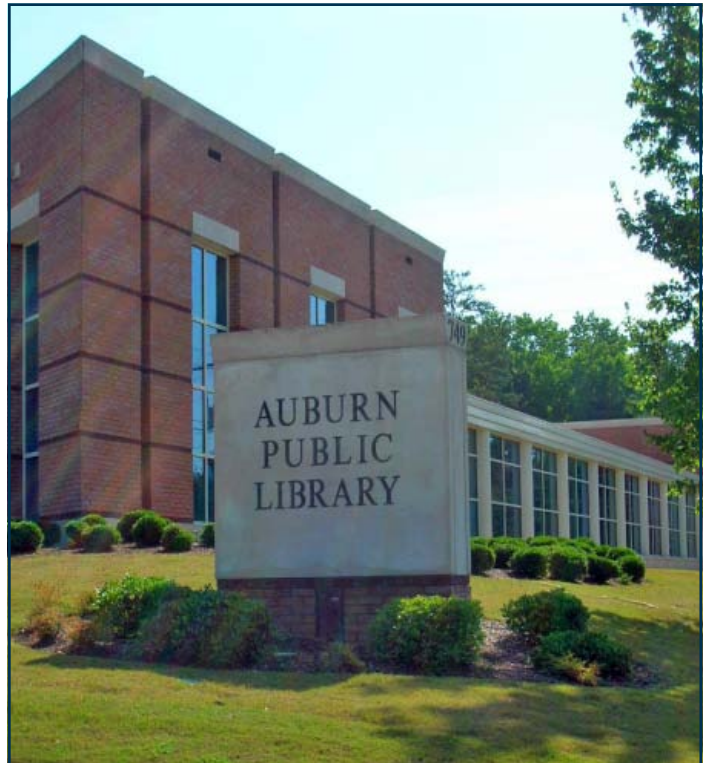


COMPREHENSIVE ANNUAL FINANCIAL REPORT



THE AUBURN PUBLIC LIBRARY



The Auburn Public Library, built in 2001, and the expansion, built in 2008, were funded with the City's Special Five-Mill tax.

City of Auburn, Alabama

Fiscal Year Ended September 30, 2008



The City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2008

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, 2008

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 31, 2009

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, 2008 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 and the appendices have not been audited.

This report includes all funds of the primary government and its component units. The primary government provides a full range of services. These services include public safety, 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 GASB Statement 34 requires the capitalization and depreciation of all assets, including infrastructure. The City has included in its capitalization, the infrastructure assets acquired beginning in fiscal 2003; during fiscal 2007, a prior period adjustment was made to reflect the retroactive infrastructure assets placed in service prior to October 1, 2002. These assets consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. This retroactive infrastructure adjustment increased governmental activities' net assets by \$30,200,313.

During fiscal 2008, GASB Statement 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," became effective. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or a collateralized borrowing. Currently, the City does not have any transactions of this nature.

GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," becomes effective for the City for the 2009 fiscal period. Management is aware of the requirements of this statement and will be prepared for implementation by this date.

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

City Profile

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

Located near Georgia's west central border, Auburn is conveniently located on Interstate Highway 85, 115 miles southwest of Atlanta and 60 miles east of Montgomery, the Alabama State

Capitol. Auburn is 120 miles southeast of Birmingham, the largest city in Alabama, and is 40 miles northwest of Columbus, Georgia. With easy access to highway, rail, and air transportation, Auburn's location has been a significant factor in its continuing growth.



Auburn is conveniently located on Interstate 85.

Auburn's population has grown from 1,831 in 1900 to an estimated 54,348 in 2008. 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 427 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

During fiscal 2008, the priorities of school funding, street construction, traffic flow management, commercial infrastructure construction, and utility rate evaluation were addressed. The City contributed \$6.8 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

During fiscal year 2008, there were five debt issuances that will permit significant improvements to be made to the City's infrastructure and will provide a higher quality of life to its citizens.

On March 25, 2008, the City issued two general obligation warrants totaling \$1.7 million, permanently financing the construction of infrastructure on Richland Road. Two property owners affected by this construction agreed to pay the City for these improvements. Each property owner pledged irrevocable letters of credit to secure the warrants.

In May of fiscal 2008, the City issued \$4.2 million general obligation warrants refunding various notes and warrants payable totaling \$2.6 million. The remaining \$1.6 million was used to acquire property for use as a public parking area. Also in May, the City issued an \$8.7 million general obligation warrant that refunded a 2005 general obligation warrant that was issued to finance the infrastructure component of a redevelopment of the local mall.

On May 29, 2008, the City issued an \$8.8 million general obligation warrant, permanently financing the line of credit used for the design and construction of infrastructure around the intersection of Glenn Avenue and Bent Creek Road. The completion of this construction has allowed for new development at Exit 57 of Interstate 85. This development includes Sam's Club and Academy Sports, both of which opened in 2008.

The Water Resource Management department began a significant initiative in fiscal 2008. On April 1, 2008, the City Council authorized a comprehensive sewer rate and access fee study. The goal of this study is to develop recommendations for future rate adjustments that will be sufficient to recover the projected costs of operating, maintaining, repairing, and financing the

utility assets that comprise the Sewer system. The study was completed and the Council adopted rate increases in January 2009.

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

The Fire Division includes 43 regular, full-time firefighters and 57 student firefighters, operating five fire stations. First Station 5, a two bay station, opened in December 2007. This station is located in south Auburn on Technology Parkway and serves the areas around South College, Cox Road, Sandhill Road, and Wrights Mill Road. The City currently has a 3/9 fire insurance rating.



Fire Station 5

The Communications Division provides E-911 emergency response and dispatch services to the public. The Codes Enforcement Division monitors construction activities within the City and compliance with public safety ordinances. Ambulance services are provided via a contract with East Alabama Medical Center.

Public Works Services The City's Public Works Department oversees the development and maintenance of the City's transportation systems. The City's roadway system currently includes over

650 miles of paved streets and less than 2.5 miles of unpaved road. Public Works expends approximately \$1.5 million per fiscal year on road maintenance.

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

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



Recycling Activities

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 97,995 patron sign-ins during fiscal 2008 and checked out 214,386 items. In fiscal 2005, the Library installed wireless internet access so that patrons may use their laptop computers in the facility. The Library also added a children's edition of the public access catalog to provide younger users with an easily

understood and graphically appealing way to search the library catalog.

In July 2008, a \$1.75 million, 10,000 square foot addition opened at the Library. This addition accommodates the growing number of patrons and houses Youth Services, additional public-use computers, and two offices.



Auburn Public Library Addition

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, five elementary schools, one middle school, one junior high school, and one high school. Teacher to student ratios range from 1:15 in the early education center to 1:25 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.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. It has been rated among the top 100 school systems in the nation by *Offspring Parenting* magazine (a subsidiary of *The Wall Street Journal*). The

system consistently produces an average of six National Merit Scholars out of a graduating class of 290. Auburn High School offers 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, 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 recent residential, commercial, and industrial growth.

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

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

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

Auburn University's student body is taught by approximately 1,176 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 24,530 for fall semester of the 2008/2009 academic year. Included in the total enrollment are 3,519 graduate students.



Auburn University

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 2008 enrollment was approximately 4,500.

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 department also manages two wastewater treatment plants with a total treatment capacity of 12 million gallons per day. During fiscal year 2005, the City's stormwater program was moved from Public Works to the Water Resource Management Department. The intent of this move is to manage water supply, treatment, and distribution; wastewater collection, treatment and disposal; and stormwater quality using a total water quality approach. 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 2500 employees, making it the second largest employer in Lee County. Of these employees, more than 500 work at facilities in Auburn such as HealthPlus Fitness Center, Hospice, and Home Care.

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.



East Alabama Medical Center

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

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

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 20 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. In Fall 2008, Northrop Grumman Corporation relocated from their temporary offices in the City's incubator building to the Research Park. The City of Auburn and Auburn University continue to work together to recruit prospects for the first phase of the 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, Touchstone Precision, Inc., and Weidmann Plastics.

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

Auburn's industrial sector has seen tremendous growth and expansion in the last year. In January 2008, the City hosted a groundbreaking for the location of its first toolmaker, toolCare US International, LLC. Seohan Auto USA and Seohan-NTN USA moved into a brand new 240,000 square foot facility in June 2008. Summer 2008 saw the groundbreaking for the first tenant in Auburn Technology Park West. In addition to new industry, several existing industries expanded operations in 2008, including Briggs & Stratton Corporation and Pyongsan America, Inc. In total, new and expanded industry in 2008 represented 433 new jobs and \$74.2 million in capital investment.



Seohan Auto USA

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 locating near the new shopping center include a bank, a family-style restaurant, a used car dealership, a car wash, and a fast food restaurant. A national chain pharmacy recently announced the addition of two new stores in the Auburn market and Publix will locate its first two supermarkets, one in north Auburn and the other in the Auburn residential area south of I-85.

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

Financial activities in Auburn are anchored by 14 different banks with 25 locations (excluding ATMs). These financial institutions have combined assets of approximately \$941.7 million. The largest bank in the City is an independent bank and the State's three largest bank holding companies all have offices in Auburn. In addition, there are two federal credit unions and six nationally associated investment brokers providing financial services to Auburn's residents and businesses.

The physical boundaries of the City continue to expand with residential, commercial, and industrial growth. During fiscal 2008, the City's Planning Commission recommended annexing 770.137 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 26 new subdivisions, incorporating 836 single-family lots and 1,453 units for multi-family residences.

In fiscal 2008, building permits were issued for 237 new single-family residences valued at \$59.1

million (↓30%). The average valuation for single-family homes was \$251,164. Also permitted during fiscal 2008 were 19 multi-family buildings valued at \$43.7 million (↓33%) and 20 new commercial and industrial facilities valued at \$27.7 million (↓23%).

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 \$130 million in identified projects over the next six years (FY09 through FY14). Increasing the capacity and updating the technology of the sewer system will require approximately \$36 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 \$57.2 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 \$16.1 million. Funding sources for these city buildings include proceeds of bonds and the General Fund.

Other projects, including culture and recreation and downtown improvements are included in the capital improvements program at an approximate cost of \$13.1 million. Various funding options, including debt, will be identified at the appropriate time.

Financial Information

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

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

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

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

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

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

Review is streamlined and there is an in-depth Mid-Biennium Review.

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

The City's budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the *financial* section of this report are presented in accordance with GAAP; that is, all capital outlays have been aggregated in a single line captioned "capital outlay." Debt service expenditures are presented in a single line caption in the GAAP financial statements, as well. *Appendix II* presents the General Fund's expenditures compared to the budget for fiscal 2008 as budgeted, with the capital outlays and debt service expenditures presented within departments (budget basis).

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 is required to be signed by a certified public accountant. The accounting firm of Machen, McChesney and Chastain, LLP was selected through a competitive proposal process. The auditor's report on the basic financial statements and the combining and individual fund statements and schedules is included in the *financial* section of this report.

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

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2007. This was the twenty-second consecutive year that the City has received this prestigious award.

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, 2007. This was the twenty-second consecutive year that the City has received this prestigious award.

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

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

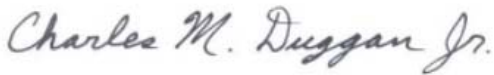
The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to the City of Auburn for its PAFR for the fiscal year ended September 30, 2007. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award - recognizing 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, 2008. 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

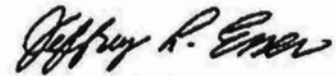
City of Auburn Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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.

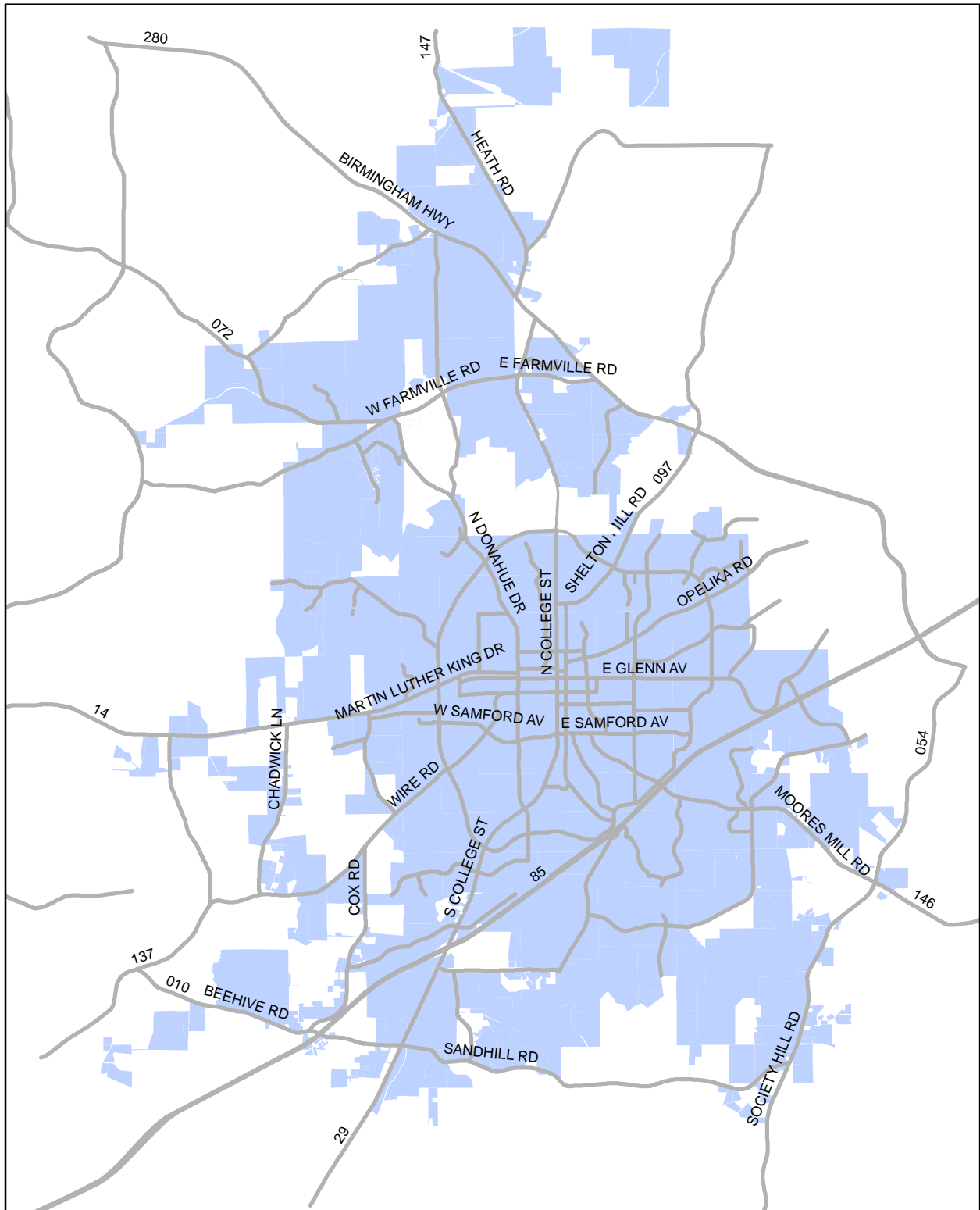


President



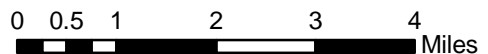
Executive Director

City of Auburn as of September 30, 2008

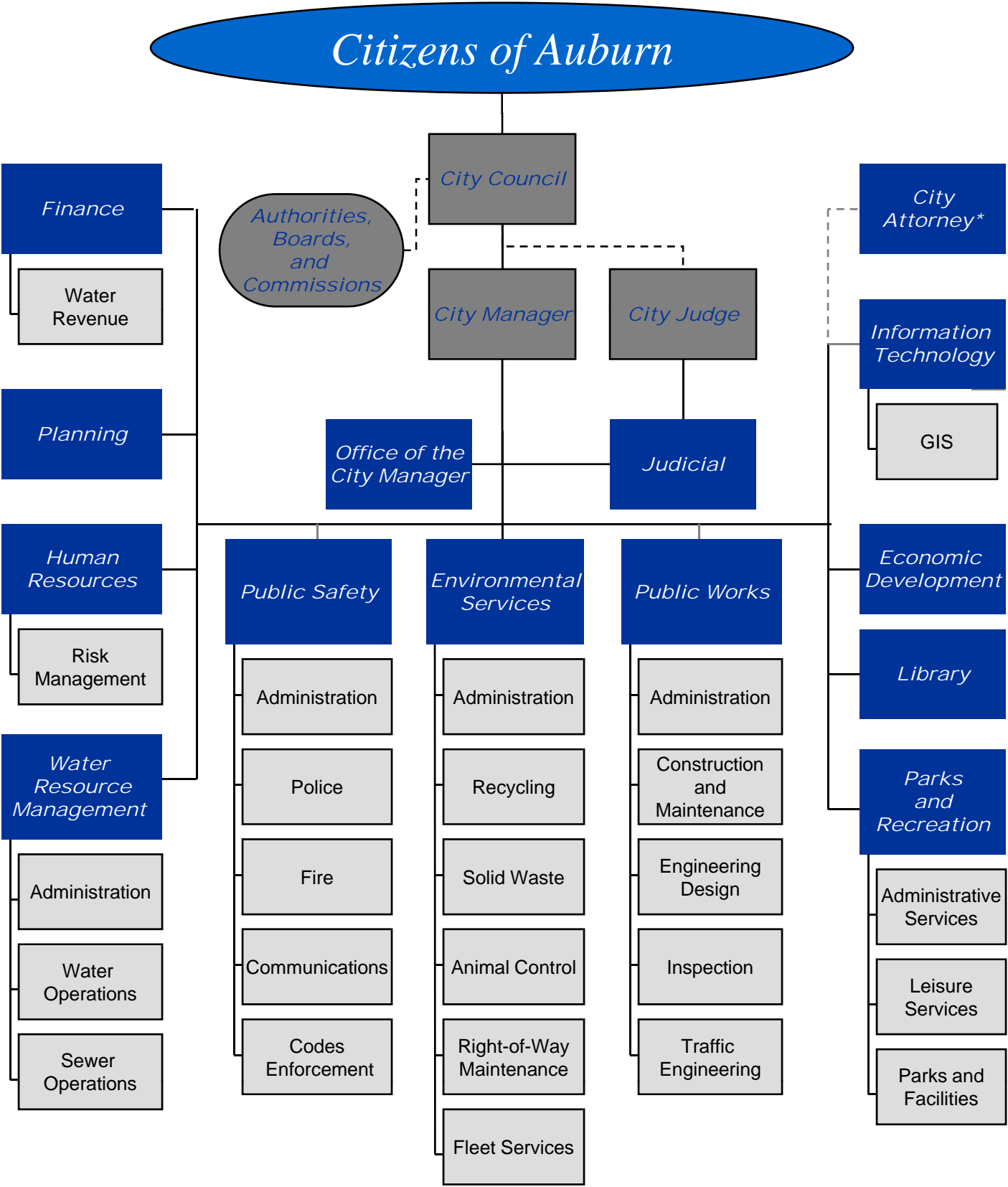


The City of Auburn, Alabama does not guarantee this map to be free from errors or inaccuracies. The City of Auburn, Alabama disclaims any responsibility or liability for interpretations from this map or decisions based thereon. The information contained on this map is a general representation only and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

Auburn City Limits



Organization Chart



* City Attorney services are contracted outside the organization

Legend:	<i>Policy or Judicial Authority</i>	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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Special 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 23, 2009, 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 36, 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 23, 2009



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, 2008. 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 \$52.1 million (net assets). Of this amount, the City had a deficit unrestricted net assets of \$31.2 million offset by \$9.6 million in restricted net assets and \$73.7 million in capital assets net of related debt.
- ▶ The primary government experienced a 38.1% increase in net assets from \$37.7 million at September 30, 2007 to \$52.1 million at September 30, 2008.
- ▶ At the close of the current fiscal year, the City's governmental funds reported a *combined* fund balance of \$40.9 million. This was a decrease of \$5.1 million (11.2%) from prior year.
- ▶ At the end of the current fiscal year, total fund balance for the General fund was \$28.8 million or 36.0% of total General Fund expenditures and other financing uses; total fund balance increased by \$712,154 (2.5%) from fiscal year 2007. The unreserved and undesignated fund balance for the General Fund was \$11.3 million, or 14.0% of total General Fund expenditures; this was a decrease of \$3.6 million (24.0%) from fiscal 2007.
- ▶ Total ending fund balance in the General Fund comprised 52.5% of total revenues in 2008 and 51.8% of revenues in 2007.
- ▶ Sales and use tax, the City's single largest revenue source, decreased 3.4% (\$739,327) during the 2008 fiscal year, reflecting the general slowdown in the economy. The City's sales tax rate remained at 3% throughout fiscal year 2008. The last rate change was a ½ % increase in August 2003.
- ▶ Other major revenue sources increased during 2008: property taxes increased by \$1.9 million (12.6%), charges for services were up 5% (\$353,173) and occupation license fees grew by 4.4% (\$347,546).
- ▶ In both fiscal years 2007 and 2008, the City continued to support its employees through a 3% cost of living raise. The Consumer Price Index rose 2.8% in fiscal 2007, 5.0% in 2008.

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.

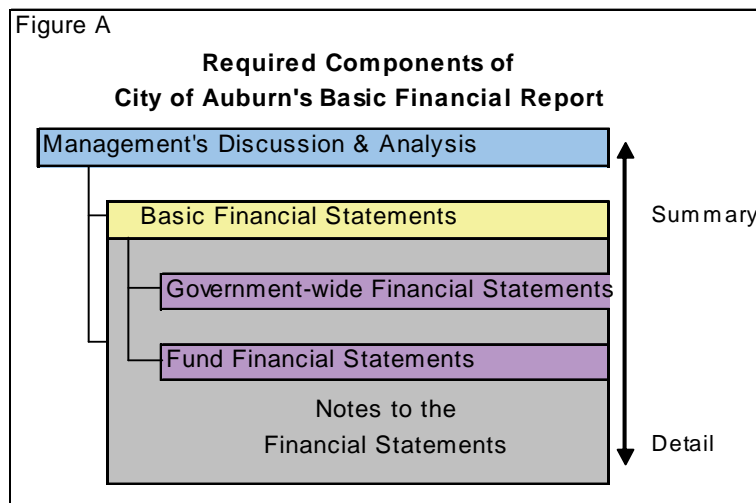


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portion of the City government included and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

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	Instances in which the City is the trustee or agent for someone else's resources: Youth Athletic Funds
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, exp. and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis & measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when it is received or paid.	All revenues and expenses during the year regardless of when it is received or paid.

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

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

Fund Financial Statements

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

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

The City has three kinds of funds:

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

Because 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 end of fiscal year 2007, the City of Auburn decided to dissolve the Industrial Park Fund since the fund only carried balance sheet accounts and one type of utility transaction. At the end of 2008, the City has only one proprietary fund; the Sewer Revenue Fund, an enterprise fund. This fund functions 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 those funds are not available to support the City of Auburn's own programs. These private-purpose trust fund accounts provide for the revenues and expenditures of independent associations supporting youth athletic programs.

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

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

Net assets The City's *combined* net assets at September 30, 2008 totaled \$52.1 million(see Table 1). Governmental Activities' net assets increased by \$14.2 million, while Business-type Activities' net assets increased \$154,110 during fiscal 2008.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Table 1

City of Auburn's Net Assets
September 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 48,652,828	\$ 53,083,921	\$ 1,798,736	\$ 3,682,697	\$ 50,451,564	\$ 56,766,618
Capital assets	111,220,412	95,913,849	58,518,531	50,055,431	169,738,943	145,969,280
Total assets	159,873,240	148,997,770	60,317,267	53,738,128	220,190,507	202,735,898
Current liabilities	12,471,332	18,110,685	2,535,314	2,063,329	15,006,646	20,174,014
Long-term debt and other liabilities	119,488,862	117,200,986	33,600,981	27,647,937	153,089,843	144,848,923
Total liabilities	131,960,194	135,311,671	36,136,295	29,711,266	168,096,489	165,022,937
Net assets:						
Invested in capital asset, net of related debt	48,943,891	48,933,540	24,755,968	22,279,811	73,699,859	71,213,351
Restricted	9,642,375	8,621,350	-	-	9,642,375	8,621,350
Unrestricted	(30,673,220)	(43,868,791)	(574,995)	1,747,051	(31,248,215)	(42,121,740)
Total net assets	\$ 27,913,046	\$ 13,686,099	\$ 24,180,973	\$ 24,026,862	\$ 52,094,019	\$ 37,712,961

Most of the Governmental Activities' net assets are invested in capital assets (buildings, equipment, roads, etc.). The investment in capital assets at September 30, 2008 was \$111.2 million. Debt outstanding related to the capital assets was \$127.8 million. The large negative unrestricted net assets in FY 2007 (\$43.87 million) and FY 2008 (\$30.7 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 did the City Board of Education borrowing. The research park infrastructure is owned by Auburn University (a component unit of the State of Alabama), but the debt principal will be included in the City's liabilities.

In fiscal year 2006, the City entered into an agreement with Auburn University to facilitate the issuance of the City's general obligation debt to enable Auburn University to finance the construction of an expansion of the City's new 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 \$3.7 million is included in the City's liabilities and the offsetting capital asset is included as part of the Public Park and Recreation Board, increasing the deficit in the City's unrestricted net assets.

Table 2 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, 2008, was \$62.0 million, a decrease of \$1.04 million (1.6%) from the prior year. Debt outstanding in respect to agreements made with Auburn University was \$7.2 million, a decrease from the prior year of \$626,440. These decreases are due to the City's principal repayments on current borrowings for the Auburn City Schools' and Auburn University's benefit. Due to Auburn's sound fiscal management, Governmental Activities' other unrestricted net assets remain strong at \$38.5 million (eliminating the effect of other entities' debt) at the end of fiscal 2008. These amounts plus other net asset components create overall positive net assets of \$27.9 million at the end of this fiscal year.

Table 2

Governmental Activities

Net Assets	2008	2007
Invested in capital assets, net	\$48,943,891	\$48,933,540
Restricted		
Debt Service	3,163,736	1,641,921
Capital Projects	1,956,144	2,748,975
Fed and State Grants	679,879	475,714
Special Rev, non-grant	3,842,616	3,754,740
Unrestricted (deficit)		
Governmental Activities	38,547,927	27,017,950
<i>City School Debt</i>	<i>(62,025,556)</i>	<i>(63,064,711)</i>
<i>AU Debt</i>	<i>(7,195,591)</i>	<i>(7,822,031)</i>
Total Net Assets-Governmental	<u>\$27,913,046</u>	<u>\$13,686,098</u>

The total net assets of the City's Business-type Activities increased by \$154,110 to \$24.2 million in fiscal year 2008 from \$24.0 million in fiscal year 2007. Of that total, all of the increase is comprised of capital assets (net of related debt) for the Sewer Revenue Fund, which moved upward in excess of \$2.4 million. Unrestricted net assets of Business-type Activities became a deficit due to the growth in liabilities and decline in assets, particularly cash (\$1.2 million, 52.0%); the 2008 year end deficit was \$574,995. Net cash outflows were related, in part, to the Sewer Revenue Fund's capital asset expansions during fiscal 2008, as well as the need for a rate increase, which was approved by the City Council in early 2009.

Changes in net assets The primary government's net assets increased by \$14.4 million (38.1%) in fiscal year 2008 over the prior year. Total assets increased by \$17.5 million (8.6%) in fiscal 2008. The major component of this increase in total assets was the \$23.8 million (16.28%) increase in capital assets.

In 2008 the capital asset increase consisted of constructed or purchased assets (\$10.9 million) and three donated assets from the Alabama Department of Transportation (\$12.9 million). See the Capital Assets section of the Management's Discussion and Analysis for additional information about the State's donation of capital assets to the City.

In 2007, the City of Auburn completed the final step to implement Governmental Accounting Standards Board's (GASB) Statement 34, "Basic Financial Statements for State and Local Government." This statement significantly changed financial reporting for local governments. Included in this change was the requirement to report infrastructure assets. Governments such as Auburn, which implemented Statement 34 in fiscal year 2003 (phase 2 governments), were allowed to defer retroactive reporting of all major infrastructure assets until the fiscal year beginning after June 15, 2006 (fiscal year 2007 for the City of Auburn). During the transition period, prospective reporting of general infrastructure assets was required. Consequently, beginning with the fiscal year ending September 30, 2003, the City capitalized its public domain ("infrastructure") assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems that had been placed in service since October 1, 2002. The following is a list (Table 3) of retroactive infrastructure assets including depreciation that the City recorded in fiscal 2007, bringing the net book value increase in capital assets for governmental activities to \$30.2 million.

Table 3
Retroactive Infrastructure Additions:

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

The business-type activities' increase in net assets of \$154,110 resulted from the contribution of sewer lines by developers and the capitalization of projects related to new sewer lines; this increase in capital assets totaled \$8.5 million. At the same time, long-term debt increased by \$5.9 million. The combination produced the net effect of the \$154,110 increase to \$24.2 million. The fiscal 2008 net increase in total liabilities of the primary government was \$3.1 million (1.9%). The increase in long-term debt, \$2.9 million (1.8%), accounted for most of the net change: the City entered into five long-term borrowings totaling \$23.4 million in fiscal year 2008. Of this amount, \$20 million was used to refinance various older debt issues to take advantage of the favorable interest rate environment. The other borrowings funded various capital projects within the City.

The primary government's total net assets increased by \$14.4 million (38.1%) in fiscal 2008. The major changes in the elements of net assets include 1) the decrease in the deficit in unrestricted net assets of \$10.9 million and 2) the increase in investments in capital assets, net of related debt, of \$2.5 million.

The deficit in unrestricted net assets (Table 1) improved, in large part due to the effect of significant growth in capital assets in fiscal year 2008. Donated infrastructure received from the Alabama Department of Transportation and a road project which will be paid for by developers accounted for \$14.7 million of the capital asset additions in fiscal year 2008.

Ignoring the effect of the City's issuing debt on behalf of the Board of Education and Auburn University would result in positive unrestricted net assets of \$38.5 million (Table 2), which would more accurately reflect the City's net asset position.

