses	(1,071,076)
Other revenues	3,001
Other expenses	<u>(19,515)</u>
Net decrease in net assets	<u>\$ (28,285)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Authority had a note payable to the City with a balance of \$359,930 as of September 30, 2009. All other liabilities were current liabilities consisting of accounts payable, accrued payroll and payroll taxes, and deferred revenue and other accrued liabilities totaling \$116,053. 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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Auburn-Opelika Tourism Bureau

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

- 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, the solid waste management fund, and discretely presented component units are charges to customers for sales and services. Operating expenses include cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

FIDUCIARY FUNDS

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

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Special Additional School Tax Fund, a special revenue fund, accounts for eleven mill ad valorem tax revenues used in furtherance of education.

The 2009 Capital Projects Fund – 5 Mill, a capital projects fund, accounts for the proceeds of the General Obligation Bonds dated July 1, 2009. The proceeds are being used for constructing and acquiring public transportation improvements, recreational facility improvements, and improvements for fire protection services.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**D. Reconciliation of Government-Wide and Fund Financial Statements****1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$137,447,310 difference are as follows:

Bonds and warrants payable	\$ 133,947,403
Less: Deferred amount on refunding	(92,625)
Less: Deferred charge for issuance costs	(700,708)
Add: Issuance premium	1,060,338
Compensated absences	2,594,584
Claims and judgments	386,789
Landfill closure and post-closure care	182,000
Other postemployment benefits	<u>69,529</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 137,447,310</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 \$2,004,804 difference are as follows:

Capital outlay	\$ 6,797,378
Depreciation expense	<u>(4,792,574)</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>\$ 2,004,804</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to (increase) decrease net assets." The details of this \$863,288 difference are as follows:

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

Donations from outside parties	\$ 69,833
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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	(183,584)
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Capital assets transferred to an enterprise fund from a governmental fund has no effect on the governmental fund as there has been no flow of current financial resources, however, the transfer is reported as capital contributions on the enterprise fund.

(749,537)

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

\$ (863,288)

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 \$9,400,279 difference are as follows:

Debt issued or incurred:

General obligation bonds	\$ (9,000,000)
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General obligation warrants	(10,531,270)
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Add: issue premium	(59,524)
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Less: issue costs	130,205
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Principal repayments	<u>10,060,310</u>
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Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

<u>\$ (9,400,279)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$909,306 difference are as follows:

Compensated absences	\$ (793,354)
Accrued interest	(39,246)
Other long-term liabilities	(20,613)
Other post employment benefits	(69,529)
Amortization of prepaid expenses	9,083
Amortization of deferred amount on refunding	(15,878)
Amortization of issuance costs	(35,633)
Amortization of bond premiums	<u>55,864</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (909,306)</u>

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 2009 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 the Debt Service Fund.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for his department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
7. All budgetary appropriations expire at fiscal year-end. Encumbrances of departments that did not exceed their departmental budgets may be added to the subsequent year's appropriations at the time of the mid-biennium budget review, if the City Manager so recommends and if the Council approves.
8. Excess of expenditures over appropriations: In the General Fund, debt service interest of \$1,732,284 exceeded appropriations of \$1,707,045; and debt service principal retirement of \$6,357,624 exceeded appropriations of \$4,705,778.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

- H. Restricted Assets** - Certain debt proceeds of the City's enterprise funds and component units, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.
- I. Accounts Receivable** – Revenues receivable are reflected net of an allowance for doubtful accounts. For the General Fund, the Sewer Fund, Solid Waste Management Fund and the Water Works Board component unit, the amount of the allowance is equal to accounts receivable in excess of 60 days past due.

- J. Inventories** - Inventories of the City of Auburn primary government are valued at first-in, first-out cost and consist of gasoline, parts, and supplies held for consumption. The amount of such inventories is recorded as an asset in the General Fund, and the cost of inventories is recorded as an expenditure at the time used. In the Governmental Fund Financial Statements, the General Fund balance is reserved to indicate that assets equal to inventories 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. Inventories consist of expendable supplies held for future consumption or capitalization.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Beginning with the fiscal year ending September 30, 2003, the City has capitalized its public domain (“infrastructure”) assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems that have been placed in service since October 1, 2002. Where actual historical costs and construction dates were identified through a review of City records, those dates and costs were utilized.

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

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

L. Risk Financing

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

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

In fiscal year 2001, the City purchased commercial insurance from independent third parties to cover claims arising from general liability torts. Previously, the City had chosen to retain the risk of loss for these claims. These risks are accounted for in the City’s General Fund. The total liability for unpaid claims consists of claims reported at the balance sheet date, plus estimated claims incurred but not reported for both insured and uninsured risks. These estimates are based primarily upon historical trends.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims in the period since the purchase of insurance have not exceeded the commercial insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

COMPONENT UNITS

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

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

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

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

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

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

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

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

In fiscal year 1999, the City purchased commercial insurance from independent third parties to cover claims arising from general liability torts. The Industrial Development Board is covered by this insurance. Previously, the City had chosen to retain the risk of loss for these claims. 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, 2009.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

For risk of loss from claims arising from torts (general liability), the Board is covered by the City's commercial insurance purchased from third parties. 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, 2009. 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, 2009. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

M. Long-Term Obligations

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

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

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

N. Compensated Absences**CITY OF AUBURN PRIMARY GOVERNMENT**

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

City employees can accumulate an unlimited number of sick leave days. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**COMPONENT UNITS**

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

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

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

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

O. Postretirement Benefits - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 15.

P. Fund Balance - 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, 2009, 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- 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.

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

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

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

1. Interfund receivables and payables - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 20.
2. Interfund advances - consist of longer term loans between funds, which are not expected to be repaid within one year. These longer term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources. See Note 20.
3. Interfund transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or payments between the City and component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 21.

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

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

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2009, 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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, 2009, is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 8,210,264	\$ 1,298,502	\$ 185,787	\$ 9,694,553
Special School Tax Fund	1,313,980	-	52	1,314,032
Special Additional School Tax Fund	3,298,334	-	-	3,298,334
2009 Capital Projects Fund -5 Mill	4,765,004	-	-	4,765,004
Other Governmental Funds	6,140,756	-	11,143	6,151,899
Total governmental activities	<u>23,728,338</u>	<u>1,298,502</u>	<u>196,982</u>	<u>25,223,822</u>
Business-type activities:				
Sewer Revenue Fund	5,299,896	-	15,879,876	21,179,772
Waste Management Fund	<u>43,622</u>	-	-	<u>43,622</u>
Total business-type activities	<u>5,343,518</u>	-	<u>15,879,876</u>	<u>21,223,394</u>
Total primary government	<u>29,071,856</u>	<u>1,298,502</u>	<u>16,076,858</u>	<u>46,447,216</u>
Component Units:				
Board of Education	-	6,359,834	7,405,689	13,765,523
Water Works Board	-	3,352,144	4,303,178	7,655,322
Industrial Development Board	128,384	998,113	83,381	1,209,878
Public Park and Recreation Board	-	150	-	150
Commercial Development Authority	-	3	-	3
Total component units	<u>128,384</u>	<u>10,710,244</u>	<u>11,792,248</u>	<u>22,630,876</u>
Total reporting entity	<u>\$ 29,200,240</u>	<u>\$ 12,008,746</u>	<u>\$ 27,869,106</u>	<u>\$ 69,078,092</u>

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

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

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

At September 30, 2009, the Board of Education's restricted cash and investments were comprised of the following, all of which is insured by the SAFE Program:

	Carrying Value	Fair Value	Maturities
Cash	\$ 13,765,523	\$ 13,765,523	n/a
Certificate of deposit	5,000,000	5,000,000	2010
	<u>\$ 18,765,523</u>	<u>\$ 18,765,523</u>	

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 4. INVESTMENTS – CONTINUED

Water Works Board

At September 30, 2009, the Water Works Board’s restricted cash and investments were comprised of the following:

	Carrying Value	Fair Value
Cash	\$ 1,864,897	\$ 1,864,897
JP Morgan U.S. Treasury Securities Money Market Fund	2,438,281	2,438,281
	\$ 4,303,178	\$ 4,303,178

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, 2009, the Industrial Development Board’s investments were comprised of the following:

	Carrying Value	Fair Value
<u>Restricted cash and investments</u>		
Cash with fiscal agent (insured)	\$ 27,222	\$ 27,222
Cash (SAFE deposit)	83,381	83,381
	\$ 110,603	\$ 110,603

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 debt service by the terms of a bond indenture.

	Carrying Value	Fair Value	Maturities
<u>Unrestricted investments</u>			
Certificate of deposit	\$ 57,865	\$ 57,865	2010

The above certificate of deposit is held in a certified qualified public depository and 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 contract in connection with its \$5,640,000 2006-A Taxable 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. The bonds were originally issued to refinance debt issued to construct a building held for leasing by the Board and to provide funding to expand the building. Debt service on the bonds is used as the basis to calculate rent charged on the building. The effective conversion of a variable interest rate to a fixed rate allowed the tenant to fix its lease rate on the building.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 5. INTEREST RATE SWAP - CONTINUED

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. 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 principal amount of the 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, 2009, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	5.87000%
Variable payment from counterparty	1 month USD LIBOR	0.24625%
Net interest rate swap payments		<u>5.62375%</u>
Variable rate bond payments		<u>2.75000%</u>
Synthetic interest rate on bonds		<u><u>8.37375%</u></u>

Fair Value – Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$1,171,041 as of September 30, 2009. 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, 2009, 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," under which, 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.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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	Special Additional School Tax Fund	2009 Capital Projects Fund - 5 Mill	Nonmajor Governmental Funds	Sewer Revenue Fund	Nonmajor Proprietary Fund	Component Units	Total
Receivables:									
Revenues receivable	\$ 6,466,406	\$ 29,981	\$ 65,959	\$ -	\$ 50,866	\$ 922,957	\$ 247,464	\$ 975,813	\$ 8,759,446
Grants receivable	-	-	-	-	394,296	-	-	-	394,296
Receivable from other governmental units	732,636	-	-	-	-	-	-	-	732,636
Special assessments receivable	25,107	-	-	-	-	-	-	-	25,107
Other receivables	462,195	-	-	4,655	153,007	33,744	50	131,149	784,800
Gross receivables	7,686,344	29,981	65,959	4,655	598,169	956,701	247,514	1,106,962	10,696,285
Less: allowance for uncollectibles	(1,851,096)	-	-	-	-	-	-	(272,211)	(2,123,307)
Net receivables	\$ 5,835,248	\$ 29,981	\$ 65,959	\$ 4,655	\$ 598,169	\$ 956,701	\$ 247,514	\$ 834,751	\$ 8,572,978

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 7. MORTGAGES AND NOTES RECEIVABLE

CITY OF AUBURN PRIMARY GOVERNMENT

On September 5, 2006, the City entered into a loan agreement with The Indian Pines Recreation Authority, a jointly governed organization with the City of Opelika. The clubhouse at Indian Pines was destroyed by fire in July 2005. Insurance coverage provided \$510,000 for the loss and the City of Auburn provided an additional \$400,000 to finance a portion of the construction costs of the new clubhouse. The terms of the note include monthly payments payable for a period of fourteen years at a fixed interest rate of 5.25%. The balance of the note receivable at September 30, 2009 was \$359,930 and is presented in the financial statements as advances to other agencies. Future payments due under the loan are as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 22,757	\$ 18,354	\$ 41,111
2011	23,981	17,130	41,111
2012	25,271	15,840	41,111
2013	26,630	14,481	41,111
2014	28,062	13,049	41,111
2015	29,571	11,540	41,111
2016	31,161	9,950	41,111
2017	32,837	8,274	41,111
2018	34,603	6,508	41,111
2019	36,464	4,647	41,111
2020	38,425	2,686	41,111
2021	30,168	661	30,829
	<u>\$ 359,930</u>	<u>\$ 123,120</u>	<u>\$ 483,050</u>

COMPONENT UNITS

Industrial Development Board

Mortgages and notes receivable consist of the following as of September 30, 2009:

	Balance 10/01/2008	Additions	Reductions	Balance 09/30/2009	Due Within One Year
Mortgages receivable	\$ 182,322	\$ -	\$ (15,665)	\$ 166,657	\$ 1,800
Notes receivable - ARTF	1,598,163	1,049,706	(1,631,780)	1,016,089	18,673
Total	<u>\$ 1,780,485</u>	<u>\$ 1,049,706</u>	<u>\$ (1,647,445)</u>	<u>\$ 1,182,746</u>	<u>\$ 20,473</u>

Mortgages Receivable

In June, 2006, the Industrial Development Board made a loan to a new company purchasing an existing industry located in one of its industrial parks. The principal amount of the loan was \$200,000 and the loan was secured by a second mortgage on the real property and by a personal guaranty from the owner of the company. Prior to the date of these financial statements, the repayment terms for the mortgage were amended to change the interest rate on the loan to zero, and to accelerate the maturity of the loan to December 31, 2010. Future payments due under the loan are as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 1,800	\$ -	\$ 1,800
2011	164,857	-	164,857
	<u>\$ 166,657</u>	<u>\$ -</u>	<u>\$ 166,657</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 7. MORTGAGES AND NOTES RECEIVABLE – CONTINUEDNotes Receivable – ARTF

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

The facility site was leased to the Board by Auburn University, the owner of the real property, under the terms of a ground lease (the “ground lease”). During the lease term, the Board 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. Interest on the current portion of the receivable is calculated at the rate of interest being earned by the City of Auburn on the funds advanced to the Board and loaned to ARTF. Interest on the noncurrent portion of the receivable is calculated using the one-month London Interbank Offered Rate (LIBOR) plus 0.50%; the rate in effect at September 30, 2009 was .74563%. All amounts received by ARTF under its project agreement with the State are assigned and pledged to the Board as security for the obligations of ARTF under the loan agreement, and are remitted to the Board as soon as practical 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 at the City’s current rate earned on invested funds. 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, 2009 was \$990,008 consisting of \$946,532 principal and \$43,476 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, 2009, construction costs totaling \$10,141,944 had been incurred by the Board and interest of \$43,476 had been capitalized in connection with construction. Capital contributions from the ARTF equal to the total costs incurred that will be repaid under the loan agreement were recorded in the amounts of \$679,613 for fiscal year 2007, \$8,456,103 for fiscal year 2008, and \$1,049,704 for fiscal year 2009. The total obligations of the ARTF outstanding at year end were \$1,016,089, and \$18,673 of that amount represents the current portion that is expected to be repaid in fiscal year 2010 from funds received under the State project agreement. Total interest charged to ARTF in fiscal year 2009 was \$11,421.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

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, 2009:

	Balance 10/1/2008	Additions	Reclassi- fications	Disposals	Balance 9/30/2009
Land	\$ 5,737,982	\$ 158,296	\$ 380,767	\$ -	\$ 6,277,045
Buildings	-	2,443,727	-	-	2,443,727
Improvements in progress	4,462,621	682,132	(802,083)	-	4,342,670
Total property for resale	<u>\$ 10,200,603</u>	<u>\$ 3,284,155</u>	<u>\$ (421,316)</u>	<u>\$ -</u>	<u>\$ 13,063,442</u>

The net reclassification consists of \$421,316 representing land previously held by the Board for resale that was reclassified to land held for leasing due to the execution of an operating lease during fiscal year 2009.

