

City of Auburn, Alabama

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2002

The City of Auburn, Alabama
Comprehensive Annual Financial Report

For the Fiscal Year Ended

September 30, 2002

Prepared by

Finance Department

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**Officials of the City of Auburn, Alabama
September 30, 2002**

City Council

Bill Ham, Jr., Mayor

K.Ted Wilson, Mayor Pro Tem

Verlinda J. White

Sheila Eckman

Dick Phelan

Logan B. Gray

Roberta Jackel

Carolyn Mathews

Gene Dulaney

Management

Douglas J. Watson, City Manager

**Wendy L. Hassett
Arnold W. Umbach, Jr.
Joe S. Bailey
Phillip Dunlap
Andrea E. Jackson
Steven A. Reeves
James C. Buston, III**

**Assistant City Manager
City Attorney
Municipal Judge
Economic Development Director
Finance Director
Human Resource Mgt. Director
Information Technology Director**

**Margie B. Huffman
Rebecca O. Richardson
Robert J. Juster
O. Clyde Prather
Jeff Ramsey
Al Davis
Rex Griffin**

**Library Director
Parks and Recreation Director
Planning Director
Public Safety Director
Public Works Director
Environmental Services Director
Water and Sewer Director**

City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2002

Table of Contents

	Page Number
Title Page	
Officials of the City of Auburn	
Table of Contents	
Introductory Section	
Introduction from the Mayor	1
Community Profile.....	3
Letter of Transmittal	13
GFOA Certificate of Achievement.....	32
Appendix I Statement of Revenues by Source and Other Financing Sources - Budget and Actual.....	33
Appendix II General Fund Statement of Expenditures by Department and Category (Budget Basis) - Budget and Actual	36
Appendix II-A Reconciliation of General Fund Expenditures by Department and Category (Budget Basis) to Expenditures per Generally Accepted Accounting Principles (GAAP Basis)	44
Appendix III Governmental Funds Expenditures by Function	46
Organizational Chart	47
Financial Section	
Independent Auditor's Report	49
<i>General Purpose Financial Statements (Combined Statements - Overview)</i>	
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units	52
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Discretely Presented Component Units	56
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual (GAAP Basis) - General, Special Revenue and Debt Service Fund Types.....	58
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types and Discretely Presented Component Units	60
Combined Statement of Cash Flows - All Proprietary Fund Types and Discretely Presented Component Units.....	62

City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2002

Table of Contents (continued)

Financial Section (continued)	Page Number
 <i>General Purpose Financial Statements (Combined Statements - Overview) (continued)</i>	
Guide to Notes to the Financial Statements	65
Notes to the Financial Statements.....	67
 <i>Combining and Individual Funds Statements and Schedules</i>	
<i>Special Revenue Funds</i>	
Combining Balance Sheet	137
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit).....	138
Seven-Cent Gas Tax Special Revenue Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	140
Four-Cent Gas Tax Special Revenue Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	141
Public Safety Substance Abuse Special Revenue Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	142
City Gas Tax Special Revenue Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	143
Special School Tax Special Revenue Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	144
Special Additional School Tax Special Revenue Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	145
<i>Debt Service Funds</i>	
Combining Balance Sheet	147
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	148

City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2002

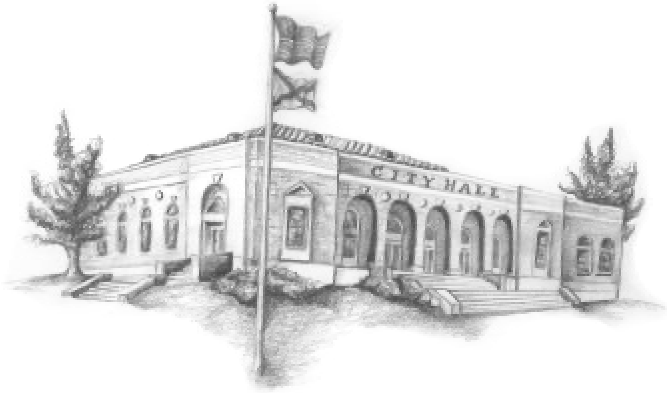
Table of Contents (continued)

Financial Section (continued)	Page Number
 <i>Combining and Individual Funds Statements and Schedules (continued)</i>	
 <i>Debt Service Funds (continued)</i>	
GORSIW Series 76 Debt Service Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	149
Special 5-Mill Tax Debt Service Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	150
 <i>Capital Projects Funds</i>	
Combining Balance Sheet	151
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	152
 <i>Enterprise Funds</i>	
Combining Balance Sheet	154
Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)	156
Combining Statement of Cash Flows	158
 <i>General Fixed Assets Account Group</i>	
Schedule of General Fixed Assets - By Sources	161
Schedule of General Fixed Assets - By Function and Activity	162
Schedule of Changes in General Fixed Assets - By Function and Activity	163
 <i>General Long-Term Debt Account Group</i>	
Statement of General Long-Term Debt	165

City of Auburn, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2002

Table of Contents (continued)

Statistical Section	Page Number
Table 1 - General Revenues by Source	167
Table 2 - General Government Tax Revenues by Source.....	168
Table 3 - General Government Expenditures by Functions	169
Table 4 - Revenue Bond Coverage - Sewer Bonds	170
Table 5 - Property Tax Levies and Collections.....	171
Table 6 - Property Tax Rates - Direct and Overlapping Governments.....	172
Table 7 - Assessed Value of All Taxable Property.....	173
Table 8 - Assessed and Estimated True Value of Taxable Property	174
Table 9 - 2002 Ad Valorem Tax Year - City of Auburn Principal Taxpayers	175
Table 10 - Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	176
Table 11 - Schedule of Direct and Overlapping Debt	177
Table 12 - Computation of Legal Debt Margin.....	178
Table 13 - Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	179
Table 14 - Schedule of Insurance in Force.....	180
Table 15 - Assessed Valuation, Construction and Bank Deposits.....	181
Table 16 - Demographic Statistics.....	182
Table 17 - Miscellaneous Statistical Data.....	183
Index	185



City of Auburn

Home of Auburn University

144 Tichenor Avenue, Suite 1 • Auburn, Alabama 36830 (334) 501-7260 • FAX: (334) 501-7299 • www.auburnalabama.org

To the Reader:

The City of Auburn is a community of approximately 45,000 people and is also the home of Auburn University. Auburn offers many of the advantages of a “big” city while providing the special touches of living in a small town. Known as one of the more progressive cities in the South, the City has one of the best public school systems in the state. The Jan Dempsey Community Arts Center provides numerous opportunities for cultural enrichment including plays, ballets, art exhibits and classes. Recreation facilities and programs are abundant with year-round opportunities including a five field softball complex that hosts national and regional tournaments, a soccer complex, a skate park, five 18-hole golf courses, and 18 City parks that offer a variety of leisure possibilities from picnic areas and playgrounds to fitness trails and tennis courts.

The presence of Auburn University, the largest in Alabama, makes Auburn quite different from the typical small city. Auburn University is recognized as one of the finest research institutions in the Southeast and has been ranked among the top 50 public institutions in the nation for providing a quality education at an exceptional value by *US News & World Report* for ten consecutive years. The University provides dozens of lectures, art shows, interesting speakers and musical performances. Auburn University also creates a significant sense of community pride. Athletic events, including Southeastern Conference sports, generate a tremendous amount of excitement.

The City of Auburn and its Industrial Development Board has been extremely successful in the recruitment, expansion and retention of industries over the last decade. For instance, in the past nine years 2,586 jobs have been created in the Auburn community. Many of these industries are located in the Auburn Technology Park, a 410-acre manufacturing-research park that opened in 1995. The Tech Park, consistently recognized as one of the finest of its kind in the Southeast, is fully developed. The City is developing plans for a second technology park to accommodate continuing economic development efforts.

With its community spirit, sound economy, quality schools, diverse populace, and a wealth of cultural and recreational opportunities, Auburn is a great place to live and work.

Sincerely,

Mayor Bill Ham



City of Auburn

The City of Auburn, Alabama

“Home of Auburn University”

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Welcome to Auburn, Alabama

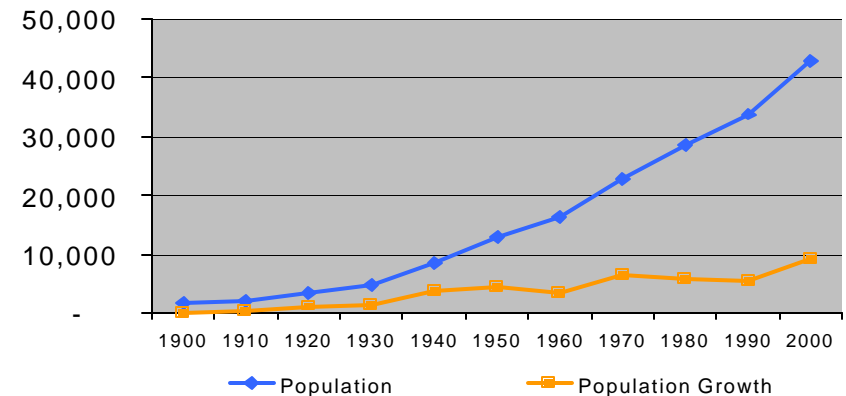
The City of Auburn, located in east central Alabama, is a thriving and diverse university-based community. The City was incorporated in February of 1839. The establishment of Auburn University in 1856 marked the beginning of a mutually beneficial partnership producing what *Demographics Daily* recognized 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 44,822 in 2002. 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 eight members elected from four 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.

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	

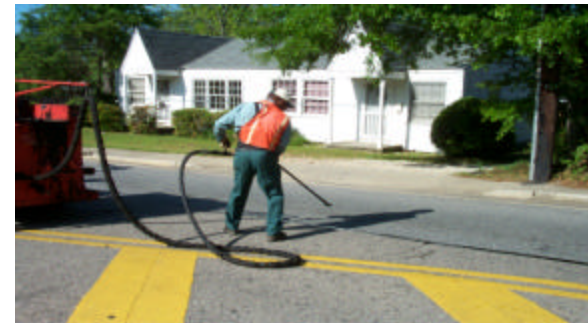
Approximately 340 City and 40 Water Board regular, full-time employees staff these departments, producing high-quality and cost-effective public services.

Public Safety Services. The Public Safety Department is comprised of these divisions: Police, Fire, Communications, Codes Enforcement, and Administration. The Police Division includes 73 police officers, providing an average emergency call response time of 3 minutes. The City's police force is augmented by Auburn University's 27 full-time sworn officers. The Fire Division includes 29 regular, full-time firefighters and 69 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.

Public Works Services. The City's Public Works Department oversees the development and maintenance of the City's roadway transportation system. Currently including over

194 miles of paved streets and less than 2.2 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.



Crack-sealing to extend the life of street surfaces

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 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.



The new Auburn City Library

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.

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 complex, two 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. 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 4,400 students. The City Schools' facilities include an early education center, five elementary schools, two

middle schools, and one high school. Teacher to student ratios range from 1:20 in the early education center to 1:23 in the middle and high schools. Of its teachers and administrators, 69% have advanced degrees and their average employment within the Auburn City system is twelve years. The City Schools expend an average of \$5,960 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 Parenting* magazine (a subsidiary of *The Wall Street Journal*). The system consistently produces a graduating class of which on 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 11th and 12th 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 News & World Report* for ten consecutive years. Fall 2002 enrollment at Auburn University was 23,276.



Historic Samford Hall at Auburn University

Auburn University's student body is taught by 1,115 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.

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 2,800 in the academic division and 1,700 in the technical division.

Utilities and Telecommunications. Electric power in Auburn is supplied by Alabama Power Company, an investor-owned utility that supplies approximately 86% of the State. Alabama Gas Corporation provides natural gas energy to Auburn and over 463,000 other residential and commercial customers within Alabama. The City's Water Works Board, drawing from Lake Oglethorpe as its main source, provides water services. The City operates two wastewater treatment plants with a total treatment capacity of 7.0 million gallons per day and is currently expanding their production and treatment capacities to 9.0 million gallons per day to accommodate the City's projected population growth.

Local exchange telephone service in Auburn is provided by BellSouth. AT&T, Sprint and MCI are the City's long-distance service providers, in addition to BellSouth. Fiber optic services, Frame Relay, T1 to OC48, ISDN, Cable

Modem, DSL and many more voice and data services are available within the city limits.

Healthcare. The Auburn area is served by the East Alabama Medical Center, an outstanding regional medical facility. EAMC's cardiac and cancer treatment programs have received national recognition. EAMC was named as one of the top 100 cardiac care hospitals in the United States and ranked 18th on *Fortune's* "100 best companies to work for" list in 2002, the last year they included governmental agencies.

East Alabama Medical Center's main campus has 314 beds and is located in Opelika. EAMC provides emergency medical transport services to the City of Auburn. An auxiliary campus in Auburn provides assisted living, senior independent living, hospice care and fitness facilities.



East Alabama Medical Center, a regional medical facility

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

miles of the City; three overnight package carriers and two commercial bus lines.

Auburn University operates the Auburn-Opelika Airport with the financial support of the three local governments in Lee County. Federally funded improvements are currently underway to accommodate the airport's growth in corporate jet activity. Last year the runway was lengthened to 5266 feet, and there are plans to install ILS approach technology and remodel the terminal building. Other conveniently accessible airports include Hartsfield International Airport in Atlanta (100 miles by Interstate 85), the Columbus (Georgia) regional airport (40 miles by US 280) and the Montgomery regional airport (60 miles by Interstate 85).

CSX Transportation provides local mainline rail service through its Southern Railway and Western Railway of Alabama divisions.