Governmental Activities

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

Table 4 City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2007 and 2008

<i>Functions and programs</i>	<i>Expenses</i>		<i>Program Revenues</i>		<i>Net (Expense) Revenue</i>	
	2008	2007	2008	2007	2008	2007
Governmental activities						
General government	\$ 6,174,239	\$ 5,283,272	\$ 10,149,028	\$ 9,972,285	\$ 3,974,789	\$ 4,689,013
Public works	7,078,353	7,507,853	13,911,413	608,006	6,833,060	(6,899,847)
Environmental services	4,604,401	4,066,793	2,789,426	2,688,785	(1,814,975)	(1,378,008)
Public safety	15,143,318	13,516,129	3,643,543	3,005,307	(11,499,775)	(10,510,822)
Library	1,550,700	1,370,600	72,892	29,236	(1,477,808)	(1,341,364)
Parks and recreation	5,268,232	11,055,017	942,355	1,200,959	(4,325,877)	(9,854,058)
Social and economic development	10,794,553	12,049,201	1,065,747	1,031,811	(9,728,806)	(11,017,390)
Other functions	2,001,067	2,074,220	458,760	423,037	(1,542,307)	(1,651,183)
Education (payments to Board of Education)	11,995,523	12,625,643	-	-	(11,995,523)	(12,625,643)
Interest on long-term debt	5,954,377	5,688,402	-	-	(5,954,377)	(5,688,402)
Total governmental activities	<u>70,564,763</u>	<u>75,237,130</u>	<u>33,033,164</u>	<u>18,959,426</u>	<u>(37,531,599)</u>	<u>(56,277,704)</u>
Business-type activities						
Sewer	6,903,856	6,305,910	7,097,685	9,698,019	203,398	3,392,109
Industrial parks	-	141,742	-	-	-	(141,742)
Total business-type activities	<u>6,894,287</u>	<u>6,447,652</u>	<u>7,097,685</u>	<u>9,698,019</u>	<u>203,398</u>	<u>3,250,367</u>
Total primary government	<u>\$ 77,459,050</u>	<u>\$ 81,684,782</u>	<u>\$ 40,130,849</u>	<u>\$ 28,657,445</u>	<u>(37,328,201)</u>	<u>(53,027,337)</u>
General revenues:						
Taxes						
Sales taxes					21,044,830	21,784,157
Property taxes					16,953,172	15,057,103
Occupation license fees					8,174,202	7,826,656
Rental and leasing taxes					538,541	1,501,112
Lodging taxes					1,425,637	1,369,273
Motor fuel taxes					502,460	504,228
Other taxes					168,184	121,760
Interest and investment earnings					1,299,106	2,366,521
Gain (loss) on asset disposals					54,134	42,192
Miscellaneous					31,431	32,228
Special items--certain capital asset transactions					-	627,963
Special items--certain receivable transaction					1,727,516	(2,252,879)
Total general revenues					<u>51,919,213</u>	<u>48,980,314</u>
Change in net assets -						
General revenues less net expenses					14,581,443	(4,047,023)
Beginning net assets (restated)					37,512,575	41,759,984
Ending net assets					<u>\$ 52,094,018</u>	<u>\$ 37,712,961</u>

The cost of governmental activities this year was \$70.6 million. Program revenues provided \$33.0 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 \$37.5 million.

In fiscal 2008, expenses for business-type activities were \$6.9 million; business-type activities revenue provided \$7.1 million. Total City program income exceeded expenses for two functions: General government \$3,974,789 and Public Works \$6,833,060. 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. However, the net revenue in the public works program is an anomaly resulting from the large donations of infrastructure by ALDOT. The Alabama Department of Transportation dedicated to the City two portions of major roads (College Street – North Shug Jordan to South Shug Jordan Parkway ~13.4 miles and Alabama Highway 14 ~17.06 miles) and a rest area consisting of 9.16 acres along US Highway 280. These donated capital assets were valued at \$12.96 million.

As detailed below, Table 5 divides total program revenue by source for 2008 and 2007 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.

Program revenue by source:	<u>Primary Government</u>	
	<u>2008</u>	<u>2007</u>
Charges for Services	\$ 22,786,873	\$ 22,516,964
Operating grants and Contributions	2,112,431	1,841,713
Capital Grants and Contributions	15,250,485	4,298,768
Total Program Revenue	<u>\$ 40,149,789</u>	<u>\$ 28,657,445</u>

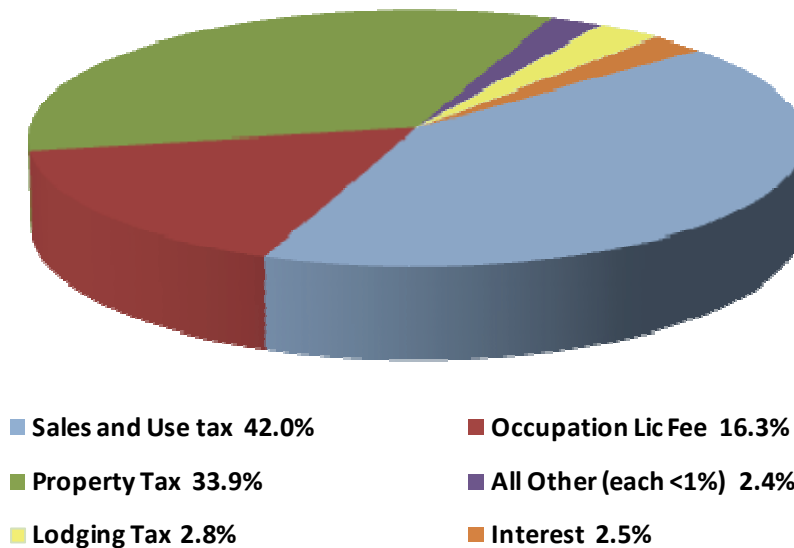
Some of the program costs of governmental activities in 2008 were paid by revenues collected from those who directly benefited from the programs (\$22.8 million). These revenue sources include:

- Business license fees, which generated \$6.4 million to pay the costs of providing general government services.
- The City’s solid waste collection and recycling programs were funded, in part, by citizen-customers’ solid waste collection fees, which totaled \$2.7 million in fiscal 2008, an increase of 3.7% from last year’s revenue.
- Auburn University pays for fire and police services on campus. This revenue offsets public safety expenditures by \$2.2 million for the year ending 2008.
- ▶ Program costs were also defrayed by grants and contributions (\$17.3 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 2008 CDBG revenues of \$794,049 were used to rehabilitate inadequate housing, improve public facilities and provide utility and food assistance programs to eligible citizens.
- ▶ The City has also worked with the Alabama Department of Transportation to obtain ownership of two portions of critical transportation arteries through the City. Portions of College Street (valued at \$5.5 million) and Alabama Highway 14 (valued at \$6.9 million) were donated to the City from ALDOT. These transactions, in addition to ALDOT donating a rest area consisting of 9.16 acres along Highway 280 valued at \$469,803, bring the total of this portion of program income from donations and capital contributions for Public Works to \$12.9 million.
- ▶ The City financed the \$37.5 million net expenses for governmental activities from taxes, license fees and other general revenues, such as interest earnings.

Figure C (on the following page) shows the various sources of general revenues for fiscal year 2008:

Figure C

General Revenues by Source



- 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 42.0% 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 (33.9%). 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 (16.3%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn made payments of \$19.9 million to component units of the primary government during fiscal 2008. Of this amount, \$12.0 million (60%) was paid to the Board of Education, including \$5.2 million paid from education property taxes. The \$6.8 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's only business-type activity is its sewer system, which includes two wastewater treatment plants that are operated by Veolia Water, a Houston, Texas based engineering and contract services firm. Table 6 details the general revenues associated with this business-type activity (see Table 4 for totals). This chart shows program revenue of the Sewer Revenue Fund business-type activity, including charges for services (sewer treatment and disposal) and capital

grants and contributions, decreased from the prior year by \$2.6 million or 26.8%. This decrease in Sewer Fund program revenue reflects the 79% decline in sewer system capital assets donated by developers and recorded at fair value at the time of donation (resulting from the slowdown in home building) and a small (3.7%) decrease in charges for sewer services (resulting from a rainier growing season than in 2007). Sewer Fund expenses (operating plus non-operating) increased by 9.5% to \$6.9 million. The expanded use of outside consulting services over the past fiscal year accounted for the majority of the increase in Sewer expenses.

Table 6

Business Type Activities (Condensed)
Fiscal Years ended September 30, 2008 and 2007

<i>Functions and programs</i>	Net (Expense) Revenue	
	2008	2007
<i>Business-type activities:</i>		
<i>Sewer Revenue (charges for services)</i>	\$ 6,486,904	\$ 6,736,899
<i>Sewer Revenue (capital grants and contributions)</i>	610,781	2,961,120
<i>Sewer Expense</i>	<u>6,903,856</u>	<u>6,305,910</u>
Net Sewer Revenue	193,829	3,392,109
Net Industrial Parks (Expense)	-	(141,742)
Total functions and programs revenues	<u>193,829</u>	<u>3,250,367</u>
<i>General revenues:</i>		
Interest and investment earnings	43,263	370,249
Gain (loss) on asset disposals	22,625	66,128
Miscellaneous	504	258
Transfers to other funds	(106,111)	5,110
Total general revenues	<u>(39,719)</u>	<u>441,745</u>
Change in net assets -		
General revenues less net expenses	154,110	3,692,112
Beginning net assets	<u>24,026,862</u>	<u>20,334,750</u>
Ending net assets	<u>\$ 24,180,972</u>	<u>\$ 24,026,862</u>

The City had a second business-type activity, the Industrial Park Fund, which was closed in fiscal year 2007. The Industrial Park Fund's advances to component units and advances from other funds were liquidated in 2007, moving the remaining cash appropriately to the Industrial Development Board and other City funds through the operating statements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2008 fiscal year, its governmental funds reported a *combined* fund balance of \$40.9 million. This reflects a decrease from the prior year of \$5.1 million. The total decrease in net assets is comprised of a \$712 thousand increase in General Fund net assets, a \$67 thousand increase in special revenue funds' net assets; the debt service fund's net assets increased by \$415 thousand and capital projects funds' net assets decreased by \$6.3 million.

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

Governmental revenues ~

- ▶ Total revenues of the governmental funds showed growth of 0.9% or \$626,229 over the prior year.
- ▶ Sales and use tax revenue, the General Fund's single largest revenue source, decreased 3.4% (\$739,000) during the 2008 fiscal year. This downward trend is seen in

revenue sources that are affected by 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 12.6%, contributing additional revenue of \$1.9 million to the governmental funds. Growth in property taxes results from expansion of the city limits through voluntary annexations, as well as appreciation in property values, attributable in part to new construction and improvements.
- ▶ Growth in occupation license fees of \$347,536 (4.4%) is evidence of the City's diversified employment base as well as the stabilizing influence of Auburn University as the major employer.
- ▶ Revenue from charges for services grew by 5% (\$353,173), primarily from increased solid waste collection fees and E-911 fees. Solid waste fees and E-911 were unchanged during 2008, so the revenue growth resulted from an enlarged customer base.
- ▶ Grant income in 2008 increased by \$223,669; contributions from the public also increased, by \$112,134, primarily from developers.
- ▶ As a result of the City's receiving an early payoff of a mortgage receivable in the Federal Grant Loan Repayment special revenue fund in 2007, which resulted in early recognition of a significant amount of program income, this revenue source shows an \$856,088 decrease (71% less) in 2008.
- ▶ Deterioration in the interest rate environment during fiscal 2008 resulted in a lesser amount of interest income by \$771,784, a 38% decline from the prior year.

Governmental expenditures ~

Total governmental expenditures increased by \$15.2 million (17.6%) in fiscal 2008 from fiscal 2007. The major component of this increase in governmental expenditures was the increase 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 by \$2.7 million (8.4%). Contributing to the upward trend across all departments were the 3% cost of living adjustment authorized for all regular employees, and spiraling fuel and utilities costs. The most significant increases in spending were seen in Public Safety (\$1.5 million, 11.7%). This increased spending resulted, in part from the factors mentions above, as well as the addition of positions in the Police and Emergency Communications divisions, and additional overtime costs in the Police Division of Public Safety.
- ▶ Expenditures for non-departmental purposes increased by \$718,122 (48%). Contributing factors were increased costs for electricity and professional services related to various initiatives.
- ▶ Total debt service expenditures of \$34.4 million in the governmental funds reflect an increase of \$21.7 million over the prior year. Debt service expenditures included \$28.4 million for principal, \$6.0 million for interest and \$21,453 for related fees. As previously discussed, 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, the increase in debt service expenditures over the prior year was \$1.6 million (13%).

- ▶ Capital outlay expenditures of the governmental funds were down in 2008 by \$1.4 million (16.7%) In the General Fund, capital outlays decreased by \$811,537 in 2008. The Community Development Block Grant special revenue fund expended \$263,075 less in 2008 for capital items. In the capital projects funds, capital outlays were down by \$250,354 in 2008. 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 2008 decreased by \$8 million from fiscal 2007 (28.5%), as shown in Table 7. In 2007, large payments were made to the Commercial Development Authority for the development of Exit 57 on Interstate 85 and to the Public Park and Recreation Board for the construction of the Yarbrough Tennis Center, resulting in significant decreases in 2008, related to these component units. The 2008 payment to the Commercial Development Authority was for additional development costs for Exit 57. Included in the 2008 payments to the Industrial Board was \$3.4 million for construction of infrastructure in the Auburn Technology Park West; the 2007 amount was \$250,894. Payments to the Industrial Board for continuing programs and debt service decreased by \$23,265 in 2008. The 2008 payments to the Industrial Board also include \$881,507 for incentives funded by the Federal Grant Loan Repayment Fund (Revolving Loan sub-fund).

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 2008</u>	<u>FY 2007</u>	<u>FY 08>FY 07</u>
Auburn City Schools			
General revenues	\$ 6,795,523	\$ 6,795,523	\$ -
Education property taxes	5,200,000	5,830,120	(630,120)
Subtotal to Schools	11,995,523	12,625,643	(630,120)
Comm Development Authority	1,805,170	7,005,300	(5,200,130)
Public Park & Rec Board	58,164	6,166,754	(6,108,590)
Industrial Development Board	6,080,417	2,098,003	3,982,414
Total - Component Units	\$ 19,939,274	\$ 27,895,700	\$ (7,956,426)

- ▶ The City appropriated \$6.8 million out of its general revenue to the Auburn City Schools for fiscal year 2008, as was done in 2007.
- ▶ 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 all debt service 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 \$5.2 million for operations, a decrease of \$630,120 or 10.8%.
- ▶ 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.

- ▶ 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 and now ownership and management of the facility are under the oversight of the Public Park and Recreation Board (PPRB) component unit. The 2008 portion of these transfers plus some operating costs make up the amount of \$58,164 transferred in to the PPRB.

Proprietary Funds

During fiscal 2007, the City closed the Industrial Park proprietary fund, leaving the Sewer Revenue Fund as the sole proprietary fund in fiscal 2008. The Sewer Revenue Fund accounts for sewer collection, treatment and disposal services provided to residents and businesses within the city limits. The City's proprietary fund(s), which account for its business-type activities, reflect increased net assets of \$154,109 at the end of fiscal 2008, a 0.6% increase. Operating income in the Sewer Fund declined by \$1 million (56%) from the prior year.

Proprietary funds' revenues, other resources ~

Sewer Fund operating revenues decreased by 3.7% or (\$249,749) for 2008 as compared to 2007. Sewer service rates were increased by 5% in fiscal 2008. In addition to operating revenue, the Sewer Fund's net assets were increased by \$595,781 from developers' contributions of sewer lines in fiscal 2008. This amount is a 79.9% (\$2.3 million) decrease from the prior year's developer contributions to the Sewer Fund and reflects the slowdown in construction during the fiscal period covered by this CAFR.

Proprietary funds' expenses ~

In the Sewer Revenue Fund, operating expenses for fiscal 2008 increased by \$793,069 (16.3%). The largest component of this increase was added costs for professional services (\$300,883 or 187.4%). The City engaged specialized consultants for many types of studies to enable management to make informed decisions about aging infrastructure, utilization of the two plants, and the sewer utility's rate structure. Some of the studies completed in fiscal year 2008 included a flow monitoring study at the HC Morgan Water Pollution Control Facility (\$144,828), a sewer rate study (\$24,789) and an evaluation of the HC Morgan Water Pollution Control Facility as it relates to current wastewater treatment processes and possible future expansion (\$136,193). Smaller operating expense increases included depreciation (\$216,124 or 21.9%) and utilities (\$100,554 or 21.3%). Depreciation increased due to the higher value of capitalized infrastructure at September 30, 2008; and utilities costs increased nationally.

Analysis of Changes in Major Funds

The General Fund (Governmental) ~

At the end of fiscal 2008, the total fund balance of the City's General Fund increased \$712,154 (2.5%) from the prior year's ending balance, reflecting the excess of revenues and other financing sources over expenditures and other financing uses. The 2008 total ending fund balance was \$28.85 million, compared to \$28.14 million at the end of 2007. Total reserved fund balances increased by \$4.3 million (49%); of this amount, the reserve for encumbrances rose by \$3.97 million due to an increase in approved but uncompleted construction contracts (\$4.2 million at the end of fiscal year 2008, as opposed to only \$1.8 million in construction contract commitments at the end of fiscal year 2007). Total unreserved fund balance in the General Fund decreased by \$3.55 million (18.3%) in 2008.

The General Fund's total assets increased by \$1.6 million (4.9%) during 2008. Receivables of all types increased by \$1.8 million, primarily as a result of transactions with the City's other funds and component units. Cash and equivalents fell by \$205,709 (1.3%).

Total liabilities in the General Fund increased by \$870,899 (22.2%) in 2008. The most significant component of that change was an increase in deferred revenue of \$1 million (72.9%) over the prior year, resulting from the Richland Road special capital improvement project, which involved the re-construction of a major road, the costs of which will be borne by two developers.

Special Additional School Tax Fund (Governmental) ~

The Special Additional School Tax Fund was classified as a major fund of the City this year; this fund was not a major fund in the 2007 report. 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 in ad valorem tax revenues of \$777,086 (12.3%) accounted for a majority of the rise (\$905,732) in the ending fund balance to \$3.6 million.

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 primarily to finance construction of capital improvements to the wastewater collection and treatment system. In fiscal 2008, sewer line expansion and rehabilitation continued via various construction projects on 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 projects until bonds could be issued. As of September 30, 2008 the Sewer Fund had borrowed \$730,749 from the General Fund.

The Sewer Fund's net assets increased by \$154,109 (0.6%) in fiscal year 2008. While total net assets increased, the unrestricted/unreserved component of net assets declined by \$2.3 million pushing the unrestricted/unreserved balance into a deficit position at a negative \$574,995. This was offset by an increase in the amount of net assets invested in capital assets (net of related debt) by \$2.5 million.

Total assets of the Sewer Fund increased \$7.3 million; the majority of this increase was caused by acquisition of capital assets in the amount of \$8.5 million, a 16.9% increase. The increase in Sewer Fund capital assets included the capitalization of assets donated by developers at \$595,781. Cash and equivalents declined by \$1.2 million.

There was an increase in Sewer Fund liabilities of \$7.2 million or 24.1%, consisting primarily of the increase in long-term liabilities of \$6.0 million. This increased brought total long-term liabilities to \$33.6 million at the end of 2008, due to short-term borrowings for capital projects.

The Sewer Fund generated operating income of \$820,481 in 2008, a drop of \$1 million from 2007. Operating revenues decreased by \$249,749, in spite of a 5% rate increase; the drop is

attributed to rainier weather in 2008. Operating expenses increased by \$793,071 (16.3%); major factors were increased professional services fees (\$300,883), depreciation expense (\$216,124) and utilities (\$100,554). Including non-operating revenues and expenses, the Sewer Fund's loss before operating transfers and capital contributions in 2008 was \$350,559; in 2007, there was income of \$863,457 before transfers and contributions. The major change in non-operating items was the \$322,819 decrease in interest earned, the result of lower interest rates and declining cash balances. The other significant element of the change in net assets was the lesser amount of sewer lines contributed by developers, who contributed \$595,783 in 2008, an 80% decrease from the \$2.96 million in 2007.

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 2008 *final* General Fund budget projected \$53.6 million in revenue and \$24.1 million in other financing sources; appropriations were approved for \$82.9 million in expenditures and \$63,368 in other financing uses, producing a planned reduction of \$5.2 million in the General Fund's balance. Actual amounts for revenues (\$54.9 million), other financing sources (\$26.0 million), expenditures (\$80.2 million), and other financing uses (\$1,050) netted favorably in comparison to the budget. As a result, the General Fund balance increased by \$712,514 in 2008. This is a typical result for the City of Auburn: actual revenues and expenditures compare favorably against the budget, reflecting management's active use of the budget to control expenditures and make course corrections as necessary.

The original revenue projections in the General Fund were \$616,847 under the final budget. The final budget adjustments resulted from overall better than projected growth in many revenue sources, including occupation license fees, property taxes, lodging taxes, charges for services, State shared taxes, fines and contributions from the public. Auburn experienced growth in occupational license fees (up by 2.4%), charges for services (up by 4.3%) and general property tax (up by 11.8%). These revenue trends reflect the expanding population of the City of Auburn and its diversified economic base.

Total actual departmental expenditures in the General Fund were under budget by \$2.3 million in fiscal 2008. All individual departments kept expenditures under final budget. Non-departmental expenditures were over budget by \$259,324 and debt service expenditures exceeded budget by \$142,946. Other financing sources and uses actual amounts compared favorably with the budget by \$1.97 million.

In order to capitalize on a favorable interest rate environment, the City refinanced several GO warrants to reduce interest costs and to eliminate a \$5 million balloon payment that was due in 2014. The debt principal expenditures resulting from the refinancings contributed most of the increase in the *final* budget of total expenditures over the *original* budget by \$19.0 million (29.7%). The total operating budget for all departments was increased by \$1.2 million in the *final* budget. Although almost all departments' budgets were increased in the *final* budget, the two largest increases (\$725,062 and \$265,210) 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 computers

and related mounting hardware 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 ASSET AND DEBT MANAGEMENT

Capital Assets

At the end of 2008, the City had invested \$169.7 million in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$23.8 million (16.31%) over last year. A majority of the increase is the direct result of three capital donations by the Alabama Department of Transportation (ALDOT) to the City; these donations were capitalized at their estimated fair market value on the date of donation. Table 8 lists the largest capital asset additions to the City for fiscal year 2008:

Table 8

Largest Capital Asset Additions
Fiscal Year 2008

Land - Hwy 280/Al 147 Rest Area ~9.16 acres <i>Donation from ALDOT</i>	\$	469,803
Land improvements - Gay St Parking lot		610,879
Land - Gay St (AuburnBank drivethru)		989,424
Building - Fire Station #5		998,396
Roadway reconstruction - Richland Road ~1.7 Miles		1,703,150
Building - Library expansion		1,939,653
Roadway - College St - N. Shug to S. Shug ~13.4 miles <i>Donation from ALDOT</i>		5,494,000
Roadway - AL Hwy 14 ~17.06 miles <i>Donation from ALDOT</i>		6,994,600
Total	\$	19,199,904

The City has committed, through borrowings and referendums, to continue or complete some major projects in fiscal year 2009. Major projects include: street extensions totaling \$3.6 million (Twin City Court - \$1.1 million and Samford Avenue - \$2.5 million), road resurfacing (about \$1 million) and sewer system projects (\$4.4 million). Note 10 of the notes to the financial statements provides additional detail on capital assets.

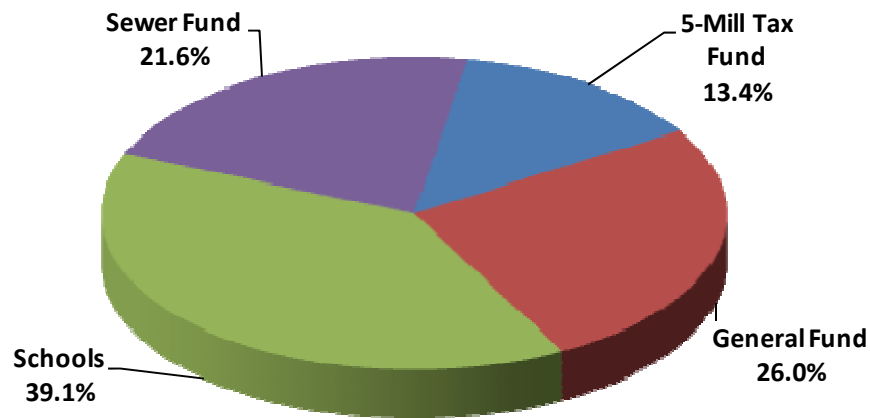
Long-term Debt

At 2008 fiscal year-end, the City had \$161.9 million in long-term debt outstanding, of which \$20.9 million will mature during fiscal 2009. The net increase in long-term debt from the previous year was \$2.9 million or 1.8%. 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, on the following page, illustrates the various funding sources for the repayment of this long-term debt.

Figure D

**Debt Principal Outstanding September 30, 2008
by Repayment Source**



General Fund \$41,215,887
5-Mill Tax Fund \$21,235,000

School Debt \$62,025,556
Sewer Fund \$34,220,000

Long-term debt with \$21.2 million in principal outstanding at fiscal year-end will be paid from the Special Five-Mill Tax Fund. The most recent Special Five-Mill Tax Fund referendum for which long-term debt is currently outstanding occurred in fiscal year 2006. The approval rate for the referendum, which included the tennis center and expansion of the existing library, was 85.6%. The City issues debt for the Auburn City Board of Education. The principal amount of current outstanding school issues stands at \$62 million, which will be repaid from dedicated school ad valorem taxes. The Sewer Revenue Fund (a business-type activity of the City) pays for two long-term debt issues with total principal outstanding of \$34.2 million. This leaves \$41.2 million in outstanding principal, the repayment of which will be funded solely from the General Fund. The reader may refer to Note 11 of the notes to the financial statements for more detail concerning the debt issuances and debt outstanding of the City and its component units.

New debt during fiscal 2008 consists of the following:

- ▶ In March of 2008, the City issued two general obligation warrants (Series 2008-A and 2008-B) to provide the permanent financing for the Richland Road special capital improvement project. The warrants' principal amounts are \$950,134 and \$777,382, totaling \$1,727,516; the related acquisition of net assets is reported as a special item in the government-wide statement of activities. The principal and interest payments due on this borrowing were intended to be funded by payments required under the terms of the development agreement with The Cotswolds, LLC and The Musselwhite Group, Inc. The development agreement required that the developers' promissory notes to the City be secured by irrevocable bank letters of credit and the developers' personal guaranties.
- ▶ Given the favorable interest rate environment, the City refunded debt and borrowed funds in the amount of \$21,668,100 in May 2008. These borrowings accomplished multiple purposes:
 - Having completed the infrastructure improvements at I-85 Exit 57, permanent financing of the \$7 million (@ 7.50%) and \$1.8 million (@7.75%) credit lines was obtained at 4.62%.

- To support the goal of additional public parking deck downtown, \$1.6M was borrowed @ 3.62% for the purchase of real property in downtown Auburn.
- Temporary financing of \$1.25 million used for infrastructure improvements to the existing technology parks was replaced with permanent financing. The temporary financing was at 7.25%; the permanent financing rate was 3.62%.
- Refinance of Mall expansion costs - \$10 million was originally financed in 2005 at 5.05% with a balloon payment of \$5 million due in 2014. The current balance of \$8.657 million was refinanced, not only to obtain a lower interest rate (4.62%) but also to fully amortize the balance over a seven-year period.
- Two warrants with smaller balances were combined for a total of \$1,361,050. The warrants were originally issued to purchase the Salmon property in 2000 and for street and drainage improvements in 2002. The original warrants carried interest rates of 6.93% and 5.74%; the refinancing was at 3.19%.

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 \$65.8 million, resulting in a legal debt margin (additional legal debt capacity) of \$75.8 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 2008 is 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 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 November 2008. The City received an upgrade from Standard & Poor's to AA+ from AA. Moody's Investors Service confirmed the City's general obligation bond rating of Aa3. The City's other long-term debt carries the same ratings.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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, 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 US Census Bureau identified the Auburn-Opelika metropolitan area as the second fastest growing metro area in the State of Alabama, after Huntsville, and the 54th fastest growing area in the country. Price level changes within the City are comparable with national indices. The City's unemployment rates typically compare favorably with the State's and national rates. The most recent data available show that for January 2009, the Auburn-Opelika area's unemployment rate was 7.0%, the second lowest rate in the State of Alabama. The State's unemployment rate in January 2009 was 7.8%; the national rate was 8.1% (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.

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 2008 (223 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 2009, the same number of single family homes were permitted as during the same period in 2008. Multi-family permit valuations at February 2009 were up 229% over February 2008. 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 up as of February 2009, over the same fiscal period in 2008, both in terms of the number of permits (↑ 31%) and their valuation (↑ 88%). The City's size has grown from 44.43 square miles in 1999 to 58.2 square miles in 2008. Population growth has averaged about 3% per year; however the growth rate for 2008 over 2007 was 1.9%.

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, 2008 stood at 36% of expenditures. 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 30.2% 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 52.5% at the end of fiscal 2008 and 51.8% at the end of 2007, an 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, the first rate increase for sewer services since 1994, and October 1, 2008. To address the need for funding of capital facilities expansion, the Council imposed sewer system access fees for the first time in 1996. Access fees are levied on new development when such development ties on to the sewer system. The Council adopted increases in access fees for residential-sized meters effective in April 2005, the first increase in sewer access fees since their initiation in 1996. This rate did not change in fiscal 2008.

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 that will be effective April 1, 2009, and additional increases to be effective April 1, 2010.

Water services are provided by the City's component unit, Auburn Water Works Board. The Water Board's philosophy has been to levy small, frequent water service fee increases, to minimize the effect of rate increases on their customers. The Water Board implemented a 5% increase in the basic water service rates effective October 1, 2007. The previous water rate increase was effective October 1, 2005. The Water Board also levies system access fees, to provide funding for system expansion. The Board first imposed system access fees in 1996 and approved an increase in residential-sized meters effective April 1, 2005. No increase in access fees was levied in fiscal 2008. The Water Board recently authorized a water rate study that is expected to be completed in fiscal 2009. The study will address water service charges and water access fees.