NOTE 9. PROPERTY TAXES

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1 and are due and payable between October 1 and December 31. The County bills and collects the taxes and remits them semimonthly to the City of Auburn. The City currently levies taxes of \$2.60 per \$100 assessed valuation for governmental purposes - \$.50 for general governmental services, \$.50 for payment of principal and interest on outstanding bonds of the municipality, \$.50 for school purposes and \$1.10 for the support and furtherance of education. The tax rates are applied to 10% of the appraised value of residential property, also called assessed value. The tax rates are also applied to commercial property at 20%, utility property at 30% and vehicles at 15%.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

NOTE 10. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance 10/1/2008	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,773,110	\$ 17,847	\$ -	\$ 12,790,957
Construction in progress	<u>1,737,129</u>	<u>6,287,934</u>	<u>(2,240,070)</u>	<u>5,784,993</u>
Total capital assets, not being depreciated	<u>14,510,239</u>	<u>6,305,781</u>	<u>(2,240,070)</u>	<u>18,575,950</u>
Capital assets, being depreciated:				
Buildings and improvements	36,014,224	624,688	(192,601)	36,446,311
Communication equipment	297,873	86,679	-	384,552
Heavy equipment	2,730,849	13,062	(484,889)	2,259,022
Office equipment	2,344,447	141,700	(54,341)	2,431,806
Small tools and equipment	930,072	67,842	(80,414)	917,500
Vehicles	8,543,597	313,804	(2,068,366)	6,789,035
Infrastructure	<u>107,715,365</u>	<u>1,553,726</u>	<u>-</u>	<u>109,269,091</u>
Total capital assets, being depreciated	<u>158,576,427</u>	<u>2,801,501</u>	<u>(2,880,611)</u>	<u>158,497,317</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,833,575)	(926,950)	24,663	(8,735,862)
Communication equipment	(96,461)	(62,864)	-	(159,325)
Heavy equipment	(1,484,693)	(199,353)	239,726	(1,444,320)
Office equipment	(1,524,709)	(306,297)	50,474	(1,780,532)
Small tools and equipment	(624,556)	(98,637)	75,822	(647,371)
Vehicles	(6,040,790)	(664,638)	1,556,806	(5,148,622)
Infrastructure	<u>(44,261,471)</u>	<u>(2,533,836)</u>	<u>-</u>	<u>(46,795,307)</u>
Total accumulated depreciation	<u>(61,866,255)</u>	<u>(4,792,575)</u>	<u>1,947,491</u>	<u>(64,711,339)</u>
Total capital assets, being depreciated, net	<u>96,710,172</u>	<u>(1,991,074)</u>	<u>(933,120)</u>	<u>93,785,978</u>
Governmental activities capital assets, net	<u>\$ 111,220,411</u>	<u>\$ 4,314,707</u>	<u>\$ (3,173,190)</u>	<u>\$ 112,361,928</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 10. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2009, was as follows:

	Balance 10/1/2008	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2009
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	7,372,598	8,406,133	(6,760,554)	9,018,177
Total capital assets, not being depreciated	<u>7,537,224</u>	<u>8,406,133</u>	<u>(6,760,554)</u>	<u>9,182,803</u>
Capital assets, being depreciated:				
Buildings and improvements	10,618,161	-	-	10,618,161
Sewage plants and lines	49,345,392	7,042,204	(8,517)	56,379,079
Machinery and equipment	736,483	584,748	(82,900)	1,238,331
Small tools and equipment	-	7,200	-	7,200
Vehicles	621,248	2,249,524	(196,579)	2,674,193
Total capital assets, being depreciated	<u>61,321,284</u>	<u>9,883,676</u>	<u>(287,996)</u>	<u>70,916,964</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,553,716)	(214,295)	-	(1,768,011)
Sewage plants and lines	(8,026,377)	(967,113)	-	(8,993,490)
Machinery and equipment	(274,502)	(408,204)	82,900	(599,806)
Small tools and equipment	-	(7,200)	-	(7,200)
Vehicles	(485,382)	(1,662,406)	196,579	(1,951,209)
Total accumulated depreciation	<u>(10,339,977)</u>	<u>(3,259,218)</u>	<u>279,479</u>	<u>(13,319,716)</u>
Total capital assets, being depreciated, net	<u>50,981,307</u>	<u>6,624,458</u>	<u>(8,517)</u>	<u>57,597,248</u>
Business-type activities capital assets, net	<u>\$ 58,518,531</u>	<u>\$ 15,030,591</u>	<u>\$ (6,769,071)</u>	<u>\$ 66,780,051</u>

It is the City's policy to capitalize net interest costs on funds borrowed to finance the construction of business-type capital assets. For the year ended September 30, 2009, the City incurred interest costs of \$2,296,341; total interest expense was \$1,954,985, and interest cost of \$341,356 was capitalized in connection with the cost of construction in progress.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 10. CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
General government and administration	\$ 359,183
Economic development	9,595
Employee services	18,516
Public safety	733,456
Public works	2,778,681
Environmental services	86,733
Library	200,301
Parks and recreation	602,154
Planning	<u>3,956</u>
Total depreciation expense - governmental activities	<u>\$ 4,792,575</u>
Business-type activities:	
Sanitary sewer	\$ 1,362,618
Waste management	<u>222,302</u>
Total depreciation expense - business-type activities	<u>\$ 1,584,920</u>

Total business-type activities depreciation expense is net of \$1,674,298 of prior year accumulated depreciation transferred from the General Fund to the Solid Waste Management Fund on October 1, 2008.

COMPONENT UNITS**Board of Education**

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance 10/1/2008	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,181,082	\$ -	\$ -	\$ 3,181,082
Construction in progress	<u>2,240,781</u>	<u>6,169,753</u>	<u>(2,097,895)</u>	<u>6,312,639</u>
Total capital assets, not being depreciated	<u>5,421,863</u>	<u>6,169,753</u>	<u>(2,097,895)</u>	<u>9,493,721</u>
Capital assets, being depreciated:				
Land improvements	3,037,232	207,635	-	3,244,867
Buildings and improvements	76,582,859	3,004,062	-	79,586,921
Furniture, equipment and vehicles	5,385,651	941,696	(104,907)	6,222,440
Assets under capital lease	-	1,477,527	-	1,477,527
Total capital assets, being depreciated	<u>85,005,742</u>	<u>5,630,920</u>	<u>(104,907)</u>	<u>90,531,755</u>
Less accumulated depreciation for:				
Land improvements	(2,008,731)	(107,023)	-	(2,115,754)
Buildings and improvements	(14,492,331)	(1,678,441)	-	(16,170,772)
Furniture, equipment and vehicles	<u>(2,560,716)</u>	<u>(584,499)</u>	<u>104,907</u>	<u>(3,040,308)</u>
Total accumulated depreciation	<u>(19,061,778)</u>	<u>(2,369,963)</u>	<u>104,907</u>	<u>(21,326,834)</u>
Total capital assets, being depreciated, net	<u>65,943,964</u>	<u>3,260,957</u>	<u>-</u>	<u>69,204,921</u>
Total governmental activities capital assets, net	<u>\$ 71,365,827</u>	<u>\$ 9,430,710</u>	<u>\$ (2,097,895)</u>	<u>\$ 78,698,642</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 10. CAPITAL ASSETS - CONTINUED

During the year ended September 30, 2009, the Board received a donation of the Travis Rabren Jr. Field House at Duck Samford Stadium. The fair value of the Field House was estimated at \$710,000. It is included in Buildings and Improvements in the above schedule.

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

Governmental activities:	
Instruction	\$ 2,039,097
Operation and maintenance	15,956
Auxiliary services	
Student transportation services	91,596
Food services	<u>223,314</u>
Total depreciation expense - Governmental activities	<u>\$ 2,369,963</u>

Water Works Board

Capital asset activity for the year ended September 30, 2009, was as follows:

	<u>Balance 10/1/2008</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2009</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,401,875	\$ -	\$ -	\$ 1,401,875
Construction in progress	757,694	922,943	(1,028,253)	652,384
Intangible asset in development	<u>176,987</u>	<u>46,767</u>	<u>-</u>	<u>223,754</u>
Total capital assets, not being depreciated	<u>2,336,556</u>	<u>969,710</u>	<u>(1,028,253)</u>	<u>2,278,013</u>
Capital assets, being depreciated:				
Utility system and plant	58,138,400	1,090,229	(656,039)	58,572,590
Buildings and improvements	5,564,894	-	-	5,564,894
Office equipment	326,529	223,255	-	549,784
Mobile equipment	714,211	46,907	(8,995)	752,123
Tools	<u>314,501</u>	<u>7,995</u>	<u>(35,879)</u>	<u>286,617</u>
Total capital assets, being depreciated	<u>65,058,535</u>	<u>1,368,386</u>	<u>(700,913)</u>	<u>65,726,008</u>
Less accumulated depreciation for:				
Utility system and plant	(16,273,020)	(1,224,554)	648,127	(16,849,447)
Buildings and improvements	(662,255)	(222,847)	-	(885,102)
Office equipment	(175,329)	(43,600)	-	(218,929)
Mobile equipment	(466,447)	(66,152)	8,996	(523,603)
Tools	<u>(181,824)</u>	<u>(39,802)</u>	<u>35,880</u>	<u>(185,746)</u>
Total accumulated depreciation	<u>(17,758,875)</u>	<u>(1,596,955)</u>	<u>693,003</u>	<u>(18,662,827)</u>
Total capital assets, being depreciated, net	<u>47,299,660</u>	<u>(228,569)</u>	<u>(7,910)</u>	<u>47,063,181</u>
Business-type activity capital assets, net	<u>\$ 49,636,216</u>	<u>\$ 741,141</u>	<u>\$ (1,036,163)</u>	<u>\$ 49,341,194</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, 2009, the Board incurred interest costs of \$926,641; total interest expense was \$860,105, and interest cost of \$66,536 was capitalized in connection with the cost of construction in progress.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 10. CAPITAL ASSETS - CONTINUED**Industrial Development Board**

The following is a schedule of changes in capital assets for the year ended September 30, 2009:

	Balance 10/1/2008	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2009
Capital assets, not being depreciated:				
Land	\$ 4,617,467	\$ 100,134	\$ 421,316	\$ 5,138,917
Construction in progress	<u>11,036,586</u>	<u>4,978,341</u>	<u>(5,829,507)</u>	<u>10,185,420</u>
Total capital assets, not being depreciated	<u>15,654,053</u>	<u>5,078,475</u>	<u>(5,408,191)</u>	<u>15,324,337</u>
Capital assets, being depreciated:				
Buildings	34,186,706	3,097,620	-	37,284,326
Building improvements	2,471,558	-	-	2,471,558
Land improvements	1,580,874	-	-	1,580,874
Equipment	522,758	-	(22,791)	499,967
Vehicles	<u>116,223</u>	<u>-</u>	<u>-</u>	<u>116,223</u>
Total capital assets, being depreciated	<u>38,878,119</u>	<u>3,097,620</u>	<u>(22,791)</u>	<u>41,952,948</u>
Accumulated depreciation				
Buildings	(3,025,265)	(729,908)	-	(3,755,173)
Building improvements	(211,531)	(56,062)	-	(267,593)
Land improvements	(272,364)	(53,203)	-	(325,567)
Equipment	(346,164)	(47,560)	22,791	(370,933)
Vehicles	<u>(84,580)</u>	<u>(12,658)</u>	<u>-</u>	<u>(97,238)</u>
Total accumulated depreciation	<u>(3,939,904)</u>	<u>(899,391)</u>	<u>22,791</u>	<u>(4,816,504)</u>
Total capital assets, being depreciated, net	<u>34,938,215</u>	<u>2,198,229</u>	<u>-</u>	<u>37,136,444</u>
Total capital assets, net	<u>\$ 50,592,268</u>	<u>\$ 7,276,704</u>	<u>\$ (5,408,191)</u>	<u>\$ 52,460,781</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 10. CAPITAL ASSETS - CONTINUED**Public Park and Recreation Board**

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance 10/1/2008	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2009
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,068,310	\$ 102,656	\$ -	\$ 7,170,966
Machinery and equipment	16,217	-	-	16,217
Vehicles	<u>46,103</u>	<u>-</u>	<u>-</u>	<u>46,103</u>
Total capital assets, being depreciated	<u>7,130,630</u>	<u>102,656</u>	<u>-</u>	<u>7,233,286</u>
Less accumulated depreciation for:				
Buildings and improvements	(329,854)	(283,884)	-	(613,738)
Machinery and equipment	(1,315)	(3,243)	-	(4,558)
Vehicles	<u>-</u>	<u>(9,221)</u>	<u>-</u>	<u>(9,221)</u>
Total accumulated depreciation	<u>(331,169)</u>	<u>(296,348)</u>	<u>-</u>	<u>(627,517)</u>
Total capital assets, being depreciated, net	<u>6,799,461</u>	<u>(193,692)</u>	<u>-</u>	<u>6,605,769</u>
Business-type activity capital assets, net	<u>\$ 6,799,461</u>	<u>\$ (193,692)</u>	<u>\$ -</u>	<u>\$ 6,605,769</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

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, 2009, was as follows:

	Balance 10/1/2008	Additions	Reductions	Balance 9/30/2009	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 21,235,000	\$ 9,000,000	\$ (1,770,000)	\$ 28,465,000	\$ 2,545,000
General obligation warrants	103,241,443	10,531,270	(8,290,310)	105,482,403	6,853,316
Add: deferred amounts for issuance premiums	1,056,678	59,524	(55,864)	1,060,338	-
Less: deferred amounts on refunding	<u>(108,503)</u>	<u>-</u>	<u>15,879</u>	<u>(92,624)</u>	<u>-</u>
Total bonds and warrants payable	125,424,618	19,590,794	(10,100,295)	134,915,117	9,398,316
Accumulated annual leave	1,880,344	793,314	(79,074)	2,594,584	214,214
Claims payable	315,417	223,191	(151,819)	386,789	92,469
Landfill closure and postclosure care liability	189,000	-	(7,000)	182,000	7,000
Other postemployment benefits liability	<u>-</u>	<u>69,529</u>	<u>-</u>	<u>69,529</u>	<u>-</u>
Governmental activity long-term liabilities	<u>127,809,379</u>	<u>20,676,828</u>	<u>(10,338,188)</u>	<u>138,148,019</u>	<u>9,711,999</u>
Business-type activities:					
General obligation warrants payable					
	22,120,000	40,615,000	(495,000)	62,240,000	16,360,000
Add: deferred amounts for issuance premiums	-	774,062	(4,300)	769,762	-
Less: deferred amounts for issuance discounts	<u>(166,247)</u>	<u>(81,547)</u>	<u>13,619</u>	<u>(234,175)</u>	<u>-</u>
Total warrants payable	21,953,753	41,307,515	(485,681)	62,775,587	16,360,000
Notes payable	12,100,000	-	(12,100,000)	-	-
Accumulated annual leave	42,229	146,366	(374)	188,221	15,540
Other postemployment benefits liability	<u>-</u>	<u>7,637</u>	<u>-</u>	<u>7,637</u>	<u>-</u>
Business-type activity long-term liabilities	<u>34,095,982</u>	<u>41,461,518</u>	<u>(12,586,055)</u>	<u>62,971,445</u>	<u>16,375,540</u>
Total primary government long-term liabilities	<u>\$ 161,905,361</u>	<u>\$ 62,138,346</u>	<u>\$ (22,924,243)</u>	<u>\$ 201,119,464</u>	<u>\$ 26,087,539</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Bonds, notes, warrants, and capital leases payable of the City of Auburn at September 30, 2009, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2009	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
Capital improvement bonds, Dated 06/01/98 (S. College Imp.)	3.95%-5.1%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 2,000,000	\$ 885,000	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	1,885,000	2014
Capital improvement bonds, Dated 05/01/02 (Soccer, Town Creek)	1.6%-4.75%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	7,250,000	4,285,000	2016
General obligation bonds, Dated 03/01/05 (Refund 97 bonds, and fund '05 projects)	2.2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	9,905,000	7,925,000	2021
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	4,485,000	2021
General obligation bonds, Dated 7/1/09 ('09 Capital Projects)	2%-4%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	9,000,000	9,000,000	2021
Total bonds payable				<u>37,055,000</u>	<u>28,465,000</u>	

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2009	Year of Final Principal Maturity
Governmental activities continued:						
Warrants payable:						
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	945,000	2011
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	2,555,000	2019
General obligation warrants Dated 09/28/01 (Drainage projects)	4.85%	Monthly	Full faith credit and taxing power of the City of Auburn	1,035,400	258,941	2011
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	26,990,000	2026
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	2,985,922	2013
General obligation warrants Dated 08/01/05 (School expansion)	3.125%-5%	2/1-8/1	Special School Tax Fund ad valorem taxes	33,010,000	32,360,000	2035
General obligation warrants Dated 11/28/05 (West Tech Park)	3.66%	Monthly	Full faith credit and taxing power of the City of Auburn	6,000,000	3,735,872	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	3,225,553	2015
General obligation warrants Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	3,317,407	2026

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2009	Year of Final Principal Maturity
Governmental activities continued:						
Warrants payable:						
General obligation warrants Dated 5/27/08 (Refund 2000 Wts, 2002 Wts & LOC; Land)	3.53%	Monthly	Full faith credit and taxing power of the City of Auburn	\$ 4,211,050	\$ 3,352,825	2015
General obligation warrants Dated 5/29/08 (Refund 2005 Mall Warrants)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,657,050	7,780,279	2018
General obligation warrants Dated 5/29/08 (Refund Aub. Bank LOC)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,800,000	7,908,752	2018
General obligation warrants Dated 10/10/08 (Samford Avenue extension)	4.10%	Monthly	Full faith credit and taxing power of the City of Auburn	2,031,270	1,768,981	2015
General obligation warrants Dated 12/19/08 (Auburn HS renovations)	4.76%	Monthly	Special School Tax Fund ad valorem taxes	8,500,000	8,297,871	2028
Total warrants payable				126,799,770	105,482,403	
Total governmental activity bonds and warrants payable				163,854,770	133,947,403	
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	21,625,000	2024
General obligation warrants Dated 12/1/08 (Refund Compass Bank Note; Sewer capital projects)	4%-5.625%	6/1-12/1	Sewer Fund	25,370,000	25,370,000	2033
General obligation warrants Dated 9/1/09 (Partial refund 2001 Warrants)	3.5%-5%	1/1-7/1	Sewer Fund	15,245,000	15,245,000	2024
Total business-type activity warrants payable				65,380,000	62,240,000	
Total bonds, notes, and warrants payable				\$ 229,234,770	\$ 196,187,403	

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

On October 10, 2008, the City issued its \$2,031,270 General Obligation Warrant to finance the East Samford Avenue Extension Project. The Warrant bears interest at a rate of 4.10%, payable monthly beginning October 2008 and continuing through September 2015.