The 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 of the residents suffered from underemployment. Many were overqualified for the available jobs, but chose to accept their 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 twenty companies that resulted in the creation of nearly 2,800 jobs. The location of these many companies in Auburn has meant that the City had to acquire and develop three industrial-technology parks, with a fourth currently under development.



Entrance to the Auburn Technology Park South

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, training program assistance, 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 Drivotech USA, Capitol Vial, Touchstone Precision, Inc., Stahlschmidt & Maiworm, and MasterBrand Cabinet Company.

In addition to its business recruitment programs, the City through the Economic Development Department has worked to improve housing opportunities in the City 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 the City are anchored by twelve different banks with a total of nineteen locations (excluding ATMs). These financial institutions have combined assets of approximately \$524 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 the City's residents and businesses.

Major employers within the City and the number they employ include:

Auburn University	5,224
Auburn City Schools	576
Briggs & Stratton (engine assembly)	475
City of Auburn and Water Works Board	380
MasterBrand Cabinets (manufacture wood cabinetry)	294
Capitol Vial (manufacture sterile vials)	248
Winn Dixie (retail grocery)	225
Auburn University Hotel and Dixon Conference Center	183
Federal government	181
Dillard's (retail department store)	170

The City's urban core boasts a vibrant collection of restaurants, coffee shops and a brewpub, bookstores and other retailers, and entertainment centers in addition to the typical banking, religious, and institutional activities. The University is directly adjacent to the downtown area, providing a lively pedestrian population and some residential uses in the central areas of the City.

When the US Postal Service moved out of the downtown area to a new facility, the City of Auburn purchased the historic circa 1930 post office building. This building was renovated for use as the City Hall, providing a high profile presence for the municipal government in the central business district. The Office of the City Manager, and the departments of Finance, Economic Development, Information Technology, and Human Resources relocated to the new City Hall in July 2001.



The new downtown City Hall

Community Life. The Auburn area, through its ties to the University, its convenient accessibility to larger cities, and its active and diverse citizenry, enjoys a rich, varied and multi-cultural community life.



The Jan Dempsey Community Arts Center

Community gathering places include the Auburn University Hotel and Dixon Conference Center, which was constructed in partnership with the City; Kiesel Park, a 127-acre pastoral park that includes the recently restored Nunn Winston House and a pavilion; the Jan Dempsey Community Arts Center; the Auburn Technology Park common area and gazebo; Chewacla State Park with its lake, waterfall and hiking trails; the City Library; Boykin Community Center; Hickory Dickory Park, a community-built children's playground; Frank Brown Recreation Center; Dean Road Recreation Center; and the Foy Student Union Building, Davis Arboretum, Graves Amphitheater and Samford Park, all on the campus of Auburn University.

Auburn's multi-cultural population is evident from the variety of the religions represented by the more than 50 churches in the area: Catholic, Baptist, Jewish, Muslim, Unitarian, Presbyterian, Church of God, Church of Christ, Methodist, Seventh Day Adventist, Episcopal, Assembly of God, Lutheran, and the Church of Jesus Christ of Latter Day Saints.

Cultural interests are promoted by the Auburn Arts Association and the various liberal arts schools at the University. The University and the City's Community Arts Center host plays, ballets, art exhibits and musical performances. The 1200-seat Performing Arts Center in nearby Opelika features world-class operas, playwrights, musicians and other forms of entertainment, including the San Francisco and New York City Opera Companies and Houston's Alley Theater.

Auburn University is constructing the Jule Collins Smith Museum of Art, a 40,000 square foot art museum currently under construction on a twenty-acre site located on the South College gateway into the City. This new museum, which will house a grand hall, six galleries of various sizes, an auditorium, restaurant and meeting rooms, is expected to become a major cultural presence in the Southeast. There are plans for botanical gardens, a four-acre lake, walking trails and other outdoor areas to extend the museum experience. The museum, a \$13 million project, will house the University's collection that includes works by Georgia O'Keefe, Jacob Lawrence, John James Audubon and other internationally noted artists. The Jule Collins Smith Museum is expected to open in May 2003.

The Alabama Shakespeare Festival is just 60 miles away in Montgomery's Winton M. Blount Cultural Park. Also located in Montgomery is the Alabama Archives and History Museum and the Alabama State Capitol, one of only a few state capitols to be designated a National Historic Landmark. The State Theater of Georgia, the Springer Theater, is located in Columbus, Georgia. Columbus, about 45 minutes from Auburn, also hosts the Columbus Symphony, the Confederate Naval Museum, the Columbus Ballet and the U.S. Army Infantry Museum in the adjacent military installation, Fort Benning.

Special events unique to the Auburn area include:

- Floral Trail in late March and early April, a self-driving tour showcasing the area's azaleas and dogwoods.
- Auburn University's A-Day weekend in April, the annual intra-squad football game and University class reunions.
- Auburn City Fest, an annual outdoor festival including: music, arts & crafts, food, and children's activities.
- Mayor's Memorial Day Breakfast in honor of the area's war veterans.



Auburn maintains a Veterans Memorial, funded in part by donations from the sale of bricks engraved with the names and armed services data of local veterans.

- Summer concert series in Kiesel Park.
- The Loachapoka Syrup-Sopping festival and historical fair held at the Lee County Historical Society Museum.

- The annual Dogwood Dash, a road race comprised of two running segments and one biking segment.
- Football Fan Day at Auburn University, preceding the start of each football season.
- Auburn Spirit Triathlon, consisting of a 200 meter swim, eight mile bike ride and 1.8 mile run.
- Pine Hill Cemetery Lantern Tour, a walking history tour of Auburn's oldest cemetery, sponsored by the Auburn Heritage Association.
- Fourth of July Fireworks Celebration at Duck Samford Park.
- Labor Day Freedom Celebration at Duck Samford Park.
- Holiday Tour of Homes sponsored by the Auburn Heritage Association.
- Victorian Front Porch Christmas Tour in neighboring Opelika, where historical homes and their front porches are decorated for the holidays in Victorian style.

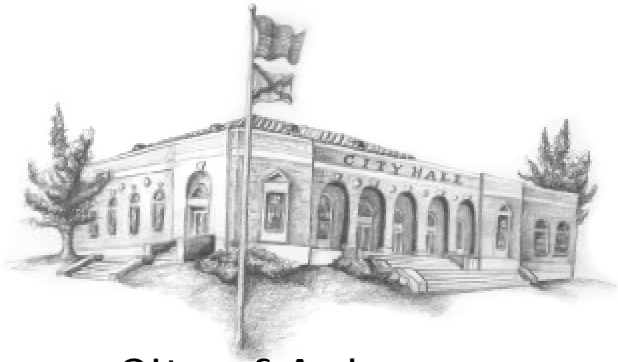
What makes Auburn unique? The presence of Auburn University creates a cosmopolitan feeling in this Alabama city. An estimated two out of three people living in Auburn are from other parts of the country or the world. The University's membership in the Southeastern Conference brings an influx of visitors, not only for home football games, but also for Auburn University basketball, baseball and women's softball games and swimming, tennis and gymnastics meets.

Auburn feels like a much larger city in many respects. But residents still enjoy the amenities of smaller town life: friendly townspeople, helpful neighbors, ease of movement from one part of town to another, a feeling of community and a sense of security. They also enjoy a spirit that is difficult to define or to describe: The Auburn Spirit.





City of Auburn



City of Auburn

Home of Auburn University

144 Tichenor Avenue, Suite 1 • Auburn, Alabama 36830 (334) 501- 7260 • FAX: (334) 501-7299 • www.auburnalabama.org

March 20, 2003

Letter of Transmittal

To 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, 2002 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 government. 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 comprehensive annual financial report is

presented in three sections: introductory, financial and statistical.

The **introductory section** includes an introduction from the Mayor with an area relationship map, this transmittal letter, a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, the primary government's organization chart, and a list of principal officials. The **financial section** includes 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 **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 to this letter of transmittal have not been audited.

The government is required to undergo an annual audit in conformance with the provisions of State law and the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

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 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.

Economic Condition and Outlook

The government is located near the border of east central Alabama. Auburn is the home of Auburn University, the State's land grant college and largest university. 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 projected to stabilize between 21,500 and 22,500 through the late 1990's. Enrollment for the fall semester 2002 was 21,134, which includes 2,737 graduate students.

Omitting the University student population, the City's unemployment rate at September 30, 2002 was 4.2% (↑.6%) which was less than the national (5.6%) and state (5.7%) unemployment rates. Nearly one-fourth of Lee County's workforce has college degrees. The median family income for

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

The City's two older industrial parks site twenty regional, national and multi-national corporations, employing over 1,500 persons. In the Auburn Technology Park South, there are currently seven major manufacturing and research companies: Briggs and Stratton Corporation; EPOS Corporation; Touchstone Precision, Inc.; Hoerbiger Drivetech USA, Inc.; Donaldson Company; the National Center for Asphalt Technology; and Hoerbiger Hydraulics, Inc. Together, these seven companies have invested over \$148 million and created over 1,100 jobs in Auburn Technology Park South. Hoerbiger Hydraulics, a German automotive supplier and the newest company in the Park, recently completed an 18,000 square foot facility, representing a \$3 million investment and creating more than 30 new jobs.

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. is currently constructing a new 200,000 square foot manufacturing facility in ATPN. Stahlschmidt & Maiworm will make a capital investment of \$49 million and will employ 350, when fully ramped up. In addition, Auburn Technologies, a tool & die maker, has opened a 22,000 square foot facility in ATPN. Auburn Technologies provides a key support function not only to Auburn industries, but to industries all over the Southeast.

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 twice. The two most recent incubator tenants are Auburn University technology-transfer based projects.

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. Auburn's other main commercial corridors have also seen several new projects such as a 53,000 square foot Bruno's grocery store at the corner of Glenn Avenue and East University Drive. Last fall, Colonial Properties announced a 200,000 square foot, \$50 million expansion of the existing 300,000 square foot Colonial Mall, with completion expected in November 2004.

The physical boundaries of the government continue to expand with residential, commercial and industrial growth. During fiscal 2002, 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.

Building permits were issued for 278 new single family residences valued at \$42.84 million (↑11%), twenty-nine of which had valuations in excess of \$250,000 each. Also permitted during fiscal 2002 were 68 multi-family buildings valued at \$46.49 million (↑55%) and 34 new commercial and industrial facilities valued at \$19.48 million (↑4.78%). 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 03.

Major Initiatives

For the Year. During the year, 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 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.

In February 1999, the City conducted a voter referendum to consider funding several "quality of life" capital projects to be financed by a municipal property tax dedicated to debt service for capital projects, gaining overwhelming voter approval to build a new municipal library with a projected cost of \$3.2 million. After completion of the new library building in April 2001, the former library building was renovated in FY 02 for use by the Public Safety Department.

General obligation debt was issued to finance the costs to renovate the historic old post office building, owned by the City, for use as a new City Hall. Renovation costs were budgeted at \$1.7 million. The new City Hall was occupied in

July of 2001 and in fiscal 2002, the former City Hall building was renovated for use as the Development Services Building, housing the Planning Department, the Codes Enforcement Division of Public Safety, the Engineering Division of Public Works, and the Water Board's Revenue Office.

For the Future. The City's capital improvements program contains \$91.63 million (↑18%) in identified projects over the next six years (FY 03 through FY 08). Increasing the capacity of the sewer systems will require approximately \$21.1 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 \$33.1 million. This outlay will be funded through identified sources including shared funding, state and federal grant funds, and debt.

Construction of new municipal buildings and renovation of existing city buildings are planned with a projected cost of \$5.6 million. Funding sources for these city buildings include proceeds of bonds and the 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 \$1.8 million.

Industrial park land acquisition and infrastructure construction over the next six years is planned with an estimated cost of \$8.8 million. Other projects, including culture and recreation and downtown improvements are included in the six-year program at an approximate cost of \$20.5 million. Various funding options, including debt, will be identified at the appropriate time.

The City's long-range program does not overlook the continuing priorities of education, public safety and streets. The FY 03 budget contains \$4.1 million in the General Fund for the Board of Education. The Public Safety budget of \$10.1 million is 27% of the General Fund fiscal year 2003 budget. The Public Works budget for FY 03 will provide \$7.6 million (20% of the General Fund budget) for transportation and other infrastructure systems improvements.

Department Focus

The **Information Technology Department**, which was established in May 1996, is charged with coordinating the technological advancement of the City. The Department continues to maintain and refine the City's data, voice and video communications infrastructure to connect all City departments and City schools. Fiscal 2002 saw the incorporation of the GIS Division into the Information Technology Department. Throughout fiscal 2002, Information Technology worked to maintain the integrity and reliability of the City's computing infrastructure through constant monitoring, preventive maintenance and staff training. The Information Technology Department maintains the City's website and continues coordination of enhancements to the City's website (Internet address: www.auburnalabama.org).

In other interdepartmental efforts, Information Technology established "video over Internet" capabilities for the City's and City Schools' network, completed an initial manual inventory of all electronic assets on the network and established an automated inventory capability. Information Technology assisted the Public Safety Department by providing technical advice and specifications for the data/voice infrastructure to

be used in the new Public Safety Administration Building and Emergency (911) Communications Center. Information Technology supports all City departments and the School Board with computer software and computer hardware troubleshooting, repair and upgrades as well as training and consulting services.

The **Human Resources Department** staff is responsible for managing employee compensation and benefits; recruiting, screening and enrollment of employees; and coordinating human resources training and employee development. Another important function of the Human Resources Department is to manage the City's risk through self-insurance and other risk management activities.

