

## City of Auburn, Alabama

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Fiscal Year Ended September 30, 2003*



*Pictured: The municipal buildings on North Ross Street were rededicated in honor of Dr. Douglas J. Watson, a respected community leader who retired in 2003 after serving as Auburn's City Manager for over 20 years.*





## City of Auburn

Home of Auburn University

### Letter of Transmittal

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

The comprehensive annual financial report of The City of Auburn (the government) for the fiscal year ended September 30, 2003 is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Auburn management. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the government and its component units. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

#### *The Report*

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

with this letter of transmittal. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. In contrast to the financial section information, the statistical section information and the appendices have not been audited.

This report includes all funds and account groups of the primary government and its component units. The primary government provides a full range of services. These

services include public safety (police, fire, E-911 communications and building codes enforcement), environmental services (including solid waste collection, recycling, right-of-way maintenance, animal control and maintenance of City vehicles), public works (including engineering, streets construction and maintenance, capital projects management and inspection), culture and recreation (including cemeteries and parks, recreation services and library services), economic and community development, planning and general administrative services.

During fiscal 1994, the City of Auburn implemented the Governmental Accounting Standards Board's statement on defining the reporting entity. As a result, the City Board of Education, the City Water Works Board, the City Industrial Development Board, the Auburn Center for Developing Industries and the Public Parks and Recreation Board have been included as separately presented component units of the City's reporting entity in this comprehensive annual financial report. The City's related organization, the Housing Authority of the City of Auburn, is not required to be included in the reporting entity and accordingly is excluded from this report. Audited financial statements for the Housing Authority

are available upon request at the Authority's business office at 931 Booker Street, Auburn, AL 36832.

As a result of the implementation of Governmental Accounting Standards Board Statements, the government-wide financial statements have been added to complement the fund financial statements. The government-wide statements will show separate data for "governmental activities" and "business-like activities." The MD&A, also a new feature, will serve as the narrative introduction to the basic financial statements and will contain the comparative data formally presented in this letter of transmittal. Another significant change involves the reporting of infrastructure. Under the GASB 34 guidelines, the City has begun to report and depreciate all capital assets, including infrastructure for the first time. Under these guidelines, the City has included in its capitalization, infrastructure assets acquired during FY 03 and will capitalize all infrastructure before FY 08.

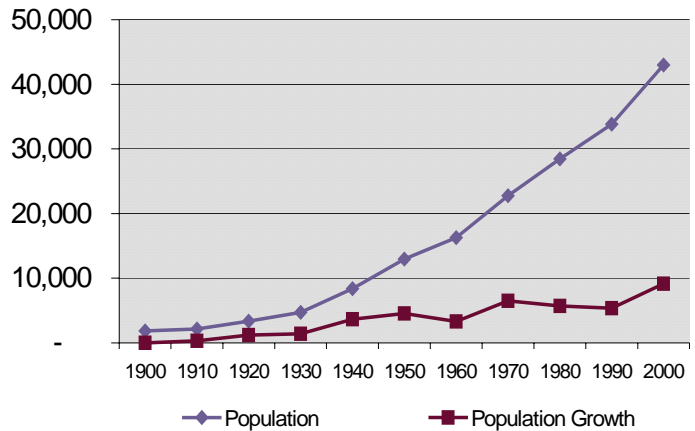
### City Profile

The City of Auburn, located in east central Alabama, is a thriving and diverse university-based community. The City was incorporated 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 "dreamtown," offering a high quality of life to all its residents.

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



Auburn's population has grown from 1,831 in 1900 to an estimated 46,032 in 2003. Population growth has averaged slightly more than 3% per year. As the population has grown and the economic base has diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multi-cultural citizenry.



*Auburn's population has grown steadily since 1960*

Auburn has a Council/Manager form of municipal government. The City Council consists of nine members, eight elected from four dual-member wards and the Mayor, who is elected at large. This legislative body establishes policy to guide the various City departments in providing services to citizens. The City Manager is the chief executive officer of the City, directing and managing the daily activities of the City government. On December 31, 2003, the City's long-serving City Manager, Douglas J. Watson, retired. David F. Watkins, an Auburn University and Kansas University graduate from Lenexa, Kansas, was selected by the City Council as the new City Manager.

The City's departments include:

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

Approximately 370 regular, full-time employees staff these departments, producing high-quality and cost-effective public services.

## Major Initiatives

During fiscal 2003, the priorities of school funding, employee pay raises, recreation facilities expansion, and street improvements were addressed. The City contributed \$4.1 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support. An increase in the City's property tax millage for schools was approved by a significant majority of the voters during FY 96.

The City Council also passed a ½% sales tax increase which began on August 1, 2003. This increase was passed primarily to fund an increase of five-mills to the City's property tax matching commitment to the schools. This increase brings the City's commitment to the Board of Education to an equivalent of 20 mills of General Fund property tax collected.

In March 2003, \$1.07 million in general obligation debt was issued to finance the costs of several equipment purchases (including a fire truck, backhoe, leaf vacuum, and a knuckle boom loader), infrastructure improvements, and a computer network intrusion detection system.

The Council supported its commitment to City employees with approval of a 3% across the board pay increase. In addition, employees' premiums to participate in the health benefit plan were maintained at the prior year's level while the cost of insurance has continued to grow nationally.

During fiscal year 2003, the Human Resources Department initiated a comprehensive classification and pay study to ensure internal and external equity in the compensation of City employees. The results of the study will be implemented in March 2004, creating higher starting rates of pay, larger pay ranges, and greater opportunities for advancement based on merit, skill, and knowledge. Strategically, the new classification and pay plan will enable the City to recruit and retain excellent employees, and align employee values with organizational values.

The Finance Department has begun coordinating the collection of performance measures with each department within the City. It is expected that with the implementation of an effective performance management system the City will increase the efficiency and effectiveness of City services. This program is projected to be established as part of the FY 05 & FY 06 budget process.

## Governmental Services

**Public Safety Services.** The Public Safety Department is comprised of five divisions: Police, Fire, Communications, Codes Enforcement, and Administration.

***The City contributed \$4.1 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.***

The Police Division includes 71 police officers, providing an average emergency call response time of 2-3 minutes. The

City's police force is augmented by Auburn University's 34 full-time sworn officers. The Fire Division includes 29 regular, full-time firefighters and 56 student firefighters, manning four fire stations. The staffing, training, and equipment levels in the Fire Division enable City residents to enjoy a Class 2 fire insurance rating. Communications provides E-911 emergency response and dispatch services to the public. Codes Enforcement monitors construction activities within the City and compliance with public safety ordinances. Ambulance services are provided via a contract with East Alabama Medical Center.

**Public Works Services.** The City's Public Works Department oversees the development and maintenance of the City's transportation systems. The City's roadway system currently includes over 311.40 miles of paved streets and less than 1.6 miles of unpaved roads. Public Works expends approximately \$1 million per fiscal year on the City's 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, storm drainage, and parks.

**Environmental Services.** Given Auburn University's origins as an agricultural and mechanical college, it is not surprising that Auburn's residents give a high

priority to its environmental quality of life. The City's Environmental Services Department maintains the cleanliness of the City's rights of way to a standard considered remarkable for a university town. Environmental Services collects household waste, recyclables and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. Environmental Services is also responsible for animal control and maintenance of the City's vehicle fleet.

**Leisure Services.** In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation and City Library departments provide many leisure time choices to residents. The library has 24 Internet-connected computer workstations available to the public, which had 59,395 patron sign-ins during FY 03 for these computers.

The library sponsors adult programs and book discussion groups, including beginning computer-use courses for anyone interested. In addition, the library delivers large-print books to area assisted living homes. For the youth, the Library offers regularly scheduled Toddler Time, Pre-school Story Time, Salmagundi for elementary school age children, and the Young Adult Coffeehouse for older youth.

In April of 2001, the City Library moved into a new \$3.2M facility of 24,065 square feet, housing approximately 60,000 catalogued volumes.

The Parks and Recreation Department maintains fifteen City parks and numerous recreation facilities, including three recreation centers, two pools, 14 tennis courts, two youth baseball complexes, two soccer complexes with a total of ten soccer fields, a 1.6 mile bike path, an award-winning five-field competition class softball complex, a community arts center, a skateboard park, and more. Current plans are underway to build a clay court Tennis Complex and a new passive park and cemetery, as well as improve the football stadium in FY 04. Parks and Recreation provides programs ranging from organized team sports leagues for soccer, baseball, and softball to music and dancing lessons to summer day camps and swimming teams.

**Education Services.** The Auburn City Schools provide services to more than 4,500 students. The City Schools' facilities include an early education center, five elementary schools, one middle school, one junior high school, and one high school. Teacher to student ratios range from 1:18 in the early education center to 1:26 in the middle and high schools. Of its teachers and administrators, 59% have advanced degrees and their average employment within the Auburn City system is twelve years. The City Schools expend an average of \$7,093 annually per pupil.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. The Auburn City Schools system has been rated among the top 100 school systems in the nation by *Offspring*

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

*Parenting* magazine (a subsidiary of *The Wall Street Journal*). The system consistently produces a graduating class of which an average 3% are National Merit Scholarship finalists and

seven are National Merit Scholars. Auburn High School offers an International Baccalaureate Program, a rigorous program based on the syllabi for 11<sup>th</sup> and 12<sup>th</sup> grades used by outstanding education systems throughout the world.

Enrichment classes and programs for gifted students are offered in all grades. Auburn High School's Advanced Placement Program offers dual enrollment in Auburn University or Southern Union State Community College for exceptional students who wish to take courses not available at Auburn High School. The quality of the school system is a significant factor in the City's recent residential and industrial growth.

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

- 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 at Montgomery, Montgomery, AL
- Huntingdon College, Montgomery, AL
- Alabama State University, Montgomery, AL
- Troy State University at Montgomery, Montgomery, AL
- Faulkner University, Montgomery, AL
- Patterson State Technical College, Montgomery, AL

Auburn University has been ranked among the top 50 public institutions in the nation for providing a quality education at an exceptional value by *US*



***Historic Samford Hall at Auburn University***

*News & World Report* for eleven consecutive years.

Auburn University’s student body is taught by 1,142 full-time and 115 part-time faculty members. Approximately 96% of Auburn students receiving their degrees are employed full-time after graduation. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates.

As the City’s largest employer, the University is a major contributor to the local economy. Enrollment, with a ten-year average annual growth rate of approximately 1%, was 23,152 for the fall semester 2003. Included in the total enrollment were 3,104 graduate students.

Southern Union State Community College is located in Auburn’s sister city, Opelika, which is also the Lee County seat. Southern Union is less than ten miles from Auburn and offers courses in business, accounting, computer science, industrial electricity and electronics, drafting and design technology, automotive technology, welding, and more. Southern Union serves a

student body of approximately 4,300 in the academic division and 553 in the technical division.

**Utilities.** The City’s Water Works Board, drawing from Lake Ogletree as its main source, provides water services. The City operates two wastewater treatment plants with a total treatment capacity of 7 million gallons per day and is currently expanding their production and treatment capacities to 9 million gallons per day to accommodate the City’s projected population growth.

**Factors Affecting Financial Conditions**

***Local Economy***

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

In the mid-1980’s, the City government began a conscious effort to strengthen the City’s economic base through diversification. The City government created an Economic Development Department, whose mission it was to recruit small to medium-sized technology-based companies that could offer a higher 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 twenty companies that resulted in the creation of nearly 3,000 jobs. The City acquired and developed three industrial-technology parks, with a fourth currently under development.

The City’s innovative economic development tools include a Revolving Loan Fund program funded from a loan repayment stream that was the product of certain federal grant programs, facilitation of public-private technology partnerships with Auburn University, a small-business incubator facility, a new 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: Briggs & Stratton, Falk Corporation, Donaldson Company, Vermont

American, EPOS Corporation, Hoerbiger Drivetech USA, Hoerbiger Hydraulics, Inc., Capitol Vial, Touchstone Precision, Inc., Stahlschmidt & Maiworm, and MasterBrand Cabinet Company.

The Auburn Center for Developing Industries (ACDI), a small business incubator facility, opened in 1989 to enable new business ventures

to become established in a cost-controlled environment while adding jobs to the community. This project has been very successful, graduating three tenants to the City's industrial parks and expanding its facilities three times. The two most recent incubator tenants are an Auburn University technology-transfer based project as well as a Department of Defense related project.

The City has completed construction on Auburn Technology Park North (ATPN), a new 170-acre technology oriented manufacturing park. This park is located north of Interstate Highway 85, across from the existing Technology Park South. Stahlschmidt & Maiworm USA, Inc. recently completed a new 200,000 square foot manufacturing facility in ATPN. Stahlschmidt & Maiworm will make a capital investment of \$49 million and will employ 350 persons when fully operational. In addition, CV Partners, a plastic injection molding company, has almost completed an 80,000 square foot facility in the ATPN. CV Partners will create 150 new jobs and invest approximately \$24 million in the community. Weidmann Plastics Technology North America, Inc., a Swiss company, is currently building a 47,000 square foot facility in the Auburn Technology Park South. Wiedmann is an automotive supplier and will create approximately 40 new jobs and invest close to \$10 million.

Commercial development continues to be strong in Auburn. Numerous projects including banks, restaurants, and other retail operations have opened along the U.S. Highway 29/South College corridor, just off Interstate Highway 85. Progress continues on a 200,000 square foot, \$50 million expansion of the existing 300,000 square foot Colonial University Village Mall. New department store buildings for Dillard's and JCPenney's have been completed, and Belk's,

along with numerous other mall retailers, will open in the Fall of 2004.

The City's economic development efforts have been effective. Omitting the University student population, the City's unemployment rate at September 30, 2003 was 3.9% (↓.2%) which was less than the national (5.9%) and state (5.8%) unemployment rates. Nearly one-fourth of Lee County's workforce has college degrees. The

median family income for Lee County (2000 Census) was \$31,821, while the median family income in the City of Auburn was \$43,167.

In addition to its business recruitment programs, the City's Economic Development Department has worked to improve housing opportunities within the Auburn city limits via an Affordable Housing Program, partnering with Habitat for Humanity, and administering numerous housing rehabilitation and other public service programs funded by federal Community Development Block Grants.

Financial activities in Auburn are anchored by eleven different banks with eighteen locations (excluding ATMs). These financial institutions have combined assets of approximately \$647 million. The largest bank in the City is an independent bank and the State's four largest bank holding companies all have offices in Auburn. In addition, there are two federal credit unions and six nationally associated investment brokers providing financial services to Auburn's residents and businesses.

The physical boundaries of the City continue to expand with residential, commercial, and industrial growth. During fiscal 2003, the City annexed 243 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 approved 12 new subdivisions, incorporating 150 single family and 112 multi-family residential lots and 6 commercial lots.

In fiscal 2003, building permits were issued for 348 new single-family residences valued at \$55.86 million (↑23%), forty-four of which had valuations in excess of \$250,000 each. Also permitted during fiscal 2003 were 70 multi-family buildings valued at \$37.40 million (↓ 25%) and 33 new commercial and industrial facilities valued at \$27.8 million (↑48.7%). In



response to several years of significant growth, the City completed construction of three new fire stations in fiscal 1998 and another fire station is planned for construction in FY 04.

### **Risk Management**

The City of Auburn’s risk management program includes identification and analysis of loss exposures and the selection of appropriate risk management technique(s) 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 \$73.9 million in identified projects over the next 5 years (FY 04 through FY 08). Increasing the capacity of the sewer systems will require approximately \$19.2 million. This outlay will be funded by bond proceeds and assistance from the State’s Revolving Loan Fund program. Infrastructure improvements, including sidewalks, bikeways, streets, bridges and intersections, will require an estimated \$33.5 million. This outlay is expected to be funded through identified sources including shared funding, state and federal grant funds, and debt.

Construction of a new Water and Sewer complex, municipal buildings and renovation of existing city buildings are planned with a projected cost of \$3.2 million. Funding sources for these city buildings include proceeds of bonds and the sale of property currently owned by the City. Included in the projected costs for city buildings is planned expansion of fire protection — buildings and equipment — that will require approximately \$1.2 million.

Industrial park land acquisition and infrastructure construction over the next six years is planned with an estimated cost of \$4.5 million. Other projects, including culture and recreation and downtown improvements are included in the five-

year program at an approximate cost of \$17.35 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 accounting data are compiled to allow for the presentation of financial statements in conformance with generally accepted accounting procedures. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the 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.

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

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

The City's budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the *financial* section of this report are presented in accordance with GAAP; that is, all capital outlays have been aggregated into 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 2003 as budgeted, with the capital outlays and debt service expenditures presented within departments. *Appendix II-A* provides a reconciliation of the GAAP-basis expenditures to the budget basis of expenditures.

### **Other Information**

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

meet federal requirements of the Single Audit Act Amendments of 1996, and the resultant issuance of OMB Circular No. A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*) the City's audit report is required to be signed by a certified public accountant. The accounting firm of Machen, McChesney and Chastain, LLP, was selected through a competitive proposal process. The auditor's report on the general-purpose financial statements and the combining and individual fund statements and schedules is included in the *financial* section of this report. The auditor's reports related specifically to the Single Audit are included in a separately issued Single Audit Report.

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

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the seventeenth consecutive year that the City has achieved 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 comprehensive annual financial report continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Auburn for its PAFR for the fiscal year ended September 30, 2002. The Award for

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

In addition, the City also has received a GFOA Award for Distinguished Budget Presentation for its biennium budget dated October 1, 2002. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

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

  
David F. Watkins  
City Manager

  
Andrea E. Jackson, CPA, CGFM  
Finance Director


**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

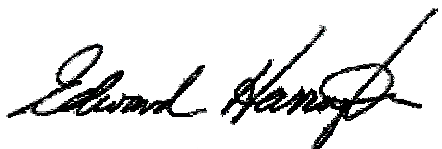
Presented to


**City of Auburn,  
Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2002

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.



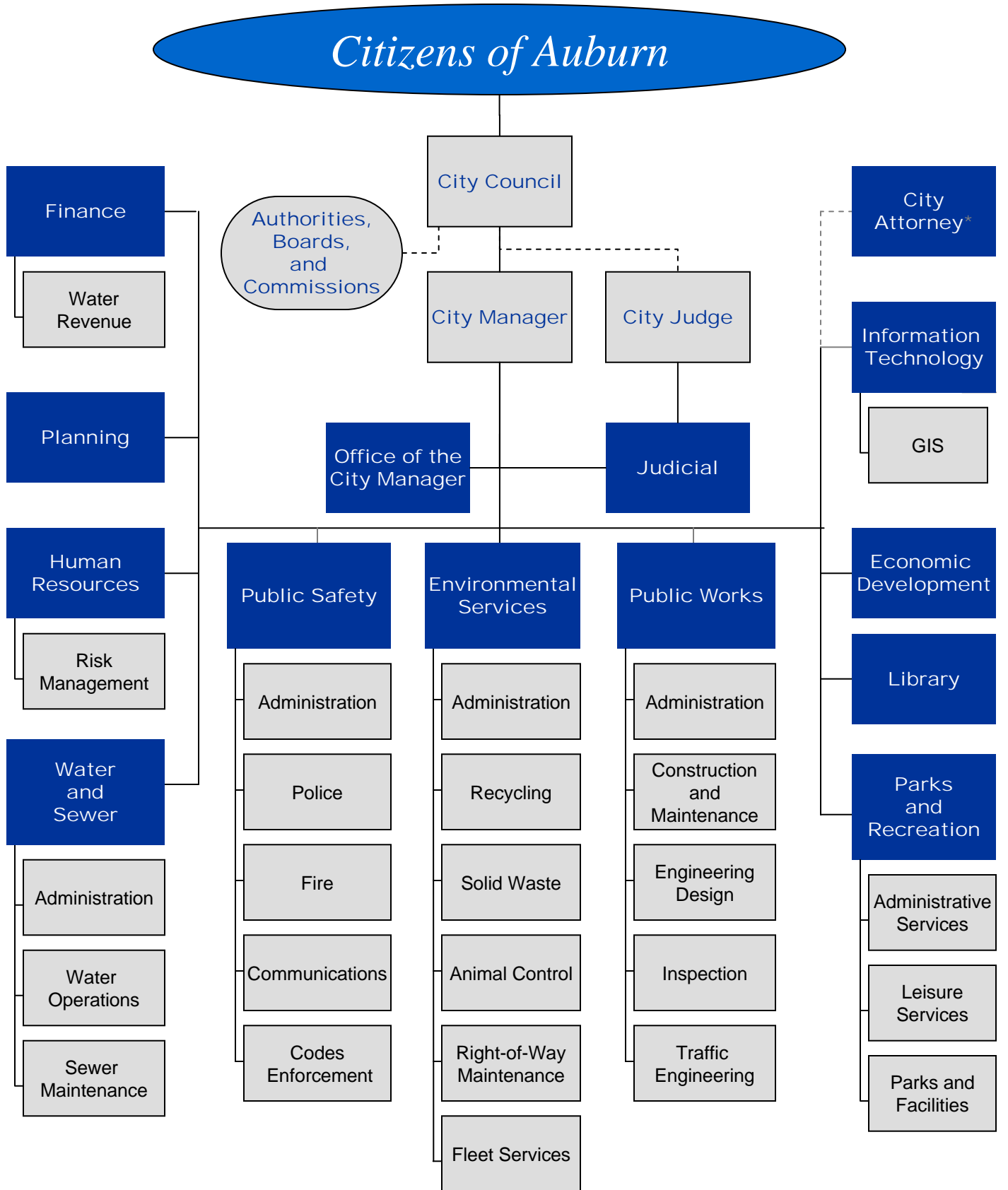
  
President

  
Executive Director



City of Auburn

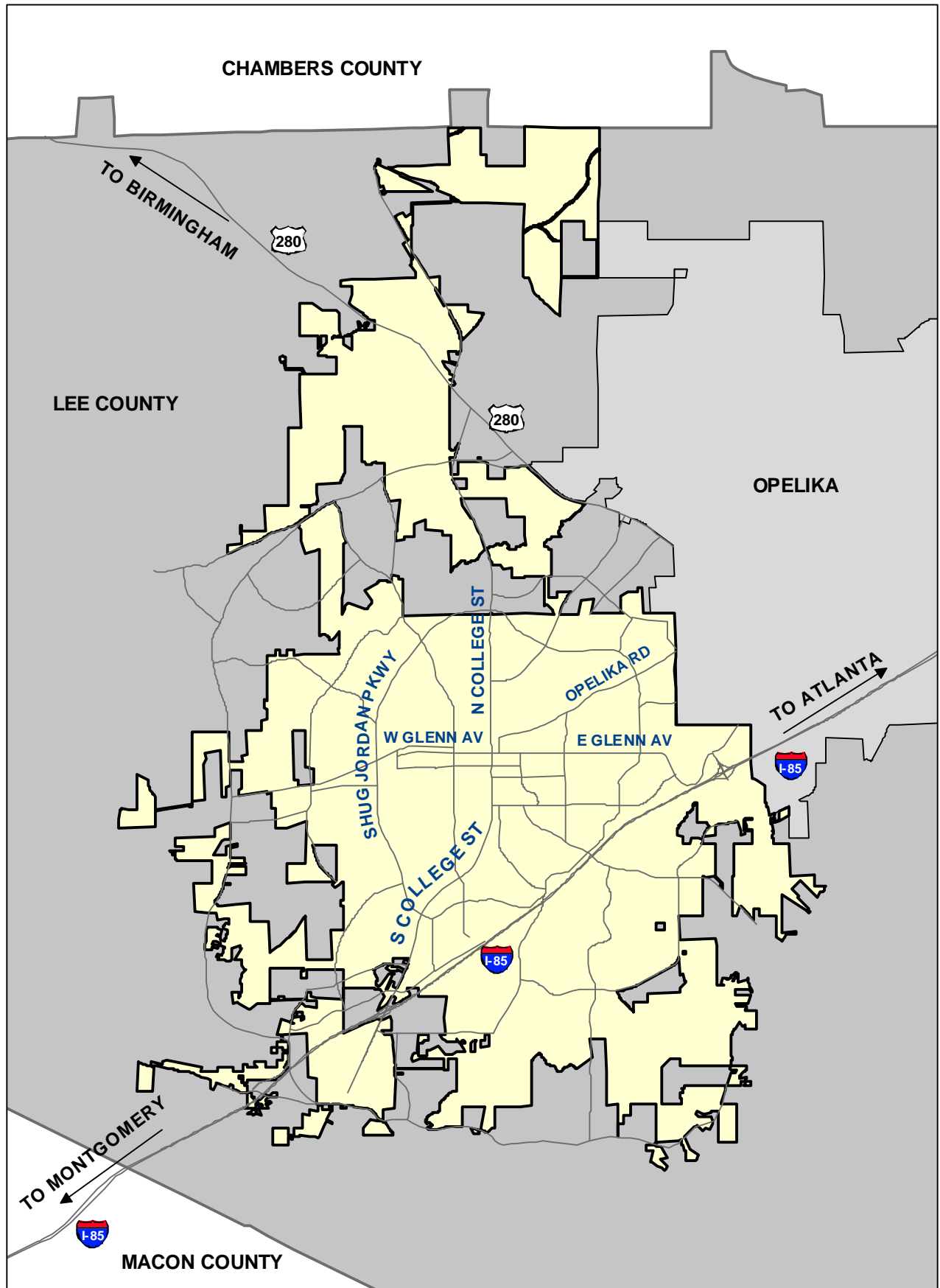
# Organization Chart



\* City Attorney services are contracted outside the organization

Legend:	Policy or Judicial Authority	Department	Division or Sub-Departmental Unit
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# CITY OF AUBURN





Anne McChesney May, CPA  
Donald G. Chastain, CPA  
Michael D. Machen, CPA  
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

## 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, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General 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 November 21, 2003, on our consideration of the City of Auburn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of September 30, 2003.

The management's discussion and analysis on pages 15 through 27, 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

*Machen, McChesney & Chastain, LLP*

Auburn, Alabama  
November 21, 2003





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, 2003. Please read this in conjunction with the City's financial statements, which follow this section and the additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of the CAFR.

### FINANCIAL HIGHLIGHTS

The City's implementation, in fiscal 2003, of the new accounting principles established by Governmental Accounting Standards Board Statement No. 34 has limited the amount of comparative data with fiscal 2002. City management intends to provide more trend and comparative data in the fiscal 2004 CAFR.

- ▶ The total primary government experienced a 59% increase in net assets from \$11.8 million at September 30, 2002 to \$18.8 million at September 30, 2003. This change in Net Assets is due primarily to an increase in the investment in capital assets, net of related debt, including the capitalization of infrastructure acquired during fiscal 2003.
- ▶ Within the governmental activities, fiscal 2003 sales and use taxes increased by \$1.43 million (↑11%). This increase in the City's largest single revenue source was primarily the result of population growth and expanded retail sales. Another important factor was an increase in the City sales tax rate from 2.5% to 3.0%, effective August 1, 2003. Eliminating the effect of the rate increase, sales taxes increased 6.8% over the prior year.
- ▶ Early in fiscal 2003, the City obtained a bank line of credit and made a \$4.131 million draw on the credit line to provide interim financing for a property purchase. In addition, the City issued a general obligation warrant for \$1.065 million in April of 2003. The warrant proceeds were used to fund the purchase of various capital equipment and renovations to existing City buildings.

- ▶ The City increased discretionary funding for the Auburn Board of Education from \$3.9 million in fiscal 2002 to \$4.1 million in fiscal 2003 (↑5%). This reflects the City Council's commitment to support the local school system, which continues to receive national recognition for the quality of its programs and its students' excellent performance.
- ▶ In both fiscal years 2002 and 2003, the City continued to support its employees through a three percent cost of living raise, while maintaining level costs to the employees for health insurance.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

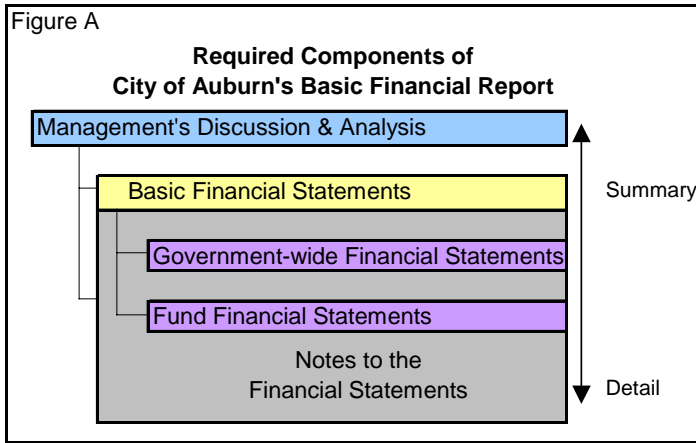


Figure B summarizes the major elements of the financial statements, including the portion of the City government they include and the types of information they contain. The remainder of this overview explains the structure and contents of each of the financial statements.

### GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
<b>Scope</b>	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, and parks	Activities the City operates similar to private businesses: Industrial Park and Sewer Revenue Fund
<b>Required financial statements</b>	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, expenses, and changes in net assets Statement of cash flows
<b>Accounting basis &amp; measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability</b>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<b>Type of inflow/outflow</b>	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 cash 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 here, such as the Public Safety, Environmental Services, Parks and Recreation, Human Resources, and Finance departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- ◉ *Blended Component Units.* The City of Auburn Public Library Board provides services almost entirely to the City, and the City is financially responsible for the Board; so the Board is included in the City's governmental activities.
- ▶ *Business-type activities.* The City charges fees to customers to help it cover the costs of certain services it provides. The City's Sewer Revenue Fund and the Industrial Park Fund are included here.
- ▶ *Discretely Presented Component Units.* The City includes five other entities in its report: City of Auburn Board of Education, City of Auburn Water Works Board, Auburn Center for Developing Industries, City of Auburn Industrial Development Board, and City of Auburn Public Parks and Recreation Board. Although legally separate, these component units are important because the City is financially accountable for them. Please refer to Note 1.A regarding the availability of separately issued component unit financial statements.

## Fund Financial Statements

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

- ▶ State law requires Gas Tax Funds to be accounted for separately because their expenditures are restricted to specific uses.
- ▶ The City Council establishes other funds to control the use of monies for particular

purposes such 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 show compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and grant proceeds.

The City has two kinds of funds:

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

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

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

## FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Table 1

City of Auburn's Net Assets  
September 30, 2003 and 2002

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 35,419,330	\$34,781,120	\$ 13,602,831	\$ 13,163,301	\$ 49,022,161	\$ 47,944,421
Capital assets (not retroactive)	40,590,606	35,779,654	32,527,774	30,796,250	73,118,380	66,575,904
Total assets	<u>76,009,936</u>	<u>70,560,774</u>	<u>46,130,605</u>	<u>43,959,551</u>	<u>122,140,541</u>	<u>114,520,325</u>
Current liabilities	6,202,711	6,679,011	1,637,166	1,123,154	7,839,877	7,802,165
Long-Term debt and other liabilities	65,600,633	64,889,651	29,875,153	30,005,169	95,475,786	94,894,820
Total liabilities	<u>71,803,344</u>	<u>71,568,662</u>	<u>31,512,319</u>	<u>31,128,323</u>	<u>103,315,663</u>	<u>102,696,985</u>
Net assets:						
Invested in capital asset, net of related debt	17,249,619	12,375,349	12,466,156	10,753,677	29,715,775	23,129,026
Restricted	(26,814,317)	(24,694,328)	9,621,721	9,723,355	(17,192,596)	(14,970,973)
Unrestricted	13,771,290	11,311,091	(7,469,591)	(7,645,804)	6,301,699	3,665,287
Total net assets	<u>\$ 4,206,592</u>	<u>\$ (1,007,888)</u>	<u>\$ 14,618,286</u>	<u>\$ 12,831,228</u>	<u>\$ 18,824,878</u>	<u>\$ 11,823,340</u>

**Net assets** The City's *combined* net assets at September 30, 2003 totaled \$18,824,878 (see Table 1, above). Governmental Activities' net assets increased by \$5.21 million, while Business-type Activities' net assets increased \$1.79 million.

Most of the Governmental Activities' net assets are invested in capital assets (buildings, equipment, roads, etc.). The investment in capital assets at September 30, 2003 was \$40.59 million. Debt outstanding related to the capital assets was \$23.34 million. The restricted net assets reflect a negative net asset balance of \$26.81 million. The negative net asset balance is the result of a common financing circumstance in Alabama: the City of Auburn issues debt in the City's name for the benefit of the Board of Education, a component unit under the City's oversight. The City of Auburn therefore must report the debt on the City's books, but does not have a legal right to the assets associated with the debt (which are owned by the School Board), hence, the large negative net assets balance. The total City debt issued to benefit the City Schools and outstanding at September 30, 2003, was \$33,649,408. Due to Auburn's strong fiscal management,

Governmental Activities unrestricted net assets remains high at \$13.7 million at the end of fiscal 2003, for overall positive net assets of \$4.2 million at the end of this year.