On December 1, 2008, the City issued its \$25,370,000 Sewer Refunding and Capital Improvement Warrant to refund the \$12,100,000 Compass Bank Note Payable and to finance capital improvements to the sewer system, including, without limitation, Saugahatchee interceptor cured-in-place pipeline rehabilitation, the construction of the Choctafaula pump station, improvements to the Northside transfer force main, the Choctafaula interception project – phase 2 improvements, and various other additions and capital improvements. The Warrant bears interest at rates ranging from 4.0%-5.625%, payable monthly beginning January 2009 and continuing through December 2033.

On December 19, 2008, the City issued its \$8,500,000 General Obligation Warrant, on behalf of Auburn City Schools, to finance additions and renovations at Auburn High School. The Warrant bears interest at a rate of 4.76%, payable monthly beginning January 2009 and continuing through June 2028.

On July 1, 2009, the City issued its \$9,000,000 General Obligation Bond for the purpose of acquiring, providing and constructing various capital improvements within the City including, without limitation, constructing and acquiring public transportation improvements, recreational facility improvements and improvements for fire protection services. The Bonds bear interest at rates ranging from 2%-4%, payable semiannually beginning November 2009 and continuing through May 2021.

On September 1, 2009, the City issued its \$15,245,000 General Obligation Refunding Warrant to refund a portion of the 2001 General Obligation Sewer Warrant and to finance sewer capital projects. The Warrant bears interest at rates ranging from 3.5%-5.0%, payable semiannually beginning January 2010 and continuing through January 2024. On October 22, 2009, subsequent to year-end, the City refunded \$15,300,000 of the \$21,625,000 outstanding 2001 General Obligation Sewer Warrants. The City completed the current refunding to reduce its total debt service payments over the next fifteen years by \$1,335,206 and to obtain an economic gain (difference between the present values of the old and new debt service payments) on the transaction of \$122,480.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds and warrants payable of the City of Auburn at September 30, 2009:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity		
	Principal	Interest	Total	Bonds and Warrants Payable			Warrants Payable		
				Payable from	Issues	Requirements	Principal	Interest	Requirements
2010	\$ 25,758,316	\$ 7,961,283	\$ 33,719,599	\$ 9,398,316	\$ 5,850,524	\$ 15,248,840	\$ 16,360,000	2,110,759	\$ 18,470,759
2011	10,990,672	7,696,436	18,687,108	9,885,672	5,520,226	15,405,898	1,105,000	2,176,210	3,281,210
2012	11,290,558	7,236,367	18,526,925	10,135,558	5,106,886	15,242,444	1,155,000	2,129,481	3,284,481
2013	12,192,272	6,744,831	18,937,103	10,312,272	4,680,531	14,992,803	1,880,000	2,064,300	3,944,300
2014	12,199,804	6,213,866	18,413,670	10,234,804	4,237,465	14,472,269	1,965,000	1,976,401	3,941,401
2015	11,025,284	5,693,123	16,718,407	8,960,284	3,813,415	12,773,699	2,065,000	1,879,708	3,944,708
2016	10,128,813	5,211,897	15,340,710	7,953,813	3,432,391	11,386,204	2,175,000	1,779,506	3,954,506
2017	9,152,207	4,756,268	13,908,475	6,877,207	3,081,194	9,958,401	2,275,000	1,675,074	3,950,074
2018	9,028,278	4,321,995	13,350,273	6,638,278	2,760,790	9,399,068	2,390,000	1,561,205	3,951,205
2019	7,760,113	3,943,764	11,703,877	5,250,113	2,505,059	7,755,172	2,510,000	1,438,705	3,948,705
2020	7,779,593	3,578,539	11,358,132	5,144,593	2,268,459	7,413,052	2,635,000	1,310,080	3,945,080
2021	8,095,456	3,221,176	11,316,632	5,345,456	2,030,658	7,376,114	2,750,000	1,190,518	3,940,518
2022	6,642,769	2,878,626	9,521,395	3,782,769	1,798,858	5,581,627	2,860,000	1,079,768	3,939,768
2023	6,951,600	2,572,701	9,524,301	3,971,600	1,612,027	5,583,627	2,980,000	960,674	3,940,674
2024	7,272,019	2,248,616	9,520,635	4,172,019	1,415,858	5,587,877	3,100,000	832,758	3,932,758
2025	5,464,102	1,948,036	7,412,138	4,374,102	1,209,775	5,583,877	1,090,000	738,261	1,828,261
2026	5,737,927	1,673,161	7,411,088	4,587,927	993,700	5,581,627	1,150,000	679,461	1,829,461
2027	3,285,048	1,387,476	4,672,524	2,075,048	769,965	2,845,013	1,210,000	552,280	1,827,511
2028	3,282,572	1,220,007	4,502,579	2,007,572	667,727	2,675,299	1,210,000	552,280	1,827,280
2029	2,940,000	1,063,980	4,003,980	1,595,000	582,156	2,177,156	1,345,000	481,824	1,826,824
2030	3,090,000	908,902	3,998,902	1,670,000	502,406	2,172,406	1,420,000	406,496	1,826,496
2031	3,255,000	744,875	3,999,875	1,755,000	418,906	2,173,906	1,500,000	325,969	1,825,969
2032	3,420,000	581,188	4,001,188	1,830,000	342,125	2,172,125	1,590,000	239,063	1,829,063
2033	3,590,000	409,157	3,999,157	1,910,000	262,063	2,172,063	1,680,000	147,094	1,827,094
2034	3,770,000	228,422	3,998,422	1,995,000	178,500	2,173,500	1,775,000	49,922	1,824,922
2035	2,085,000	91,219	2,176,219	2,085,000	91,219	2,176,219	-	-	-
Total	\$ 196,187,403	\$ 84,535,911	\$ 280,723,314	\$ 133,947,403	\$ 56,132,883	\$ 190,080,286	\$ 62,240,000	\$ 28,403,028	\$ 90,643,028

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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, 2009, was as follows:

	Balance 10/1/2008	Additions	Reductions	Balance 9/30/2009	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable-2001 issue	\$ 9,575,000	\$ -	\$ (255,000)	\$ 9,320,000	\$ 265,000
Bonds payable-2002 issue	6,130,001	-	(335,001)	5,795,000	345,000
Zero coupon bonds	<u>2,554,711</u>	<u>139,213</u>	<u>-</u>	<u>2,693,924</u>	<u>-</u>
	18,259,712	139,213	(590,001)	17,808,924	610,000
Unamortized deferred amount on refunding	<u>(240,010)</u>	<u>17,350</u>	<u>-</u>	<u>(222,660)</u>	<u>-</u>
	<u>18,019,702</u>	<u>156,563</u>	<u>(590,001)</u>	<u>17,586,264</u>	<u>610,000</u>
Water supply agreement with City of Opelika	712,603	-	(267,670)	444,933	267,054
Unamortized discount	<u>(89,702)</u>	<u>47,523</u>	<u>-</u>	<u>(42,179)</u>	<u>(30,617)</u>
	<u>622,901</u>	<u>47,523</u>	<u>(267,670)</u>	<u>402,754</u>	<u>236,437</u>
Accumulated annual leave	<u>94,609</u>	<u>7,047</u>	<u>-</u>	<u>101,656</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 18,737,212</u>	<u>\$ 211,133</u>	<u>\$ (857,671)</u>	<u>\$ 18,090,674</u>	<u>\$ 846,437</u>

Bonds payable at September 30, 2009, 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, 2009, the accreted value of the bonds was \$2,693,924.

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2009, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2009	Year of Final Principal Maturity
Business type activities						
Bonds payable:						
Capital improvement bonds, Dated 07/01/01	2.75% to 5.125%	1/1-7/1	Revenues	\$ 11,080,000	\$ 9,320,000	2026
Capital improvement bonds, Dated 08/1/02	1.5% to 4.80%	3/1-9/1	Revenues	7,955,000	5,795,000	2022
Capital appreciation bonds, Dated 08/01/02	5.37% to 5.45%		Revenues	<u>1,844,657</u>	<u>2,693,924</u>	2032
Total bonds payable				<u>\$ 20,879,657</u>	<u>\$ 17,808,924</u>	

The following schedule shows debt service to maturity for bonds and water supply agreement payable of the Water Works Board of the City of Auburn at September 30, 2009:

Year ending September 30	Principal	Interest	Total
2010	\$ 846,437	\$ 750,957	\$ 1,597,394
2011	801,317	707,609	1,508,926
2012	660,000	670,163	1,330,163
2013	690,000	641,288	1,331,288
2014	720,000	610,313	1,330,313
2015-2019	4,120,000	2,527,020	6,647,020
2020-2024	5,210,000	1,445,803	6,655,803
2025-2026	<u>2,470,000</u>	<u>191,419</u>	<u>2,661,419</u>
Subtotal	<u>\$ 15,517,754</u>	<u>\$ 7,544,572</u>	<u>\$ 23,062,326</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, 2009, the amount included in bonds payable is \$2,693,924, which equals the original principal amount of \$1,844,657 plus the accretion of interest through September 30, 2009 of \$849,267.

Revenue bonds

Water Revenue Bonds issued in 2001 and 2002 are collateralized by a pledge of net system revenues derived and to be derived from the operation of the Board's water system. The Board is also required to maintain such rates and charges for the water service and other services supplied from the System and make collections from the users thereof in such a manner as shall produce revenues sufficient at all times (i) to provide for payment of all operating expenses, (ii) to produce annual net income of not less than 120% of the then applicable maximum annual debt service requirement and (iii) to make all monthly payments provided herein to be made into each of the special funds. These coverage requirements have been met by the Board for the year ended September 30, 2009.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED**Industrial Development Board**Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Balance 10/01/08	Additions	Reductions	Balance 09/30/09	Due Within One Year
Notes payable	\$ 24,802,470	\$ 5,415,000	\$ (4,580,202)	\$ 25,637,268	\$ 822,813
Short term					
construction loans	-	2,380,000	(2,380,000)	-	-
Bonds payable	20,020,000	-	(560,000)	19,460,000	6,240,000
Less: deferred amount on refunding	(137,072)	-	15,509	(121,563)	-
Total	<u>\$ 44,685,398</u>	<u>\$ 7,795,000</u>	<u>\$ (7,504,693)</u>	<u>\$ 44,975,705</u>	<u>\$ 7,062,813</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, 2009 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. The following is a summary of changes in bonds payable for the year ended September 30, 2009:

	Balance 10/01/08	Additions	Reductions	Balance 09/30/09	Due Within One Year
Series 2000-A	\$ 3,400,000	\$ -	\$ (200,000)	\$ 3,200,000	\$ 210,000
Series 2004-A	10,980,000	-	(360,000)	10,620,000	390,000
Series 2006-A	5,640,000	-	-	5,640,000	5,640,000
Total	<u>\$ 20,020,000</u>	<u>\$ -</u>	<u>\$ (560,000)</u>	<u>\$ 19,460,000</u>	<u>\$ 6,240,000</u>

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 ended on September 30, 2008. 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, 2010. The City intends to fund the appropriations through 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 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

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 2009 was 1.37% for the Series 2000-A bonds, 2.02% for the Series 2004-A bonds and the Series 2006-A bonds. Interest incurred for the fiscal year amounted to \$45,786 for the Series 2000-A bonds, \$218,696 for the series 2004-A bonds, and \$409,532 for the Series 2006-A bonds. The rate in effect at September 30, 2009 for the Series 2000-A bonds was 1.31% and for the Series 2004-A bonds and the Series 2006-A bonds was 2.75%.

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.

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, 2010; 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, 2010. 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 2010 for Series 2000-A and 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 at the expirations of the respective letters of credit would be as follows:

<u>Fiscal Year</u>	<u>Series 2000-A</u>	<u>Series 2004-A</u>	<u>Series 2006-A</u>	<u>Total</u>
2010	\$ 210,000	\$ 390,000	\$ 5,640,000	\$ 6,240,000
2011	<u>2,990,000</u>	<u>10,230,000</u>	<u>-</u>	<u>13,220,000</u>
	<u>\$ 3,200,000</u>	<u>\$ 10,620,000</u>	<u>\$ 5,640,000</u>	<u>\$ 19,460,000</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

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

Fiscal Year	Series 2000-A	Series 2004-A	Series 2006-A	Total
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>\$ 3,200,000</u>	<u>\$ 10,620,000</u>	<u>\$ 5,640,000</u>	<u>\$ 19,460,000</u>

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2009, using the variable interest rate in effect on the last day of the fiscal year (1.31% for Series 2000-A, 2.75% 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	
2010	\$ 210,000	\$ 40,767	\$ 390,000	\$ 287,554	\$ 180,000	\$ 154,273	\$ 1,262,594
2011	225,000	37,933	425,000	276,426	195,000	149,254	1,308,613
2012	240,000	34,904	455,000	264,393	205,000	143,845	1,343,142
2013	255,000	31,677	495,000	251,419	220,000	138,139	1,391,235
2014	270,000	28,254	530,000	237,403	235,000	132,020	1,432,677
2015	285,000	24,635	575,000	222,309	255,000	125,466	1,487,410
2016	305,000	20,792	620,000	205,978	270,000	118,384	1,540,154
2017	320,000	16,714	670,000	188,352	290,000	110,867	1,595,933
2018	340,000	12,412	725,000	169,293	315,000	102,777	1,664,482
2019	365,000	7,821	780,000	148,721	335,000	94,023	1,730,565
2020	385,000	2,929	845,000	126,522	360,000	84,695	1,804,146
2021	-	-	910,000	102,535	385,000	74,681	1,472,216
2022	-	-	985,000	76,646	415,000	63,955	1,540,601
2023	-	-	1,065,000	48,636	445,000	52,405	1,611,041
2024	-	-	1,150,000	18,368	475,000	40,029	1,683,397
2025	-	-	-	-	510,000	26,806	536,806
2026	-	-	-	-	550,000	12,597	562,597
Total	<u>\$ 3,200,000</u>	<u>\$ 258,838</u>	<u>\$ 10,620,000</u>	<u>\$ 2,624,555</u>	<u>\$ 5,640,000</u>	<u>\$ 1,624,216</u>	<u>\$ 23,967,609</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Swap payments and associated debt – With respect to the Series 2006-A bonds, the Board entered into an interest rate swap agreement with Allied Irish Bank to effectively change the Board’s variable interest rate on the bonds to a fixed rate (see Note 5). Using rates as of September 30, 2009, 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.