In fiscal 2002, Human Resources completed a comprehensive pay and benefits survey, showing that the City continues to be competitive within the labor market. Despite relatively low unemployment, the Human Resources Department obtained an average of forty applications per job vacancy. Approximately forty-four percent of the regular employees have been employed with the City for ten or more years.

Human Resources continued its emphasis on employee training and development in fiscal 2002. Thirty-nine employees completed the City's new customer service certification program. Seminars addressing legal issues in employee selection, decision-making and problem solving, and writing skills for effective business correspondence were presented. In addition, six safety classes were presented, covering various topics, as was a first aid and CPR certification/re-certification class. The annual health and benefit fair for employees was held to promote wellness and to give employees an opportunity to meet face to face with

benefit providers' representatives. During the year, six employee events were held to foster positive relations among employees and departments. The risk management program continues to be very successful in protecting against losses, obtaining commercial insurance protection at reasonable cost, and saving money through self-insurance.

The **Finance Department** staff performs centralized treasury, accounting and financial reporting, budget administration and purchasing functions for all City departments. In addition, Finance is responsible for publishing the City's major financial documents, the three budget documents (proposed budget, working budget and comprehensive budget) and the comprehensive annual financial report each year.

The City's comprehensive budget document for its first biennial budget (FY 01 and FY 02), prepared in a joint project with the Office of the City Manager and the Information Technology Department, received the City's fifth consecutive Government Finance Officer's Association's (GFOA) Distinguished Budget Presentation award. This was the sixth submission (and the fifth consecutive submission) of the City's budget document to the GFOA budget review program since the City first won this award in 1984. These three departments worked together to further expand and improve the City's FY 03 and FY 04 biennial budget document to incorporate many of the suggestions received from the GFOA reviewers. The budget for the FY 03 and FY 04 biennium has been submitted to the GFOA budget award program for review. The Finance staff also published the City's FY 01 Comprehensive Annual Financial Report, receiving the City's sixteenth consecutive GFOA Certificate of Achievement for Excellence in Financial Reporting.

In connection with the issuance of bonds to de-privatize the City's wastewater treatment plants, the Finance Department provided support to the Office of the City Manager in presenting the City's financial and management data to two national rating agencies. Moody's Investors Service upgraded the City's bond rating from A1 to Aa3 in July 2001. In their ratings report, Moody's observed that "primarily responsible for the city's sound financial position are expenditure controls coupled with continued growth in sales tax and occupational license fee revenues." Standard and Poor's followed with their own upgrade in February 2002, from A+ to AA-. Standard and Poor's recognized the City's diversified revenue stream, revenue and expenditure flexibility and sound financial management as contributing factors to the decision to upgrade the City's bond rating. These higher bond ratings represent the first time the government held double-A ratings. The double-A ratings were confirmed by both rating agencies in May 2002, when the City issued general obligation bonds with a face value of \$7.25 million.

Among other Finance Department projects during fiscal year 2002, the Finance staff developed an electronic spreadsheet for modeling long-term projections of the General Fund revenues, expenditures and fund balances. The Accounts Payable Office team provided training sessions on the City's accounts payable and project accounting procedures for staff members of other City departments. The Finance department also implemented technology advancements for publishing procedures, which enabled the earliest CAFR publication date (for the FY 01 CAFR) since the FY 93 CAFR and the earliest ever publication date for the Working Document budget, which is distributed within the City departments.

Fiscal year 2002 was a busy and successful year for the **Auburn Public Library**, the first full fiscal year in the new City Library building. Library staff checked out a total of 161,484 items and registered 3,062 new library patrons. The Library had 37,920 patron sign-ins for use of Internet workstations in the public computer lab. Programs in the Youth Services area included special programs as well as the regularly scheduled Toddler Time, Pre-School Story Time, Salmagundi for elementary school age children, and Young Adult Coffeehouse for older youth. Total attendance at these programs was 5,434 youth.

Highlights of the **Parks and Recreation Department's** achievements during FY 02 included a highly successful second annual Auburn CityFest, with attendance of over 25,000 (↑20%); the completion of a skateboard park; and construction of a major addition to the Boykin Center recreation facility. The Parks and Recreation Department also successfully implemented a day camp program for the mentally and physically challenged, increased programming at the Jan Dempsey Community Arts Center by 15%, and successfully completed "A Day at the Arts Center" program for all City elementary schools.

The Auburn Softball Complex was host to twenty-two tournament weekends (↑18%) including: four national or world tournaments, five state tournaments, three district tournaments, eleven state or world qualifiers, with a total of 663 teams (↑100%) participating in tournament play during the 2002 fiscal year.

The **Public Works Department** achieved numerous goals during the 2002 fiscal year. Among these was the completion of the South College Street Improvements. South College

Street serves as a major thoroughfare into the City and completion of this multi-year project marked a significant improvement for this rapidly growing commercial corridor.

The Public Works staff also completed two major sidewalk projects, South Gay Street and South College Street. Additionally, the designs of five major drainage projects were completed: Felton Little Park, White Street, Tacoma Drive, North Cary Drive and Hickory Lane. At Burke Place, a neighborhood pipe replacement project was completed. Two former county roads were resurfaced, Kuderna Acres and Fieldview Drive. Public Works provided project management for the construction of the Auburn Technology Park North. Public Works also completed the Outer Loop Corridor Feasibility Study.

The **Environmental Services Department** was both productive and innovative in FY 02. The Department continued its efforts to convert residential garbage customers from back yard to curbside cart service. These efforts have resulted in more than 65 percent (↑5%) of residential garbage customers choosing curbside cart service. The total number of residential garbage customers reached 9,284 in fiscal 2002.

Environmental Services also continued providing a variety of environmentally focused educational programs on the topics of solid waste disposal, recycling and animal control to school and civic groups. A school age based information kit on recycling was distributed to all elementary school teachers in the Auburn City Schools system. Environmental Services' Animal Control Division made ten presentations on animal care to local groups and expanded school presentations. Dog licenses increased from 877 in FY 2001 to 1000 in FY 2002, a 12% increase, resulting from increased enforcement efforts.

Fiscal year 2002 was marked by continued expansion and improvement of the water and sewer systems in response to growth in the customer base. Under the management of the **Water and Sewer Department**, comprised of City and Water Board employees, the “consumer confidence report” was distributed as required by the federal Environmental Protection Agency. The Water Board completed the technological improvements to and expansion of the water treatment plant to increase its peak capacity to 12 million gallons per day. The resulting increased water treatment capacity is expected to meet the City’s needs through 2020.

In another use of technology to improve efficiency, the Water Board staff oversaw the conversion of the water meter reading system to a “radio read” system. This project involved the replacement of all water meters more than five years old and the installation of a “radio read” component in the system’s newer meters. This project has reduced the meter reading schedule from 20+ days per month to an average of three days per month. Replacement of the older meters is also expected to produce more accurate meter readings, reducing the time required to resolve meter reading errors. Staff time that had been spent on meter readings can now be directed toward system repairs and maintenance.

Other major water-related projects in FY 2002 included the installation of a two million gallon per day metering point near the intersection of US Highway 280 and Farmville Road. Preliminary design work on the expansion of the wastewater treatment system is underway. It is expected that the construction of the system expansion will be completed sometime in fiscal 2004. Work on two new water storage tanks and extension of mains to serve additional property will begin in 2003.

The **Planning Department** provides administrative and technical support to the Auburn Planning Commission and the Board of Zoning Adjustment. In FY 02, the Planning Department completed the redistricting of the municipal voting wards as a result of population shifts reflected in the 2000 U.S. Census population counts.

Other fiscal 2002 Planning Department achievements included completing a comprehensive review of the City of Auburn Subdivision Regulations, and upgrading portions of the Departmental web site to include the Zoning Ordinance and Subdivision Regulations. The Planning Department also developed a Zoning Atlas for use by the public and began work on the Zoning Ordinance Triennial Review with the Planning Commission.

The **Economic Development Department’s** major focus is a balance between industrial recruitment and assistance to local companies with expansions. The City’s innovative economic development tools responsible for new industrial recruitment include technology partnerships with Auburn University, small business incubators, a revolving loan fund program, workforce training program assistance, and property tax abatements.

In FY 02, Auburn Technologies, Inc., a tool and die and pattern maker, announced its plans to locate in Auburn. A 23,000 square foot facility is currently being constructed for the company in the Auburn Tech Park North. When fully ramped up, Auburn Technologies, Inc. will have a total capital investment of \$3.1 million and create approximately 50 jobs. In addition, Hoerbiger Hydraulics, Inc., a maker of automobile hydraulics and the newest tenant in the Auburn Technology Park South, began its operations. When in full operation, the company will create 20 jobs and have a capital investment of

\$4 million. A 230,000 square foot facility is currently under construction for Stahlschmidt & Maiworm, USA, Inc., a maker of cast aluminum automobile wheels. Stahlschmidt's operation will create 300 jobs and have a capital investment of \$40 million when up and running.

In addition to its industrial and commercial development activities, the Economic Development Department continues to administer the Community Development Block Grant Program (CDBG). Auburn was awarded CDBG Entitlement City grant funds of \$853,000 for FY 01 and \$834,000 for FY 02. These funds are used for various community development programs including housing, economic development, infrastructure, and public facility improvements. Examples of funded projects include the rehabilitation of substandard housing, drainage improvements, street resurfacing, and sidewalk construction.

The CDBG program also provides funding for public service activities such as utility assistance, elderly food services, public housing youth sports programs, and emergency homeless assistance. Other community development programs include the Auburn Housing Assistance Network and Helping Hands, which Economic Development oversees to encourage partnerships between community organizations, volunteer groups, and citizens in need of home repair.

During fiscal 2002, the **Judicial Department** worked with the Alabama Department of Public Safety on a project to transfer Uniform Traffic Citation dispositions to the State electronically, eliminating many hours of duplicative data entry. With the support of the Information Technology Department, Auburn's Municipal Court was one of two test cities for this new transfer system in a pilot project with the State. The change to

electronic transfer was accomplished with virtually no problems, thanks to the technically proficient assistance of the City's Information Technology Department.

Judicial's Court Referral Program, which offers convicted defendants the option of completing an offense-related counseling program instead of serving time in jail, was expanded in fiscal 2001 to include shoplifting offenders. The program also provides services to defendants convicted of drug, alcohol and domestic violence offenses. The number of graduates from these counseling programs continues to increase approximately 15% annually.

Judicial outsourced the collection of delinquent fines and costs to a private probation system late in FY2001. Privatizing this function is expected to produce increased revenue from delinquent fines and costs.

The **Public Safety Department** continued several projects and developed some new programs to improve the Department's service delivery during fiscal year 2002. The Department managed the completion of renovations of the former library building to serve as the Public Safety Administration Building. Public Safety conducted a Disaster Simulation Field Exercise to test the Department's Incident Command System for the Public Safety Management Team. New equipment was purchased and some existing equipment was relocated in the new Public Safety Administration Building to upgrade the 911 communications system. The Department's Fire Division completed the Needs Assessment for Fire Station #5 and recruited and trained twenty-one student firefighters.

In conjunction with Human Resources, Public Safety developed a career development plan for the Codes

Enforcement Division continued expansion of its Building Permit program and had three abandoned, dilapidated buildings razed. As a training exercise, the Fire Division burned one additional abandoned building.

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.

Budgeting Controls. Budgetary control 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. 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.

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* to this letter

of transmittal presents the General Fund's expenditures compared to the budget for fiscal 2002 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.

As demonstrated by the statements and schedules included in the *financial* section of this report, the City continues to fulfill its responsibility for sound financial management. In the General Fund, actual revenues were \$257,827 (0.7%) more than budgeted. General Fund expenditures were \$2,331,475 (6.8%) less than budgeted. The under budget amount was primarily attributable to prior year carryover amounts that were not spent.

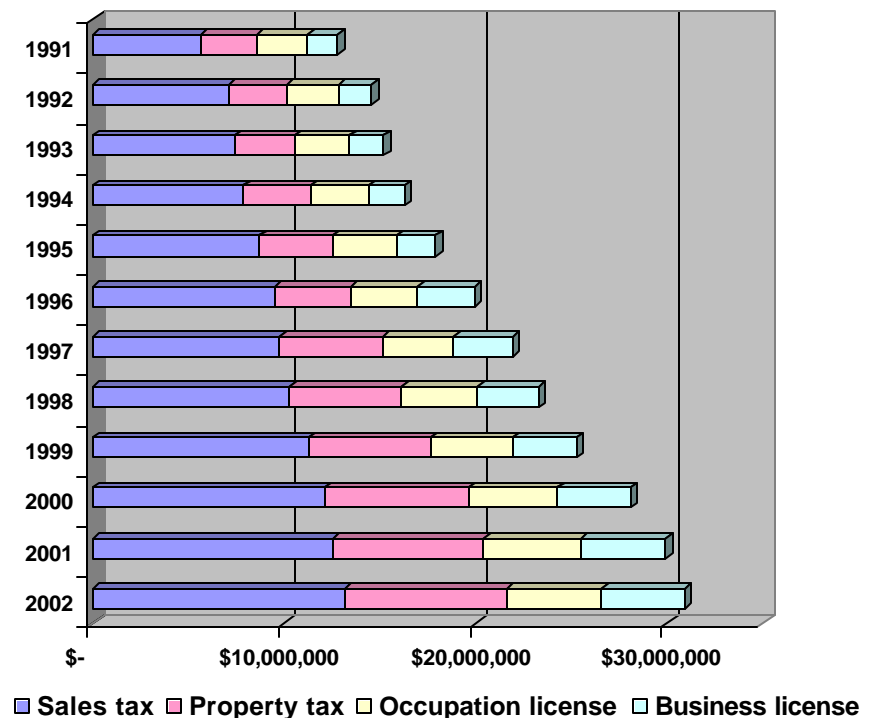
The effect of restrained spending produced an improvement in the General Fund's financial position, with an increase in total fund balance of \$2,795,228 (28.6%). Fund balance of the General Fund was increased by an additional \$1,525,764 as a result of a change in financial statement presentation: the City's Employee Benefit Risk Financing Fund, which had been reported as an Internal Service fund, will now be reported as a special activity of the General Fund. Details of these special activities, including the Employee Benefit activities, are disclosed in Note 24 to the financial statements.