The total net assets of the City's Business-type Activities increased by 13.9% to \$14.6 million in fiscal year 2003 from \$12.8 million in fiscal year 2002. Of that total, most funding was tied into capital assets, net of related debt for the Sewer Revenue Fund. Restricted net assets of the Business-type Activities were at \$9.6 million, representing funds reserved for capital projects and debt service. After these categories are set aside, the results produced a negative unrestricted net assets at \$7.4 million.

**Changes in net assets** The primary government's net assets increased by \$7 million (↑59.2%) in fiscal year 2003 over the prior year. Total assets increased by \$7.6 million (↑6.7%) in fiscal 2003. The major components of this increase in total assets were: 1) the net increase in capital assets of \$6.5 million, which included the capitalization of infrastructure acquired during fiscal 2003 (2002 amounts did not include

infrastructure); 2) the purchase of land held for resale costing \$4.1 million in fiscal 2003; and 3) a decrease in cash and cash equivalents of \$2.6 million. The fiscal 2003 net increase in total liabilities was \$618,678 (0.6%). Most of the increase in total liabilities was attributable to the \$580,966 increase in long-term debt (net of current portion). The elements of net assets changed as follows during fiscal 2003: 1) investment in capital assets, net of related debt, increased by \$6.6 million; 2) the deficit in restricted net assets increased by \$2.2 million; and 3) unrestricted net assets increased by \$2.6 million.

The deficit in the City's restricted net assets is the result of the City Board of Education's capital assets being reported in the separate component units' column of the Statement of Net Assets and the debt related to the acquisition of the Schools' capital assets being reported in the Primary Government's portion of the Statement of Net Assets. The Board of Education's capital assets at September 30, 2003 were \$34,524,958; while the City's general obligation debt issued on the Schools' behalf had principal outstanding of \$33,075,000 at September 30, 2003.

The City's total revenues increased by 4.7% to \$49.2 million in fiscal year 2003. The single largest revenue source was sales and use taxes, which generated \$14.5 million in fiscal year 2003, compared to \$13.4 million in fiscal year 2002. In FY 2003, 29.6% of all City revenue came from sales and use tax collections. \$18.1 million of total revenue was derived from program revenue, which consists of charges for services, federal and state grants, and other contributions. Property taxes provided \$8.5 million in revenue; occupation license fees generated \$5.6 million and rental and leasing tax revenue totaled \$1.1 million for 2003.

### Governmental Activities

Revenues, including general revenues, were sufficient to provide an excess of \$4.6 million over expenses at the end of fiscal year 2003. However, only general government and administration (net \$2.9 million) and employee

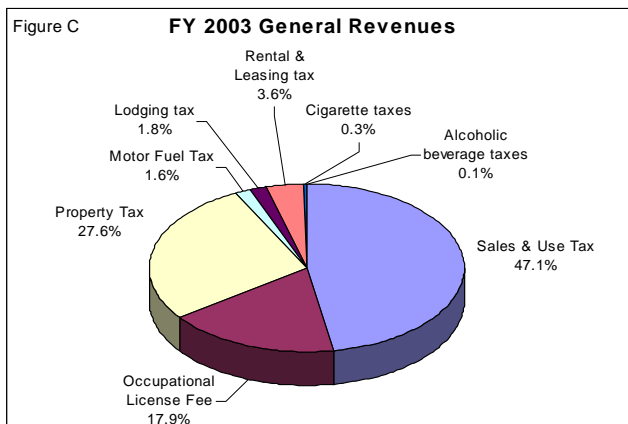
services (net \$242,000) had adequate program revenues to exceed expenses.

Table 2 presents the cost of each of the City's functions/programs as well as each program's net cost (total expenses less fees generated by the program's activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's general revenues by each of these functions.

	Expenses	Program Revenues	Net Cost
General government and administration	\$ 3,807,989	\$ 6,775,587	\$ 2,967,598
Public works	2,598,479	1,146,882	(1,451,597)
Environmental services	3,563,536	2,147,653	(1,415,883)
Public safety	9,428,411	667,108	(8,761,303)
Library	947,709	27,573	(920,136)
Parks and Recreation	3,598,629	279,692	(3,318,937)
Planning	379,761	50,233	(329,528)
Social and economic development	1,454,453	308,561	(1,145,892)
Employee services	434,485	676,662	242,177
Risk management	254,694	-	(254,694)
Payments to component units	8,105,050	-	(8,105,050)
Interest on long-term debt	3,220,265	-	(3,220,265)
Total governmental activities	\$ 37,793,461	\$ 12,079,951	\$ (25,713,510)

- ▶ The cost of all governmental activities this year was \$37.8 million. However, the amount that our taxpayers paid for these activities through general revenues (taxes and license fees) was \$26.2 million.
- ▶ Some of the program costs of governmental activities were paid by revenues collected from those who directly benefited from the programs (\$9.9 million). These revenue sources include:
  - Business license fees, which generated \$3.9 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 \$2.1 million in fiscal 2003, an increase of 1.3% from last year's revenue.
  - Employees paid a portion of health insurance premiums, totaling \$676,662. This revenue source showed a small increase of 2.9%, resulting from an increase in the number of employees participating in the program.

- ▶ Program costs were also defrayed by grants and contributions (\$2.1 million). A large portion of this funding comes from the Community Development Block Grant from the federal Department of Housing and Urban Development Federal Agency. Fiscal 2003 CDBG grant revenues of \$804,898 were used to rehabilitate inadequate housing, improve public facilities and provide utility and food assistance programs to eligible citizens.
- ▶ The City has also worked to obtain grant funding from the Alabama Department of Transportation, to share the cost of expansion or replacement of roads and bridges through capital grants in excess of \$800,000.
- ▶ The Employee services function shows expenses of \$434,485 and program revenue of \$676,662 producing an excess of program revenues over expenses of \$242,177. The City of Auburn is self-insured for employees' health and dental expenses, which is administered by Blue Cross and Blue Shield of Alabama and a management company. The employee services program revenues are actual premiums for health insurance paid by City employees. The expenses reflect the cost of the employee services function.
- ▶ The City financed the \$25.7 million net expenses for governmental activities from the \$30.9 million in taxes, license fees and other general revenues, such as interest earnings.
- ▶ Figure C shows the various sources of general revenues for fiscal year 2003:



- 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 nontax revenues (including interest, gains and losses and contributions) that do not meet the criteria for program revenues are reported as general revenues.
- The largest of the City's general revenues is sales and use tax, comprising 47% of total general revenues. During this reporting period the City's sales tax rate was 2.5% from Oct 1, 2002 to July 31, 2003. The rate for the remaining two months of the fiscal year was 3%.
- The second largest source of general revenues is property taxes (28%). Of the total 26 mills the City receives in property taxes, 16 mills are directly allocated for the City Board of Education.
- The third largest general revenue source is occupational license fee. This fee is levied at 1% of gross wages earned within the city limits.

The City of Auburn transferred \$8.1 million to component units during fiscal 2003. Of this amount, \$6.9 million was paid to the Board of Education, which included \$2.8 million paid from education property taxes. The remaining \$4.1 million appropriated from the City's General Fund was a direct response to the Citizen Survey's identifying educational funding as the citizens' highest priority, consistently year after year.

### Business-type Activities

The City now owns two wastewater treatment plants that are operated by USFilter, a Houston, Texas-based engineering and contract services firm. Revenue from charges for services of this business-type activity (sewer treatment and disposal) increased 5% to \$5.1 million, and expenses (operating plus non-operating) increased 2.2% to \$4.4 million. The Sewer Department also defrays expenses each year

through developer contributions of installed sewer lines (recorded at fair value at the time of donation). In fiscal 2003, this contribution increased by 16.9% to \$921,575.

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

As the City completed the year, its governmental funds reported a *combined* fund balance of \$26.5 million, 2.3% and \$598,954 above last year. This increase in combined fund balances of the governmental funds was calculated on ending fund balances, which in fiscal 2003 included a prior period adjustment of \$1.7 million in one of the major governmental funds, the Federal Grant Loan Repayment Fund. This adjustment liquidated several long-term advances among the City’s special revenue funds, when it was determined that these advances would not be repaid.

These financial activities comprised the major changes in governmental fund balances:

**Governmental revenues ~**

- ▶ Total revenues of the governmental funds showed growth of 6.6% and \$2.8 million over the prior year.
- ▶ Sales and use tax revenue increased 10.9%, by \$1.4 million, during the 2003 fiscal year. In part, the additional revenue resulted from a sales tax increase of ½ percent, commencing on August 1, 2003. The sales tax increase was approved by the Council to provide for additional funding for the City school system, as well as to provide funding for capital improvements. Sales taxes were last increased in 1991.
- ▶ Occupational license fees produced \$576,436 in additional revenue (↑11.6%). This is the result of expanding payrolls from newly established and growth of existing businesses in Auburn.
- ▶ Licenses and permits revenue for fiscal 2003 increased by \$479,585 (10.9%). Most of the increase resulted from growth in business license fees (\$267,705) and building permit fees (\$184,196). Business license fees are based on gross receipts, so

increased revenue from this source results from increased business activity within the City. Building permit revenue growth is indicative of the robust residential and commercial development in Auburn.

- ▶ General property tax revenues improved 4.5%, contributing additional revenue of \$378,200 to the governmental funds. Growth in property taxes results from expansion of the city limits through voluntary annexations, as well as improvements in property values, attributable in part to new construction and improvements.

**Governmental expenditures ~**

- ▶ Total governmental expenditures decreased by \$7.9 million (14.1%) in fiscal 2003 from fiscal 2002. The major components of this significant decrease in governmental expenditures include:

	FY 2003	FY 2002	FY 03 > FY 02
City departments'			
operating expenditures	\$ 22,204,000	\$ 20,476,861	\$ 1,727,139
Capital expenditures	7,347,636	4,617,953	2,729,683
Debt principal and interest	6,853,047	7,756,634	(903,587)
Paid to component units:			
Debt proceeds provided to City Schools	-	12,791,812	(12,791,812)
General revenues provided to City Schools	4,110,444	4,061,925	48,519
Education property taxes distributed to City Schools	2,800,000	1,788,619	1,011,381
Payments to Industrial Development Board	1,194,606	1,213,854	(19,248)
Subtotal - Component Units	8,105,050	19,856,210	(11,751,160)
Total significant changes			\$ (8,197,925)

- ▶ Of the increase in City departments' spending, personal services (salaries and benefits) costs increased \$1.1 million over fiscal year 2002. Following the top priority of educational funding, the citizens of Auburn believe a continued commitment to the City’s workforce is key to the overall quality of services provided by the City of Auburn. The City Council approved a 3% cost of living raise to its employees in both fiscal years 2003 and 2002. The cost of living raise, together with merit salary increases earned by employees through excellent performance, accounted for the majority of the rise in personal services costs. In

addition, the Retirement System of Alabama imposed an increase in the City's retirement contribution rate in fiscal 2003.

- ▶ Major capital outlay expenditures in fiscal year 2003 included: construction of a new Soccer Complex (\$2.4 million) to be completed in fiscal 2004, street resurfacing (\$901,168), renovation of public facilities in low and moderate income areas (\$509,763), construction of new drainage facilities (\$458,232), purchase of a new fire truck (\$461,464), and construction of additional bikeways (\$332,316).
- ▶ Property taxes dedicated to education purposes are first used to pay debt service on the City Schools' outstanding debt. Any excess of the property tax revenues over the debt service requirements is distributed to the Schools at the School Board's request. In fiscal 2003, \$2.8 million was paid to the Schools from these dedicated property taxes, an increase of 56% (\$1.01 million) over the prior year. The School Board's request for an increased distribution of education property taxes was prompted by a decrease in State education appropriations.

The City's combined proprietary funds, which account for its business activities, reflect increased net assets of \$1.7 million at the end of fiscal 2003, a 13.8% increase.

***Proprietary funds' revenues, other resources ~***

- ▶ The City's major proprietary fund is its Sewer Revenue Fund, which accounts for sewer treatment and disposal services provided to citizens and businesses within the city limits. Sewer Fund revenues from sewer service charges increased 5% in fiscal 2003, providing an additional \$244,015 in resources. Sewer service rates have not been increased since 1994.
- ▶ In addition to improved operating revenue from sewer service charges, the Sewer Fund's net assets were increased by \$921,575 from developers' contributions of sewer lines in fiscal 2003. This amount is a 16.9% (\$133,300) increase over the prior year's developer contributions to the Sewer

Fund and reflects the robust level of construction activity within the City.

***Proprietary funds' expenses ~***

- ▶ In the Sewer Fund, the City's major proprietary fund, operating expenses for fiscal 2003 increased by \$125,714 (4.4%). The more significant components of the increased costs included expenses for professional services (up \$45,975 or 33.8%), salaries and benefits for employees (up \$30,866 or 6.7%) and management fees paid to USFilter (up \$20,126 or 1.7%)

**Analysis of Changes in Major Funds**

***The General Fund (Governmental) ~***

At the end of fiscal 2003, the total fund balance of the City's General Fund increased \$4.9 million (35.0%) over the prior year's ending balance. General Fund total assets increased by \$5.1 million (29.1%). The most significant change in General Fund assets was the purchase of land held for resale with a cost of \$4.1 million. This acquisition was made as part of a \$50 million expansion of the Colonial University Village Mall, which is a major retail center in east Alabama. In connection with this increase in assets, total reserved fund balances also increased \$4.1 million. Unreserved fund balances increased by \$845,005.

***Federal Grant Loan Repayment Fund (Governmental) ~***

The City's Federal Grant Loan Repayment Fund is a major fund due to the large mortgage receivable balances on the Fund's balance sheet. In the 1980s, the City received numerous federal grants to assist housing and urban development. Under these programs, the City loaned the grant funds to promote housing and commercial capital improvements within the City. As these loans are repaid to the City, these monies are recycled for other Title 1 eligible activities. The total assets of the Federal Grant Loan Repayment Fund decreased by \$67,869 (1.2%) during fiscal 2003; while total fund balances increased by \$103,730, the excess of the Fund's revenues over expenditures. The significant change in this major fund during 2003 was a prior period adjustment to liquidate \$1.7 million in advances to other special



revenue funds when it was determined that these advances would not be repaid.

#### ***Sewer Fund (Business-type activity) ~***

Generally, the Sewer Fund accounts for the provision of sewer services to the City's residents and businesses. In addition, the Sewer Fund accounts for the capital expansion activities of the City's sewer collection, treatment and disposable facilities. Late in fiscal 2001, the City issued general obligation debt in the principal amount of \$30.0 million to de-privatize two wastewater treatment facilities, expand treatment capacity and upgrade the treatment technologies. The construction activities began in fiscal 2002 and continued throughout 2003.

In fiscal 2003, the Sewer Fund's net assets increased by 13.8% or \$1.8 million. While total net assets increased, the unrestricted component of net assets decreased significantly, from a deficit of \$2.9 million to \$7.5 million. This increased deficit was more than offset by the \$6.4 million increase in net assets invested in capital assets, net of related debt, from \$6.0 million to \$12.5 million.

Total assets of the Sewer Fund increased \$2.2 million, of which \$1.7 million represented a net increase in capital assets, which included the construction costs capitalized in 2003. The increase in liabilities was \$384,011, the result of a net increase in current liabilities, primarily accounts payable. The Sewer Fund generated an operating income of \$2.1 million in 2003. After non-operating revenues and expenses, the income before operating transfers and capital contributions was \$975,121. Sewer Fund net assets were also increased by the addition of capital assets donated by developers with an estimated fair value at date of donation of \$921,575.

#### **General Fund Budgetary Highlights**

The City of Auburn adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. Auburn's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. Each annual budget is reviewed following the completion of the first half of the fiscal year.

Revenue projections are updated and budgeted expenditures are adjusted to reflect changing conditions.

The final fiscal year 2003 General Fund budget projected \$34.9 million in revenue and \$1.7 million in other financing sources; appropriations were made for \$39.5 million in expenditures and \$200,000 in other financing uses, producing a planned deficit of \$3 million to be absorbed in the General Fund balance. Actual amounts for revenues (\$36 million), other sources (\$5.9 million), expenditures (\$36.8 million) varied favorably in comparison to the budget. As a result, the General Fund balance increased by \$7.9 million.

The original revenue projections were \$1.8 million less than the final budget. This was caused by a better than projected sales and use tax growth of 7.2%, as compared with the conservative original estimate of 5%. Auburn also saw similar growth in occupational license fees (up by 5.5%), lodging taxes (up by 33.7%) and rental and leasing tax (up by 21.5%). These revenue growth trends reflect the expanding population of the City of Auburn and its economic base.

In response to the expanding demand for public services and facilities, the City's expenditure appropriations at year-end increased over the original budget by \$1.5 million (3.9%). The total operating budget for all departments was increased by \$1.2 million in the final budget. Although all departments' budgets were increased in the final budget, the most significant increase was appropriated for Environmental Services, which provides solid waste and recycling collection services, animal control services, rights-of-way maintenance and maintenance of the City's vehicle fleet. The final budget for Environmental Services was increased by 24.6% to \$3.4 million over original budget of \$2.7 million. The final budget for Public Works was the next largest increase, from \$2 million to \$2.2 million (a 10.5% increase).

Total operating expenditures for all departments were under budget by \$958,963. This favorable result is typical for Auburn, and results from management's active use of the budget to control expenditures. All departments, except Public Safety and Economic Development, came in

under final budget. Debt service expenditures of \$2.4 million were over the final budget by 15.8% due to interest paid on a line of credit opened late in the fiscal year. Capital outlay expenditures were significantly under budget (\$1.8 million and 31.3% under budget) due to delays in approval from the State of Alabama Department of Transportation on various infrastructure projects.

The budget for long-term debt proceeds was decreased at the mid-year budget review. However, the actual amount of debt proceeds exceeded the budget due to the \$4 million line of credit opened late in fiscal 2003.

## CAPITAL ASSET AND DEBT MANAGEMENT

### Capital Assets

At the end of 2003, the City had invested \$73.1 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 a decrease of 6.2% over last year. The City increased the capitalization threshold from \$1,000 to \$5,000, reducing the number of items considered capital assets.

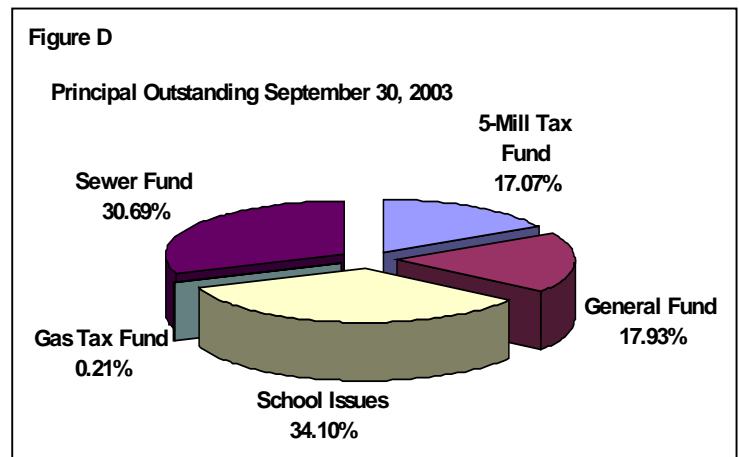
As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, the City has included infrastructure capital assets in the Statement of Net Assets for September 30, 2003. The reader should note that GASB 34 allows additional time for governments to inventory the infrastructure capital assets acquired prior to the implementation of the new accounting requirement. The Statement of Net Assets in this report include only those infrastructure capital assets constructed and acquired during fiscal 2003. The City is working to develop the retroactive infrastructure capital assets data for inclusion in future years' financial statements and anticipates completion of this effort by the deadline set by GASB 34. Note 7 provides additional detail on capital assets.

### Long-term Debt

At 2003 fiscal year-end, the City had \$98.7 million in long-term debt outstanding, of which \$5 million will mature during fiscal 2004. The net increase in long-term debt from the previous year was \$3.7

million or 3.9%. The City's long-term debt is comprised of bonds, warrants, notes and capital leases payable.

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



- ▶ Long-term debt with \$16.8 million in principal outstanding at fiscal year-end will be paid from the Five-Mill Tax fund. This fund receives five mills of property tax revenue, which is used to pay principal and interest on bonds approved in referenda by the registered voters of the City.
- ▶ The City issues debt for the Auburn City Board of Education. The principal amount of its current outstanding issues stand at \$33.6 million, which will be repaid from special school ad valorem taxes.
- ▶ The City's gas tax provides repayment of a street improvement warrant with principal remaining of \$210,000.
- ▶ The Sewer Department (a business activity of the City) pays for three long-term debt issues with total principal outstanding of \$30.3 million.

- ▶ This leaves \$17.7 million in outstanding principal, the repayment of which will be funded solely from the General Fund.

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

New debt resulted from two different issuances. A general obligation warrant in the amount of \$1,065,500 was issued on April 8, 2003 to fund various small capital projects and the purchase of capital equipment. On January 22, 2003 the City was extended a line of credit to purchase property in connection with the expansion of the local shopping mall. The balance of the draws on the line of credit at fiscal year-end was \$4,131,127. Permanent financing to liquidate the line of credit is planned for fiscal year 2004.

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. The outstanding debt applicable to this limit is \$35.9 million (35.8%), resulting in a legal debt margin of \$64.6 million.

Although sales and use tax is considered a revenue source subject to variations in the economy, the consistent growth and stable economy of Auburn, in conjunction with the City government's sound management practices, means that debt repayment remains predictable. The ratio of debt service to general expenditures is 14.26%, considered an average ratio for a city of our size. Auburn has been able to both expand and maintain its infrastructure to meet citizens needs based on careful financial management in response to citizens' priorities as determined by an annual citizen survey, as well as active citizen involvement.

### **Bond Ratings**

The City received its most recent bond ratings in August 2002. The City's rating from Moody's Investors Service is Aa3; Standard & Poor's rated the City's general obligation bonds at AA-. The City's other long-term debt, principally revenue bonds, carries the same rating. With bond issuances planned during fiscal 2004, the City will be requesting a review of these ratings from both Moody's and Standard & Poor's.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

### **Mission Statement**

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

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

Even with the general economic downturn experienced within the State of Alabama over the past several years, Auburn has remained a stable and growing economy. Price level changes within the City are comparable with national indices. The City's unemployment rates typically compare favorably with the State and national rates. The most recent data available show that Auburn's unemployment rate for February 2004 was 3.8%, as compared with 5.6% for the State of Alabama and the national rate of 5.7% (source: U.S. Bureau of Labor Statistics).

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

The Auburn City Council is committed to the development of a diversified economic base, with Auburn University as the cornerstone. The City's Industrial Development Board (IDB) and Economic Development Department have partnered to bring more than 3,000 new jobs to the City since 1994. The IDB targets small to mid-sized, higher technology and ecologically friendly companies in a variety of industries with the ability to provide jobs with good salaries and benefits. Many of the recruited industries are based on technology partnerships with the University. The additional payrolls brought to the City generate occupation license fee, business license and sales tax revenues that enable the City to provide the services and facilities expected by its citizens.

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

The City's public schools have received consistent high ratings for the qualifications of the faculty and staff and the achievements of their students, as well as strong local funding levels. The excellence of the City School system has proved a major factor in the City's residential growth, and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family detached homes has grown 55% from fiscal 1999 (225 permits) to fiscal 2003 (348 permits). Many families relocated to Auburn to take advantage of the excellent public schools, even though the breadwinners' jobs are in other nearby cities. The City's size has grown from 29.35 square miles in 1999 to 49.5 square miles in 2003. Population growth has averaged 2.7% per year for the last 25 years.

The City's staff considered all of the factors described above in preparing the biennial budget

for fiscal years 2003 and 2004. The City Council conducted a Revenue Review in the spring of 2003, during which tax and license fee rates, as well as sewer service rates were studied in the context of long-term financial projections. The Revenue Review was held in conjunction with the Mid-Biennium Budget Review.

The Council has established a goal for maintaining the fund balance in the General Fund at not less than 6% of budgeted expenditures. The City has consistently exceeded this goal; the unreserved and undesignated fund balance at September 30, 2003 stood at 25% of expenditures. In addition, the Council has designated \$4.2 million of the General Fund balance as a resource for use only in the event of a natural disaster or other catastrophic event.

One important unknown for the future is the effect of the State's budget shortfalls on the City's finances. Inadequate State funding for public education often results in the need for additional local financial support for the City schools. It was this unknown but predicted insufficiency of State appropriations for primary and secondary education that prompted the Council to increase the local sales tax by one-half cent during fiscal 2003. Finance staff's financial projections show that the additional revenue from the sales tax increase is estimated to provide the amount of additional funding expected to be needed by the City schools.

Sewer rates have been stable since 1994; and the Council has been reluctant to consider a rate increase. The Sewer Fund's operating income for 2003 was \$2.1 million (which includes capital contributions from developers of \$921,575), and the change in net assets was an increase of \$1.7 million. Total net assets of the Sewer Fund at September 30, 2003 were \$14.6 million; and net current assets were \$10 million. However, 82% of the Sewer Fund's liquid assets are restricted for capital construction and debt service. During the biennial budget process for fiscal years 2005 and 2006, the Council will review financial projections for the Sewer Fund to determine if impact fee and/or service charge rates should be increased during the biennium.

An expanding populace translates into additional needs for public services and facilities. Auburn

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

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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





City of Auburn



## **Basic Financial Statements**

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

City of Auburn

**CITY OF AUBURN, ALABAMA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2003**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 19,249,552	\$ 11,182,235	\$ 30,431,787	\$ 14,660,486
Certificates of deposit	-	-	-	50,435
Investments	-	-	-	14,888
Receivables, net	6,002,724	581,523	6,584,247	1,083,807
Internal balances	200,819	(200,819)	-	-
Inventories	19,508	-	19,508	227,198
Current portion of mortgages receivable	319,966	-	319,966	-
Current portion of net investment in capital leases	-	-	-	58,766
Property tax receivable	-	-	-	2,248,130
Due from other governments	-	-	-	553,250
Other current assets	277,576	6,141	283,717	32,298
Total current assets	<u>26,070,145</u>	<u>11,569,080</u>	<u>37,639,225</u>	<u>18,929,258</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	-	-	6,634,592
Investments	-	1,284,879	1,284,879	813,421
Accrued interest receivable	-	-	-	1,735
Mortgages receivable, net of current portion	4,720,358	-	4,720,358	-
Net investment in capital leases, net of current portion	-	-	-	1,326,588
Advances to component units	497,700	141,455	639,155	-
Property for resale	4,131,127	-	4,131,127	5,703,638
Bond issue costs, net	-	386,662	386,662	478,218
Deferred charges	-	220,755	220,755	340,343
Deferred water rights, net	-	-	-	1,638,072
Capital assets, net	40,590,606	32,527,774	73,118,380	95,509,710
Total noncurrent assets	<u>49,939,791</u>	<u>34,561,525</u>	<u>84,501,316</u>	<u>112,446,317</u>
Total assets	<u>76,009,936</u>	<u>46,130,605</u>	<u>122,140,541</u>	<u>131,375,575</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other accrued liabilities	674,529	529,473	1,204,002	3,655,631
Accrued interest payable	498,977	289,314	788,291	24,116
Salaries and benefits payable	189,797	-	189,797	2,660,247
Claims payable	109,459	-	109,459	-
Customer deposits	55,028	365,514	420,542	907,008
Deferred revenue	152,796	-	152,796	2,278,239
Current portion of long-term debt	4,522,125	452,865	4,974,990	11,738,957
Short term notes payable	-	-	-	2,559,792
Current portion of water supply agreement payable	-	-	-	152,816
Total current liabilities	<u>6,202,711</u>	<u>1,637,166</u>	<u>7,839,877</u>	<u>23,976,806</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	65,602
Current portion of long-term debt	-	-	-	487,650
Accrued interest payable	-	-	-	156,311
Advances from primary government	-	-	-	639,155
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	-	-	1,358,176
Long-term debt and other liabilities	65,600,633	29,875,153	95,475,786	31,750,982
Total noncurrent liabilities	<u>65,600,633</u>	<u>29,875,153</u>	<u>95,475,786</u>	<u>34,457,876</u>
Total liabilities	<u>71,803,344</u>	<u>31,512,319</u>	<u>103,315,663</u>	<u>58,434,682</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	17,249,619	12,466,156	29,715,775	61,370,724
Restricted for:				
Debt service	1,229,066	1,284,879	2,513,945	2,460,353
Capital projects	4,479,778	8,336,842	12,816,620	3,376,899
Federal and state grants	114,717	-	114,717	-
Special revenues, non-grant	(32,637,878)	-	(32,637,878)	-
Other projects	-	-	-	99,731
Unrestricted (deficit)	13,771,290	(7,469,591)	6,301,699	5,633,186
Total net assets	<u>\$ 4,206,592</u>	<u>\$ 14,618,286</u>	<u>\$ 18,824,878</u>	<u>\$ 72,940,893</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, 2003**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
<b>Governmental activities:</b>							
General government and administration	\$ 3,807,989	\$ 6,239,721	\$ 535,866	\$ -	\$ 2,967,598	\$ -	\$ 2,967,598
Public works	2,598,479	800	293,770	852,312	(1,451,597)	-	(1,451,597)
Environmental services	3,563,536	2,147,653	-	-	(1,415,883)	-	(1,415,883)
Public safety	9,428,411	594,138	67,500	5,470	(8,761,303)	-	(8,761,303)
Library	947,709	11,300	16,273	-	(920,136)	-	(920,136)
Parks and Recreation	3,598,629	249,791	29,901	-	(3,318,937)	-	(3,318,937)
Planning	379,761	50,233	-	-	(329,528)	-	(329,528)
Social and economic development	1,454,453	-	308,561	-	(1,145,892)	-	(1,145,892)
Employee services	434,485	676,662	-	-	242,177	-	242,177
Risk management	254,694	-	-	-	(254,694)	-	(254,694)
Payments to component units	8,105,050	-	-	-	(8,105,050)	-	(8,105,050)
Interest on long-term debt	3,220,265	-	-	-	(3,220,265)	-	(3,220,265)
Total governmental activities	37,793,461	9,970,298	1,251,871	857,782	(25,713,510)	-	(25,713,510)
<b>Business-type activities:</b>							
Sewer	4,487,091	5,113,315	-	921,575	-	1,547,799	1,547,799
Industrial Parks	188	-	-	-	-	(188)	(188)
Total business-type activities	4,487,279	5,113,315	-	921,575	-	1,547,611	1,547,611
Total primary government	\$ 42,280,740	\$ 15,083,613	\$ 1,251,871	\$ 1,779,357	(25,713,510)	1,547,611	(24,165,899)
Component units	\$ 43,138,068	\$ 8,470,311	\$ 22,177,243	\$ 1,785,043	-	-	(10,705,471)
<b>General revenues:</b>							
<b>Taxes:</b>							
Sales taxes					14,589,315	-	14,589,315
Occupational License fees					5,557,851	-	5,557,851
Property taxes					8,553,150	-	8,553,150
Motor fuel taxes					483,054	-	483,054
Lodging taxes					548,362	-	548,362
Rental and leasing taxes					1,121,061	-	1,121,061
Cigarette taxes					102,809	-	102,809
Alcoholic beverage taxes					25,790	-	25,790
Other taxes					-	-	-
Appropriations from the City of Auburn					-	-	-
Federal/state aid not restricted					-	-	-
Interest and investment earnings					887,885	353,612	1,241,497
Gain (loss) on disposal of assets					(1,074,742)	(2,255)	(1,076,997)
Miscellaneous					21,545	-	21,545
Transfers					111,910	(111,910)	-
Total general revenues, special items, and transfers					30,927,990	239,447	31,167,437
Change in net assets					5,214,480	1,787,058	7,001,538
Net assets--beginning, as restated					(1,007,888)	12,831,228	11,823,340
Net assets--ending					\$ 4,206,592	\$ 14,618,286	\$ 18,824,878