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, 2008

	Primary Government			Component Units
	Governmental Activities	Business- type	Total	
	\$	\$	\$	\$
ASSETS				
Current assets:				
Cash and cash equivalents	18,222,069	1,111,535	19,333,604	19,454,400
Certificates of deposit	10,190,000	-	10,190,000	56,437
Receivables, net	8,138,486	1,103,118	9,241,604	1,608,906
Due from component units	921,266	-	921,266	-
Internal balances	730,750	(730,750)	-	-
Inventories	18,703	15,331	34,034	273,868
Current portion of mortgages and notes receivable	425,462	-	425,462	839,934
Current portion of net investment in capital leases	-	-	-	3,234,869
Property tax receivable	-	-	-	3,851,929
Due from other governments	-	-	-	761,098
Due from primary government	-	-	-	25,787
Other current assets	113,867	8,312	122,179	41,981
Total current assets	<u>38,760,603</u>	<u>1,507,546</u>	<u>40,268,149</u>	<u>30,149,209</u>
Noncurrent assets:				
Restricted Assets				
Cash and cash equivalents	72	-	72	4,961,521
Investments	-	-	-	11,556
Accrued interest receivable	-	-	-	2,213
Mortgages and notes receivable, net of current portion	1,063,272	-	1,063,272	940,551
Advances to component units	3,710,091	-	3,710,091	-
Advances to other agencies	381,526	-	381,526	-
Property for resale	4,131,127	-	4,131,127	10,200,603
Bond issue costs, net	606,137	291,190	897,327	973,646
Deferred water rights, net	-	-	-	790,792
Capital assets not being depreciated	14,510,240	7,537,224	22,047,464	26,272,717
Capital assets net of accumulated depreciation	96,710,172	50,981,307	147,691,479	151,946,496
Total noncurrent assets	<u>121,112,637</u>	<u>58,809,721</u>	<u>179,922,358</u>	<u>196,100,095</u>
Total assets	<u>159,873,240</u>	<u>60,317,267</u>	<u>220,190,507</u>	<u>226,249,304</u>
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	32,561
Current portion of long-term debt	-	-	-	572,650
Accrued interest payable	-	-	-	263,595
Accounts payable and other accrued liabilities	2,329,424	1,057,137	3,386,561	5,676,945
Due to component units	20,555	5,232	25,787	-
Accrued interest payable	786,573	453,421	1,239,994	-
Salaries and benefits payable	401,122	-	401,122	4,334,733
Claims payable	114,796	-	114,796	-
Customer deposits	209,272	524,524	733,796	654,164
Unearned revenue	289,073	-	289,073	3,869,458
Current portion of long-term debt unrest	8,320,517	12,598,737	20,919,254	560,000
Short term notes payable	-	-	-	5,253,716
Due to primary government	-	-	-	921,266
Current portion water supply agreement payable	-	-	-	220,147
Total current liabilities	<u>12,471,332</u>	<u>14,639,051</u>	<u>27,110,383</u>	<u>22,359,235</u>
Noncurrent liabilities:				
Advances from primary government	-	-	-	3,710,091
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	-	-	402,754
Long-term debt and other liabilities	119,488,862	21,497,244	140,986,106	56,318,734
Total noncurrent liabilities	<u>119,488,862</u>	<u>21,497,244</u>	<u>140,986,106</u>	<u>60,431,579</u>
Total liabilities	<u>131,960,194</u>	<u>36,136,295</u>	<u>168,096,489</u>	<u>82,790,814</u>
NET ASSETS				
Invested in capital assets, net of related debt	48,943,891	24,755,968	73,699,859	127,304,359
Restricted for :				
Capital projects	1,956,144	-	1,956,144	3,610,788
Debt service	3,163,736	-	3,163,736	2,805,692
Federal and state grants	679,879	-	679,879	-
Restricted for other projects	-	-	-	318,354
Special revenues (gas tax and road projects)	134,793	-	134,793	-
Special revenues (ad valorem tax for schools)	3,605,853	-	3,605,853	-
Special revenues (public safety)	101,970	-	101,970	-
Unrestricted (deficit)	(30,673,220)	(574,995)	(31,248,215)	9,419,297
Total net assets	<u>27,913,046</u>	<u>24,180,973</u>	<u>52,094,019</u>	<u>143,458,490</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, 2008**

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	6,174,239	9,203,949	945,079	-	3,974,789	-	3,974,789	
Public works	7,078,353	-	241,533	13,669,880	6,833,060	-	6,833,060	
Environmental services	4,604,401	2,789,426	-	-	(1,814,975)	-	(1,814,975)	
Public safety	15,143,318	3,144,717	59,626	439,200	(11,499,775)	-	(11,499,775)	
Library	1,550,700	32,435	40,457	-	(1,477,808)	-	(1,477,808)	
Parks and recreation	5,287,171	670,682	15,000	275,613	(4,325,876)	-	(4,325,876)	
Planning	648,516	43,379	-	-	(605,137)	-	(605,137)	
Social and economic development	10,794,553	-	810,736	255,011	(9,728,806)	-	(9,728,806)	
Human resources	584,270	-	-	-	(584,270)	-	(584,270)	
Risk management	768,281	415,381	-	-	(352,900)	-	(352,900)	
Education (payments to Board of Education)	11,995,523	-	-	-	(11,995,523)	-	(11,995,523)	
Interest on long-term debt	5,954,377	-	-	-	(5,954,377)	-	(5,954,377)	
Total governmental activities	<u>70,583,702</u>	<u>16,299,969</u>	<u>2,112,431</u>	<u>14,639,704</u>	<u>(37,531,598)</u>	<u>-</u>	<u>(37,531,598)</u>	
Business-type Activities:								
Sewer Fund	6,903,856	6,486,904	-	610,781	-	193,829	193,829	
Total primary government	<u>77,487,558</u>	<u>22,786,873</u>	<u>2,112,431</u>	<u>15,250,485</u>	<u>(37,531,598)</u>	<u>193,829</u>	<u>(37,337,769)</u>	
Component units:								
Board of Education	60,504,063	4,188,142	32,535,628	3,106,826	-	-	-	(20,673,467)
Water Works Board	8,567,611	6,934,174	-	1,113,140	-	-	-	(520,297)
Industrial Development Board	4,799,859	2,659,657	6,080,416	8,456,103	-	-	-	12,396,317
Public Park & Recreation Board	483,356	68,436	-	58,164	-	-	-	(356,756)
Commercial Development Authority	1,806,973	-	1,805,170	-	-	-	-	(1,803)
Total Component Units	<u>76,161,862</u>	<u>13,850,409</u>	<u>40,421,214</u>	<u>12,734,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,156,006)</u>
General revenues								
Taxes:								
Sales taxes					21,044,830	-	21,044,830	4,224,030
Occupational license fees					8,174,202	-	8,174,202	-
Property taxes					16,953,172	-	16,953,172	9,137,907
Motor fuel taxes					502,460	-	502,460	-
Lodgings taxes					1,425,637	-	1,425,637	-
Rental and leasing taxes					538,541	-	538,541	-
Cigarette taxes					84,663	-	84,663	-
Alcoholic beverage taxes					83,521	-	83,521	484,214
Other taxes					-	-	-	53,030
Appropriations from the City of Auburn					-	-	-	6,795,523
Federal and state aid not restricted					-	-	-	2,927
Interest and investment earnings					1,255,843	43,263	1,299,106	1,231,489
Gain on disposal of assets					31,509	22,625	54,134	25,190
Miscellaneous					30,927	504	31,431	851,449
Special items - certain receivable transactions					1,727,516	-	1,727,516	-
Transfers					106,111	(106,111)	-	-
Total general revenues, special items, and transfers					<u>51,958,932</u>	<u>(39,719)</u>	<u>51,919,213</u>	<u>22,805,759</u>
Change in net assets					14,427,334	154,110	14,581,444	13,649,753
Net assets - beginning					13,686,099	24,026,862	37,712,961	129,808,737
Prior period adjustment					(200,386)	-	(200,386)	-
Net assets - beginning, as restated					<u>13,485,713</u>	<u>24,026,862</u>	<u>37,512,575</u>	<u>129,808,737</u>
Net assets - ending					<u>27,913,047</u>	<u>24,180,972</u>	<u>52,094,019</u>	<u>143,458,490</u>

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

**CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	General Fund	Special Additional School Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets	\$	\$	\$	\$
Cash and cash equivalents	16,076,719	3,537,190	8,798,232	28,412,141
Receivables, net	7,638,888	65,959	408,833	8,113,680
Due from other funds	744,836	-	-	744,836
Due from component units	921,266	-	-	921,266
Inventories	18,703	-	-	18,703
Prepaid items	19,422	-	-	19,422
Mortgages receivable	-	-	1,488,734	1,488,734
Advances to component units	3,710,091	-	-	3,710,091
Advances to other agencies	381,526	-	-	381,526
Property for resale	4,131,127	-	-	4,131,127
Total assets	<u>33,642,578</u>	<u>3,603,149</u>	<u>10,695,799</u>	<u>47,941,526</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	2,156,762	-	705,202	2,861,964
Due to component units	391	-	20,164	20,555
Customer deposits	126,566	-	-	126,566
Claims payable	114,796	-	-	114,796
Due to other funds	-	-	14,086	14,086
Deferred revenue	2,394,130	-	-	2,394,130
Deferred program revenue	-	-	1,488,783	1,488,783
Total liabilities	<u>4,792,645</u>	<u>-</u>	<u>2,228,235</u>	<u>7,020,880</u>
Fund balances:				
Reserved:				
Inventories	18,703	-	-	18,703
Prepaid Expenses	19,422	-	-	19,422
Encumbrances	4,706,795	-	2,166,922	6,873,717
Advances	4,091,617	-	-	4,091,617
Property for resale	4,131,127	-	-	4,131,127
Unreserved:				
Designated for emergency purposes	4,620,075	-	-	4,620,075
Undesignated	11,262,194	-	-	11,262,194
Unreserved, reported in nonmajor funds:				
Special revenue funds	-	3,603,149	1,469,821	5,072,970
Debt service funds	-	-	3,163,736	3,163,736
Capital projects funds	-	-	1,667,086	1,667,086
Total fund balances	<u>28,849,933</u>	<u>3,603,149</u>	<u>8,467,565</u>	<u>40,920,647</u>
Total liabilities and fund balances	<u>33,642,578</u>	<u>3,603,149</u>	<u>10,695,800</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	111,220,412
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(127,203,242)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,593,840
Prepaid items accounted for using the purchases method are not reported in the funds.	94,445
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(713,055)
Net assets of governmental activities	<u>27,913,047</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Special Additional School Tax Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
Revenues				
Sales and use taxes	21,044,830	-	-	21,044,830
Occupational license fees	8,174,202	-	-	8,174,202
Motor fuel taxes	248,483	-	248,483	496,966
Lodging taxes	1,425,637	-	-	1,425,637
Rental and leasing taxes	538,541	-	-	538,541
Other taxes	168,183	-	-	168,183
Licenses and permits	8,266,168	-	-	8,266,168
General property tax	3,586,577	7,096,294	6,270,301	16,953,172
Charges for services	7,440,776	-	-	7,440,776
Fines and forfeitures	1,267,362	-	-	1,267,362
State shared taxes	936,059	-	242,707	1,178,766
Contributions from the public	589,509	-	16,635	606,144
Grants	450,412	-	1,248,715	1,699,127
Program income	-	-	350,544	350,544
Interest	668,867	117,985	453,325	1,240,177
Miscellaneous	117,085	-	59	117,144
Total revenues	<u>54,922,691</u>	<u>7,214,279</u>	<u>8,830,769</u>	<u>70,967,739</u>
Expenditures				
General government and administration	4,017,923	-	-	4,017,923
Public works	2,981,356	-	-	2,981,356
Environmental services	4,298,499	-	-	4,298,499
Public safety	14,358,551	-	7,983	14,366,534
Library	1,396,074	-	20,599	1,416,673
Parks and recreation	4,575,572	-	-	4,575,572
Planning	643,259	-	-	643,259
Economic development	895,655	-	778,937	1,674,592
Employee services	550,107	-	-	550,107
Risk management	941,221	-	-	941,221
Total departmental	<u>34,658,217</u>	<u>-</u>	<u>807,519</u>	<u>35,465,736</u>
Non-Departmental	1,739,850	258,547	215,135	2,213,532
Debt service:				
Administrative charges	1,428	-	20,025	21,453
Interest	2,069,214	-	3,951,785	6,020,999
Principal retirement	25,685,477	-	2,669,154	28,354,631
Capital outlay	4,281,487	-	2,658,374	6,939,861
Intergovernmental	1,410,281	-	1,105,062	2,515,343
Payments to component units	10,362,589	-	9,576,685	19,939,274
Total expenditures	<u>80,208,543</u>	<u>258,547</u>	<u>21,003,739</u>	<u>101,470,829</u>
Excess (deficiency) of revenues over expenditures	<u>(25,285,852)</u>	<u>6,955,732</u>	<u>(12,172,970)</u>	<u>(30,503,090)</u>
Other financing sources (uses)				
Debt issuance	13,927,516	-	-	13,927,516
Refunding bonds	11,268,100	-	-	11,268,100
Sale of surplus assets	50,134	-	-	50,134
Transfers in	753,306	-	6,207,123	6,960,429
Transfers out	(1,050)	(6,050,000)	(793,699)	(6,844,749)
Total other financing sources (uses)	<u>25,998,006</u>	<u>(6,050,000)</u>	<u>5,413,424</u>	<u>25,361,430</u>
Net changes in fund balances	712,154	905,732	(6,759,546)	(5,141,660)
Fund balances, beginning of year	<u>28,137,779</u>	<u>2,697,417</u>	<u>15,227,109</u>	<u>46,062,305</u>
Fund balances, end of year	<u><u>28,849,933</u></u>	<u><u>3,603,149</u></u>	<u><u>8,467,563</u></u>	<u><u>40,920,645</u></u>

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

CITY OF AUBURN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

Net change in fund balances - total governmental funds	\$ (5,141,660)
<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>	
	2,546,457
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to (increase) decrease net assets.</p>	
	12,960,592
<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>	
	3,159,017
<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>	
	(74,508)
<p>Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	15,665
<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>961,770</u>
Change in net assets - statement of activities	<u>\$ 14,427,333</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
Revenues	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
				<u>\$</u>
Sales and use taxes	21,565,000	21,483,050	21,044,830	(438,220)
Occupational license fees	7,679,200	7,862,795	8,174,202	311,407
Motor fuel taxes	200,000	250,000	248,483	(1,517)
Lodging taxes	1,201,000	1,235,000	1,425,637	190,637
Rental and leasing taxes	510,000	548,568	538,541	(10,027)
Other taxes	117,000	167,000	168,183	1,183
Licenses and permits	8,401,350	8,273,798	8,266,168	(7,630)
General property tax	3,030,000	3,386,942	3,586,577	199,635
Charges for services	6,675,312	7,019,431	7,440,776	421,345
Fines and forfeitures	1,018,600	1,140,000	1,267,362	127,362
State shared taxes	670,300	667,985	936,059	268,074
Contributions from the public	277,614	349,865	589,509	239,644
Grants	910,000	465,000	450,412	(14,588)
Interest	720,000	691,000	668,867	(22,133)
Miscellaneous	59,150	110,939	117,085	6,146
Total revenues	<u>53,034,526</u>	<u>53,651,373</u>	<u>54,922,691</u>	<u>1,271,318</u>
Expenditures				
General government and administration	4,305,784	4,362,552	4,017,923	344,629
Public works	3,074,295	3,086,537	2,981,356	105,181
Environmental services	4,293,395	4,378,182	4,298,499	79,683
Public safety	14,298,285	15,023,347	14,358,551	664,796
Library	1,400,795	1,467,064	1,396,074	70,990
Parks and recreation	4,626,231	4,891,441	4,575,572	315,869
Planning	685,969	685,969	643,259	42,710
Economic development	933,670	916,329	895,655	20,674
Employee services	574,586	574,586	550,107	24,479
Risk management	1,596,807	1,594,102	941,221	652,881
Total departmental	<u>35,789,817</u>	<u>36,980,109</u>	<u>34,658,217</u>	<u>2,321,892</u>
Non-departmental	1,276,746	1,480,526	1,739,850	(259,324)
Debt service:				
Administrative charges	10,000	11,250	1,428	9,822
Interest	1,876,786	2,057,319	2,069,214	(11,895)
Principal retirement	12,695,729	25,544,604	25,685,477	(140,873)
Capital outlay	2,118,196	4,813,976	4,281,487	532,489
Intergovernmental	1,418,681	1,478,681	1,410,281	68,400
Payments to component units	8,735,523	10,540,693	10,362,589	178,104
Total expenditures	<u>63,921,478</u>	<u>82,907,158</u>	<u>80,208,543</u>	<u>2,698,615</u>
Excess (deficiency) of revenues over expenditures	<u>(10,886,952)</u>	<u>(29,255,785)</u>	<u>(25,285,852)</u>	<u>3,969,933</u>
Other financing sources (uses)				
Debt issuance	8,800,000	23,468,100	25,195,616	1,727,516
Sale of surplus assets	20,000	35,000	50,134	15,134
Transfers in	498,250	590,028	753,306	163,278
Transfers out	-	(63,368)	(1,050)	62,318
Total other financing sources (uses)	<u>9,318,250</u>	<u>24,029,760</u>	<u>25,998,006</u>	<u>1,968,246</u>
Net change in fund balances	(1,568,702)	(5,226,025)	712,154	5,938,179
Fund balances, beginning of year	<u>28,137,779</u>	<u>28,137,779</u>	<u>28,137,779</u>	<u>-</u>
Fund balances, end of year	<u>26,569,077</u>	<u>22,911,754</u>	<u>28,849,933</u>	<u>5,938,179</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	6,447,000	6,780,000	7,096,294	316,294
Interest	150,000	125,000	117,985	(7,015)
Total revenues	6,597,000	6,905,000	7,214,279	309,279
Expenditures				
Non-Departmental	255,000	255,000	258,547	(3,547)
Excess (deficiency) of revenues over expenditures	6,342,000	6,650,000	6,955,732	305,732
Other financing sources (uses)				
Transfers out	(6,050,000)	(6,050,000)	(6,050,000)	-
Net changes in fund balances	292,000	600,000	905,732	305,732
Fund balances, beginning of year	2,697,417	2,697,417	2,697,417	-
Fund balances, end of year	2,989,417	3,297,417	3,603,149	305,732

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, 2008**

	Major Fund <hr/> Sewer Revenue Fund <hr/>
Assets	\$
Current assets	
Cash and cash equivalents	1,111,535
Receivables, net	1,103,118
Other current assets	23,643
Total current assets	<hr/> 2,238,296 <hr/>
Noncurrent assets	
Bond issue costs, net	291,190
Capital assets not being depreciated	7,537,224
Capital assets net of accumulated depreciation	50,981,307
Total noncurrent assets	<hr/> 58,809,721 <hr/>
 Total assets	 <hr/> 61,048,017 <hr/>
 Liabilities	
Current liabilities:	
Accounts payable	1,057,137
Due to component units	5,232
Due to other funds	730,750
Accrued interest payable	453,421
Customer deposits	524,524
Current portion of long-term debt	495,000
Total current liabilities	<hr/> 3,266,064 <hr/>
Noncurrent liabilities:	
Long-term debt and other liabilities	33,600,981
Total liabilities	<hr/> 36,867,045 <hr/>
 Net assets	
Invested in capital assets, net of related debt	24,755,968
Unrestricted (deficit)	(574,995)
Total net assets	<hr/> <hr/> 24,180,973 <hr/> <hr/>

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, 2008

	Major Fund
	Sewer
	Revenue
	Fund
Operating revenues	\$
Sewer service charges	6,482,434
Sewer tapping fees	4,470
Miscellaneous	504
Total operating revenues	6,487,408
Operating expenses	
Salaries and wages	925,338
Employee benefits	213,788
Repairs and maintenance	34,245
Utilities	573,455
Professional services	461,465
Rentals and leasing	70,000
Insurance	9,974
Office supplies	8,691
Fuels and lubricants	42,121
Agricultural and chemical supplies	48,193
Minor equipment and tools	59,115
Repair parts and materials	65,922
Clothing and linens	9,587
Sewer service fees	126,000
Management fees	1,795,019
Depreciation/amortization	1,203,495
Travel and training	20,259
Miscellaneous	260
Total operating expenses	5,666,927
Operating Income	820,481
Nonoperating revenues (expenses)	
Interest earned	43,263
Interest and fiscal charges	(1,236,928)
Gain on disposal of capital assets	22,625
Total nonoperating revenues (expenses)	(1,171,040)
Loss before transfers and capital contributions	(350,559)
Grants	15,000
Transfers out	(106,111)
Capital contributions from developers	595,781
Change in net assets	154,111
Net assets, beginning of year	24,026,862
Net assets, end of year	24,180,973

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, 2008**

	Major Fund
	Sewer Revenue Fund
Cash flows from operating activities	\$
Cash collected from customers	6,413,401
Other cash collected	504
Customer deposits collected	33,091
Payments to suppliers for goods and services	(3,078,896)
Payments to employees for services	(1,124,361)
Net cash provided by operating activities (A)	2,243,739
Cash flows from noncapital financing activities	
Payments of transfers out	(106,111)
Cash flows from capital and related financing activities	
Principal repayments on borrowing	(475,000)
Proceeds from borrowing	6,431,947
Proceeds from borrowing from other funds	730,750
Proceeds from sale of assets	23,461
Acquisition and construction of capital assets	(8,823,321)
Grants	15,000
Payments to developers	(7,000)
Interest and fiscal fees paid	(1,282,644)
Net cash consumed by capital and related financing activities	(3,386,807)
Cash flows from investing activities	
Interest on investments	43,263
Net decrease in cash	(1,205,917)
Cash and cash equivalents, beginning of year	2,317,451
Cash and cash equivalents, end of year	1,111,534
Reconciliation of operating income to net cash provided by operating activities (A):	
Operating income	820,481
Add: Depreciation	1,203,495
Increase in customer deposits	33,091
Increase in accounts payable	253,278
Increase in accrued leave	5,195
Decrease in other current assets	1,702
Deduct: Increase in customer receivables	(73,503)
Net cash provided by operating activities	2,243,739
Noncash transactions:	
Estimated cost of sewer lines installed by and contributed to the City by developers	602,781

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, 2008**

	Youth Athletic Associations' Private-Purpose Trust Fund
Assets	\$
Current assets:	
Cash and cash equivalents	171,420
Certificates of deposit	34,296
Total assets	205,716
 Net Assets	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	97,748
Auburn Soccer Organization	92,745
Auburn Youth Football	10,086
Auburn Community Tennis Association	5,137
Total net assets	205,716

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, 2008

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
Additions	
Program revenues:	
Baseball/Softball	235,085
Soccer	272,695
Football	41,664
Tennis	6,592
Total program revenues	556,036
Investment earnings:	
Baseball/Softball interest	1,460
Soccer interest	103
Total investment earnings	1,563
Total additions	557,599
Deductions	
Program expenses:	
Baseball/Softball	219,156
Soccer	264,138
Football	45,736
Tennis	4,331
Total deductions	533,361
Change in net assets	24,238
Net assets-- beginning of the year	181,478
Net assets -- end of the year	205,716

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, 2008

ASSETS	Major Component Units				Total
	Board of Education	Water Works Board	Industrial Development Board	Nonmajor Component Units	
	\$	\$	\$	\$	\$
Current assets:					
Cash and cash equivalents	14,047,334	3,319,607	2,087,291	168	19,454,400
Certificates of deposit	-	-	56,437	-	56,437
Receivables, net	210,245	1,323,983	74,678	-	1,608,906
Inventories	122,282	151,586	-	-	273,868
Current portion of mortgages and notes receivable	-	-	839,934	-	839,934
Current portion of net investment in capital leases	-	-	3,234,869	-	3,234,869
Property tax receivable	3,851,929	-	-	-	3,851,929
Due from other governments	761,098	-	-	-	761,098
Due from primary government	-	5,623	20,164	-	25,787
Other current assets	-	41,981	-	-	41,981
Total current assets	18,992,888	4,842,780	6,313,373	168	30,149,209
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	-	4,897,498	64,023	-	4,961,521
Investments	-	-	11,556	-	11,556
Accrued interest receivable	-	2,213	-	-	2,213
Mortgages and notes receivable, net of current portion	-	-	940,551	-	940,551
Property for resale	-	-	10,200,603	-	10,200,603
Bond issue costs, net	-	381,105	592,541	-	973,646
Deferred water rights, net	-	790,792	-	-	790,792
Capital assets not being depreciated	8,459,095	2,159,569	15,654,053	-	26,272,717
Capital assets, net of accumulated depreciation	62,906,732	47,299,660	34,938,215	6,801,889	151,946,496
Total noncurrent assets	71,365,827	55,530,837	62,401,542	6,801,889	196,100,095
Total assets	90,358,715	60,373,617	68,714,915	6,802,057	226,249,304
LIABILITIES					
Current liabilities:					
Liabilities payable from restricted assets:					
Accounts payable	-	32,561	-	-	32,561
Current portion of long-term debt	-	572,650	-	-	572,650
Accrued interest payable	-	143,071	120,524	-	263,595
Accounts payable and other accrued liabilities	776,915	2,598,322	2,276,664	25,044	5,676,945
Salaries and benefits payable	4,240,124	94,609	-	-	4,334,733
Customer deposits	-	654,164	-	-	654,164
Deferred revenue	3,856,828	-	12,630	-	3,869,458
Current maturities of bonds payable	-	-	560,000	-	560,000
Current maturities of notes payable	-	-	5,253,716	-	5,253,716
Due to primary government	-	196,753	-	724,513	921,266
Current portion of water supply agreement payable	-	220,147	-	-	220,147
Total current liabilities	8,873,867	4,512,277	8,223,534	749,557	22,359,235
Noncurrent liabilities:					
Advances from primary government	-	-	3,710,091	-	3,710,091
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	402,754	-	-	402,754
Long-term debt and other liabilities	-	17,447,052	38,871,682	-	56,318,734
Total noncurrent liabilities	-	17,849,806	42,581,773	-	60,431,579
Total liabilities	8,873,867	22,362,083	50,805,307	749,557	82,790,814
NET ASSETS					
Invested in capital assets, net of related debt	71,365,827	32,060,639	17,076,004	6,801,889	127,304,359
Restricted for:					
Debt service	-	2,730,113	75,579	-	2,805,692
Capital projects	1,443,403	2,167,385	-	-	3,610,788
Other projects	318,354	-	-	-	318,354
Unrestricted (deficit)	8,357,264	1,053,397	758,025	(749,389)	9,419,297
Total net assets	81,484,848	38,011,534	17,909,608	6,052,500	143,458,490

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 2008

	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	36,104,093	971,944	22,954,850	1,878,536	(10,298,763)	-	(10,298,763)
Instructional support	11,153,543	288,277	6,234,420	2,207	(4,628,639)	-	(4,628,639)
Operation and maintenance	4,684,543	61,919	1,233,996	856,662	(2,531,966)	-	(2,531,966)
Auxiliary services							
Student transportation services	2,202,719	65,295	1,703,712	354,067	(79,645)	-	(79,645)
Food services	3,038,383	2,146,197	145,018	14,618	(732,550)	-	(732,550)
General administrative services	2,285,278	1,403	169,913	736	(2,113,226)	-	(2,113,226)
Other	1,035,504	653,107	93,719	-	(288,678)	-	(288,678)
Total governmental activities	60,504,063	4,188,142	32,535,628	3,106,826	(20,673,467)	-	(20,673,467)
Business-type activities:							
Business-type component units	15,657,799	9,662,267	7,885,586	9,627,407	-	11,517,461	11,517,461
Total component units	<u>76,161,862</u>	<u>13,850,409</u>	<u>40,421,214</u>	<u>12,734,233</u>	<u>(20,673,467)</u>	<u>11,517,461</u>	<u>(9,156,006)</u>
General revenues:							
Taxes:							
Sales taxes					4,224,030	-	4,224,030
Property taxes					9,137,907	-	9,137,907
Alcoholic beverage taxes					484,214	-	484,214
Other taxes					53,030	-	53,030
Unrestricted appropriations from the City of Auburn					6,795,523	-	6,795,523
Federal/state aid not restricted					2,927	-	2,927
Interest and investment earnings					746,412	485,077	1,231,489
Gain on disposal of assets					-	25,190	25,190
Miscellaneous					572,311	279,138	851,449
Total general revenues, special items, and transfers					<u>22,016,354</u>	<u>789,405</u>	<u>22,805,759</u>
Change in net assets					1,342,887	12,306,866	13,649,753
Net assets--beginning of year					<u>80,141,961</u>	<u>49,666,776</u>	<u>129,808,737</u>
Net assets--end of year					<u>81,484,848</u>	<u>61,973,642</u>	<u>143,458,490</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 2008

	Major Business-type Component Units			Total
	Water Works Board	Industrial Development Board	Nonmajor Business-type Component Units	
	\$	\$	\$	
Operating revenues				
Lease income	-	2,510,782	-	2,510,782
Water sales and service	6,934,174	-	-	6,934,174
Sale of property	-	148,875	-	148,875
Tennis center revenue	-	-	68,436	68,436
Miscellaneous	178,174	50,710	50,254	279,138
Total operating revenues	<u>7,112,348</u>	<u>2,710,367</u>	<u>118,690</u>	<u>9,941,405</u>
Operating expenses				
Water pumping and purification expense	2,365,210	-	-	2,365,210
Water distribution expense	913,266	-	-	913,266
Meter reading expense	227,527	-	-	227,527
Billing and collections expense	557,697	-	-	557,697
Operations administration expense	231,187	-	-	231,187
Revenue administration expense	94,375	-	-	94,375
General operations expense	1,518,905	-	-	1,518,905
Cost of property sold	-	40,761	-	40,761
Salaries and wages	-	-	54,578	54,578
Employee benefits	-	-	6,495	6,495
Repairs and maintenance	-	106,886	8,552	115,438
Advertising	-	17,445	268	17,713
Utilities	-	89,955	109,460	199,415
Administrative costs and fees	-	-	186	186
Professional services	-	252,137	7,316	259,453
Office supplies	-	14,889	-	14,889
Recreational supplies	-	-	14,500	14,500
Depreciation/amortization	1,756,074	801,576	285,814	2,843,464
Industrial recruitment	-	198,786	-	198,786
Industrial incentives granted	-	681,293	-	681,293
Commercial incentives granted	-	-	1,800,000	1,800,000
Travel and training	-	10,070	-	10,070
Special events	-	53,656	-	53,656
Workforce development	-	29,145	-	29,145
Miscellaneous	-	3,863	3,161	7,024
Total operating expenses	<u>7,664,241</u>	<u>2,300,462</u>	<u>2,290,330</u>	<u>12,255,033</u>
Operating income (loss)	<u>(551,893)</u>	<u>409,905</u>	<u>(2,171,640)</u>	<u>(2,313,628)</u>
Non-operating revenues (expenses)				
Interest and investment earnings	225,563	259,514	-	485,077
Appropriations from the City of Auburn	-	6,080,416	1,805,170	7,885,586
Interest and fiscal charges	(903,371)	(2,499,397)	-	(3,402,768)
Gain/loss on disposal of assets	25,190	-	-	25,190
Total non-operating revenues (expenses)	<u>(652,618)</u>	<u>3,840,533</u>	<u>1,805,170</u>	<u>4,993,085</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	<u>(1,204,511)</u>	<u>4,250,438</u>	<u>(366,470)</u>	<u>2,679,457</u>
Capital contributions				
From the City of Auburn	-	-	58,164	58,164
From other agencies	-	8,456,103	-	8,456,103
From developers	465,465	-	-	465,465
From access fees	647,675	-	-	647,675
Total capital contributions	<u>1,113,140</u>	<u>8,456,103</u>	<u>58,164</u>	<u>9,627,407</u>
Change in net assets	(91,371)	12,706,541	(308,306)	12,306,864
Net assets--beginning of year	<u>38,102,904</u>	<u>5,203,067</u>	<u>6,360,805</u>	<u>49,666,776</u>
Net assets--end of year	<u>38,011,533</u>	<u>17,909,608</u>	<u>6,052,499</u>	<u>61,973,640</u>

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



City of Auburn

City of Auburn, Alabama
Guide to Notes to the Financial Statements
September 30, 2008

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CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

BLENDED COMPONENT UNITS

City of Auburn Public Library Board

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

DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the government-wide financial statements include the financial data of 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

City of Auburn Public Park and Recreation Board

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

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

Commercial Development Authority of the City of Auburn

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

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

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

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RELATED ORGANIZATIONS

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

City of Auburn Housing Authority

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

JOINT VENTURE

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

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July, 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2008, the City's remaining net investment in the Indian Pines Golf Course is \$503,300.