Series 2006-A					
Variable Rate Bonds				Interest Rate	
Principal	Interest	Swaps, Net		Total	
\$ 180,000	\$ 154,273	\$ 315,488	\$ 649,761		
195,000	149,254	305,224	649,478		
205,000	143,845	294,164	643,009		
220,000	138,139	282,494	640,633		
235,000	132,020	269,981	637,001		
255,000	125,466	256,577	637,043		
270,000	118,384	242,096	630,480		
290,000	110,867	226,723	627,590		
315,000	102,777	210,180	627,957		
335,000	94,023	192,277	621,300		
360,000	84,695	173,202	617,897		
385,000	74,681	152,722	612,403		
415,000	63,955	101,109	580,064		
445,000	52,405	-	497,405		
475,000	40,029	-	515,029		
510,000	26,806	-	536,806		
550,000	12,597	-	562,597		
<u>\$ 5,640,000</u>	<u>\$ 1,624,216</u>	<u>\$ 3,022,237</u>	<u>\$ 10,286,453</u>		

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Notes payable

Notes payable of the Board at September 30, 2009, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/09	Year of Final Principal Maturity
AuburnBank	6.000%	Monthly	\$ 8,670,000	\$ 7,272,659	2013
AuburnBank	6.000%	Monthly	2,700,000	2,613,531	2013
AuburnBank	8.750%	Monthly	300,000	277,284	2011
AuburnBank	7.000%	Monthly	775,000	149,129	2011
AuburnBank	6.500%	Monthly	447,147	334,443	2012
AuburnBank	6.500%	Monthly	1,079,500	991,258	2012
AuburnBank	6.000%	Monthly	3,400,000	3,320,642	2013
AuburnBank	6.000%	Monthly	1,955,000	1,859,335	2012
AuburnBank	7.750%	Monthly	1,290,000	1,219,316	2012
AuburnBank	8.250%	Monthly	1,100,000	1,033,398	2012
AuburnBank	8.000%	Monthly	69,991	51,978	2013
AuburnBank	6.000%	Monthly	1,025,000	975,928	2012
AuburnBank	6.250%	Monthly	2,210,000	2,210,000	2011
AuburnBank	6.000%	Monthly	2,380,000	2,380,000	2013
AuburnBank	6.470%	Monthly	825,000	825,000	2014
Compass Bank	7.500%	Monthly	186,602	123,367	2012
Total notes payable			<u>\$ 28,413,240</u>	<u>\$ 25,637,268</u>	

Proceeds of the notes were used to construct industrial buildings held for leasing by the Board.

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2009:

	Total Annual Requirements		
	Principal	Interest	Total
\$ 822,813	\$ 1,543,657	\$ 2,366,470	
3,261,065	1,463,908	4,724,973	
4,939,983	1,178,203	6,118,186	
13,779,815	948,324	14,728,139	
2,833,592	56,955	2,890,547	
<u>\$ 25,637,268</u>	<u>\$ 5,191,047</u>	<u>\$ 30,828,315</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, 2009, totaled \$487,574.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 12. DEFERRED PROGRAM REVENUE - CONTINUED

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants. Under the terms of the grants the monies received from HUD are loaned to qualified borrowers for housing rehabilitation and the City holds second mortgages as collateral. When the City made these loans, deferred revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans made under this program are deferred for 20 years from the date of the loan. At that time, the City will begin receiving amortized payments of principal and interest for the second mortgages, and deferred revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2009, totaled \$824,904.

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 thirteen years and the capital leases expire over the next twenty-six 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, 2009, was \$5,138,917 and \$37,284,326, respectively; accumulated depreciation on the buildings was \$3,755,468. Rents received during 2009 were \$2,426,324. Of the sixteen leases in effect at September 30, 2009, fifteen were noncancelable, with one having an option for the lessee to occupy more space at a higher rental rate. One lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term; the lease provides for automatic one-year renewal terms ending on June 1, 2014, and annual minimum rentals of \$24,000.

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. Pursuant to the terms of an interest rate swap, rentals due under the lease were changed to the following amounts: from August 1, 2006 to July 31, 2007, the monthly rental was \$2,578 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 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 following schedule of future minimum rental payments.

Subsequent to September 30, 2009, one of the operating leases was amended to defer certain rentals due under the leases. The following schedule of minimum rentals has been adjusted to reflect the effect of those changes.

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, 2009:

Fiscal Year	
2010	\$ 3,005,363
2011	2,991,026
2012	2,772,741
2013	2,712,767
2014	2,644,012
2015	2,590,604
2016	2,588,719
2017	2,444,661
2018	2,095,530
2019	789,559
2020 and thereafter	<u>1,728,718</u>
Total	<u>\$ 26,363,700</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 13. LEASE AGREEMENTS - CONTINUED

Capital leases

- A. The Board has leased, under capital leases, twelve 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 2010 to 2035, and several of these leases provide for renewal terms. No lease payments were received in fiscal year 2009 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. At the beginning of fiscal year 2009, 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. During the fiscal year, the lessee exercised the purchase option available under the lease and repaid the entire balance of the lease receivable. Total lease payments received during 2009 were \$3,429,601 and consisted of \$3,234,869 principal and \$194,732 interest.
- C. The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. The leases are noncancelable operating leases. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during fiscal year 2009 were \$94,372. As of September 30, 2009, there were six leases in effect: one that expires within one year, four that expire in fiscal year 2011, and one that expires in fiscal year 2012. Future minimum rentals due under the leases are as follows:

Fiscal Year		
2010	\$	124,560
2011		124,492
2012		<u>7,500</u>
Total	\$	<u><u>256,552</u></u>

NOTE 14. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

Plan Description. The City contributes to the Employees' Retirement System of Alabama ("System"), an agent multiple-employer public employee retirement system (PERS) which acts as a common investment and administrative agent for all State agencies and departments as well as for cities and counties which elect to participate in the System. All regular full-time and certain regular part-time City employees are eligible to participate in the System. Benefits vest after ten years of service. Vested employees may choose a lump sum benefit, payments for a specified time period or for life. The benefit amount is based upon employee and employer contributions and accrued interest as of the retirement date and is established by State statute. The System also provides death and disability benefits. The Retirement System issues a publicly available report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150 or by calling (334) 517-7000.

Funding Policy. Covered employees are required by State statute to contribute five percent (5%) of their salaries/wages to the System. The City is required by the same statute to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by the statute. The City's contribution rate for the year-ended September 30, 2009, was 10.17% of covered payroll.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED

Annual Pension Cost. The City's annual pension cost of \$1,987,347 was equal to the City's required and actual contributions. In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/06	\$ 1,332,813	100%	\$0
9/30/07	\$ 1,405,320	100%	\$0
9/30/08	\$ 1,786,009	100%	\$0

The required contribution was determined as part of the September 30, 2008, 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, 2008, was 20 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

Funded Status and Funding Progress. As of September 30, 2008, the most recent actuarial valuation date, the plan was 69.4% funded. The actuarial accrued liability for benefits was \$63,229,284, and the actual value of assets was \$43,850,832, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,378,452. The covered payroll (annual payroll of active employees covered by the plan) was \$21,739,441, and the ratio of the UAAL to the covered payroll was 89.1%.

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)
9/30/06 **	\$ 38,535,864	\$ 52,125,575	\$ 13,589,712	73.9%	\$ 19,101,701	71.1%
9/30/07	\$ 41,989,069	\$ 56,867,330	\$ 14,878,261	73.8%	\$ 20,085,917	74.1%
9/30/08	\$ 43,850,832	\$ 63,229,284	\$ 19,378,452	69.4%	\$ 21,739,441	89.1%

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

** Reflects changes in actuarial assumptions.

COMPONENT UNITS**Board of Education**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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

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

Fiscal year ended September 30,	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total percentage of covered payroll	17.07%	16.75%	14.36%
Contributions:			
Percentage contributed by the Board	12.07%	11.75%	9.36%
Percentage contributed by the employees	5.00%	5.00%	5.00%
Contributed by the Board	\$ 3,974,216	\$ 3,804,056	\$ 2,776,775
Contributed by the employees	1,646,356	1,618,900	1,483,353
Total contributions	<u>\$ 5,620,572</u>	<u>\$ 5,422,956</u>	<u>\$ 4,260,128</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, 2009, was 4.98% of covered payroll; and the Board's annual pension cost of \$73,355 was equal to its required and actual contributions. The remaining amortization period at September 30, 2008, was 20 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)
9/30/06	\$ 66,656	100%	\$0
9/30/07	\$ 70,827	100%	\$0
9/30/08	\$ 81,855	100%	\$0

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ((b - a)/c)
9/30/06 **	\$ 2,149,403	\$ 2,222,023	\$ 72,620	96.7%	\$ 1,289,259	5.6%
9/30/07	\$ 2,192,273	\$ 2,148,625	\$ (43,648)	102.0%	\$ 1,273,658	-3.4%
9/30/08	\$ 2,364,216	\$ 2,491,732	\$ 127,516	94.9%	\$ 1,389,620	9.2%

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

** Reflects changes in actuarial assumptions.

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS

CITY OF AUBURN PRIMARY GOVERNMENT

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

Plan description

The City provides medical benefits to employees upon retirement according to the retirement eligibility provisions as follows: 25 years of service at any age; or, age 60 and 10 years of service. The retirees pay 100% of the premium costs and specific deductibles. The City pays for all costs in excess of premiums and deductibles. Benefits and contribution requirements (both employee and employer) for the General Employees OPEB Plan are established by City ordinance and can only be amended by City Council. OPEB benefits are administered by City personnel. No separate financial statements are issued.

The number of participants as of September 30, 2008, the effective date of the biannual OPEB valuation, follows. There has been a 2.55% increase in the number of participants covered. There has been no change in the type of coverage since that date.

	<u>Number of Enrollees</u>
Active employees	378
Retired employees	<u>20</u>
Total	<u><u>398</u></u>

Funding policy

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Annual other postemployment benefit cost

For the fiscal year ended September 30, 2009, the City's annual OPEB cost (i.e., expense) of \$83,053 is not equal to the Annual Required Contribution, which is estimated at \$129,274. Considering the City's annual OPEB cost as well the payment of current estimated health insurance premiums, which totaled \$46,221 for retirees, the result was an increase in the net OPEB obligation of \$2,068 for the year ended September 30, 2009.

The annual required contribution (ARC) was calculated as follows:

	<u>9/30/08*</u>	<u>9/30/09**</u>
Actuarial accrued liability (AAL)		
Active	\$ 594,475	\$ 609,634
Retired	<u>528,886</u>	<u>542,373</u>
Total	1,123,361	1,152,007
Actuarial value of assets	<u>-</u>	<u>-</u>
Unfunded accrued liability (UAL)	<u>\$ 1,123,361</u>	<u>\$ 1,152,007</u>
Normal cost - assumed payable		
Active	<u>\$ 35,523</u>	<u>\$ 36,429</u>
30 Year AAL amortization contribution		
- assumed payable		
Active	\$ 47,910	\$ 49,132
Retired	<u>42,624</u>	<u>43,711</u>
Total	<u>\$ 90,534</u>	<u>\$ 92,843</u>
Gross annual required contribution (ARC)		
- assumed payable		
Active	\$ 83,433	\$ 85,562
Retired	<u>42,624</u>	<u>43,712</u>
Total	<u>126,057</u>	<u>129,274</u>
Current annual employer premium		
Active	\$ 1,428,840	\$ 1,465,275
Retired	<u>45,072</u>	<u>46,221</u>
Total	<u>\$ 1,473,912</u>	<u>\$ 1,511,496</u>
Net ARC after deduction of current year's retiree premium from gross ARC	<u>\$ 80,985</u>	<u>\$ 83,053</u>
Net ARC by employer		
City of Auburn General Fund	\$ 67,302	\$ 69,529
Sewer Revenue Fund of City of Auburn	3,023	2,864
Waste Management Fund of City of Auburn	4,773	4,773
Water Works Board of City of Auburn	<u>5,887</u>	<u>5,887</u>
Total	<u>\$ 80,985</u>	<u>\$ 83,053</u>
Net ARC as a percentage of current annual employer premium	5.49%	5.49%

* - Per 9/30/08 actuarial valuation.

** - Estimated based upon 2.55% increase in enrollment.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

In future years, three-year trend information will be presented. Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the City elected to implement prospectively, therefore, prior year comparative data is not available.

Actuarial methods and assumptions

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer portion has been estimated as the average claims plus administrative expenses, less the employee portion paid, over the preceding year for the retired group and has been used as the basis for projecting the medical trend assumption into the future. The City does not pay any portion of the retiree premium after the eligibility age for Medicare. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis. It is assumed that entitlement to benefits will commence three years after earliest eligibility to retire. An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%. It is also assumed that 29% of retirees elect not to have retiree medical coverage because of the employee premium required.

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

In the September 30, 2008, actuarial valuation, the liabilities were computed using the projected unit credit cost method and level dollar amortization. The actuarial assumptions utilized a 7% discount rate. This discount rate is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management. The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare and Medicaid Services. The valuation assumes an 8% healthcare cost trend increase for fiscal year 2008, graded down to an ultimate annual rate of 5% for 2016 and later.

COMPONENT UNITS

Board of Education

The Board contributes to the Alabama Retired Education Employee's Health Care Trust (Trust), a multiple employer cost sharing defined benefit health care plan established in 2007 under the provisions of Act 2007-16 as an irrevocable trust fund. The Trust is administered by members of the Public Education Employees' Health Insurance Board (PEEHIB). The Trust provides health care benefits to state and local school system retirees. *Code of Alabama 1975*, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. The Teacher's Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150 or by calling (334) 517-7000.

Code of Alabama 1975, Section 16-25A-8 provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. The employer's share of premiums for retired Board employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. Retirees eligible for Medicare benefits must pay \$1.14 per month for coverage while those not eligible for Medicare must pay \$98 per month for coverage. The estimated portion of health insurance premiums paid by the Board for retired employees was approximately \$1,939,037 or 27% of total Board allocations paid during fiscal year 2009. The estimated portion of payments made on behalf of the Board for retiree drug subsidy payments was approximately \$149,942 for fiscal year 2009. The Board has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 16. LIABILITY AND WORKMEN'S COMPENSATION SELF-INSURANCE

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

	Fiscal Year	
	2009	2008
Unpaid claims, beginning of year	\$ 90,759	\$ 215,336
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	220,702	123,868
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>(16,826)</u>	<u>(66,721)</u>
Total incurred claims	<u>203,876</u>	<u>57,147</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(80,931)	(87,470)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(40,895)</u>	<u>(94,254)</u>
Total payments	<u>(121,826)</u>	<u>(181,724)</u>
Unpaid claims, end of year	<u>\$ 172,809</u>	<u>\$ 90,759</u>

Total general liability for uninsured risks and workmen's compensation claims liability at September 30, 2009, is recorded as follows: \$92,469 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$80,340, along with the estimated liability for insured risks of \$213,979, 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, 2009

NOTE 17. MEDICAL SELF-INSURANCE

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

	Fiscal Year	
	2009	2008
Unpaid claims, beginning of year	\$ 114,796	\$ 110,503
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	1,944,044	1,879,038
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	3,889	5,222
Total incurred claims	1,947,933	1,884,260
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(1,837,548)	(1,764,242)
Claims attributable to prior years' events where the City has retained risk of loss	(118,727)	(115,725)
Total payments	(1,956,275)	(1,879,967)
Unpaid claims, end of year (includes claims incurred but not reported)	\$ 106,454	\$ 114,796

The unpaid claims as of September 30, 2009, are reported in the General Fund.

NOTE 18. UNEMPLOYMENT COMPENSATION

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2009, by the State (\$11,997) to individuals is reflected as an expense of the General Fund.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 19. AD VALOREM TAX COLLECTION EXPENSE

The City is charged a collection fee by the County Revenue Commissioner for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year-ended September 30, 2009:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 3,471,520 *	\$ 77,703	\$ 42,673	\$ 3,351,144
Special 5-Mill Tax Fund	5	3,464,143 **	77,703	42,673	3,343,767
Special School Tax Fund	5	3,675,235	81,928	47,193	3,546,114
Special Additional School Tax Fund	11	8,085,517	180,242	103,825	7,801,450
Property tax totals	26	\$ 18,696,415	\$ 417,576	\$ 236,364	\$ 18,042,475

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

** Reduced by industrial tax exemptions.

NOTE 20. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2009 consist of the following:

Amount	Due From Other Funds	Due To Other Funds	Purpose
\$ 242,312	General Fund	Nonmajor Governmental Funds	Provide cash flow for grants program and fund capital projects
	Advances To Other Funds	Advances From Other Funds	Purpose
\$ 216,892	General Fund	Nonmajor Proprietary Fund	Provide funding for equipment purchase

NOTE 21. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2009:

	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 240,776	\$ 89,103
Special School Tax Fund	8,138,820	-
Special Additional School Tax Fund	-	8,138,820
Bent Creek/West Tech Park Fund		
Nonmajor Governmental Funds	327,521	431,521
Total governmental activities	8,707,117	8,659,444
Major Proprietary Fund		
Sewer Revenue Fund	-	70,116
Nonmajor proprietary fund	31,563	-
Total business-type activities	31,563	70,116
Total primary government	\$ 8,738,680	\$ 8,729,560

* The difference of \$9,120 is due to transfers of worker's compensation expense from the General Fund to the proprietary funds at the government-wide level.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 21. INTERFUND TRANSFERS - CONTINUED

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

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

NOTE 22. INTRA-ENTITY TRANSACTIONS

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

A. Short-term receivables and payables

	<u>Due To</u>	<u>Due From</u>
Component Units		
Industrial Development Board	\$ -	\$ 55,010
Water Works Board	378,908	10,996
Primary Government		
General Fund	55,178	224,053
2009 Capital Projects Fund - 5 Mill	-	73,259
Nonmajor governmental funds	-	81,596
Sewer Revenue Fund	10,660	-
Nonmajor proprietary fund	168	-
Total	<u>\$ 444,914</u>	<u>\$ 444,914</u>

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

B. Long-term advances

	<u>Advances To</u>	<u>Advances From</u>
Primary Government		
General Fund	\$ 3,740,008	\$ -
Component Units		
Industrial Development Board	-	3,740,008
Total	<u>\$ 3,740,008</u>	<u>\$ 3,740,008</u>

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 22. INTRA-ENTITY TRANSACTIONS - CONTINUEDC. Payments between the City and Component Units

	Appropriations From Primary Government	Payments to Component Units
Primary Government		
General Fund	\$ -	\$ 9,207,103
Special School Tax Fund	-	14,556,109
Nonmajor governmental funds	-	1,156,263
Sewer Revenue Fund	-	101,663
Component Units		
Auburn City Board of Education	21,544,112	-
Water Works Board	101,663	-
Industrial Development Board	2,263,865	-
Public Parks and Recreation Board	1,108,048	-
Commercial Development Authority	3,450	-
Total	<u>\$ 25,021,138</u>	<u>\$ 25,021,138</u>

Payments from the City to its component units consist primarily of funding for routine operating expenses and debt service payments. The payments between the City and its component units do not balance in the fund financial statements due to a difference in the measurement focus and basis of accounting between governmental funds and proprietary-type component units. In addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education that are not recorded as payments to the Board. The debt payments (including bond trustee fees) paid on behalf of the Board of Education are reflected on the City's books as debt service expenditures and amounted to \$5,139,834. The City also makes debt service payments on behalf of the Commercial Development Authority that are not included in the schedule above. The debt payments (including bond trustee fees) paid on behalf of the Commercial Development Authority are reflected on the City's books as debt service expenditures and amounted to \$1,100,540.