The fund balances of the Special Revenue funds increased \$166,287 (4.8%) from the prior fiscal year-end. Debt Service funds' balances decreased \$373,494 (19.70%) from the prior year-end, which decrease was \$471,027 less than the budgeted decrease. Capital Projects Funds' fund balances increased \$5,659,395 as a result of the issuance of general obligation debt for capital projects.

General Government Resources and Functional Expenditures. The following schedules and charts present summary information about the General Fund, Special Revenue funds, Debt Service funds and Capital Projects funds (the governmental fund types) revenues and expenditures for the fiscal year ended September 30, 2002.

The chart below presents trend information for specific revenues (Sales and Use Taxes, Property Taxes, Business License Fees and Occupation License Fees) that the City uses as benchmarks for monitoring the local economy.

Growth in Auburn's Benchmark Revenues

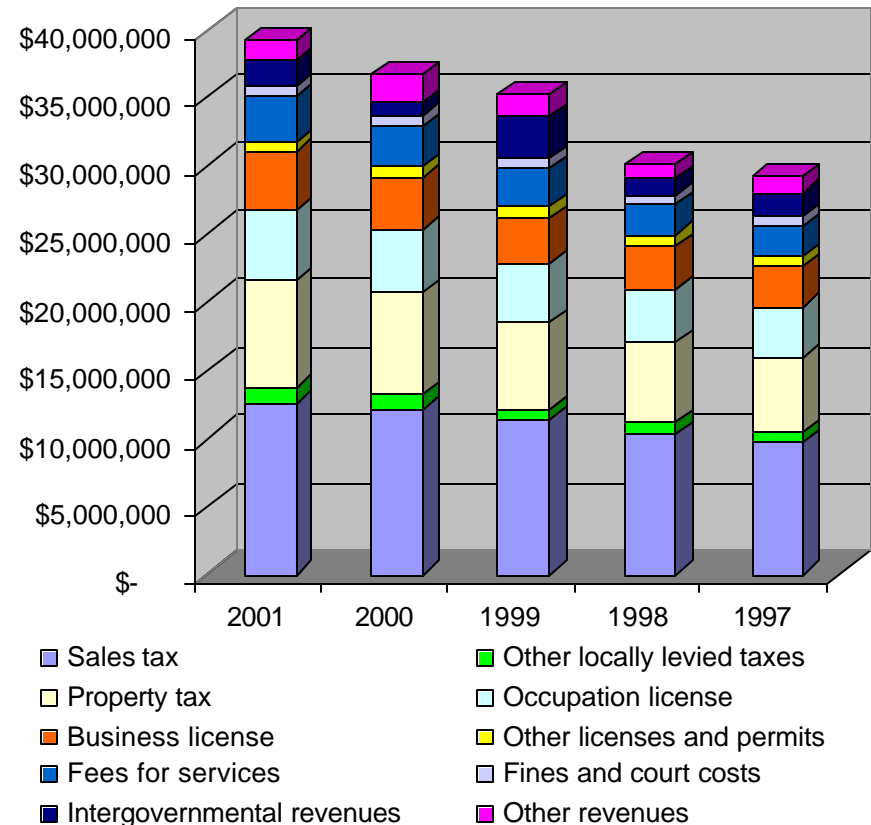


The chart on the previous page illustrates that total benchmark revenues for FY 02 show an increase of 3.35% over the prior year, down from the FY 01 increase of 6.48% over fiscal 2000. The ten-year average increase for the benchmark revenues through fiscal 2002 was 7.84%, down slightly from the fiscal 2001 ten-year average of 8.89%. These small decreases in the rate of increase are attributable to a general slowdown in the economy.

Growth in total revenues of the governmental funds for the most recent five-year period is shown in the chart at right. Average growth in governmental funds' total revenues for this period was 7.74%. Governmental funds' total revenues for fiscal 2002 increased by \$3,020,029 over the prior year, a 7.71% increase. The largest increases in FY02 over FY01 were seen in sales taxes (\$606,159), and general property taxes (\$583,540), two of the City's benchmark revenues. These increases can be attributed, in part, to the City's population growth and solid property values.

The City's sales tax revenue, comprising approximately 40% of General Fund revenues, increased by \$606,159 (4.8%) over the prior year. Auburn's rate of sales tax revenue increase outperformed Alabama cities as a whole. Governmental funds' revenue from property taxes increased by \$583,540 (7.4%) in FY 02 over FY 01, and accounts for 20% of the governmental funds' total revenues. Occupation license fees, at nearly 12% of governmental funds' total revenues, decreased slightly in fiscal 2002 (\$82,057, 1.6%), as a result of some downsizing of the workforce. Business license and franchise fees also declined slightly (\$105,369, 2.4%) in FY 02. The acquisition of the cable TV franchisee in FY 01 resulted in payment of approximately \$350,000 in FY 01 that otherwise would have been made in FY 02.

Auburn Governmental Funds Growth in Total Revenues



The schedule on the following page presents a summary of the General Fund, Special Revenue funds, Debt Service funds and Capital Projects funds (the governmental fund types) revenues for fiscal year ended September 30, 2002, the percentage of total revenues that each revenue source comprises, and the amount and percentage of increases and decreases in relation to prior year revenues.

City of Auburn**Governmental Funds ~ Revenues by Source and Other Financing Uses**

Revenues	FY 2002		FY 2001 ⁽¹⁾		Increase (Decr) 2002 > 2001	
	Amount	% of Total	Amount	% of Total		
Sales and use taxes	\$ 13,160,761	31.18%	\$ 12,554,602	31.47%	\$ 606,159	4.83%
Other locally levied taxes	1,459,271	3.46%	1,104,145	2.77%	355,126	32.16% (3)
General property taxes	8,451,821	20.02%	7,868,281	19.72%	583,540	7.42%
Occupation license fees	4,981,415	11.80%	5,063,472	12.69%	(82,057)	-1.62%
Business license and franchise fees	4,336,059	10.27%	4,441,428	11.13%	(105,369)	-2.37% (4)
Other licenses and permits	923,017	2.19%	724,879	1.82%	198,138	27.33% (5)
Fees for services	4,078,189	9.66%	3,838,569	9.62%	239,620	6.24%
Fines and court costs	750,521	1.78%	816,976	2.05%	(66,455)	-8.13%
Intergovernmental revenues ⁽²⁾	2,199,889	5.21%	1,942,486	4.87%	257,403	13.25% (6)
Investment interest	871,934	2.07%	1,058,393	2.65%	(186,459)	-17.62% (7)
Special capital projects	554,692	1.31%	147,333	0.37%	407,359	276.49% (8)
Miscellaneous	447,769	1.06%	331,102	0.83%	116,667	35.24% (9)
Total revenues	42,215,338	100.00%	39,891,666	100.00%	2,323,672	5.82%
Other financing sources						
Debt proceeds	9,184,962		5,149,620		4,035,342	78.36% (10)
Refunding bond proceeds	26,877,867		-		26,877,867	(10)
Transfers from other funds	4,177,365		2,256,830		1,920,535	85.10% (11)
Transfers from component units	40,000		-			(11)
Total other financing sources	40,280,194		7,406,450		32,873,744	443.85%
Total revenues and other financing sources	\$ 82,495,532		\$ 47,298,116		35,197,416	74.42%

(1) FY 2001 amounts have been restated to include the Internal Service Fund that was reclassified as an activity of the General Fund in 2002.

(2) Comprised of state shared taxes, grants and program income.

(3) This increase reflects a 27% increase in lodging tax revenue, resulting from opening of new hotels and a 157% increase in rental and leasing tax revenue, resulting from a change in the City's ordinance to include automobile leasing.

(4) Franchise fees of approximately \$350,000 were received in FY 01 instead of FY 02 as a result of the acquisition of a franchisee.

(5) Increase primarily attributable to a 34% increase in construction permit fees.

(6) Increased revenue from program income (~ \$120,000), state shared gas taxes (~ \$39,000), motor vehicle taxes (~ \$34,000) and state shared trust fund revenue (~ \$30,000).

(7) Decrease resulted from declining interest rates.

(8) See footnote 30.

(9) Increase primarily attributable to increase in proceeds from asset sales (~ \$61,000) and increased contributions from the public (~ \$41,000).

(10) See discussion of debt issuances following this table.

(11) See details of transfers following this table.

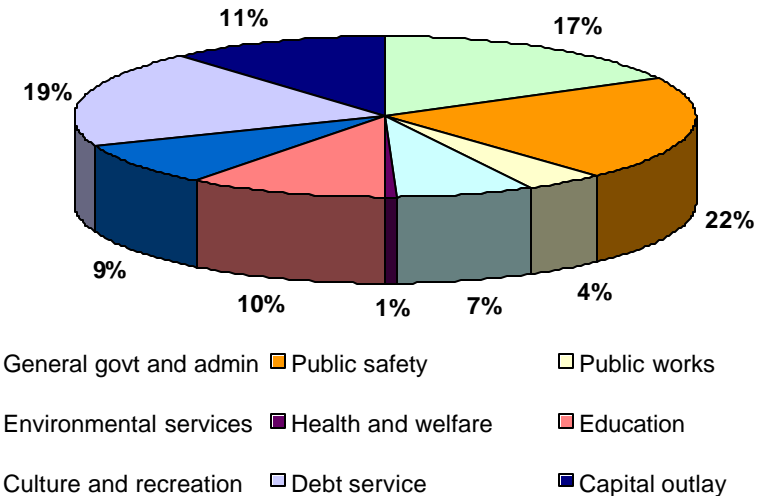
Interfund transfers represent the shifting of monies among the various City funds. The City may also transfer monies to or receive transfers of monies from its component units. The following table provides the details of these transfers for fiscal 2002, as compared to 2001. The table shows that interfund *transfers in* equal the *transfers out*, demonstrating that interfund transfers do not change the government's overall financial position.

Transfers Among Funds and Component Units

	<i>FY 2002</i>	<i>FY 2001</i>
Interfund transfers into:		
General Fund	\$ 853,750	\$ 526,750
Special Revenue Funds	2,617,405	1,650,000
Debt Service Funds	76,450	80,080
Capital Projects Funds	629,760	-
Subtotal - Governmental Funds	4,177,365	2,256,830
Enterprise Funds	101,000	1,000
Total interfund transfers in	<u>4,278,365</u>	<u>2,257,830</u>
Interfund transfers out of:		
General Fund	521,669	1,000
Special Revenue Funds	3,054,355	2,185,580
Debt Service Funds	-	-
Capital Projects Funds	631,091	-
Subtotal - Governmental Funds	4,207,115	2,186,580
Enterprise Funds	71,250	71,250
Total interfund transfers out	<u>\$ 4,278,365</u>	<u>\$ 2,257,830</u>
Component unit transfers into:		
Capital Projects Funds	<u>\$ 40,000</u>	<u>\$ -</u>
Transfers out to component units:		
General Fund (to Industrial Dev. Bd.)	\$ 1,029,352	\$ 1,413,512
Special Revenue Funds (to School Bd.)	14,764,933	2,512,357
Total transfers to component units	<u>\$ 15,794,285</u>	<u>\$ 3,925,869</u>

Fiscal 2002 governmental funds expenditures by function (GAAP basis) are illustrated in the pie chart below.

**Governmental Funds' Expenditures by Function
2002**



On the budget basis, wherein capital outlays and debt service are allocated to the departments, the City's largest functional expenditures typically are for public safety and public works. Generally accepted accounting principles (GAAP) call for all capital outlay expenditures to be displayed as a single item in the financial statements; the same treatment is required for debt service. On the GAAP basis during fiscal 2002, the single largest functional expenditure of the governmental funds was for public safety, (expenditures totaling \$8,417,145, 21% of total).

The following schedule of expenditures by function presents a summary of the governmental funds' expenditures for fiscal 2002 and the amounts and percentages of change from 2001.

City of Auburn**Governmental Funds ~ Expenditures by Function⁽¹⁾ and Other Financing Uses**

Expenditures	FY 2002		FY 2001		FY 02 > FY 01	
	Amount	% of Total	Amount	% of Total	Amount	As %
Legislative, administration and staff support	\$ 6,913,860	17.22%	\$ 5,791,383	12.84%	\$ 1,122,477	19.38% (3)
Public safety	8,417,145	20.96%	7,906,748	17.53%	510,397	6.46%
Public works	1,668,437	4.15%	1,736,976	3.85%	(68,539)	-3.95%
Environmental services ⁽²⁾	2,840,590	7.07%	2,872,348	6.37%	(31,758)	-1.11%
Health, assistance and welfare	244,981	0.61%	176,969	0.39%	68,012	38.43% (4)
Education	4,071,921	10.14%	4,142,014	9.19%	(70,093)	-1.69%
Culture and recreation	3,629,140	9.04%	3,352,501	7.43%	276,639	8.25%
Debt service	7,756,634	19.31%	8,215,680	18.22%	(459,046)	-5.59% (5)
Capital outlay	4,617,953	11.50%	10,899,385	24.17%	(6,281,432)	-57.63% (6)
Total expenditures	40,160,661	100.00%	45,094,004	100.00%	(4,933,343)	-10.94%
Other financing uses						
Transfers to other funds	4,207,115		2,186,580		2,020,535	92.41% (7)
Transfers to component units	15,794,285		3,925,869		11,868,416	302.31% (8)
Payment to refunded bond escrow	14,086,055		-		14,086,055	(9)
Total other financing uses	34,087,455		6,112,449		27,975,006	457.67%
Total expenditures and other financing uses	\$ 74,248,116		\$ 51,206,453		\$ 23,041,663	45.00% (10)

(1) See Appendix III following this letter of transmittal.