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

CITY OF AUBURN, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2003

	General Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,022,861	\$ 203,930	\$ 7,022,761	\$ 19,249,552
Receivables, net	5,467,183	-	503,396	5,970,579
Due from other funds	97,720	-	-	97,720
Inventories	19,508	-	-	19,508
Prepaid items	166,036	10,000	-	176,036
Mortgages receivable	-	4,891,344	148,980	5,040,324
Advances to				
Other funds	-	273,334	-	273,334
Component units	497,700	-	-	497,700
Property for resale	4,131,127	-	-	4,131,127
Total Assets	<u>\$ 22,402,135</u>	<u>\$ 5,378,608</u>	<u>\$ 7,675,137</u>	<u>\$ 35,455,880</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Payables to other governments	195	-	-	195
Accounts payable and accrued liabilities	757,272	-	106,858	864,130
Customer deposits	55,028	-	-	55,028
Due to other funds	6,147	-	97,720	103,867
Deferred revenue	2,367,410	-	340,711	2,708,121
Claims payable	109,459	-	-	109,459
Deferred program revenue	-	4,891,844	108,269	5,000,113
Advances from other funds	66,369	-	-	66,369
Total liabilities	<u>3,361,880</u>	<u>4,891,844</u>	<u>653,558</u>	<u>8,907,282</u>
<b>Fund balances:</b>				
<b>Fund balances:</b>				
<b>Reserved:</b>				
Inventories	19,508	-	-	19,508
Prepaid expenses	166,036	-	-	166,036
Encumbrances	745,304	-	1,150,307	1,895,611
Advances	497,700	273,334	-	771,034
Property for resale	4,131,127	-	-	4,131,127
<b>Unreserved:</b>				
Designated for emergency purposes	4,219,711	-	-	4,219,711
Undesignated (deficit)	9,260,869	213,430	-	9,474,299
<b>Unreserved, reported in nonmajor funds:</b>				
Special revenue funds	-	-	1,000,201	1,000,201
Debt service funds	-	-	1,360,172	1,360,172
Capital projects funds	-	-	3,510,899	3,510,899
Total fund balances	<u>19,040,255</u>	<u>486,764</u>	<u>7,021,579</u>	<u>26,548,598</u>
Total liabilities and fund balances	<u>\$ 22,402,135</u>	<u>\$ 5,378,608</u>	<u>\$ 7,675,137</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	40,590,606
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the current period	(70,122,758)
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds	7,555,438
Accrued expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds	(365,292)
Net assets of governmental activities	<u>\$ 4,206,592</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, 2003

	General Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Sales and use taxes	\$ 14,589,315	\$ -	\$ -	\$ 14,589,315
Occupational license fees	5,557,851	-	-	5,557,851
Motor fuel taxes	241,527	-	241,526	483,053
Lodging taxes	548,361	-	-	548,361
Rental and leasing taxes	1,121,061	-	-	1,121,061
Other taxes	128,599	-	-	128,599
Licenses and permits	4,886,027	-	-	4,886,027
General property tax	2,045,242	-	6,784,779	8,830,021
Charges for services	4,307,277	-	-	4,307,277
Fines and forfeitures	829,147	-	-	829,147
State shared taxes	485,362	-	250,442	735,804
Contributions from the public	295,114	-	32,293	327,407
Grants	419,961	-	817,770	1,237,731
Program income	-	467,068	450	467,518
Interest	463,329	100,876	291,538	855,743
Miscellaneous	105,879	-	-	105,879
Total revenues	<u>36,024,052</u>	<u>567,944</u>	<u>8,418,798</u>	<u>45,010,794</u>
<b>Expenditures</b>				
<b>Current operations</b>				
General government and administration	2,702,593	-	137,353	2,839,946
Public works	2,065,180	-	-	2,065,180
Environmental services	3,113,710	-	-	3,113,710
Public safety	8,435,925	-	12,099	8,448,024
Library	782,875	-	-	782,875
Parks and recreation	3,032,220	-	-	3,032,220
Planning	346,760	-	-	346,760
Economic development	386,923	322,375	171,104	880,402
Employee services	399,949	-	-	399,949
Risk management	294,934	-	-	294,934
Total departmental	<u>21,561,069</u>	<u>322,375</u>	<u>320,556</u>	<u>22,204,000</u>
Non-departmental	2,456,814	-	283,086	2,739,900
Debt service	2,797,260	-	4,055,787	6,853,047
Capital outlay	4,018,707	-	3,328,929	7,347,636
Intergovernmental	796,317	-	-	796,317
Payments to component units	5,163,211	141,839	2,800,000	8,105,050
Total expenditures	<u>36,793,378</u>	<u>464,214</u>	<u>10,788,358</u>	<u>48,045,950</u>
Excess (deficiency) of revenues over expenditures	<u>(769,326)</u>	<u>103,730</u>	<u>(2,369,560)</u>	<u>(3,035,156)</u>
<b>Other financing sources (uses)</b>				
Long-term debt proceeds	5,196,627	-	-	5,196,627
Transfers in	714,168	-	3,614,460	4,328,628
Transfers out	(200,000)	-	(4,016,718)	(4,216,718)
Total other financing sources (uses)	<u>5,710,795</u>	<u>-</u>	<u>(402,258)</u>	<u>5,308,537</u>
Net changes in fund balances	<u>4,941,469</u>	<u>103,730</u>	<u>(2,771,818)</u>	<u>2,273,381</u>
Fund balances, beginning of year	14,098,786	2,057,462	9,793,397	25,949,645
Prior period adjustment	-	(1,674,428)	-	(1,674,428)
Fund balances, beginning of year, as restated	<u>14,098,786</u>	<u>383,034</u>	<u>9,793,397</u>	<u>24,275,217</u>
Fund balances, end of year	<u>\$ 19,040,255</u>	<u>\$ 486,764</u>	<u>\$ 7,021,579</u>	<u>\$ 26,548,598</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, 2003

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

Net change in fund balances--total governmental funds	\$	2,273,381
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.		5,906,115
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(1,095,160)
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. This is the amount by which debt proceeds exceed debt service principal payments.		(1,644,738)
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.		(531,618)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		32,144
Revenues previously recorded as deferred revenue in governmental funds that were recognized in prior years in the statement of activities, but in the current year in governmental funds.		<u>(252,700)</u>
Change in net assets--statement of activities	<u>\$</u>	<u>4,687,424</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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales and use taxes	\$ 13,200,000	\$ 14,150,000	\$ 14,589,315	\$ 439,315
Occupational license taxes	4,950,000	5,200,000	5,557,851	357,851
Motor fuel taxes	235,000	250,100	241,527	(8,573)
Lodging taxes	415,000	555,000	548,361	(6,639)
Rental and leasing taxes	995,500	1,209,800	1,121,061	(88,739)
Other taxes	132,500	133,900	128,599	(5,301)
Licenses and permits	4,394,000	4,801,700	4,886,027	84,327
General property tax	2,087,000	2,032,000	2,045,242	13,242
Charges for services	4,593,957	4,263,519	4,307,277	43,758
Fines and forfeitures	785,050	820,600	829,147	8,547
State shared taxes	525,000	630,689	485,362	(145,327)
Contributions from the public	7,000	46,000	295,114	249,114
Grants	297,958	414,274	419,961	5,687
Interest	392,500	314,500	463,329	148,829
Miscellaneous	74,600	87,300	105,879	18,579
Total revenues	33,085,065	34,909,382	36,024,052	1,114,670
Expenditures				
Current operations				
General government and administration	2,650,692	2,770,301	2,702,593	67,708
Public works	1,996,748	2,207,040	2,065,180	141,860
Environmental services	2,746,826	3,424,008	3,113,710	310,298
Public safety	8,200,864	8,315,954	8,435,925	(119,971)
Library	837,755	844,405	782,875	61,530
Parks and recreation	3,132,782	3,193,440	3,032,220	161,220
Planning	377,875	382,375	346,760	35,615
Economic development	366,522	383,677	386,923	(3,246)
Employee services	403,368	425,965	399,949	26,016
Risk management	588,990	572,867	294,934	277,933
Total departmental	21,302,422	22,520,032	21,561,069	958,963
Non-departmental	2,479,701	2,243,366	2,456,814	(213,448)
Debt service	2,553,843	2,415,344	2,797,260	(381,916)
Capital outlay	5,287,553	5,851,364	4,018,707	1,832,657
Intergovernmental	750,868	823,148	796,317	26,831
Payments to component units	5,660,329	5,660,329	5,163,211	497,118
Total expenditures	38,034,716	39,513,583	36,793,378	2,720,205
Excess (deficiency) of revenues over expenditures	(4,949,651)	(4,604,201)	(769,326)	3,834,875
Other financing sources (uses)				
Long-term debt proceeds	3,475,579	1,065,500	5,196,627	4,131,127
Transfers in	631,910	706,910	714,168	7,258
Transfers out	(1,880,141)	(200,000)	(200,000)	-
Total other financing sources (uses)	2,227,348	1,572,410	5,710,795	4,138,385
Net changes in fund balances	(2,722,303)	(3,031,791)	4,941,469	7,973,260
Fund balances, beginning of year	9,798,523	12,140,828	14,098,786	1,957,958
Fund balances, end of year	\$ 7,076,220	\$ 9,109,037	\$ 19,040,255	\$ 9,931,218

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, 2003

	Major Fund <u>Sewer Revenue Fund</u>	Non major Fund <u>Industrial Park Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 11,099,156	\$ 83,079	\$ 11,182,235
Receivables, net	581,523	-	581,523
Due from other funds	6,147	-	6,147
Other current assets	6,139	-	6,139
Total current assets	<u>11,692,965</u>	<u>83,079</u>	<u>11,776,044</u>
Noncurrent assets:			
Restricted assets:			
Investments	1,284,879	-	1,284,879
Advances to component units	-	141,455	141,455
Bond issue costs, net	386,662	-	386,662
Deferred charges	220,755	-	220,755
Capital assets, net	<u>32,527,773</u>	<u>-</u>	<u>32,527,773</u>
Total noncurrent assets	<u>34,420,069</u>	<u>141,455</u>	<u>34,561,524</u>
Total assets	<u><u>46,113,034</u></u>	<u><u>224,534</u></u>	<u><u>46,337,568</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	529,471	-	529,471
Accrued interest payable	289,314	-	289,314
Customer deposits	365,514	-	365,514
Current portion of long-term debt	<u>452,865</u>	<u>-</u>	<u>452,865</u>
Total current liabilities	<u>1,637,164</u>	<u>-</u>	<u>1,637,164</u>
Noncurrent liabilities:			
Advances from other funds	-	206,965	206,965
Long-term debt and other liabilities	<u>29,875,153</u>	<u>-</u>	<u>29,875,153</u>
Total noncurrent liabilities	<u>29,875,153</u>	<u>206,965</u>	<u>30,082,118</u>
Total liabilities	<u>31,512,317</u>	<u>206,965</u>	<u>31,719,282</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,466,156	-	12,466,156
Restricted for:			
Debt service	1,284,879	-	1,284,879
Capital projects	8,336,842	-	8,336,842
Unrestricted (deficit)	<u>(7,487,160)</u>	<u>17,569</u>	<u>(7,469,591)</u>
Total net assets	<u><u>\$ 14,600,717</u></u>	<u><u>\$ 17,569</u></u>	<u><u>\$ 14,618,286</u></u>

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

CITY OF AUBURN, ALABAMA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2003

	Major Fund <u>Sewer Revenue Fund</u>	Non major Fund <u>Industrial Park Fund</u>	<u>Total</u>
Operating revenues			
Sewer service charges	\$ 5,106,525	\$ -	\$ 5,106,525
Sewer tapping fees	6,790	-	6,790
Total operating revenues	<u>5,113,315</u>	<u>-</u>	<u>5,113,315</u>
Operating expenses			
Salaries and wages	414,695	-	414,695
Employee benefits	77,565	-	77,565
Repairs and maintenance	12,891	-	12,891
Utilities	22,186	188	22,374
Professional services	181,903	-	181,903
Rentals and leasing	836	-	836
Insurance	9,889	-	9,889
Office supplies	15,061	-	15,061
Fuels and lubricants	8,378	-	8,378
Agricultural and chemical supplies	14,626	-	14,626
Minor equipment and tools	14,243	-	14,243
Repair parts and materials	31,869	-	31,869
Clothing and linens	5,180	-	5,180
Sewer service fees	126,000	-	126,000
Management fees	1,221,541	-	1,221,541
Bad debt expense	29,407	-	29,407
Depreciation/amortization	814,907	-	814,907
Travel and training	4,311	-	4,311
Total operating expenses	<u>3,005,488</u>	<u>188</u>	<u>3,005,676</u>
Operating income (loss)	<u>2,107,827</u>	<u>(188)</u>	<u>2,107,639</u>
Nonoperating revenues (expenses)			
Interest earned	351,152	2,460	353,612
Interest and fiscal charges	(1,481,603)	-	(1,481,603)
Loss on disposal of capital assets	(2,255)	-	(2,255)
Total nonoperating revenues (expenses)	<u>(1,132,706)</u>	<u>2,460</u>	<u>(1,130,246)</u>
Income (loss) before operating transfers and capital contributions	975,121	2,272	977,393
Operating transfers out to other funds	(111,910)	-	(111,910)
Capital contributions from developers	921,575	-	921,575
Change in net assets	<u>1,784,786</u>	<u>2,272</u>	<u>1,787,058</u>
Net assets, beginning of year	12,833,805	15,297	12,849,102
Prior period adjustment	(17,874)	-	(17,874)
Net assets, beginning of year, as restated	<u>12,815,931</u>	<u>15,297</u>	<u>12,831,228</u>
Net assets, end of year	<u>\$ 14,600,717</u>	<u>\$ 17,569</u>	<u>\$ 14,618,286</u>

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

CITY OF AUBURN, ALABAMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Major Fund <u>Sewer Revenue Fund</u>	Non-major Fund <u>Industrial Park Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash collected from customers	\$ 5,023,012	\$ -	\$ 5,023,012
Customer deposits collected	29,060	-	29,060
Payments to suppliers for goods and services	(1,293,846)	(205)	(1,294,051)
Payments to employees for services	(491,066)	-	(491,066)
Net cash provided (consumed) by operating activities (A)	<u>3,267,160</u>	<u>(205)</u>	<u>3,266,955</u>
Cash flows from noncapital financing activities			
Payments of operating transfers out	(111,910)	-	(111,910)
Repayment of borrowing from other funds	-	(19,176)	(19,176)
Cash loaned to other funds	(6,147)	-	(6,147)
Net cash provided by noncapital financing activities	<u>(118,057)</u>	<u>(19,176)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(397,872)	-	(397,872)
Acquisition and construction of capital assets	(1,564,481)	-	(1,564,481)
Repayment of long-term borrowing for equipment replacement	(37,865)	-	(37,865)
Interest and fiscal fees paid	(1,131,554)	-	(1,131,554)
Net cash provided (consumed) by capital and related financing activities	<u>(3,131,772)</u>	<u>-</u>	<u>(3,131,772)</u>
Cash flows from investing activities			
Interest on investments	351,152	2,460	353,612
Purchase of investments	(716,627)	-	(716,627)
Net cash provided by investing activities	<u>(365,475)</u>	<u>2,460</u>	<u>(363,015)</u>
Net increase (decrease) in cash	(348,144)	(16,921)	(365,065)
Cash and cash equivalents, beginning of year	<u>11,447,300</u>	<u>100,000</u>	<u>11,547,300</u>
Cash and cash equivalents, end of year	<u>\$ 11,099,156</u>	<u>\$ 83,079</u>	<u>\$ 11,182,235</u>

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



	Major Fund <u>Sewer Revenue Fund</u>	Non-major Fund <u>Industrial Park Fund</u>	<u>Total</u>
RECONCILIATION OF NET INCOME TO CASH PROVIDED (CONSUMED) BY OPERATING ACTIVITIES (A)			
Operating income (loss)	\$ 2,107,827	\$ (188)	\$ 2,107,639
Add: Depreciation/amortization expense	814,907	-	814,907
Increase in accounts payable/accrued liabilities	408,309	-	408,309
Increase in customer deposits	29,060	-	29,060
Deduct:			
Increase in receivable from Water Board	(90,303)	-	(90,303)
Increase in prepaid expenses	(2,337)	-	(2,337)
Decrease in accounts payable/accrued liabilities	-	(17)	(17)
Decrease in accrued leave	(303)	-	(303)
Net cash provided (consumed) by operating activities	<u>\$ 3,267,160</u>	<u>\$ (205)</u>	<u>\$ 3,266,955</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	\$ 921,575	\$ -	\$ 921,575
Net book value of assets removed from service	<u>(2,255)</u>	<u>-</u>	<u>(2,255)</u>
Total noncash transactions	<u>\$ 919,320</u>	<u>\$ -</u>	<u>\$ 919,320</u>

**CITY OF AUBURN, ALABAMA**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2003**

	Major Component Units				Non major Component Unit	Total Component Units
	Board of Education	Water Works Board	Industrial Development Board	Total	Auburn Center for Developing Industries	
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 9,650,841	\$ 4,606,402	\$ 203,107	\$ 14,460,350	\$ 200,136	\$ 14,660,486
Certificates of deposit	-	-	50,435	50,435	-	50,435
Investments	14,888	-	-	14,888	-	14,888
Receivables, net	3,750	1,013,478	57,823	1,075,051	8,756	1,083,807
Inventories	96,702	130,496	-	227,198	-	227,198
Current portion of net investment in capital leases	-	-	58,766	58,766	-	58,766
Property tax receivable	2,248,130	-	-	2,248,130	-	2,248,130
Due from other governments	553,250	-	-	553,250	-	553,250
Other current assets	-	32,298	-	32,298	-	32,298
<b>Total current assets</b>	<b>12,567,561</b>	<b>5,782,674</b>	<b>370,131</b>	<b>18,720,366</b>	<b>208,892</b>	<b>18,929,258</b>
<b>Noncurrent assets:</b>						
<b>Restricted assets:</b>						
Cash and cash equivalents	-	6,624,881	9,711	6,634,592	-	6,634,592
Investments	-	813,421	-	813,421	-	813,421
Accrued interest receivable	-	1,735	-	1,735	-	1,735
Net investment in capital leases, net of current portion	-	-	1,326,588	1,326,588	-	1,326,588
Property for resale	-	-	5,703,638	5,703,638	-	5,703,638
Bond issue costs, net	-	478,218	-	478,218	-	478,218
Deferred charges	-	-	340,343	340,343	-	340,343
Deferred water rights, net	-	1,638,072	-	1,638,072	-	1,638,072
Capital assets, net	34,524,958	35,551,146	24,584,585	94,660,689	849,021	95,509,710
<b>Total noncurrent assets</b>	<b>34,524,958</b>	<b>45,107,473</b>	<b>31,964,865</b>	<b>111,597,296</b>	<b>849,021</b>	<b>112,446,317</b>
<b>Total assets</b>	<b>47,092,519</b>	<b>50,890,147</b>	<b>32,334,996</b>	<b>130,317,662</b>	<b>1,057,913</b>	<b>131,375,575</b>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable and other accrued liabilities	741,490	1,266,775	1,642,914	3,651,179	4,452	3,655,631
Accrued interest payable	-	-	24,116	24,116	-	24,116
Salaries and benefits payable	2,656,905	3,342	-	2,660,247	-	2,660,247
Customer deposits	-	488,713	418,295	907,008	-	907,008
Deferred revenue	2,268,239	-	10,000	2,278,239	-	2,278,239
Current portion of long-term debt	206,545	-	11,532,412	11,738,957	-	11,738,957
Short term notes payable	-	-	2,559,792	2,559,792	-	2,559,792
Current portion of water supply agreement payable	-	152,816	-	152,816	-	152,816
<b>Total current liabilities</b>	<b>5,873,179</b>	<b>1,911,646</b>	<b>16,187,529</b>	<b>23,972,354</b>	<b>4,452</b>	<b>23,976,806</b>
<b>Noncurrent liabilities:</b>						
<b>Liabilities payable from restricted assets:</b>						
Accounts payable	-	65,602	-	65,602	-	65,602
Current portion of long-term debt	-	487,650	-	487,650	-	487,650
Accrued interest payable	-	156,311	-	156,311	-	156,311
Advances from primary government	-	-	141,455	141,455	497,700	639,155
Water supply agreement with City of Opelika, net of unamortized discount and current portion	-	1,358,176	-	1,358,176	-	1,358,176
Long-term debt and other liabilities	280,105	19,651,626	11,819,251	31,750,982	-	31,750,982
<b>Total noncurrent liabilities</b>	<b>280,105</b>	<b>21,719,365</b>	<b>11,960,706</b>	<b>33,960,176</b>	<b>497,700</b>	<b>34,457,876</b>
<b>Total liabilities</b>	<b>6,153,284</b>	<b>23,631,011</b>	<b>28,148,235</b>	<b>57,932,530</b>	<b>502,152</b>	<b>58,434,682</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	34,038,308	20,531,499	6,800,917	61,370,724	-	61,370,724
<b>Restricted for:</b>						
Debt service	-	2,460,353	-	2,460,353	-	2,460,353
Capital projects	2,063,310	1,313,589	-	3,376,899	-	3,376,899
Other projects	99,731	-	-	99,731	-	99,731
Unrestricted (deficit)	4,737,886	2,953,695	(2,614,156)	5,077,425	555,761	5,633,186
<b>Total net assets</b>	<b>\$ 40,939,235</b>	<b>\$ 27,259,136</b>	<b>\$ 4,186,761</b>	<b>\$ 72,385,132</b>	<b>\$ 555,761</b>	<b>\$ 72,940,893</b>

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, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Total Component Units	
					Governmental Activities	Business-Type Activities
Component units						
Governmental activities:						
Auburn Board of Education Functions/Programs						
Instruction	\$ 20,323,713	\$ 549,663	\$ 14,446,541	\$ 431,388	\$ -	\$ (4,896,121)
Instructional support	6,675,460	185,860	3,597,008	-	-	(2,892,592)
Operation and maintenance	2,579,088	34,570	16,618	134,308	-	(2,393,572)
Auxiliary services	3,254,159	1,406,247	960,866	127,290	-	(759,756)
General administration and central support	1,462,981	5,579	179,783	-	-	(1,277,619)
Other	1,905,178	754,406	1,342,947	-	-	192,175
Interest and fiscal charges	32,257	207	321	-	-	(31,729)
Total governmental activities	36,232,816	2,936,532	20,544,084	692,986	-	(12,059,214)
Business-type activities:						
Business-type component units	6,905,252	5,533,779	1,633,159	1,092,057	1,353,743	1,353,743
Total component units	\$ 43,138,068	\$ 8,470,311	\$ 22,177,243	\$ 1,785,043	1,353,743	(10,705,471)
General revenues:						
Taxes:						
Sales taxes				2,542,357	-	2,542,357
Property taxes				2,154,728	-	2,154,728
Alcoholic beverage taxes				411,589	-	411,589
Other taxes				50,112	-	50,112
Appropriations from the City of Auburn				6,910,444	-	6,910,444
Federal/state aid not restricted				16,627	-	16,627
Interest and investment earnings				367,513	369,000	736,513
Gain (loss) on disposal of assets				-	3,000	3,000
Miscellaneous				668,049	28,234	696,283
Total general revenues, special items, and transfers				13,121,419	400,234	13,521,653
Change in net assets				1,062,205	1,753,977	2,816,182
Net assets--beginning, as restated				39,877,030	30,247,681	70,124,711
Net assets--ending				\$ 40,939,235	\$ 32,001,658	\$ 72,940,893

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, 2003**

	Major Business-type Component Units			Non major Business-type Component Unit	Total Business-type Component Units
	Water Works Board	Industrial Development Board	Total	Auburn Center for Developing Industries	
Operating revenues					
Lease income	\$ -	\$ 385,318	\$ 385,318	\$ 172,858	\$ 558,176
Water sales and service	4,930,672	-	4,930,672	-	4,930,672
Miscellaneous	26,486	18,445	44,931	-	44,931
Total operating revenues	<u>4,957,158</u>	<u>403,763</u>	<u>5,360,921</u>	<u>172,858</u>	<u>5,533,779</u>
Operating expenses					
Water pumping and purification expense	1,155,883	-	1,155,883	-	1,155,883
Water distribution expense	448,347	-	448,347	-	448,347
Meter reading expense	158,404	-	158,404	-	158,404
Billing and collections expense	377,823	-	377,823	-	377,823
Operations administration expense	351,033	-	351,033	-	351,033
Revenue administration expense	151,181	-	151,181	-	151,181
General operations expense	618,054	-	618,054	-	618,054
Salaries and wages	-	24,409	24,409	-	24,409
Employee benefits	-	2,167	2,167	-	2,167
Repairs and maintenance	-	38,578	38,578	39,194	77,772
Advertising	-	14,623	14,623	-	14,623
Utilities	-	27,919	27,919	86,733	114,652
Professional services	-	65,637	65,637	3,217	68,854
Office supplies	-	4,336	4,336	1,230	5,566
Bad debt expense	-	217,074	217,074	-	217,074
Depreciation/amortization	1,049,942	217,164	1,267,106	28,151	1,295,257
Industrial recruitment	-	341,350	341,350	-	341,350
Travel and training	-	1,179	1,179	-	1,179
Grant awards	-	438,553	438,553	-	438,553
Special Events	-	18,382	18,382	-	18,382
Miscellaneous	-	2,134	2,134	-	2,134
Total operating expenses	<u>4,310,667</u>	<u>1,413,505</u>	<u>5,724,172</u>	<u>158,525</u>	<u>5,882,697</u>
Operating income (loss)	<u>646,491</u>	<u>(1,009,742)</u>	<u>(363,251)</u>	<u>14,333</u>	<u>(348,918)</u>
Non-operating revenues (expenses)					
Interest earned	235,391	-	235,391	4,704	240,095
Mortgage loan interest	-	128,905	128,905	-	128,905
Appropriations from the City of Auburn	-	1,194,606	1,194,606	-	1,194,606
State grants	-	438,553	438,553	-	438,553
Interest and fiscal charges	(582,742)	(439,788)	(1,022,530)	(25)	(1,022,555)
Gain (Loss) on disposal of fixed assets	3,000	-	3,000	-	3,000
Other non-operating revenues	28,234	-	28,234	-	28,234
Total non-operating revenues (expenses)	<u>(316,117)</u>	<u>1,322,276</u>	<u>1,006,159</u>	<u>4,679</u>	<u>1,010,838</u>
Income (loss) before operating transfers & capital contributions	330,374	312,534	642,908	19,012	661,920
Capital Contributions					
From developers	521,475	100,000	621,475	-	621,475
From impact fees	470,582	-	470,582	-	470,582
Change in net assets	<u>1,322,431</u>	<u>412,534</u>	<u>1,734,965</u>	<u>19,012</u>	<u>1,753,977</u>
Net assets--beginning of year	25,936,705	2,099,799	28,036,504	538,778	28,575,282
Prior period adjustment	-	1,674,428	1,674,428	(2,029)	1,672,399
Net assets--beginning of year, as restated	<u>25,936,705</u>	<u>3,774,227</u>	<u>29,710,982</u>	<u>536,749</u>	<u>30,247,681</u>
Net assets--end of year	<u>\$ 27,259,136</u>	<u>\$ 4,186,761</u>	<u>\$ 31,445,897</u>	<u>\$ 555,761</u>	<u>\$ 32,001,658</u>

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



**Notes to the Financial Statements**

City of Auburn



City of Auburn

**Guide to Notes to the Financial Statements**

September 30, 2003

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CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

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

**BLENDING COMPONENT UNITS**

**City of Auburn Public Library Board**

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

**DISCRETELY PRESENTED COMPONENT UNITS**

The component unit columns in the government-wide financial statements include the financial data of four of the City's five discretely presented component units (the Public Parks and Recreation Board currently has no financial activity). These organizations are legally separate from the City and are included in the reporting entity because the primary government is financially accountable for the component unit.

**City of Auburn Board of Education**

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

**City of Auburn Water Works Board**

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

**Auburn Center for Developing Industries, Inc.**

The Center is a nonprofit corporation governed by a seven-member Board of Directors. City Council appoints five of these members. The City holds title to the Center's land and buildings and is obligated for the Center's existing debt. The Center provides economic development services of an expanded scope to the City. The Center for Developing Industries is presented as a proprietary fund type or business-type activity.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**City of Auburn Industrial Development Board**

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

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

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

**City of Auburn Public Parks and Recreation Board**

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

All three Board members are appointed by the City Council, which maintains a significant degree of control over the Board's officials. The City exercises total control over budgetary adoption requests and revisions and has responsibility for funding deficits and operating deficiencies of the Board. The Public Parks and Recreation Board is a proprietary fund type or business-type activity. The Public Parks and Recreation Board had no assets or debts outstanding at September 30, 2003, and no net income or loss for the fiscal year then ended.

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

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

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

City of Auburn Water Works Board  
173 North Ross Street  
Auburn, Alabama 36830

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

**RELATED ORGANIZATIONS**

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

CITY OF AUBURN, ALABAMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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. The City's net investment in the Indian Pines Golf Course is \$589,200.

The joint venture agreement provided that management decisions shall be made by mutual agreement of the two cities. The cities have leased the Indian Pines Golf Course to the Indian Pines Recreation Authority, a jointly governed organization (see discussion below). The lease expired September 30, 1979, but, by a provision in the lease, the Authority continues to operate the golf course on a month-to-month basis with the lease terms continuing in force. The Indian Pines Golf Course Venture had no debts outstanding at September 30, 2003, and no net income or loss for the fiscal year then ended.

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

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

**JOINTLY GOVERNED ORGANIZATIONS**

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

**Indian Pines Recreation Authority**

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

Unaudited summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2003, is as follows:

Total assets (net of accumulated depreciation on Capital assets)	\$	1,346,944
Total liabilities		115,563
Total equity		1,231,381
Total revenues		840,227
Total expenses		904,209
Net decrease in retained earnings		(63,982)

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Authority had no debts outstanding as of September 30, 2003, other than current liabilities consisting of accounts payable, deferred revenue and accrued payroll totaling \$115,563. None of the amounts reflected above has been included in the City's financial statements.

**Lee-Russell Council of Governments**

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

The Council of Governments provides transportation services, governmental planning services and services to the aging in Lee and Russell counties, 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 Auburn's General Fund.

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

**East Alabama Mental Health - Mental Retardation Board**

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

**Lee County Youth Development Center**

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

**East Alabama Medical Center**

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

CITY OF AUBURN, ALABAMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Auburn-Opelika Convention and Visitors Bureau**

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

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

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting.
- Reporting infrastructure assets.
- Recording of depreciation expense on all capital assets.
- A change in the fund financial statements to focus on major funds.
- Budget comparison schedules, containing the original budget and amended final budget, for the general fund and each major special revenue fund for which annual budgets are legally adopted.

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

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

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

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

While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function 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.

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

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

**GOVERNMENTAL FUNDS**

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

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

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

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

**PROPRIETARY FUNDS**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activity. The principal operating revenues for the sewer revenue fund and discretely presented component units are charges to customers for sales and services. Operating expenses include cost of sales and service,

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 funds:

The General Fund (See note above).

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

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

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

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

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

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

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

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

- 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 2003 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.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, public safety expenditures of \$8,435,925 exceeded appropriations of \$8,315,954, economic development expenditures of \$386,923 exceeded appropriations of \$383,677, non-departmental expenditures of \$2,456,814 exceeded appropriations of \$2,243,366, and debt service expenditures of \$2,797,260 exceeded appropriations of \$2,415,344.

- 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 amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Board.

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 Auburn Center for Developing Industries includes 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 5).

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

- 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.



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

Inventories of the Water Works Board are stated at the lower of cost or market value. Market 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 (see note 1.B. for deferred retroactive reporting of infrastructure assets). Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost (or estimated historical cost if actual historical cost is not available) if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

**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, or approximately \$1,270,462 in the aggregate for the group, per year, are covered through a private insurance carrier. Liabilities associated with the plan are recorded in the General Fund when it is probable that a loss has occurred and the

CITY OF AUBURN, ALABAMA  
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SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

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

In fiscal year 1999, the City purchased commercial insurance from independent third parties to cover claims arising from general liability torts. Previously, the City had chosen to retain the risk of loss for these claims. These risks are accounted for in the City's General Fund. The total liability for unpaid claims consists of claims reported at the balance sheet date, plus estimated claims incurred but not reported for both insured and uninsured risks. These estimates are based primarily upon historical trends. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims in the period since the purchase of insurance have not exceeded the commercial insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

**COMPONENT UNITS**

**Board of Education** - The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; 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 provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. Errors and omissions insurance is purchased from Alabama Risk Management for Schools (ARMS), a public entity risk pool. 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 coverages. Also, there have been no significant reductions in insurance coverage from coverage in the prior year.

Employee health insurance is provided through the Public Education Employees' Health Insurance Plan (PEEHIP), a public entity risk pool, administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the Alabama Legislature based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIP for each employee.

The Auburn Board of Education does not have insurance coverage for job-related injuries. Claims of this nature may be filed with the State Board of Adjustments. The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board.

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

Water Works Board employees are covered under the City's health insurance plan. Premiums are charged to the Board and are calculated using trends in actual claims experience along with overall program costs, including third-party administration and reinsurance. Employees may also be charged for extended benefits at their option. Medical claims exceeding \$60,000 per covered individual, per year, or approximately \$1,270,462 in the aggregate for the group, per year, are covered through a private insurance carrier.

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

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Auburn Center for Developing Industries** - The Center is exposed to various risks of loss related to damage to and destruction of assets and errors and omissions. The Center 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 City has retained risk of loss and includes the Auburn Center for Developing Industries 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 Center had no liability for unpaid claims at September 30, 2003.

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

For risk of loss from claims arising from torts (general liability), the Board is covered by the City's commercial insurance purchased from third parties. Prior to 1999, 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, 2003. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

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

For risk of loss from claims arising from torts (general liability), the Board is covered by the City's commercial insurance purchased from third parties. Prior to 1999, 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, 2003. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

**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 OF AUBURN, ALABAMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**COMPONENT UNITS**

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

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

Certified and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate a maximum of 225 days of sick leave. Employees may use up to 225 days of their accrued sick leave as membership service in determining the total years of creditable service in the Teachers' Retirement System, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

**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 receives payment of one-half of accumulated sick leave hours. Accrued vacation and sick leave amounted to \$145,292 at September 30, 2003.