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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

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

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Total
Assets						
Cash and cash equivalents	\$ 478	\$ 412,916	\$ 57,668	\$ 3,427	\$ 200,502	\$ 674,991
Mortgages receivable	152,795	264,603	70,127	645,796	179,108	1,312,429
Total assets	\$ 153,273	\$ 677,519	\$ 127,795	\$ 649,223	\$ 379,610	\$ 1,987,420
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 15,000	\$ -	\$ 6	\$ 565	\$ 15,571
Deferred program revenue	152,795	264,603	70,176	645,796	179,108	1,312,478
Total liabilities	152,795	279,603	70,176	645,802	179,673	1,328,049
Fund balances:						
Fund balance-unreserved	478	397,916	57,619	3,421	199,937	659,371
Total liabilities and fund balances	\$ 153,273	\$ 677,519	\$ 127,795	\$ 649,223	\$ 379,610	\$ 1,987,420
Revenues						
Program income	\$ -	\$ 476,715	\$ 12,566	\$ 7,499	\$ 339,603	\$ 836,383
Miscellaneous	-	-	56	-	36	92
Other interest	10	50,034	3,337	352	2,415	56,148
Total revenues	10	526,749	15,959	7,851	342,054	892,623
Expenditures						
Economic development	-	325,000	362	-	-	325,362
Excess (deficiency) of revenues over expenditures	10	201,749	15,597	7,851	342,054	567,261
Other financing sources (uses)						
Transfers out	-	-	-	(4,644)	(256,877)	(261,521)
Net changes in fund balances	10	201,749	15,597	3,207	85,177	305,740
Fund balances,						
beginning of year	468	196,167	42,022	214	114,760	353,631
Fund balances, end of year	\$ 478	\$ 397,916	\$ 57,619	\$ 3,421	\$ 199,937	\$ 659,371

*Net of interfund eliminations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 24. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE REVENUE FUND

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

	State Funded Seizures	Public Safety Substance Abuse (other seizures)	Total
Assets			
Cash and cash equivalents	\$ 100,755	\$ 107,765	\$ 208,520
Liabilities and fund balance			
Fund balance-unreserved	\$ 100,755	\$ 107,765	\$ 208,520
Revenues			
Confiscation revenue	\$ 35,696	\$ 3,877	\$ 39,573
Interest	1,726	2,253	3,979
Total revenues	37,422	6,130	43,552
Expenditures			
Public safety	7,700	336	8,036
Excess (deficiency) of revenues over expenditures	29,722	5,794	35,516
Fund balances, beginning of year	71,033	101,971	173,004
Fund balances, end of year	\$ 100,755	\$ 107,765	\$ 208,520

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES

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

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
ASSETS					
Cash	\$ 1,298,502	\$ -	\$ -	\$ -	\$ 1,298,502
Equity in pooled cash and cash equivalents	4,801,527	81,801	2,022,682	1,304,254	8,210,264
Restricted cash and investments	<u>185,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,787</u>
Total cash and cash equivalents	6,285,816	81,801	2,022,682	1,304,254	9,694,553
Certificate of deposit	7,205,006	-	-	-	7,205,006
Receivables					
Revenues	4,615,311	-	-	-	4,615,311
Other governmental units	732,636	-	-	-	732,636
Special assessments	25,107	-	-	-	25,107
Other	447,359	-	14,836	-	462,195
Due from other funds	242,312	-	-	-	242,312
Due from component units	224,053	-	-	-	224,053
Inventories, at cost	15,070	-	-	-	15,070
Prepaid expenses	10,068	-	-	-	10,068
Advances to other funds	216,892	-	-	-	216,892
Advances to component units	3,740,008	-	-	-	3,740,008
Advances to other agencies	359,930	-	-	-	359,930
Property for resale	<u>4,131,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,131,127</u>
TOTAL ASSETS	<u>\$ 28,250,695</u>	<u>\$ 81,801</u>	<u>\$ 2,037,518</u>	<u>\$ 1,304,254</u>	<u>\$ 31,674,268</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
LIABILITIES, FUND					
EQUITY AND OTHER CREDITS					
Liabilities					
Accounts payable and accrued liabilities	\$ 1,555,910	\$ -	\$ 1,361	\$ 92,469	\$ 1,649,740
Customer deposits	105,144	-	-	-	105,144
Due to component units	55,179	-	-	-	55,179
Deferred revenue	847,692	81,801	-	-	929,493
Claims payable	-	-	106,453	-	106,453
Total liabilities	<u>2,563,925</u>	<u>81,801</u>	<u>107,814</u>	<u>92,469</u>	<u>2,846,009</u>
Fund equity and other credits					
Fund balances					
Reserved for-					
Inventories	15,070	-	-	-	15,070
Prepaid expenses	10,068	-	-	-	10,068
Encumbrances	371,213	-	-	-	371,213
Advances	4,316,831	-	-	-	4,316,831
Property for resale	4,131,127	-	-	-	4,131,127
Unreserved -					
Designated -					
Future emergency purposes	4,620,075	-	-	-	4,620,075
Undesignated (deficit)	<u>13,217,813</u>	<u>52,057</u>	<u>1,235,911</u>	<u>858,094</u>	<u>15,363,875</u>
Total equity and other credits	<u>26,682,197</u>	<u>52,057</u>	<u>1,235,911</u>	<u>858,094</u>	<u>28,828,259</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 29,246,122</u>	<u>\$ 133,858</u>	<u>\$ 1,343,725</u>	<u>\$ 950,563</u>	<u>\$ 31,674,268</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues					
Sales and use taxes	\$ 20,143,854	\$ -	\$ -	\$ -	\$ 20,143,854
Occupational license fees	8,107,024	-	-	-	8,107,024
Motor fuel taxes	511,874	-	-	-	511,874
Lodging taxes	1,184,540	-	-	-	1,184,540
Rental and leasing taxes	451,563	-	-	-	451,563
Other taxes	198,072	-	-	-	198,072
Licenses and permits	9,350,937	-	-	-	9,350,937
General property tax	3,828,737	-	-	-	3,828,737
Charges for services	4,507,685	-	716,141	-	5,223,826
Fines and forfeitures	1,201,777	-	-	-	1,201,777
State shared taxes	1,152,631	-	-	-	1,152,631
Contributions from the public	490,548	1,645,228	-	-	2,135,776
Interest	415,464	4,349	35,932	24,397	480,142
Miscellaneous	59,928	-	-	-	59,928
Total revenues	<u>51,604,634</u>	<u>1,649,577</u>	<u>752,073</u>	<u>24,397</u>	<u>54,030,681</u>
Expenditures					
General government					
and administration	4,127,351	-	-	-	4,127,351
Public works	3,213,333	-	-	-	3,213,333
Environmental services	1,636,517	-	-	-	1,636,517
Public safety	15,062,177	-	-	-	15,062,177
Library	1,438,473	-	-	-	1,438,473
Parks and recreation	4,356,992	-	-	-	4,356,992
Planning	609,721	-	-	-	609,721
Economic development	930,343	-	-	-	930,343
Employee services	637,204	-	-	-	637,204
Risk management	188,365	-	860,639	182,520	1,231,524
Total departmental	32,200,476	-	860,639	182,520	33,243,635
Non-departmental	1,372,322	-	-	-	1,372,322
Debt service:					
Administrative charges	7,500	-	-	-	7,500
Interest	1,699,355	45,287	-	-	1,744,642
Principal retirement	4,712,396	1,645,228	-	-	6,357,624
Capital outlay	3,087,075	3,429	-	-	3,090,504
Intergovernmental	1,228,888	-	-	-	1,228,888
Payments to component units	9,207,103	-	-	-	9,207,103
Total expenditures	<u>53,515,115</u>	<u>1,693,944</u>	<u>860,639</u>	<u>182,520</u>	<u>56,252,218</u>
Excess (deficiency) of revenues over expenditures	<u>(1,910,481)</u>	<u>(44,367)</u>	<u>(108,566)</u>	<u>(158,123)</u>	<u>(2,221,537)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Other financing sources (uses)					
Debt issuance	2,031,270	-	-	-	2,031,270
Sale of surplus assets	16,919	-	-	-	16,919
Transfers in	240,776	-	-	-	240,776
Transfers out	(89,103)	-	-	-	(89,103)
Total other financing sources (uses)	<u>2,199,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,199,862</u>
Net changes in fund balances	289,381	(44,367)	(108,566)	(158,123)	(21,675)
Fund balances, beginning of year	<u>26,392,816</u>	<u>96,424</u>	<u>1,344,477</u>	<u>1,016,217</u>	<u>28,849,934</u>
Fund balances, end of year	<u>\$ 26,682,197</u>	<u>\$ 52,057</u>	<u>\$ 1,235,911</u>	<u>\$ 858,094</u>	<u>\$ 28,828,259</u>

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

Industrial Development Board

Restricted assets of the Industrial Development Board consist of restricted 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, 2009, follows:

Deferred water rights, beginning of year	\$ 790,792
Amortization of deferred water rights	<u>(169,456)</u>
Deferred water rights, end of year	<u>\$ 621,336</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 Richland Road Extension project was completed in fiscal year 2008, and agreements were signed whereby the affected property owners agreed to pay the City \$1,727,516 (the net cost to the City for construction) with interest at 3.63% over ten years. During 2009 the property owners defaulted on the funding agreements and the City collected on the letters of credit the remaining balances of the funding agreements totaling \$1,645,228.

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 10.6 million gallons per day of wastewater.

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

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

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

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

- A. The Partnership deposited all amounts remaining in its debt service reserve fund (established with issuance of its 1984 bonds), after payment of interest due on the outstanding bonds, into an escrow account.
- B. The City deposited to the escrow account the remaining amounts required to redeem the original bonds.
- C. The City issued a noninterest bearing General Obligation Warrant to the Partnership in the amount of \$9,400,000; due January 1, 2012 (these warrants were refunded during 2007).
- D. The City agreed to enter into a contract with the Partnership for the design, engineering and management of a construction program to upgrade the sewer system in the approximate capital amount of \$10,000,000.
- E. The City and the Partnership agreed to extend the existing contract for the operation of the wastewater treatment plants (included in the Service Agreement) until January 1, 2020.

To provide the funds required to be deposited in the escrow account for retirement of the bonds and the funds needed for the capital improvements, the City issued \$24,765,000 General Obligation Warrants which mature in 2024.

Effective August 1, 2001, the Base Service Charge included in the original Service Agreement is no longer payable to U.S. Filter by the City. The Additional Service Charge (\$1,848,868, annually) continues to be payable to Veolia Water Inc. (successor to U.S. Filter) under the terms of the extension of the Service Agreement until January 1, 2020.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

NOTE 30. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

Subsequent to September 30, 2009, the City Council approved various design and construction contracts totaling approximately \$6,163,000, professional services type contracts totaling approximately \$395,000, and equipment and computer software purchases totaling approximately \$946,000.

COMPONENT UNITS

Industrial Development Board

Subsequent to September 30, 2009, the Board approved a lease deferral and amended the remaining terms of one of its operating leases, and approved renegotiated terms for a mortgage receivable. Also, the Board approved a potential sale of a building held for leasing to the current tenant at appraised value.

The Board agreed in principle to a capital lease agreement with the City of Auburn to sell a building previously held by the Board for leasing.

Prior to issuance of these financial statements, the letters of credit securing the Board's demand bonds outstanding were extended by Allied Irish Bank until October 12, 2011 for the Series 2000-A and Series 2004-A bonds and until July 10, 2011 for the Series 2006-A bonds. Additionally, the Board was notified that subsequent to September 29, 2010, Allied Irish Bank's obligations with respect to the letters of credit will no longer be guaranteed by the Government of Ireland. Management expects this to cause an increase in the interest rates paid on the bonds, but the exact financial impact cannot be determined at this time.

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 \$2,725,000 as of September 30, 2009.

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

Fiscal Year	Appropriation
2010	379,230
2011	378,630
2012	377,480
2013	375,970
2014	378,875
2015	376,113
2016	378,062
2017	379,303
2018	376,802
2019	378,803
2020	375,052
2021	375,803
2022	375,803
2023	375,053
2024	376,027
2025	376,020
Total	\$ 6,033,026

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

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

Claims and Litigation - As of September 30, 2009, the City had been named defendant in eight pending lawsuits. Seven of these suits do not specify a dollar amount of damages claimed, and the total damages claimed in the suit specifying damages are \$3,000,000. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$131,644.

In fiscal year 2009, the City expended \$168,904 in payment of claims and judgments and legal costs associated therewith. These expenditures are included in the General Fund as current expenditures for Risk Management.

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

COMPONENT UNITS

Board of Education

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

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
Duck Samford Stadium	\$ 773,919	\$ 703,439	\$ 70,480	\$ -
Auburn High School Fine Arts	9,914,176	5,857,200	4,056,976	-
Auburn High School Track Field House	-	2,000	-	-
Total	<u>\$ 10,688,095</u>	<u>\$ 6,562,639</u>	<u>\$ 4,127,456</u>	<u>\$ -</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.

The Board is obligated under certain leases which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the results of these lease agreements are not reflected as part of the Board's capital assets. The Board has several non-cancelable leases for certain equipment that are classified as operating leases. Rent expense under these noncancelable leases was \$94,563 for the fiscal year ended September 30, 2009.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 89,393
2011	61,092
2012	<u>34,358</u>
Total	<u>\$ 184,843</u>

During the year ended September 30, 2009, the Board entered into lease agreements with Hewlett-Packard Financial Services Company for the purchase of student laptop computers. These agreements qualified as capital leases for accounting purposes and were recorded at the present value of the future minimum lease payments as of the date of inception. Interest expense for the year ended September 30, 2009, was \$10,474.

The following is a summary of changes in obligations under capital leases of the Board for the year ended September 30, 2009:

	<u>Capital Lease Payable</u>
Proceeds of capital lease obligations	\$ 1,477,527
Retirement of debt	<u>(93,386)</u>
Balance, September 30, 2009	<u>\$ 1,384,141</u>

The approximate remaining annual minimum lease payments under the capital leases existing as of September 30, 2009, are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 169,682	\$ 29,982	\$ 199,664
2011	344,339	49,004	393,343
2012	359,431	33,911	393,342
2013	453,531	18,158	471,689
2014	<u>57,158</u>	<u>1,239</u>	<u>58,397</u>
	<u>\$ 1,384,141</u>	<u>\$ 132,294</u>	<u>\$ 1,516,435</u>

Water Works Board

Commitments – The Water Works Board has a commitment for a construction project in connection with system improvements. The cost to complete the project is \$62,832.