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

Indian Pines Recreation Authority

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2008, is as follows:

Total assets (net of accumulated depreciation on Capital assets)	\$ 1,874,005
Total liabilities	514,027
Total net assets	<u>\$ 1,359,978</u>
Total revenues	\$ 1,142,102
Total expenses	(1,081,960)
Other revenues	6,419
Other expenses	(20,618)
Extraordinary gain	7,762
Net increase in net assets	<u>\$ 53,705</u>

The Authority had a note payable to the City with a balance of \$381,525 as of September 30, 2008. All other liabilities were current liabilities consisting of accounts payable, accrued payroll and payroll taxes, and deferred revenue and other accrued liabilities totaling \$132,502. The note has been included in the City's financial statements as an advance to other agency.

Lee-Russell Council of Governments

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

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

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

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

East Alabama Regional Solid Waste Disposal Authority

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

East Alabama Mental Health - Mental Retardation Board

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

Lee County Youth Development Center

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

East Alabama Medical Center

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FIDUCIARY FUNDS

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

MAJOR FUNDS

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

The City reports the following major governmental funds:

The General Fund (See note above).

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following other fund type:

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

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

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

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

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

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

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

D. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$127,203,242 difference are as follows:

Bonds and warrants payable	\$ 124,476,443
Less: Deferred amount on refunding	(108,503)
Less: Deferred charge for issuance costs	(606,137)
Add: Issuance premium	1,056,678
Compensated absences	1,880,344
Claims and judgments	315,417
Landfill closure and post-closure care	<u>189,000</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u><u>\$ 127,203,242</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$2,546,457 difference are as follows:

Capital outlay	\$ 7,064,288
Depreciation expense	<u>(4,517,831)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u><u>\$ 2,546,457</u></u>

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to (increase) decrease net assets." The details of this \$12,960,592 difference are as follows on the following page:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Donations from outside parties	\$ 13,113,403
--------------------------------	---------------

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	(18,624)
Miscellaneous reclass of non-capital item	<u>(134,187)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 12,960,592</u></u>

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 \$3,159,017 difference are as follows:

Debt issued or incurred:	
General obligation warrants	\$ (23,395,616)
Notes payable	(1,800,000)
Principal repayments	<u>28,354,633</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><u>\$ 3,159,017</u></u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$74,508 difference are as follows:

Compensated absences	\$ (183,799)
Accrued interest	28,106
Other long-term liabilities	72,384
Amortization of prepaid expenses	2,957
Amortization of deferred amount on refunding	(15,878)
Amortization of issuance costs	(32,851)
Amortization of bond premiums	<u>54,573</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><u>\$ (74,508)</u></u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

1. The City Manager submits to the City Council a proposed budget (operating and capital) prior to the beginning of each biennial period. The proposed budget is for two one-year periods, each beginning on October 1 and ending on the following September 30.
2. Prior to September 30, the budget is legally enacted through passage of an ordinance. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Annual budgets were legally adopted for the 2008 fiscal year for the General Fund, Seven-Cent State Gasoline Tax Fund, Four-Cent State Gasoline Tax Fund, City Gasoline Tax Fund, Special School Tax Fund, Special Additional School Tax Fund, Public Safety Substance Abuse Fund, and all Debt Service Funds.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for his department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
7. All budgetary appropriations expire at fiscal year-end. Encumbrances of departments that did not exceed their departmental budgets may be added to the subsequent year's appropriations at the time of the mid-biennium budget review, if the City Manager so recommends and if the Council approves.
8. Excess of expenditures over appropriations: In the General Fund, non-departmental expenditures of \$1,739,850 exceeded appropriations of \$1,480,526; debt service interest of \$2,069,214 exceeded appropriations of \$2,057,319; and debt service principal retirement of \$25,685,477 exceeded appropriations of \$25,544,604.

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

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

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

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

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

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

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

State statutes authorize the City and its component units to invest in any type of security which is backed by the federal or state government. The City of Auburn has invested in interest-bearing demand deposits and certificates of deposit. The Board of Education usually only invests in certificates of deposit and interest-bearing demand deposits. 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 (see Note 4).

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- H. **Restricted Assets** - Certain debt proceeds of the City's enterprise funds and component units, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.
- I. **Accounts Receivable** – Revenues receivable are reflected net of an allowance for doubtful accounts. For the General Fund, the Sewer Fund and the Water Works Board component unit, the amount of the allowance is equal to accounts receivable in excess of 60 days past due.
- J. **Inventories** - Inventories of the City of Auburn primary government are valued at first-in, first-out cost and consist of gasoline, parts, and supplies held for consumption. The amount of such inventories is recorded as an asset in the General Fund, and the cost of inventories is recorded as an expenditure at the time used. In the Governmental Fund Financial Statements, the General Fund fund balance is reserved to indicate that assets equal to 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.

- 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.

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

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

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

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

COMPONENT UNITS

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

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 worker's compensation claims, the Board has purchased worker'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, 2008.

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, 2008. 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, 2008. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. Long-Term Obligations

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

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

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

N. Compensated Absences

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

COMPONENT UNITS

Board of Education – Non-tenured certified and support personnel are provided two state days and one local personal leave day per year and tenured personnel are provided two state days and three local personal leave days per year. All personnel may choose to convert personal leave days to sick 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- O. Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees.
- P. Fund Balance** - In the fund financial statements, portions of governmental funds' fund balances are separately identified as reserves; such reservations indicate the amount of the fund's net assets which are not appropriable for expenditure or which are legally segregated for a specific future use.
1. Reserve for encumbrances indicates that a portion of fund balance has been segregated for expenditure upon vendor performance. Amounts reserved for encumbrances represent material commitments for goods and services which were ordered at September 30, 2008, but which had not been received or completed at that date. Encumbrances are not included as expenditures in the governmental funds' operating statements.
 2. Reserve for inventories indicates that the portion of fund balance represented by inventories is not available for appropriation.
 3. Reserve for advances to other funds recognizes that advances to other funds constitute loans to other funds which are not expected to be repaid within one year of the balance sheet date and separately identifies that amount as a portion of fund balance which is not appropriable.
 4. Reserve for debt service indicates the amount of fund balance which is legally segregated for payment of debt service expenditures.
 5. Reserve for property for resale indicates the portion of fund balances that are not available for appropriation until the property is sold.
 6. Reserve for prepaid items indicates the portion of fund balance not available for appropriation because prepaid items do not represent available expendable financial resources.

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

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

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

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

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

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

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

- 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, 2008, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, the Public Park and Recreation Board, and the Commercial Development Authority are held in a certified qualified public depository, and as such, are deemed fully insured.

NOTE 3. CASH AND CASH EQUIVALENTS

Total cash and cash equivalents of the City contain restricted and unrestricted cash (nonpooled) as well as a cash pool that is available for use by all funds of the primary government 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, 2008, is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 5,076,999	\$ 10,784,680	\$ 215,040	\$ 16,076,719
Special Additional School Tax Fund	3,537,190	-	-	3,537,190
Other Governmental Funds	8,798,160	-	72	8,798,232
Total governmental activities	<u>17,412,349</u>	<u>10,784,680</u>	<u>215,112</u>	<u>28,412,141</u>
Business-type activities:				
Sewer Revenue Fund	1,111,535	-	-	1,111,535
Total primary government	<u>18,523,884</u>	<u>10,784,680</u>	<u>215,112</u>	<u>29,523,676</u>
Component Units:				
Board of Education	-	12,474,397	1,572,937	14,047,334
Water Works Board	-	3,319,607	4,897,498	8,217,105
Industrial Development Board	104,619	1,982,672	75,579	2,162,870
Public Park and Recreation Board	-	150	-	150
Commercial Development Authority	-	18	-	18
Total component units	<u>104,619</u>	<u>17,776,844</u>	<u>6,546,014</u>	<u>24,427,477</u>
Total reporting entity	<u>\$ 18,628,503</u>	<u>\$ 28,561,524</u>	<u>\$ 6,761,126</u>	<u>\$ 53,951,153</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 3. CASH AND CASH EQUIVALENTS – CONTINUED

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, 2008, the Board of Education’s restricted cash was comprised of the following, all of which is insured by the SAFE Program:

<u>Restricted Cash</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash	<u>\$ 14,047,334</u>	<u>\$ 14,047,334</u>

Water Works Board

At September 30, 2008, the Water Works Board’s restricted cash and investments were comprised of the following:

<u>Restricted Cash and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>
Cash (insured through SAFE Program)	\$ 2,167,385	\$ 2,167,385	n/a
JP Morgan U.S. Treasury Securities			
Money Market Fund	2,730,113	2,730,113	2011-2032
	<u>\$ 4,897,498</u>	<u>\$ 4,897,498</u>	

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, 2008, the Industrial Development Board’s investments were comprised of the following:

<u>Restricted Cash and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash with fiscal agent (insured)	\$ 11,556	\$ 11,556
Cash (SAFE deposit)	<u>64,023</u>	<u>64,023</u>
Total restricted cash	<u>\$ 75,579</u>	<u>\$ 75,579</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 4. INVESTMENTS - CONTINUED

<u>Unrestricted Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificates of deposit, AuburnBank, 3.5%, maturity date February 24, 2009	\$ <u>56,437</u>	\$ <u>56,437</u>

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

NOTE 5. INTEREST RATE SWAP

COMPONENT UNIT

Industrial Development Board

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

Terms – The swap was executed with Allied Irish Banks, PLC (the counterparty). The swap commenced on August 1, 2006 and matures on July 1, 2022, and the bonds were issued on July 1, 2006 and mature on July 1, 2026. The swap's notional amount of \$5,640,000 matches the \$5,640,000 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, 2008, 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	<u>2.81175%</u>
Net interest rate swap payments		3.05825%
Variable rate bond payments		<u>5.00000%</u>
Synthetic interest rate on bonds		<u><u>8.05825%</u></u>

Fair Value – Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$708,069 as of September 30, 2008. 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, 2008, the Board is not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Board would be exposed to credit risk in the amount of the swap's fair value. To mitigate the potential for credit risk, if the counterparty's credit rating falls below BBB or the equivalent by two of the major rating agencies, the Board will have the option of terminating the agreement, requesting assignment of the agreement to another counterparty, or requiring that the counterparty provide collateral payable to the Board in the event the counterparty defaults under its obligations.

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 5. INTEREST RATE SWAP - CONTINUED

Termination Risk – The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event," 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.

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 Additional School Tax Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Component Units	Total
Receivables:						
Revenues receivable	\$ 6,460,274	\$ 65,959	\$ 80,976	\$ 1,060,394	\$ 1,814,580	\$ 9,482,183
Grants receivable	30,848	-	89,407	-	-	120,255
Receivable from other governmental units	705,922	-	-	-	-	705,922
Special capital improvement projects receivable	1,670,335	-	-	-	-	1,670,335
Other receivables	<u>695,629</u>	<u>-</u>	<u>238,450</u>	<u>42,724</u>	<u>23,442</u>	<u>1,000,245</u>
Gross receivables	9,563,008	65,959	408,833	1,103,118	1,838,022	12,978,940
Less: allowance for uncollectibles	<u>(1,924,120)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(229,115)</u>	<u>(2,153,235)</u>
Net receivables	<u>\$ 7,638,888</u>	<u>\$ 65,959</u>	<u>\$ 408,833</u>	<u>\$ 1,103,118</u>	<u>\$ 1,608,907</u>	<u>\$ 10,825,705</u>

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, 2008 was \$381,526 and is presented in the financial statements as advances to other agencies. Future payments due under the loan are as follows on the following page:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 7. MORTGAGES AND NOTES RECEIVABLE – CONTINUED

Fiscal Year	Principal	Interest	Total
2009	\$ 21,595	\$ 19,516	\$ 41,111
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	30,169	649	30,818
	<u>\$ 381,526</u>	<u>\$ 142,624</u>	<u>\$ 524,150</u>

COMPONENT UNITS

Industrial Development Board

Mortgages and notes receivable consist of the following as of September 30, 2008:

	Balance 10/01/2007	Additions	Reductions	Balance 09/30/2008	Due Within One Year
Mortgages receivable	\$ 202,668	\$ -	\$ (20,346)	\$ 182,322	\$ 20,965
Notes receivable - ARTF	647,367	8,456,102	(7,505,306)	1,598,163	818,969
Total	<u>\$ 850,035</u>	<u>\$ 8,456,102</u>	<u>\$ (7,525,652)</u>	<u>\$ 1,780,485</u>	<u>\$ 839,934</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 owners of the company. The note bears interest at three percent (3.00%) per annum, and matures on July 1, 2016. Interest accrued at 3.00% from July 1, 2006 until July 1, 2007, at which time the \$6,000 accrued interest was added to the principal of the loan and the company began monthly payments to amortize the loan. Future payments due under the loan are as follows on the following page:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 7. MORTGAGES AND NOTES RECEIVABLE – CONTINUED

Fiscal Year	Principal	Interest	Total
2009	\$ 20,965	\$ 5,183	\$ 26,148
2010	21,603	4,545	26,148
2011	22,260	3,888	26,148
2012	22,937	3,211	26,148
2013	23,634	2,514	26,148
2014	24,353	1,795	26,148
2015	25,094	1,054	26,148
2016	21,476	296	21,772
	\$ 182,322	\$ 22,486	\$ 204,808

Notes Receivable – ARTF

In fiscal year 2007, the Board signed various agreements with the Auburn Research and Technology Foundation (ARTF) to provide financing necessary for ARTF to construct a research park in the City of Auburn. 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 non-current 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, 2008 was 4.220%. 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 practicable upon receipt by ARTF. All reimbursements to the Board utilizing funds received under the project agreement are applied entirely to principal advanced under the loan agreement. The total obligations of ARTF under the loan agreement consist of total amounts advanced by the Board, net of any reimbursements from ARTF, plus the interest calculated on each advance.

Upon the earlier of (i) the date on which 90% of the rentable space in the facility becomes occupied by tenants or (ii) two years from the date on which a certificate of occupancy is issued for the facility, the entire obligation becomes due and payable, and no further advances will be made by the Board.

The funds needed to enable the Board to make advances under the loan agreement are obtained from the City of Auburn, and are recorded by the Board as long-term advances payable to the City. Advances from the City to the Board bear interest 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, 2008 was \$779,194, consisting of \$747,138 principal and \$32,056 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, 2008, construction costs totaling \$9,103,660 had been incurred by the Board and interest of \$32,056 had been capitalized in connection with construction.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 7. MORTGAGES AND NOTES RECEIVABLE – CONTINUED

Capital contributions from 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, and \$8,456,103 for fiscal year 2008. The total obligations of ARTF outstanding at year end were \$1,598,163, and \$818,969 of that amount represents the current portion that is expected to be repaid in fiscal year 2009 from funds received under the State project agreement. Total interest charged to ARTF in fiscal year 2008 was \$21,510.

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, 2008:

	<u>Balance</u> 10/1/2007	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Disposals</u>	<u>Balance</u> 9/30/2008
Land	\$ 5,990,917	\$ 3,154	\$ (215,328)	\$ (40,761)	\$ 5,737,982
Improvements in progress	<u>923,147</u>	<u>3,539,475</u>	<u>-</u>	<u>-</u>	<u>4,462,622</u>
Total property for resale	<u>\$ 6,914,064</u>	<u>\$ 3,542,629</u>	<u>\$ (215,328)</u>	<u>\$ (40,761)</u>	<u>\$ 10,200,604</u>

The net reclassification consisted of the following transactions: 1) \$381,014 represents land previously held by the Board for resale that was reclassified to land held for leasing due to execution of an operating lease during fiscal year 2008; 2) during 2008, a lot that was previously held for leasing was subdivided by the Board, and the undeveloped portion was returned to land for resale resulting in an increase of \$165,686.

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, 2008

NOTE 10. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

Capital asset activity for the year ended September 30, 2008, was as follows:

	<u>Balance 10/1/2007</u>	<u>Prior Period Adjustment</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2008</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,138,304	\$ -	\$ 1,646,892	\$ (12,086)	\$ 12,773,110
Construction in progress	<u>3,757,956</u>	<u>-</u>	<u>4,411,236</u>	<u>(6,432,063)</u>	<u>1,737,129</u>
Total capital assets, not being depreciated	<u>14,896,260</u>	<u>-</u>	<u>6,058,128</u>	<u>(6,444,149)</u>	<u>14,510,239</u>
Capital assets, being depreciated:					
Buildings and improvements	32,433,222	-	3,581,002	-	36,014,224
Communication equipment	267,210	-	30,663	-	297,873
Heavy equipment	2,447,424	-	290,025	(6,600)	2,730,849
Office equipment	2,199,075	-	145,372	-	2,344,447
Small tools and equipment	852,535	-	83,782	(6,245)	930,072
Vehicles	8,514,646	-	417,733	(388,782)	8,543,597
Infrastructure	<u>92,646,711</u>	<u>-</u>	<u>15,897,557</u>	<u>(828,903)</u>	<u>107,715,365</u>
Total capital assets, being depreciated	<u>139,360,823</u>	<u>-</u>	<u>20,446,134</u>	<u>(1,230,530)</u>	<u>158,576,427</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,042,449)	-	(791,126)	-	(7,833,575)
Communication equipment	(40,222)	-	(56,239)	-	(96,461)
Heavy equipment	(1,268,356)	-	(222,937)	6,600	(1,484,693)
Office equipment	(1,242,933)	-	(281,776)	-	(1,524,709)
Small tools and equipment	(539,347)	-	(91,349)	6,140	(624,556)
Vehicles	(5,585,076)	-	(836,327)	380,613	(6,040,790)
Infrastructure	<u>(42,624,852)</u>	<u>601,458</u>	<u>(2,238,077)</u>	<u>-</u>	<u>(44,261,471)</u>
Total accumulated depreciation	<u>(58,343,235)</u>	<u>601,458</u>	<u>(4,517,831)</u>	<u>393,353</u>	<u>(61,866,255)</u>
Total capital assets, being depreciated, net	<u>81,017,588</u>	<u>601,458</u>	<u>15,928,303</u>	<u>(837,177)</u>	<u>96,710,172</u>
Governmental activity capital assets, net	<u>\$ 95,913,848</u>	<u>\$ 601,458</u>	<u>\$ 21,986,431</u>	<u>\$ (7,281,326)</u>	<u>\$ 111,220,411</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 10. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2008, was as follows:

	Balance 10/1/2007	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2008
Business-type activities (Sewer Fund):				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	3,977,096	8,777,732	(5,382,230)	7,372,598
Total capital assets, not being depreciated	4,141,722	8,777,732	(5,382,230)	7,537,224
Capital assets, being depreciated:				
Buildings and improvements	10,618,161	-	-	10,618,161
Sewage plants and lines	43,449,502	5,895,890	-	49,345,392
Machinery and equipment	450,067	286,416	-	736,483
Vehicles	612,914	89,622	(81,288)	621,248
Total capital assets, being depreciated	55,130,644	6,271,928	(81,288)	61,321,284
Less accumulated depreciation for:				
Buildings and improvements	(1,339,423)	(214,293)	-	(1,553,716)
Sewage plants and lines	(7,168,991)	(857,386)	-	(8,026,377)
Machinery and equipment	(182,691)	(91,811)	-	(274,502)
Vehicles	(525,830)	(40,005)	80,453	(485,382)
Total accumulated depreciation	(9,216,935)	(1,203,495)	80,453	(10,339,977)
Total capital assets, being depreciated, net	45,913,709	5,068,433	(835)	50,981,307
Business-type activity capital assets, net	\$ 50,055,431	\$ 13,846,165	\$ (5,383,065)	\$ 58,518,531

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, 2008, the City incurred interest costs of \$1,092,850; total interest expense was \$851,521, and interest cost of \$241,329 was capitalized in connection with the cost of construction in progress.

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

Governmental activities:	
General government and administration	\$ 343,080
Economic development	9,595
Employee services	18,516
Public safety	686,088
Public works	2,476,378
Environmental services	271,184
Library	109,528
Parks and recreation	599,506
Planning	3,956
Total depreciation expense - governmental activities	\$ 4,517,831
Business-type activities:	
Sanitary sewer	\$ 1,203,495

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 10. CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

Board of Education

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance 10/1/2007	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,373,082	\$ -	\$ (192,000)	\$ 3,181,082
Construction in progress	11,452,907	5,104,162	(14,316,288)	2,240,781
Total capital assets, not being depreciated	14,825,989	5,104,162	(14,508,288)	5,421,863
Capital assets, being depreciated:				
Land improvements	3,039,857	76,948	(79,573)	3,037,232
Buildings and improvements	62,496,220	14,316,288	(229,649)	76,582,859
Furniture, equipment and vehicles	4,368,408	1,082,115	(64,872)	5,385,651
Total capital assets, being depreciated	69,904,485	15,475,351	(374,094)	85,005,742
Less accumulated depreciation for:				
Land improvements	(1,993,155)	(77,666)	62,090	(2,008,731)
Buildings and improvements	(12,976,734)	(1,641,566)	125,969	(14,492,331)
Furniture, equipment and vehicles	(2,239,932)	(377,208)	56,424	(2,560,716)
Total accumulated depreciation	(17,209,821)	(2,096,440)	244,483	(19,061,778)
Total capital assets, being depreciated, net	52,694,664	13,378,911	(129,611)	65,943,964
Total governmental activities capital assets, net	\$ 67,520,653	\$ 18,483,073	\$ (14,637,899)	\$ 71,365,827

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

Governmental activities:	
Instruction	\$ 1,811,477
Operation and maintenance	7,978
Auxiliary services	
Student transportation services	31,458
Food services	245,527
Total depreciation expense - Governmental activities	\$ 2,096,440

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 10. CAPITAL ASSETS - CONTINUED

Water Works Board

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance 10/1/2007	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2008
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,401,875	\$ -	\$ -	\$ 1,401,875
Construction in progress	<u>1,580,304</u>	<u>1,034,663</u>	<u>(1,857,273)</u>	<u>757,694</u>
Total capital assets, not being depreciated	<u>2,982,179</u>	<u>1,034,663</u>	<u>(1,857,273)</u>	<u>2,159,569</u>
Capital assets, being depreciated:				
Utility system and plant	56,035,100	2,103,300	-	58,138,400
Buildings and improvements	5,564,894	-	-	5,564,894
Office equipment	237,409	89,120	-	326,529
Mobile equipment	768,987	62,693	(117,469)	714,211
Tools	<u>261,028</u>	<u>53,473</u>	<u>-</u>	<u>314,501</u>
Total capital assets, being depreciated	<u>62,867,418</u>	<u>2,308,586</u>	<u>(117,469)</u>	<u>65,058,535</u>
Less accumulated depreciation for:				
Utility system and plant	(15,072,937)	(1,200,083)	-	(16,273,020)
Buildings and improvements	(439,407)	(222,848)	-	(662,255)
Office equipment	(149,553)	(25,776)	-	(175,329)
Mobile equipment	(515,252)	(66,922)	115,727	(466,447)
Tools	<u>(147,608)</u>	<u>(34,216)</u>	<u>-</u>	<u>(181,824)</u>
Total accumulated depreciation	<u>(16,324,757)</u>	<u>(1,549,845)</u>	<u>115,727</u>	<u>(17,758,875)</u>
Total capital assets, being depreciated, net	<u>46,542,661</u>	<u>758,741</u>	<u>(1,742)</u>	<u>47,299,660</u>
Business-type activity capital assets, net	<u>\$ 49,524,840</u>	<u>\$ 1,793,404</u>	<u>\$ (1,859,015)</u>	<u>\$ 49,459,229</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, 2008, the Board incurred interest costs of \$957,585; total interest expense was \$890,313, and interest cost of \$67,272 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 10. CAPITAL ASSETS - CONTINUED

Industrial Development Board

The following is a schedule of changes in capital assets for the year ended September 30, 2008:

	<u>Balance 10/1/2007</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2008</u>
Capital assets, not being depreciated:				
Land	\$ 4,483,024	\$ -	\$ 134,443	\$ 4,617,467
Construction in progress	679,613	15,044,236	(4,687,263)	11,036,586
Total capital assets, not being depreciated	<u>5,162,637</u>	<u>15,044,236</u>	<u>(4,552,820)</u>	<u>15,654,053</u>
Capital assets, being depreciated:				
Buildings	29,660,119	4,526,587	-	34,186,706
Building improvements	2,437,196	34,362	-	2,471,558
Land improvements	1,424,431	156,443	-	1,580,874
Equipment	460,295	62,463	-	522,758
Vehicles	116,223	-	-	116,223
Total capital assets, being depreciated	<u>34,098,264</u>	<u>4,779,855</u>	<u>-</u>	<u>38,878,119</u>
Accumulated depreciation				
Buildings	(2,432,062)	(593,203)	-	(3,025,265)
Building improvements	(155,813)	(55,718)	-	(211,531)
Land improvements	(220,338)	(52,026)	-	(272,364)
Equipment	(284,090)	(62,074)	-	(346,164)
Vehicles	(71,922)	(12,658)	-	(84,580)
Total accumulated depreciation	<u>(3,164,225)</u>	<u>(775,679)</u>	<u>-</u>	<u>(3,939,904)</u>
Total capital assets, being depreciated, net	<u>30,934,039</u>	<u>4,004,176</u>	<u>-</u>	<u>34,938,215</u>
Business-type activity capital assets, net	<u>\$ 36,096,676</u>	<u>\$ 19,048,412</u>	<u>\$ (4,552,820)</u>	<u>\$ 50,592,268</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008
NOTE 10. CAPITAL ASSETS - CONTINUED

Public Park and Recreation Board

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance 10/1/2007	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2008
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,068,310	\$ -	\$ -	\$ 7,068,310
Machinery and equipment	6,575	9,642		16,217
Vehicles	-	46,103	-	46,103
Total capital assets, being depreciated	7,074,885	55,745	-	7,130,630
Less accumulated depreciation for:				
Buildings and improvements	(47,122)	(282,732)	-	(329,854)
Machinery and equipment	-	(1,315)	-	(1,315)
Total accumulated depreciation	(47,122)	(284,047)	-	(331,169)
Total capital assets, being depreciated, net	7,027,763	(228,302)	-	6,799,461
Business-type activity capital assets, net	\$ 7,027,763	\$ (228,302)	\$ -	\$ 6,799,461

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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, 2008, was as follows:

	Balance 10/1/2007	Additions	Reductions	Balance 9/30/2008	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 22,865,000	\$ -	\$ (1,630,000)	\$ 21,235,000	\$ 1,770,000
General obligation warrants	94,964,623	23,395,616	(15,118,796)	103,241,443	6,328,398
Add: deferred amounts for issuance premiums	1,111,251	-	(54,573)	1,056,678	-
Less: deferred amounts on refunding	<u>(124,381)</u>	<u>-</u>	<u>15,878</u>	<u>(108,503)</u>	<u>-</u>
Total bonds and warrants payable	118,816,493	23,395,616	(16,787,491)	125,424,618	8,098,398
Notes payable	9,805,835	1,800,000	(11,605,835)	-	-
Accumulated annual leave	1,696,545	484,377	(300,578)	1,880,344	166,408
Claims payable	397,427	124,761	(206,771)	315,417	48,711
Landfill closure and postclosure care liability	<u>196,000</u>	<u>-</u>	<u>(7,000)</u>	<u>189,000</u>	<u>7,000</u>
Governmental activity long-term liabilities	<u>130,912,300</u>	<u>25,804,754</u>	<u>(28,907,675)</u>	<u>127,809,379</u>	<u>8,320,517</u>
Business-type activities:					
General obligation					
warrants payable	22,595,000	-	(475,000)	22,120,000	495,000
Less: deferred amounts for issuance discounts	<u>(177,149)</u>	<u>-</u>	<u>10,902</u>	<u>(166,247)</u>	<u>-</u>
Total warrants payable	22,417,851	-	(464,098)	21,953,753	495,000
Notes payable	5,668,053	6,431,947	-	12,100,000	12,100,000
Accumulated annual leave	<u>37,033</u>	<u>7,495</u>	<u>(2,299)</u>	<u>42,229</u>	<u>3,737</u>
Business-type activity long-term liabilities	<u>28,122,937</u>	<u>6,439,442</u>	<u>(466,397)</u>	<u>34,095,982</u>	<u>12,598,737</u>
	<u>\$ 159,035,237</u>	<u>\$ 32,244,196</u>	<u>\$ (29,374,072)</u>	<u>\$ 161,905,361</u>	<u>\$ 20,919,254</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Bonds, notes, warrants, and capital leases payable of the City of Auburn at September 30, 2008, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2008	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	\$ 1,005,000	2015
General obligation bonds, Dated 08/1/99 (Library, Watson Complex)	5%-5.4%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	3,700,000	2,195,000	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	4,750,000	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	8,550,000	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	4,735,000	2021
Total bonds payable				<u>28,055,000</u>	<u>21,235,000</u>	

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2008	Year of Final Principal Maturity
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	\$ 1,630,000	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	2,745,000	2019
General obligation school warrant dated 10/6/99 (computer eq.)	5.98%	Monthly	Special School Tax Fund ad valorem taxes	857,750	110,556	2009
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	374,259	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	27,275,000	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	3,618,155	2013
General obligation warrants Dated 12/31/03 (Infrastructure improve.)	2.73%	Monthly	Full faith credit and taxing power of the City of Auburn	2,056,598	109,619	2009
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	33,010,000	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	4,369,766	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	3,747,071	2015

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2008	Year of Final Principal Maturity
General obligation warrants			Full faith credit and taxing power of			
Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	the City of Auburn	\$ 3,700,000	\$ 3,448,520	2026
General obligation warrants			Full faith credit and taxing power of			
Dated 3/25/08 (Richland Road - Peak)	3.63%	Quarterly	the City of Auburn	950,134	904,876	2018
General obligation warrants			Full faith credit and taxing power of			
Dated 3/25/08 (Richland Road - Muss.)	3.63%	Quarterly	the City of Auburn	777,382	740,353	2018
General obligation warrants Dated 5/27/08			Full faith credit and taxing power of			
(Refund 2000 Wts, 2002 Wts & LOC; Land)	3.53%	Monthly	the City of Auburn	4,211,050	4,046,717	2015
General obligation warrants			Full faith credit and taxing power of			
Dated 5/29/08 (Refund 2005 Mall Warrants)	4.62%	Monthly	the City of Auburn	8,657,050	8,485,715	2018
General obligation warrants			Full faith credit and taxing power of			
Dated 5/29/08 (Refund Aub. Bank LOC)	4.62%	Monthly	the City of Auburn	8,800,000	8,625,836	2018
Total warrants payable				<u>120,910,364</u>	<u>103,241,443</u>	
Total governmental activity bonds and warrants payable				<u>148,965,364</u>	<u>124,476,443</u>	
Business-type activities:						
Warrants payable:						
General obligation warrants			Sewer Fund	24,765,000	22,120,000	2024
dated 08/01/01 (sewer plant & expansion)	2.8%-5%	1/1-7/1				
Notes payable:						
Note payable, Compass Bank,			Sewer Fund			
Dated 06/19/07 (sewer improvements & refund						
zero coupon warrants dated 08/29/01)	4.07%	5/1-11/1		<u>12,100,000</u>	<u>12,100,000</u>	2009
Total business type activity warrants						
and notes payable				<u>36,865,000</u>	<u>34,220,000</u>	
Total bonds, notes, and warrants payable				<u>\$ 185,830,364</u>	<u>\$ 158,696,443</u>	

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

On March 25, 2008, the City issued its \$950,134 General Obligation Warrant to finance the construction of infrastructure improvements consisting of water and sewer improvements, repaving, public sidewalk repair, and public road widening and repaving, on or around Richland Road. The Warrant bears interest at a rate of 3.63%, payable quarterly beginning April 2008 and continuing through January 2018. See Note 28 regarding special capital improvement projects.

On March 25, 2008, the City issued its \$777,382 General Obligation Warrant to finance the construction of infrastructure improvements consisting of water and sewer improvements, repaving, public sidewalk repair, and public road widening and repaving, on or around Richland Road. The Warrant bears interest at a rate of 3.63%, payable quarterly beginning April 2008 and continuing through January 2018. See Note 28 regarding special capital improvement projects.

On May 27, 2008, the City issued its \$4,211,050 General Obligation Warrant. Approximately \$2,611,050 of the proceeds were used to refund various notes and warrants payable including the 2000 General Obligation Warrant with an outstanding balance of \$434,672, the 2002 General Obligation Warrant with an outstanding balance of \$926,378 and 2004 note payable to AuburnBank with an outstanding balance of \$1,250,000. The remaining proceeds of \$1,600,000 will be used to pay the costs of acquiring and improving property for use as a public parking area. The 2008 Warrant bears interest at a rate of 3.53%, payable monthly beginning July 2008 and continuing through June 2015. The City completed the current refunding to reduce its total debt service payments over the next four years by \$58,858 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$120,643.

On May 29, 2008, the City issued its \$8,657,050 General Obligation Warrant to refund the 2005 General Obligation Warrant that was used to finance the redevelopment of Colonial Mall. The 2008 Warrant bears interest at a rate of 4.62%, payable monthly beginning July 2008 and continuing through May 2018. The City completed the current refunding to reduce its total debt service payments over the next ten years by \$26,240; however, the City realized an economic loss (difference between the present values of the old and new debt service payments) on the transaction of \$115,766. This economic loss is primarily due to the difference between the number of years the debt service payments would have been paid on the old debt versus the new debt. The old debt had payments due through 2014 with a \$5 million balloon payment due in 2014, while the new debt has payments due through 2018.

The City entered into a \$7,000,000 Line of Credit on August 16, 2005, for the purpose of supporting the Commercial Development Authority in constructing certain public improvements on or around the intersection of U.S. Interstate 85 and Bent Creek Road to facilitate the location and construction on adjacent property of a large-scale community shopping center. The city borrowed the full \$7,000,000 on March 13, 2007. During fiscal year 2008, the City increased the Line of Credit by \$1,800,000 for a total of \$8,800,000, and then ultimately, converted the entire balance to permanent financing on May 29, 2008. This 2008 Warrant bears interest at a rate of 4.62%, payable monthly beginning July 2008 and continuing through June 2018.

In fiscal year 2001, the City issued a noninterest bearing General Obligation Warrant in connection with the deprivitization of the sewer plants, a business-type activity. The original principal amount of the Warrant was \$5,257,326 and the maturity amount was \$9,400,000. On June 19, 2007, the City issued its \$12,100,000 General Obligation Warrants to retire, temporarily in anticipation of permanent refunding, this 2001 Zero Coupon General Obligation Warrant and to finance construction of capital improvements to the wastewater collection and treatment system. Subsequent to September 30, 2008, the City issued its \$25,370,000 Sewer Refunding and Capital Improvement Warrants to retire the \$12,100,000 Warrants from 2007 and to pay the costs of certain capital improvements, including additions, expansions and renovations to the sanitary sewer treatment and collection system of the City.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds, notes, warrants and capital leases payable of the City of Auburn at September 30, 2008:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity		
	Principal	Interest	Total	Bonds and Warrants Payable			Warrants and Notes Payable		
				General Governmental Issues	Interest	Requirements	Principal	Interest	Requirements
2009	\$ 20,693,398	\$ 6,627,574	\$ 27,320,972	\$ 8,098,398	\$ 5,524,881	\$ 13,623,279	\$ 12,595,000	\$ 1,102,693	\$ 13,697,693
2010	8,902,912	6,231,296	15,134,208	8,382,912	5,189,388	13,572,300	520,000	1,041,908	1,561,908
2011	9,376,070	5,859,165	15,235,235	8,836,070	4,839,258	13,675,328	540,000	1,019,907	1,559,907
2012	9,610,837	5,461,369	15,072,206	9,045,837	4,465,090	13,510,927	565,000	996,279	1,561,279
2013	10,451,463	5,031,293	15,482,756	9,181,463	4,076,196	13,257,659	1,270,000	955,097	2,225,097
2014	10,386,894	4,570,881	14,957,775	9,061,894	3,675,482	12,737,376	1,325,000	895,399	2,220,399
2015	9,143,414	4,127,024	13,270,438	7,753,414	3,295,444	11,048,858	1,390,000	831,580	2,221,580
2016	8,475,597	3,718,419	12,194,016	7,020,597	2,955,135	9,975,732	1,455,000	763,284	2,218,284
2017	7,427,842	3,331,213	10,759,055	5,902,842	2,641,338	8,544,180	1,525,000	689,875	2,214,875
2018	7,118,852	2,976,126	10,094,978	5,518,852	2,364,376	7,883,228	1,600,000	611,750	2,211,750
2019	5,654,267	2,689,397	8,343,664	3,974,267	2,159,647	6,133,914	1,690,000	529,750	2,209,750
2020	5,572,785	2,421,434	7,994,219	3,807,785	1,977,809	5,785,594	1,765,000	443,625	2,208,625
2021	5,796,668	2,150,514	7,947,182	3,941,668	1,797,389	5,739,057	1,855,000	353,125	2,208,125
2022	5,230,930	1,883,965	7,114,895	3,285,930	1,625,840	4,911,770	1,945,000	258,125	2,203,125
2023	5,495,587	1,621,557	7,117,144	3,450,587	1,463,182	4,913,769	2,045,000	158,375	2,203,375
2024	5,770,658	1,345,986	7,116,644	3,625,658	1,292,361	4,918,019	2,145,000	53,625	2,198,625
2025	3,801,159	1,112,860	4,914,019	3,801,159	1,112,860	4,914,019	-	-	-
2026	3,987,110	924,660	4,911,770	3,987,110	924,660	4,911,770	-	-	-
2027	1,445,000	730,156	2,175,156	1,445,000	730,156	2,175,156	-	-	-
2028	1,515,000	657,906	2,172,906	1,515,000	657,906	2,172,906	-	-	-
2029	1,595,000	582,156	2,177,156	1,595,000	582,156	2,177,156	-	-	-
2030	1,670,000	502,406	2,172,406	1,670,000	502,406	2,172,406	-	-	-
2031	1,755,000	418,906	2,173,906	1,755,000	418,906	2,173,906	-	-	-
2032	1,830,000	342,125	2,172,125	1,830,000	342,125	2,172,125	-	-	-
2033	1,910,000	262,063	2,172,063	1,910,000	262,063	2,172,063	-	-	-
2034	1,995,000	178,500	2,173,500	1,995,000	178,500	2,173,500	-	-	-
2035	2,085,000	91,219	2,176,219	2,085,000	91,219	2,176,219	-	-	-
Total	\$ 158,696,443	\$ 65,850,170	\$ 224,546,613	\$ 124,476,443	\$ 55,145,773	\$ 179,622,216	\$ 34,220,000	\$ 10,704,397	\$ 44,924,397

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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, 2008, was as follows:

	Balance 10/1/2007	Additions	Reductions	Balance 9/30/2008	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable	\$ 16,270,001	\$ -	\$ (565,000)	\$ 15,705,001	\$ 590,000
Zero coupon bonds	<u>2,421,182</u>	<u>133,529</u>	<u>-</u>	<u>2,554,711</u>	<u>-</u>
	18,691,183	133,529	(565,000)	18,259,712	590,000
Unamortized deferred amount on refunding	<u>(257,360)</u>	<u>17,350</u>	<u>-</u>	<u>(240,010)</u>	<u>(17,350)</u>
	<u>18,433,823</u>	<u>150,879</u>	<u>(565,000)</u>	<u>18,019,702</u>	<u>572,650</u>
Water supply agreement with City of Opelika	979,744	-	(267,141)	712,603	267,670
Unamortized discount	<u>(152,594)</u>	<u>62,892</u>	<u>-</u>	<u>(89,702)</u>	<u>(47,523)</u>
	<u>827,150</u>	<u>62,892</u>	<u>(267,141)</u>	<u>622,901</u>	<u>220,147</u>
Accumulated annual leave	<u>100,703</u>	<u>3,062</u>	<u>(9,156)</u>	<u>94,609</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 19,361,676</u>	<u>\$ 216,833</u>	<u>\$ (841,297)</u>	<u>\$ 18,737,212</u>	<u>\$ 792,797</u>

Bonds payable at September 30, 2008, 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, 2008, the accreted value of the bonds was \$2,554,711.

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, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The following is a summary of the changes in bonds and water supply agreement payable for the year ended September 30, 2008:

Bonds and water supply agreement payable, September 30, 2007	\$ 19,518,333
Retirement of debt	(769,249)
Accretion of interest	<u>133,529</u>
Bonds and water supply agreement payable, September 30, 2008	<u>\$ 18,882,613</u>

Annual requirements (principal and interest) to amortize long-term debt at September 30, 2008, are as follows:

Year ending September 30	Bonds Payable	Water Supply Agreement	Total
2009	\$ 1,332,520	\$ 267,670	\$ 1,600,190
2010	1,330,340	267,054	1,597,394
2011	1,331,048	177,879	1,508,927
2012	1,330,163	-	1,330,163
2013	1,331,288	-	1,331,288
2014-2018	6,648,430	-	6,648,430
2019-2023	6,654,436	-	6,654,436
2024-2027	<u>3,991,686</u>	-	<u>3,991,686</u>
Subtotal	23,949,911	712,603	24,662,514
Less amount representing interest	<u>(8,244,911)</u>	<u>(89,702)</u>	<u>(8,334,613)</u>
Total	<u>\$ 15,705,000</u>	<u>\$ 622,901</u>	<u>\$ 16,327,901</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, 2008, the amount included in bonds payable is \$2,554,711, which equals the original principal amount of \$1,844,657 plus the accretion of interest through September 30, 2008 of \$710,054.

Industrial Development Board

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2008, was as follows:

	Balance 10/01/07	Additions	Reductions	Balance 09/30/08	Due Within One Year
Notes payable	\$ 20,308,533	\$ 5,346,172	\$ (852,233)	\$ 24,802,472	\$ 5,253,716
Short term					
construction loans	-	3,400,000	(3,400,000)	-	-
Bonds payable	20,545,000	-	(525,000)	20,020,000	560,000
Less: deferred amount on refunding	<u>(156,605)</u>	<u>-</u>	<u>19,533</u>	<u>(137,072)</u>	<u>-</u>
Total	<u>\$ 40,696,928</u>	<u>\$ 8,746,172</u>	<u>\$ (4,757,700)</u>	<u>\$ 44,685,400</u>	<u>\$ 5,813,716</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

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, 2008 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 debt service payments on the Series 2000-A, the Series 2004-A, and the Series 2006-A bonds are limited obligations of the Board, payable solely out of payments received pursuant to Appropriation Agreements with the City of Auburn and funds drawn by the trustee from letters of credit issued by Allied Irish Bank. Under the agreements which were approved by City Council in October 2005, the City has agreed to appropriate during each fiscal year an amount equal to the debt service on the bonds. The initial term of the agreements ends on September 30, 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, 2009. 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.

In September 2008, the Series 2004-A and the Series 2006-A bonds were tendered for payment in full. In accordance with the terms of the bond indenture, funds were drawn on the respective letters of credit to repurchase the bonds. The Series 2004-A bonds were remarketed prior to September 30, 2008, and the draw on the letter of credit was repaid. The Series 2006-A bonds were remarketed and the letter of credit was repaid in early October 2008.

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 2008 was 2.79% for the Series 2000-A bonds, 3.58% for the Series 2004-A bonds, and 3.50% for the Series 2006-A bonds; and interest incurred for the fiscal year amounted to \$96,437 for the Series 2000-A bonds, \$446,722 for the Series 2004-A bonds, and \$346,540 for the Series 2006-A bonds. The rate in effect at September 30, 2008 for the Series 2000-A bonds was 8.50% and for the Series 2004-A bonds was 9.00%. Since the 2006-A bonds had been tendered and the principal amount had been drawn on the letter of credit as of September 30, 2008, the rate in effect was Allied Irish Bank's prime lending rate as of the date of tender, or 5.00%. 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%.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

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:

Fiscal Year	Series 2000-A	Series 2004-A	Series 2006-A	Total
2009	\$ 200,000	\$ 360,000	\$ -	\$ 560,000
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>\$ 3,400,000</u>	<u>\$ 10,980,000</u>	<u>\$ 5,640,000</u>	<u>\$ 20,020,000</u>

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
2009	\$ 200,000	\$ 360,000	\$ -	\$ 560,000
2010	210,000	390,000	180,000	780,000
2011	225,000	425,000	195,000	845,000
2012	240,000	455,000	205,000	900,000
2013	255,000	495,000	220,000	970,000
2014	270,000	530,000	235,000	1,035,000
2015	285,000	575,000	255,000	1,115,000
2016	305,000	620,000	270,000	1,195,000
2017	320,000	670,000	290,000	1,280,000
2018	340,000	725,000	315,000	1,380,000
2019	365,000	780,000	335,000	1,480,000
2020	385,000	845,000	360,000	1,590,000
2021	-	910,000	385,000	1,295,000
2022	-	985,000	415,000	1,400,000
2023	-	1,065,000	445,000	1,510,000
2024	-	1,150,000	475,000	1,625,000
2025	-	-	510,000	510,000
2026	-	-	550,000	550,000
Total	<u>\$ 3,400,000</u>	<u>\$ 10,980,000</u>	<u>\$ 5,640,000</u>	<u>\$ 20,020,000</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2008, using the variable interest rate in effect on the last day of the fiscal year (8.50% for Series 2000-A, 9.00% for Series 2004-A, and 5.00% for Series 2006-A):

Fiscal Year	Series 2000-A		Series 2004-A		Series 2006-A		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 200,000	\$ 281,874	\$ 360,000	\$ 974,619	\$ -	\$ 282,000	\$ 2,098,493
2010	210,000	264,518	390,000	941,087	180,000	280,496	2,266,101
2011	225,000	246,133	425,000	904,666	195,000	271,371	2,267,170
2012	240,000	226,474	455,000	865,285	205,000	261,537	2,253,296
2013	255,000	205,539	495,000	822,826	220,000	251,162	2,249,527
2014	270,000	183,330	530,000	776,955	235,000	240,036	2,235,321
2015	285,000	159,845	575,000	727,558	255,000	228,119	2,230,522
2016	305,000	134,908	620,000	674,110	270,000	215,244	2,219,262
2017	320,000	108,448	670,000	616,424	290,000	201,577	2,206,449
2018	340,000	80,536	725,000	554,049	315,000	186,868	2,201,453
2019	365,000	50,745	780,000	486,724	335,000	170,951	2,188,420
2020	385,000	19,007	845,000	414,072	360,000	153,992	2,177,071
2021	-	-	910,000	335,569	385,000	135,783	1,766,352
2022	-	-	985,000	250,840	415,000	116,282	1,767,122
2023	-	-	1,065,000	159,172	445,000	95,282	1,764,454
2024	-	-	1,150,000	60,115	475,000	72,781	1,757,896
2025	-	-	-	-	510,000	48,738	558,738
2026	-	-	-	-	550,000	22,904	572,904
Total	<u>\$ 3,400,000</u>	<u>\$ 1,961,357</u>	<u>\$ 10,980,000</u>	<u>\$ 9,564,071</u>	<u>\$ 5,640,000</u>	<u>\$ 3,235,123</u>	<u>\$ 34,780,551</u>

Swap payments and associated debt – With respect to the Series 2006-A bonds, the Board entered into an interest rate swap agreement with Allied Irish Bank to effectively change the Board’s variable interest rate on the bonds to a fixed rate. Using rates as of September 30, 2008, 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.

(Schedule appears on the following page)

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

Fiscal Year	Series 2006-A Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2009	\$ -	\$ 282,000	\$ 172,485	\$ 454,485
2010	180,000	280,496	171,565	632,061
2011	195,000	271,371	165,984	632,355
2012	205,000	261,537	159,969	626,506
2013	220,000	251,162	153,623	624,785
2014	235,000	240,036	146,818	621,854
2015	255,000	228,119	139,529	622,648
2016	270,000	215,244	131,654	616,898
2017	290,000	201,577	123,294	614,871
2018	315,000	186,868	114,298	616,166
2019	335,000	170,951	104,562	610,513
2020	360,000	153,992	94,189	608,181
2021	385,000	135,783	83,052	603,835
2022	415,000	116,282	54,984	586,266
2023	445,000	95,282	-	540,282
2024	475,000	72,781	-	547,781
2025	510,000	48,738	-	558,738
2026	550,000	22,904	-	572,904
Total	<u>\$ 5,640,000</u>	<u>\$ 3,235,123</u>	<u>\$ 1,816,006</u>	<u>\$ 10,691,129</u>

Notes payable

Notes payable of the Board at September 30, 2008, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/08	Year of Final Principal Maturity
AuburnBank	6.000%	Monthly	\$ 8,670,000	\$ 7,459,942	2013
AuburnBank	6.000%	Monthly	2,700,000	2,683,776	2013
AuburnBank	8.750%	Monthly	300,000	280,257	2011
AuburnBank	7.000%	Monthly	775,000	275,402	2011
AuburnBank	5.486%	Monthly	4,250,000	3,234,869	2009
AuburnBank	6.250%	Monthly	447,147	354,095	2009
AuburnBank	7.250%	Monthly	1,079,500	1,014,826	2009
AuburnBank	6.000%	Monthly	3,400,000	3,400,000	2013
AuburnBank	6.500%	Monthly	750,000	619,931	2014
AuburnBank	6.000%	Monthly	1,955,000	1,859,335	2014
AuburnBank	7.250%	Monthly	150,000	112,918	2010
AuburnBank	7.750%	Monthly	1,290,000	1,249,447	2012
AuburnBank	8.250%	Monthly	1,100,000	1,057,871	2012
AuburnBank	8.000%	Monthly	69,991	64,231	2013
AuburnBank	6.000%	Monthly	1,025,000	1,002,000	2012
Compass Bank	7.500%	Monthly	186,602	133,572	2012
Total notes payable			<u>\$ 28,148,240</u>	<u>\$ 24,802,472</u>	

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 11. LONG-TERM LIABILITIES - CONTINUED

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, 2008:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2009	\$ 5,253,716	\$ 1,402,425	\$ 6,656,141
2010	784,802	1,212,355	1,997,157
2011	923,377	1,162,620	2,085,997
2012	3,670,585	983,431	4,654,016
2013	13,689,504	802,655	14,492,159
2014	<u>480,488</u>	<u>7,762</u>	<u>488,250</u>
Total	<u>\$ 24,802,472</u>	<u>\$ 5,571,248</u>	<u>\$ 30,373,720</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, 2008, totaled \$812,279.

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, 2008, totaled \$676,504.

NOTE 13. LEASE AGREEMENTS

COMPONENT UNITS

Industrial Development Board

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

Operating leases - The Industrial Development Board began leasing industrial space during fiscal year 1995. The cost of land and buildings held for leasing by the Board at September 30, 2008, was \$4,617,467 and \$34,186,706, respectively; accumulated depreciation on the buildings was \$3,025,265. Rents received during 2008 were \$2,369,745. Of the seventeen leases in effect at September 30, 2008, sixteen were noncancelable, with one having an option for the lessee to occupy more space at a higher rental rate. One lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term; the lease provides for automatic one-year renewal terms ending on June 1, 2014, and annual minimum rentals of \$24,000.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 13. LEASE AGREEMENTS - CONTINUED

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. Pursuant to the terms of an interest rate swap, rentals due under the lease were changed to 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.

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, 2008:

<u>Fiscal Year</u>	
2009	\$ 2,529,320
2010	2,886,641
2011	2,772,513
2012	2,708,151
2013	2,677,592
2014	2,640,631
2015	2,604,017
2016	2,581,132
2017	2,435,880
2018	2,180,811
2019 and thereafter	<u>3,226,839</u>
Total	<u>\$ 29,243,527</u>

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 2013 to 2035, and several of these leases provide for renewal terms. No lease payments were received in fiscal year 2008 and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal. See Note 34 for disclosures pertaining to leases involving related parties.
- B. The Board has one sales-type capital lease involving a lot and building located in its Technology Park North. The initial lease term expires in 2019. The components of the net investment in sales-type capital leases at September 30, 2008, are as follows:

Total minimum lease payments to be received	\$ 4,553,942
Less: unearned income	<u>(1,319,073)</u>
Net investment in capital lease	<u>\$ 3,234,869</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 13. LEASE AGREEMENTS - CONTINUED

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

Fiscal Year		
2009	\$	468,002
2010		468,002
2011		468,002
2012		468,002
2013		468,002
2014		468,002
2015		468,002
2016		468,002
2017		468,002
2018		341,924
Total	\$	4,553,942

The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. The leases are noncancelable operating leases, most with one year terms. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during 2008 were \$141,037. As of September 30, 2008, there were five leases in effect: three that expire within one year, and two that expire in fiscal year 2010. Future minimum rentals due under the leases are as follows:

Fiscal Year		
2009	\$	106,892
2010		12,844
Total	\$	119,736

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, 135 South Union Street, Montgomery, Alabama 36104-0001 or by calling (334) 832-4140.

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, 2008, was 9.15% of covered payroll.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED

Annual Pension Cost. The City's annual pension cost of \$1,786,010 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)
9/30/05	\$ 1,202,567	100%	\$0
9/30/06	\$ 1,332,813	100%	\$0
9/30/07	\$ 1,405,320	100%	\$0

The required contribution was determined as part of the September 30, 2007, 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, 2007, 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, 2007, the most recent actuarial valuation date, the plan was 73.8% funded. The actuarial accrued liability for benefits was \$56,867,330, and the actual value of assets was \$41,989,069, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,878,261. The covered payroll (annual payroll of active employees covered by the plan) was \$20,085,917, and the ratio of the UAAL to the covered payroll was 74.1%.

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)
9/30/05	\$ 35,870,622	\$ 46,694,811	\$ 10,824,189	76.8%	\$ 18,719,256	57.8%
9/30/06 **	\$ 38,535,864	\$ 52,125,575	\$ 13,589,712	73.9%	\$ 19,101,701	71.1%
9/30/07	\$ 41,989,069	\$ 56,867,330	\$ 14,878,261	73.8%	\$ 20,085,917	74.1%

* 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

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED

Under the formula method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

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

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

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

Fiscal year ended September 30,	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total percentage of covered payroll	16.75%	14.36%	13.17%
Contributions:			
Percentage contributed by the Board	11.75%	9.36%	8.17%
Percentage contributed by the employees	5.00%	5.00%	5.00%
Contributed by the Board	\$ 3,804,056	\$ 2,776,775	\$ 2,131,760
Contributed by the employees	1,618,900	1,483,353	1,304,576
Total contributions	<u>\$ 5,422,956</u>	<u>\$ 4,260,128</u>	<u>\$ 3,436,336</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, 2008, was 5.93% of covered payroll; and the Board's annual pension cost of \$81,855 was equal to its required and actual contributions. The remaining amortization period at September 30, 2007, 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)
9/30/05	\$ 66,860	100%	\$0
9/30/06	\$ 66,656	100%	\$0
9/30/07	\$ 70,827	100%	\$0

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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)
9/30/05	\$ 2,224,828	\$ 2,390,092	\$ 165,264	93.1%	\$ 1,193,856	13.8%
9/30/06 **	\$ 2,149,403	\$ 2,222,023	\$ 72,620	96.7%	\$ 1,289,259	5.6%
9/30/07	\$ 2,192,273	\$ 2,148,625	\$ (43,648)	102.0%	\$ 1,273,658	-3.4%

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

** Reflects changes in actuarial assumptions.

NOTE 15. LIABILITY AND WORKER'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 workers' 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	
	2008	2007
Unpaid claims, beginning of year	\$ 215,336	\$ 331,787
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	123,868	138,748
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	(66,721)	57,508
Total incurred claims	57,147	196,256
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(87,470)	(34,341)
Claims attributable to prior years' events where the City has retained risk of loss	(94,254)	(278,366)
Total payments	(181,724)	(312,707)
Unpaid claims, end of year	\$ 90,759	\$ 215,336

Total general liability for uninsured risks and worker's compensation claims liability at September 30, 2008, is recorded as follows: \$48,711 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$42,048, along with the estimated liability for insured risks of \$224,658, 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, 2008

NOTE 16. MEDICAL SELF-INSURANCE

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

	Fiscal Year	
	2008	2007
Unpaid claims, beginning of year	\$ 110,503	\$ 141,153
Incurring claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	1,879,038	1,992,968
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	5,222	28,246
Total incurred claims	1,884,260	2,021,214
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(1,764,242)	(1,882,464)
Claims attributable to prior years' events where the City has retained risk of loss	(115,725)	(169,400)
Total payments	(1,879,967)	(2,051,864)
Unpaid claims, end of year (includes claims incurred but not reported)	\$ 114,796	\$ 110,503

The unpaid claims as of September 30, 2008, are reported in the General Fund.