- 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, 2003, 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.

CITY OF AUBURN, ALABAMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Reserve for property for resale indicates the portion of fund balances that are not available for appropriation until the property is sold.
6. Reserve for prepaid items indicates the portion of fund balance not available for appropriation because prepaid items do not represent available expendable financial resources.

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

- 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.

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

1. Interfund receivables and payables - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 16.
2. Interfund advances - consist of longer term loans between funds, which are not expected to be repaid within one year. These longer term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources. See Note 16.
3. Interfund transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or payments between the City and component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 17.

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses. Resource flows between the primary government and blended component units are

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**

In its 2000 Regular Session, the Alabama State Legislature enacted the Security for Alabama Funds Enhancement (SAFE) Program that changes the way all Alabama public deposits are collateralized. Public deposits include the funds of any covered public entity or covered public official placed on deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit but excluding bonds, notes, money market mutual funds, repurchase agreements and similar investment instruments. Covered public entities include the state and its political subdivisions, including municipalities and related boards.

In the past, the bank pledged collateral directly to each public entity. Under SAFE, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. As of September 30, 2003, all deposits of the City of Auburn primary government, the Auburn Board of Education, the Water Works Board, the Auburn Center for Developing Industries, the Industrial Development Board, and the Public Parks and Recreation Board are held in a certified qualified public depository, and as such, are deemed fully insured.

**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 Auburn Center for Developing Industries and the Industrial Development Board component units. 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, 2003, is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 11,939,035	\$ 22,625	\$ 61,201	\$ 12,022,861
Federal Grant Loan Repayment Fund	203,930	-	-	203,930
Other Governmental Funds	7,010,202	12,543	16	7,022,761
Total governmental activities	<u>19,153,167</u>	<u>35,168</u>	<u>61,217</u>	<u>19,249,552</u>
Business-type activities:				
Sewer Revenue Fund	2,762,314	-	8,336,842	11,099,156
Industrial Park Fund	83,079	-	-	83,079
Total business-type activities	<u>2,845,393</u>	<u>-</u>	<u>8,336,842</u>	<u>11,182,235</u>
Total primary government	<u>21,998,560</u>	<u>35,168</u>	<u>8,398,059</u>	<u>30,431,787</u>
Component Units:				
Board of Education	-	9,650,841	-	9,650,841
Water Works Board	-	4,606,402	6,624,881	11,231,283
Industrial Development Board	214	202,893	9,711	212,818
Auburn Center for Developing Industries	200,136	-	-	200,136
Total component units	<u>200,350</u>	<u>14,460,136</u>	<u>6,634,592</u>	<u>21,295,078</u>
Total reporting entity	<u>\$ 22,198,910</u>	<u>\$ 14,495,304</u>	<u>\$ 15,032,651</u>	<u>\$ 51,726,865</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 4. INVESTMENTS**

Investments are categorized into the following categories of credit risk (see Note 1.G. for investment policies and authorized investments):

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

**CITY OF AUBURN PRIMARY GOVERNMENT**

At September 30, 2003, the City of Auburn's investments were comprised of the following:

<u>Restricted Investments -</u>	Carrying	Fair			
<u>Sewer Revenue Fund</u>	Value	Value	(1)	(2)	(3)
Repurchase agreements	<u>\$ 1,284,879</u>	<u>\$ 1,284,879</u>	<u>\$ 1,284,879</u>	<u>\$ -</u>	<u>\$ -</u>

Restricted investments are held by a trustee and are restricted by the terms of a bond indenture to payment of construction costs or debt service payments on related bonds.

**COMPONENT UNITS**

**Water Works Board**

At September 30, 2003, the Water Works Board's restricted cash and investments were comprised of the following:

<u>Restricted Cash and Investments</u>	Carrying	Fair			
	Value	Value	(1)	(2)	(3)
Cash (insured through SAFE Program - see Note 2)	\$ 1,313,589	\$ 1,313,589	N/A	N/A	N/A
JP Morgan U.S. Treasury Securities					
Money Market Fund	<u>5,311,292</u>	<u>5,311,292</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Cash and cash equivalents	6,624,881	6,624,881	N/A	N/A	N/A
U.S. Treasury Bonds	<u>813,421</u>	<u>813,421</u>	<u>\$ 813,421</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,438,302</u>	<u>\$ 7,438,302</u>	<u>\$ 813,421</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

During the fiscal year ended September 30, 2003, the Water Works Board recognized a net increase in the fair value of investments of \$28,234. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end was \$79,141.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 4. INVESTMENTS (CONTINUED)**

**Industrial Development Board**

At September 30, 2003, the Industrial Development Board's investments were comprised of the following:

<u>Restricted Cash and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (insured)	\$ 9,711	\$ 9,711

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

<u>Unrestricted Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificates of deposit AuburnBank, 1.75%, maturity date February 24, 2004	\$ 50,435	\$ 50,435

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

**NOTE 5. ACCOUNTS RECEIVABLE**

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Revenue Fund</u>	<u>Component Units</u>	<u>Total</u>
Receivables:					
Revenues receivable	\$ 4,141,932	\$ 75,440	\$ 581,523	\$ 1,389,944	\$ 6,188,839
Grants receivable	202,326	406,964	-	-	609,290
Receivable from other governmental units	665,701	-	-	-	665,701
Special assessments receivable	1,688,735	-	-	-	1,688,735
Other receivables	98,599	20,992	-	10,468	130,059
Interest receivable	-	-	-	29,101	29,101
Gross receivables	6,797,293	503,396	581,523	1,429,513	9,311,725
Less: allowance for uncollectibles	(1,330,110)	-	-	(345,706)	(1,675,816)
Net receivables	<u>\$ 5,467,183</u>	<u>\$ 503,396</u>	<u>\$ 581,523</u>	<u>\$ 1,083,807</u>	<u>\$ 7,635,909</u>



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 6. PROPERTY TAXES**

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

**NOTE 7. CAPITAL ASSETS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

Capital asset activity for the year ended September 30, 2003, was as follows:

	<u>Balance 10/01/2002</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2003</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 33,918,952	\$ 1,192,886	\$ (25,748,697)	\$ 9,363,141
Construction in progress	1,945,581	6,233,800	(2,377,564)	5,801,817
Total capital assets, not being depreciated	<u>35,864,533</u>	<u>7,426,686</u>	<u>(28,126,261)</u>	<u>15,164,958</u>
Capital assets, being depreciated:				
Buildings and improvements	-	25,748,697	-	25,748,697
Communication equipment	544,191	-	(200,392)	343,799
Heavy equipment	1,051,765	602,841	-	1,654,606
Office equipment	2,079,859	159,746	(1,170,060)	1,069,545
Small tools and equipment	1,168,817	49,807	(591,404)	627,220
Vehicles	6,423,865	840,972	(642,675)	6,622,162
Infrastructure		1,443,436		1,443,436
Total capital assets, being depreciated	<u>11,268,497</u>	<u>28,845,499</u>	<u>(2,604,531)</u>	<u>37,509,465</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,628,964)	(508,683)	-	(5,137,647)
Communication equipment	(187,225)	(33,222)	-	(220,447)
Heavy equipment	(851,315)	(80,864)	2,370	(929,809)
Office equipment	(343,231)	(104,171)	17,564	(429,838)
Small tools and equipment	(357,635)	(68,563)	455	(425,743)
Vehicles	(4,306,428)	(646,017)	12,112	(4,940,333)
Infrastructure	-	-	-	-
Total accumulated depreciation	<u>(10,674,798)</u>	<u>(1,441,520)</u>	<u>32,501</u>	<u>(12,083,817)</u>
 Total capital assets, being depreciated, net	 <u>593,699</u>	 <u>27,403,979</u>	 <u>(2,572,030)</u>	 <u>25,425,648</u>
 Governmental activity capital assets, net	 <u>\$ 36,458,232</u>	 <u>\$ 34,830,665</u>	 <u>\$ (30,698,291)</u>	 <u>\$ 40,590,606</u>

General fixed assets for which the actual acquisition cost was not determinable are recorded at estimated cost. Estimated costs were determined based on knowledge of prices of similar items and of price levels at the time of acquisition. The City's total investment in general fixed assets of \$40,590,606 includes \$374,000 at estimated cost. Included in the total cost of vehicles are vehicles under capital leases with a cost of \$1,654,640; and total cost of office equipment includes leased equipment costing \$218,492.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the City's business-type activities for the year ended September 30, 2003, was as follows:

	<u>Balance</u> 10/1/2002	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance</u> 9/30/2003
Business-type activities (Sewer Fund):				
Capital assets, not being depreciated:				
Land	\$ 134,626	\$ 30,000	\$ -	\$ 164,626
Construction in progress	<u>1,031,235</u>	<u>1,579,261</u>	<u>-</u>	<u>2,610,496</u>
Total capital assets, not being depreciated	<u>1,165,861</u>	<u>1,609,261</u>	<u>-</u>	<u>2,775,122</u>
Capital assets, being depreciated:				
Buildings and improvements	28,615	564,253	-	592,868
Sewage plants and lines	33,706,218	921,575	(567,401)	34,060,392
Machinery and equipment	763,481	17,849	(299,904)	481,426
Vehicles	<u>329,689</u>	<u>211,874</u>	<u>-</u>	<u>541,563</u>
Total capital assets, being depreciated	<u>34,828,003</u>	<u>1,715,551</u>	<u>(867,305)</u>	<u>35,676,249</u>
Less accumulated depreciation for:				
Buildings and improvements	(372,944)	(224,292)	-	(597,236)
Sewage plants and lines	(4,292,733)	(448,552)	69,705	(4,671,580)
Machinery and equipment	(171,133)	(69,068)	1,345	(238,856)
Vehicles	<u>(342,930)</u>	<u>(72,995)</u>	<u>-</u>	<u>(415,925)</u>
Total accumulated depreciation	<u>(5,179,740)</u>	<u>(814,907)</u>	<u>71,050</u>	<u>(5,923,597)</u>
Total capital assets, being depreciated, net	<u>29,648,263</u>	<u>900,644</u>	<u>(796,255)</u>	<u>29,752,652</u>
Business-type activity capital assets, net	<u>\$ 30,814,124</u>	<u>\$ 2,509,905</u>	<u>\$ (796,255)</u>	<u>\$ 32,527,774</u>

It is the City's policy to capitalize net interest costs on funds borrowed to finance the construction of Proprietary Fund capital assets. For the year ended September 30, 2003, no interest was capitalized in connection with construction in progress.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

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

Governmental activities:	
General government and administration	\$ 220,213
Economic development	4,541
Employee services	3,888
Public safety	432,173
Public works	133,100
Environmental services	205,424
Library	97,341
Parks and recreation	339,470
Planning	<u>5,370</u>
Total depreciation expense - governmental activities	<u>\$ 1,441,520</u>
Business-type activities:	
Sanitary sewer	<u>\$ 814,907</u>

**COMPONENT UNITS**

**Board of Education**

Capital asset activity for the year ended September 30, 2003, was as follows:

	Balance	Value	Restated			Balance
	10/1/2002	Adjustments	Balance	Additions	Retirements	9/30/2003
Governmental activities:						
Capital assets not being depreciated:						
Land and improvements	\$ 1,927,157	\$ (64,501)	\$ 1,862,656	\$ 8,000	\$ -	\$ 1,870,656
Construction in progress	<u>4,154,486</u>	<u>-</u>	<u>4,154,486</u>	<u>7,777,291</u>	<u>(3,869,905)</u>	<u>8,053,872</u>
Total capital assets not being depreciated	<u>6,081,643</u>	<u>(64,501)</u>	<u>6,017,142</u>	<u>7,769,291</u>	<u>(3,869,905)</u>	<u>9,924,528</u>
Capital assets being depreciated:						
Land improvements	-	2,691,862	2,691,862	70,775	-	2,762,637
Buildings and improvements	40,430,032	(12,560,652)	27,869,380	3,805,101	-	31,674,481
Equipment and vehicles	6,902,479	(4,420,678)	2,481,801	196,751	-	2,678,552
Leasehold improvements	<u>153,691</u>	<u>(153,691)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>\$47,486,202</u>	<u>\$(14,443,159)</u>	<u>33,043,043</u>	<u>4,072,627</u>	<u>-</u>	<u>37,115,670</u>
Less accumulated depreciation for:						
Land improvements			(1,534,164)	(85,689)	-	(1,619,853)
Buildings and improvements			(8,721,068)	(586,780)	-	(9,307,848)
Equipment and vehicles			<u>(1,375,988)</u>	<u>(211,551)</u>	<u>-</u>	<u>(1,587,539)</u>
Total accumulated depreciation			<u>(11,631,220)</u>	<u>(884,020)</u>	<u>-</u>	<u>(12,515,240)</u>
Total capital assets being depreciated, net			<u>21,411,823</u>	<u>3,188,607</u>	<u>-</u>	<u>24,600,430</u>
Total governmental activities capital assets, net			<u>\$ 27,428,965</u>	<u>\$ 10,965,898</u>	<u>\$ (3,869,905)</u>	<u>\$ 34,524,958</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

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

Governmental activities:		
Instruction	\$	396,280
Instructional support		132,445
Operation and maintenance		49,956
Auxiliary services		194,995
General administrative and central support		28,401
Other expenses		<u>81,943</u>
Total depreciation expense - Governmental activities	\$	<u>884,020</u>

**Water Works Board**

Capital asset activity for the year ended September 30, 2003, was as follows:

	<u>Balance</u> <u>10/01/2002</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deductions</u>	<u>Balance</u> <u>09/30/2003</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 542,789	\$ 33,528	\$ -	\$ 576,317
Construction in progress	<u>10,426,869</u>	<u>2,839,804</u>	<u>(6,127,940)</u>	<u>7,138,733</u>
Total capital assets, not being depreciated	<u>10,969,658</u>	<u>2,873,332</u>	<u>(6,127,940)</u>	<u>7,715,050</u>
Capital assets, being depreciated:				
Utility system and plant	32,552,621	6,615,887	(1,460)	39,167,048
Warehouse	33,782	-	-	33,782
Office equipment	254,953	-	(123,708)	131,245
Mobile equipment	702,629	91,774	(79,002)	715,401
Tools	<u>244,317</u>	<u>7,480</u>	<u>(137,216)</u>	<u>114,581</u>
Total capital assets being depreciated	<u>33,788,302</u>	<u>6,715,141</u>	<u>(341,386)</u>	<u>40,162,057</u>
Less accumulated depreciation for:				
Utility system and plant	(10,895,470)	(719,362)	1,460	(11,613,372)
Warehouse	(33,782)	-	-	(33,782)
Office equipment	(186,069)	(39,279)	114,460	(110,888)
Mobile equipment	(502,098)	(60,506)	79,002	(483,602)
Tools	<u>(196,967)</u>	<u>(24,566)</u>	<u>137,216</u>	<u>(84,317)</u>
Total accumulated depreciation	<u>(11,814,386)</u>	<u>(843,713)</u>	<u>332,138</u>	<u>(12,325,961)</u>
Total capital assets, being depreciated, net	<u>21,973,916</u>	<u>5,871,428</u>	<u>(9,248)</u>	<u>27,836,096</u>
Business-type activity capital assets, net	<u>\$ 32,943,574</u>	<u>\$ 8,744,760</u>	<u>\$ (6,137,188)</u>	<u>\$ 35,551,146</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

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, 2003, the Board incurred interest costs of \$1,065,190; total interest expense was \$562,381, and interest cost of \$502,809 was capitalized in connection with the cost of construction in progress.

**Auburn Center for Developing Industries**

Capital asset activity for the year ended September 30, 2003, was as follows:

	<u>Balance</u> <u>10/01/2002</u>	<u>Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance</u> <u>09/30/2003</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 67,543	\$ -	\$ -	\$ 67,543
Total capital assets, not being depreciated	<u>67,543</u>	<u>-</u>	<u>-</u>	<u>67,543</u>
Capital assets, being depreciated:				
Buildings	1,126,047	-	-	1,126,047
Machinery and equipment	<u>17,410</u>	<u>-</u>	<u>(10,511)</u>	<u>6,899</u>
Total capital assets being depreciated	<u>1,143,457</u>	<u>-</u>	<u>(10,511)</u>	<u>1,132,946</u>
Less accumulated depreciation for:				
Buildings	(316,417)	(28,152)	-	(344,569)
Machinery and equipment	<u>(15,381)</u>	<u>-</u>	<u>8,482</u>	<u>(6,899)</u>
Total accumulated depreciation	<u>(331,798)</u>	<u>(28,152)</u>	<u>8,482</u>	<u>(351,468)</u>
Total capital assets, being depreciated, net	<u>811,659</u>	<u>(28,152)</u>	<u>(2,029)</u>	<u>781,478</u>
Business-type activities capital assets, net	<u>\$ 879,202</u>	<u>\$ (28,152)</u>	<u>\$ (2,029)</u>	<u>\$ 849,021</u>

It is the Center's policy to capitalize net interest costs on funds borrowed to finance the construction of fixed assets. For the year ended September 30, 2003, no interest was incurred or capitalized.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

**Industrial Development Board**

Capital asset activity for the year ended September 30, 2003, was as follows:

	Balance		Transfers/	Balance
	<u>10/01/2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>09/30/2003</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 749,592	\$ -	\$ 2,058,355	\$ 2,807,947
Equipment - idle	-	114,772	-	114,772
Construction in progress	<u>3,397,749</u>	<u>12,170,670</u>	<u>(10,471,884)</u>	<u>5,096,535</u>
Total capital assets, not being depreciated	<u>4,147,341</u>	<u>12,285,442</u>	<u>(8,413,529)</u>	<u>8,019,254</u>
Capital assets, being depreciated:				
Buildings	5,968,682	-	10,471,884	16,440,566
Building improvements	154,506	15,500	-	170,006
Land improvements	586,305	-	-	586,305
Equipment	128,678	5,295	-	133,973
Vehicles	<u>52,935</u>	<u>-</u>	<u>-</u>	<u>52,935</u>
Total capital assets being depreciated	<u>6,891,106</u>	<u>20,795</u>	<u>10,471,884</u>	<u>17,383,785</u>
Less accumulated depreciation for:				
Buildings	(459,056)	(136,824)	-	(595,880)
Building improvements	(8,134)	(5,165)	-	(13,299)
Land improvements	(97,766)	(19,543)	-	(117,309)
Equipment	(46,272)	(24,520)	-	(70,792)
Vehicles	<u>(10,587)</u>	<u>(10,587)</u>	<u>-</u>	<u>(21,174)</u>
Total accumulated depreciation	<u>(621,815)</u>	<u>(196,639)</u>	<u>-</u>	<u>(818,454)</u>
Total capital assets, being depreciated, net	<u>6,269,291</u>	<u>(175,844)</u>	<u>10,471,884</u>	<u>16,565,331</u>
Business-type activity capital assets, net	<u>\$ 10,416,632</u>	<u>\$ 12,109,598</u>	<u>\$ 2,058,355</u>	<u>\$ 24,584,585</u>

It is the Board's policy to capitalize net interest costs on funds borrowed to finance the construction of assets. For the year ended September 30, 2003, total interest costs incurred were \$687,734; interest expense was \$365,890, interest cost of \$321,844 was capitalized in connection with construction of buildings included above that are owned by the Board and held for leasing.

The net reclassification represents land withdrawn from property for resale by the Board and held for leasing at September 30, 2003.

The total cost of vehicles includes vehicles under capital lease costing \$52,935.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

During fiscal year 2003, the Board purchased manufacturing equipment totaling \$114,772. The equipment will be held for leasing by the Board in conjunction with the land and building that the equipment occupies. As of September 30, 2003, the equipment had not been placed in service by the Board; therefore, it is not currently being depreciated.

**NOTE 8. LONG-TERM LIABILITIES**

**CITY OF AUBURN PRIMARY GOVERNMENT**

**Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2003, was as follows:

	Balance			Balance	Due Within
	<u>10/01/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>09/30/2003</u>	<u>One Year</u>
Governmental activities:					
Bonds payable	\$ 17,760,000	\$ -	\$ (915,000)	\$ 16,845,000	\$ 930,000
Notes payable	314,331	4,131,127	(49,160)	4,396,298	50,367
Warrants payable	47,730,857	1,065,500	(2,166,049)	46,630,308	2,470,274
Capital leases payable	951,685	-	(421,681)	530,004	340,010
Accumulated annual leave	932,925	101,832	-	1,034,757	575,064
Claims payable	272,296	61,297	-	333,593	59,212
Landfill closure and postclosure care liability	<u>476,366</u>	<u>-</u>	<u>(123,568)</u>	<u>352,798</u>	<u>97,198</u>
Governmental activity long-term liabilities	<u>68,438,460</u>	<u>5,359,756</u>	<u>(3,675,458)</u>	<u>70,122,758</u>	<u>4,522,125</u>
Business-type activities:					
Bonds payable	5,589,738	323,153	-	5,912,891	-
Warrants payable	24,740,000	-	(400,000)	24,340,000	415,000
Capital leases payable	73,602	-	(35,737)	37,865	37,865
Accumulated annual leave	<u>37,565</u>	<u>-</u>	<u>(303)</u>	<u>37,262</u>	<u>-</u>
Business-type activity long-term liabilities	<u>30,440,905</u>	<u>323,153</u>	<u>(436,040)</u>	<u>30,328,018</u>	<u>452,865</u>
	<u>\$ 98,879,365</u>	<u>\$ 5,682,909</u>	<u>\$ (4,111,498)</u>	<u>\$ 100,450,776</u>	<u>\$ 4,974,990</u>

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

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

Bonds, notes, warrants, and capital leases payable of the City of Auburn at September 30, 2003, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2003	Year of Final Principal Maturity
<b>Governmental activities:</b>						
<b>Bonds payable:</b>						
Capital improvement bonds, dated 06/01/97 (Baseball, Arts Ctr, pools, Kiesel)	3.8%-5.25%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 6,500,000	\$ 5,185,000	2015
Capital improvement bonds, dated 05/01/02 (Soccer, Town Creek)	1.60%-4.75%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	7,250,000	6,650,000	2016
Capital improvement bonds, dated 06/01/98 (S. College Imp.)	3.95%-5.10%	2/1-8-1	Special 5-Mill Tax Fund ad valorem taxes	2,000,000	1,525,000	2015
General obligation bonds dated 8/1/99 (Library, Watson Complex)	5.0%-5.4%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	<u>3,700,000</u>	<u>3,485,000</u>	2014
Total bonds payable				<u>19,450,000</u>	<u>16,845,000</u>	
<b>Notes payable:</b>						
Note payable, Amsouth Bank, dated 01/22/03 (Mall expansion)	Variable LIBOR-Based Rate	Monthly	Full faith credit and taxing power of the City of Auburn	4,131,127	4,131,127	2005
Note payable, East Alabama Medical Center, dated 10/15/96	0%	10/1	General Fund	250,000	125,000	2007
Note Payable, East Alabama Medical Center, dated 10/27/97	5%	11/1	General Fund	<u>250,000</u>	<u>140,171</u>	2008
Total notes payable				<u>4,631,127</u>	<u>4,396,298</u>	
<b>Warrants payable:</b>						
General obligation warrant, dated 08/05/98 (Dean Rd. Ext.)	5.16%	Quarterly	General Fund	810,672	457,007	2008
General obligation refunding warrant, dated 09/01/98 (12/01/91 G.O.)	3.75%-4.25%	6/1-12/1	General Fund	3,370,000	1,660,000	2007
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	5,800,000	2011
Capital improvement warrant dated 09/30/98 (Drake, Harris & Lib. prop)	5.47%	Monthly	Full faith credit and taxing power of the City of Auburn	1,200,000	681,360	2008
General obligation warrants dated 8/1/99 (City Hall, streets, etc.)	5.0%-5.6%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,110,000	3,570,000	2019



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2003	Year of Final Principal Maturity
General obligation school warrant dated 10/6/99 (computer eq.)	5.98%	Monthly	Special School Tax Fund ad valorem taxes	857,750	574,408	2009
General obligation warrants dated 10/27/99 (Wright St. property)	6.29%	Monthly	Full faith credit and taxing power of the City of Auburn	650,000	158,623	2005
General obligation warrants dated 08/05/00 (Salmon Prop.)	6.93%	Monthly	Full faith credit and taxing power of the City of Auburn	1,507,034	1,125,282	2020
General obligation warrant dated 04/08/03 (heavy eq., 122 Tichenor)	5.11%	Monthly	Full faith credit and taxing power of the City of Auburn	1,065,500	970,961	2008
General obligation warrants dated 04/10/01 (Frale property)	7.52%	Monthly	Full faith credit and taxing power of the City of Auburn	428,000	348,313	2006
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	866,708	2011
General obligation warrants dated 05/05/01 (Watercrest)	6.98%	Quarterly	Full faith credit and taxing power of the City of Auburn	1,466,787	1,181,603	2011
General obligation warrants dated 06/27/02 (Drainage, streets)	5.74%	Monthly	Full faith credit and taxing power of the City of Auburn	1,937,000	1,751,043	2012
General obligation refunding school warrants dated 02/01/02 (92,94 & 96 Warrants)	4.10%-5.125%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,275,000	27,275,000	2026
Total general governmental issues				53,883,143	46,420,308	
Payable from specific revenue sources:						
Refunding street improvement warrants dated 8/1/76	5.5%-6%	2/1-8/1	City Gas Tax Fund city gas tax	1,000,000	210,000	2006
Total warrants payable				54,883,143	46,630,308	
Capital leases payable:						
Capital lease, Regions Financial Leasing, dated 03/15/99	5.80%	Monthly	General Fund	94,420	10,718	2004
Capital lease, Regions Financial Leasing, dated 3/15/00	5.80%	Monthly	General Fund	45,998	15,222	2005
Capital lease, Regions Financial Leasing, dated 3/15/00	5.80%	Monthly	General Fund	72,699	24,058	2005
Capital lease, Regions Financial Leasing, dated 12/15/99	5.80%	Monthly	General Fund	87,999	24,441	2005
Capital lease, Regions Financial Leasing, dated 11/15/99	5.80%	Monthly	General Fund	90,000	21,767	2005

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2003	Year of Final Principal Maturity
Capital lease, Regions Financial Leasing, dated 10/15/00	6.47%	Monthly	General Fund	88,500	38,855	2005
Capital lease, Regions Financial Leasing, dated 07/15/01	5.80%	Monthly	General Fund	88,500	51,826	2006
Capital lease, Regions Financial Leasing, dated 07/15/01	5.49%	Monthly	General Fund	92,368	53,915	2006
Capital lease, Regions Financial Leasing, dated 04/15/01	5.80%	Monthly	General Fund	85,776	47,408	2006
Capital lease, Regions Financial Leasing, dated 04/15/01	5.80%	Monthly	General Fund	147,904	79,291	2006
Capital lease, Ford Motor Credit, dated 09/04/01	4.75%	Monthly	General Fund	223,222	64,966	2004
Capital lease, Nissan Motor Acceptance, dated 04/30/01	3.90%	Monthly	General Fund	130,581	27,281	2004
Capital lease, Key Municipal Finance, dated 08/17/01	4.99%	Monthly	General Fund	218,492	70,256	2004
Total capital leases payable				1,466,459	530,004	
Total governmental activity bonds, notes, warrants, and capital leases payable				80,430,729	68,401,610	
Business-type activities:						
Bonds payable:						
Zero coupon general obligation warrants dated 8/29/01 (sewer plant & expansion)	5.70%	1/1-7/1	Sewer Fund	5,257,326	5,912,891	2012
Warrants payable:						
General obligation warrants dated 08/01/01 (sewer plant & expansion)	2.8%-5.0%	1/1-7/1	Sewer Fund	24,765,000	24,340,000	2024
Capital leases payable:						
Capital lease, Regions Financial Leasing, dated 10/15/99	5.80%	Monthly	Sewer Fund	169,203	37,865	2003
Total business type activity bonds, warrants, and capital leases payable				30,191,529	30,290,756	
Total bonds, notes, warrants, and capital leases payable				\$ 110,622,258	\$ 98,692,366	

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

The City has twenty-two leases with Regions Financial Leasing, Inc., and one lease with Nissan Motor Acceptance Corp., all for the purchase of vehicles. The City also has a lease with Key Municipal Finance for the purchase of office equipment. The remaining balance on these agreements is \$567,869 plus interest, which will be due in monthly installments. The agreements include a funding clause which states that if funds are not appropriated for any future fiscal period, the City will not be obligated to make any payments due beyond the end of the then current fiscal period. While this will not constitute an event of default, the leasing companies will be entitled to repossess the equipment and will retain all sums previously paid as compensation for machine use and depreciation. The City had an open line of credit with no specified limit at September 30, 2003, with Regions Financial Leasing, Inc., available for additional capital leases.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 376,342	\$ 21,332	\$ 397,674
2005	132,925	7,165	140,090
2006	58,602	1,227	59,829
Totals	<u>\$ 567,869</u>	<u>\$ 29,724</u>	<u>\$ 597,593</u>

The City issued its \$1,065,500 General Obligation Warrant on April 8, 2003, for the purpose of acquiring certain real property, purchasing capital equipment, and making certain infrastructure improvements. The Warrant bears interest at a rate of 5.11%, payable on the eighth day of each month beginning May 2003 and continuing through April 2008.

The City entered into a \$4,200,000 Line of Credit on January 22, 2003, for the purpose of acquiring certain real property parcels for furthering the redevelopment of Colonial Mall. The Note bears interest at a variable LIBOR-based rate, payable on the first day of each month beginning February 2003 and continuing until maturity. The City only borrowed \$4,131,127 against the Line of Credit. This amount is reported as long-term notes payable since the line of credit does not mature within one year. The City plans to set up permanent financing in fiscal year 2005.