Industrial Development Board

Commitments – As of September 30, 2009, the Board was committed under certain construction contracts in the amount of \$794,535. This amount represents the remaining commitment for construction of the Auburn University Research Park, which is funded by a note receivable from the Auburn Research and Technology Foundation.

In connection with a package of incentives offered to a company that chose to locate in Auburn during fiscal year 2008, the Board agreed to make available for a period of five years a 25-acre lot in Auburn Technology Park West. The lot had an estimated value of \$625,000 at September 30, 2009.

Prior to September 30, 2009, the Board had approved an incentive package for a company that has located in Auburn. Incentives committed include cash assistance in the amount of \$200,000 for rent, payable monthly over a two year period beginning November 2008. The remaining commitment at September 30, 2009 is \$108,333.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

During fiscal year 2009, the Board approved a capital lease in the amount of \$500,000 to finance an equipment purchase for one of its industrial tenants, and subsequent to September 30, 2009, an additional \$160,000 was approved. As of the date of the financial statements, \$563,808 had been drawn on the lease.

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

NOTE 32. PRIOR PERIOD ADJUSTMENTS

COMPONENT UNITS

Water Works Board

During fiscal year 2009, a prior period adjustment of \$210,464 was recorded to reclass professional service fee expenses that had been capitalized as construction in progress during fiscal years 2004 through 2008. It was determined during fiscal year 2009 that these costs were not capitalizable and should have been expensed in those prior years.

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 2009. The \$182,000 reported as landfill postclosure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2009, represents estimated costs of postclosure care based on what it would cost to perform all postclosure care in 2009. 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.

NOTE 35. CORRECTION OF AN ERROR

As a result of current year audit procedures it was discovered that the prior year calculation and presentation of net assets invested in capital assets, net of related debt at the government-wide level was understated and net assets unrestricted was overstated by the same amount. Since the corrections are contained within the net assets section of the government-wide Statement of Net Assets, there is no effect on operations for the current year or any prior year previously presented.

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.

Grants – General Activities accounts for state and federal grants.

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

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

Debt Service Funds

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

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

Capital Projects Funds

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

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

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

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

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

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

CITY OF AUBURN, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2009

	Special Revenue Funds							Debt Service Fund
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety- Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Total	
ASSETS								
Cash and cash equivalents	\$ 101,127	\$ 83,749	\$ 208,519	\$ -	\$ -	\$ 674,991	\$ 1,068,386	\$ 3,868,649
Receivables, net	11,721	9,164	-	473,867	61,436	-	556,188	29,981
Mortgages receivable	-	-	-	-	-	1,312,429	1,312,429	-
Due from component units	-	-	-	-	-	-	-	-
Total assets	112,848	92,913	208,519	473,867	61,436	1,987,420	2,937,003	3,898,630
LIABILITIES AND FUND BALANCES								
Accounts payable and accrued liabilities	-	-	-	103,307	44,833	15,571	163,711	-
Due to other funds	-	-	-	225,709	16,603	-	242,312	-
Deferred program revenue	-	-	-	-	-	1,312,478	1,312,478	-
Total liabilities	-	-	-	329,016	61,436	1,328,049	1,718,501	-
Fund balances:								
Reserved:								
Encumbrances	-	-	-	135,076	98,571	-	233,647	-
Unreserved:								
Undesignated (deficit)	112,848	92,913	208,519	9,775	(98,571)	659,371	984,855	3,898,630
Total fund balances	112,848	92,913	208,519	144,851	-	659,371	1,218,502	3,898,630
Total liabilities and fund balances	112,848	92,913	208,519	473,867	61,436	1,987,420	2,937,003	3,898,630

Capital Projects Funds

	'03 6.3 Mil Capital Projects Fund	Tennis Center/ Library Expansion Fund	Bent Creek Interchange/ West Tech Park Fund	Tennis Center/ AU Portion Fund	AU Research Park Capital Projects Fund	Total	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 546,973	\$ 11,969	\$ 410,980	\$ 120,453	\$ 124,488	\$ 1,214,863	\$ 6,151,898
Receivables, net	12,000	-	-	-	-	12,000	598,169
Mortgages receivable	-	-	-	-	-	-	1,312,429
Due from component units	-	-	81,596	-	-	81,596	81,596
Total assets	558,973	11,969	492,576	120,453	124,488	1,308,459	8,144,092
LIABILITIES AND FUND BALANCES							
Accounts payable and accrued liabilities	183,173	-	77,892	-	-	261,065	424,776
Due to other funds	-	-	-	-	-	-	242,312
Deferred program revenue	-	-	-	-	-	-	1,312,478
Total liabilities	183,173	-	77,892	-	-	261,065	1,979,566
Fund balances:							
Reserved:							
Encumbrances	227,540	-	-	-	-	227,540	461,187
Unreserved:							
Undesignated (deficit)	148,260	11,969	414,684	120,453	124,488	819,854	5,703,339
Total fund balances	375,800	11,969	414,684	120,453	124,488	1,047,394	6,164,526
Total liabilities and fund balances	558,973	11,969	492,576	120,453	124,488	1,308,459	8,144,092

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds							Debt Service Fund
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety-Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Total	
Revenues	\$	\$	\$	\$	\$	\$	\$	\$
General property taxes	-	-	-	-	-	-	-	3,464,143
Charges for services	-	-	-	-	-	-	-	-
State shared taxes	134,005	103,931	-	-	-	-	237,936	-
Contributions from the public	-	-	39,572	153,006	-	-	192,578	-
Grants	-	-	-	1,134,292	927,774	-	2,062,066	-
Program income	-	-	-	-	-	836,384	836,384	-
Interest	1,548	1,484	3,979	-	-	56,146	63,157	93,160
Miscellaneous	-	-	-	-	-	93	93	-
Total revenues	135,553	105,415	43,551	1,287,298	927,774	892,623	3,392,214	3,557,303
Expenditures	-	-	-	-	-	-	-	-
Library	-	-	-	12,342	-	-	12,342	-
Public safety	-	-	8,036	248,332	-	-	256,368	-
Parks and recreation	-	-	-	2,000	-	-	2,000	-
Public works	-	-	-	945,773	-	-	945,773	-
Economic development	-	-	-	-	871,178	325,362	1,196,540	-
Total departmental	-	-	8,036	1,208,447	871,178	325,362	2,413,023	-
Non-departmental	-	-	-	-	-	-	-	120,376
Debt service:	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	1,770,000
Interest	-	-	-	-	-	-	-	921,910
Administrative charges	-	-	-	-	-	-	-	10,123
Capital outlay	-	-	-	-	318,117	-	318,117	-
Intergovernmental	-	-	-	-	-	-	-	-
Payments to component units	-	-	-	-	-	-	-	-
Total expenditures	-	-	8,036	1,208,447	1,189,295	325,362	2,731,140	2,822,409
Excess (deficiency) of revenues over expenditures	135,553	105,415	35,515	78,851	(261,521)	567,261	661,074	734,894
Other financing sources (uses)	-	-	-	-	-	-	-	-
Transfers in	-	-	-	66,000	261,521	-	327,521	-
Transfers out	(90,000)	(80,000)	-	-	-	(261,521)	(431,521)	-
Total other financing sources (uses)	(90,000)	(80,000)	-	66,000	261,521	(261,521)	(104,000)	-
Net changes in fund balances	45,553	25,415	35,515	144,851	-	305,740	557,074	734,894
Fund balances, beginning of year	67,295	67,498	173,004	-	-	353,631	661,428	3,163,736
Fund balances, end of year	112,848	92,913	208,519	144,851	-	659,371	1,218,502	3,898,630

Capital Projects Funds

	'03 6.3 Mil Capital Projects Fund	Tennis Center/ Library Expansion Fund	Bent Creek Interchange/ West Tech Park Fund	Tennis Center/ AU Portion Fund	AU Research Park Capital Projects Fund	Total	Total Nonmajor Governmental Funds
Revenues	\$	\$	\$	\$	\$	\$	\$
General property taxes	-	-	-	-	-	-	3,464,143
Charges for services	7,799	-	-	-	-	7,799	7,799
State shared taxes	-	-	-	-	-	-	237,936
Contributions from the public	-	-	-	-	-	-	192,578
Grants	56,675	-	6,890	-	-	63,565	2,125,631
Program income	-	-	-	-	-	-	836,384
Interest	15,408	12,874	27,640	4,245	3,374	63,541	219,858
Miscellaneous	-	-	-	-	-	-	93
Total revenues	79,882	12,874	34,530	4,245	3,374	134,905	7,084,423
Expenditures	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	12,342
Public safety	-	-	-	-	-	-	256,368
Parks and recreation	-	-	-	-	-	-	2,000
Public works	156,684	-	-	-	-	156,684	1,102,457
Economic development	-	-	-	-	-	-	1,196,540
Total departmental	156,684	-	-	-	-	156,684	2,569,707
Non-departmental	-	-	-	-	-	-	120,376
Debt service:	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	1,770,000
Interest	-	-	-	-	-	-	921,910
Administrative charges	-	-	-	-	-	-	10,123
Capital outlay	281,602	329,023	9,988	-	-	620,613	938,730
Intergovernmental	-	-	906,448	-	-	969,839	969,839
Payments to component units	-	409,544	594,303	152,416	63,391	1,156,263	1,156,263
Total expenditures	438,286	738,567	1,510,739	152,416	63,391	2,903,399	8,456,948
Excess (deficiency) of revenues over expenditures	(358,404)	(725,693)	(1,476,209)	(148,171)	(60,017)	(2,768,494)	(1,372,526)
Other financing sources (uses)	-	-	-	-	-	-	327,521
Transfers in	-	-	-	-	-	-	(431,521)
Transfers out	-	-	-	-	-	-	(104,000)
Total other financing sources (uses)	-	-	-	-	-	-	-
Net changes in fund balances	(358,404)	(725,693)	(1,476,209)	(148,171)	(60,017)	(2,768,494)	(1,476,526)
Fund balances, beginning of year	734,204	737,662	1,890,893	268,624	184,505	3,815,888	7,641,052
Fund balances, end of year	375,800	11,969	414,684	120,453	124,488	1,047,394	6,164,526

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	108,500	118,500	134,005	15,505
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,548</u>	<u>548</u>
Total revenues	<u>109,500</u>	<u>119,500</u>	<u>135,553</u>	<u>16,053</u>
Other financing sources (uses)				
Transfers out	<u>(109,500)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Net changes in fund balances	-	29,500	45,553	16,053
Fund balances, beginning of year	<u>67,295</u>	<u>67,295</u>	<u>67,295</u>	<u>-</u>
Fund balances, end of year	<u><u>67,295</u></u>	<u><u>96,795</u></u>	<u><u>112,848</u></u>	<u><u>16,053</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	90,750	92,300	103,931	11,631
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,484</u>	<u>484</u>
Total revenues	<u>91,750</u>	<u>93,300</u>	<u>105,415</u>	<u>12,115</u>
Other financing sources (uses)				
Transfers out	<u>(91,750)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Net changes in fund balances	-	13,300	25,415	12,115
Fund balances, beginning of year	<u>67,498</u>	<u>67,498</u>	<u>67,498</u>	<u>-</u>
Fund balances, end of year	<u><u>67,498</u></u>	<u><u>80,798</u></u>	<u><u>92,913</u></u>	<u><u>12,115</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Contributions from the public	500	15,000	39,572	24,572
Interest	2,500	3,800	3,979	179
Total revenues	<u>3,000</u>	<u>18,800</u>	<u>43,551</u>	<u>24,751</u>
Expenditures				
Public safety	3,000	3,000	8,036	(5,036)
Capital outlay	35,000	35,000	-	35,000
Total expenditures	<u>38,000</u>	<u>38,000</u>	<u>8,036</u>	<u>29,964</u>
Net changes in fund balances	(35,000)	(19,200)	35,515	54,715
Fund balances, beginning of year	<u>173,004</u>	<u>173,004</u>	<u>173,004</u>	<u>-</u>
Fund balances, end of year	<u><u>138,004</u></u>	<u><u>153,804</u></u>	<u><u>208,519</u></u>	<u><u>54,715</u></u>

CITY OF AUBURN, ALABAMA
GRANTS - GENERAL ACTIVITIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Grants	-	-	1,134,292	1,134,292
Contributions from the public	-	-	153,006	153,006
Total revenues	<u>-</u>	<u>-</u>	<u>1,287,298</u>	<u>1,287,298</u>
Expenditures				
Library	-	-	12,342	(12,342)
Public Safety	-	-	248,332	(248,332)
Parks and Recreation	-	-	2,000	(2,000)
Public Works	-	-	945,773	(945,773)
Total expenditures	<u>-</u>	<u>-</u>	<u>1,208,447</u>	<u>(1,208,447)</u>
Excess (deficiency) of revenues over expenditures	-	-	78,851	78,851
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>66,000</u>	<u>66,000</u>
Net changes in fund balances	-	-	144,851	144,851
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>144,851</u></u>	<u><u>144,851</u></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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	3,175,000	3,320,000	3,464,143	144,143
Interest	80,000	100,000	93,160	(6,840)
Total revenues	<u>3,255,000</u>	<u>3,420,000</u>	<u>3,557,303</u>	<u>137,303</u>
Expenditures				
Non-departmental	110,000	110,000	120,376	(10,376)
Debt service:				
Principal retirement	2,138,998	2,138,998	1,770,000	368,998
Interest	1,328,498	1,328,498	921,910	406,588
Administrative charges	240,000	240,000	10,123	229,877
Total expenditures	<u>3,817,496</u>	<u>3,817,496</u>	<u>2,822,409</u>	<u>995,087</u>
Net changes in fund balances	(562,496)	(397,496)	734,894	1,132,390
Fund balances, beginning of year	<u>3,163,736</u>	<u>3,163,736</u>	<u>3,163,736</u>	-
Fund balances, end of year	<u><u>2,601,240</u></u>	<u><u>2,766,240</u></u>	<u><u>3,898,630</u></u>	<u><u>1,132,390</u></u>

Nonmajor Component Units

Public Park & Recreation Board

In October of 1990, the Auburn City Council authorized the establishment of a park and recreation board, primarily to act as an advisor to the Council concerning proposed recreation projects and to acquire such recreation facilities as may be deemed to be in the public interest.