(2) Includes solid waste collection and disposal, recycling, animal control, right-of-way maintenance and city fleet services.

(3) Increase is primarily attributable to a change in financial statement presentation to include the Employee Benefit activities in the General Fund in 2002 (~ \$1.21M); these activities were presented as an Internal Service Fund in 2001. Other increases resulted from additional lending activities in the Revolving Loan Special Revenue sub-fund (~ \$509K); increased costs for retirement leave payouts and electricity in the General Fund (! \$218K); transfer of the GIS function from Public Works to Information Technology in 2002 (~ \$95K) and additional activity in the Affordable Housing (~ \$49K).

(4) Increased expenditures for housing rehabilitation projects in FY 02.

(5) Decrease in debt service payments resulted from payoff of construction loan for special capital project in FY 01.

(6) See composition of capital outlay expenditures on the following page.

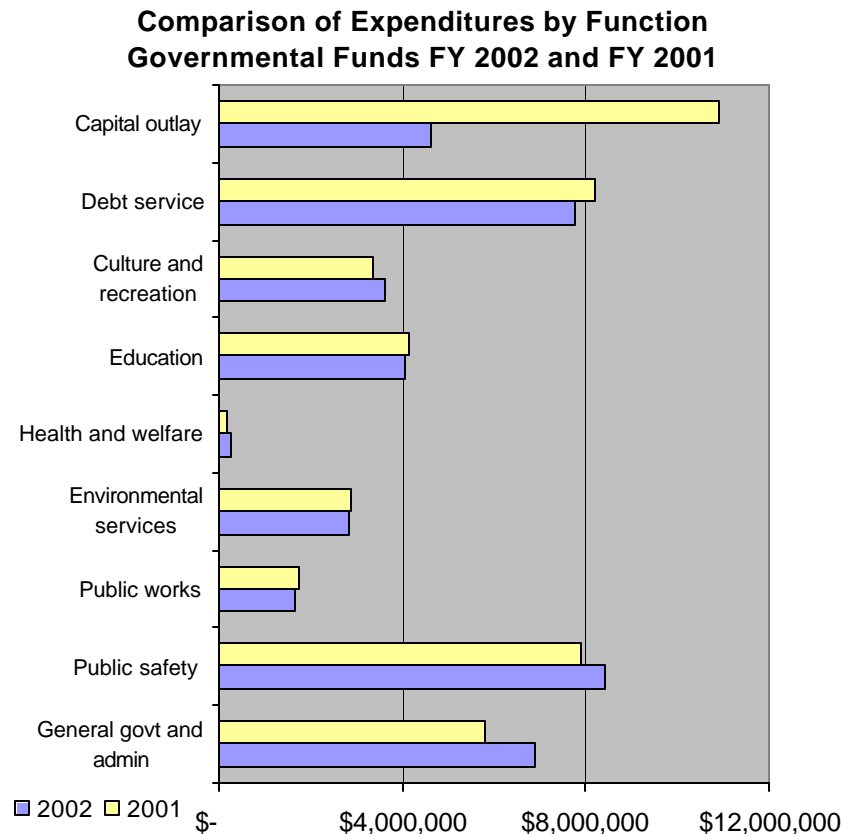
(7) Increase primarily comprised of: increase in amount transferred from Special Additional School Tax Special Revenue Fund to Special School Tax Fund for subsequent transfer to the School Board (~ \$967K); a transfer from the General Fund to the '99 Bond Capital Projects Fund in 2002 (~ \$421K); a transfer from '99 Warrant Capital Projects Fund to the '99 Bond Capital Projects Fund in 2002 (~ \$209K); a transfer from the '99 Bond Capital Projects Fund to the General Fund in 2002 (\$422K); and a transfer of \$100K from the General Fund to the City Industrial Park Fund in 2002.

(8) Increase in transfers to component units resulted from the transfer of general obligation school bond proceeds to the School Board in the amount of approximately \$14.76M.

(9) There were no bond refunding transactions in 2001; general obligation school bonds were issued in 2002. See Note 8 in the Footnotes to the financial statements.

(10) Total expenditures decreased nearly 10% in 2002. This increase is entirely attributable to the Other Financing Uses. See notes (6), (7) and (8), above.

This chart illustrates how the GAAP basis functional expenditures of governmental funds for fiscal 2002 compared to those for the prior year.



Employees of the government received a 3% cost of living increase in FY 02, accounting for some of the increase in all functions other than Education; Health, Assistance and Welfare; Debt Service and Capital Outlay. Salaries and benefits typically comprise less than 50% of total expenditures in the City's General Fund.

Fluctuations in debt service expenditures are detailed below:

Debt Service Expenditures of Governmental Funds

	FY 2002	FY 2001
<i>Paid from</i>		
General Fund, for		
Notes, bonds and warrants	\$ 1,860,574	\$ 1,592,224
Special capital improvement projects	725,735	2,189,781
Capital leases	479,516	335,376
Special Revenue funds, for		
School Board debt	2,620,383	2,489,635
Debt Service funds	1,978,805	1,608,664
Capital Projects funds - issue costs	91,621	-
	<u> </u>	<u> </u>
Total debt service expenditures	\$ 7,756,634	\$ 8,215,680

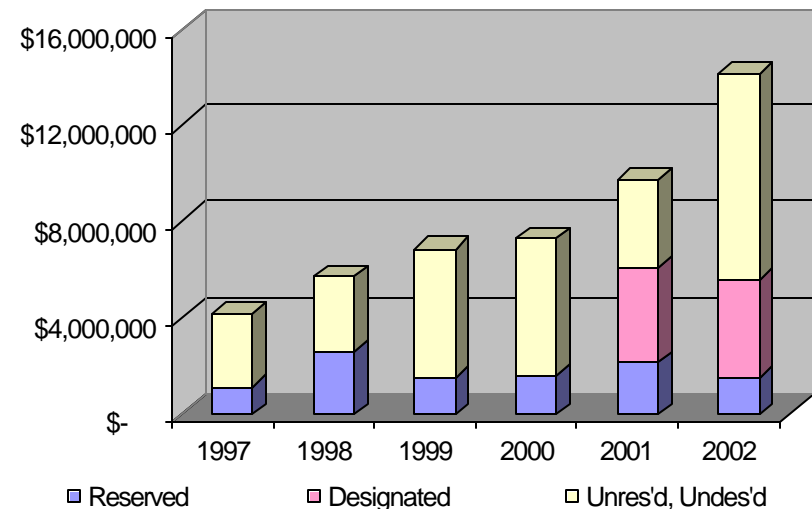
Capital outlay expenditures fluctuate with the government's goals, needs and financial position. Both fiscal years 2002 and 2001 include significant capital outlay expenditures for new or renovated City facilities: the new Library (2001), renovation of the former Library for a Public Safety Administration Building (2002), renovation of the former post office building for the new City Hall (2001) and renovation of the former City Hall into the Development Services Building (2002). Both years' capital outlays include expenditures for major street and intersection improvements in addition to the annual expenditures for maintenance of the City's roadways. Significant improvements were made to South College Street during both fiscal years. A skateboard park was built in FY 02. Property was acquired for a Soccer Complex (\$703,800), a City Hall Annex (\$252,500) and a future park (\$434,000) in 2001. Comparative data for capital outlays are presented on the following page.

Capital Outlays of Governmental Funds by Purpose

	FY 2002	FY 2001
Renovating, equipping City facilities	\$ 1,574,183	\$ 2,091,603
Streets and intersections	1,272,715	2,694,250
Development of new City facilities	451,768	1,576,653
Drainage projects	415,090	304,327
Vehicles and heavy equipment	333,286	1,097,706
Computers, office furniture & equipment	147,829	510,663
Sidewalks and bikeways	144,279	605,707
Street lighting & traffic signals	124,855	132,341
Special capital improvement projects	5,272	344,767
Property acquisition	-	1,390,169
All other	148,676	151,199
Total capital outlays	\$ 4,617,953	\$ 10,899,385

Fund Balance of the General Fund. The total fund balance of the General Fund increased by \$2,795,228 (28.6%) in FY 02, excluding a residual equity transfer that increased fund balance by \$1,525,764. The residual equity transfer resulted from management's decision to change the method of financial reporting for the Employee Benefit Risk Financing activities, which had been reported as an Internal Service Fund prior to fiscal 2002. Beginning in FY 02, these activities will be reported within the General Fund. The total increase in the General Fund for fiscal 2002 was \$4,320,992, a 44.2% increase. The General Fund's ending balance of \$14,098,786 was 41.8% of total expenditures and other financing uses. The FY 02 fund balance increase followed increases of \$2,475,261 in FY 01 (of which \$2,155,907 resulted from the implementation of GASB Statement Number 33), \$449,602 (6.56%) in FY00, \$1,168,221 (20.6%) in FY99, \$1,468,009 (nearly 35%) in FY 98, \$903,213 (nearly 28%) in FY97, \$1,688,398 (108%) in 1996 and \$1,249,126 (206%) in 1995.

Trends in the fund balance of the government's General Fund are illustrated below. The unreserved, undesignated fund balance of the General Fund at the end of fiscal 2002 was \$8,524,960, which is 25.3% of the fiscal 2002 General Fund expenditures and other financing uses. These amounts well exceed the fund balance goal of 6% of expenditures established by the City Council.

Trends in Fund Balance - General Fund**Fund Balance Trend Amounts - General Fund**

FY	Reserved	Designated	Unreserved and Undesignated	Total
1997	\$ 1,127,119	-	\$ 3,031,289	\$ 4,158,408
1998	2,596,287	-	3,088,423	5,684,710
1999	1,499,497	-	5,353,434	6,852,931
2000	1,560,286	-	5,742,247	7,302,533
2001	2,114,199	4,000,000	3,663,595	9,777,794
2002	1,463,210	4,110,616	8,524,960	14,098,786

In fiscal 2001, the City Council designated \$4 million of the General Fund's total fund balance as a "permanent reserve" that can be used only if needed during a time of natural disaster or other emergency. The Council's ordinance establishing this emergency "fund" also provided that interest earned on the emergency fund would be incorporated into the amount so designated.

Enterprise Operations. The government's enterprise operations consist of the Sewer Revenue Fund (Sewer Fund) and the Industrial Park Fund.

The City's two sewer treatment plants were owned and operated by US Filter, a Houston, Texas-based engineering and contract services firm, while the service lines and lift stations were owned and maintained by the government. One of the City's two wastewater treatment plants was nearing 95% of capacity and the City's projected continuing growth meant that wastewater treatment capacity would be a concern in the near future.

During fiscal 2001, the City developed a plan whereby the City would issue debt in an amount sufficient to acquire the two plants from USFilter and also to expand the system to treat 9.0 mgd, a capacity that should serve the government's growing population through 2020. Under the agreement between the City and USFilter, USF will continue to operate and maintain the sewer plants through 2020; and USF will coordinate the design and engineering of the system expansion. The Northside plant will be converted into a pumping station and all wastewater treatment will be performed at the Southside plant after the system expansion is completed. Completion of the system expansion construction is expected in 2004.

Industrial property acquisition, development and sales are tracked through the Industrial Park Enterprise Fund and the Industrial Development Board, a component unit of the City that accounts for activities of both the City and the Board. As property appropriate for industrial park development is identified, the City acquires and holds the property. Prospects for the industrial parks are identified and developed through the efforts of the City's Economic Development Department and the Industrial Development Board (IDB). Once a prospect has made an offer to locate in an industrial park, the City Council has the authority to approve or disapprove the land sale to that specific prospect. In fiscal 1995, the City Council deeded all of its industrial properties to the IDB to provide greater flexibility in obtaining financing for industrial property development. However, the Council retains, through deed restrictions, final approval over all sales of industrial property.

Fiduciary Operations. In addition to the State-administered Employees Retirement System (outlined in Note 11 of the notes to the financial statements), a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code is available to all full-time government employees. At September 30, 2002, seventy-five members were enrolled in this plan, contributing \$192,822 during the year.

Debt Administration. The City's general obligation debt totaled \$66.757 million at September 30, 2002. School Board debt was \$34.252 million (51.3%) of the \$48.208 million. General obligation warrants and capital leases payable by Enterprise funds increase this debt by \$30.403 million. The government's legal debt limit is set by state statute and is currently based on 20% of assessed value of property within the City. At September 30, 2002, government debt applicable

to the debt limit was 47.86%, an increase from the prior year's 42.24%. Debt per capita, based on projections developed from the 2000 official census, equaled \$1,449 at September 30, 2002, up from \$1,057 at the same date in 2001.

During the 2002 fiscal year, the primary government issued \$36.462 million of general obligation debt, of which \$27.275 million was issued to refund outstanding School Board debt and provide new money (\$12.5 million) for school construction; \$1.937 million was issued to finance drainage and street improvements and computer equipment; and \$7.25 million was issued to purchase property for and construct a soccer complex, build the first phase of a new cemetery and the first phase of a passive park. General obligation debt with a face value of \$17,913,014 was retired during the year, including \$13,190,000 of School Board debt that was refunded through the issuance of new debt.