In fiscal year 2001, the City issued a noninterest bearing General Obligation Warrant in connection with the de-privitization of the sewer plants, a business-type activity. The original principal amount of the Warrant was \$5,257,326 and the maturity amount is \$9,400,000. Interest accrues on the original principal at the approximate interest rate of 5.7%, compounded semi-annually on January 1 and July 1 each year until the final maturity date, January 1, 2012. As of September 30, 2003, the accreted value of the warrant was \$5,912,891. In order to provide for the payment of the Warrant at its maturity, the City has made and will make semi-annual sinking fund payments on January 1 and July 1 each year, beginning January 1, 2002. The sinking fund will be invested in repurchase agreements fully collateralized by securities authorized by state law so that the earnings, together with the deposit, will be sufficient to pay the maturity value of \$9,400,000 on January 1, 2012. The balance in the sinking fund at September 30, 2003, was \$1,284,879. Sinking fund payments required each fiscal year to maturity are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 672,518
2005	672,518
2006	672,518
2007	672,518
2008	672,518
2009	672,518
2010	672,518
2011	672,518
2012	<u>336,259</u>
Total	<u>\$5,716,403</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. 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, 2003:

Fiscal Year	Governmental Activity Bonds, Notes, Warrants and Capital Leases										
	Payable from General Governmental Issues					Payable from Specific Revenue Sources					
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Requirements	Principal	Interest	Requirements
2004	\$ 8,365,160	\$ 4,280,835	\$ 12,645,995	\$ 7,850,534	\$ 3,115,280	\$ 65,000	\$ 13,860	\$ 11,044,674	\$ 449,626	\$ 1,151,695	\$ 1,601,321
2005	4,141,419	4,052,772	8,194,191	3,638,179	2,906,836	70,000	9,570	6,624,585	433,240	1,136,366	1,569,606
2006	4,513,401	3,850,605	8,364,005	3,998,401	2,724,642	75,000	4,950	6,802,992	440,000	1,121,013	1,561,013
2007	4,338,987	3,641,837	7,980,824	3,878,987	2,537,370	-	-	6,416,357	460,000	1,104,467	1,564,467
2008	4,009,040	3,444,324	7,453,364	3,534,040	2,357,744	-	-	5,891,784	475,000	1,086,580	1,561,580
2009	3,759,842	3,259,971	7,019,813	3,264,842	2,195,028	-	-	5,459,870	495,000	1,064,943	1,559,943
2010	3,906,169	3,075,310	6,981,479	3,386,169	2,033,402	-	-	5,419,571	520,000	1,041,908	1,561,908
2011	3,868,681	2,897,977	6,766,658	3,328,681	1,878,070	-	-	5,206,751	540,000	1,019,907	1,559,907
2012	3,771,778	2,729,723	6,501,501	3,206,778	1,733,444	-	-	4,940,222	565,000	996,279	1,561,279
2013	4,460,000	2,543,293	7,003,293	3,190,000	1,588,196	-	-	4,778,196	1,270,000	955,097	2,225,097
2014	4,705,000	2,331,728	7,036,728	3,380,000	1,436,329	-	-	4,816,329	1,325,000	895,399	2,220,399
2015	4,515,000	2,104,514	6,619,514	3,125,000	1,272,934	-	-	4,397,934	1,390,000	831,580	2,221,580
2016	3,920,000	1,884,633	5,804,633	2,465,000	1,121,349	-	-	3,586,349	1,455,000	763,284	2,218,284
2017	3,330,000	1,692,521	5,022,521	1,805,000	1,002,646	-	-	2,807,646	1,525,000	689,875	2,214,875
2018	3,495,000	1,520,513	5,015,513	1,895,000	908,763	-	-	2,803,763	1,600,000	611,750	2,211,750
2019	3,670,000	1,343,920	5,013,920	1,990,000	814,170	-	-	2,804,170	1,680,000	529,750	2,209,750
2020	3,515,000	1,156,375	4,671,375	1,750,000	712,750	-	-	2,462,750	1,765,000	443,625	2,208,625
2021	3,695,000	978,375	4,673,375	1,840,000	625,250	-	-	2,465,250	1,855,000	353,125	2,208,125
2022	3,875,000	791,375	4,666,375	1,930,000	533,250	-	-	2,463,250	1,945,000	258,125	2,203,125
2023	4,070,000	595,125	4,665,125	2,025,000	436,750	-	-	2,461,750	2,045,000	158,375	2,203,375
2024	4,275,000	389,125	4,664,125	2,130,000	335,500	-	-	2,465,500	2,145,000	53,625	2,198,625
2025	2,235,000	229,000	2,464,000	2,235,000	229,000	-	-	2,464,000	-	-	-
2026	2,345,000	117,250	2,462,250	2,345,000	117,250	-	-	2,462,250	-	-	-
<b>Total</b>	<b>\$ 92,779,476</b>	<b>\$ 48,911,099</b>	<b>\$ 141,690,575</b>	<b>\$ 68,191,610</b>	<b>\$ 32,615,951</b>	<b>\$ 210,000</b>	<b>\$ 28,380</b>	<b>\$ 101,045,941</b>	<b>\$ 24,377,866</b>	<b>\$ 16,266,768</b>	<b>\$ 40,644,634</b>

The above schedule does not reflect the noninterest bearing Business-type Activity Warrant which will mature at the principal amount of \$9,400,000 in 2012. As of September 30, 2003, the amount included in Business-type Activity Warrants payable is \$5,912,891, which equals the original principal amount of \$5,257,326 plus the accretion of interest through September 30, 2003 of \$655,565. Sinking fund requirements are disclosed previously in this note.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

**COMPONENT UNITS**

**Board of Education**

The following is a summary of changes in long-term debt of the Auburn City Board of Education for the year ended September 30, 2003:

<u>Capital Leases Payable</u>	
Balance, September 30, 2002	\$ 682,362
Retirement of debt	(195,712)
Balance, September 30, 2003	<u>\$ 486,650</u>

Capital leases payable of the Auburn City Board of Education at September 30, 2003, is comprised of the following issues:

	<u>Rate</u>	<u>Interest Dates</u>	<u>Source of Payment</u>	<u>Principal Issued</u>	<u>Principal Outstanding September 30, 2003</u>	<u>Year of Final Principal Maturity</u>
Capital Lease #1, AmSouth Corporation dated 09/29/98	5.080%	Monthly	General Fund	\$ 327,637	\$ 105,732	2005
Capital Lease #2, AmSouth Corporation dated 01/07/99	5.310%	Monthly	General Fund	687,135	250,113	2006
Capital Lease #3, AmSouth Corporation dated 01/11/99	5.480%	Monthly	General Fund	172,364	62,508	2007
Capital Lease #4, AmSouth Corporation dated 10/27/99	5.980%	Monthly	General Fund	<u>138,766</u>	<u>68,297</u>	2008
				<u>\$ 1,325,902</u>	<u>\$ 486,650</u>	

The Board has entered lease agreements with AmSouth Lease Corporation for the purchase of technology systems and computer equipment. The remaining balances on the lease agreements total \$486,650 plus interest, which will be due in monthly installments. The agreements include a funding clause which states that if funds are not appropriated for any future fiscal period, the Board will not be obligated to make any payments due beyond the end of the then current fiscal period. While this will not constitute an event of default, AmSouth Lease Corporation will be entitled to repossess the equipment and will retain all sums previously paid as compensation for machine use and depreciation. The agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. Interest expense was \$32,257 for the fiscal year ended September 30, 2003.

The following schedule shows the principal and interest payments required by the terms of the capital leases with AmSouth Lease Corporation:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 206,545	\$ 21,408	\$ 227,953
2005	218,013	9,956	227,969
2006	60,076	1,219	61,295
2007	<u>2,016</u>	<u>11</u>	<u>2,027</u>
Totals	<u>\$ 486,650</u>	<u>\$ 32,594</u>	<u>\$ 519,244</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

**Water Works Board**

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2003, was as follows:

	Balance			Balance	Due Within
	<u>10/01/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>09/30/03</u>	<u>One Year</u>
Business-type activities:					
Bonds payable	\$ 20,689,102	\$ 101,642	\$ (470,000)	\$ 20,320,744	\$ 505,000
Unamortized deferred amount on refunding	<u>(344,110)</u>	<u>17,350</u>	<u>-</u>	<u>(326,760)</u>	<u>(17,350)</u>
	<u>20,344,992</u>	<u>118,992</u>	<u>(470,000)</u>	<u>19,993,984</u>	<u>487,650</u>
Water supply agreement with City of Opelika	2,317,053	-	(267,663)	2,049,390	267,476
Unamortized discount	<u>(663,864)</u>	<u>125,466</u>	<u>-</u>	<u>(538,398)</u>	<u>(114,660)</u>
	<u>1,653,189</u>	<u>125,466</u>	<u>(267,663)</u>	<u>1,510,992</u>	<u>152,816</u>
Accumulated annual leave	<u>133,730</u>	<u>11,562</u>	<u>-</u>	<u>145,292</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 22,131,911</u>	<u>\$ 256,020</u>	<u>\$ (737,663)</u>	<u>\$ 21,650,268</u>	<u>\$ 640,466</u>

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

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

The following is a summary of the changes in bonds and water supply agreement payable for the year ended September 30, 2003:

Bonds and water supply agreement payable, September 30, 2002	\$ 22,342,291
Retirement of debt	(612,197)
Accretion of interest	<u>101,642</u>
Bonds and water supply agreement payable, September 30, 2003	<u>\$ 21,831,736</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

Annual requirements (principal and interest) to amortize long-term debt at September 30, 2003, are as follows:

Year ending	Bonds	Water Supply	Total
September 30	Payable	Agreement	
2004	\$ 1,331,380	\$ 267,476	\$ 1,598,856
2005	1,329,395	267,187	1,596,582
2006	1,329,648	267,750	1,597,398
2007	1,328,015	267,234	1,595,249
2008	1,329,995	267,141	1,597,136
2009-2013	6,655,357	712,602	7,367,959
2014-2018	6,648,430	-	6,648,430
2019-2023	6,654,436	-	6,654,436
2024-2028	3,991,688	-	3,991,688
Total	30,598,344	2,049,390	32,647,734
Add zero coupon bonds	1,955,744	-	1,955,744
Less amount representing interest	<u>(12,233,344)</u>	<u>(538,398)</u>	<u>(12,771,742)</u>
Total long-term debt requirements	<u>\$ 20,320,744</u>	<u>\$ 1,510,992</u>	<u>\$ 21,831,736</u>

**Industrial Development Board**

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2003, was as follows:

	Balance 10/01/02	Additions	Reductions	Balance 09/30/03	Due Within One Year
Business-type activities:					
Notes payable	\$ 2,879,084	\$ 9,445,000	\$ (80,722)	\$ 12,243,362	\$ 424,767
Short-term construction loans	952,574	2,559,792	(952,574)	2,559,792	2,559,792
Bonds payable	11,435,000	-	(345,000)	11,090,000	11,090,000
Capital leases payable	35,946	-	(17,645)	18,301	17,645
Business-type activity long-term liabilities	<u>\$ 15,302,604</u>	<u>\$ 12,004,792</u>	<u>\$ (1,395,941)</u>	<u>\$ 25,911,455</u>	<u>\$ 14,092,204</u>

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

Bonds payable

On May 10, 2000, the Board issued \$4,680,000 of Tax Exempt Infrastructure Improvement Bonds, Series 2000-A and \$7,710,000 of Taxable Refunding Bonds, Series 2000-B. The debt service payments on the bonds are limited obligations of the Board payable solely out of payments received pursuant to an Appropriation Agreement with the City of Auburn and funds drawn by the trustee from a letter of credit issued by AmSouth Bank.

Under the Appropriation Agreement, 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 agreement ends on September 30, 2003. After the expiration of the initial term, the agreement is automatically renewed each fiscal year for a term of twelve months, unless the City passes a resolution electing not to renew the agreement prior to the first day of the applicable fiscal year. As of the date of these financial statements, the agreement had been extended to September 30, 2004. The City intends to fund the appropriations through future sales of industrial property and additional tax revenues derived from future industrial

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

recruitment. The Appropriation Agreement has been assigned and pledged by the Industrial Development Board as security for the Series 2000-A and Series 2000-B bonds.

The Series 2000-A and Series 2000-B bonds bear interest at a variable rate determined weekly by the Board's remarketing agent, The Frazier Lanier Company, Inc. The rate is equal to the lowest interest rate that would result in the market value of the bonds being 100% of the outstanding principal amount at the time the rate is determined, with a maximum rate of 10% per annum for the Series 2000-A bonds and 12% per annum for the Series 2000-B bonds. The average effective interest rate for fiscal year 2003 was 1.23% and 1.34% for the Series 2000-A and Series 2000-B bonds, respectively, and interest incurred for the fiscal year amounted to \$55,156 for the Series 2000-A bonds and \$97,604 for the Series 2000-B bonds. The rate in effect at September 30, 2003, for Series 2000-A was 1.10% and for Series 2000-B was 1.12%.

The bonds are subject to purchase on demand of the holder at a price equal to 100% of the principal amount of the bond plus accrued interest. The bonds must be presented for payment with seven days' notice to the bond trustee and upon repurchase, the remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount.

Currently, there is no take-out agreement in place to convert the bonds to permanent financing in the event the remarketing agent is unable to resell bonds that are repurchased under the optional tender provision. Under an irrevocable letter of credit issued by AmSouth Bank, the trustee or remarketing agent may draw an amount equal to the purchase price of bonds tendered for purchase. The original letter of credit is valid through May 15, 2004; after that date, the letter of credit may be renewed annually for a one year term upon approval of AmSouth Bank. In the event the remarketing agent is unable to resell the tendered bonds, any principal drawn on the letter of credit to purchase the bonds bears interest at a variable rate equal to the prime rate plus 3%. If the bonds are not resold, the principal drawn on the letter of credit to purchase the bonds would be due in full at the expiration of the letter of credit in May 2004. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

Fiscal Year	Series 2000-A	Series 2000-B	Total
2004	<u>\$ 4,235,000</u>	<u>\$ 6,855,000</u>	<u>\$ 11,090,000</u>

The Board is required to pay to AmSouth Bank an annual fee for the letter of credit in the amount of 1.25% of the outstanding principal amount of the bonds plus 35 days of interest at 10% for Series 2000-A and 12% for Series 2000-B. In addition, the remarketing agent is paid an annual fee of one-eighth of one percent of the weighted average daily principal amount of the bonds outstanding.

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

Fiscal Year	Series 2000-A	Series 2000-B	Total
2004	\$ 150,000	\$ 220,000	\$ 370,000
2005	155,000	235,000	390,000
2006	165,000	250,000	415,000
2007	175,000	270,000	445,000
2008	190,000	290,000	480,000
2009	200,000	315,000	515,000
2010	210,000	335,000	545,000
2011	225,000	365,000	590,000
2012	240,000	390,000	630,000
2013	255,000	420,000	675,000
2014	270,000	450,000	720,000
2015	285,000	485,000	770,000
2016	305,000	520,000	825,000
2017	320,000	560,000	880,000
2018	340,000	605,000	945,000
2019	365,000	650,000	1,015,000
2020	385,000	495,000	880,000
	<u>\$ 4,235,000</u>	<u>\$ 6,855,000</u>	<u>\$ 11,090,000</u>



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**NOTE 8. LONG-TERM LIABILITIES (CONTINUED)**

Notes and capital leases payable of the Board at September 30, 2003, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/2003	Year of Final Principal Maturity
Notes payable:					
AuburnBank	5.01%	Monthly	\$ 8,670,000	\$ 8,670,000	2006
AuburnBank	6.68%	Monthly	957,500	941,937	2007
AuburnBank	7.50%	Monthly	300,000	294,445	2006
AuburnBank	7.50%	Monthly	775,000	775,000	2008
Charter Bank	7.75%	Monthly	1,500,000	1,385,355	2016
Compass Bank	7.75%	Monthly	186,602	176,626	2016
Total notes payable			<u>12,389,102</u>	<u>12,243,363</u>	
Construction loans payable:					
AuburnBank	5.00%	Monthly	1,767,099	1,767,099	2004
AuburnBank	5.00%	Monthly	13,969	13,969	2004
AuburnBank	5.00%	Monthly	751,840	751,840	2004
AuburnBank	5.00%	Monthly	26,884	26,884	2004
Total construction loans payable			<u>2,559,792</u>	<u>2,559,792</u>	
Capital leases payable:					
GMAC	0.00%	Monthly	52,935	18,301	2005
Total notes and capital leases payable			<u>\$ 15,001,829</u>	<u>\$ 14,821,456</u>	

The following schedule shows debt service to maturity for notes and capital leases payable of the Industrial Development Board at September 30, 2003:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2004	\$ 3,002,860	\$ 686,172	\$ 3,689,032
2005	458,288	666,770	1,125,058
2006	9,123,162	632,587	9,755,749
2007	993,050	135,261	1,128,311
2008	97,596	92,999	190,595
2009	105,434	85,160	190,594
2010	113,901	76,693	190,594
2011	123,050	67,546	190,596
2012	132,932	57,663	190,595
2013	143,608	46,986	190,594
2014	155,142	35,453	190,595
2015	167,602	22,993	190,595
2016	181,063	9,532	190,595
2017	23,768	303	24,071
Total	<u>\$ 14,821,456</u>	<u>\$ 2,616,118</u>	<u>\$ 17,437,574</u>

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NOTE 9. DEFERRED PROGRAM REVENUE

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Block 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, 2003, totaled \$4,891,844. One mortgage, with a principal balance of \$3,463,870, was subjected to a modification agreement during fiscal year 1994, which deferred a portion of the interest payments until 1999. Under the new terms, the City would receive \$10,000 each January towards the regular interest payment due at that time (\$37,812), with the remainder of the interest payment deferred until January 1999. The deferred amounts would accrue interest at six percent, compounded annually until that date, at which time the entire deferral, including compounded interest, plus the regularly scheduled interest payment of \$37,812 and principal of \$100,000 would be due. During fiscal year 1999, the City received a settlement of \$84,000 which satisfied the balance of the deferral at September 30, 1996. The modification agreement was deemed invalid at the time of settlement; and subsequent to September 30, 1999, the City received \$246,671 which satisfied the remaining deferral and the compounded interest in addition to the \$100,000 principal payment plus the regular principal and interest due. The original terms of the mortgage remain in effect.

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants. Under the terms of the grants the monies received from HUD are loaned to qualified borrowers for housing rehabilitation and the City holds second mortgages as collateral. When the City made these loans, deferred revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans made under this program are deferred for 20 years from the date of the loan. At that time, the City will begin receiving amortized payments of principal and interest for the second mortgages, and deferred revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2003, totaled \$108,269.

NOTE 10. LEASE AGREEMENTS

**COMPONENT UNITS**

**Auburn Center for Developing Industries**

Operating Leases - The Auburn Center for Developing Industries, Inc., maintains industrial space for rent to new industries. The leases are noncancelable operating leases with one year terms. The cost of land and buildings held for leasing by the Center at September 30, 2003, was \$67,543 and \$1,126,047, respectively. Accumulated depreciation on the buildings was \$351,468. Rents received during 2003 were \$104,722 and utility reimbursements were \$68,136. None of the leases currently in effect extend beyond September 30, 2004. Additionally, at September 30, 2003, there were seven tenants occupying space on a month-to-month basis with no lease in effect, and total rentals for these tenants were \$8,980 per month.

**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 twenty years and the capital leases expire over the next thirty-three 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, 2003, was \$2,807,947 and \$16,440,565, respectively; accumulated depreciation on the buildings was \$595,880. Rents received during 2003 were \$385,318. Of the five leases in effect at September 30, 2003, four were noncancelable, with two having an option for the lessee to occupy more space at a higher rental rate; one lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term. The lease provides for automatic one-year renewal terms ending on June 1, 2016, and annual minimum rentals of \$24,000.

The following is a schedule by years of future minimum rental payments required under the leases with remaining noncancelable lease terms in excess of one year as of September 30, 2003:

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 10. LEASE AGREEMENTS (CONTINUED)**

<u>Fiscal Year</u>	
2004	\$ 1,192,485
2005	1,192,485
2006	1,192,485
2007	1,051,088
2008	955,742
2009	911,942
2010	890,042
2011	890,042
2012	875,167
2013	864,542
2014 and thereafter	<u>4,393,910</u>
	<u>\$ 14,409,930</u>

Capital leases

- A. The Board has leased six parcels of land located in its Industrial Parks under capital leases. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2004 to 2035. There were no lease payments received in fiscal year 2003 and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal. See Note 30 for disclosures pertaining to leases involving related parties.
- B. The Board has one sales-type capital lease involving a lot and building located in its Technology Park. The initial lease term expires in 2007. The components of the net investment in sales-type capital leases at September 30, 2003, are as follows:

Total minimum lease payments	
to be received	\$1,773,117
Less: unearned income	<u>(387,763)</u>
Net investment in capital leases	<u>\$1,385,354</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.

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

<u>Fiscal Year</u>	
2004	\$ 169,430
2005	169,430
2006	169,430
2007	<u>1,264,827</u>
	<u>\$ 1,773,117</u>

As discussed in Note 27, the entire principal balance plus interest of \$5,942 was repaid to the Board subsequent to September 30, 2003.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 11. DEFINED BENEFIT PENSION PLANS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

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

Covered employees are required by State statute to contribute five percent (5%) of their salaries/wages to the System. The City is required by the same statute to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by the statute. The City's contribution rate for the year-ended September 30, 2003, was 6.03% of covered payroll.

The City's annual pension cost of \$853,491 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2002, 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, 2002, was 19 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
09/30/00	\$481,912	100%	\$0
09/30/01	\$541,155	100%	\$0
09/30/02	\$608,506	100%	\$0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
9/30/00	\$ 26,610,682	\$ 26,381,130	\$ (229,552)	100.90%	\$ 11,050,548	-2.10%
9/30/01**	\$ 28,196,927	\$ 30,536,059	\$ 2,339,132	92.30%	\$ 11,827,692	19.80%
9/30/02***	\$ 29,155,748	\$ 33,709,551	\$ 4,553,803	86.50%	\$ 12,547,314	36.30%

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

\*\* Reflects changes in actuarial assumptions (as of September 30, 2001). Also reflects effect of DROP if unit elected to enroll.

\*\*\* Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 11. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**COMPONENT UNITS**

**Board of Education**

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

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

Retirement benefits are calculated by three methods with the retiree receiving payments under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, (2) Money Purchase, and (3) Formula, of which the Formula Method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service.

Covered employees are required by state statute to contribute five (5) percent of their salary to the System. The State of Alabama and the Board are required to contribute the remaining amounts necessary to pay benefits when due. For the year-ended September 30, 2003, the Board's contribution requirement is an actuarially determined rate equal to 5.02% (5.96% in 2002) of annual covered payroll. The Board's contributions to the plan for the years ending September 30, 2003 and 2002, were \$1,054,705 and \$1,149,051, respectively. These amounts were equal to the required contributions for the same periods.

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

**Water Works Board**

The Board also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City. The Board's contribution rate for the year-ended September 30, 2003, was 2.68% of covered payroll; and the Board's annual pension cost of \$20,577 was equal to its required and actual contributions.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
09/30/00	\$27,854	100%	\$0
09/30/01	\$32,075	100%	\$0
09/30/02	\$31,064	100%	\$0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ( (b - a)/c )
9/30/00	\$1,654,796	\$1,373,161	\$-281,635	120.50%	\$874,552	-32.20%
9/30/01	\$1,782,421	\$1,638,641	\$-143,780	108.80%	\$1,011,128	-14.20%
9/30/02	\$1,858,567	\$1,847,993	\$ -10,574	100.60%	\$1,066,840	-1.00%

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 12. SELF-INSURANCE DISABILITY AND WORKMEN'S COMPENSATION**

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

	Fiscal Year	
	2003	2002
Unpaid claims, beginning of year	\$232,087	\$637,181
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	123,429	114,525
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	(10,000)	(473,289)
Total incurred claims	113,429	(358,764)
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(31,210)	54,630
Claims attributable to prior years' events where the City has retained risk of loss	(57,458)	(8,300)
Total payments	(88,668)	46,330
Unpaid claims, end of year	\$256,848	\$232,087

Total general liability for uninsured risks and workmen's compensation claims liability at September 30, 2003, is recorded as follows: \$3,255 is recorded as a current liability in the General Fund's accounts payable and accrued liabilities, and the long-term portion, \$253,593, along with the estimated liability for insured risks of \$80,000, 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  
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**NOTE 13. MEDICAL SELF-INSURANCE**

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

	Fiscal Year	
	2003	2002
Unpaid claims, beginning of year	\$ 46,619	\$ 63,365
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	1,084,825	868,818
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	28,178	13,224
Total incurred claims	1,113,003	882,042
Payments:		
Claims attributable to current year events where the City has retained risk of loss	988,410	822,952
Claims attributable to prior years' events where the City has retained risk of loss	61,753	75,837
Total payments	1,050,163	898,789
Unpaid claims, end of year (includes claims incurred but not reported)	\$ 109,459	\$ 46,618

The unpaid claims as of September 30, 2003, are reported in the General Fund.

**NOTE 14. UNEMPLOYMENT COMPENSATION**

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year-ended September 30, 2003, by the State (\$4,245.68) to individuals is reflected as an expense of the General Fund.

**NOTE 15. AD VALOREM TAX COLLECTION EXPENSE**

The City is charged a collection fee by the County Tax Assessor and Collector for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year-ended September 30, 2003:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$1,603,711 *	\$ 31,089	\$ 33,516	\$ 1,539,106
Special 5-Mill Tax Fund	5	1,592,323 **	31,089	33,516	1,527,718
Special School Tax Fund	5	1,719,462	37,351	33,516	1,648,595
Special Additional School Tax Fund	11	3,472,994	67,657	73,742	3,331,595
Property tax totals	26	\$8,388,490	\$ 167,186	\$ 174,290	\$ 8,047,014

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

\*\* Reduced by industrial tax exemptions.

CITY OF AUBURN, ALABAMA  
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**NOTE 16. INTERFUND RECEIVABLES AND PAYABLES**

Primary Government interfund receivables and payables for the year ended September 30, 2003 consist of the following:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Purpose</u>
\$ 97,720	Nonmajor Governmental Funds	General Fund	Provide cash flow for grants program
<u>6,147</u>	General Fund	Sewer Revenue Fund	Amounts due for payroll accrual
<u>\$ 103,867</u>			

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

**NOTE 17. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers for the year ended September 30, 2003:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 714,168	\$ 200,000
Nonmajor Governmental Funds	<u>3,614,460</u>	<u>4,016,718</u>
Total governmental activities	<u>4,328,628</u>	<u>4,216,718</u>
Major Enterprise Fund		
Sewer Revenue Fund	<u>-</u>	<u>111,910</u>
Total business-type activities	<u>-</u>	<u>111,910</u>
Total primary government	<u>\$ 4,328,628</u>	<u>\$ 4,328,628</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.

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



CITY OF AUBURN, ALABAMA  
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**NOTE 18. INTRA-ENTITY TRANSACTIONS**

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

A. Long-term advances

	Advances To	Advances From
Primary Government		
General Fund	\$ 497,700	\$ -
Nonmajor Enterprise Funds	141,455	-
Component Units		
Auburn Center for Developing Industries	-	497,700
Industrial Development Board	-	141,455
Total	\$ 639,155	\$ 639,155

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.

B. Payments between the City and Component Units

	Appropriations From Primary Government	Payments to Component Units
Primary Government		
General Fund	\$ -	\$ 5,163,211
Federal Grant Loan Repayment Fund	-	141,839
Nonmajor Governmental Funds	-	2,800,000
Component Units		
Auburn City Board of Education	6,910,444	-
Industrial Development Board	1,194,606	-
Total	\$ 8,105,050	\$ 8,105,050

Payments from the City to its component units consist primarily of funding for routine operating expenses and debt service payments. However in addition to the above scheduled payments, the City issues bonds and makes debt service payments on behalf of the Board of Education that are not recorded as payments to the Board. The debt payments (including bond trustee fees) are reflected on the City's books as debt service expenditures and amounted to \$2,230,229.

**NOTE 19. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND**

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

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

CITY OF AUBURN, ALABAMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 19. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND (CONTINUED)

	HODAG*	Shelton Park*	Tiger Theater*	Magnolia Plaza*	Revolving Loan*	Affordable Housing*	Total
Cash and cash equivalents	\$ 787	\$ 237	\$ 327	\$ 41,232	\$ 102,132	\$ 59,215	\$ 203,930
Prepaid expenses	-	-	-	-	10,000	-	10,000
Mortgages receivable	3,463,870	265,792	-	326,299	710,479	124,904	4,891,344
Advances to other funds	<u>206,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,369</u>	<u>-</u>	<u>273,334</u>
Total assets	<u>\$3,671,622</u>	<u>\$266,029</u>	<u>\$ 327</u>	<u>\$ 367,531</u>	<u>\$ 888,980</u>	<u>\$184,119</u>	<u>\$5,378,608</u>
Deferred program revenue	\$3,464,370	\$265,792	\$ -	\$ 326,299	\$ 710,479	\$124,904	\$4,891,844
Fund balance-reserved for advances	206,965	-	-	-	66,369	-	273,334
Fund balance-unreserved	<u>287</u>	<u>237</u>	<u>327</u>	<u>41,232</u>	<u>112,132</u>	<u>59,215</u>	<u>213,430</u>
Total liabilities and fund balance	<u>\$3,671,622</u>	<u>\$266,029</u>	<u>\$ 327</u>	<u>\$ 367,531</u>	<u>\$ 888,980</u>	<u>\$184,119</u>	<u>\$5,378,608</u>
Revenues							
Program income	\$ 34,989	\$ 13,672	\$ -	\$ 14,581	\$ 380,037	\$ 23,789	\$ 467,068
Other interest	<u>35,397</u>	<u>5,403</u>	<u>9</u>	<u>20,662</u>	<u>33,654</u>	<u>5,751</u>	<u>100,876</u>
Total revenues	70,386	19,075	9	35,243	413,691	29,540	567,944
Expenditures							
Economic development	-	6	-	-	212,043	10,326	222,375
Operating transfers out to component units	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,839</u>	<u>-</u>	<u>141,839</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	70,386	19,069	9	35,243	(40,191)	19,214	103,730
Fund balances, beginning of year	207,207	18,326	318	5,989	1,773,652	51,970	2,057,462
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,674,428)</u>	<u>-</u>	<u>(1,674,428)</u>
Fund balances, beginning of year, as restated	<u>207,207</u>	<u>18,326</u>	<u>318</u>	<u>5,989</u>	<u>99,224</u>	<u>51,970</u>	<u>383,034</u>
Fund balances, end of year	<u>\$ 277,593</u>	<u>\$ 37,395</u>	<u>\$ 327</u>	<u>\$ 41,232</u>	<u>\$59,033</u>	<u>\$ 71,184</u>	<u>\$486,764</u>

\*Net of interfund eliminations.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 20. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE REVENUE FUND**

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

	<u>State Funded Seizures</u>	<u>Public Safety Substance Abuse (other seizures)</u>	<u>Total</u>
<b>Assets</b>			
Equity in pooled cash	<u>\$ 50,489</u>	<u>\$ 102,150</u>	<u>\$ 152,639</u>
 <b>Liabilities and fund balance</b>			
Fund balance-unreserved	<u>\$ 50,489</u>	<u>\$ 102,149</u>	<u>\$ 152,639</u>
 <b>Revenues</b>			
Confiscation revenue	\$ 32,293	\$ -	\$ 32,293
Other interest	<u>989</u>	<u>2,874</u>	<u>3,863</u>
Total revenues	33,282	2,874	36,156
 <b>Expenditures</b>			
Public safety	<u>6,166</u>	<u>5,933</u>	<u>12,099</u>
 <b>Excess (deficiency) of</b>			
revenues over expenditures	27,117	(3,059)	24,057
 <b>Beginning fund balance</b>			
	<u>23,373</u>	<u>105,209</u>	<u>128,582</u>
 <b>Ending fund balance</b>			
	<u>\$ 50,489</u>	<u>\$ 102,150</u>	<u>\$ 152,639</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 21. 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	Former County Road Maintenance	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Mall Expansion Project	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
<b>ASSETS</b>									
Cash	\$ 22,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,625
Equity in pooled cash and cash equivalents	10,145,991	-	21,755	2,565	-	-	896,789	871,935	11,939,035
Restricted cash and investments	61,201	-	-	-	-	-	-	-	61,201
<b>Total cash and cash equivalents</b>	<b>10,229,817</b>	<b>-</b>	<b>21,755</b>	<b>2,565</b>	<b>-</b>	<b>-</b>	<b>896,789</b>	<b>871,935</b>	<b>12,022,861</b>
<b>Receivables</b>									
Revenues	2,811,822	-	-	-	-	-	-	-	2,811,822
Grants	202,326	-	-	-	-	-	-	-	202,326
Other governmental units	663,909	-	-	-	-	-	-	-	663,909
Water Works Board	1,792	-	-	-	-	-	-	-	1,792
Special assessments	25,107	-	-	-	1,663,628	-	-	-	1,688,735
Other	41,359	-	-	-	21,055	-	36,185	-	98,599
Due from other funds	97,720	-	-	-	-	-	-	-	97,720
Inventories, at cost	19,508	-	-	-	-	-	-	-	19,508
Prepaid expenses	166,036	-	-	-	-	-	-	-	166,036
Advances to component units	497,700	-	-	-	-	-	-	-	497,700
Property for resale	-	-	-	-	-	4,131,127	-	-	4,131,127
<b>TOTAL ASSETS</b>	<b>\$14,757,096</b>	<b>\$ -</b>	<b>\$ 21,755</b>	<b>\$ 2,565</b>	<b>\$ 1,684,683</b>	<b>\$ 4,131,127</b>	<b>\$ 932,974</b>	<b>\$ 871,935</b>	<b>\$ 22,402,135</b>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 21. REPORTING OF GENERAL FUND ACTIVITIES (CONTINUED)**

	General Government Operations	Former County Road Maintenance	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Mall Expansion Project	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>									
Liabilities									
Payables to other governments	\$ 195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195
Accounts payable and accrued liabilities	754,018	-	-	-	-	-	-	3,254	757,272
Customer deposits	55,028	-	-	-	-	-	-	-	55,028
Due to other funds	6,147	-	-	-	-	-	-	-	6,147
Deferred revenue	703,782	-	-	-	1,663,628	-	-	-	2,367,410
Claims payable	-	-	-	-	-	-	109,459	-	109,459
Advances from other funds	-	-	-	66,369	-	-	-	-	66,369
Total liabilities	<u>1,519,170</u>	<u>-</u>	<u>-</u>	<u>66,369</u>	<u>1,663,628</u>	<u>-</u>	<u>109,459</u>	<u>3,254</u>	<u>3,361,880</u>
Fund equity and other credits									
Fund balances									
Reserved for-									
Inventories	19,508	-	-	-	-	-	-	-	19,508
Prepaid expenses	166,036	-	-	-	-	-	-	-	166,036
Encumbrances	705,804	-	-	-	-	-	-	39,500	745,304
Advances	497,700	-	-	-	-	-	-	-	497,700
Property for resale	-	-	-	-	-	4,131,127	-	-	4,131,127
Unreserved - Designated -									
Future emergency purchases	4,219,711	-	-	-	-	-	-	-	4,219,711
Undesignated (deficit)	<u>7,680,917</u>	<u>-</u>	<u>21,755</u>	<u>(63,804)</u>	<u>(30,695)</u>	<u>-</u>	<u>823,515</u>	<u>829,181</u>	<u>9,260,869</u>
Total equity and other credits	<u>13,289,676</u>	<u>-</u>	<u>21,755</u>	<u>(63,804)</u>	<u>(30,695)</u>	<u>4,131,127</u>	<u>823,515</u>	<u>868,681</u>	<u>19,040,255</u>
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	<u>\$ 14,808,846</u>	<u>\$ -</u>	<u>\$ 21,755</u>	<u>\$ 2,565</u>	<u>\$ 1,632,933</u>	<u>\$ 4,131,127</u>	<u>\$ 932,974</u>	<u>\$ 871,935</u>	<u>\$ 22,402,135</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 21. REPORTING OF GENERAL FUND ACTIVITIES (CONTINUED)**