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

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

Commercial Development Authority

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

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Public Park and Recreation Board	Commercial Development Authority	Total
	\$	\$	\$
ASSETS			
Current assets:			
Cash and cash equivalents	150	3	153
Receivables, net	14,642	-	14,642
Total current assets	<u>14,792</u>	<u>3</u>	<u>14,795</u>
Noncurrent assets			
Capital assets, net of accumulated depreciator	6,605,768	663	6,606,431
Total assets	<u>6,620,560</u>	<u>666</u>	<u>6,621,226</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	10,746	100	10,846
NET ASSETS			
Invested in capital assets, net of related debt	6,605,768	663	6,606,431
Unrestricted (deficit)	4,046	(97)	3,949
Total net assets	<u>6,609,814</u>	<u>566</u>	<u>6,610,380</u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER, 30 2009

	Public Park and Recreation Board	Commercial Development Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	66,395	-	66,395
Miscellaneous	69,012	-	69,012
Total operating revenues	<u>135,407</u>	<u>-</u>	<u>135,407</u>
Operating expenses			
Salaries and wages	159,792	-	159,792
Employee benefits	30,684	-	30,684
Repairs and maintenance	63,990	-	63,990
Utilities	114,948	-	114,948
Rentals and leasing	891	-	891
Insurance	2,201	-	2,201
Administrative costs and fees	-	12	12
Professional services	-	3,450	3,450
Office supplies	62	-	62
Recreational supplies	13,310	-	13,310
Depreciation/amortization	296,348	1,767	298,115
Travel and training	858	-	858
Total operating expenses	<u>683,084</u>	<u>5,229</u>	<u>688,313</u>
Operating income (loss)	<u>(547,677)</u>	<u>(5,229)</u>	<u>(552,906)</u>
Non-operating revenues (expenses)			
Appropriations from the City of Auburn	546,088	3,450	549,538
Interest and fiscal charges	(712)	-	(712)
Total non-operating revenues (expenses)	<u>545,376</u>	<u>3,450</u>	<u>548,826</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	(2,301)	(1,779)	(4,080)
Capital contributions			
From the City of Auburn	<u>561,960</u>	<u>-</u>	<u>561,960</u>
Change in net assets	559,659	(1,779)	557,880
Net assets--beginning of year	<u>6,050,156</u>	<u>2,344</u>	<u>6,052,500</u>
Net assets--end of year	<u><u>6,609,815</u></u>	<u><u>565</u></u>	<u><u>6,610,380</u></u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER, 30 2009

	Public Park and Recreation Board	Commercial Development Authority	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	120,765	-	120,765
Payments to suppliers for goods and services	(210,456)	(3,465)	(213,921)
Payments to employees for services	(190,476)	-	(190,476)
	<u>(280,167)</u>	<u>(3,465)</u>	<u>(283,632)</u>
Net cash provided (consumed) by operating activities (A)			
Cash flows from noncapital financing activities			
Operating transfers in	1,108,048	3,450	1,111,498
Repayment of advances	(724,513)	-	(724,513)
	<u>383,535</u>	<u>3,450</u>	<u>386,985</u>
Net cash provided (consumed) by noncapital financing activities			
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(102,656)	-	(102,656)
Interest and fiscal fees paid	(712)	-	(712)
	<u>(103,368)</u>	<u>-</u>	<u>(103,368)</u>
Net cash provided (consumed) by capital and related financing activities			
Net increase (decrease) in cash	-	(15)	(15)
Cash and cash equivalents, beginning of year	<u>150</u>	<u>18</u>	<u>168</u>
Cash and cash equivalents, end of year	<u><u>150</u></u>	<u><u>3</u></u>	<u><u>153</u></u>
Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):			
Operating income (loss)	(547,677)	(5,229)	(552,906)
Add: Depreciation/amortization expense	296,348	1,767	298,115
Deduct: Increase in accounts receivable	(14,642)	-	(14,642)
Decrease in accounts payable/accrued liabilities	(14,196)	(3)	(14,199)
	<u>(280,167)</u>	<u>(3,465)</u>	<u>(283,632)</u>
Net cash provided (consumed) by operating activities			



**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, 2009

Governmental funds capital assets	\$
Land, buildings and improvements	49,237,268
Construction in progress	5,784,993
Communication equipment	384,552
Heavy equipment	2,259,022
Office equipment	2,431,806
Small tools and equipment	917,500
Vehicles	6,789,035
Infrastructure	<u>109,269,091</u>
Total governmental funds capital assets	<u><u>177,073,267</u></u>
Investment in governmental funds capital assets by source	
General fund revenues	125,625,643
Capital projects funds	41,281,038
Federal grants	4,616,377
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	1,082,295
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	<u>368,540</u>
Total investment in governmental funds capital assets	<u><u>177,073,267</u></u>

CITY OF AUBURN, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2009

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	\$ 1,652,142	\$ 27,021	\$ 21,817	\$ 5,600	\$ -	\$ 972,426	\$ 41,399	\$ 67,478	\$ 516,401
Information technology	184,006	-	-	-	-	184,006	-	-	-
Geographical information systems	20,734	12,400	-	-	-	8,334	-	-	-
Judicial	182,023	150,855	-	-	-	7,495	-	23,673	-
Administrative	780,204	-	-	-	-	762,024	-	18,180	-
Finance									
Total general government and administration	2,819,109	190,276	21,817	5,600	-	1,934,285	41,399	109,331	516,401
Public works administration	113,842,857	1,042,745	5,429,347	-	1,112,485	96,055	65,705	980,332	105,116,188
Environmental services	1,368,139	350,445	-	-	355,008	6,658	81,747	574,281	-
Public safety administration	5,223,162	4,666,286	153,552	239,836	-	-	-	22,162	141,326
Fire	2,861,412	197,191	-	-	291,774	-	96,439	2,276,008	-
Police and jail administration	2,630,894	130,593	-	139,116	-	48,445	397,201	1,915,539	-
Codes enforcement	96,850	-	-	-	-	7,421	-	89,429	-
Library	5,244,232	5,004,017	-	-	-	240,215	-	-	-
Parks and recreation	22,827,658	17,689,275	155,047	-	499,755	5,425	235,009	747,971	3,495,176
Planning	42,769	-	-	-	-	5,583	-	37,186	-
Human resource management	580,362	473,202	-	-	-	87,719	-	19,441	-
Economic development	218,259	175,674	25,230	-	-	-	-	17,355	-
Total departmental	157,755,703	29,919,704	5,784,993	384,552	2,259,022	2,431,806	917,500	6,789,035	109,269,091
Nondepartmental	19,317,564	19,317,564	-	-	-	-	-	-	-
Total governmental funds capital assets	177,073,267	49,237,268	5,784,993	384,552	2,259,022	2,431,806	917,500	6,789,035	109,269,091

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2009

	Governmental Funds Capital Assets September 30, 2008	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2009
General government and administration	\$	\$	\$	\$
Information technology	1,631,894	35,037	(14,789)	1,652,142
Geographical information systems	159,755	30,452	(6,201)	184,006
Judicial	20,734	-	-	20,734
Administrative	182,023	-	-	182,023
Finance	780,204	-	-	780,204
Total general government and administration	<u>2,774,610</u>	<u>65,489</u>	<u>(20,990)</u>	<u>2,819,109</u>
Public works administration	108,367,896	7,031,548	(1,556,587)	113,842,857
Environmental services	3,759,573	46,160	(2,437,594)	1,368,139
Public safety administration	5,397,302	13,840	(187,980)	5,223,162
Fire	2,817,858	91,840	(48,286)	2,861,412
Police and jail administration	2,414,858	303,718	(87,682)	2,630,894
Codes enforcement	96,850	-	-	96,850
Library	5,241,195	23,746	(20,709)	5,244,232
Parks and recreation	22,124,562	1,365,917	(662,821)	22,827,658
Planning	42,769	-	-	42,769
Human resource management	570,049	108,345	(98,032)	580,362
Economic development	180,729	37,530	-	218,259
Total departmental	<u>153,788,251</u>	<u>9,088,133</u>	<u>(5,120,681)</u>	<u>157,755,703</u>
Nondepartmental	<u>19,298,416</u>	<u>19,148</u>	<u>-</u>	<u>19,317,564</u>
Total governmental funds capital assets	<u><u>173,086,667</u></u>	<u><u>9,107,281</u></u>	<u><u>(5,120,681)</u></u>	<u><u>177,073,267</u></u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends – Tables 1-5	141
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
Revenue Capacity – Tables 6-11	148
<i>These schedules contain information to help the reader assess the government’s most significant revenue sources, sales tax and property tax.</i>	
Debt Capacity – Tables 12-16	152
<i>These schedules contain information to help the reader assess the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information – Tables 17-18.....	155
<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 19-21	157
<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 Seven Fiscal Years*

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities							
Invested in capital assets, net of related debt	17,249,619	23,976,799	28,158,145	27,697,793	57,850,766	74,502,152	75,764,472
Restricted	(26,814,317)	4,901,497	6,983,053	8,295,236	8,621,350	9,642,375	10,992,367
Unrestricted	13,771,290	(15,733,465)	(47,533,915)	(45,338,108)	(52,786,017)	(56,231,481)	(63,639,574)
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>	<u>27,913,046</u>	<u>23,117,265</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	24,755,968	25,486,581
Restricted	9,621,721	4,444,361	1,460,163	1,931,130	-	-	20,739,857
Unrestricted	(7,469,591)	339,141	4,510,401	3,535,503	1,747,051	(574,995)	(20,859,392)
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>	<u>24,180,973</u>	<u>25,367,046</u>
Total primary government							
Invested in capital assets, net of related debt	29,715,775	35,702,139	34,830,697	42,565,909	80,130,577	99,258,120	101,251,053
Restricted	(17,192,596)	9,345,858	8,443,216	10,226,366	8,621,350	9,642,375	31,732,224
Unrestricted	6,301,699	(15,394,324)	(37,319,646)	(41,802,605)	(51,038,966)	(56,806,476)	(84,498,966)
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>	<u>52,094,019</u>	<u>48,484,311</u>

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

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

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

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

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

Table 2 Continued

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
	\$	\$	\$	\$	\$	\$	\$
General Revenues and Other Changes in Net Assets							
Government activities:							
Taxes:							
Sales taxes	14,589,315	17,959,076	18,429,013	20,773,724	21,784,157	21,044,830	20,143,854
Occupational license fees	5,557,851	7,197,943	6,785,103	7,402,470	7,826,656	8,174,202	8,107,024
Property taxes	8,553,150	10,176,644	11,791,602	12,658,858	15,057,103	16,953,172	19,053,631
Motor fuel taxes	483,054	495,322	461,800	491,778	504,228	502,460	260,447
Lodging taxes	548,362	568,887	668,094	1,085,063	1,369,273	1,425,637	1,184,540
Rental and leasing taxes	1,121,061	1,463,934	1,456,463	1,591,682	1,501,112	538,541	451,563
Cigarette taxes	102,809	96,708	91,188	93,177	86,776	84,663	78,290
Alcoholic beverage taxes	25,790	27,051	29,473	30,551	34,984	83,521	119,781
Interest and investment earnings	887,885	854,188	981,502	1,884,183	1,996,272	1,255,843	827,049
Gain (loss) on disposal of assets	(1,074,742)	2,644	18,245	139,743	(23,936)	31,509	(166,665)
Miscellaneous	21,545	28,312	6,655	38,151	31,970	30,927	10,277
Special items	-	-	173,492	(453,119)	(1,624,916)	1,727,516	-
Extraordinary items	-	-	221,070	-	-	-	-
Transfers	111,910	120,424	(95,349)	127,883	(5,110)	106,111	(631,870)
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>	<u>51,958,932</u>	<u>49,437,921</u>
Business-type activities:							
Interest and investment earnings	353,612	321,665	245,029	416,657	370,249	43,263	139,237
Gain (loss) on disposal of assets	(2,255)	-	-	18,895	66,128	22,625	28,748
Miscellaneous	-	-	-	278,160	258	504	3,999
Transfers	(111,910)	(120,424)	95,349	(127,883)	5,110	(106,111)	(38,553)
Total business-type activities	<u>239,447</u>	<u>201,241</u>	<u>340,378</u>	<u>585,829</u>	<u>441,745</u>	<u>(39,719)</u>	<u>133,431</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>	<u>51,919,213</u>	<u>49,571,352</u>
Changes in Net Assets							
Governmental activities	5,214,480	9,554,976	(25,230,364)	3,047,638	(7,739,135)	14,427,334	(4,795,780)
Business-type activities	1,787,058	1,890,555	1,838,142	1,987,765	3,692,112	154,110	1,186,073
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>	<u>14,581,444</u>	<u>(3,609,707)</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	Motor Vehicle Tax	General Property Tax	Totals
					Institution Tax			
	\$	\$	\$	\$	\$	\$	\$	\$
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	18,429,013	159,533	695,734	1,091,843	193,876	110,811	11,342,765	32,023,575
2006	20,773,724	170,340	717,911	1,584,378 ⁽³⁾	450,412	87,880	12,699,720	36,484,365
2007	21,784,157	159,104	724,202	1,857,539	269,083	112,779	14,650,666	39,557,530
2008	21,044,830	162,266	739,673	1,910,610	277,306	115,165	16,420,033	40,669,884
2009	20,143,854	164,539	749,811	1,612,284	245,537	138,276	18,696,415	41,750,714

* 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 1,560,286	\$ 2,114,199	\$ 1,463,210	\$ 5,559,675	\$ 8,697,744	\$ 7,820,742	\$ 9,305,314	\$ 8,701,444	\$ 12,967,664	\$ 8,844,309
Unreserved	\$ 5,742,247	\$ 7,663,595	\$ 12,635,576	\$ 13,480,580	\$ 21,426,238	\$ 19,488,460	\$ 18,451,274	\$ 19,436,335	\$ 15,882,269	\$ 19,983,950
Total general fund	\$ 7,302,533	\$ 9,777,794	\$ 14,098,786	\$ 19,040,255	\$ 30,123,982	\$ 27,309,202	\$ 27,756,588	\$ 28,137,779	\$ 28,849,933	\$ 28,828,259
All other governmental funds										
Reserved	3,877,600	3,294,305	3,702,320	1,423,641	4,520,843	2,991,480	4,190,300	1,888,965	2,166,922	2,135,901
Unreserved, reported in:										
Special revenue funds	2,773,620	2,626,707	1,687,538	1,213,631	2,526,426	4,634,413	3,898,499	4,924,456	5,072,970	5,692,659
Debt service funds	-	-	-	1,360,172	1,523,137	2,116,996	2,499,525	2,748,975	3,163,736	3,898,630
Capital projects funds	4,047,148	477,658	6,461,000	3,510,899	4,775,796	6,405,416	11,280,128	8,362,129	1,667,086	6,402,424
Total all other governmental funds	10,698,368	6,398,670	11,850,858	7,508,343	13,346,202	16,148,305	21,868,452	17,924,525	12,070,714	18,129,614

Table 5

City of Auburn

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales and use taxes	12,154,032	12,554,602	13,160,761	14,589,315	17,959,076	18,429,013	20,773,724	21,784,157	21,044,830	20,143,854
Occupational license fees	4,654,854	5,063,472	4,981,415	5,557,851	7,197,943	6,785,103	7,402,470	7,826,656	8,174,202	8,107,024
Motor fuel taxes	436,026	488,775	525,146	483,053	495,322	456,302	485,810	498,404	496,966	511,874
Lodging taxes	385,507	380,479	485,260	548,361	568,887	668,094	1,085,063	1,369,273	1,425,637	1,184,540
Rental and leasing taxes	781,310	936,397	1,172,031	1,121,061	1,463,934	1,456,463	819,682	1,473,112	538,541	451,563
Other taxes	171,277	124,832	129,467	128,599	123,759	120,661	123,728	121,760	168,183	198,072
Licenses and permits	3,808,628	4,339,969	4,406,442	4,886,027	5,597,240	6,001,452	6,518,522	7,311,513	8,266,168	9,350,937
General property tax	7,483,965	7,868,281	8,451,821	8,830,021	10,470,043	12,111,245	13,088,499	15,057,103	16,953,172	19,053,632
Charges for services	3,014,783	3,219,656	4,078,189	4,307,277	4,197,384	6,371,963	6,901,624	7,087,603	7,440,776	5,231,625
Fines and forfeitures	754,366	816,976	750,521	829,147	876,748	1,013,374	1,083,225	1,335,798	1,267,362	1,201,777
State shared taxes	429,873	571,516	676,609	735,804	838,939	1,021,092	1,285,313	1,165,920	1,178,766	1,390,567
Contributions from the public	282,457	219,279	667,344	327,407	1,371,735	194,769	320,747	494,010	606,144	2,329,064
Grants	363,506	1,169,960	1,202,656	1,237,731	2,011,292	793,940	1,284,695	1,475,458	1,699,127	2,125,631
Program income	240,500	201,009	320,624	467,518	481,957	549,327	127,229	1,206,632	350,544	836,384
Interest	1,230,958	980,948	871,934	855,743	855,952	985,974	1,883,720	2,011,961	1,240,177	851,855
Miscellaneous	415,208	259,158	335,117	105,879	108,811	75,695	95,972	122,150	117,144	60,020
Total revenues	36,607,250	39,195,309	42,215,337	45,010,794	54,619,022	57,034,467	63,280,023	70,341,510	70,967,739	73,028,419
Expenditures										
General government and administration	2,033,613	2,236,196	2,451,706	2,839,946	3,404,365	3,594,853	3,940,430	3,893,452	4,017,923	4,127,351
Public works	1,527,151	1,686,608	1,623,529	2,065,180	2,236,624	2,433,580	2,849,130	3,008,617	2,981,356	4,343,137
Environmental services	2,918,925	2,974,879	2,840,590	3,113,710	3,673,472	3,630,390	3,870,974	3,963,063	4,298,499	1,636,517
Public safety	7,266,313	7,765,481	7,931,330	8,448,024	10,162,166	11,757,986	12,527,380	12,860,510	14,366,534	15,318,545
Library	524,062	600,934	712,307	782,875	975,302	1,049,762	1,180,137	1,254,012	1,416,673	1,450,815
Parks and recreation	2,840,584	2,840,715	2,897,477	3,032,220	3,370,512	3,799,044	4,190,163	4,252,011	4,575,572	4,358,992
Housing rehab	-	4,838	72,850	-	-	-	-	-	-	-
Planning	317,167	315,014	355,626	346,760	373,985	507,098	486,927	600,553	643,259	609,721
Economic development	426,311	337,028	927,599	880,402	653,010	757,920	1,639,314	1,433,446	1,674,592	2,126,883
Employee services	337,905	339,936	352,443	399,949	427,345	459,278	472,691	504,822	550,107	637,204
Risk management	666,096	351,926	311,404	294,934	431,210	511,523	246,881	929,627	941,221	1,231,524
Non-departmental	953,209	1,005,195	2,441,539	2,739,900	1,403,798	1,422,240	1,867,443	1,495,410	2,213,532	1,906,387
Debt service										
Principal	3,211,543	5,648,624	4,727,943	3,105,726	5,499,994	19,570,595 *	6,183,601	6,836,554	28,354,631	10,060,309
Interest	2,408,740	2,567,056	3,028,691	3,747,321	3,503,675	4,318,811	5,519,505	5,840,756	6,042,452	6,018,665
Capital Outlay	11,447,448	10,899,385	4,617,953	7,347,636	6,530,914	12,983,719	7,328,307	8,359,823	6,939,861	5,702,327
Intergovernmental	4,030,782	4,914,630	4,867,674	796,317	809,166	1,177,306	6,742,832	3,141,812	2,515,343	2,198,727
Payments to component units	2,120,458	3,925,869	15,794,285	8,105,050	10,404,387	44,097,771	13,098,738	27,895,701	19,939,274	24,919,475
Total expenditures	43,030,307	48,434,314	55,954,946	48,045,950	53,859,930	112,071,876	72,144,453	86,270,169	101,470,829	86,646,579
Excess of revenues over (under) expenditures	(6,423,057)	(9,239,005)	(13,739,609)	(3,035,156)	759,092	(55,037,409)	(8,864,430)	(15,928,659)	(30,503,090)	(13,618,160)