Warrants to be repaid by the Sewer Enterprise Fund totaling \$30,022,326 were issued at the end of fiscal 2001. Retirement of these warrants began in fiscal 2002, during which \$25,000 of principal was retired.

Cash Management. The City's practice is to invest primarily through local banking institutions. Using the pooled-cash concept, all funds that are allowed by law to earn interest are deposited into an interest bearing investment account. Idle funds are further invested in bank prime yield accounts or certificates of deposit, with maturities planned toward interest yield and cash needs. During fiscal 2002, the average yield on invested funds was 3.19% and the government earned interest totaling \$1,244,327.

Risk Management. The City's comprehensive risk management program combines risk control and risk financing

techniques to address the City's loss exposures. Risk control techniques used include identification and reduction of hazards and liability exposures involving City properties, operations and equipment. The government uses two risk-financing techniques. The City retains its general liability and worker's compensation loss exposures and pays for any losses using a designated fund. Property, automobile and professional liability exposures are transferred to insurance companies.

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, 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.

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, 2001. This was the sixteenth 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.

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.



Douglas J. Watson, Ph.D.
City Manager



Andrea E. Jackson, CPA, CGFM
Finance Director

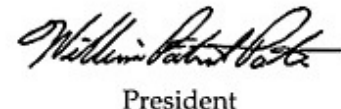
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Auburn,
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2001

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, Alabama

Appendix I

General Fund

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

Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Budget Variance Favorable (Unfav.)	Prior Year Actual	Amount	As %
Locally levied taxes						
Cigarette taxes	\$ 105,000	\$ 105,414	\$ 414	\$ 101,457	\$ 3,957	3.90%
Gasoline taxes	260,000	262,573	2,573	244,388	18,185	7.44%
Sales and use taxes	13,000,000	13,160,761	160,761	12,554,602	606,159	4.83%
Lodging taxes	450,000	485,260	35,260	380,479	104,781	27.54%
Rental and leasing taxes	320,000	343,451	23,451	133,434	210,017	157.39%
<i>Total locally levied taxes</i>	<u>14,135,000</u>	<u>14,357,459</u>	<u>222,459</u>	<u>13,414,360</u>	<u>943,099</u>	<u>7.03%</u>
Licenses and permits						
Franchise fees	411,000	411,202	202	740,151	(328,949)	-44.44%
Business license fees	3,895,000	3,924,857	29,857	3,701,278	223,579	6.04%
Construction permits and fees	762,000	793,396	31,396	592,872	200,524	33.82%
Occupation license fees	5,100,000	4,981,415	(118,585)	5,063,472	(82,057)	-1.62%
Parking fees	94,000	94,884	884	98,750	(3,866)	-3.92%
Wholesale wine permits	25,000	24,053	(947)	23,375	678	2.90%
Dog licenses	10,500	10,684	184	9,881	803	8.13%
<i>Total licenses and permits</i>	<u>10,297,500</u>	<u>10,240,491</u>	<u>(57,009)</u>	<u>10,229,779</u>	<u>10,712</u>	<u>0.10%</u>
General property taxes						
Ad valorem taxes	1,515,000	1,529,229	14,229	1,435,404	93,825	6.54%
Contributions in lieu of ad valorem taxes	410,000	401,480	(8,520)	409,178	(7,698)	-1.88%
<i>Total general property taxes</i>	<u>1,925,000</u>	<u>1,930,710</u>	<u>5,710</u>	<u>1,844,582</u>	<u>86,128</u>	<u>4.67%</u>
Fees for services						
Solid waste collection fees	2,091,000	2,102,764	11,764	1,975,982	126,782	6.42%
Telephone fees for E-911 services	374,000	375,362	1,362	372,091	3,271	0.88%
Parks and recreation fees	105,700	127,973	22,273	124,340	3,633	2.92%
Public safety charges	200,000	202,070	2,070	172,334	29,736	17.25%
Sewer system management fees	126,000	126,000	-	126,000	-	0.00%
Judicial system fees	212,140	238,010	25,870	199,447	38,563	19.33%
Information Technology service fees	98,500	107,173	8,673	82,858	24,315	29.35%
Cemetery fees	74,000	77,225	3,225	75,853	1,372	1.81%
Planning fees	32,000	34,847	2,847	48,319	(13,472)	-27.88%
Finance Department fees	17,000	17,051	51	29,505	(12,454)	-42.21%
Library fees	10,000	11,563	1,563	11,377	186	1.63%
Miscellaneous	1,000	710	(290)	1,550	(840)	-54.19%
<i>Total fees for services</i>	<u>3,341,340</u>	<u>3,420,748</u>	<u>79,408</u>	<u>3,219,656</u>	<u>201,092</u>	<u>6.25%</u>

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, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Budget Variance Favorable (Unfav.)	Prior Year Actual	Amount	As %
Fines and forfeitures						
Court fines	\$ 700,300	\$ 628,661	\$ (71,639)	\$ 689,823	\$ (61,162)	-8.87%
Parking fines	105,000	121,860	16,860	127,153	(5,293)	-4.16%
<i>Total fines and forfeitures</i>	805,300	750,521	(54,779)	816,976	(66,455)	-8.13%
State shared taxes						
Business privilege tax	152,600	152,658	58	152,513	145	0.10%
Alabama Trust Fund distribution	138,900	138,980	80	109,506	29,474	26.92%
Motor vehicle tax	250,000	108,910	(141,090)	74,584	34,326	46.02%
Financial Institution Excise Tax	7,800	7,869	69	22,754	(14,885)	-65.42%
Alcoholic Beverage Control Board profits distribution	20,500	20,340	(160)	3,681	16,659	452.57%
<i>Total state shared taxes</i>	569,800	428,757	(141,043)	363,038	65,719	18.10%
Contributions from the public						
For infrastructure projects	25,000	25,000	-	25,000	-	0.00%
For parks and recreation	24,500	29,817	5,317	22,643	7,174	31.68%
Other donations	35,500	38,450	2,950	1,000	37,450	3745.00%
<i>Total contributions from the public</i>	85,000	93,267	8,267	48,643	44,624	91.74%
Grants	601,000	422,582	(178,418)	276,760	145,822	52.69%
Lease income	70,000	71,471	1,471	62,466	9,005	14.42%
Interest	350,000	397,990	47,990	320,977	77,013	23.99%
Miscellaneous revenues						
Concessions income	62,000	63,795	1,795	43,432	20,363	46.88%
Recycling	12,500	11,584	(916)	12,842	(1,258)	-9.79%
Other	78,000	79,208	1,208	16,584	62,624	377.62%
<i>Total miscellaneous revenues</i>	152,500	154,587	2,087	72,858	81,729	112.18%
Total General Fund Revenues (excluding Special Activities)	32,332,440	32,268,583	(63,857)	30,670,095	1,598,488	5.21%

City of Auburn, Alabama

Appendix I

General Fund

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

Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Budget Variance Favorable (Unfav.)	Prior Year Actual	Amount	As %
Special Activities of the General Fund						
Fees for insurance services	\$ 541,500	\$ 657,441	\$ 115,941	\$ 590,624	\$ 66,817	11.31%
Interest	58,000	212,866	154,866	213,220	(354)	-0.17%
Contributions from the public	-	19,385	19,385	23,303	(3,918)	-16.81%
Special capital improvement projects	523,200	554,692	31,492	147,333	407,359	276.49%
Total Special Activities	1,122,700	1,444,384	321,684	974,480	469,904	48.22%
Total General Fund Revenues	33,455,140	33,712,967	257,827	31,644,575	2,068,392	6.54%
Long-term debt proceeds						
General obligation warrants	1,937,000	1,937,000	-	4,074,278	(2,137,278)	-52.46%
Capital leases	-	-	-	1,075,342	(1,075,342)	-100.00%
<i>Total long-term debt proceeds</i>	<i>1,937,000</i>	<i>1,937,000</i>	<i>-</i>	<i>5,149,620</i>	<i>(3,212,620)</i>	<i>-62.39%</i>
Operating transfers in from other funds						
From Post Office Warrant Fund	-	422,000	422,000	-	422,000	
From City Gas Tax Fund	150,000	150,000	-	250,000	(100,000)	-40.00%
From State 7c Gas Tax Fund	124,000	124,000	-	120,000	4,000	3.33%
From State 9c Gas Tax Fund	86,500	86,500	-	85,500	1,000	1.17%
From Sewer Fund	71,250	71,250	-	71,250	-	0.00%
<i>Total operating transfers in</i>	<i>431,750</i>	<i>853,750</i>	<i>422,000</i>	<i>526,750</i>	<i>327,000</i>	<i>62.08%</i>
Total other financing sources	2,368,750	2,790,750	422,000	5,676,370	(2,885,620)	-50.84%
Total revenues and other financing sources	\$ 35,823,890	\$ 36,503,717	\$ 679,827	\$ 37,320,945	\$ (817,228)	-2.19%

City of Auburn, Alabama
Appendix II
General Fund

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
City Council						
Personal services	\$ 31,808	\$ 27,554	\$ 4,254	\$ 27,430	\$ 124	0.45%
Contractual services	107,461	84,678	22,783	63,135	21,543	34.12%
Capital outlay	-	-	-	-	-	N/A
Totals	139,269	112,232	27,037	90,565	21,667	23.92%
City Manager's Office						
Personal services	384,709	380,496	4,213	375,198	5,298	1.41%
Contractual services	45,317	26,971	18,347	38,084	(11,114)	-29.18%
Commodities	12,662	15,039	(2,377)	12,590	2,449	19.45%
Capital outlay	-	-	-	1,806	(1,806)	-100.00%
Debt service	4,885	5,026	(141)	8,616	(3,590)	-41.66%
Totals	447,573	427,532	20,041	436,294	(8,762)	-2.01%
Judicial						
Personal services	316,284	286,219	30,065	280,856	5,363	1.91%
Contractual services	99,459	112,221	(12,762)	87,360	24,861	28.46%
Commodities	14,929	13,398	1,531	11,518	1,880	16.32%
Capital outlay	-	-	-	-	-	N/A
Total	430,672	411,838	18,834	379,734	32,104	8.45%
Information Technology						
<i>Information Technology</i>						
Personal services	353,833	369,175	(15,342)	292,827	76,348	26.07%
Contractual services	101,231	100,338	893	91,540	8,798	9.61%
Commodities	73,228	60,755	12,473	63,681	(2,926)	-4.59%
Capital outlay	13,361	13,400	(39)	13,094	306	2.34%
Debt service	8,179	8,177	2	8,177	0	0.00%
Subtotals	549,832	551,846	(2,014)	469,319	82,527	17.58%
<i>Geographic Information Systems **</i>						
Personal services	169,698	84,754	84,944	101,052	(16,298)	-16.13%
Contractual services	8,570	1,678	6,892	1,495	183	12.21%
Commodities	3,581	9,107	(5,526)	2,046	7,061	345.11%
Capital outlay	10,000	10,440	(440)	1,800	8,640	480.00%
Subtotals	191,849	105,979	85,870	106,393	(414)	-0.39%
Totals	741,681	657,824	83,857	575,712	82,113	14.26%

** The Geographic Information Systems division moved from the Public Works Department to the Information Technology Department in FY02.

City of Auburn, Alabama

Appendix II

General Fund

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

Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
Finance						
Personal services	\$ 685,077	\$ 658,056	\$ 27,021	\$ 624,098	\$ 33,957	5.44%
Contractual services	99,134	68,280	30,854	66,312	1,968	2.97%
Commodities	75,613	60,560	15,053	60,746	(186)	-0.31%
Capital outlay	32,010	32,424	(414)	8,360	24,064	287.84%
Total	891,834	819,319	72,515	759,516	59,802	7.87%
Economic Development						
Personal services	327,697	306,462	21,235	277,577	28,885	10.41%
Contractual services	27,473	25,178	2,295	32,956	(7,778)	-23.60%
Commodities	9,928	9,027	901	8,085	942	11.66%
Capital outlay	1,060	1,054	6	10,540	(9,486)	-90.00%
Debt service	4,131	3,443	688	8,953	(5,510)	-61.54%
Totals	370,289	345,166	25,123	338,111	7,055	2.09%
Human Resources						
<i>Human Resources</i>						
Personal services	278,232	259,319	18,913	247,809	11,510	4.64%
Contractual services	104,326	81,301	23,025	76,634	4,667	6.09%
Commodities	12,787	11,823	964	7,825	3,998	51.10%
Capital outlay	36,050	23,085	12,965	8,637	14,448	167.28%
Subtotals	431,395	375,528	55,867	340,905	34,623	10.16%
<i>Risk Management</i>						
General Fund	257,600	188,774	68,826	190,590	(1,816)	-0.95%
Totals	688,995	564,302	124,693	531,495	32,807	6.17%
Public Works						
<i>Administration</i>						
Personal services	276,682	256,113	20,569	199,101	57,012	28.63%
Contractual services	111,679	100,334	11,345	86,641	13,693	15.80%
Commodities	61,260	38,007	23,253	37,362	645	1.73%
Capital outlay	68,439	128,344	(59,905)	1,800	126,544	7030.21%
Debt service	-	-	-	-	-	N/A
Subtotals	518,060	522,797	(4,737)	324,904	197,894	60.91%

City of Auburn, Alabama

Appendix II

General Fund

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

Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
Public Works (cont'd)						
<i>Construction and Maintenance</i>						
Personal services	\$ 511,504	\$ 355,781	\$ 155,723	\$ 346,938	\$ 8,843	2.55%
Contractual services	140,124	101,412	38,712	74,802	26,610	35.57%
Commodities	159,966	112,756	47,210	146,538	(33,782)	-23.05%
Capital outlay	117,705	80,371	37,334	97,591	(17,220)	-17.65%
Debt service	56,708	28,436	28,272	11,984	16,452	137.28%
Subtotals	986,007	678,756	307,251	677,853	903	0.13%
<i>Engineering Design</i>						
Personal services	336,444	313,683	22,761	264,205	49,478	18.73%
Contractual services	48,914	17,093	31,821	23,050	(5,957)	-25.84%
Commodities	17,918	22,531	(4,613)	12,435	10,096	81.19%
Capital outlay	24,000	19,993	4,007	3,985	16,008	401.71%
Subtotals	427,276	373,300	53,976	303,675	69,625	22.93%
<i>Inspection</i>						
Personal services	165,857	144,907	20,950	144,057	850	0.59%
Contractual services	33,180	14,992	18,189	17,834	(2,843)	-15.94%
Commodities	11,904	4,394	7,510	8,829	(4,435)	-50.23%
Capital outlay	21,000	19,312	1,688	21,027	(1,715)	-8.16%
Debt service	8,690	8,690	(0)	9,174	(484)	-5.27%
Subtotals	240,631	192,295	48,336	200,921	(8,626)	-4.29%
<i>Geographic Information Systems **</i>						
Personal services	25,583	-	25,583	-	-	N/A
Contractual services	-	-	-	-	-	N/A
Commodities	-	108	(108)	-	108	N/A
Capital outlay	10,000	-	10,000	-	-	N/A
Subtotals	35,583	108	35,475	-	108	N/A

** The Geographic Information Systems division moved from the Public Works Department to the Information Technology Department in FY02.