	General Government Operations		Former County Road Maintenance		Community Built		Veterans Memorial Monument		Special Improvement Projects		Mall Expansion Project		Employee Benefit Risk Financing		General Liability Risk Financing		Total (Net of Eliminations)
<b>Revenues</b>																	
Sales and use taxes	\$ 14,589,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,589,315
Occupational license taxes	5,557,851	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,557,851
Motor fuel taxes	241,527	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	241,527
Lodging taxes	548,361	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	548,361
Rental and leasing taxes	1,121,061	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,121,061
Other taxes	128,599	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	128,599
Licenses and permits	4,886,027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,886,027
General property tax	2,045,242	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,045,242
Fees for services	3,630,617	-	-	-	-	-	-	-	-	-	-	-	676,660	-	-	-	4,307,277
Fines and forfeitures	829,147	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	829,147
State shared taxes	485,362	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485,362
Contributions from the public	509,654	-	-	13,576	-	-	-	-	191,845	-	-	-	-	-	-	-	715,075
Other interest	294,710	751	609	54	54	113,597	-	-	-	-	-	-	33,783	19,825	-	-	463,329
Miscellaneous	105,879	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,879
<b>Total revenues</b>	<b>34,973,352</b>	<b>751</b>	<b>609</b>	<b>13,630</b>	<b>609</b>	<b>305,442</b>	<b>-</b>	<b>19,825</b>	<b>710,443</b>	<b>19,825</b>	<b>36,024,052</b>	<b>-</b>	<b>710,443</b>	<b>19,825</b>	<b>-</b>	<b>36,024,052</b>	
<b>Expenditures</b>																	
General government and administration	2,702,593	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,702,593
Public works	2,065,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,065,180
Environmental services	3,113,710	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,113,710
Public safety	8,435,925	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,435,925
Library	782,875	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	782,875
Parks and recreation	3,022,805	-	-	9,415	-	-	-	-	-	-	-	-	-	-	-	-	3,032,220

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 21. REPORTING OF GENERAL FUND ACTIVITIES (CONTINUED)**

	General Government Operations	Former County Road Maintenance	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Mall Expansion Project	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Planning	346,760	-	-	-	-	-	-	-	346,760
Economic development	386,923	-	-	-	-	-	-	-	386,923
Employee services	399,949	-	-	-	-	-	-	-	399,949
Risk management	140,875	-	-	-	-	-	-	154,059	294,934
Total departmental	21,397,595	-	-	9,415	-	-	-	154,059	21,561,069
Non-departmental	1,023,486	-	-	-	-	-	1,433,328	-	2,456,814
Debt service	2,489,270	-	-	-	307,990	-	-	-	2,797,260
Capital outlay	3,982,626	36,081	-	-	-	-	-	-	4,018,707
Intergovernmental	796,317	-	-	-	-	-	-	-	796,317
Payments to component units	5,163,211	-	-	-	-	-	-	-	5,163,211
Total expenditures	34,852,505	36,081	-	9,415	307,990	-	1,433,328	154,059	36,793,378
Excess (deficiency) of revenues over expenditures	120,847	(35,330)	609	4,215	(2,548)	-	(722,885)	(134,234)	(769,326)
Other financing sources (uses)									
Long-term debt proceeds	1,065,500	-	-	-	-	4,131,127	-	-	5,196,627
Transfers in	714,168	-	-	-	-	-	-	-	714,168
Transfers out	(200,000)	-	-	-	-	-	-	-	(200,000)
Total other financing sources (uses)	1,579,668	-	-	-	-	4,131,127	-	-	5,710,795
Net changes in fund balances	1,700,515	(35,330)	609	4,215	(2,548)	4,131,127	(722,885)	(134,234)	4,941,469
Fund balances, beginning of year	12,140,828	35,330	21,146	(68,019)	(28,147)	-	1,211,833	785,815	14,098,786
Fund balances, end of year	\$ 13,841,343	\$ -	\$ 21,755	\$ (63,804)	\$ (30,695)	\$ 4,131,127	\$ 488,948	\$ 651,581	\$ 19,040,255

CITY OF AUBURN, ALABAMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003

NOTE 22. RESTRICTED ASSETS

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

**COMPONENT UNITS**

**Water Works Board**

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

**Industrial Development Board**

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

NOTE 23. DEFERRED WATER RIGHTS – WATER WORKS BOARD (COMPONENT UNIT)

The Board entered into a Water Supply Agreement with the City of Opelika Water Board in June 1983 (See Note 8.) Auburn's share, as computed under the agreement, of the initial expenditures, capital contributions, bonds payable, and interest incurred through October 27, 1986 (when the agreement became operational), has been capitalized as deferred water rights. On October 27, 1986, the date Opelika's source supply became operational, amortization of the deferred water rights over the remaining life of the agreement began. A summary of deferred water rights at September 30, 2003, follows:

Deferred water rights, beginning of year	\$ 1,807,528
Amortization of deferred water rights	<u>(169,456)</u>
Deferred water rights, end of year	\$ <u>1,638,072</u>

NOTE 24. 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 2003 included principal of \$78,165 and interest of \$26,119; the balance due from the property owners at September 30, 2003, was \$457,007. During construction, the costs were funded by state grants and existing General Fund resources and, accordingly, were recorded as capital outlay expenditures in the year incurred. At the time the agreement was signed with the property owners, the City issued a general obligation warrant in the amount of \$810,672 to recover the costs incurred by the General Fund, and the property owners pledged an irrevocable letter of credit to secure the warrant. The warrant is backed by the full faith credit and taxing power of the City and is not secured by liens against the property.

In fiscal year 2000, the City began construction on a similar project, the Watercrest Road project. To fund the project during construction, the City issued a general obligation warrant in the form of a construction line of credit. During fiscal year 2001, the warrant was converted to permanent financing through the issuance of a new warrant in the principal amount of \$1,461,456. The warrant bears interest at 6.98% and will be repaid over ten years. The warrant is backed by the full faith credit and taxing power of the City and is not secured by liens against the property. Upon conversion to permanent financing, the owners entered into an agreement in lieu of assessment to repay the costs of construction over a ten-year period and pledged an irrevocable letter of credit to secure the City's general obligation warrant. The terms of the agreement are the same as the terms of the warrant. Amounts collected under the agreement in fiscal year 2003 include principal of \$113,680 and interest of \$87,585; the balance due at September 30, 2003, was \$1,206,621.



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

**NOTE 25. DEPRIVATIZATION OF SEWER PLANTS**

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

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

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

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

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

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

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

Effective August 1, 2001, the Base Service Charge included in the original Service Agreement is no longer payable to the Partnership by the City. The Additional Service Charge (\$1,201,415, annually) continues to be payable under the terms of the extension of the Service Agreement until January 1, 2020.

**NOTE 26. ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS**

**Change in Accounting Principles**

During fiscal year 2003, the City of Auburn and its component units implemented GASB Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement Number 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement Number 38, *Certain Financial Statement Note Disclosures*. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements divide the City's programs between governmental and business-type activities. The beginning net assets amount for governmental activities reflects the change in fund balances for governmental funds at

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 26. ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

September 30, 2002 caused by the conversion to the accrual basis of accounting. The following schedules reconcile beginning fund balances for governmental funds using the modified accrual basis (as reported in the prior year) to beginning net assets for governmental funds using the accrual basis for the City of Auburn and the Auburn Board of Education.

**CITY OF AUBURN PRIMARY GOVERNMENT**

	<u>General Fund</u>	<u>Federal Grant Loan Repayment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances, September 30, 2002, as previously reported	\$ 14,098,786	\$ 2,057,462	\$ 9,793,397	\$ 25,949,645
Prior period adjustment	<u>-</u>	<u>(1,674,428)</u>	<u>-</u>	<u>(1,674,428)</u>
Fund balances, September 30, 2002, as restated	<u>\$ 14,098,786</u>	<u>\$ 383,034</u>	<u>\$ 9,793,397</u>	<u>\$ 24,275,217</u>
Capital assets at beginning of year, net of accumulated depreciation				36,458,232
Effect of change in fixed asset capitalization policy				(678,578)
Long term liabilities at beginning of year				(68,965,516)
Adjustment to landfill liability at beginning of year				94,619
Prior year balance of revenues deferred due to lack of availability of funds				<u>7,808,138</u>
Net assets of governmental activities, September 30, 2002				<u>\$ 1,007,888</u>

**AUBURN BOARD OF EDUCATION COMPONENT UNIT**

The beginning fund balances in the General Fund and the Other Governmental Funds were restated to properly record the accrual for payroll expenditures that should have been recorded in the prior year.

	<u>General Fund</u>	<u>After School Program Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances, September 30, 2002, as previously reported	\$ 4,516,974	\$ 614,717	\$9,459,474	\$ 815,717	\$ 15,406,882
Prior period adjustment	<u>(2,206,564)</u>	<u>-</u>	<u>-</u>	<u>(69,891)</u>	<u>(2,276,455)</u>
Fund balances, September 30, 2002, as restated	<u>\$ 2,310,410</u>	<u>\$ 614,717</u>	<u>\$9,459,474</u>	<u>\$ 745,826</u>	13,130,427
Capital assets balance, beginning					53,567,845
Effect of accounting change on capital assets (see below)					(14,507,660)
Accumulated depreciation on beginning capital assets					(11,631,220)
Long-term liabilities, beginning					<u>(682,362)</u>
Net assets of governmental activities, September 30, 2002					<u>\$ 39,877,030</u>

CITY OF AUBURN, ALABAMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003

NOTE 26. ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS (CONTINUED)

During fiscal year 2003, the Board changed its policy for capitalizing real property capital assets by raising the capitalization threshold to \$50,000. The Board has removed all real property items previously recorded with a value less than \$50,000 from capital asset records and eliminated those items, and the related accumulated depreciation, for reporting purposes. The effect of the change is shown above.

**Prior Period Adjustments**

**CITY OF AUBURN PRIMARY GOVERNMENT**

**Sewer Revenue Fund**

Beginning net assets were reduced by \$17,874 to reflect a change in accounting policy related to fixed asset capitalization.

**COMPONENT UNITS**

**Industrial Development Board**

In previous years, the City of Auburn's Revolving Loan Fund advanced funds to the Board to finance the Board's equity injection into various industrial projects. The balance of these advances at the beginning of fiscal year 2003 was \$1,674,428. Management of the City and Board have determined that as of September 30, 2003, these amounts are no longer expected to be repaid to the City. The following adjustment was recorded by the Board in its September 30, 2003, financial statements:

Net assets, beginning of year, as previously reported	\$ 2,099,799
Reclassify advance no longer expected to be repaid	<u>1,674,428</u>
Net assets, beginning of year, as restated	<u>\$ 3,774,227</u>

**Auburn Center for Developing Industries**

Beginning net assets were reduced by \$2,029 to reflect a change in accounting policy related to fixed asset capitalization.

NOTE 27. SUBSEQUENT EVENTS

**CITY OF AUBURN PRIMARY GOVERNMENT**

Subsequent to September 30, 2003, the City issued two general obligation warrants in the amounts of \$2,056,598 and \$6,300,000, totaling \$8,356,598, to finance infrastructure construction and improvements, Parks and Recreation and Public Safety Department improvements, and the purchase of solid waste equipment and financial management software. Additionally, Council approved the appropriation of funds as necessary to provide for the debt service on Improvement Bonds with a face value of \$5,200,000 to be issued by the Industrial Development Board.

Subsequent to September 30, 2003, the City signed a grant agreement for the Felton Little Park Storm Water Detention Project. The agreement provides for Emergency Management Agency (EMA) Funds of \$143,588 in project costs with an additional \$4,829 for sub-grantee administrative expenses.

Various design and construction contracts totaling approximately \$630,000 and equipment and computer software purchases totaling approximately \$205,000 were also approved by Council subsequent to September 30, 2003. Approval was granted for incentives in the amount of \$114,000 from the Revolving Loan Fund, a sub-fund of The Federal Grant Loan Repayment Special Revenue Fund, while a repayment of a prior incentive from the Revolving Loan Fund in the amount of \$150,000 was received. Also, Council approved appropriations for fiscal year 2004 totaling approximately \$281,000 in exchange for services to be provided.

**COMPONENT UNITS**

**Industrial Development Board**

In October 2003, the Board sold a lot in the Auburn Technology Park North and collected proceeds of \$100,000. These proceeds were used to make a principal reduction of the same amount to the Series 2000-B bonds which had an outstanding principal balance at September 30, 2003, of \$6,855,000.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 27. SUBSEQUENT EVENTS (CONTINUED)**

The Board committed to issue Improvement Bonds with a face amount of \$5,200,000. Proceeds will be used to purchase industrial property and to pay for engineering and design of a new Technology Park, and to complete improvements to Auburn Technology Park North. The City of Auburn also committed to appropriate funds to the Industrial Development Board to pay the debt service on the bonds.

In November 2003, the Board received total payoff of its capital lease receivable which had a balance of \$1,385,354 at September 30, 2003. Proceeds from the payoff were used by the Board to retire debt at Charter Bank with an outstanding principal balance of \$1,385,354 at September 30, 2003.

Subsequent to September 30, 2003, a loan was obtained from AuburnBank in the amount of \$750,000 and transfers were made to the Board from the City of Auburn and the Auburn Center For Developing Industries in the amounts of \$230,000 and \$93,433, respectively. These funds were used to purchase a parcel of land and a building in Auburn Technology Park North to be held for leasing by the Board. Total cost of the property was \$1,073,660 (including closing costs).

**NOTE 28. COMMITMENTS, LITIGATION AND CONTINGENCIES**

**CITY OF AUBURN PRIMARY GOVERNMENT**

Commitments - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was \$6,603,682 as of September 30, 2003.

Claims and Litigation - As of September 30, 2003, the City had been named defendant in six pending lawsuits. Four of these suits do not specify a dollar amount of damages claimed. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$80,000.

In fiscal year 2003, the City expended \$6,560 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 incomplete contracts for the construction or renovation of various facilities to be funded with Alabama Public School and College Authority (PSCA) funds and proceeds from bonds issued by the City of Auburn as follows:

	Project Authorization	Expended To Date	Remaining Commitment	Required Further Financing
Auburn High School	\$ 3,963,828	\$ 3,861,150	\$ 102,678	\$ -
Auburn Jr. High School	3,909,198	3,845,208	63,990	-
Auburn Early Education Center	375,762	372,369	3,393	-
Cary Woods	78,174	74,324	3,850	-
Cary Woods and Drake Schools	278,715	98,088	180,627	-
Total	<u>\$ 8,605,677</u>	<u>\$ 8,251,139</u>	<u>\$ 354,538</u>	<u>\$ -</u>

The Board has several non-cancelable leases for certain equipment that are classified as operating leases. Rent expense under these non-cancelable leases was \$65,980 for the fiscal year ended September 30, 2003. The approximate

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2003

**NOTE 28. COMMITMENTS, LITIGATION AND CONTINGENCIES (CONTINUED)**

remaining annual minimum lease payments under the noncancelable leases existing as of September 30, 2003 are as follows:

2004	\$	47,850
2005		27,264
2006		24,414
2007		23,844
2008		<u>11,922</u>
Totals	<u>\$</u>	<u>135,294</u>

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

**Water Works Board**

Commitments – The Water Works Board has commitments for construction projects in connection with system improvements and a new water and sewer complex. The cost to complete the projects is approximately \$5,793,939.

**Industrial Development Board**

Commitments - In November 1994, the Auburn City Council passed a resolution which deeded all industrial property owned by the City to the Industrial Development Board. This resolution authorized the transfer of the Auburn Center for Developing Industries (ACDI) to the Industrial Development Board subject to a satisfactory refinancing or assumption of the existing debt on the facilities by the Board. Subsequently, the Board demonstrated its intent to carry out the refinancing by approving a proposal from a local bank. As of the end of audit fieldwork, refinancing had not taken place and, therefore, the ACDI is not reflected in the financial statements of the Board as of September 30, 2003.

At September 30, 2003, the Board was committed under certain construction contracts in the amount of \$3,150,800.

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.

The Board currently holds a mortgage receivable in the amount of \$208,074 secured by a building in the Auburn Technology Park. No payments have been received on the mortgage since fiscal year 2001, and therefore, the mortgage is in default. The Company is actively seeking a buyer for the project, and if the property is sold for the asking price, the proceeds will be paid back to the Board. As a result of the non-payment, the full amount owed has been included as bad debt expense in the current year.

**NOTE 29. LANDFILL CLOSURE AND POSTCLOSURE CARE**

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill closed in fiscal year 2000. Postclosure care costs are paid only after the date that the landfill stops accepting waste; the City reports these postclosure care costs in governmental activities' long-term debt and other liabilities. The total amount expended for landfill closure and postclosure care during fiscal year 2003 was \$28,950. This amount is reflected in General Fund expenditures. The \$352,798 reported as landfill postclosure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2003, represents estimated costs of postclosure care based on what it would cost to perform all postclosure care in 2003. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

As of September 30, 2003, the City was in violation of several sections of Division 13 of the Alabama Department of Environmental Management Administrative Code, Solid Waste Program, pertaining to post-closure care and monitoring of its inert landfill. Prior to issuance of these financial statements the City had taken action to correct these compliance deficiencies and the estimated costs associated with the corrective actions (\$181,197) has been included in the liability for landfill closure and post-closure care recorded in the governmental activities' long-term debt and other liabilities.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2003

**NOTE 30. RELATED PARTY TRANSACTIONS**

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

# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

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

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

**Federal Grant Loan Repayment Funds** account for funds received from the payback of loans made with federal grants which are then used for eligible Title I expenditures.

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

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

## Debt Service Funds

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

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

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

## Capital Projects Funds

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

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

**'99 Warrant Projects Fund** accounts for the proceeds of the General Obligation Warrants dated August 1, 1999. The proceeds are being used to construct capital improvements in the City, including the acquisition and construction of municipal buildings, construction and improvement of roads, sidewalks and intersections, purchase of cemetery property and other capital improvements.

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

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

CITY OF AUBURN, ALABAMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2003

	Special Revenue Funds								Total
			Public						
			Safety-						
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Substance Abuse Fund	City Gas Tax Fund	Special School Tax Fund	Special Additional School Tax Fund	Community Development Block Grant Fund	Public Library Board	
<b>ASSETS</b>									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,543	\$ 12,543
Equity in pooled cash and cash equivalents	19,122	24,448	152,639	24,570	39,491	1,126,913	6,448	-	1,393,631
Restricted cash and investments	-	-	-	-	15	-	-	-	15
Revenues receivable	13,391	9,563	-	20,472	16,007	-	-	-	59,433
Grants receivable	-	-	-	-	-	-	106,964	-	106,964
Other receivables	-	-	-	-	-	16,007	-	-	16,007
Mortgages receivable	-	-	-	-	-	-	148,980	-	148,980
<b>TOTAL ASSETS</b>	<b>\$ 32,513</b>	<b>\$ 34,011</b>	<b>\$ 152,639</b>	<b>\$ 45,042</b>	<b>\$ 55,513</b>	<b>\$ 1,142,920</b>	<b>\$ 262,392</b>	<b>\$ 12,543</b>	<b>\$ 1,737,573</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,063	\$ -	\$ 14,063
Due to other funds	-	-	-	-	-	-	92,901	-	92,901
Deferred revenue	-	-	-	-	-	-	40,711	-	40,711
Deferred program revenues	-	-	-	-	-	-	108,269	-	108,269
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>255,944</b>	<b>-</b>	<b>255,944</b>
<b>Fund balances</b>									
Reserved for encumbrances	-	-	-	-	-	-	481,428	-	481,428
Unreserved - undesignated	32,513	34,011	152,639	45,042	55,513	1,142,920	(474,980)	12,543	1,000,201
<b>Total fund balances</b>	<b>32,513</b>	<b>34,011</b>	<b>152,639</b>	<b>45,042</b>	<b>55,513</b>	<b>1,142,920</b>	<b>6,448</b>	<b>12,543</b>	<b>1,481,629</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 32,513</b>	<b>\$ 34,011</b>	<b>\$ 152,639</b>	<b>\$ 45,042</b>	<b>\$ 55,513</b>	<b>\$ 1,142,920</b>	<b>\$ 262,392</b>	<b>\$ 12,543</b>	<b>\$ 1,737,573</b>



Debt Service Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total	'99 Bond Projects Fund	'97/'98 Capital Projects Fund	01 Capital Projects Fund	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,543
36,400	1,307,764	1,344,164	109,129	239,026	3,924,252	4,272,407	7,010,202
-	1	1	-	-	-	-	16
-	16,007	16,007	-	-	-	-	75,440
-	-	-	-	300,000	-	300,000	406,964
-	-	-	-	4,985	-	4,985	20,992
-	-	-	-	-	-	-	148,980
<u>\$ 36,400</u>	<u>\$ 1,323,772</u>	<u>\$ 1,360,172</u>	<u>\$ 109,129</u>	<u>\$ 544,011</u>	<u>\$ 3,924,252</u>	<u>\$ 4,577,392</u>	<u>\$ 7,675,137</u>
\$ -	\$ -	\$ -	\$ -	\$ 20,206	\$ 72,589	\$ 92,795	\$ 106,858
-	-	-	4,819	-	-	4,819	97,720
-	-	-	-	300,000	-	300,000	340,711
-	-	-	-	-	-	-	108,269
-	-	-	4,819	320,206	72,589	397,614	653,558
-	-	-	12,562	-	656,317	668,879	1,150,307
36,400	1,323,772	1,360,172	91,748	223,805	3,195,346	3,510,899	5,871,272
36,400	1,323,772	1,360,172	104,310	223,805	3,851,663	4,179,778	7,021,579
<u>\$ 36,400</u>	<u>\$ 1,323,772</u>	<u>\$ 1,360,172</u>	<u>\$ 109,129</u>	<u>\$ 544,011</u>	<u>\$ 3,924,252</u>	<u>\$ 4,577,392</u>	<u>\$ 7,675,137</u>

**CITY OF AUBURN, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Special Revenue Funds								Total
	Seven-Cent Gas Tax Fund	Four-Cent Gas Tax Fund	Public Safety- Substance Abuse Fund	City Gas Tax Fund	Special School Tax Fund	Special Additional School Tax Fund	Community Development Block Grant Fund	Public Library Board	
<b>Revenues</b>									
General property tax	\$ -	\$ -	\$ -	\$ -	\$ 1,719,462	\$ 3,472,994	\$ -	\$ -	\$ 5,192,456
State shared taxes	146,319	104,123	-	-	-	-	-	-	250,442
Motor fuel taxes	-	-	-	241,526	-	-	-	-	241,526
Grants	-	-	-	-	-	-	817,770	-	817,770
Program income	-	-	-	-	-	-	450	-	450
Other interest	2,133	1,933	3,863	4,024	4,241	47,796	174	108	64,272
Contributions from the public	-	-	32,293	-	-	-	-	-	32,293
<b>Total revenues</b>	<b>148,452</b>	<b>106,056</b>	<b>36,156</b>	<b>245,550</b>	<b>1,723,703</b>	<b>3,520,790</b>	<b>818,394</b>	<b>108</b>	<b>6,599,209</b>
<b>Expenditures</b>									
Current operations									
Public safety	-	-	12,099	-	-	-	-	-	12,099
Economic development	-	-	-	-	-	-	171,104	-	171,104
Administrative	-	-	-	-	-	-	137,353	-	137,353
Nondepartmental	-	-	-	-	70,866	141,399	-	-	212,265
<b>Total current operations</b>	<b>-</b>	<b>-</b>	<b>12,099</b>	<b>-</b>	<b>70,866</b>	<b>141,399</b>	<b>308,457</b>	<b>-</b>	<b>532,821</b>
Debt service	-	-	-	-	2,230,621	-	-	-	2,230,621
Capital outlay	-	-	-	-	-	-	509,763	-	509,763
Payments to component units	-	-	-	-	2,800,000	-	-	-	2,800,000
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>12,099</b>	<b>-</b>	<b>5,101,487</b>	<b>141,399</b>	<b>818,220</b>	<b>-</b>	<b>6,073,205</b>
Excess (deficiency) of revenues over expenditures	148,452	106,056	24,057	245,550	(3,377,784)	3,379,391	174	108	526,004
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	3,336,640	-	-	-	3,336,640
Transfers out	(170,000)	(125,000)	-	(339,960)	-	(3,336,640)	-	-	(3,971,600)
<b>Total other financing sources (uses)</b>	<b>(170,000)</b>	<b>(125,000)</b>	<b>-</b>	<b>(339,960)</b>	<b>3,336,640</b>	<b>(3,336,640)</b>	<b>-</b>	<b>-</b>	<b>(634,960)</b>
Net changes in fund balances	(21,548)	(18,944)	24,057	(94,410)	(41,144)	42,751	174	108	(108,956)
Fund balances, beginning of year	54,061	52,955	128,582	139,452	96,657	1,100,169	6,274	12,435	1,590,585
<b>Fund balances, end of year</b>	<b>\$ 32,513</b>	<b>\$ 34,011</b>	<b>\$ 152,639</b>	<b>\$ 45,042</b>	<b>\$ 55,513</b>	<b>\$ 1,142,920</b>	<b>\$ 6,448</b>	<b>\$ 12,543</b>	<b>\$ 1,481,629</b>

Debt Service Funds			Capital Projects Funds				Total
GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total	'99 Bond Projects Fund	'97/'98 Capital Projects Fund	'01 Capital Projects Fund	Total	Nonmajor Governmental Funds
\$ -	\$ 1,592,323	\$ 1,592,323	\$ -	\$ -	\$ -	\$ -	\$ 6,784,779
-	-	-	-	-	-	-	250,442
-	-	-	-	-	-	-	241,526
-	-	-	-	-	-	-	817,770
-	-	-	-	-	-	-	450
1,510	57,454	58,964	2,563	6,402	159,337	168,302	291,538
-	-	-	-	-	-	-	32,293
<u>1,510</u>	<u>1,649,777</u>	<u>1,651,287</u>	<u>2,563</u>	<u>6,402</u>	<u>159,337</u>	<u>168,302</u>	<u>8,418,798</u>
-	-	-	-	-	-	-	12,099
-	-	-	-	-	-	-	171,104
-	-	-	-	-	-	-	137,353
-	64,605	64,605	6,216	-	-	6,216	283,086
-	64,605	64,605	6,216	-	-	6,216	603,642
77,820	1,747,346	1,825,166	-	-	-	-	4,055,787
-	-	-	294,628	-	2,524,538	2,819,166	3,328,929
-	-	-	-	-	-	-	2,800,000
<u>77,820</u>	<u>1,811,951</u>	<u>1,889,771</u>	<u>300,844</u>	<u>-</u>	<u>2,524,538</u>	<u>2,825,382</u>	<u>10,788,358</u>
<u>(76,310)</u>	<u>(162,174)</u>	<u>(238,484)</u>	<u>(298,281)</u>	<u>6,402</u>	<u>(2,365,201)</u>	<u>(2,657,080)</u>	<u>(2,369,560)</u>
77,820	-	77,820	200,000	-	-	200,000	3,614,460
-	-	-	(45,118)	-	-	(45,118)	(4,016,718)
<u>77,820</u>	<u>-</u>	<u>77,820</u>	<u>154,882</u>	<u>-</u>	<u>-</u>	<u>154,882</u>	<u>(402,258)</u>
1,510	(162,174)	(160,664)	(143,399)	6,402	(2,365,201)	(2,502,198)	(2,771,818)
34,890	1,485,946	1,520,836	247,709	217,403	6,216,864	6,681,976	9,793,397
<u>\$ 36,400</u>	<u>\$ 1,323,772</u>	<u>\$ 1,360,172</u>	<u>\$ 104,310</u>	<u>\$ 223,805</u>	<u>\$ 3,851,663</u>	<u>\$ 4,179,778</u>	<u>\$ 7,021,579</u>

CITY OF AUBURN, ALABAMA  
SEVEN-CENT GAS TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State shared taxes	\$ 129,500	\$ 144,000	\$ 146,319	\$ 2,319
Interest	1,000	1,500	2,133	633
Total revenues	<u>130,500</u>	<u>145,500</u>	<u>148,452</u>	<u>2,952</u>
Other financing sources (uses)				
Operating transfers out to other funds	<u>(130,000)</u>	<u>(170,000)</u>	<u>(170,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	500	(24,500)	(21,548)	2,952
Fund balance (deficit), beginning of year	<u>54,061</u>	<u>54,061</u>	<u>54,061</u>	<u>-</u>
Fund balance, end of year	<u>\$ 54,561</u>	<u>\$ 29,561</u>	<u>\$ 32,513</u>	<u>\$ 2,952</u>

CITY OF AUBURN, ALABAMA  
FOUR-CENT GAS TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State shared taxes	\$ 90,000	\$ 100,000	\$ 104,123	\$ 4,123
Interest	1,000	1,500	1,933	433
Total revenues	<u>91,000</u>	<u>101,500</u>	<u>106,056</u>	<u>4,556</u>
Other financing sources (uses)				
Operating transfers out to other funds	<u>(90,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,000	(23,500)	(18,944)	4,556
Fund balance, beginning of year	<u>52,955</u>	<u>52,955</u>	<u>52,955</u>	<u>-</u>
Fund balance, end of year	<u>\$ 53,955</u>	<u>\$ 29,455</u>	<u>\$ 34,011</u>	<u>\$ 4,556</u>

CITY OF AUBURN, ALABAMA  
PUBLIC SAFETY SUBSTANCE ABUSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Confiscation revenue	\$ 500	\$ 31,000	\$ 32,293	\$ 1,293
Interest	-	2,500	3,863	1,363
Total revenues	500	33,500	36,156	2,656
Expenditures				
Current operations				
Public safety administration	4,000	4,000	12,099	(8,099)
Capital outlay	-	6,000	-	6,000
Total expenditures	4,000	10,000	12,099	(2,099)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3,500)	23,500	24,057	557
Fund balance, beginning of year	128,582	128,582	128,582	-
Fund balance, end of year	\$ 125,082	\$ 152,082	\$ 152,639	\$ 557

CITY OF AUBURN, ALABAMA  
CITY GAS TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Locally levied taxes	\$ 265,000	\$ 250,000	\$ 241,526	\$ (8,474)
Interest	-	3,000	4,024	1,024
Total revenues	265,000	253,000	245,550	(7,450)
Other financing sources (uses)				
Operating transfers out to other funds	(377,820)	(377,820)	(339,960)	37,860
Excess (deficiency) of revenues and other sources over expenditures and other uses	(112,820)	(124,820)	(94,410)	30,410
Fund balance, beginning of year	139,452	139,452	139,452	-
Fund balance, end of year	\$ 26,632	\$ 14,632	\$ 45,042	\$ 30,410

CITY OF AUBURN, ALABAMA  
SPECIAL SCHOOL TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
General property tax	\$ 1,650,000	\$ 1,700,000	\$ 1,719,462	\$ 19,462
Interest	-	4,000	4,241	241
Total revenues	<u>1,650,000</u>	<u>1,704,000</u>	<u>1,723,703</u>	<u>19,703</u>
Expenditures				
Current operations				
Nondepartmental	74,200	74,700	70,866	3,834
Debt service				
Principal	602,294	602,294	602,294	-
Interest	1,617,610	1,617,610	1,617,610	-
Other	5,000	8,000	10,717	(2,717)
Total debt service	<u>2,224,904</u>	<u>2,227,904</u>	<u>2,230,621</u>	<u>(2,717)</u>
Total expenditures	<u>2,299,104</u>	<u>2,302,604</u>	<u>2,301,487</u>	<u>1,117</u>
Excess (deficiency) of revenues over expenditures	<u>(649,104)</u>	<u>(598,604)</u>	<u>(577,784)</u>	<u>20,820</u>
Other financing sources (uses)				
Operating transfers in from other funds	3,250,000	3,250,000	3,336,640	86,640
Operating transfers out to component units	<u>(2,800,000)</u>	<u>(2,800,000)</u>	<u>(2,800,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>450,000</u>	<u>450,000</u>	<u>536,640</u>	<u>86,640</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(199,104)</u>	<u>(148,604)</u>	<u>(41,144)</u>	<u>107,460</u>
Fund balance, beginning of year	96,657	96,657	96,657	-
Fund balance, end of year	<u>\$ (102,447)</u>	<u>\$ (51,947)</u>	<u>\$ 55,513</u>	<u>\$ 107,460</u>