Table 5 Continued

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other financing sources (uses)										
Debt issuance	3,810,608	5,149,620	36,062,829	5,196,627	16,356,598	58,835,646	14,740,290	12,200,000	13,927,516	19,590,794
Refunding	-	-	-	-	-	-	-	-	11,268,100	-
Sale of surplus assets	-	-	-	-	-	-	177,942	61,597	50,134	16,919
Transfers in	4,139,568	2,256,830	4,217,365	4,328,628	4,281,419	9,148,733	7,071,256	6,761,798	6,960,429	8,707,117
Transfers out	(3,769,464)	(2,186,580)	(4,207,115)	(4,216,718)	(4,160,995)	(9,252,339)	(6,957,522)	(6,762,544)	(6,844,749)	(8,659,444)
Premium on debt issued	-	-	-	-	-	1,120,859	-	105,076	-	-
Payment to refunded bond escrow	-	-	(14,086,055)	-	-	(5,026,414)	-	-	-	-
Total other financing sources (uses)	4,180,712	5,219,870	21,987,024	5,308,537	16,477,022	54,826,485	15,031,966	12,365,927	25,361,430	19,655,386
Extraordinary item										
Insurance proceeds - fire in building	-	-	-	-	-	255,000	-	-	-	-
Net changes in fund balances	(2,242,345)	(4,019,135)	8,247,415	2,273,381	17,236,114	44,076	6,167,536	(3,562,732)	(5,141,660)	6,037,226
Debt service as a percentage of non-capital expenditures ⁽¹⁾	19.8%	23.5%	16.2%	17.8%	19.3%	24.6%	18.2%	16.3%	36.4%	19.9%

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

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

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

	2000	2001	2002	2003 ^A	2004	2005	2006	2007	2008	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	25,092	24,427	24,133	25,743	30,979	38,138	74,473	71,846	66,699	57,276
Grocery Stores	69,887	57,469	55,523	56,877	57,269	59,929	53,307	60,280	51,372	51,435
Eating & Drinking Establishments	58,508	60,960	65,441	68,641	70,983	75,052	101,287	111,409	120,987	120,462
Mass General Merchandise Stores	69,508	100,374	98,117	95,854	98,680	97,799	86,922	88,571	110,116	115,686
Auto Dealers & Supplies	98,812	156,944	100,730	134,933	151,290	160,833	103,690	116,070	40,203	33,484
Building Materials	14,066	15,521	21,080	57,692	28,674	32,569	49,464	55,721	34,454	32,257
Home Furnishing & Appliances	2,228	3,359	4,327	4,543	4,503	2,471	9,240	15,468	14,823	11,085
All Other Retail Sales	147,979	83,146	157,089	106,209	155,255	146,209	211,555	271,889	258,296	244,863
Totals	486,080	502,200	526,440	550,492	597,633	613,000	689,938	791,254	696,950	666,548

^A City sales tax rate increased from 2.5% to 3.0% effective August 1, 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
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%
2008	3.0%	1.0%	4.0%	8.0%
2009	3.0%	1.0%	4.0%	8.0%

Source: State of Alabama Department of Revenue

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

Table 8
City of Auburn ~ Primary Government
Principal Revenue Remitters of Sales and Use Tax ¹
 Current Year and Nine Years Ago
Unaudited

Employer	2000 Rank	2009 Rank
Wal-Mart	1	1
Auburn University Financial Reporting	2	2
Sam's Club		3
Kroger	3	4
Academy Sports		5
Dillard's (formerly Gayfers)	4	6
Winn Dixie (Store 579)	8	7
Belk		8
Russell Lands, Inc (formerly Spencer Lumber Co)	10	9
Winn Dixie (Store 470)		10
Waid True Value	7	
K-Mart	5	
Sears	6	
Bruno's	9	

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

Table 9
City of Auburn ~ Primary Government
Assessed Value of All Taxable Property
 Last Ten Fiscal Years
Unaudited

Assessment Date October 1	Real Property	Personal Property	Utilities Property	Automobiles	Total Assessed Value
	\$	\$	\$	\$	\$
2000	219,179,160	39,916,660	12,747,380	26,012,680	297,855,880
2001	233,076,640	38,495,000	12,957,680	30,955,800	315,485,120
2002	250,274,360	40,803,880	14,426,140	38,786,580	344,290,960
2003	263,267,960	42,304,440	14,797,460	38,786,580	359,156,440
2004	330,195,380	42,342,320	16,221,300	43,490,476	432,249,476
2005	376,125,300	45,247,100	18,820,420	45,751,680	485,944,500
2006	419,812,060	56,529,600	18,528,360	51,496,920	546,366,940
2007	498,960,300	60,717,200	19,189,060	55,800,060	634,666,620
2008	561,064,220	70,291,960	19,484,380	57,778,420	708,618,980
2009	580,386,360	78,024,980	20,778,660	57,148,020	736,338,020

Source: Lee County Revenue Commissioner

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

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

Taxpayers	Total Assessed Value - Property in City Limits ¹	Property Taxes Paid ²	Taxes Paid as Total of City's Property Tax
	\$	\$	
Alabama Power Company (public utility)	13,619,180	735,436	3.86%
Briggs & Stratton Corp. (industrial-manufacturing)	10,946,440	429,021	2.25%
HSRE Preiss Auburn	6,105,960	329,722	1.73%
Marelda University Village Mall (commercial retail)	5,616,740	303,304	1.59%
Harbor Pointe (real estate development)	5,285,820	285,434	1.50%
University Commons (real estate development)	4,924,080	265,900	1.40%
Stahlschmidt & Maiworm (industrial-manufacturing)	6,910,920	229,746	1.21%
BellSouth Telecommunications (public utility)	3,854,900	208,165	1.09%
Retreat of Auburn (real estate development)	3,272,420	177,444	0.93%
GEM Auburn, Schenk Auburn	3,147,000	169,938	0.89%

Source: Lee County Revenue Commissioner

¹ Assessed 2007; collected October 2007 through September 2008

² 26-mill City levy only

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

Fiscal Year	Overlapping Rates										Total Direct & Overlapping Rates							
	City of Auburn					Lee County						State of Alabama						
	Operating Millage	Debt Service	Education	Total City Millage		Operating Millage	Education	Bridges	Roads and	County Hospital		Auburn District Schools	Dependent Children	Total County Millage	Operating Millage	Education	Veterans	Total State Millage
2000	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2001	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2002	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2003	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2004	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2005	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2006	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2007	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2008	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0
2009	5.0	5.0	16.0	26.0		6.5	5.0	3.0	3.0	2.5	3.0	1.5	21.5	2.5	3.0	1.0	6.5	54.0

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

Table 12
City of Auburn ~ Primary Government
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 Obligation Bonds	Capital Leases	General Obligation Bonds ⁽²⁾	Capital Leases	Total Debt Primary Government			
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	
2008	124,476	-	34,220	-	158,696	10.58%	2,920	
2009	133,947	-	62,240	-	196,187	13.01%	2,498	

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 13
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
	\$	\$	\$		\$
2000	48,049,589	1,933,975	46,115,614	15.48%	1,073
2001	78,366,373	1,894,330	76,472,043	24.24%	1,731
2002	97,160,213 ⁽²⁾	1,894,330	95,265,883	27.67%	2,125
2003	98,692,366	1,360,172	97,332,194	27.10%	2,114
2004	78,912,853	1,523,137	77,389,716	17.90%	1,609
2005	113,590,812 ⁽³⁾	2,116,996	111,473,816	22.94%	2,304
2006	122,272,012	2,499,525	119,772,487	21.92%	2,399
2007	127,635,458	2,748,975	124,886,483	19.68%	2,406
2008	124,476,443	3,163,736	121,312,707	17.12%	2,232
2009	133,947,403	3,898,630	130,048,773	17.66%	2,319

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

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

⁽²⁾ City issued \$27 million of G.O. Warrants to refund outstanding debt and to pay the costs of constructing schools under the jurisdiction of the Board of Education.

⁽³⁾ City issued \$33 million of G.O. Warrants to pay the costs of major additions to current schools and new school construction under the jurisdiction of the Board of Education.

Table 14
City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt
 Fiscal Year 2009
 Unaudited

	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
City of Auburn Direct Debt			
General Bonded Debt and Warrants	\$ 196,187,403		
Less: Debt Service Funds Equity	<u>3,898,630</u>		
Net Direct Debt	192,288,773	100%	\$ 192,288,773
Overlapping Debt			
Lee County General Bonded Debt and Warrants	\$ 17,812,074	39%	<u>6,946,709</u>
Total Direct and Overlapping Debt			<u>\$ 199,235,482</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 15
City of Auburn ~ Primary Government
Legal Debt Margin Information

Last Ten Fiscal Years
(amounts expressed in thousands)
Unaudited

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 63,096	\$ 67,830	\$ 71,831	\$ 100,557	\$ 96,665	\$ 98,146	\$ 98,974	\$ 110,789	\$ 141,724	\$ 147,267
Total net debt applicable to limit	29,019	28,652	34,379	35,994	33,844	45,617	55,364	54,764	62,451	65,355
Legal debt margin	34,077	39,179	37,453	64,563	62,821	52,529	43,610	56,025	79,273	81,912
Total net debt applicable to limit as a percentage of debt limit	45.99%	42.24%	47.86%	35.79%	35.01%	46.48%	55.94%	49.43%	44.07%	44.38%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 736,338,020
Debt limit (20% of total assessed value)	\$ 147,267,604
Debt applicable to limit:	
General obligation bonds	\$ 196,187,403
Less: Exempt Debt	130,832,871
Total net debt applicable to limit	65,354,532
Legal debt margin	\$ 81,913,072

Table 16
City of Auburn ~ Primary Government
Pledged Revenue Coverage⁽¹⁾

Last Ten Fiscal Years

Unaudited

Sewer G.O. Warrants⁽²⁾

Fiscal Year	Sewer Charges and Other ⁽³⁾	Less: Operating Expenses ⁽⁴⁾	Net Available Revenue	Principal	Interest	Coverage
	\$	\$	\$	\$	\$	
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	3,993,778	3,175,589	460,000	1,432,052	1.68
2008	6,553,296	4,569,543	1,983,753	475,000	1,236,928	1.16
2009	7,912,095	4,641,814	3,270,281	495,000	1,890,914	1.37

⁽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 17
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⁾
		\$	\$	
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%
2008	54,348	1,499,487	25,399	4.5%
2009	56,088	1,499,913	25,943	4.1%

⁽¹⁾ U. S. Census

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

⁽³⁾ State of Alabama, Department of Industrial Relations

Table 18
City of Auburn ~ Primary Government
Principal Employers
 Current Year and Nine Years Ago
Unaudited

Employer	2000			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University	5,450	1	16.93%	5,500	1	15.71%
Auburn City Schools	475	3	1.48%	800	2	2.29%
City of Auburn and Auburn Water Works Board	375	4	1.16%	750	3	2.14%
Briggs & Stratton Corporation	900	2	2.80%	550	4	1.57%
East Alabama Medical Center	-			508	5	1.45%
Wal-Mart Supercenter (<i>opened in 2000</i>)	350	5		375	6	1.07%
Masterbrand Cabinets	300	6	0.93%	325	7	0.93%
CV Holdings	-		-	260	8	0.74%
Borbet Alabama, Inc. (<i>formerly ATS Wheels</i>)	-		-	205	9	0.59%
SCA, Inc.	-		0.00%	175	10 (tie)	0.50%
Rexnord	150	7	0.47%	175	10 (tie)	0.50%
Total	8,000		23.29%	9,623		26.99%

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

Table 19
City of Auburn ~ Primary Government
Regular Full-Time Employees by Function/Program

Last Ten Fiscal Years
Unaudited

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government	62	63	70	75	75	73	73	74	76	77
Economic Development	7	7	8	9	11	13	14	14	13	13
Public Safety										
Police	79	79	83	78	107	110	109	112	113	115
Fire	31	31	32	30	29	30	43	43	43	43
Communications	6	6	6	6	6	6	7	9	11	11
Codes	4	4	4	6	7	8	9	9	9	9
Public Works										
Engineering	8	9	8	10	10	10	11	11	11	11
Construction & Maintenance	12	12	12	14	15	18	18	18	18	18
Inspection	4	4	4	4	4	4	6	6	6	6
Traffic Engineering	3	3	3	3	3	3	3	3	3	3
Environmental Services										
Recycling	16	16	16	16	16	16	16	16	16	16
Solid Waste	15	15	15	14	14	15	16	16	16	16
Animal Control	2	2	2	2	2	2	2	2	2	2
ROW	7	7	7	7	7	6	7	7	7	7
Fleet Services	8	9	9	9	9	10	10	10	10	10
Parks and Recreation										
Leisure Services	14	16	17	15	15	14	14	15	15	15
Parks & Facilities	24	24	24	24	24	26	26	26	27	26
Library	8	11	11	13	15	14	15	15	16	16
Sewer	11	12	11	11	11	13	19	15	15	16
Total	321	330	342	346	380	391	418	421	427	430

Source: City of Auburn Human Resources Department

Table 20
City of Auburn ~ Primary Government
Operating Indicators by Function/Program
 Last Ten Fiscal Years
Unaudited

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Physical arrests	2,385	3,246	2,595	2,135	2,339	2,921	2,574	2,978	3,143	2,480
Traffic violations	6,371	7,642	7,058	6,535	7,892	9,490	10,435	14,077	14,516	19,556
Fire										
Number of calls answered	987	981	1,119	1,167	1,149	1,147	1,342	2,258	2,330	2,523
Inspections^	6,421	6,148	6,208	6,314	6,256	6,324	1,860	1,857	1,792	1,752
Public Works										
Potholes repaired	1,761	1,798	939	805	403	414	347	230	210	273
Environmental Services										
Refuse collected (tons/day)*	58	57	67	68	72	85	85	86	86	88
Recyclable collected (tons/day)*	2.59	2.72	3.49	3.46	3.38	3.52	3.89	3.38	4.21	4.39
Parks and Recreation										
Athletic participants	4,915	4,791	4,824	4,501	5,391	4,956	4,623	5,154	5,648	5,031
Community center admissions	89,672	92,092	87,033	81,659	75,001	83,374	114,484	96,106	92,291	111,960
Sewer										
Average daily sewage treatment (millions of gallons)	5.10	5.40	5.14	6.60	6.15	6.86	6.10	5.90	5.60	6.70

*Each year consists of 251 work days.

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

Source: City departments

Table 21
City of Auburn ~ Primary Government
Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years
Unaudited

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	45	59	59	59	77	86	88	89	91	91
Fire stations	4	4	4	4	4	4	4	4	5	5
Environmental Services										
Collection trucks	7	8	8	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)	196	196	286	313	565	597	650	658	696	3
Signaled Intersections	43	45	47	48	49	50	50	55	56	58
Parks and Recreation										
Parks acreage	1,820	1,838	1,838	1,914	1,914	1,914	1,914	1,914	1,944	1,944
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	14	14	14	14	14	10	10	44	44	44
Community centers	3	3	3	3	3	3	3	3	3	3
Sewer										
Sanitary sewers (miles)	138	170	176	183	195	201	210	235	240	245
Maximum daily treatment capacity (millions of gallons)	7	7	7	7	7	7	7	8	8	11

Sources: City departments



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