NOTE 17. UNEMPLOYMENT COMPENSATION

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2008, by the State (\$10,838) to individuals is reflected as an expense of the General Fund.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 18. 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, 2008:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 3,053,438 *	\$ 66,625	\$ 30,989	\$ 2,955,824
Special 5-Mill Tax Fund	5	3,044,712 **	66,625	30,989	2,947,098
Special School Tax Fund	5	3,225,588	74,912	42,610	3,108,066
Special Additional School Tax Fund	11	7,096,294	164,806	93,741	6,837,747
Property tax totals	<u>26</u>	<u>\$ 16,420,032</u>	<u>\$ 372,968</u>	<u>\$ 198,329</u>	<u>\$ 15,848,735</u>

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

** Reduced by industrial tax exemptions.

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2008 consist of the following:

Amount	Due To Other Funds	Due From Other Funds	Purpose
\$ 14,086	Nonmajor Governmental Funds	General Fund	Provide cash flow for grants program and fund capital projects
<u>730,750</u>	Major Enterprise Fund - Sewer Revenue Fund	General Fund	Provide temporary funds for capital projects
<u>\$ 744,836</u>			

NOTE 20. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2008:

	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 753,306	\$ 1,050
Special Additional School Tax Fund	-	6,050,000
Nonmajor Governmental Funds	<u>6,207,123</u>	<u>793,699</u>
Total governmental activities	<u>6,960,429</u>	<u>6,844,749</u>
Major Enterprise Fund		
Sewer Revenue Fund	<u>-</u>	<u>115,680</u>
Total business-type activities	<u>-</u>	<u>115,680</u>
Total primary government	<u>\$ 6,960,429</u>	<u>\$ 6,960,429</u>

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 20. INTERFUND TRANSFERS - CONTINUED

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

NOTE 21. INTRA-ENTITY TRANSACTIONS

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

A. Short-term receivables and payables

	Due To	Due From
Component Units		
Industrial Development Board	\$ -	\$ 20,164
Water Works Board	233,745	5,623
Public Park and Recreation Board	724,513	-
Primary Government		
General Fund	391	921,266
Nonmajor governmental funds	20,164	-
Sewer Revenue Fund	5,232	36,992
Total	\$ 984,045	\$ 984,045

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

B. Long-term advances

	Advances To	Advances From
Primary Government		
General Fund	\$ 3,710,091	\$ -
Component Units		
Industrial Development Board	-	3,710,091
Total	\$ 3,710,091	\$ 3,710,091

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

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 21. INTRA-ENTITY TRANSACTIONS - CONTINUED

C. Payments between the City and Component Units

	<u>Appropriations From Primary Government</u>	<u>Payments to Component Units</u>
Primary Government		
General Fund	\$ -	\$ 10,362,589
Nonmajor governmental funds	-	9,576,685
Component Units		
Auburn City Board of Education	11,995,523	-
Industrial Development Board	6,080,417	-
Public Parks and Recreation Board	58,164	-
Commercial Development Authority	<u>1,805,170</u>	<u>-</u>
Total	<u>\$ 19,939,274</u>	<u>\$ 19,939,274</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) are reflected on the City's books as debt service expenditures and amounted to \$3,988,813.

NOTE 22. SPECIAL ITEMS

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. During fiscal year 2008, the City had one transaction that was considered unusual (i.e., only incidentally related to its ordinary and typical activities).

Infrastructure Assets Acquired from Special Capital Improvement Projects – During fiscal year 2008, the City recognized mortgages receivable related to special capital improvement projects as described in Note 28. The City has previously capitalized the construction costs on these projects in the government-wide statement of net assets and recognized capital outlay in the governmental activities' fund financial statements. Since the property owners have agreed to reimburse the City through these mortgages, the total mortgage receivable balances of \$1,727,516 recorded during 2008 are listed as a special item on the government-wide statement of activities. In the governmental activities' fund financial statements; there is an offsetting increase of both mortgages receivable and deferred revenue. See Notes 28 and 30.

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, 2008

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 are as follows:

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Total
Assets						
Cash and cash equivalents	\$ 468	\$ 196,212	\$ 42,071	\$ 225	\$ 115,680	\$ 354,656
Mortgages receivable	<u>152,795</u>	<u>576,742</u>	<u>82,693</u>	<u>598,469</u>	<u>78,035</u>	<u>1,488,734</u>
Total assets	<u>\$ 153,263</u>	<u>\$ 772,954</u>	<u>\$ 124,764</u>	<u>\$ 598,694</u>	<u>\$ 193,715</u>	<u>\$ 1,843,390</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 11	\$ 920	\$ 931
Deferred program revenue	152,795	576,742	82,742	598,469	78,035	1,488,783
Due to component units	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>
Total liabilities	152,795	576,787	82,742	598,480	78,955	1,489,759
Fund balances:						
Fund balance-unreserved	<u>468</u>	<u>196,167</u>	<u>42,022</u>	<u>214</u>	<u>114,760</u>	<u>353,631</u>
Total liabilities and fund balances	<u>\$ 153,263</u>	<u>\$ 772,954</u>	<u>\$ 124,764</u>	<u>\$ 598,694</u>	<u>\$ 193,715</u>	<u>\$ 1,843,390</u>
Revenues						
Program income	\$ -	\$ 77,830	\$ 15,255	\$ 2,791	\$ 254,668	\$ 350,544
Miscellaneous	-	-	59	-	-	59
Other interest	<u>15</u>	<u>36,111</u>	<u>3,598</u>	<u>406</u>	<u>831</u>	<u>40,961</u>
Total revenues	<u>15</u>	<u>113,941</u>	<u>18,912</u>	<u>3,197</u>	<u>255,499</u>	<u>391,564</u>
Expenditures						
Economic development	-	84,006	-	-	-	84,006
Payments to component units	<u>-</u>	<u>881,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,507</u>
Total expenditures	<u>-</u>	<u>965,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>965,513</u>
Excess (deficiency) of revenues over expenditures	15	(851,572)	18,912	3,197	255,499	(573,949)
Other financing sources (uses)						
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,154)</u>	<u>(140,739)</u>	<u>(155,893)</u>
Net changes in fund balances	15	(851,572)	18,912	(11,957)	114,760	(729,842)
Fund balances,						
beginning or year	<u>453</u>	<u>1,047,739</u>	<u>23,110</u>	<u>12,171</u>	<u>-</u>	<u>1,083,473</u>
Fund balances, end of year	<u>\$ 468</u>	<u>\$ 196,167</u>	<u>\$ 42,022</u>	<u>\$ 214</u>	<u>\$ 114,760</u>	<u>\$ 353,631</u>

*Net of interfund eliminations.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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	\$ 71,033	\$ 101,971	\$ 173,004
Liabilities and fund balance			
Fund balance-unreserved	\$ 71,033	\$ 101,971	\$ 173,004
Revenues			
Confiscation revenue	\$ 16,494	\$ 142	\$ 16,636
Grants	13,189	-	13,189
Interest	1,870	3,211	5,081
Total revenues	31,553	3,353	34,906
Expenditures			
Public safety	3,275	4,708	7,983
Capital outlay	20,270	19,957	40,227
Total expenditures	23,545	24,665	48,210
Excess (deficiency) of revenues over expenditures	8,008	(21,312)	(13,304)
Other financing sources (uses)			
Transfers in	250	800	1,050
Net changes in fund balances	8,258	(20,512)	(12,254)
Fund balances, beginning of year	62,775	122,483	185,258
Fund balances, end of year	\$ 71,033	\$ 101,971	\$ 173,004

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES

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

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
ASSETS							
Cash	\$ 10,784,680	-	\$ -	-	-	-	\$ 10,784,680
Equity in pooled cash and cash equivalents	2,502,976	-	-	81,448	1,448,010	1,044,565	5,076,999
Restricted cash and investments	215,040	-	-	-	-	-	215,040
Total cash and cash equivalents	13,502,696	-	-	81,448	1,448,010	1,044,565	16,076,719
Receivables							
Revenues	4,536,154	-	-	-	-	-	4,536,154
Grants	30,848	-	-	-	-	-	30,848
Other governmental units	705,922	-	-	-	-	-	705,922
Special assessments	25,107	-	-	1,645,228	-	-	1,670,335
Other	647,712	-	-	14,976	12,579	20,363	695,630
Due from other funds	744,836	-	-	-	-	-	744,836
Due from component units	921,266	-	-	-	-	-	921,266
Inventories, at cost	18,703	-	-	-	-	-	18,703
Prepaid expenses	19,422	-	-	-	-	-	19,422
Advances to component units	3,710,091	-	-	-	-	-	3,710,091
Advances to other agencies	381,526	-	-	-	-	-	381,526
Property for resale	4,131,127	-	-	-	-	-	4,131,127
TOTAL ASSETS	\$ 29,375,410	-	\$ -	\$ 1,741,652	\$ 1,460,589	\$ 1,064,928	\$ 33,642,579

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities							
Accounts payable and accrued liabilities	\$ 2,106,735	-	-	-	1,316	48,711	\$ 2,156,762
Customer deposits	126,566	-	-	-	-	-	126,566
Due to component units	391	-	-	-	-	-	391
Deferred revenue	748,902	-	-	1,645,228	-	-	2,394,130
Claims payable	-	-	-	-	114,796	-	114,796
Total liabilities	<u>2,982,594</u>	<u>-</u>	<u>-</u>	<u>1,645,228</u>	<u>116,112</u>	<u>48,711</u>	<u>4,792,645</u>
Fund equity and other credits							
Fund balances							
Reserved for-							
Inventories	18,703	-	-	-	-	-	18,703
Prepaid expenses	19,422	-	-	-	-	-	19,422
Encumbrances	4,706,795	-	-	-	-	-	4,706,795
Advances	4,091,617	-	-	-	-	-	4,091,617
Property for resale	4,131,127	-	-	-	-	-	4,131,127
Unreserved - Designated -							
Future emergency purchases	4,620,075	-	-	-	-	-	4,620,075
Undesignated (deficit)	9,604,797	-	(63,362)	96,423	939,175	685,162	11,262,195
Total equity and other credits	<u>27,192,536</u>	<u>-</u>	<u>(63,362)</u>	<u>96,423</u>	<u>939,175</u>	<u>685,162</u>	<u>28,849,934</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 30,175,130</u>	<u>\$ -</u>	<u>\$ (63,362)</u>	<u>\$ 1,741,651</u>	<u>\$ 1,055,287</u>	<u>\$ 733,873</u>	<u>\$ 33,642,579</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues	\$ 21,044,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,044,830
Sales and use taxes	8,174,202	-	-	-	-	-	8,174,202
Occupational license fees	248,483	-	-	-	-	-	248,483
Motor fuel taxes	1,425,637	-	-	-	-	-	1,425,637
Lodging taxes	538,541	-	-	-	-	-	538,541
Rental and leasing taxes	168,183	-	-	-	-	-	168,183
Other taxes	8,266,168	-	-	-	-	-	8,266,168
Licenses and permits	3,586,577	-	-	-	-	-	3,586,577
General property tax	7,025,396	-	-	-	415,381	-	7,440,777
Charges for services	1,267,362	-	-	-	-	-	1,267,362
Fines and forfeitures	936,059	-	-	-	-	-	936,059
State shared taxes	469,022	-	9,020	130,407	-	-	608,449
Contributions from the public	450,412	-	-	-	-	-	450,412
Grants	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-
Interest	572,988	-	45	37,760	38,301	25,878	674,972
Miscellaneous	117,086	-	-	-	-	-	117,086
Total revenues	54,290,946	-	9,065	168,167	453,682	25,878	54,947,738
Expenditures							
General government and administration	4,017,923	-	-	-	-	-	4,017,923
Public works	2,981,356	-	-	-	-	-	2,981,356
Environmental services	4,298,499	-	-	-	-	-	4,298,499
Public safety	14,358,551	-	-	-	-	-	14,358,551
Library	1,396,074	-	-	-	-	-	1,396,074
Parks and recreation	4,567,966	25,045	7,607	-	-	-	4,600,618

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Planning	643,259	-	-	-	-	-	643,259
Economic development	895,655	-	-	-	-	-	895,655
Employee services	550,107	-	-	-	-	-	550,107
Risk management	209,752	-	-	-	580,793	150,676	941,221
Total departmental	33,919,142	25,045	7,607	-	580,793	150,676	34,683,263
Non-departmental	1,615,423	-	-	-	-	-	1,615,423
Debt service:							
Administrative charges	1,428	-	-	-	-	-	1,428
Interest	2,046,658	-	-	22,556	-	-	2,069,214
Principal retirement	25,555,070	-	-	130,407	-	-	25,685,477
Capital outlay	4,350,042	-	-	55,873	-	-	4,405,915
Intergovernmental	1,410,281	-	-	-	-	-	1,410,281
Payments to component units	10,362,589	-	-	-	-	-	10,362,589
Total expenditures	79,260,633	25,045	7,607	208,836	580,793	150,676	80,233,590
Excess (deficiency) of revenues over expenditures	(24,969,687)	(25,045)	1,458	(40,669)	(127,111)	(124,798)	(25,285,852)
Other financing sources (uses)							
Debt issuance	23,468,100	-	-	1,727,516	-	-	25,195,616
Sale of surplus assets	50,134	-	-	-	-	-	50,134
Transfers in	726,129	-	-	-	-	27,177	753,306
Transfers out	(1,050)	-	-	-	-	-	(1,050)
Total other financing sources (uses)	24,243,313	-	-	1,727,516	-	27,177	25,998,006
Net changes in fund balances	(726,374)	(25,045)	1,458	1,686,847	(127,111)	(97,621)	712,154
Fund balances, beginning of year	27,918,910	25,045	(64,820)	(1,590,424)	1,066,286	782,783	28,137,780
Fund balances, end of year	\$ 27,192,536	\$ -	\$ (63,362)	\$ 96,423	\$ 939,175	\$ 685,162	\$ 28,849,934

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 26. RESTRICTED ASSETS

COMPONENT UNITS

Water Works Board

Restricted assets of the Water Works Board consists 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, 2008, follows:

Deferred water rights, beginning of year	\$ 960,248
Amortization of deferred water rights	(169,456)
Deferred water rights, end of year	<u>\$ 790,792</u>

NOTE 28. SPECIAL CAPITAL IMPROVEMENT PROJECTS

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

The Dean Road Extension project was completed in fiscal year 1999, and an agreement was signed whereby the affected property owners agreed to pay the City \$810,672 (the net cost to the City for construction) with interest at 5.16% over ten years. Amounts collected under the agreement in fiscal year 2008 included principal of \$48,119 and interest of \$941. The property owners paid the final balance during fiscal year 2008. During construction, the costs were funded by state grants and existing General Fund resources and, accordingly, were recorded as capital outlay expenditures in the year incurred. At the time the agreement was signed with the property owners, the City issued a general obligation warrant in the amount of \$810,672 to recover the costs incurred by the General Fund, and the property owners pledged an irrevocable letter of credit to secure the warrant. The final principal payments on the warrant were paid during fiscal year 2008.

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. Amounts collected under the agreements in fiscal year 2008 included principal of \$82,288 and interest of \$35,506; the balance due from the property owners at September 30, 2008, was \$1,645,228. During construction, the costs were funded by existing General Fund resources and, accordingly, were recorded as capital outlay expenditures in the year incurred. At the time the agreements were signed with the property owners, the City issued general obligation warrants in the amount of \$1,727,516 to recover the costs incurred by the General Fund, and the property owners pledged irrevocable letters of credit to secure the warrants. The warrants are backed by the full faith credit and taxing power of the City and are not secured by liens against the properties.

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 29. DEPRIVATIZATION OF SEWER PLANTS - CONTINUED

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 (\$1,795,019, annually) continues to be payable to Veolia Water Inc. (successor to U.S. Filter) under the terms of the extension of the Service Agreement until January 1, 2020.

NOTE 30. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

Subsequent to September 30, 2008, the City Council approved various design and construction contracts totaling approximately \$2,292,000, professional services type contracts totaling approximately \$526,000, and equipment and computer software purchases totaling approximately \$589,000.

Subsequent to September 30, 2008, the City issued its \$2,031,270 General Obligation Warrant, Series 2008-F, dated October 10, 2008, to make certain capital improvements within the City on and along East Samford Avenue including the addition of approximately one mile of new roadway, adding bike lanes, constructing and acquiring storm sewer, sanitary sewer and water infrastructure improvements, and adding two new traffic signals. The warrant bears interest at a rate of 4.10%, payable monthly beginning October 24, 2008 and continuing through September 2015.

Subsequent to September 30, 2008, the City issued its \$12,100,000 General Obligation Warrant, Series 2008-G, dated November 13, 2008, to retire the \$12,100,000 Warrant dated June 19, 2007. The 2007 warrant was issued on a short-term basis in anticipation of long-term warrants being authorized and delivered on or before November 1, 2008. Present conditions of the national economy made it unfeasible for the City to issue the proposed long-term warrants before

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 30. SUBSEQUENT EVENTS - CONTINUED

November 1, 2008; therefore, the City issued the Series 2008-G warrant on a short-term basis until conditions become more favorable to issue the proposed long-term warrants. The warrant bears interest at a fixed rate of 3.95% payable on March 31, 2009 (see following paragraph).

Subsequent to September 30, 2008, the City issued its \$25,370,000 Sewer Refunding and Capital Improvement Warrant, Series 2008-H, dated December 1, 2008, to retire the \$12,100,000 General Obligation Warrant dated November 13, 2008, and to pay the costs of certain capital improvements, including additions, expansions and renovations to the sanitary sewer treatment and collection system of the City. The warrant bears interest at rates ranging from 4% to 5.625%, payable semiannually beginning June 1, 2009.

Subsequent to September 30, 2008, the City issued its \$8,500,000 General Obligation Warrant, Series 2008-I, dated December 19, 2008, to make certain capital improvements to the public school system of the City including renovations to the auditorium, cafeteria, and fine arts areas of Auburn High School and the addition of several classrooms and various athletic facilities improvements at the school. The warrant bears interest at a rate of 4.76%, payable monthly beginning January 19, 2009 and continuing through June 2028.

Subsequent to September 30, 2008, the City liquidated the four letters of credit which secured the payments on general obligation warrants for the construction of Richland Road Extension (see Note 28 – Special Capital Improvement Projects). The total amount drawn of \$1,647,846 included principal and interest due up to the date of October 17, 2008. The letter of credit proceeds were used to refund the general obligation warrants issued on March 25, 2008 in the original principal amounts of \$950,134 and \$777,382 (see Note 11 – Long-term Liabilities).

COMPONENT UNITS

Industrial Development Board

Subsequent to September 30, 2008, the Board approved various incentives to new and existing companies consisting of a tax abatement and an industrial development grant in the amount of \$20,000.

After year-end, the Board executed construction contracts totaling \$2,585,000 for expansion of one of its existing buildings and for construction of a new sewer line in Auburn Technology Park West. The contract for the building expansion totals \$2,485,000, and it is funded entirely by the tenant in the building. Additionally, an existing construction contract was renegotiated to change the building from a design build project to a speculative building, with a total contract reduction of \$1,973,442. The reduced contract amount is included in the construction commitments discussed in Note 31.

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 \$10,862,000 as of September 30, 2008.

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 on the following page:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES - CONTINUED

Fiscal Year	Appropriation
2009	\$ 379,105
2010	379,230
2011	378,630
2012	377,480
2013	375,970
2014	378,875
2015	376,113
2016	378,062
2017	379,303
2018	376,802
2019	378,803
2020	375,052
2021	375,803
2022	375,803
2023	375,053
2024	376,027
2025	376,020
Total	\$ 6,412,131

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, 2008, the City had been named defendant in nine pending lawsuits. Seven of these suits do not specify a dollar amount of damages claimed, and the total damages claimed in the suits specifying damages is \$600,000. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$186,244.

In fiscal year 2008, the City expended \$164,491 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 on the following page:

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES - CONTINUED

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
AJHS Cafeteria	\$ 1,773,306	\$ 1,710,406	\$ 62,900	\$ -
Fencing Security Gates	83,205	81,293	1,912	-
Multiple Project Architect Fees	4,863	-	4,863	-
Transportation Facility	332,967	306,196	26,771	-
Auburn High School Fine Arts	191,192	119,176	72,016	-
Total	<u>\$ 2,385,533</u>	<u>\$ 2,217,071</u>	<u>\$ 168,462</u>	<u>\$ -</u>

The Board is obligated under certain leases which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the results of these lease agreements are not reflected as part of the Board's capital assets. The Board has several non-cancelable leases for certain equipment that are classified as operating leases. Rent expense under these noncancelable leases was \$84,966 for the fiscal year ended September 30, 2008.

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 80,625
2010	40,670
2011	16,369
2012	593
Total	<u>\$ 138,257</u>

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

Water Works Board

Commitments – The Water Works Board has a commitment for a construction project in connection with system improvements. The cost to complete the project is \$3,106.

Industrial Development Board

Commitments – As of September 30, 2008, the Board was committed under certain construction contracts in the amount of \$5,871,834. Of this amount, \$1,689,485 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. The Board originally committed to loan the Foundation up to \$10,000,000 to finance the construction of a new research park, and as of September 30, 2008, \$9,103,660 had been expended for construction.

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, 2008.

Prior to September 30, 2008, 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 31. COMMITMENTS, LITIGATION AND CONTINGENCIES - CONTINUED

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

Commercial Development Authority of the City of Auburn

Commitments – In August 2005 the Authority entered into a \$7,000,000 line of credit agreement for the purpose of making funds available to pay the cost of constructing certain public improvements on or around the intersection of Glenn Avenue and Bent Creek Road to facilitate the location and construction on adjacent property of a large-scale community shopping center. The City of Auburn agreed to support the Authority by providing the necessary financial support for the repayment of the line of credit. As of September 30, 2008, the Authority had paid to the developer \$7,216,755 and had received \$7,000,000 from the City. In July 2007, the City agreed to increase their support and the principal amount of the line of credit by \$1,800,000 to fund the cost of additional infrastructure improvements.

NOTE 32. PRIOR PERIOD ADJUSTMENTS

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2008, a prior period adjustment was recorded to reflect the reversal of certain infrastructure assets inadvertently capitalized during fiscal year 2007. During fiscal year 2007, the City recorded infrastructure assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems and its related accumulated depreciation. The accumulated depreciation was retroactively calculated to 1977 on all streets that were capitalized. It was discovered during fiscal year 2008 that two of the streets that were capitalized were not owned by the City but were owned by the State of Alabama. The State deeded the two streets to the City during 2008 and were properly capitalized at that point. The prior period adjustment of \$200,486 equals the difference between the cost of \$801,943 and accumulated depreciation of \$601,457 that was incorrectly recorded in the prior year.

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 2008. The \$189,000 reported as landfill postclosure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2008, represents estimated costs of postclosure care based on what it would cost to perform all postclosure care in 2008. 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.



City of Auburn

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

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.

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

Tennis Center/Library Expansion Fund 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, 2008

	Special Revenue Funds										Debt Service Fund	
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety- Substance Abuse Fund	City Gas Tax Fund	Special School Tax Fund	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Public Library Board	Total	Special 5-Mill Tax Fund		
ASSETS												
Cash and cash equivalents	\$ 55,566	\$ 58,214	\$ 173,004	\$ -	\$ 796,532	\$ -	\$ 354,656	\$ -	\$ 1,437,971	\$ 3,133,755		
Receivables, net	11,729	9,284	-	-	29,981	49,800	-	-	100,795	29,981		
Mortgages receivable	-	-	-	-	-	-	1,488,734	-	1,488,734	-		
Total assets	67,295	67,498	173,004	-	826,513	49,800	1,843,389	-	3,027,500	3,163,736		
LIABILITIES AND FUND BALANCES												
Accounts payable and accrued liabilities	-	-	-	-	-	35,715	931	-	36,645	-		
Due to component units	-	-	-	-	-	-	45	-	45	-		
Due to other funds	-	-	-	-	-	14,086	-	-	14,086	-		
Deferred program revenue	-	-	-	-	-	-	1,488,783	-	1,488,783	-		
Total liabilities	-	-	-	-	-	49,800	1,489,759	-	1,539,559	-		
Fund balances:												
Reserved:												
Encumbrances	-	-	-	-	-	18,120	-	-	18,120	-		
Unreserved:												
Undesignated (deficit)	67,295	67,498	173,004	-	826,513	(18,120)	353,631	-	1,469,821	3,163,736		
Total fund balances	67,295	67,498	173,004	-	826,513	-	353,631	-	1,487,941	3,163,736		
Total liabilities and fund balances	67,295	67,498	173,004	-	826,513	49,800	1,843,389	-	3,027,500	3,163,736		

Capital Projects Funds

	'03 6.3 Mil Capital Projects Fund	'05 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	\$ 765,309	\$ -	\$ 760,958	\$ 2,247,111	\$ 268,624	\$ 184,505	\$ 4,226,507	\$ 8,798,232
Receivables, net	39,607	-	-	238,450	-	-	278,057	408,833
Mortgages receivable	-	-	-	-	-	-	-	1,488,734
Total assets	804,916	-	760,958	2,485,561	268,624	184,505	4,504,564	10,695,799
LIABILITIES AND FUND BALANCES								
Accounts payable and accrued liabilities	70,711	-	23,296	574,550	-	-	668,557	705,202
Due to component units	-	-	-	20,119	-	-	20,119	20,164
Due to other funds	-	-	-	-	-	-	-	14,086
Deferred program revenue	-	-	-	-	-	-	-	1,488,783
Total liabilities	70,711	-	23,296	594,669	-	-	688,676	2,228,235
Fund balances:								
Reserved:								
Encumbrances	333,171	-	307,819	1,468,995	-	38,817	2,148,802	2,166,922
Unreserved:								
Undesignated (deficit)	401,033	-	429,843	421,898	268,624	145,688	1,667,086	6,300,642
Total fund balances	734,204	-	737,662	1,890,893	268,624	184,505	3,815,888	8,467,564
Total liabilities and fund balances	804,916	-	760,958	2,485,561	268,624	184,505	4,504,564	10,695,799

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds										Debt Service Fund
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety-Substance Abuse Fund	City Gas Tax Fund	Special School Tax Fund	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Public Library Board	Total	Special 5-Mill Tax Fund	
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Motor fuel taxes	-	-	-	248,483	-	-	-	-	-	-	248,483
General property tax	-	-	-	-	3,225,588	-	-	-	-	-	3,225,588
State shared taxes	136,150	106,557	-	-	-	-	-	-	-	-	242,707
Contributions from the public	-	-	16,635	-	-	-	-	-	-	-	16,635
Grants	-	-	13,189	-	-	794,049	-	-	-	-	807,238
Program income	-	-	-	-	-	-	350,544	-	-	-	350,544
Interest	1,710	1,848	5,081	4,414	39,558	-	40,961	76	-	-	93,648
Miscellaneous	-	-	-	-	-	-	59	-	-	-	59
Total revenues	137,860	108,405	34,905	252,897	3,265,146	794,049	391,564	76	-	-	4,984,904
Expenditures											
Library	-	-	-	-	-	-	-	73	-	-	73
Public safety	-	-	7,983	-	-	-	-	-	-	-	7,983
Economic Development	-	-	-	-	-	694,932	84,006	-	-	-	778,938
Total departmental	-	-	7,983	-	-	694,932	84,006	73	-	-	786,994
Non-departmental	-	-	-	-	117,521	-	-	-	-	-	117,521
Debt service:											
Principal retirement	-	-	-	-	1,039,154	-	-	-	-	-	1,039,154
Interest	-	-	-	-	2,949,585	-	-	-	-	-	2,949,585
Administrative charges	-	-	-	-	2,800	-	-	-	-	-	2,800
Capital outlay	-	-	40,228	-	-	255,011	-	-	-	-	295,239
Intergovernmental	-	-	-	-	-	-	-	13,000	-	-	13,000
Payments to component units	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	48,210	-	9,309,061	949,943	881,507	13,073	-	-	11,285,801
Excess (deficiency) of revenues over expenditures	137,860	108,405	(13,305)	252,897	(6,043,915)	(155,894)	(573,949)	(12,997)	-	-	(6,300,897)
Other financing sources (uses)											
Transfers in	-	-	1,050	-	6,050,000	155,893	-	-	-	-	6,206,943
Transfers out	(122,500)	(100,000)	-	(366,427)	-	-	(155,893)	-	-	-	(744,820)
Total other financing sources (uses)	(122,500)	(100,000)	1,050	(366,427)	6,050,000	155,893	(155,893)	-	-	-	5,462,123
Net changes in fund balances	15,360	8,405	(12,255)	(113,530)	6,085	-	(729,842)	(12,997)	-	-	(838,774)
Fund balances, beginning of year	51,935	59,093	185,259	113,530	820,428	-	1,083,473	12,997	-	-	2,326,714
Fund balances, end of year	67,295	67,498	173,004	-	826,513	-	353,631	-	-	-	1,487,940

Capital Projects Funds

	'03 6.3 Mil Capital Projects Fund	'05 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								
Motor fuel taxes	-	-	-	-	-	-	-	248,483
General property tax	-	-	-	-	-	-	-	6,270,301
State shared taxes	-	-	-	-	-	-	-	242,707
Contributions from the public	-	-	-	-	-	-	-	16,635
Grants	126,937	76,090	-	238,450	-	-	441,477	1,248,715
Program income	-	-	-	-	-	-	-	350,544
Interest	26,756	7,378	57,556	128,779	11,807	10,314	242,590	453,325
Miscellaneous	-	-	-	-	-	-	-	59
Total revenues	153,692	83,468	57,556	367,229	11,807	10,314	684,067	8,830,771
Expenditures								
Library	-	-	20,526	-	-	-	20,526	20,599
Public safety	-	-	-	-	-	-	-	7,983
Economic Development	-	-	-	-	-	-	-	778,938
Total departmental	-	-	20,526	-	-	-	20,526	807,520
Non-departmental	-	-	-	-	-	-	-	215,135
Debt service:								
Principal retirement	-	-	-	-	-	-	-	2,669,154
Interest	-	-	-	-	-	-	-	3,951,785
Administrative charges	-	-	-	-	-	-	-	20,025
Capital outlay	179,162	386,551	1,779,302	18,120	-	-	2,363,135	2,668,374
Intergovernmental	282,595	1,290	-	754,880	-	53,297	1,082,062	1,105,062
Payments to component units	-	-	2,107	3,437,014	56,057	-	3,495,178	9,576,685
Total expenditures	461,757	387,841	1,801,935	4,210,014	56,057	53,297	6,970,900	21,003,740
Excess (deficiency) of revenues over expenditures	(308,064)	(304,373)	(1,744,379)	(3,842,785)	(44,250)	(42,983)	(6,286,834)	(12,172,969)
Other financing sources (uses)								
Transfers in	180	-	-	-	-	-	180	6,207,123
Transfers out	-	(180)	-	-	(48,699)	-	(48,879)	(793,699)
Total other financing sources (uses)	180	(180)	-	-	(48,699)	-	(48,699)	5,413,424
Net changes in fund balances	(307,884)	(304,553)	(1,744,379)	(3,842,785)	(92,949)	(42,983)	(6,335,533)	(6,759,546)
Fund balances, beginning of year	1,042,088	304,553	2,482,040	5,733,678	361,573	227,488	10,151,420	15,227,109
Fund balances, end of year	734,204	-	737,662	1,890,893	268,624	184,505	3,815,888	8,467,564