CITY OF AUBURN, ALABAMA  
SPECIAL ADDITIONAL SCHOOL TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
General property tax	\$ 3,400,000	\$ 3,400,000	\$ 3,472,994	\$ 72,994
Interest	35,000	35,000	47,796	12,796
Total revenues	<u>3,435,000</u>	<u>3,435,000</u>	<u>3,520,790</u>	<u>85,790</u>
Expenditures				
Current operations				
Nondepartmental	155,000	155,000	141,399	13,601
Excess (deficiency) of revenues over expenditures	<u>3,280,000</u>	<u>3,280,000</u>	<u>3,379,391</u>	<u>99,391</u>
Other financing sources (uses)				
Operating transfers out to other funds	<u>(3,250,000)</u>	<u>(3,250,000)</u>	<u>(3,336,640)</u>	<u>(86,640)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>30,000</u>	<u>30,000</u>	<u>42,751</u>	<u>12,751</u>
Fund balance, beginning of year	1,100,169	1,100,169	1,100,169	-
Fund balance, end of year	<u>\$ 1,130,169</u>	<u>\$ 1,130,169</u>	<u>\$ 1,142,920</u>	<u>\$ 12,751</u>

CITY OF AUBURN, ALABAMA  
GORSIW SERIES 76 DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ 1,000	\$ 1,000	\$ 1,510	\$ 510
Expenditures				
Debt service				
Interest	17,820	17,820	17,820	-
Principal	60,000	60,000	60,000	-
Total debt service	<u>77,820</u>	<u>77,820</u>	<u>77,820</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(76,820)	(76,820)	(76,310)	510
Other financing sources				
Operating transfers in from other funds	77,820	77,820	77,820	-
Operating transfers out to other funds			-	
Excess of revenues and other sources over expenditures and other uses	1,000	1,000	1,510	510
Fund balance, beginning of year	34,890	34,890	34,890	-
Fund balance, end of year	<u>\$ 35,890</u>	<u>\$ 35,890</u>	<u>\$ 36,400</u>	<u>\$ 510</u>

CITY OF AUBURN, ALABAMA  
SPECIAL 5-MILL TAX DEBT SERVICE FUND FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
General property tax	\$ 1,650,000	\$ 1,600,000	\$ 1,592,323	\$ (7,677)
Interest	100,000	60,000	57,454	(2,546)
Total revenues	<u>1,750,000</u>	<u>1,660,000</u>	<u>1,649,777</u>	<u>(10,223)</u>
Expenditures				
Current operations				
Nondepartmental	74,200	74,716	64,605	10,111
Debt service				
Interest	844,881	825,415	825,415	-
Principal	915,000	915,000	915,000	-
Fiscal fees	1,000	7,000	6,931	69
Total debt service	<u>1,760,881</u>	<u>1,747,415</u>	<u>1,747,346</u>	<u>69</u>
Total expenditures	<u>1,835,081</u>	<u>1,822,131</u>	<u>1,811,951</u>	<u>10,180</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(85,081)	(162,131)	(162,174)	(43)
Fund balance, beginning of year	1,485,946	1,485,946	1,485,946	-
Fund balance, end of year	<u>\$ 1,400,865</u>	<u>\$ 1,323,815</u>	<u>\$ 1,323,772</u>	<u>\$ (43)</u>



City of Auburn





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

City of Auburn

CITY OF AUBURN, ALABAMA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE  
 SEPTEMBER 30, 2003

Governmental funds capital assets	
Land, buildings and improvements	\$ 35,111,838
Construction in progress	5,801,817
Communication equipment	343,799
Heavy equipment	1,654,606
Office equipment	1,069,545
Small tools and equipment	627,220
Vehicles	6,622,162
Infrastructure	1,443,436
Total governmental funds capital assets	<u>\$ 52,674,423</u>

Investment in governmental funds capital assets by source	
General Fund revenues	\$ 22,775,986
Capital Projects Funds	23,948,038
Federal grants	1,847,252
State grants	30,745
Special Revenue Fund revenues	2,661,346
Donations	1,012,313
Special assessments	27,800
Enterprise Fund revenues	63,200
Unclassified	307,743
Total investment in governmental funds capital assets	<u>\$ 52,674,423</u>

CITY OF AUBURN, ALABAMA  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2003**

Function and Activity	Total	Land			Small			Infrastructure
		Buildings & Improvements	Construction in Progress	Communication Equipment	Heavy Equipment	Office Equipment	Tools and Equipment	
General government and administration								
Information technology	\$ 477,290	\$ 12,816	\$ -	\$ -	\$ -	\$ 422,178	\$ -	\$ 42,296
Geographical Information Systems	81,285	-	-	-	-	30,583	26,993	23,709
Judicial	20,734	12,400	-	-	-	8,334	-	-
Administrative	23,673	-	-	-	-	-	-	23,673
Finance	48,383	-	-	-	-	21,328	-	27,055
Total general government and administration	651,365	25,216	-	-	-	482,423	26,993	116,733
Public works	1,608,372	27,905	-	-	606,941	75,422	39,788	858,316
Environmental services	2,515,616	56,065	-	-	550,198	6,658	108,644	1,794,051
Public safety administration	345,453	90,401	-	195,700	-	21,454	-	37,898
Fire	1,996,365	14,299	-	-	35,701	-	81,866	1,864,499
Police and jail administration	1,569,718	133,600	-	26,194	-	5,185	204,535	1,200,204
Codes enforcement	76,730	-	-	-	-	7,421	-	69,309
Library	3,130,027	3,038,097	-	-	-	91,930	-	-
Parks and recreation	4,943,394	3,868,243	-	-	353,249	5,425	130,423	586,054
Planning	39,119	-	-	-	-	5,583	-	33,536
Human resources	19,441	-	-	-	-	-	-	19,441
Economic development	42,121	-	-	-	-	-	-	42,121
Total departmental	16,937,721	7,253,826	-	221,894	1,546,089	701,501	592,249	6,622,162
Nondepartmental	35,736,702	27,858,012	5,801,817	121,905	108,517	368,044	34,971	1,443,436
Total governmental funds capital assets	\$ 52,674,423	\$ 35,111,838	\$ 5,801,817	\$ 343,799	\$ 1,654,606	\$ 1,069,545	\$ 627,220	\$ 6,622,162

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, 2003

	Governmental Funds Capital Assets September 30, 2002	Additions	Transfers and Deductions	Governmental Funds Capital Assets September 30, 2003
General government and administration				
Executive	\$ 1,705	\$ -	\$ (1,705)	\$ -
Information technology	469,624	158,820	(151,154)	477,290
Geographical information systems	87,931	6,800	(13,446)	81,285
Judicial	35,394	-	(14,660)	20,734
Administrative	65,880	-	(42,207)	23,673
Finance	163,181	-	(114,798)	48,383
Total general government and administration	823,715	165,620	(337,970)	651,365
Public works administration	1,377,086	247,142	(15,856)	1,608,372
Environmental services	2,593,156	135,511	(213,051)	2,515,616
Public safety administration	529,123	-	(183,670)	345,453
Fire	1,653,849	482,703	(140,187)	1,996,365
Police and jail administration	1,966,788	200,032	(597,102)	1,569,718
Codes enforcement	55,660	25,344	(4,274)	76,730
Library	3,276,137	-	(146,110)	3,130,027
Parks and recreation	4,452,723	209,544	281,127	4,943,394
Planning	94,331	-	(55,212)	39,119
Human resources	76,367	-	(56,926)	19,441
Economic development	47,864	-	(5,743)	42,121
Total departmental	16,946,799	1,465,896	(1,474,974)	16,937,721
Nondepartmental	30,186,231	6,470,410	(919,939)	35,736,702
Total governmental funds capital assets	\$ 47,133,030	\$ 7,936,306	\$ (2,394,913)	\$ 52,674,423

Table 1

## City of Auburn ~ Primary Government

General Revenues by Source <sup>(1)</sup>Last Ten Fiscal Years  
Unaudited

Fiscal Year	Taxes	Licenses & Permits	Fees For Services	Fines & Forfeitures	Inter-Governmental	Other Operating Revenues	Totals
1994	\$11,964,486	\$6,152,386	\$1,834,385	\$562,880	\$ 1,114,449	\$ 508,681	\$22,137,267
1995	13,153,744	6,638,422	1,792,200	637,273	2,551,230	472,453	25,245,322
1996	14,192,633	7,032,015	2,005,605	665,316	2,520,085	546,563	26,962,217
1997	15,904,268	7,502,105	2,105,698	749,580	2,170,822	793,647	29,226,120
1998	16,947,670	7,947,986	2,273,076	675,476	1,173,496	1,132,979	30,150,683
1999	18,514,062	8,482,280	2,721,165	695,051	3,174,742	1,649,307	35,236,607
2000	20,616,204	9,259,395	3,014,783	754,366	1,037,682	1,924,820	36,607,250
2001	21,527,028	10,229,779	3,219,656	816,976	1,960,326	1,441,544	39,195,309
2002	23,071,853	10,240,491	4,078,189	750,521	2,204,269	1,870,015	42,215,338
<b>2003</b>	<b>25,700,410</b>	<b>10,443,878</b>	<b>4,307,277</b>	<b>829,147</b>	<b>2,300,942</b>	<b>1,429,140</b>	<b>45,010,794</b>

<sup>(1)</sup>Source: City financial records. Includes selected data from General, Special Revenue, Debt Service and Capital Projects Funds. Excludes interfund contributions and transfers except from Enterprise to non-Enterprise Funds.

Table 2

## City of Auburn ~ Primary Government

General Government Tax Revenues by Source <sup>(1)</sup>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
1994	\$7,897,169	\$ 94,633	\$523,305	\$ 167,139	\$124,953	\$66,389	\$3,471,817	\$12,345,405
1995	8,729,493	97,929	535,057	195,650	111,112	69,536	3,790,864	13,529,641
1996	9,545,803	97,595	545,933	244,321	69,656	76,732	3,845,988	14,426,028
1997	9,739,125	112,841	560,098	293,576	110,621	76,027	5,390,311 <sup>(2)</sup>	21,672,910
1998	10,300,115	124,329	590,923	292,834	100,516	66,570	5,431,807	16,907,094
1999	11,313,849	122,863	625,478	313,969	100,493	64,854	5,969,272	18,510,778
2000	12,154,032	116,981	653,974	439,425	36,447	76,447	7,082,494	20,559,800
2001	12,554,602	105,137	680,049	513,913	22,755	74,584	7,459,103	21,410,143
2002	13,160,761	125,754	748,700	828,711	7,869	108,910	8,050,340	23,031,045
<b>2003</b>	<b>14,589,315</b>	<b>144,608</b>	<b>708,905</b>	<b>967,841</b>	<b>39,374</b>	<b>84,500</b>	<b>8,388,489</b>	<b>24,932,032</b>

\*State Alcoholic Beverage Control Board

<sup>(1)</sup> Includes state shared taxes.

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

Table 3

**City of Auburn ~ Primary Government**  
**Property Tax Levies and Collections**

Last Ten Fiscal Years  
*Unaudited*

Date of Assessment And Levy	Assessed Valuation	Total Tax Levy	Total Tax Collections	Percent of Current and Delinquent Levies Collected
October 1				%
1994	\$ 174,467,860	\$ 3,191,500	\$ 3,191,500	100
1995	186,382,440	3,219,969	3,219,969	100
1996	196,322,540	3,694,901	3,694,901	100
1997	210,995,540	4,864,228	4,864,228	100
1998	233,605,380	5,431,696	5,431,696	100
1999	297,855,880	5,969,272	5,969,272	100
2000	315,482,100	7,082,494	7,082,494	100
2001	339,151,500	7,459,103	7,459,103	100
2002	359,156,440	8,050,340	8,050,340	100
<b>2003</b>	<b>502,786,600</b>	<b>8,388,489</b>	<b>8,388,489</b>	<b>100</b>

Source: Lee County Revenue Commissioner.

All ad valorem taxes levied by the State, county, and any municipality in Lee County are assessed and collected by the Lee County Revenue Commissioner.

Property on which taxes have not been paid by the final delinquency date is foreclosed and sold by the Lee County Revenue Commissioner. Property not sold at the tax foreclosure sale is purchased by the State

Table 4

**City of Auburn ~ Primary Government**  
**Assessed Value of All Taxable Property <sup>(1)</sup>**

Last Ten Fiscal Years  
*Unaudited*

Assessment Date	Real Property Assessed Value	Personal Property Assessed Value	Utilities Property Assessed Value	Automobile Assessed Value	Totals
October 1					
1994	\$ 133,958,380	\$ 18,098,400	\$ 10,045,720	\$ 12,365,360	\$ 174,467,860
1995	142,184,570	15,313,030	10,083,960	18,800,800	186,382,360
1996	145,914,920	23,991,700	10,797,660	15,618,260	196,322,540
1997	152,359,000	27,418,480	10,675,220	20,542,840	210,995,540
1998	168,934,520	30,636,180	10,620,020	23,414,660	233,605,380
1999	219,179,160	39,916,660	12,747,380	26,012,680	297,855,880
2000	233,073,640	38,495,000	12,957,680	30,955,800	315,482,120
2001	250,274,360	40,803,880	14,426,140	33,647,120	339,151,500
2002	263,267,960	42,304,440	14,797,460	38,786,580	359,156,440
<b>2003</b>	<b>331,960,480</b>	<b>109,190,620</b>	<b>20,954,720</b>	<b>40,680,780</b>	<b>502,786,600</b>

<sup>(1)</sup> Source: Lee County Tax Assessor. Ad valorem taxes are assessed and collected for the City of Auburn by the Lee County Tax Collector, respectively. Property is assess on the following basis:

Public Utility	30%
Commercial	20%
Residential	10%
Automobile	15%

**Table 5**  
**City of Auburn**  
**Principal Taxpayers ~ 2003 Ad Valorem Tax Year <sup>(1)</sup>**  
*Unaudited*

Taxpayers	Total Assessed Value of all Property within City Limits	Ad Valorem Taxes Paid <sup>(2)</sup>	Taxpayers' Ad Valorem Taxes Paid as Percentage of City's Total Ad Valorem Tax Revenue
Alabama Power Company	\$ 9,370,840	\$ 241,722	2.88%
Briggs and Stratton Corporation	9,959,820	159,376	1.90%
BellSouth Telecommunications	3,996,600	103,922	1.23%
WHGMH Realty (College Park I and II)	3,819,340	99,320	1.18%
Colonial Realty, Ltd.	3,691,160	95,992	1.14%
Wal-Mart	2,940,620	76,466	0.91%
Pick Rentals	2,477,660	64,428	0.77%
Tiger Crossing	2,477,140	64,402	0.77%
SUH Auburn (Sterling University Apartments)	2,166,620	56,342	0.70%
The Garden District, Auburn Ltd.	2,137,660	55,588	0.66%
<b>Totals</b>	<b>\$ 43,037,460</b>	<b>\$ 1,017,558</b>	<b>12.13%</b>

Source: Lee County Tax Assessor.

<sup>(1)</sup> Assessed 2002; collected October 2002 through September 2003.

<sup>(2)</sup> 26 mill City levy only.

**Table 6**  
**City of Auburn ~ Primary Government**  
**General Government Expenditures by Functions**

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	General Government <sup>(1)</sup>	Public Safety	Public Works	Recreational & Cultural Services	Health Education & Welfare	Debt Service	Capital Outlay	Totals
1994	\$ 3,640,222	\$ 5,685,370	\$ 2,756,265	\$ 2,094,181	\$ 7,668,763	\$ 3,230,488	\$ 1,257,850	\$ 26,333,139
1995	4,185,800	5,825,340	3,116,611	2,207,772	3,217,744	3,437,145	1,295,031	23,285,443
1996	4,708,497	6,284,145	2,767,313	2,346,503	13,977,653 <sup>(2)</sup>	3,707,506	2,344,586	36,136,203
1997	4,491,917	6,184,700	3,291,949	2,448,282	3,009,056	4,276,673	4,088,907	27,791,484
1998	4,905,212	6,861,361	3,336,846	2,766,386	3,190,493	4,922,820	6,584,804	32,567,922
1999	4,401,388	7,148,139	4,164,689	2,986,616	4,285,897	4,649,526	8,495,353	36,131,608
2000	4,828,274	7,316,828	4,446,076	3,387,510	3,863,430	5,620,526	11,447,448	40,910,092
2001	4,704,106	7,815,996	4,754,079	3,467,404	4,651,795	8,215,680	10,899,385	44,508,445
2002	6,913,860 <sup>(3)</sup>	8,417,145	4,509,027	3,629,140	4,316,902	7,756,634	4,617,950	40,160,658
<b>2003</b>	<b>7,570,823 <sup>(3)</sup></b>	<b>8,880,339</b>	<b>5,199,933</b>	<b>3,833,218</b>	<b>8,360,954</b>	<b>6,853,047</b>	<b>7,347,636</b>	<b>48,045,950</b>

Source: City financial records. Includes selected data from General, Special Revenue, Debt Service and Capital Projects Funds. Excludes interfund contributions and transfers except from Enterprise to non-Enterprise Funds.

<sup>(1)</sup> Includes other Governmental Fund type expenditures that do not fall under another listed category.

<sup>(2)</sup> Includes bond issue proceeds (\$11,000,000) transferred to Board of Education.

<sup>(3)</sup> In FY02 and FY03, the Employee Benefit Fund was reclassified as a special activity of the General Fund. Previously, the Employee Benefit activities were reported as an Internal Service Fund. Included in the totals are Employee Benefit Expenditures of \$1,210,386 and \$1,433,328 respectively.

Table 7

**City of Auburn**

**Property Tax Rates ~ Direct and Overlapping Government**

(mills per \$1000 of assessed value)

Last Ten Fiscal Years

Unaudited

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
<b>Taxing Authority</b>										
State of Alabama										
General Fund	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Education	3	3	3	3	3	3	3	3	3	3
Veteran Pension	1	1	1	1	1	1	1	1	1	1
Total State of Alabama	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>
Lee County										
General Fund	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Education	5	5	5	5	5	5	5	5	5	5
Roads and Bridges	3	3	3	3	3	3	3	3	3	3
Total Lee County	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>
Lee County Hospital	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Dependent and Neglected Children	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Auburn District Schools	3	3	3	3	3	3	3	3	3	3
City of Auburn										
General Fund	5	5	5	5	5	5	5	5	5	5
Debt Retirement	5	5	5	5	5	5	5	5	5	5
School System	16	16	16	16	16	16	10	10	10	10
Total City of Auburn	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>20</u>	<u>20</u>	<u>20</u>
<b>Total Tax Millage</b>	<u>54</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>48</u>	<u>48</u>	<u>48</u>

Source: Lee County Tax Assessor

Table 8

**City of Auburn ~ Primary Government**

**Assessed and Estimated True Value of Taxable Property**

(Amounts Expressed in Thousands)

Last Ten Tax Collection Years

Unaudited

Fiscal Year	Real Estate		Personal Property		Public Utilities		Automobile		Total		Ratio of TAV To TETV <sup>(1)</sup>
	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	
1994	\$ 133,958	\$ 893,053	\$ 18,098	\$ 90,490	\$ 10,046	\$ 33,487	\$ 12,365	\$ 72,735	\$ 174,467	\$ 1,089,765	16.0%
1995	142,185	947,990	15,313	76,565	10,084	33,613	18,800	110,588	186,382	1,168,756	15.9%
1996	145,915	972,767	23,992	119,960	10,798	35,993	15,618	91,870	196,323	1,220,590	16.1%
1997	152,359	1,015,726	27,418	137,090	10,675	36,250	20,543	128,841	210,995	1,317,907	16.0%
1998	168,935	1,126,233	30,636	153,180	10,620	35,400	23,414	137,729	233,605	1,452,542	16.1%
1999	217,179	1,447,860	39,917	199,585	12,747	42,490	26,013	153,017	295,856	1,842,952	16.1%
2000	233,074	1,546,101	38,495	192,475	12,958	43,192	30,956	186,482	315,483	1,968,250	16.0%
2001	250,274	1,668,493	40,804	204,015	14,426	48,087	33,647	197,923	339,151	2,118,518	16.0%
2002	263,268	1,755,120	42,304	211,520	14,797	49,324	38,787	228,159	359,156	2,244,123	16.0%
2003	331,961	2,213,074	109,190	545,950	20,954	69,847	40,681	239,300	501,786	3,069,171	16.4%

(1) TAV (Total Assessed Value)/ TETV Total Estimated True Value-For purposes of ad valorem taxation, all taxable property in the State is required under current law to be divided into the following four classes:

- Class 1 - All property of utilities used in their business
- Class 2 - All property not otherwise classified
- Class 3 - All agricultural property, including forest property and single family, owner-occupied residential property
- Class 4 - Private passenger automobiles and pickup trucks



Table 9

**City of Auburn ~ Primary Government**  
**Ratio of General Bonded Debt to**  
**Assessed Value and Net Bonded Debt Per Capita**

Past Ten Fiscal Years  
*Unaudited*

Fiscal Year	Federal Census	Population	Assessed Value	Net Bonded Debt <sup>(2)</sup>	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1994	1990	37,494 <sup>(1)</sup>	\$174,467,860	\$24,151,180	13.84%	\$644
1995	1990	38,410 <sup>(1)</sup>	186,382,440	22,493,505	12.07%	586
1996	1990	39,326 <sup>(1)</sup>	196,322,540	30,641,378	15.61%	779
1997	1990	40,242 <sup>(1)</sup>	210,995,540	38,532,415	18.26%	958
1998	1990	41,158 <sup>(1)</sup>	233,605,380	41,965,477	17.96%	1,019 <sup>(3)</sup>
1999	1990	42,074 <sup>(1)</sup>	297,855,880	48,117,085	16.15%	1,143 <sup>(3)</sup>
2000	2000	42,987 <sup>(6)</sup>	315,482,120	48,851,019	15.48%	1,112
2001	2000	44,033 <sup>(1)</sup>	339,151,500	46,423,610	13.69%	1,057 <sup>(4)</sup>
2002	2000	45,389 <sup>(1)</sup>	359,156,440	64,966,037	18.09%	1,449 <sup>(5)</sup>
<b>2003</b>	<b>2000</b>	<b>46,032 <sup>(1)</sup></b>	<b>502,786,600</b>	<b>66,831,438</b>	<b>13.29%</b>	<b>1,451</b>

<sup>(1)</sup> These amounts were calculated using population estimates based on the 1990 and 2000 Census Bureau population counts

<sup>(2)</sup> Net bonded debt equals: General obligation bonds, notes and warrants outstanding, less Debt Service funds' equity.

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

<sup>(4)</sup> City issued \$30.048 million of G.O. Warrants to finance the purchase and expansion of the Northside and Southside Wastewater Treatment plants. Debt service on these warrants is intended to be repaid from Sewer Enterprise Fund revenues. Calculations excluding the general obligation debt intended to be repaid from sewer fund revenues.

<sup>(5)</sup> City issued \$27,275,000 of G.O. Warrants to refund outstanding debt (\$14,774,569) and to pay the costs of constructing schools (\$12,500,431) under the jurisdiction of the Board of Education. The City issues debt on the behalf of the School

<sup>(6)</sup> 2000 Federal Census

Table 10

**City of Auburn ~ Primary Government**  
**Ratio of Annual Debt Service Expenditures for**  
**General Bonded Debt to Total General Expenditures**

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Principal	Interest <sup>(1)</sup>	Total Debt Service	Total General Expenditures	Ratio of Debt Service to General Expenditures
1994	\$1,817,622	\$1,412,866	\$3,230,488	\$26,333,139	12.27%
1995	1,904,721	1,532,424	3,437,145	23,285,443	14.76%
1996	2,072,582	1,634,924	3,707,506	36,156,203	10.25%
1997	2,329,408	2,169,858	4,499,266	27,791,484	16.19%
1998	2,681,804	1,887,879	4,569,683	32,567,922	14.03%
1999	3,031,729	2,358,572	5,390,301	36,158,608	14.90%
2000	3,668,809	2,427,448	6,096,257	40,909,849	14.90%
2001	5,648,623	2,567,057	8,215,680	44,508,445	18.46%
2002	4,727,943	3,028,691 <sup>(2)</sup>	7,756,634	40,160,661	19.31%
<b>2003</b>	<b>3,105,726</b>	<b>3,747,321</b>	<b>6,853,047</b>	<b>48,045,950</b>	<b>14.26%</b>

<sup>(1)</sup> Includes fiscal fees and charges.

<sup>(2)</sup> Includes issuance costs of \$289,969 for the issuance of G.O. Warrants in the amount of \$27,275,000 to refund outstanding debt and construct schools under the jurisdiction of the Board of Education. The City issues debt on the School Board's behalf.

Table 11

## City of Auburn

## Schedule of Direct and Overlapping Debt

September 30, 2003

Unaudited

<u>Direct Debt</u>	<u>Gross Debt Less Debt Service Assets</u>	<u>Percentage Of Debt Applicable To City Of Auburn</u>	<u>City Of Auburn</u>
General Bonded Debt and Warrants	\$ 98,692,366		
Less: Debt Service Funds' Equity	<u>1,360,172</u>		
Net Direct Debt	97,332,194	100.00%	\$ 97,332,194
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	3,035,000	66.10%	<u>2,006,135</u>
Total Direct and Overlapping Debt			\$ 99,338,329

Table 12

## City of Auburn ~ Primary Government

## Computation of Legal Debt Margin

September 30, 2003

Unaudited

Assessed Value <sup>(1)</sup>		<u>\$ 502,786,600</u>
Debt Limit: Twenty Percent of Assessed Value		\$ 100,557,320
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	\$ 98,692,366	
Other Debt <sup>(2)</sup>	<u>1,204,002</u>	
Total Debt	99,896,368	
Less: Exempt Indebtedness <sup>(3)</sup>	<u>63,902,299</u>	
Total Amount of Debt Applicable to Debt Limit		<u>35,994,069</u>
Legal Debt Margin		<u>\$ 64,563,251</u>
Percent of Applicable Debt to Debt Limit		35.79%

<sup>(1)</sup> 2003 valuation of property subject to taxation<sup>(2)</sup> Accounts payable and accrued liabilities<sup>(3)</sup> Payable from property assessments and for providing school houses, waterworks, and sewers

Table 13

### City of Auburn ~ Primary Government

#### Revenue Bond Coverage

##### Sewer Bonds

Last Ten Fiscal Years

Unaudited

Fiscal Year	Direct Gross Revenue <sup>(1)</sup>	Net Revenue Operating Expenses <sup>(2)</sup>	Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994	\$ 3,880,589	\$ 3,680,162	\$ 200,427	\$ 245,000	\$ 25,395	\$ 70,395	0.74
1995	4,355,872	3,722,279	633,593	245,000	16,905	261,905	2.42
1996	4,550,243	3,798,883	751,360	245,000	8,453	253,453	2.97
1997	4,478,551	3,947,624	530,927	-0-	-0-	-0-	-
1998	4,488,761	4,046,156	442,605	-0-	-0-	-0-	-
1999	4,659,615	4,273,848	385,767	-0-	-0-	-0-	-
2000	4,991,993	4,425,348	566,645	-0-	-0-	-0-	-
2001	4,420,388	4,175,127	245,213	31,678	7,387	39,065	6.28
2002	3,729,369	2,134,897	1,594,472	-0-	1,492,907	2,590,382	-0.61
<b>2003</b>	<b>3,980,609</b>	<b>2,302,491</b>	<b>1,678,118</b>	<b>400,000</b>	<b>2,620,899</b>	<b>3,020,899</b>	<b>-0.56</b>

<sup>(1)</sup> Includes sewer service charges, tapping fees, gains on property disposals and other net non-operating revenues.

<sup>(2)</sup> Includes operating expenses and operating transfers out less depreciation expense.

Table 14

### City of Auburn ~ Primary Government

#### Assessed Valuation, Construction and Bank Deposits

Last Ten Fiscal Years

Unaudited

Fiscal Year	Value Of Building Permits (in thousands) <sup>(1)</sup>	Bank Deposits (In thousands) <sup>(2)</sup>	Assessed Valuation <sup>(3)</sup>
1994	\$49,061	\$311,933	\$174,467,860
1995	65,370	361,137	186,382,440
1996	57,690	373,075	196,322,540
1997	57,378	414,730	210,995,540
1998	77,444	445,355	233,605,380
1999	89,615	458,417	297,855,880
2000	87,558	494,581	315,482,120
2001	90,216	523,581	339,151,500
2002	137,092	613,044	359,156,440
<b>2003</b>	<b>144,406</b>	<b>647,224</b>	<b>502,786,600</b>

Source:

<sup>(1)</sup> City of Auburn Building Codes Enforcement Division.

<sup>(2)</sup> FDIC

<sup>(3)</sup> Lee County Tax Assessor (reflects current reappraisal values).

Table 15

**City of Auburn ~ Primary Government**

***Demographic Statistics***

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Lee County Population		City of Auburn Population		Lee County Per Capita Income <sup>(6)</sup>	City Of Auburn Retail Sales <sup>(3)</sup> (in thousands)	City of Auburn Unemployment Rate <sup>(2)</sup>	Lee County Unemployment Rate <sup>(2)</sup>
1994	87,146	(1)	33,830	(1)	\$ 16,215	\$ 315,887	4.40%	3.70%
1995	87,146	(1)	33,830	(1)	16,573	349,180	4.20%	4.80%
1996	87,146	(1)	33,830	(1)	16,640	381,832	2.90%	3.00%
1997	87,146	(1)	33,830	(1)	16,973	389,998	4.90%	4.80%
1998	87,146	(1)	33,830	(1)	17,466	412,005	3.40%	3.40%
1999	102,164	(4)	40,425	(4)	17,918	452,025	3.60%	3.90%
2000	115,092	(5)	42,987	(5)	18,714	486,082	3.30%	3.50%
2001	116,791	(4)	44,033	(4)	18,923	502,184	3.60%	3.70%
2002	118,123	(4)	45,389	(4)	18,923	526,430	4.20%	4.10%
<b>2003</b>	<b>118,123</b>	(4)	<b>46,032</b>	(4)	<b>18,923</b>	<b>538,805</b>	<b>4.00%</b>	<b>4.00%</b>

Sources:

(1) Federal Census, 1990

(2) State of Alabama, Department of Industrial Relations, Research and Statistics Division

(3) Based on gross receipts sales tax revenue collected by the City. Excludes tax-exempt sales.