City of Auburn, Alabama
Appendix II
General Fund

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
Public Works (cont'd)						
<i>Traffic Engineering</i>			-			
Personal services	\$ 114,308	\$ 74,721	\$ 39,587	\$ 93,659	\$ (18,937)	-20.22%
Contractual services	8,900	22,909	(14,009)	6,016	16,893	280.80%
Commodities	48,534	43,788	4,746	57,895	(14,107)	-24.37%
Capital outlay	64,750	48,671	16,080	41,040	7,631	18.59%
Subtotals	236,492	190,089	46,403	198,610	(8,521)	-4.29%
Totals	2,444,049	1,957,345	486,704	1,705,962	251,383	14.74%
Environmental Services						
<i>Administration</i>						
Personal services	277,266	272,382	4,884	242,587	29,795	12.28%
Contractual services	79,357	94,790	(15,433)	101,603	(6,813)	-6.71%
Commodities	35,465	45,572	(10,107)	43,614	1,958	4.49%
Capital outlay	-	14,096	(14,096)	3,817	10,279	269.29%
Debt service	15,632	16,245	(613)	31,024	(14,779)	-47.64%
Subtotals	407,720	443,085	(35,365)	422,645	20,440	4.84%
<i>Recycling</i>						
Personal services	504,366	430,181	74,185	453,748	(23,568)	-5.19%
Contractual services	137,600	157,949	(20,349)	166,772	(8,823)	-5.29%
Commodities	48,726	75,624	(26,898)	73,144	2,480	3.39%
Capital outlay	-	-	-	85,776	(85,776)	-100.00%
Debt service	30,426	30,426	-	18,873	11,553	61.21%
Subtotals	721,118	694,180	26,938	798,313	(104,133)	-13.04%
<i>Solid Waste</i>						
Personal services	399,691	389,159	10,532	404,954		
Contractual services	271,346	266,327	5,019	271,136	(4,809)	-1.77%
Commodities	99,738	122,414	(22,676)	153,637	(31,223)	-20.32%
Capital outlay	-	-	-	147,904	(147,904)	-100.00%
Debt service	93,050	95,895	(2,845)	73,130	22,765	31.13%
Subtotals	863,825	873,796	(9,971)	1,050,761	(176,965)	-16.84%

City of Auburn, Alabama

Appendix II

General Fund

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

Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
Environmental Services (cont'd)						
<i>Animal Control</i>						
Personal services	\$ 64,547	\$ 70,280	\$ (5,733)	\$ 66,081	\$ 4,199	6.35%
Contractual services	56,486	3,288	53,198	6,737	(3,449)	-51.19%
Commodities	10,308	55,486	(45,178)	58,661	(3,175)	-5.41%
Capital outlay	40,000	20,108	19,892	-	20,108	N/A
Subtotals	171,341	149,162	22,179	131,479	17,684	13.45%
<i>Right of Way Maintenance</i>						
Personal services	280,682	296,448	(15,766)	259,224	37,225	14.36%
Contractual services	19,075	16,591	2,484	17,257	(666)	-3.86%
Commodities	39,425	72,873	(33,448)	87,325	(14,452)	-16.55%
Capital outlay	16,500	7,430	9,070	36,260	(28,830)	-79.51%
Debt service	27,509	29,240	(1,731)	27,508	1,732	6.30%
Subtotals	383,191	422,582	(39,391)	427,574	(4,991)	-1.17%
<i>Fleet Services</i>						
Personal Services	397,412	380,481	16,931	366,776	13,705	3.74%
Contractual Services	38,103	42,313	(4,210)	49,203	(6,890)	-14.00%
Commodities	45,003	48,431	(3,428)	49,890	(1,459)	-2.92%
Capital outlay	-	4,067	(4,067)	1,479	2,588	174.98%
Debt Service	-	-	-	-	-	N/A
Subtotals	480,518	475,291	5,227	467,348	7,943	1.70%
Totals	3,027,713	3,058,097	(30,384)	3,298,119	(240,023)	-7.28%
Public Safety						
<i>Administration</i>						
Personal services	165,094	129,656	35,438	180,542	(50,886)	-28.19%
Contractual services	334,970	328,386	6,584	270,288	58,098	21.49%
Commodities	47,650	24,739	22,911	20,228	4,511	22.30%
Capital outlay	25,914	18,290	7,624	6,752	11,538	170.88%
Debt Service	8,125	8,126	(1)	8,803	(677)	-7.69%
Subtotals	581,753	509,196	72,557	486,613	22,584	4.64%

City of Auburn, Alabama

Appendix II

General Fund

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

Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
Public Safety (cont'd)						
<i>Police</i>						
Personal services	\$ 3,976,519	\$ 3,723,251	\$ 253,268	\$ 3,614,220	\$ 109,032	3.02%
Contractual services	75,000	294,021	(219,021)	57,038	236,983	415.48%
Commodities	325,362	225,789	99,573	271,422	(45,633)	-16.81%
Capital outlay	36,000	9,970	26,030	382,621	(372,651)	-97.39%
Debt Service	125,892	125,247	645	28,685	96,562	336.63%
Subtotals	4,538,773	4,378,279	160,494	4,353,986	24,293	0.56%
<i>Fire</i>						
Personal services	2,610,414	2,392,872	217,542	2,327,300	65,572	2.82%
Contractual services	88,000	84,898	3,102	81,138	3,760	4.63%
Commodities	128,900	159,723	(30,823)	134,077	25,646	19.13%
Capital outlay	-	3,695	(3,695)	216,962	(213,267)	-98.30%
Debt Service	89,873	93,930	(4,057)	74,563	19,367	25.97%
Subtotals	2,917,187	2,735,118	182,069	2,834,040	(98,922)	-3.49%
<i>Communications</i>						
Personal services	328,059	307,219	20,840	289,385	17,834	6.16%
Contractual services	80,000	68,012	11,988	69,443	(1,431)	-2.06%
Commodities	25,150	3,221	21,929	1,754	1,467	83.61%
Capital Outlay	-	-	-	-	-	N/A
Subtotals	433,209	378,451	54,758	360,582	17,870	4.96%
<i>Codes Enforcement</i>						
Personal services	228,551	182,043	46,508	194,002	(11,959)	-6.16%
Contractual services	8,716	297	8,419	130	167	128.46%
Commodities	6,100	4,938	1,162	4,786	152	3.18%
Capital Outlay	17,853	-	17,853	-	-	N/A
Subtotals	261,220	187,278	73,942	198,918	(11,640)	-5.85%
Totals	8,732,142	8,188,323	543,819	8,234,138	(45,815)	-0.56%
Library						
Personal services	608,535	539,416	69,119	421,242	118,173	28.05%
Contractual services	98,556	70,509	28,047	74,828	(4,319)	-5.77%
Commodities	106,690	99,982	6,708	78,765	21,217	26.94%
Capital outlay	15,578	7,646	7,932	49,752	(42,106)	-84.63%
Totals	829,359	717,553	111,806	624,587	92,966	14.88%

City of Auburn, Alabama

Appendix II

General Fund

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

Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
Parks and Recreation						
<i>Administration</i>						
Personal services	\$ 218,606	\$ 208,415	\$ 10,191	\$ 210,387	\$ (1,972)	-0.94%
Contractual services	397,332	402,460	(5,128)	385,965	16,495	4.27%
Commodities	32,800	27,426	5,374	14,830	12,596	84.93%
Capital Outlay	3,000	19,770	(16,770)	5,844	13,926	238.30%
Debt Service	4,170	4,170	0	4,517	(347)	-7.69%
Subtotals	655,908	662,240	(6,332)	621,543	40,697	6.55%
<i>Leisure Services</i>						
Personal services	1,182,581	959,853	222,728	920,221	39,632	4.31%
Contractual services	64,250	57,055	7,195	53,165	3,890	7.32%
Commodities	144,000	124,389	19,611	120,879	3,510	2.90%
Capital outlay	21,500	65,368	(43,868)	68,059	(2,691)	-3.95%
Subtotals	1,412,331	1,206,666	205,665	1,162,324	44,342	3.81%
<i>Parks and Facilities</i>						
Personal services	961,080	813,969	147,111	779,703		
Contractual services	125,835	134,977	(9,142)	105,423	29,554	28.03%
Commodities	190,000	160,781	29,219	151,017	9,765	6.47%
Capital outlay	151,300	157,466	(6,166)	295,473	(138,007)	-46.71%
Debt Service	14,493	14,492	1	14,009	483	3.45%
Subtotals	1,442,708	1,281,687	161,021	1,345,624	(63,938)	-4.75%
Totals	3,510,947	3,150,593	360,354	3,129,491	21,101	0.67%
Planning						
Personal services	324,947	303,690	21,257	265,717	37,973	14.29%
Contractual services	32,300	31,495	805	16,394	15,101	92.12%
Commodities	21,360	20,440	920	20,515	(75)	-0.36%
Capital outlay	13,742	9,011	4,731	-	9,011	N/A
Debt service	-	7,971	(7,971)	7,358	613	8.33%
Totals	392,349	372,608	19,741	309,984	62,623	20.20%
Totals for all departments	22,646,872	20,782,730	1,864,142	20,413,710	369,020	1.81%

City of Auburn, Alabama

Appendix II

General Fund

Statement of Expenditures by Department and Category - Budget and Actual (unaudited)
Fiscal Year Ended September 30, 2002

	Fiscal Year 2002			Fiscal Year 2001	FY 02 > FY 01	
	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual	Amount	As %
Non-departmental						
<i>General Operations</i>						
Personal services	\$ 254,497	\$ 272,024	\$ (17,527)	\$ 176,830	\$ 95,194	53.83%
Contractual services	691,000	632,739	58,261	514,594	118,145	22.96%
Commodities	30,100	41,247	(11,147)	36,874	4,373	11.86%
Capital outlay	27,000	13,080	13,920	1,236,784	(1,223,704)	-98.94%
Subtotals	1,002,597	959,089	43,508	1,965,082	(1,005,993)	-51.19%
<i>Project Operations</i>	2,627,462	1,563,064	1,064,398	2,386,587	(823,523)	-34.51%
<i>Debt Service</i>	1,865,673	1,860,573	5,100	1,592,226	268,347	16.85%
<i>Intergovernmental</i>	4,800,036	4,867,674	(67,638)	4,914,630	(46,956)	-0.96%
Non-departmental Totals	10,295,768	9,250,400	1,045,368	10,858,525	(1,608,125)	-14.81%
General Fund Special Activities						
<i>Former County Road</i>	-	52,161	(52,161)	330,350	(278,189)	-84.21%
<i>Community Built Playground</i>	-	-	-	-	-	N/A
<i>Veteran's Memorial Monument</i>	-	8,152	(8,152)	8,241	(89)	-1.08%
<i>Assessment Projects</i>	-	731,008	(731,008)	2,534,548	(1,803,540)	-71.16%
<i>Liability Risk Retention</i>	315,800	122,630	193,170	161,336	(38,706)	-23.99%
<i>Employee Benefit Self-Insurance</i>	1,092,700	1,210,386	(117,686)	1,197,860	12,526	1.05%
Special Activities Total	1,408,500	2,124,337	(715,837)	4,232,335	(2,107,998)	-49.81%
Total expenditures	34,351,140	32,157,467	2,193,673	35,504,570	(3,347,103)	-9.43%
Other Financing Uses						
Operating Transfers Out	1,553,386	1,551,022	2,364	1,414,512	136,510	9.65%
Total General Fund	\$ 35,904,526	\$ 33,708,489	\$ 2,196,037	\$ 36,919,082	\$ (3,210,593)	-8.70%