**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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	118,500	118,500	136,150	17,650
Interest	700	1,200	1,710	510
Total revenues	<u>119,200</u>	<u>119,700</u>	<u>137,860</u>	<u>18,160</u>
Other financing sources (uses)				
Transfers out	<u>(122,500)</u>	<u>(122,500)</u>	<u>(122,500)</u>	<u>-</u>
Net changes in fund balances	(3,300)	(2,800)	15,360	18,160
Fund balances, beginning of year	<u>51,935</u>	<u>51,935</u>	<u>51,935</u>	<u>-</u>
Fund balances, end of year	<u><u>48,635</u></u>	<u><u>49,135</u></u>	<u><u>67,295</u></u>	<u><u>18,160</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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	90,000	90,750	106,557	15,807
Interest	1,000	1,400	1,848	448
Total revenues	<u>91,000</u>	<u>92,150</u>	<u>108,405</u>	<u>16,255</u>
Other financing sources (uses)				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net changes in fund balances	(9,000)	(7,850)	8,405	16,255
Fund balances, beginning of year	<u>59,093</u>	<u>59,093</u>	<u>59,093</u>	<u>-</u>
Fund balances, end of year	<u><u>50,093</u></u>	<u><u>51,243</u></u>	<u><u>67,498</u></u>	<u><u>16,255</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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Contributions from the public	5,000	11,000	16,635	5,635
Grants	-	13,189	13,189	-
Interest	3,500	3,700	5,081	1,381
Total revenues	<u>8,500</u>	<u>27,889</u>	<u>34,905</u>	<u>7,016</u>
Expenditures				
Public safety	3,000	3,275	7,983	(4,708)
Capital outlay	15,000	45,270	40,228	5,042
Total expenditures	<u>18,000</u>	<u>48,545</u>	<u>48,210</u>	<u>335</u>
Excess (deficiency) of revenues over expenditures	(9,500)	(20,656)	(13,305)	7,351
Other financing sources (uses)				
Transfers in	-	-	1,050	1,050
Net changes in fund balances	(9,500)	(20,656)	(12,255)	8,401
Fund balances, beginning of year	<u>185,259</u>	<u>185,259</u>	<u>185,259</u>	<u>-</u>
Fund balances, end of year	<u><u>175,759</u></u>	<u><u>164,603</u></u>	<u><u>173,004</u></u>	<u><u>8,401</u></u>

**CITY OF AUBURN, ALABAMA
CITY GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Motor fuel taxes	157,500	200,000	248,483	48,483
Interest	1,000	3,331	4,414	1,083
Total revenues	<u>158,500</u>	<u>203,331</u>	<u>252,897</u>	<u>49,566</u>
Other financing sources (uses)				
Transfers out	(160,000)	(250,000)	(366,427)	(116,427)
Net changes in fund balances	(1,500)	(46,669)	(113,530)	(66,861)
Fund balances, beginning of year	<u>113,530</u>	<u>113,530</u>	<u>113,530</u>	<u>-</u>
Fund balances, end of year	<u><u>112,030</u></u>	<u><u>66,861</u></u>	<u><u>-</u></u>	<u><u>(66,861)</u></u>

**CITY OF AUBURN, ALABAMA
SPECIAL SCHOOL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	2,940,000	3,100,000	3,225,588	125,588
Interest	42,000	42,000	39,558	(2,442)
Total revenues	<u>2,982,000</u>	<u>3,142,000</u>	<u>3,265,146</u>	<u>123,146</u>
Expenditures				
Non-departmental	120,000	120,000	117,521	2,479
Debt service:				
Principal retirement	1,039,155	1,039,155	1,039,154	1
Interest	2,949,659	2,949,659	2,949,585	74
Administrative charges	10,890	10,890	2,800	8,090
Payments to component units	5,200,000	5,200,000	5,200,000	-
Total expenditures	<u>9,319,704</u>	<u>9,319,704</u>	<u>9,309,061</u>	<u>10,643</u>
Excess (deficiency) of revenues over expenditures	(6,337,704)	(6,177,704)	(6,043,915)	133,789
Other financing sources (uses)				
Transfers in	6,050,000	6,050,000	6,050,000	-
Net changes in fund balances	(287,704)	(127,704)	6,085	133,789
Fund balances, beginning of year	820,428	820,428	820,428	-
Fund balances, end of year	<u>532,724</u>	<u>692,724</u>	<u>826,513</u>	<u>133,789</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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	2,782,500	2,920,000	3,044,712	124,712
Interest	125,000	90,000	117,087	27,087
Total revenues	<u>2,907,500</u>	<u>3,010,000</u>	<u>3,161,799</u>	<u>151,799</u>
Expenditures				
Non-departmental	108,862	115,000	97,614	17,386
Debt service:				
Principal retirement	1,630,000	1,630,000	1,630,000	-
Interest	1,084,601	1,002,201	1,002,200	1
Administrative charges	7,000	12,000	17,225	(5,225)
Total expenditures	<u>2,830,463</u>	<u>2,759,201</u>	<u>2,747,039</u>	<u>12,162</u>
Net changes in fund balances	77,037	250,799	414,761	163,962
Fund balances, beginning of year	2,748,975	2,748,975	2,748,975	-
Fund balances, end of year	<u>2,826,012</u>	<u>2,999,774</u>	<u>3,163,736</u>	<u>163,962</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, 2008

	Public Park and Recreation Board	Commercial Development Authority	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
ASSETS			
Current assets:			
Cash and cash equivalents	150	18	168
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>6,799,460</u>	<u>2,429</u>	<u>6,801,889</u>
Total assets	<u>6,799,610</u>	<u>2,447</u>	<u>6,802,057</u>
 LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	24,941	103	25,044
Due to primary government	<u>724,513</u>	<u>-</u>	<u>724,513</u>
Total current liabilities	<u>749,454</u>	<u>103</u>	<u>749,557</u>
 NET ASSETS			
Invested in capital assets, net of related debt	6,799,460	2,429	6,801,889
Unrestricted (deficit)	<u>(749,304)</u>	<u>(85)</u>	<u>(749,389)</u>
Total net assets	<u>6,050,156</u>	<u>2,344</u>	<u>6,052,500</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 2008

	Public Park and Recreation Board	Commercial Development Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	68,436	-	68,436
Miscellaneous	50,254	-	50,254
Total operating revenues	<u>118,690</u>	<u>-</u>	<u>118,690</u>
Operating expenses			
Salaries and wages	54,578	-	54,578
Employee benefits	6,495	-	6,495
Repairs and maintenance	8,552	-	8,552
Advertising	268	-	268
Utilities	109,460	-	109,460
Administrative costs and fees	-	186	186
Professional services	2,296	5,020	7,316
Recreational supplies	14,500	-	14,500
Depreciation/amortization	284,047	1,767	285,814
Commercial incentives granted	-	1,800,000	1,800,000
Miscellaneous	3,161	-	3,161
Total operating expenses	<u>483,356</u>	<u>1,806,973</u>	<u>2,290,329</u>
Operating income (loss)	(364,666)	(1,806,973)	(2,171,638)
Non-operating revenues (expenses)			
Appropriations from the City of Auburn	<u>-</u>	<u>1,805,170</u>	<u>1,805,170</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	(364,666)	(1,803)	(2,171,638)
Capital contributions			
From the City of Auburn	<u>58,164</u>	<u>-</u>	<u>58,164</u>
Change in net assets	(306,502)	(1,803)	(2,171,638)
Net assets--beginning of year	<u>6,356,658</u>	<u>4,147</u>	<u>6,360,805</u>
Net assets--end of year	<u>6,050,156</u>	<u>2,344</u>	<u>6,052,501</u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER, 30 2008

	Public Park and Recreation Board	Commercial Development Authority	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	123,055	532,840	655,895
Payments to suppliers for goods and services	(582,965)	(2,338,046)	(2,921,011)
Payments to employees for services	(61,072)	-	(61,072)
	<u>(520,982)</u>	<u>(1,805,206)</u>	<u>(2,326,188)</u>
Net cash provided (consumed) by operating activities (A)			
Cash flows from noncapital financing activities			
Operating transfers in	2,107	-	2,107
Proceeds of advances	518,563	-	518,563
	<u>520,670</u>	<u>-</u>	<u>520,670</u>
Net cash provided (consumed) by noncapital financing activities			
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(55,745)	-	(55,745)
Contributions from state agency	56,057	-	56,057
Contributions from primary government	-	1,805,170	1,805,170
	<u>312</u>	<u>1,805,170</u>	<u>1,805,482</u>
Net cash provided (consumed) by capital and related financing activities			
Net increase (decrease) in cash	-	(36)	(36)
Cash and cash equivalents, beginning of year	150	54	204
Cash and cash equivalents, end of year	<u>150</u>	<u>18</u>	<u>168</u>
Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):			
Operating income (loss)	(364,666)	(1,806,973)	(2,171,639)
Add:			
Depreciation/amortization expense	284,047	1,767	285,814
Decrease in accounts receivable	4,365	532,840	537,205
Deduct:			
Decrease in accounts payable/accrued liabilities	(444,728)	(532,840)	(977,568)
Net cash provided (consumed) by operating activities	<u>(520,982)</u>	<u>(1,805,206)</u>	<u>(2,326,188)</u>



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

City of Auburn

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2008

Governmental funds capital assets	\$
Land, buildings and improvements	48,787,335
Construction in progress	1,737,129
Communication equipment	297,873
Heavy equipment	2,730,849
Office equipment	2,344,447
Small tools and equipment	930,072
Vehicles	8,543,597
Infrastructure	<u>107,715,365</u>
Total governmental funds capital assets	<u><u>173,086,667</u></u>
Investment in governmental funds capital assets by source	
General fund revenues	123,189,478
Capital projects funds	40,118,702
Federal grants	4,298,260
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	1,012,313
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	<u>368,540</u>
Total investment in governmental funds capital assets	<u><u>173,086,667</u></u>

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2008

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	\$ 1,631,894	\$ 27,021	\$ -	\$ 5,600	\$ -	\$ 973,995	\$ 41,399	\$ 67,478	\$ 516,401
Information technology	159,755	-	-	-	-	159,755	-	-	-
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	2,774,611	190,276	-	5,600	-	1,911,603	41,399	109,331	516,401
Public works administration	106,889,592	1,042,745	-	-	1,109,088	98,380	59,701	1,001,617	103,578,060
Environmental services	3,759,573	350,445	-	-	830,232	6,658	95,755	2,476,483	-
Public safety administration	5,242,710	4,838,691	-	225,995	-	14,536	-	22,162	141,326
Fire	2,817,858	197,191	-	-	291,774	-	89,146	2,239,747	-
Police and jail administration	2,414,857	130,593	-	66,277	-	48,445	397,201	1,772,342	-
Codes enforcement	96,850	-	-	-	-	7,421	-	89,429	-
Library	5,241,195	4,994,798	-	-	-	246,397	-	-	-
Parks and recreation	22,108,048	17,117,917	-	-	499,754	5,425	246,870	758,503	3,479,578
Planning	42,769	-	-	-	-	5,583	-	37,186	-
Human resource management	482,330	462,889	-	-	-	-	-	19,441	-
Economic development	180,730	163,374	-	-	-	-	-	17,356	-
Total departmental	152,051,121	29,488,919	-	297,872	2,730,849	2,344,447	930,072	8,543,597	107,715,365
Nondepartmental	21,035,545	19,298,416	1,737,129	-	-	-	-	-	-
Total governmental funds capital assets	173,086,667	48,787,335	1,737,129	297,872	2,730,849	2,344,447	930,072	8,543,597	107,715,365

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Governmental Funds Capital Assets September 30, 2007	Prior Period Adjustment	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2008
General government and administration	\$	\$	\$	\$	\$
Information technology	1,446,115	-	185,779	-	1,631,894
Geographical information systems	152,273	-	7,482	-	159,755
Judicial	20,734	-	-	-	20,734
Administrative	182,023	-	-	-	182,023
Finance	774,204	-	6,000	-	780,204
Total general government and administration	2,575,349	-	199,261	-	2,774,610
Public works administration	91,910,698	(801,943)	15,882,650	(101,813)	106,889,592
Environmental services	3,527,500	-	336,207	(104,134)	3,759,573
Public safety administration	4,118,206	-	1,144,022	(19,518)	5,242,710
Fire	2,834,847	-	-	(16,989)	2,817,858
Police and jail administration	2,248,372	-	353,797	(187,311)	2,414,858
Codes enforcement	77,332	-	19,518	-	96,850
Library	3,227,311	-	2,013,884	-	5,241,195
Parks and recreation	21,595,112	-	586,001	(73,065)	22,108,048
Planning	42,769	-	-	-	42,769
Human resource management	482,330	-	-	-	482,330
Economic development	170,323	-	16,266	(5,859)	180,729
Total departmental	132,810,149	(801,943)	20,551,605	(508,689)	152,051,122
Nondepartmental	21,446,935	-	1,632,967	(2,044,357)	21,035,545
Total governmental funds capital assets	154,257,084	(801,943)	22,184,572	(2,553,046)	173,086,667

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	137
<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 6-10	144
<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 11-15	147
<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 16-17	150
<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 18-20	152
<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 Six Fiscal Years*

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Primary government - governmental activities						
Invested in capital assets, net of related debt	\$ 17,249,619	\$ 23,976,799	\$ 22,454,277	\$ 30,277,386	\$ 48,933,540	\$ 48,943,891
Restricted	(26,814,317)	4,901,497	6,983,053	8,295,236	8,621,350	9,642,375
Unrestricted	13,771,290	(15,733,465)	(41,830,047)	(47,917,701)	(43,868,791)	(30,673,220)
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>
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
Restricted	9,621,721	4,444,361	1,460,163	1,931,130	-	-
Unrestricted	(7,469,591)	339,141	4,510,401	3,535,503	1,747,051	(574,995)
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>
Total primary government						
Invested in capital assets, net of related debt	\$ 29,715,775	\$ 35,702,139	\$ 34,830,697	\$ 45,145,502	\$ 71,213,351	\$ 73,699,859
Restricted	(17,192,596)	9,345,858	8,443,216	10,226,366	8,621,350	9,642,375
Unrestricted	6,301,699	(15,394,324)	(37,319,646)	(44,382,198)	(42,121,740)	(31,248,215)
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>

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

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

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

~ 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
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
Occupational license fees	5,557,851	7,197,943	6,785,103	7,402,470	7,826,656	8,174,202
Property taxes	8,553,150	10,176,644	11,791,602	12,658,858	15,057,103	16,953,172
Motor fuel taxes	483,054	495,322	461,800	491,778	504,228	502,460
Lodging taxes	548,362	568,887	668,094	1,085,063	1,369,273	1,425,637
Rental and leasing taxes	1,121,061	1,463,934	1,456,463	1,591,682	1,501,112	538,541
Cigarette taxes	102,809	96,708	91,188	93,177	86,776	84,663
Alcoholic beverage taxes	25,790	27,051	29,473	30,551	34,984	83,521
Interest and investment earnings	887,885	854,188	981,502	1,884,183	1,996,272	1,255,843
Gain (loss) on disposal of assets	(1,074,742)	2,644	18,245	139,743	(23,936)	31,509
Miscellaneous	21,545	28,312	6,655	38,151	31,970	30,927
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
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>
Business-type activities:						
Interest and investment earnings	353,612	321,665	245,029	416,657	370,249	43,263
Gain (loss) on disposal of assets	(2,255)	-	-	18,895	66,128	22,625
Miscellaneous	-	-	-	278,160	258	504
Transfers	(111,910)	(120,424)	95,349	(127,883)	5,110	(106,111)
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>
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>
Changes in Net Assets						
Governmental activities	\$ 5,214,480	\$ 9,554,976	\$ (25,230,364)	\$ 3,047,638	\$ (7,739,135)	\$ 14,427,334
Business-type activities	1,787,058	1,890,555	1,838,142	1,987,765	3,692,112	154,110
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>

Table 3
City of Auburn ~ Primary Government
General Government Tax Revenues by Source ⁽¹⁾

Last Ten Fiscal Years

Unaudited

Fiscal Year	Sales & Use Tax	Cigarette & ABC* Tax	Motor Fuel Tax	Lodging and Rental Tax	Financial Institution Tax	Motor Vehicle Tax	General Property Tax	Totals
1999	\$ 11,313,849	\$ 122,863	\$ 625,478	\$ 313,969	\$ 100,493	\$ 64,854	\$ 5,969,272	\$ 18,510,778
2000	12,154,032	116,981	653,974	439,425	36,447	76,447	7,082,494	20,559,800
2001	12,554,602	105,137	680,049	513,913	22,755	74,584	7,459,103	21,410,143
2002	13,160,761	125,754	748,700	828,711	7,869	108,910	8,050,340	23,031,045
2003	14,589,315 ⁽²⁾	144,608	708,905	967,841	39,374	84,500	8,388,489	24,923,032
2004	17,959,076	172,784	751,944	1,019,463	79,347	89,209	9,959,852	30,031,675
2005	18,429,013	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

* 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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 1,499,497	\$ 1,560,286	\$ 2,114,199	\$ 1,463,210	\$ 5,559,675	\$ 8,697,744	\$ 7,820,742	\$ 9,305,314	\$ 8,701,444	\$ 12,967,664
Unreserved	5,353,434	5,742,247	7,663,595	12,635,576	13,480,580	21,426,238	19,488,460	18,451,274	19,436,335	15,882,269
Total general fund	\$ 6,852,931	\$ 7,302,533	\$ 9,777,794	\$ 14,098,786	\$ 19,040,255	\$ 30,123,982	\$ 27,309,202	\$ 27,756,588	\$ 28,137,779	\$ 28,849,933
All other governmental funds										
Reserved	\$ 4,046,112	\$ 3,877,600	\$ 3,294,305	\$ 3,702,320	\$ 1,423,641	\$ 4,520,843	\$ 2,991,480	\$ 4,190,300	\$ 1,888,965	\$ 2,166,922
Unreserved, reported in:										
Special revenue funds	1,585,723	2,773,620	2,626,707	1,687,538	1,213,631	2,526,426	4,634,413	3,898,499	4,924,456	5,072,970
Debt service funds	-	-	-	-	1,360,172	1,523,137	2,116,996	2,499,525	2,748,975	3,163,736
Capital projects funds	8,163,500	4,047,148	477,658	6,461,000	3,510,899	4,775,796	6,405,416	11,280,128	8,362,129	1,667,086
Total all other governmental funds	\$ 13,795,335	\$ 10,698,368	\$ 6,398,670	\$ 11,850,858	\$ 7,508,343	\$ 13,346,202	\$ 16,148,305	\$ 21,868,452	\$ 17,924,525	\$ 12,070,714

Table 5

City of Auburn

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Sales and use taxes	\$ 11,341,740	\$ 12,154,032	\$ 12,554,602	\$ 13,160,761	\$ 14,589,315	\$ 17,959,076	\$ 18,429,013	\$ 20,773,724	\$ 21,784,157	\$ 21,044,830
Occupational license fees	4,253,353	4,654,854	5,063,472	4,981,415	5,557,851	7,197,943	6,785,103	7,402,470	7,826,656	8,174,202
Motor fuel taxes	421,232	436,026	488,775	525,146	483,053	495,322	456,302	485,810	498,404	496,966
Lodging taxes	186,454	385,507	380,479	485,260	548,361	568,887	668,094	1,085,063	1,369,273	1,425,637
Rental and leasing taxes	937,072	781,310	936,397	1,172,031	1,121,061	1,463,934	1,456,463	819,682	1,473,112	538,541
Other taxes	298,440	171,277	124,832	129,467	128,599	123,759	120,661	123,728	121,760	168,183
Licenses and permits	3,198,118	3,808,628	4,339,969	4,406,442	4,886,027	5,597,240	6,001,452	6,518,522	7,311,513	8,266,168
General property tax	6,359,933	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
Charges for services	2,721,165	3,014,783	3,219,656	4,078,189	4,307,277	4,197,384	6,371,963	6,901,624	7,087,603	7,440,776
Fines and forfeitures	695,051	754,366	816,976	750,521	829,147	876,748	1,013,374	1,083,225	1,335,798	1,267,362
State shared taxes	476,665	429,873	571,516	676,609	735,804	838,939	1,021,092	1,285,313	1,165,920	1,178,766
Contributions from the public	546,608	282,457	219,279	667,344	327,407	1,371,735	194,769	320,747	494,010	606,144
Grants	88,934	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
Program income	889,679	240,500	201,009	320,624	467,518	481,957	549,327	127,229	1,206,632	350,544
Interest	758,038	1,230,958	980,948	871,934	855,743	855,952	985,974	1,883,720	2,011,961	1,240,177
Intergovernmental	1,700,000	-	-	-	-	-	-	-	-	-
Miscellaneous	364,125	415,208	259,158	335,117	105,879	108,811	75,695	95,972	122,150	117,144
Total revenues	35,236,607	36,607,250	39,195,309	42,215,337	45,010,794	54,619,022	57,034,467	63,280,023	70,341,510	70,967,739
Expenditures										
General government and administration	1,803,270	2,033,613	2,236,196	2,451,706	2,839,946	3,404,365	3,594,853	3,940,430	3,893,452	4,017,923
Public works	1,556,509	1,527,151	1,686,608	1,623,529	2,065,180	2,236,824	2,433,580	2,849,130	3,008,617	2,981,356
Environmental services	2,608,180	2,918,925	2,974,879	2,840,590	3,113,710	3,673,472	3,630,390	3,870,974	3,963,063	4,298,499
Public safety	7,111,819	7,266,313	7,765,481	7,931,330	8,448,024	10,162,166	11,757,986	12,527,380	12,860,510	14,366,534
Library	405,091	524,062	600,934	712,307	782,875	975,302	1,049,762	1,180,137	1,254,012	1,416,673
Parks and recreation	2,562,971	2,840,584	2,840,715	2,897,477	3,032,220	3,370,517	3,799,044	4,190,163	4,252,011	4,575,572
Housing rehab	-	-	4,838	72,850	-	-	-	-	-	-
Planning	297,658	317,167	315,014	355,626	346,760	373,985	507,098	486,927	600,553	643,259
Economic development	770,341	426,311	357,028	927,599	880,402	653,010	757,920	1,639,314	1,433,446	1,674,592
Employee services	309,625	337,905	339,936	352,443	399,949	427,345	459,278	472,691	504,822	550,107
Risk management	316,937	666,096	351,926	311,404	294,934	431,210	511,523	246,881	929,627	941,221
Non-departmental	774,355	953,209	1,005,195	2,441,539	2,739,900	1,403,798	1,422,240	1,867,443	1,495,410	2,213,532
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	2,911,005	3,211,543	5,648,624	4,727,943	3,105,726	5,499,994	19,570,595	6,183,601	6,836,554	28,354,631
Interest	1,738,522	2,408,740	2,567,056	3,028,691	3,747,321	3,503,675	4,318,811	5,519,505	5,840,756	6,042,452
Capital Outlay	8,495,353	11,447,448	10,899,385	4,617,953	7,347,636	6,530,914	12,983,719	7,328,307	8,359,823	6,939,861
Intergovernmental	4,496,973	4,030,782	4,914,630	4,867,674	796,317	809,166	1,177,306	6,742,832	3,141,812	2,515,343
Payments to component units	2,718,756	2,120,458	3,925,869	15,794,285	8,105,050	10,404,387	44,097,771	13,098,738	27,895,701	19,939,274
Total expenditures	38,877,365	43,030,307	48,434,314	55,954,946	48,045,950	53,859,930	112,071,876	72,144,453	86,270,169	101,470,829
Excess of revenues over (under) expenditures	(3,640,758)	(6,423,057)	(9,239,005)	(13,739,609)	(3,035,156)	759,092	(55,037,409)	(8,864,430)	(15,928,659)	(30,503,090)

Table 5 Continued

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other financing sources (uses)										
Debt issuance	\$ 8,836,730	\$ 3,810,608	\$ 5,149,620	\$ 36,062,829	\$ 5,196,627	\$ 16,356,598	\$ 58,835,646	\$ 14,740,290	\$ 12,200,000	\$ 13,927,516
Refunding	-	-	-	-	-	-	-	-	-	11,268,100
Sale of surplus assets	-	-	-	-	-	-	-	177,942	61,597	50,134
Transfers in	2,593,632	4,139,568	2,256,830	4,217,365	4,328,628	4,281,419	9,148,733	7,071,256	6,761,798	6,960,429
Transfers out	(2,639,768)	(3,769,464)	(2,186,580)	(4,207,115)	(4,216,718)	(4,160,995)	(9,252,339)	(6,957,522)	(6,762,544)	(6,844,749)
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)	8,790,594	4,180,712	5,219,870	21,987,024	5,308,537	16,477,022	54,826,485	15,031,966	12,365,927	25,361,430
Extraordinary item										
Insurance proceeds - fire in building	-	-	-	-	-	-	255,000	-	-	-
Net changes in fund balances	\$ 5,149,836	\$ (2,242,345)	\$ (4,019,135)	\$ 8,247,415	\$ 2,273,381	\$ 17,236,114	\$ 44,076	\$ 6,167,536	\$ (3,562,732)	\$ (5,141,660)
Debt service as a percentage of non-capital expenditures ⁽¹⁾	16.0%	19.8%	23.5%	16.2%	17.8%	19.3%	24.6%	18.2%	16.3%	36.4%

*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 Nine Fiscal Years*
 (amounts expressed in thousands)
 Unaudited

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

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

^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
1999	2.5%	1.0%	4.0%	7.5%
2000	2.5%	1.0%	4.0%	7.5%
2001	2.5%	1.0%	4.0%	7.5%
2002	2.5%	1.0%	4.0%	7.5%
2003 *	3.0%	1.0%	4.0%	8.0%
2004	3.0%	1.0%	4.0%	8.0%
2005	3.0%	1.0%	4.0%	8.0%
2006	3.0%	1.0%	4.0%	8.0%
2007	3.0%	1.0%	4.0%	8.0%
2008	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 Tax¹
 Current Year and Nine Years Ago
Unaudited

Employer	1999 Rank	2008 Rank
Wal-Mart	2	1
Auburn University Financial Reporting	1	2
Sam's Club		3
Kroger	3	4
Dillard's (formerly Gayfers)	4	5
Winn Dixie (Store 579)	5	6
Russell Lands, Inc (formerly Spencer Lumber Co)	10	7
Builder's First Source		8
Belk		9
Winn Dixie (Store 470)	7	10
K-Mart	6	
Sears	8	
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 <u>October 1</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities Property</u>	<u>Automobiles</u>	<u>Total Assessed Value</u>
1999	\$ 168,934,520	\$ 30,636,180	\$ 10,620,020	\$ 23,414,660	\$ 233,605,380
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

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 Limits¹	Property Taxes Paid²	Taxes Paid as Total of City's Property Tax
Alabama Power Company (public utility)	\$ 12,759,440	\$ 689,010	4.58%
Briggs & Stratton Corp. (industrial-manufacturing)	10,946,440	429,021	2.85%
Bostic Development (real estate development)	5,794,080	312,880	2.08%
Marelda University Village Mall (commercial retail)	5,600,000	302,400	2.01%
University Commons (real estate development)	4,675,340	252,468	1.68%
Stahlschmidt & Maiworm (industrial-manufacturing)	6,927,960	214,797	1.43%
BellSouth Telecommunications (public utility)	3,780,600	204,152	1.36%
Wal-Mart (commercial retail)	2,204,280	173,031	1.15%
Logan Alabama Properties (real estate developmt)	3,119,800	168,469	1.12%
Longleaf Condominiums (real estate development)	2,601,920	140,504	0.93%

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
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		
1999	\$ 47,739	\$ 372	\$ -	\$ 6	6.91%	\$ 1,190
2000	48,050	660	-	142	6.03%	1,136
2001	46,765	1,443	30,048	110	10.56%	1,774
2002	65,805	952	30,330	74	12.04%	2,168
2003	67,872	530	30,253	38	11.33%	2,144
2004	79,058	199	30,253	38	12.04%	2,278
2005	113,591	68	30,111	-	12.58%	2,974
2006	122,272	-	30,054	-	12.91%	3,051
2007	127,635	-	28,263	-	10.41%	3,003
2008	124,476	-	34,220	-	10.58%	2,920

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 12
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
1999	\$ 47,739,467	\$ 2,687,321	\$ 45,052,146	19.29%	\$ 1,114
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

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 13
City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt
 Fiscal Year 2008
 Unaudited

	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 146,596,443		
Less: Debt Service Funds Equity	<u>3,163,736</u>		
Net Direct Debt	143,432,707	100%	\$ 143,432,707
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 18,585,640	39%	<u>7,248,400</u>
Total Direct and Overlapping Debt			<u>\$ 150,681,107</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 14
City of Auburn ~ Primary Government
Legal Debt Margin Information