(4) Federal Census Population Estimate

(5) Federal Census, 2000

(5) Federal Census, Population Estimate, 2/12/04

(6) U.S. Department of Commerce, Bureau of Economic Analysis, 7/01/01

Table 16

## City of Auburn

### *Miscellaneous Statistical Data*

September 30, 2003

*Unaudited*

Date of Incorporation	February 2, 1839	Auburn City Schools	
		Elementary (K-5)	6
Form of Government		Secondary (6-12)	3
City	Council-Manager	Administrative staff	22
County	Commission	Instructional staff	355
		Non-certified staff	231
City Area in Square Miles	49.5	Total staff	618
		Enrollment 2001-02	4,577
Miles of Streets		High school graduates	
Paved	311.4	2001-02	284
Unpaved	1.6		
		Largest Employers	
Miles of Sanitary Sewers	250	Auburn University	6,871
		Briggs and Stratton	800
Financial Institutions		Auburn City Schools	618
Banks	11	City of Auburn and	
Credit Unions	2	Water Works Board	371
		MasterBrand Cabinet	
Health Care Facility		Company	294
East Alabama		Capitol Vial	248
Medical Center	1	Federal government	172
		Winn Dixie	147
City Library		Auburn University	
Number of libraries	1	Hotel and Dixon	
Number of employees	26	Conference Center	132
Population		Police Protection	
1900 Federal Census	1,831	Sworn officers	71
1910 Federal Census	2,145	Classified personnel	6
1920 Federal Census	3,338	Unclassified personnel	1
1930 Federal Census	4,727	Patrol cars	36
1940 Federal Census	8,380	Unmarked cars	23
1950 Federal Census	12,939	Utility vehicles	1
1960 Federal Census	16,261		
1970 Federal Census	22,767	Fire Protection	
1980 Federal Census	28,471	Full time firefighters	29
1990 Federal Census	33,830	Student firefighters	56
2000 Federal Census	42,987	Recruit school students	49
<b>2003 Estimate</b>	<b>46,519</b>	Fire stations	4
		Fire trucks	7
		Other fire vehicles	8

Sources: City of Auburn, Auburn City Schools, Auburn University, U.S. Department of Commerce-Bureau of the Census

**City of Auburn, Alabama**  
**Appendix I**  
**General Fund**

Statement of Revenues by Source and Other Financing Sources - Budget and Actual  
Fiscal Year Ended September 30, 2003

	Fiscal Year 2003			Fiscal Year 2002	FY 03 > FY 02	
	Budget	Actual	Budget Variance Favorable (Unfav.)	Prior Year Actual	Amount	As %
<b>Locally levied taxes</b>						
Cigarette taxes	\$ 108,900	\$ 102,809	\$ (6,091)	\$ 105,414	\$ (2,605)	-2.47%
Gasoline taxes	250,100	241,527	(8,573)	262,573	(21,046)	-8.02%
Sales and use taxes	14,150,000	14,589,315	439,315	13,160,761	1,428,554	10.85%
Lodging taxes	555,000	548,362	(6,638)	485,260	63,102	13.00%
Rental and leasing taxes	403,000	419,479	16,479	343,451	76,028	22.14%
<i>Total locally levied taxes</i>	<u>15,467,000</u>	<u>15,901,491</u>	<u>434,491</u>	<u>14,357,459</u>	<u>1,544,032</u>	<u>10.75%</u>
<b>Licenses and permits</b>						
Franchise fees	555,000	517,793	(37,207)	411,202	106,591	25.92%
Business license fees	4,056,800	3,958,972	(97,828)	3,924,857	34,115	0.87%
Construction permits and fees	880,000	977,591	97,591	793,396	184,195	23.22%
Occupation license fees	5,200,000	5,557,851	357,851	4,981,415	576,436	11.57%
Parking fees	109,000	124,803	15,803	94,884	29,919	31.53%
Wholesale wine permits	25,000	25,790	790	24,053	1,737	7.22%
Dog licenses	7,700	8,449	749	10,684	(2,235)	-20.92%
<i>Total licenses and permits</i>	<u>10,833,500</u>	<u>11,171,250</u>	<u>337,750</u>	<u>10,240,491</u>	<u>930,759</u>	<u>9.09%</u>
<b>General property taxes</b>						
Ad valorem taxes	1,599,000	1,603,711	4,711	1,529,229	74,482	4.87%
Contributions in lieu of ad valorem taxes	433,000	441,531	8,531	401,480	40,051	9.98%
<i>Total general property taxes</i>	<u>2,032,000</u>	<u>2,045,242</u>	<u>13,242</u>	<u>1,930,710</u>	<u>114,532</u>	<u>5.93%</u>
<b>Fees for services</b>						
Solid waste collection fees	2,146,000	2,130,705	(15,295)	2,102,764	27,941	1.33%
Telephone fees for E-911 services	370,000	353,719	(16,281)	375,362	(21,643)	-5.77%
Parks and recreation fees	126,000	134,545	8,545	127,973	6,572	5.14%
Public safety charges	221,000	240,419	19,419	202,070	38,348	18.98%
Sewer system management fees	126,000	126,750	750	126,000	750	0.60%
Judicial system fees	172,740	181,464	8,724	238,010	(56,546)	-23.76%
Information Technology service fees	120,000	132,036	12,036	107,173	24,863	23.20%
Cemetery fees	60,000	68,283	8,283	77,225	(8,942)	-11.58%
Planning fees	36,000	50,233	14,233	34,847	15,386	44.15%
Finance Department fees	10,000	9,874	(126)	17,051	(7,177)	-42.09%
Library fees	10,000	11,300	1,300	11,563	(263)	-2.28%
Miscellaneous	1,000	800	(200)	710	90	12.68%
<i>Total fees for services</i>	<u>3,398,740</u>	<u>3,440,127</u>	<u>41,387</u>	<u>3,420,748</u>	<u>19,379</u>	<u>0.57%</u>
<b>Fines and forfeitures</b>						
Court fines	675,000	660,901	(14,099)	628,661	32,240	5.13%
Parking fines	145,000	168,246	23,246	121,860	46,386	38.07%
<i>Total fines and forfeitures</i>	<u>820,000</u>	<u>829,147</u>	<u>9,147</u>	<u>750,521</u>	<u>78,626</u>	<u>10.48%</u>
<b>State shared taxes</b>						
Business privilege tax	153,770	153,770	-	152,658	1,112	0.73%
Alabama Trust Fund distribution	165,919	165,919	-	138,980	26,939	19.38%
Motor vehicle tax	264,000	84,500	(179,500)	108,910	(24,410)	-22.41%
Financial Institution Excise Tax	12,000	39,374	27,374	7,869	31,505	400.39%

**City of Auburn, Alabama**  
**Appendix I**  
**General Fund**

Statement of Revenues by Source and Other Financing Sources - Budget and Actual  
Fiscal Year Ended September 30, 2003

	Fiscal Year 2003			Fiscal Year 2002	FY 03 > FY 02	
	Budget	Actual	Budget Variance Favorable (Unfav.)	Prior Year Actual	Amount	As %
<b>State shared taxes (continued)</b>						
Alcoholic Beverage Control Board profits distribution	\$ 35,000	\$ 41,799	\$ 6,799	\$ 20,340	\$ 21,459	105.50%
<i>Total state shared taxes</i>	<u>630,689</u>	<u>485,362</u>	<u>(145,327)</u>	<u>428,757</u>	<u>56,605</u>	13.20%
<b>Contributions from the public</b>						
For infrastructure projects	-	22,928	22,928	25,000	(2,072)	-8.29%
For parks and recreation	30,000	29,901	(99)	29,817	84	0.28%
Other donations	16,000	36,863	20,863	38,450	(1,587)	-4.13%
<i>Total contributions from the public</i>	<u>46,000</u>	<u>89,693</u>	<u>43,693</u>	<u>93,267</u>	<u>(3,574)</u>	-3.83%
<b>Grants</b>	414,274	419,961	5,687	422,582	(2,621)	-0.62%
<b>Lease income</b>	75,000	74,423	(577)	71,471	2,952	4.13%
<b>Interest</b>	270,000	294,710	24,710	397,990	(103,281)	-25.95%
<b>Miscellaneous revenues</b>						
Concessions income	46,000	46,963	963	63,795	(16,832)	-26.38%
Recycling	17,000	16,948	(52)	11,584	5,363	46.30%
Other	22,200	41,968	19,768	79,208	(37,240)	-47.02%
<i>Total miscellaneous revenues</i>	<u>85,200</u>	<u>105,879</u>	<u>20,679</u>	<u>154,587</u>	<u>(48,709)</u>	-31.51%
<b>Total General Fund Revenues (excluding Special Activities)</b>	<u>34,072,403</u>	<u>34,857,285</u>	<u>784,882</u>	<u>32,268,583</u>	<u>2,588,702</u>	<b>8.02%</b>
<b>Special Activities of the General Fund</b>						
Fees for insurance services	\$ 645,469	\$ 676,660	\$ 31,191	\$ 657,441	\$ 19,219	2.92%
Interest	44,500	168,619	124,119	212,866	(44,247)	-20.79%
Contributions from the public	-	205,421	205,421	19,385	186,036	959.69%
Special capital improvement projects	-	-	-	554,692	(554,692)	-100.00%
<b>Total Special Activities</b>	<u>689,969</u>	<u>1,050,700</u>	<u>360,731</u>	<u>1,444,384</u>	<u>(393,684)</u>	<b>-27.26%</b>
<b>Total General Fund Revenues</b>	<u>34,762,372</u>	<u>35,907,985</u>	<u>1,145,613</u>	<u>33,712,967</u>	<u>2,195,018</u>	<b>6.51%</b>
<b>Long-term debt proceeds</b>						
General obligation warrants	1,065,500	1,065,500	-	1,937,000	(871,500)	-44.99%
Capital leases	-	-	-	-	-	-
<i>Total long-term debt proceeds</i>	<u>1,065,500</u>	<u>1,065,500</u>	<u>-</u>	<u>1,937,000</u>	<u>(871,500)</u>	-44.99%
<b>Operating transfers in from other funds</b>						
From Post Office Warrant Fund	-	-	-	422,000	(422,000)	-
From City Gas Tax Fund	300,000	262,140	(37,860)	150,000	112,140	74.76%
From State 7c Gas Tax Fund	170,000	170,000	-	124,000	46,000	37.10%
From State 9c Gas Tax Fund	125,000	125,000	-	86,500	38,500	44.51%
From Sewer Fund	113,182	111,910	(1,272)	71,250	40,660	57.07%
From 1999 Capital Project	-	45,118	45,118	-	45,118	-
<i>Total operating transfers in</i>	<u>708,182</u>	<u>714,167</u>	<u>5,985</u>	<u>853,750</u>	<u>(139,583)</u>	-16.35%
<b>Total other financing sources</b>	<u>1,773,682</u>	<u>1,779,667</u>	<u>5,985</u>	<u>2,790,750</u>	<u>(1,011,083)</u>	<b>-36.23%</b>
<b>Total revenues and other financing sources</b>	<u>\$ 36,536,054</u>	<u>\$ 37,687,652</u>	<u>\$ 1,151,598</u>	<u>\$ 36,503,717</u>	<u>\$ 1,183,935</u>	<b>3.24%</b>

**City of Auburn, Alabama**  
**Appendix II**  
**General Fund**

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2003

	Fiscal Year 2003			Fiscal Year 2002	FY 03 > FY 02	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
<b>City Council</b>						
Personal services	\$ 58,562	\$ 58,062	\$ 500	\$ 27,554	\$ 30,507	110.72%
Contractual services	83,107	75,110	7,997	84,678	(9,568)	-11.30%
Totals	141,669	133,172	8,497	112,232	20,940	18.66%
<b>City Manager's Office</b>						
Personal services	410,125	382,946	27,179	380,496	2,450	0.64%
Contractual services	36,865	28,934	7,931	26,971	1,963	7.28%
Commodities	13,142	12,699	443	15,039	(2,340)	-15.56%
Debt service	-	-	-	5,026	(5,026)	-100.00%
Totals	460,132	424,578	35,554	427,532	(2,954)	-0.69%
<b>Judicial</b>						
Personal services	313,906	310,692	3,214	286,219	24,473	8.55%
Contractual services	114,116	133,572	(19,456)	112,221	21,351	19.03%
Commodities	34,072	41,544	(7,472)	13,398	28,146	210.07%
Capital outlay	10,919	10,919	0	-	10,919	N/A
Total	473,013	496,726	(23,713)	411,838	84,888	20.61%
<b>Information Technology</b>						
<i>Information Technology</i>						
Personal services	411,159	418,097	(6,938)	369,175	48,923	13.25%
Contractual services	117,904	134,461	(16,557)	100,338	34,122	34.01%
Commodities	93,085	69,538	23,547	60,755	8,783	14.46%
Capital outlay	162,430	170,574	(8,144)	13,400	157,174	1172.91%
Debt service	5,451	5,452	(1)	8,177	(2,726)	-33.33%
Subtotals	790,029	798,122	(8,093)	551,846	246,276	44.63%
<i>Geographic Information Systems</i>						
Personal services	163,535	131,427	32,108	84,754	46,672	55.07%
Contractual services	29,673	23,050	6,623	1,678	21,373	1274.00%
Commodities	5,670	26,349	(20,679)	9,107	17,242	189.33%
Capital outlay	6,000	9,703	(3,703)	10,440	(737)	-7.06%
Subtotals	204,878	190,529	14,349	105,979	84,550	79.78%
Totals	994,907	988,650	6,257	657,824	330,826	50.29%
<b>Finance</b>						
Personal services	741,758	712,600	29,158	658,056	54,545	8.29%
Contractual services	78,915	68,844	10,071	68,280	565	0.83%
Commodities	64,607	74,665	(10,058)	60,560	14,105	23.29%
Capital outlay	10,625	5,261	5,364	32,424	(27,163)	-83.77%
Total	895,905	861,370	34,535	819,319	42,051	5.13%
<b>Economic Development</b>						
Personal services	358,264	357,896	368	306,462	51,434	16.78%
Contractual services	14,774	14,723	51	25,178	(10,456)	-41.53%
Commodities	10,639	14,304	(3,665)	9,027	5,277	58.45%
Capital outlay	4,858	4,857	1	1,054	3,803	360.72%
Debt service	7,867	-	7,867	3,443	(3,443)	-100.00%
Totals	396,402	391,780	4,622	345,166	46,615	13.50%
<b>Human Resources</b>						
<i>Human Resources</i>						
Personal services	289,835	289,378	457	259,319	30,059	11.59%
Contractual services	127,250	102,211	25,039	81,301	20,910	25.72%
Commodities	8,880	8,360	520	11,823	(3,463)	-29.29%
Capital outlay	2,000	1,585	415	23,085	(21,500)	-93.13%
Subtotals	427,965	401,534	26,431	375,528	26,006	6.93%
<i>Risk Management</i>						
Contractual Services	218,809	201,875	16,934	188,774	13,101	6.94%
Totals	646,774	603,409	43,365	564,302	39,108	6.93%



**City of Auburn, Alabama**  
**Appendix II**  
**General Fund**

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2003

	Fiscal Year 2003			Fiscal Year 2002	FY 03 > FY 02	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
<b>Public Works</b>						
<i>Administration</i>						
Personal services	\$ 306,740	\$ 248,447	\$ 58,293	\$ 256,113	\$ (7,666)	-2.99%
Contractual services	159,128	144,853	14,275	100,334	44,519	44.37%
Commodities	54,544	44,776	9,768	38,007	6,769	17.81%
Capital outlay	19,289	17,232	2,057	128,344	(111,112)	-86.57%
Subtotals	539,701	455,307	84,394	522,797	(67,490)	-12.91%
<i>Construction and Maintenance</i>						
Personal services	543,604	481,114	62,490	355,781	125,333	35.23%
Contractual services	155,810	114,122	41,688	101,412	12,710	12.53%
Commodities	147,265	157,775	(10,510)	106,181	51,594	48.59%
Capital outlay	95,315	97,865	(2,550)	86,946	10,919	12.56%
Debt service	23,963	23,404	559	28,436	(5,031)	-17.69%
Subtotals	965,957	874,280	91,677	678,756	195,524	28.81%
<i>Engineering Design</i>						
Personal services	366,065	401,310	(35,245)	313,683	87,627	27.93%
Contractual services	45,390	39,023	6,367	17,093	21,930	128.30%
Commodities	35,002	33,002	2,000	22,531	10,471	46.47%
Capital outlay	4,110	4,110	-	19,993	(15,883)	-79.44%
Subtotals	450,567	477,445	(26,878)	373,300	104,145	27.90%
<i>Inspection</i>						
Personal services	161,766	162,533	(767)	144,907	17,626	12.16%
Contractual services	29,000	6,580	22,420	14,992	(8,412)	-56.11%
Commodities	12,100	9,871	2,229	4,394	5,477	124.65%
Capital outlay	-	-	-	19,312	(19,312)	-100.00%
Debt service	6,518	6,518	0	8,690	(2,173)	-25.00%
Subtotals	209,384	185,501	23,883	192,295	(6,793)	-3.53%
<i>Traffic Engineering</i>						
Personal services	103,369	104,350	(981)	74,721	29,629	39.65%
Contractual services	13,075	10,229	2,846	22,909	(12,679)	-55.35%
Commodities	74,182	107,196	(33,014)	43,788	63,407	144.80%
Capital outlay	149,788	139,972	9,816	48,671	91,302	187.59%
Subtotals	340,414	361,747	(21,333)	190,089	171,658	90.30%
Totals	2,506,023	2,354,281	151,742	1,957,237	397,044	20.29%
<b>Environmental Services</b>						
<i>Administration</i>						
Personal services	318,724	303,861	14,863	272,382	31,480	11.56%
Contractual services	154,244	141,996	12,248	94,790	47,205	49.80%
Commodities	51,045	43,183	7,862	45,572	(2,389)	-5.24%
Capital outlay	-	-	-	14,096	(14,096)	-100.00%
Debt service	2,452	1,840	612	16,245	(14,405)	-88.68%
Subtotals	526,465	490,880	35,585	443,085	47,795	10.79%
<i>Recycling</i>						
Personal services	509,267	473,567	35,700	430,181	43,386	10.09%
Contractual services	198,467	181,979	16,488	157,949	24,030	15.21%
Commodities	97,385	88,013	9,372	75,624	12,389	16.38%
Capital outlay	101,004	101,004	-	-	101,004	N/A
Debt service	30,426	30,426	-	30,426	-	0.00%
Subtotals	936,549	874,988	61,561	694,180	180,808	26.05%
<i>Solid Waste</i>						
Personal services	396,330	388,931	7,399	389,159	-	-
Contractual services	493,100	299,888	193,212	266,327	33,561	12.60%
Commodities	124,845	142,907	(18,062)	122,414	20,493	16.74%
Debt service	93,050	93,050	0	95,895	(2,846)	-2.97%
Subtotals	1,107,325	924,776	182,549	873,796	50,980	5.83%

**City of Auburn, Alabama**  
**Appendix II**  
**General Fund**

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2003

	Fiscal Year 2003			Fiscal Year 2002	FY 03 > FY 02	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
<b>Environmental Services (continued)</b>						
<i>Animal Control</i>						
Personal services	\$ 75,510	\$ 68,554	\$ 6,956	\$ 70,280	\$ (1,726)	-2.46%
Contractual services	8,393	4,103	4,290	3,288	815	24.78%
Commodities	72,718	62,447	10,271	55,486	6,962	12.55%
Capital outlay	12,160	12,157	3	20,108	(7,951)	-39.54%
Subtotals	168,781	147,261	21,520	149,162	(1,901)	-1.27%
<i>Right of Way Maintenance</i>						
Personal services	342,486	346,360	(3,874)	296,448	49,912	16.84%
Contractual services	34,028	22,501	11,527	16,591	5,910	35.62%
Commodities	75,024	86,438	(11,414)	72,873	13,565	18.61%
Capital outlay	27,175	27,175	-	7,430	19,745	265.75%
Debt service	22,461	22,462	(1)	29,240	(6,778)	-23.18%
Subtotals	501,174	504,936	(3,762)	422,582	82,354	19.49%
<i>Fleet Services</i>						
Personal Services	368,644	364,434	4,210	380,481	(16,047)	-4.22%
Contractual Services	54,042	51,009	3,033	42,313	8,696	20.55%
Commodities	47,142	43,539	3,603	48,431	(4,891)	-10.10%
Capital outlay	-	-	-	4,067	(4,067)	-100.00%
Subtotals	469,828	458,982	10,846	475,291	(16,309)	-3.43%
Totals	3,710,122	3,401,824	308,298	3,058,097	343,728	11.24%
<b>Public Safety</b>						
<i>Administration</i>						
Personal services	232,972	193,919	39,053	129,656	64,263	49.56%
Contractual services	925,070	771,365	153,705	328,386	442,980	134.90%
Commodities	48,550	130,915	(82,365)	24,739	106,176	429.19%
Capital outlay	6,000	43,558	(37,558)	18,290	25,268	138.15%
Debt Service	4,740	4,740	(0)	8,126	(3,386)	-41.67%
Subtotals	1,217,332	1,144,497	72,835	509,196	635,301	124.77%
<i>Police</i>						
Personal services	3,851,842	3,852,443	(601)	3,723,251	129,191	3.47%
Contractual services	49,000	46,454	2,546	294,021	(247,567)	-84.20%
Commodities	257,800	251,740	6,060	225,789	25,950	11.49%
Capital outlay	226,450	211,731	14,719	9,970	201,761	2023.68%
Debt Service	125,889	129,741	(3,852)	125,247	4,494	3.59%
Subtotals	4,510,981	4,492,108	18,873	4,378,279	113,829	2.60%
<i>Fire</i>						
Personal services	2,414,440	2,502,343	(87,903)	2,392,872	109,470	4.57%
Contractual services	88,000	81,125	6,875	84,898	(3,773)	-4.44%
Commodities	130,000	105,518	24,482	159,723	(54,205)	-33.94%
Capital outlay	573,000	482,703	90,297	3,695	479,008	12963.69%
Debt Service	54,474	50,419	4,055	93,930	(43,511)	-46.32%
Subtotals	3,259,914	3,222,108	37,806	2,735,118	486,990	17.81%
<i>Communications</i>						
Personal services	322,038	332,110	(10,072)	307,219	24,891	8.10%
Contractual services	65,000	75,577	(10,577)	68,012	7,565	11.12%
Commodities	25,150	2,453	22,697	3,221	(768)	-23.84%
Subtotals	412,188	410,139	2,049	378,451	31,688	8.37%
<i>Codes Enforcement</i>						
Personal services	230,252	228,720	1,532	182,043	46,678	25.64%
Contractual services	1,000	301	699	297	4	1.42%
Commodities	7,840	8,690	(850)	4,938	3,752	75.98%
Capital Outlay	25,344	25,345	(1)	-	25,345	N/A
Subtotals	264,436	263,056	1,380	187,278	75,779	40.46%
Totals	9,664,851	9,531,909	132,942	8,188,323	1,343,586	16.41%

**City of Auburn, Alabama**  
**Appendix II**  
**General Fund**

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)  
Fiscal Year Ended September 30, 2003

	Fiscal Year 2003			Fiscal Year 2002	FY 03 > FY 02	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
<b>Library</b>						
Personal services	\$ 633,493	\$ 575,604	\$ 57,889	\$ 539,416	\$ 36,188	6.71%
Contractual services	91,162	82,948	8,214	70,509	12,439	17.64%
Commodities	103,150	103,380	(230)	99,982	3,398	3.40%
Capital outlay	10,800	10,921	(121)	7,646	3,275	42.83%
Totals	838,605	772,853	65,752	717,553	55,300	7.71%
<b>Parks and Recreation</b>						
<i>Administration</i>						
Personal services	221,967	202,201	19,766	208,415	(6,213)	-2.98%
Contractual services	402,950	360,869	42,081	402,460	(41,592)	-10.33%
Commodities	36,432	39,635	(3,203)	27,426	12,210	44.52%
Capital Outlay	6,200	16,814	(10,614)	19,770	(2,956)	-14.95%
Debt Service	3,475	3,127	348	4,170	(1,042)	-25.00%
Subtotals	671,024	622,647	48,377	662,240	(39,594)	-5.98%
<i>Leisure Services</i>						
Personal services	1,057,490	1,020,662	36,828	959,853	60,808	6.34%
Contractual services	88,525	74,416	14,109	57,055	17,361	30.43%
Commodities	127,350	126,665	685	124,389	2,276	1.83%
Capital outlay	25,000	33,122	(8,122)	65,368	(32,246)	-49.33%
Subtotals	1,298,365	1,254,865	43,500	1,206,666	48,199	3.99%
<i>Parks and Facilities</i>						
Personal services	948,346	863,371	84,975	813,969		
Contractual services	110,790	145,221	(34,431)	134,977	10,243	7.59%
Commodities	199,590	189,767	9,823	160,781	28,986	18.03%
Capital outlay	85,160	103,778	(18,618)	157,466	(53,688)	-34.10%
Debt Service	10,870	10,869	1	14,492	(3,623)	-25.00%
Subtotals	1,354,756	1,313,006	41,750	1,281,687	31,319	2.44%
Totals	3,324,145	3,190,517	66,633	3,150,593	39,924	1.27%
<b>Planning</b>						
Personal services	324,355	300,241	24,114	303,690	(3,449)	-1.14%
Contractual services	42,940	19,948	22,992	31,495	(11,547)	-36.66%
Commodities	15,080	26,570	(11,490)	20,440	6,130	29.99%
Capital outlay	7,500	8,538	(1,038)	9,011	(473)	-5.25%
Debt service	2,452	1,840	612	7,971	(6,132)	-76.92%
Totals	392,327	357,137	35,190	372,608	(15,471)	-4.15%
<b>Totals for all departments</b>	24,444,875	23,508,207	869,673	20,782,622	2,725,585	13.11%
<b>Non-departmental</b>						
<i>General Operations</i>						
Personal services	271,180	255,078	16,102	272,024	(16,946)	-6.23%
Contractual services	708,700	684,875	23,825	632,739	52,135	8.24%
Commodities	28,100	69,385	(41,285)	41,247	28,138	68.22%
Capital outlay	250,663	246,755	3,908	13,080	233,676	1786.58%
Subtotals	1,258,643	1,256,092	2,551	959,089	297,003	30.97%
<i>Project Operations</i>	3,691,630	2,217,923	1,473,707	1,563,064	654,859	41.90%
<i>Debt Service</i>	2,013,540	2,105,382	(91,842)	1,860,573	244,809	13.16%
<i>Intergovernmental</i>	4,933,592	4,906,761	26,831	4,867,674	39,088	0.80%
<b>Non-departmental Totals</b>	11,897,405	10,486,159	1,411,246	9,250,400	1,235,758	13.36%
<b>General Fund Special Activities</b>						
<i>Former County Road</i>	-	36,081	(36,081)	52,161	(16,080)	-30.83%
<i>Community Built Playground</i>	-	-	-	-	-	N/A
<i>Veteran's Memorial Monument</i>	-	9,415	(9,415)	8,152	1,263	15.49%
<i>Assessment Projects</i>	-	307,990	(307,990)	731,008	(423,018)	-57.87%
<i>Liability Risk Retention</i>	411,058	154,059	256,999	122,630	31,429	25.63%
<i>Employee Benefit Self-Insurance</i>	1,571,757	1,752,328	(180,571)	1,210,386	541,942	44.77%
<b>Special Activities Total</b>	1,982,815	2,259,874	(277,059)	2,124,337	135,537	6.38%
<b>Total expenditures</b>	38,325,095	36,254,240	2,003,860	32,157,359	4,096,880	12.74%
<b>Other Financing Uses</b>						
Operating Transfers Out	1,553,386	1,252,767	300,619	1,551,022	(298,255)	-19.23%
<b>Total General Fund</b>	\$ 39,878,481	\$ 37,507,007	\$ 2,304,479	\$ 33,708,381	\$3,798,626	11.27%

**City of Auburn**  
**Appendix II-A**  
**General Fund**

Reconciliation of Expenditures by Department and Category (Budget Basis) to  
Expenditures per Generally Accepted Accounting Principles (GAAP)  
Fiscal Year Ended September 30, 2003

	Expenditures	Deductions		Expenditures per GAAP	Prior Year per GAAP
		Capital Outlay	Debt Service		
City Council	\$ 133,172	\$ -	\$ -	\$ 133,172	\$ 112,232
City Manager's Office	424,578	-	-	424,578	422,506
Judicial	496,726	10,919	-	485,808	411,838
Information Technology					
Information Technology	798,122	170,574	5,452	622,096	530,269
Geographic Information Systems	190,529	9,703	-	180,826	95,539
Total Information Technology	<u>988,650</u>	<u>180,277</u>	<u>5,452</u>	<u>802,921</u>	<u>625,808</u>
Finance	<u>861,370</u>	<u>5,261</u>	<u>-</u>	<u>856,109</u>	<u>786,895</u>
Total general government and administration	<u>2,904,497</u>	<u>196,457</u>	<u>5,452</u>	<u>2,702,588</u>	<u>2,359,279</u>
Economic Development	<u>391,780</u>	<u>4,857</u>	<u>-</u>	<u>386,923</u>	<u>340,669</u>
Human Resources					
Human Resources	401,534	1,585	-	399,949	352,443
Risk Management	201,875	-	-	201,875	188,774
Total Human Resources	<u>603,409</u>	<u>1,585</u>	<u>-</u>	<u>601,824</u>	<u>541,217</u>
Public Works					
Administration	455,307	17,232	-	438,075	394,453
Construction	874,280	97,865	23,404	753,011	569,949
Engineering Design	477,445	4,110	-	473,335	353,307
Inspection	185,501	-	6,518	178,984	164,293
Traffic Engineering	361,747	139,972	-	221,775	108
Total Public Works	<u>2,354,281</u>	<u>259,179</u>	<u>29,922</u>	<u>2,065,180</u>	<u>1,623,528</u>
Environmental Services					
Administration	490,880	-	1,840	489,040	412,744
Recycling	874,988	101,004	30,426	743,558	663,754
Solid Waste	924,776	-	93,050	831,727	777,901
Animal Control	147,261	12,157	-	135,104	129,055
Right of Way Maintenance	504,936	27,175	22,462	455,299	385,912
Fleet Services	458,982	-	-	458,982	471,225
Total Environmental Services	<u>3,401,824</u>	<u>140,336</u>	<u>147,777</u>	<u>3,113,711</u>	<u>2,840,590</u>
Public Safety					
Administration	1,144,497	43,558	4,740	1,096,199	482,780
Police	4,492,108	211,731	129,741	4,150,636	4,243,062
Fire	3,222,108	482,703	50,419	2,688,985	2,637,493
Communications	410,139	-	-	410,139	378,451
Codes Enforcement	263,056	25,345	-	237,712	187,278
Total Public Safety	<u>9,531,909</u>	<u>763,337</u>	<u>184,901</u>	<u>8,583,672</u>	<u>7,929,064</u>
Library	<u>772,853</u>	<u>10,921</u>	<u>-</u>	<u>761,932</u>	<u>709,907</u>
Parks and Recreation					
Administration	622,647	16,814	3,127	602,705	638,300
Leisure Services	1,254,865	33,122	-	1,221,743	1,141,298
Parks and Facilities	1,313,006	103,778	10,869	1,198,359	1,109,728
Total Parks and Recreation	<u>3,190,517</u>	<u>153,714</u>	<u>13,997</u>	<u>3,022,806</u>	<u>2,889,325</u>
Planning	<u>357,137</u>	<u>-</u>	<u>-</u>	<u>357,137</u>	<u>355,626</u>
<b>Total Departmental</b>	<u>23,508,207</u>	<u>1,530,385</u>	<u>382,048</u>	<u>21,595,774</u>	<u>19,589,205</u>
Non- Departmental					
General Operations	1,256,092	246,755	-	1,009,337	946,009
Project Operations	2,217,923	-	-	2,217,923	-
Debt Service	2,105,382	2,105,382	-	-	-
Intergovernmental	4,906,761	-	-	4,906,761	4,867,674
Other Financing Uses	1,252,767	-	-	1,252,767	1,551,022
<b>Total Non-Departmental</b>	<u>11,738,926</u>	<u>2,352,138</u>	<u>-</u>	<u>9,386,788</u>	<u>7,364,705</u>
<b>General Fund Special Activities</b>					
Former County Road	36,081	-	-	36,081	-
Community Built Playground	-	-	-	-	-
Veteran's Memorial Monument	9,415	-	-	9,415	8,152
Assessment Projects	307,990	-	-	307,990.44	-
Liability Risk Retention	154,059	-	-	154,059	122,630
Employee Benefit Self-Insurance	1,752,328	-	-	1,752,328	1,210,386
<b>Special Activities Total</b>	<u>2,259,874</u>	<u>-</u>	<u>-</u>	<u>2,259,874</u>	<u>1,341,168</u>
<b>Total Expenditures &amp; Other Financing Uses</b>	<u>\$ 37,507,007</u>			<u>\$ 33,242,436</u>	<u>\$ 28,295,078</u>
Capital Outlay Expenditures per GAAP		\$ 3,882,523			
Debt Service Expenditures per GAAP			\$ 382,048		

**City of Auburn**  
**Appendix III**

Governmental Funds Expenditures by Function (unaudited)  
Fiscal Year Ended September 30, 2003

	General Government	Public Safety	Public Works	Environmental Services	Health and Welfare	Industrial Development & Education	Culture and Recreation	Capital Outlay	Debt Service	Totals
Administration and Staff Support	\$ 2,839,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,839,946
Public Works	-	-	2,065,180	-	-	-	-	-	-	2,065,180
Environmental Services	-	-	-	3,113,710	-	-	-	-	-	3,113,710
Public Safety Admin/Jail	-	923,795	-	-	-	-	-	-	-	923,795
Police	-	4,187,393	-	-	-	-	-	-	-	4,187,393
Fire	-	2,688,985	-	-	-	-	-	-	-	2,688,985
Communications	-	410,139	-	-	-	-	-	-	-	410,139
Codes Enforcement	-	237,712	-	-	-	-	-	-	-	237,712
Library	-	-	-	-	-	-	782,875	-	-	782,875
Parks and Recreation	-	-	-	-	-	-	3,032,220	-	-	3,032,220
Planning	346,760	-	-	-	-	-	-	-	-	346,760
Economic Development	780,402	-	-	-	-	-	-	-	-	780,402
Human Resources	399,949	-	-	-	-	-	-	-	-	399,949
Risk Management	294,934	-	-	-	-	-	-	-	-	294,934
Non-Departmental	2,739,900	-	-	-	-	-	-	-	-	2,739,900
Capital Outlay	-	-	-	-	-	-	-	7,347,636	-	7,347,636
Debt Service	-	-	-	-	-	-	-	-	6,853,047	6,853,047
Intergovernmental	168,932	432,315	21,043	-	155,904	8,205,050	18,123	-	-	9,001,367
<b>Totals</b>	<b>\$ 7,570,823</b>	<b>\$ 8,880,339</b>	<b>\$ 2,086,223</b>	<b>\$ 3,113,710</b>	<b>\$ 155,904</b>	<b>\$ 8,205,050</b>	<b>\$ 3,833,218</b>	<b>\$ 7,347,636</b>	<b>\$ 6,853,047</b>	<b>\$ 48,045,950</b>
As a percentage	15.76%	18.48%	4.34%	6.48%	0.32%	17.08%	7.98%	15.29%	14.26%	100%
<b>Prior Year Totals (FY02)</b>	<b>\$ 6,913,860</b>	<b>\$ 8,417,145</b>	<b>\$ 1,668,437</b>	<b>\$ 2,840,590</b>	<b>\$ 244,981</b>	<b>\$ 4,071,921</b>	<b>\$ 3,629,140</b>	<b>\$ 4,617,953</b>	<b>\$ 7,756,634</b>	<b>\$ 40,160,661</b>
As a percentage	17.22%	20.96%	4.15%	7.07%	0.61%	10.14%	9.04%	11.50%	19.31%	100%



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