Last Ten Fiscal Years
(amounts expressed in thousands)
Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 59,571	\$ 63,096	\$ 67,830	\$ 71,831	\$ 100,557	\$ 96,665	\$ 98,146	\$ 98,974	\$ 110,789	\$ 141,724
Total net debt applicable to limit	28,045	29,019	28,652	34,379	35,994	33,844	45,617	55,364	54,764	62,451
Legal debt margin	<u>31,526</u>	<u>34,077</u>	<u>39,179</u>	<u>37,453</u>	<u>64,563</u>	<u>62,821</u>	<u>52,529</u>	<u>43,610</u>	<u>56,025</u>	<u>79,273</u>
Total net debt applicable to limit as a percentage of debt limit	47.08%	45.99%	42.24%	47.86%	35.79%	35.01%	46.48%	55.94%	49.43%	44.07%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 708,618,980
Debt limit (20% of total assessed value)	\$ 141,723,796
Debt applicable to limit:	
General obligation bonds	\$ 146,596,443
Less: Exempt Debt	84,145,556
Total net debt applicable to limit	<u>62,450,887</u>
Legal debt margin	<u>\$ 79,272,909</u>

Table 15
City of Auburn ~ Primary Government
Pledged Revenue Coverage⁽¹⁾

Last Ten Fiscal Years

Unaudited

Sewer G.O. Warrants⁽²⁾

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

⁽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 16
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⁾
1999	\$ 40,425	\$ 789,217	\$ 19,523	3.6%
2000	42,987	870,659	20,254	3.4%
2001	44,179	916,670	20,749	3.6%
2002	44,822	961,925	21,461	4.2%
2003	46,032	1,025,731	22,283	4.0%
2004	48,096	1,136,605	23,632	4.2%
2005	48,348	1,142,560	23,632	3.0%
2006	49,928	1,179,898	23,632	2.8%
2007	51,906	1,498,267	24,804	3.5%
2008	54,348	1,499,487	25,399	4.5%

⁽¹⁾ U. S. Census

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

⁽³⁾ State of Alabama, Department of Industrial Relations

Table 17
City of Auburn ~ Primary Government
Principal Employers
 Current Year and Nine Years Ago
Unaudited

Employer	1999				2008				
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University	5,487	1	17.04%	5,825	1	16.64%			
Auburn City Schools	470	3	1.46%	780	2	2.23%			
City of Auburn and Auburn Water Works Board	342	5	1.06%	765	3	2.19%			
Briggs & Stratton Corporation	925	2	2.87%	555	4	1.59%			
Wal-Mart Supercenter (opened in 2000)	-	-	-	500	5	1.43%			
Masterbrand Cabinets	310	6	0.96%	350	6	1.00%			
CV Holdings	-	-	-	255	7	0.73%			
Rexnord	125	11	0.39%	250	8	0.71%			
Federal Government	200	8	0.62%	250	9	0.71%			
Borbet Alabama, Inc. (formerly ATS Wheels)	-	-	-	215	10	0.61%			
Auburn University Hotel & Conference Center	303	7	0.94%						
Dillard's	170	9	0.53%						
Winn Dixie	390	4	1.21%						
Kroger	160	10	0.50%						
Total	8,882		27.58%	9,745		27.84%			

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

Table 18
City of Auburn ~ Primary Government
Regular Full-Time Employees by Function/Program

Last Ten Fiscal Years
Unaudited

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	59	62	63	70	75	75	73	73	74	76
Economic Development	5	7	7	8	9	11	13	14	14	13
Public Safety										
Police	79	79	79	83	78	107	110	109	112	113
Fire	34	31	31	32	30	29	30	43	43	43
Communications	6	6	6	6	6	6	6	7	9	11
Codes	4	4	4	4	6	7	8	9	9	9
Public Works										
Engineering	9	8	9	8	10	10	10	11	11	11
Construction & Maintenance	13	12	12	12	14	15	18	18	18	18
Inspection	4	4	4	4	4	4	4	6	6	6
Traffic Engineering	n/a	3	3	3	3	3	3	3	3	3
Environmental Services										
Recycling	15	16	16	16	16	16	16	16	16	16
Solid Waste	16	15	15	15	14	14	15	16	16	16
Animal Control	2	2	2	2	2	2	2	2	2	2
ROW	7	7	7	7	7	7	6	7	7	7
Fleet Services	8	8	9	9	9	9	10	10	10	10
Parks and Recreation										
Leisure Services	14	14	16	17	15	15	14	14	15	15
Parks & Facilities	22	24	24	24	24	24	26	26	26	27
Library	8	8	11	11	13	15	14	15	15	16
Sewer	12	11	12	11	11	11	13	19	15	15
Total	317	321	330	342	346	380	391	418	421	427

Source: City of Auburn Human Resources Department

Table 19
City of Auburn ~ Primary Government
Operating Indicators by Function/Program
 Last Ten Fiscal Years
Unaudited

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Physical arrests	2,208	2,385	3,246	2,595	2,135	2,339	2,921	2,574	2,978	3,143
Traffic violations	6,155	6,371	7,642	7,058	6,535	7,892	9,490	10,435	14,077	14,516
Fire										
Number of calls answered	844	987	981	1,119	1,167	1,149	1,147	1,342	2,258	2,330
Inspections [^]	5,678	6,421	6,148	6,208	6,314	6,256	6,324	1,860	1,857	1,792
Public Works										
Potholes repaired	1,667	1,761	1,798	939	805	403	414	347	230	210
Environmental Services										
Refuse collected (tons/day)*	57	58	57	67	68	72	85	85	86	86
Recyclable collected (tons/day)*	2.08	2.59	2.72	3.49	3.46	3.38	3.52	3.89	3.38	4.21
Parks and Recreation										
Athletic participants	4,692	4,915	4,791	4,824	4,501	5,391	4,956	4,623	5,154	5,648
Community center admissions	115,220	89,672	92,092	87,033	81,659	75,001	83,374	114,484	96,106	92,291
Sewer										
Average daily sewage treatment (millions of gallons)	4.72	5.10	5.40	5.14	6.60	6.15	6.86	6.10	5.90	5.60

*Each year consists of 251 work days.

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

Source: City departments

Table 20
City of Auburn ~ Primary Government
Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years
Unaudited

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	49	45	59	59	59	77	86	88	89	91
Fire stations	4	4	4	4	4	4	4	4	4	5
Environmental Services										
Collection trucks	5	7	8	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)	160	196	196	286	313	565	597	650	658	696
Signaled Intersections	41	43	45	47	48	49	50	50	55	56
Parks and Recreation										
Parks acreage	1,820	1,820	1,838	1,838	1,914	1,914	1,914	1,914	1,914	1,944
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	14	14	14	14	14	14	10	10	44	44
Community centers	3	3	3	3	3	3	3	3	3	3
Sewer										
Sanitary sewers (miles)	133	138	170	176	183	195	201	210	235	240
Maximum daily treatment capacity (millions of gallons)	7	7	7	7	7	7	7	7	8	8

Sources: City departments

City of Auburn, Alabama

**Appendix I
General Fund***

Schedule of Revenues by Source and Other Financing Sources - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2008

	FY 2008			FY 2007	FY 08 > FY 07	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Amount	As %
	\$	\$	\$	\$	\$	
Revenues						
Locally levied taxes						
Gasoline taxes	250,000	248,483	(1,517)	249,202	(719)	-0.29%
Sales and use taxes	21,483,050	21,044,830	(438,220)	21,784,157	(739,326)	-3.39%
Lodging taxes	1,235,000	1,425,637	190,637	1,369,273	56,364	4.12%
Rental and leasing taxes	548,568	538,541	(10,027)	529,446	9,095	1.72%
Other taxes	167,000	168,183	1,183	121,760	\$ 46,423	38.13%
<i>Total locally levied taxes</i>	<u>23,683,618</u>	<u>23,425,674</u>	<u>(257,944)</u>	<u>24,053,838</u>	<u>(628,164)</u>	<u>-2.61%</u>
Licenses and permits						
Franchise fees	911,000	910,836	(164)	855,198	55,638	6.51%
Business license fees	4,873,710	4,911,151	37,441	4,584,524	326,627	7.12%
Construction permits and fees	1,350,000	1,284,929	(65,071)	1,773,374	(488,444)	-27.54%
Occupation license fees	7,862,795	8,174,202	311,407	7,826,656	347,546	4.44%
Residential & Commercial Rental	956,652	957,100	448	943,666	13,434	1.42%
Certificate of Competency	2,200	2,200	-	2,400	(200)	-8.33%
Parking fees	175,000	194,101	19,101	89,722	104,379	116.34%
Dog licenses	5,236	5,851	615	6,295	(443)	-7.04%
<i>Total licenses and permits</i>	<u>16,136,593</u>	<u>16,440,370</u>	<u>303,777</u>	<u>16,081,835</u>	<u>358,535</u>	<u>2.23%</u>
General property taxes						
Ad valorem taxes	2,885,000	3,053,438	168,438	2,734,144	319,294	11.68%
Contributions in lieu of ad valorem taxes	501,942	533,139	31,197	406,437	126,702	31.17%
<i>Total general property taxes</i>	<u>3,386,942</u>	<u>3,586,577</u>	<u>199,635</u>	<u>3,140,581</u>	<u>445,996</u>	<u>14.20%</u>
Fees for services						
Solid waste collection fees	2,786,700	2,762,401	(24,299)	2,665,251	97,150	3.65%
E-911 service fees	465,000	530,753	65,753	429,522	101,230	23.57%
Parks and recreation fees	464,520	485,074	20,554	416,394	68,681	16.49%
Public safety charges	2,145,000	2,373,847	228,847	2,295,704	78,143	3.40%
Sewer management fees	126,000	126,000	-	126,000	-	0.00%
Judicial system fees	194,140	217,942	23,802	224,523	(6,581)	-2.93%
Cemetery fees	113,300	131,350	18,050	243,620	(112,270)	-46.08%
Planning fees	42,000	43,379	1,379	61,459	(18,080)	-29.42%
Finance fees	2,600	3,336	736	4,116	(781)	-18.97%
Library fees	27,000	32,435	5,435	29,236	3,199	10.94%
Public Works fees	-	-	-	1,750	(1,750)	-100.00%
Auburn University	-	-	-	2,916	(2,916)	-100.00%
Board of Education	95,000	99,176	4,176	83,388	15,788	18.93%
County Commission	13,685	13,685	-	-	13,685	n/a
<i>Total fees for services</i>	<u>6,474,945</u>	<u>6,819,377</u>	<u>344,432</u>	<u>6,583,879</u>	<u>235,498</u>	<u>3.58%</u>
Fines and forfeitures						
Court fines	750,000	856,622	106,622	971,666	(115,045)	-11.84%
Parking fines	180,000	170,623	(9,377)	185,149	(14,526)	-7.85%
Treatment Program	210,000	240,118	30,118	178,983	61,135	34.16%
<i>Total fines and forfeitures</i>	<u>1,140,000</u>	<u>1,267,362</u>	<u>127,362</u>	<u>1,335,798</u>	<u>(68,436)</u>	<u>-5.12%</u>
State shared taxes						
Business privilege tax	159,624	159,624	-	158,435	1,188	0.75%
Alabama Trust Fund distribution	306,361	306,361	-	292,729	13,632	4.66%
Motor vehicle tax	111,000	115,165	4,165	112,779	2,386	2.12%
Financial Institution Excise Tax	10,000	277,306	267,306	269,083	8,223	3.06%

City of Auburn, Alabama

**Appendix I
General Fund***

Schedule of Revenues by Source and Other Financing Sources - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2008

	FY 2008			FY 2007	FY 08 > FY 07	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual	Amount	As %
	\$	\$	\$	\$	\$	
State shared taxes (continued)						
Alcoholic Beverage Control Board profits distribution	81,000	77,604	(3,396)	72,328	\$ 5,275	7.29%
Total state shared taxes	667,985	936,059	268,074	905,354	30,705	3.39%
Contributions from the public						
For infrastructure projects	-	115,000	115,000	-	115,000	n/a
For parks and recreation	10,000	10,000	-	17,635	(7,635)	-43.29%
For AU Tennis Center Debt Svc.	275,614	275,613	(1)	275,613	-	0.00%
For Library	40,500	40,500	-	-	40,500	n/a
Other donations	23,751	27,909	4,158	21,504	6,405	29.79%
Total contributions from the public	349,865	469,022	119,157	314,752	154,271	49.01%
Grants	465,000	450,412	(14,588)	235,479	214,933	91.28%
Lease income	82,000	93,784	11,784	83,182	10,602	12.75%
Interest	626,000	572,988	(53,012)	816,881	(243,892)	-29.86%
Miscellaneous revenues						
Concessions income	55,000	54,257	(743)	55,507	(1,250)	-2.25%
Recycling	25,000	27,024	2,024	21,304	5,720	26.85%
Other	73,644	93,699	20,055	125,478	(31,779)	-25.33%
Total miscellaneous revenues	153,644	174,981	21,337	202,289	(27,308)	-13.50%
Total General Fund Revenues	53,166,592	54,236,608	1,070,016	53,753,868	482,740	0.90%
Other Financing Sources						
Long-term debt proceeds						
General obligation warrants	1,600,000	3,400,000	1,800,000	7,000,000	(3,600,000)	-51.43%
Proceeds from Refinancing	21,868,100	20,068,100	(1,800,000)	-	20,068,100	n/a
Total long-term debt proceeds	23,468,100	23,468,100	-	7,000,000	16,468,100	235.26%
Operating transfers in from other funds						
From City Gas Tax Fund	250,000	366,427	116,427	225,000	141,427	62.86%
From State 7c Gas Tax Fund	122,500	122,500	-	150,000	(27,500)	-18.33%
From State 9c Gas Tax Fund	100,000	100,000	-	100,000	-	0.00%
From Water Board	66,000	112,234	46,234	58,964	53,270	90.34%
From CDBG 2007	1,778	-	(1,778)	-	-	n/a
From Tennis Ctr - AU Portion	-	48,699	48,699	-	48,699	n/a
From Sewer Fund	115,750	115,749	(1)	115,795	(46)	-0.04%
Total operating transfers in	656,028	865,609	209,581	649,759	215,850	33.22%
Total other financing sources	24,124,128	24,333,709	209,581	7,649,759	16,683,950	218.10%
Total revenues and other financing sources (excluding Special Activities)	77,290,720	78,570,317	1,279,597	61,403,627	17,166,690	27.96%
Special Activities of the General Fund						
Interest	65,000	95,879	30,879	96,771	(892)	-0.92%
Contributions from the public	-	120,487	120,487	157,184	(36,697)	-23.35%
Total Special Activities	65,000	216,366	151,366	253,955	(37,590)	-14.80%
Total revenues and other financing sources	77,355,720	78,786,683	1,430,963	61,657,582	17,129,100	27.78%

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

City of Auburn, Alabama

Appendix II
General Fund*

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2008

	FY 2008		Variance Favorable (Unfavorable) \$	FY 2007	FY 08 > FY 07	
	Budget \$	Actual \$		Prior Year Actual \$	Amount \$	As %
City Council						
Personal services	79,226	79,230	(4)	79,231	(1)	0.00%
	115,000	54,288	60,712	110,323	(56,035)	
Contractual services						-50.79%
Commodities	-	21,535	(21,535)	-	21,535	n/a
Totals	194,226	155,053	39,173	189,554	(34,501)	-18.20%
City Manager's Office						
Personal Services	602,955	598,469	4,486	357,136	241,333	67.57%
Contractual services	56,407	47,385	9,022	30,863	16,522	53.53%
Commodities	15,165	13,159	2,006	27,075	(13,916)	-51.40%
Totals	674,527	659,013	15,514	415,074	243,939	58.77%
Judicial						
Personal Services	442,400	439,152	3,248	385,072	54,080	14.04%
Contractual services	225,651	211,391	14,260	204,515	6,876	3.36%
Commodities	17,650	17,867	(217)	15,203	2,664	17.52%
Totals	685,701	668,410	17,291	604,790	63,620	10.52%
Information Technology						
<i>Information Technology</i>						
Personal Services	508,212	435,932	72,280	427,451	8,481	1.98%
Contractual services	222,290	164,129	58,161	250,369	(86,240)	-34.45%
Commodities	262,776	280,220	(17,444)	312,761	(32,541)	-10.40%
Capital Outlay	-	47,960	(47,960)	31,210	16,750	53.67%
Projects	81,653	89,120	(7,467)	-	89,120	n/a
Subtotals	1,074,931	1,017,361	57,570	1,021,791	(4,430)	-0.43%
<i>Geographic Information Systems</i>						
Personal Services	190,456	154,413	36,043	120,004	34,409	28.67%
Contractual services	67,960	42,237	25,723	19,009	23,228	122.19%
Commodities	87,248	80,642	6,606	140,576	(59,934)	-42.63%
Capital Outlay	-	7,482	(7,482)	12,228	(4,746)	-38.81%
Subtotals	345,664	284,774	60,890	291,817	(7,043)	-2.41%
Totals	1,420,595	1,302,135	118,460	1,313,608	(11,473)	-0.87%
Finance						
Personal services	1,088,115	1,062,427	25,688	998,758	63,669	6.37%
Contractual services	143,596	148,227	(4,631)	138,076	10,151	7.35%
Commodities	87,183	75,055	12,128	82,789	(7,734)	-9.34%
Totals	1,318,894	1,285,709	33,185	1,219,623	66,086	5.42%
Economic Development						
Personal services	857,617	864,126	(6,509)	858,053	6,073	0.71%
Contractual services	20,700	17,736	2,964	20,945	(3,209)	-15.32%
Commodities	24,219	16,489	7,730	12,968	3,521	27.15%
Totals	902,536	898,351	4,185	891,966	6,385	0.72%

City of Auburn, Alabama

Appendix II
General Fund*

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2008

	FY 2008		Variance Favorable (Unfavorable) \$	FY 2007	FY 08 > FY 07	
	Budget \$	Actual \$		Prior Year Actual \$	Amount \$	As %
Human Resources						
<i>Human Resources</i>						
Personal services	415,343	419,873	(4,530)	396,824	23,049	5.81%
Contractual services	154,360	131,199	23,161	109,176	22,023	20.17%
Commodities	12,754	9,367	-	10,787	(1,420)	-13.16%
Subtotals	582,457	560,439	18,631	516,787	43,652	8.45%
<i>Risk Management</i>						
Contractual services	315,410	217,514	97,896	205,732	11,782	5.73%
Totals	897,867	777,953	116,527	722,519	55,434	7.67%
Public Safety						
<i>Administration</i>						
Personal services	283,939	286,955	(3,016)	273,628	13,327	4.87%
Contractual services	867,311	828,100	39,211	775,914	52,186	6.73%
Commodities	98,940	61,529	37,411	49,603	11,926	24.04%
Capital Outlay	-	4,300	(4,300)	38,588	(34,288)	-88.86%
Subtotals	1,250,190	1,180,884	69,306	1,137,733	43,151	3.79%
<i>Police</i>						
Personal services	7,561,558	7,008,301	553,257	6,558,502	449,799	6.86%
Contractual services	75,320	82,673	(7,353)	66,597	16,076	24.14%
Commodities	944,342	1,012,594	(68,252)	559,401	453,193	81.01%
Capital Outlay	628,533	467,121	161,412	330,452	136,669	41.36%
Projects	-	13,451	(13,451)	11,574	1,877	16.22%
Subtotals	9,209,753	8,584,140	625,613	7,526,526	1,057,614	14.05%
<i>Fire</i>						
Personal services	3,641,148	3,652,353	(11,205)	3,151,597	500,756	15.89%
Contractual services	115,812	106,522	9,290	130,982	(24,460)	-18.67%
Commodities	280,319	278,970	1,349	199,319	79,651	39.96%
Capital Outlay	-	-	-	1,018,502	(1,018,502)	-100.00%
Subtotals	4,037,279	4,037,845	(566)	4,500,400	(462,555)	-10.28%
<i>Communications</i>						
Personal services	619,992	663,295	(43,303)	588,081	75,214	12.79%
Contractual services	70,280	62,318	7,962	53,676	8,642	16.10%
Commodities	30,200	3,958	26,242	4,074	(116)	-2.85%
Capital Outlay	23,000	1,040	21,960	200,963	(199,923)	-99.48%
Subtotals	743,472	730,611	12,861	846,794	(116,183)	-13.72%
<i>Codes Enforcement</i>						
Personal services	486,484	462,233	24,251	457,366	4,867	1.06%
Contractual services	3,580	1,026	2,554	1,057	(31)	-2.93%
Commodities	12,058	15,827	(3,769)	15,532	295	1.90%
Subtotals	502,122	479,086	23,036	473,955	5,131	1.08%
Totals	15,742,816	15,012,566	730,250	14,485,408	527,158	3.64%

City of Auburn, Alabama

Appendix II
General Fund*

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2008

	FY 2008		Variance Favorable (Unfavorable) \$	FY 2007	FY 08 > FY 07	
	Budget \$	Actual \$		Prior Year Actual \$	Amount \$	As %
Public Works						
<i>Administration</i>						
Personal services	347,854	363,738	(15,884)	335,127	28,611	8.54%
Contractual services	135,725	124,113	11,612	123,244	869	0.71%
Commodities	46,940	42,997	3,943	46,674	(3,677)	-7.88%
Capital Outlay	-	-	-	23,886	(23,886)	-100.00%
Subtotals	530,519	530,848	(329)	528,931	1,917	0.36%
<i>Construction and Maintenance</i>						
Personal services	853,914	762,356	91,558	796,611	(34,255)	-4.30%
Contractual services	128,393	132,806	(4,413)	108,592	24,214	22.30%
Commodities	166,856	165,531	1,325	172,981	(7,450)	-4.31%
Capital Outlay	72,207	164,843	(92,636)	39,270	125,573	319.77%
Subtotals	1,221,370	1,225,536	(4,166)	1,117,454	108,082	9.67%
<i>Engineering</i>						
Personal services	726,928	745,924	(18,996)	686,190	59,734	8.71%
Contractual services	33,500	11,050	22,450	14,734	(3,684)	-25.00%
Commodities	38,980	31,879	7,101	29,007	2,872	9.90%
Subtotals	799,408	788,853	10,555	729,931	58,922	8.07%
<i>Inspection</i>						
Personal services	365,673	371,007	(5,334)	340,367	30,640	9.00%
Contractual services	19,100	9,234	9,866	6,943	2,291	33.00%
Commodities	19,600	20,415	(815)	19,576	839	4.29%
Capital Outlay	-	-	-	23,583	(23,583)	-100.00%
Subtotals	404,373	400,656	3,717	390,469	10,187	2.61%
<i>Traffic Engineering</i>						
Personal services	205,472	199,564	5,908	179,028	20,536	11.47%
Contractual services	11,275	12,950	(1,675)	6,722	6,228	92.65%
Commodities	76,502	87,251	(10,749)	101,422	(14,171)	-13.97%
Capital Outlay	-	-	-	7,105	(7,105)	-100.00%
Subtotals	293,249	299,765	(6,516)	294,277	5,488	1.86%
Totals	3,248,919	3,245,658	3,261	3,061,062	184,596	6.03%
Environmental Services						
<i>Administration</i>						
Personal services	387,632	394,734	(7,102)	353,656	41,078	11.62%
Contractual services	136,294	117,061	19,233	104,086	12,975	12.47%
Commodities	48,736	37,140	11,596	39,117	(1,977)	-5.05%
Subtotals	572,662	548,935	23,727	496,859	52,076	10.48%
<i>Recycling</i>						
Personal services	767,251	746,791	20,460	734,070	12,721	1.73%
Contractual services	254,500	194,240	60,260	158,785	35,455	22.33%
Commodities	135,431	197,120	(61,689)	129,212	67,908	52.56%
Capital Outlay	94,196	100,218	(6,022)	16,538	83,680	505.99%
Subtotals	1,251,378	1,238,369	13,009	1,038,605	199,764	19.23%

City of Auburn, Alabama

Appendix II
General Fund*

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2008

	FY 2008		Variance Favorable (Unfavorable) \$	FY 2007	FY 08 > FY 07	
	Budget \$	Actual \$		Prior Year Actual \$	Amount \$	As %
Environmental Services, cont.						
<i>Solid Waste</i>						
Personal services	728,473	752,786	(24,313)	692,355	60,431	8.73%
Contractual services	278,000	270,662	7,338	250,624	20,038	8.00%
Commodities	229,514	283,375	(53,861)	236,061	47,314	20.04%
Capital Outlay	76,318	76,318	-	274,002	(197,684)	-72.15%
Subtotals	1,312,305	1,383,141	(70,836)	1,453,042	(69,901)	-4.81%
<i>Animal Control</i>						
Personal services	108,434	113,805	(5,371)	98,944	14,861	15.02%
Contractual services	5,500	1,676	3,824	4,356	(2,680)	-61.52%
Commodities	11,031	10,995	36	9,322	1,673	17.95%
Capital Outlay	-	-	-	11,853	(11,853)	-100.00%
Agency Support	85,623	85,623	-	89,737	(4,114)	-4.58%
Subtotals	210,588	212,099	(1,511)	214,212	(2,113)	-0.99%
ROW						
Personal services	395,908	375,375	20,533	309,387	65,988	21.33%
Contractual services	31,259	32,843	(1,584)	25,847	6,996	27.07%
Commodities	79,884	106,737	(26,853)	76,795	29,942	38.99%
Capital Outlay	104,771	104,771	-	13,956	90,815	650.72%
Subtotals	611,822	619,726	(7,904)	425,985	193,741	45.48%
<i>Fleet Services</i>						
Personal services	536,285	497,193	39,092	489,174	8,019	1.64%
Contractual services	64,479	58,488	5,991	52,049	6,439	12.37%
Commodities	70,192	41,439	28,753	64,254	(22,815)	-35.51%
Capital Outlay	-	-	-	62,694	(62,694)	-100.00%
Subtotals	670,956	597,120	73,836	668,171	(71,051)	-10.63%
Totals	4,629,711	4,599,390	30,321	4,296,874	302,516	7.04%
Library						
Personal services	1,068,459	1,022,710	45,749	957,917	64,793	6.76%
Contractual services	173,294	177,141	(3,847)	146,037	31,104	21.30%
Commodities	249,745	229,182	20,563	156,594	72,588	46.35%
Capital Outlay	74,231	74,231	-	17,048	57,183	335.42%
Projects	-	-	-	23,935	-	-
Totals	1,565,729	1,503,264	62,465	1,301,531	201,733	15.50%
Parks and Recreation						
<i>Administration</i>						
Personal services	321,385	312,161	9,224	298,011	14,150	4.75%
Contractual services	508,415	506,417	1,998	499,822	6,595	1.32%
Commodities	293,093	369,455	(76,362)	294,117	75,338	25.61%
Subtotals	1,122,893	1,188,033	(65,140)	1,091,950	96,083	8.80%
<i>Leisure Services</i>						
Personal services	1,381,595	1,272,816	108,779	1,198,151	74,665	6.23%
Contractual services	111,515	83,146	28,369	75,046	8,100	10.79%
Commodities	156,660	149,530	7,130	167,217	(17,687)	-10.58%
Capital Outlay	-	1,941	(1,941)	-	1,941	n/a
Projects	-	-	-	9,770	(9,770)	-100.00%
Subtotals	1,649,770	1,507,433	142,337	1,450,184	57,249	3.95%

City of Auburn, Alabama

Appendix II
General Fund*

Schedule of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2008

	FY 2008		Variance Favorable (Unfavorable) \$	FY 2007	FY 08 > FY 07	
	Budget \$	Actual \$		Prior Year Actual \$	Amount \$	As %
Parks and Recreation, cont.						
<i>Parks and Facilities</i>						
Personal services	1,670,739	1,431,874	238,865	1,361,838	70,036	5.14%
Contractual services	137,167	186,012	(48,845)	140,860	45,152	32.05%
Commodities	320,015	295,540	24,475	252,556	42,984	17.02%
Capital Outlay	64,140	113,219	(49,079)	109,033	4,186	3.84%
Subtotals	2,192,061	2,026,645	165,416	1,864,287	162,358	8.71%
Totals	4,964,724	4,722,111	242,613	4,406,421	315,690	7.16%
Planning						
Personal services	534,347	516,710	17,637	446,482	70,228	15.73%
Contractual services	68,200	66,374	1,826	143,671	(77,297)	-53.80%
Commodities	38,084	29,166	8,918	23,936	5,230	21.85%
Agency Support	-	922	(922)	-	922	n/a
Totals	640,631	613,172	27,459	614,089	(917)	-0.15%
Totals for all departments	36,886,876	35,442,785	1,440,704	33,522,519	1,920,266	5.73%
Non-departmental						
<i>General Operations</i>						
Personal services	60,242	44,552	15,690	51,649	(7,097)	-13.74%
Contractual services	1,135,864	1,074,879	60,985	882,251	192,628	21.83%
Commodities	58,950	47,691	11,259	42,211	5,480	12.98%
Capital Outlay	1,603,972	1,603,972	-	3,510	1,600,462	45597.21%
Projects	153,737	198,129	(44,392)	134,210	63,919	47.63%
Subtotals	3,012,765	2,969,223	43,542	1,113,831	1,855,392	166.58%
<i>Project Operations</i>	2,066,198	1,743,960	322,238	1,367,083	376,877	27.57%
<i>Debt Service</i>	27,613,173	27,603,157	10,016	6,142,549	21,460,608	349.38%
<i>Intergovernmental</i>	8,274,204	8,205,804	68,400	8,166,969	38,835	0.48%
Non-departmental Totals	40,966,340	40,522,144	444,196	16,790,432	23,731,712	141.34%
Other Financing Uses						
Transfers Out	4,308,538	4,131,478	177,060	9,377,696	(5,246,218)	-55.94%
Total expenditures and other financing uses (excluding Special Activities)	82,161,754	80,096,407	2,065,347	59,690,647	20,405,760	34.19%
General Fund Special Activities						
<i>Veteran's Memorial Monument</i>	-	7,607	(7,607)	4,275	3,332	77.94%
<i>Assessment Projects</i>	-	208,835	(208,835)	1,631,789	(1,422,954)	-87.20%
<i>Liability Risk Retention</i>	552,665	315,684	236,981	391,138	(75,454)	-19.29%
<i>Employee Benefit Self-Insurance</i>	2,659,680	2,215,115	444,565	2,329,909	(114,794)	-4.93%
Special Activities Total	3,212,345	2,747,241	465,104	4,357,111	(1,609,870)	-36.95%
Total expenditures and other financing uses	85,374,099	82,843,648	2,530,451	64,047,758	18,795,890	29.35%

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



City of Auburn

City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2008
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