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, 2002

	Expenditures by Department and Category	Deductions		Expenditures per GAAP	Prior Year per GAAP
		Capital Outlay	Debt Service		
City Council	\$ 112,232	\$ -	\$ -	\$ 112,232	\$ 90,565
City Manager's Office	427,532	-	5,026	422,506	425,872
Judicial	411,838	-	-	411,838	379,734
Information Technology					
Information Technology	551,846	13,400	8,177	530,269	448,048
Geographic Information Systems	105,979	10,440	-	95,539	104,593
Total Information Technology	657,825	23,840	8,177	625,808	552,641
Finance	819,319	32,424	-	786,895	751,156
Total general government and administration	2,428,746	56,264	13,203	2,359,279	2,199,968
Economic Development	345,166	1,054	3,443	340,669	318,618
Human Resource Management					
Human Resource Management	375,528	23,085	-	352,443	332,268
Risk Management	188,774	-	-	188,774	190,590
Total Human Resource Mgt.	564,302	23,085	-	541,217	522,858
Public Works					
Administration	522,797	128,344	-	394,453	323,104
Construction	678,756	80,371	28,436	569,949	568,278
Engineering Design	373,300	19,993	-	353,307	299,690
Inspection	192,295	19,312	8,690	164,293	170,720
Geographic Information Systems	108	-	-	108	-
Traffic Engineering	190,089	48,671	-	141,418	157,570
Total Public Works	1,957,345	296,691	37,126	1,623,528	1,519,362
Environmental Services					
Administration	443,085	14,096	16,245	412,744	387,804
Recycling	694,180	-	30,426	663,754	693,664
Solid Waste	873,796	-	95,895	777,901	829,727
Animal Control	149,162	20,108	-	129,055	131,479
Right of Way Maintenance	422,582	7,430	29,240	385,912	363,806
Fleet Services	475,291	4,067	-	471,225	465,869
Total Environmental Services	3,058,096	45,700	171,806	2,840,590	2,872,349

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, 2002

	Expenditures by Department and Category	Deductions		Expenditures per GAAP	Prior Year per GAAP
		Capital Outlay	Debt Service		
Public Safety					
Administration	\$ 509,196	\$ 18,290	\$ 8,126	\$ 482,780	\$ 471,058
Police	4,378,279	9,970	125,247	4,243,062	3,942,680
Public Safety (cont.)					
Fire	2,735,118	3,695	93,930	2,637,493	2,542,515
Communications	378,451	-	-	378,451	360,582
Codes Enforcement	187,278	-	-	187,278	198,918
Total Public Safety	8,188,322	31,955	227,303	7,929,064	7,515,753
Library	717,553	7,646	-	709,907	574,835
Parks and Recreation					
Administration	662,240	19,770	4,170	638,300	611,182
Leisure Services	1,206,666	65,368	-	1,141,298	1,094,265
Parks and Facilities	1,281,687	157,466	14,492	1,109,728	1,036,142
Total Parks and Recreation	3,150,592	242,604	18,663	2,889,325	2,741,589
Planning	372,608	9,011	7,971	355,626	302,626
Total Departmental	20,782,730	714,010	479,515	19,589,205	18,567,958
Non- Departmental					
General Operations	959,089	13,080	-	946,009	728,298
Project Operations	1,563,064	1,563,064	-	-	-
Debt Service	1,860,573	-	1,860,573	(0)	-
Intergovernmental	4,867,674	-	-	4,867,674	4,914,630
Other Financing Uses	1,551,022	-	-	1,551,022	1,414,512
Total Non-Departmental	10,801,422	1,576,144	1,860,573	7,364,705	7,057,440
General Fund Special Activities					
Former County Road	52,161	52,161	-	-	-
Community Built Playground	-	-	-	-	-
Veteran's Memorial Monument	8,152	-	-	8,152	8,241
Assessment Projects	731,008	5,272	725,736	-	-
Liability Risk Retention	122,630	-	-	122,630	161,336
Employee Benefit Self-Insurance	1,210,386	-	-	1,210,386	1,197,860
Special Activities Total	2,124,337	57,433	725,736	1,341,168	1,367,437
Total Expenditures & Other Financing Uses	\$ 33,708,489			\$ 28,295,078	\$ 26,992,835
Capital Outlay Expenditures per GAAP		\$ 2,347,587			
Debt Service Expenditures per GAAP			\$ 3,065,824		

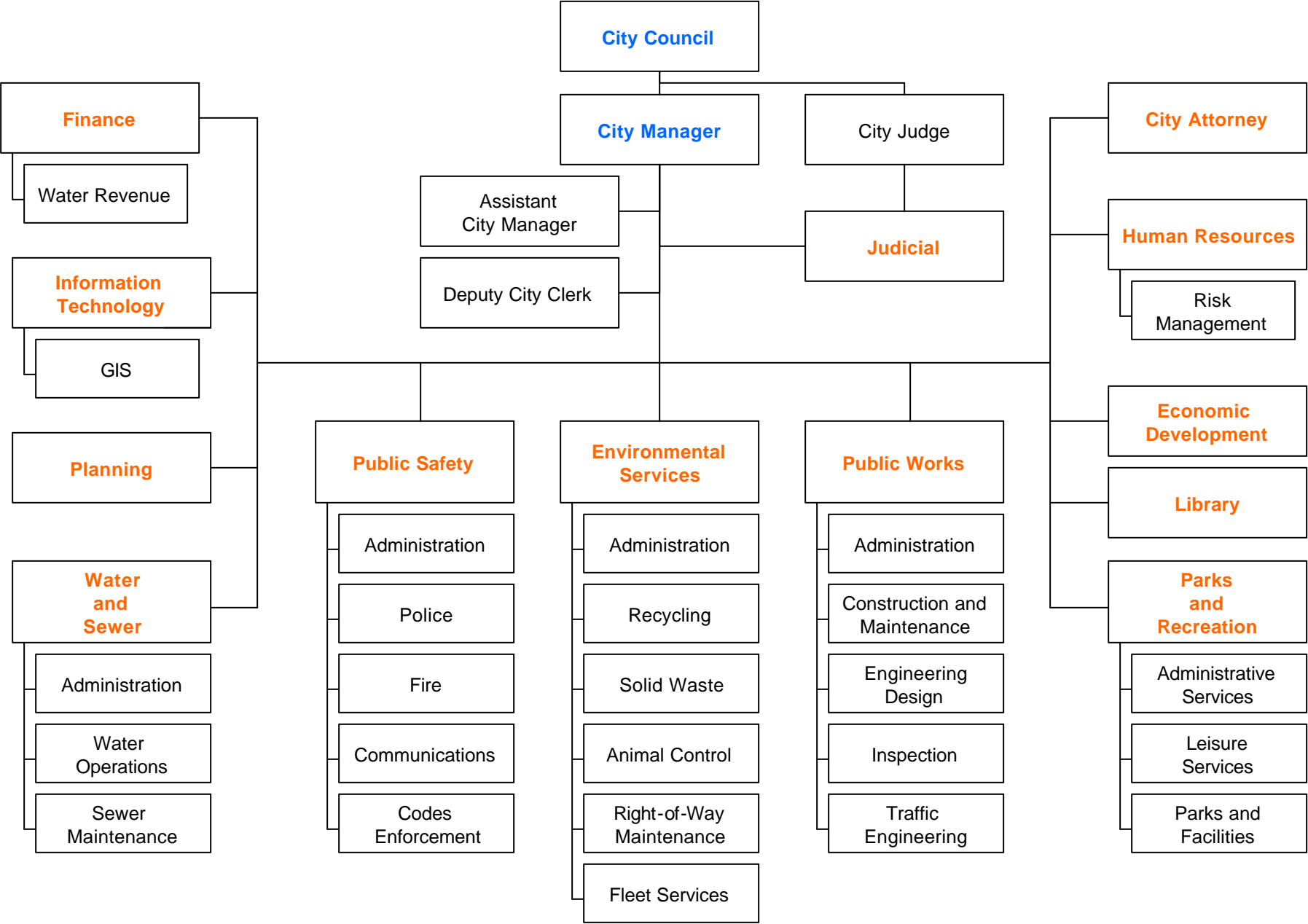
City of Auburn

Appendix III

Governmental Funds Expenditures by Function (unaudited)
Fiscal Year Ended September 30, 2002

	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Environmental Services</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Culture and Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Totals</u>
Administration and										
Staff Support	\$ 2,451,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,451,706
Public Works	-	-	1,623,529	-	-	-	-	-	-	1,623,529
Environmental Services	-	-	-	2,840,590	-	-	-	-	-	2,840,590
Public Safety Administration	-	485,046	-	-	-	-	-	-	-	485,046
Police and Jail	-	4,243,062	-	-	-	-	-	-	-	4,243,062
Fire	-	2,637,493	-	-	-	-	-	-	-	2,637,493
Communications	-	378,451	-	-	-	-	-	-	-	378,451
Codes Enforcement	-	187,278	-	-	-	-	-	-	-	187,278
Library	-	-	-	-	-	-	712,307	-	-	712,307
Parks and Recreation	-	-	-	-	-	-	2,897,477	-	-	2,897,477
Housing Rehab	-	-	-	-	72,850	-	-	-	-	72,850
Planning	355,626	-	-	-	-	-	-	-	-	355,626
Economic Development	927,599	-	-	-	-	-	-	-	-	927,599
Human Resources	352,443	-	-	-	-	-	-	-	-	352,443
Risk Management	311,404	-	-	-	-	-	-	-	-	311,404
Non-Departmental	2,441,539	-	-	-	-	-	-	-	-	2,441,539
Capital Outlay	-	-	-	-	-	-	-	4,617,953	-	4,617,953
Debt Service	-	-	-	-	-	-	-	-	7,756,634	7,756,634
Intergovernmental	73,543	485,815	44,908	-	172,131	4,071,921	19,356	-	-	4,867,674
Totals	\$ 6,913,860	\$ 8,417,145	\$ 1,668,437	\$ 2,840,590	\$ 244,981	\$ 4,071,921	\$ 3,629,140	\$ 4,617,953	\$ 7,756,634	\$ 40,160,661
As a percentage	17.22%	20.96%	4.15%	7.07%	0.61%	10.14%	9.04%	11.50%	19.31%	100%
 Prior Year Totals (FY01)	 \$ 5,791,383	 \$ 7,906,748	 \$ 1,736,976	 \$ 2,872,348	 \$ 176,969	 \$ 4,142,014	 \$ 3,352,501	 \$ 10,899,385	 \$ 8,215,680	 \$ 45,094,004
As a percentage	12.84%	17.53%	3.85%	6.37%	0.39%	9.19%	7.43%	24.17%	18.22%	100%

City of Auburn, Alabama





City of Auburn

Don L. Machen, CPA
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Members
American Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

An Independent Member of
BDO Seidman Alliance

INDEPENDENT AUDITOR'S REPORT

The Honorable Bill Ham, Jr., Mayor
Members of the City Council and City Manager
City of Auburn, Alabama

We have audited the accompanying general purpose financial statements of the City of Auburn, Alabama, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Auburn's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Auburn, Alabama, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 December 3, 2002, on our consideration of the City of Auburn's internal control over financial reporting and 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Auburn, Alabama. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole. The statistical data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Auburn, Alabama. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund, and account group financial statements and, accordingly, we express no opinion on it.

Machen, McChesney & Chastain, LLP

Auburn, Alabama
December 3, 2002



City of Auburn

Combined 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

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY
PRESENTED COMPONENT UNITS

SEPTEMBER 30, 2002

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS						
Cash	\$ 22,825	\$ 12,435	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and cash equivalents	11,638,661	1,600,239	1,503,487	6,680,136	2,392,197	-
Total unrestricted cash and cash equivalents	11,661,486	1,612,674	1,503,487	6,680,136	2,392,197	-
Certificates of deposit	-	-	-	-	-	-
Receivables						
Revenues	2,507,615	43,385	-	4,986	-	-
Grants	56,227	27,603	-	300,000	-	-
Other governmental units	515,459	-	-	-	-	-
Water Works Board	2,966	-	-	-	491,220	-
Special assessments	1,880,581	-	-	-	-	-
Interest	23,039	-	-	-	-	-
Other	39,448	34,696	17,348	-	-	-
Due from						
Other funds	27,679	-	-	-	-	-
Component units	-	-	-	40,000	-	-
Primary government	-	-	-	-	-	-
Inventories, at cost	22,426	-	-	-	-	-
Prepaid items	58,960	10,000	-	-	3,802	-
Mortgages receivable	-	5,101,178	-	-	-	-
Net investment in capital leases	-	-	-	-	-	-
Advances to						
Other funds	-	276,080	-	-	-	-
Component units	497,700	1,674,428	-	-	141,455	-
Restricted assets						
Cash and cash equivalents	57,829	272	1	-	9,155,103	-
Investments	-	-	-	-	568,252	-
Accrued interest receivable	-	-	-	-	-	-
Property for resale	-	-	-	-	-	-
Property, plant and equipment						
Land, buildings and improvements	-	-	-	-	163,241	-
Leasehold improvements	-	-	-	-	-	-
Construction in progress	-	-	-	-	1,031,235	-
Utility plants and lines	-	-	-	-	33,706,218	-
Machinery and equipment	-	-	-	-	763,481	-
Vehicles	-	-	-	-	329,689	-
Accumulated depre- ciation/amortization	-	-	-	-	(5,179,740)	-
Bond issue costs (net)	-	-	-	-	405,757	-
Deferred water rights (net)	-	-	-	-	-	-
Deferred charges	-	-	-	-	231,656	-
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	-
Amount available in debt service funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 17,351,415	\$ 8,780,316	\$ 1,520,836	\$ 7,025,122	\$ 44,203,566	\$ -

Account Groups		Totals (Memorandum Only) Primary Government	Component Units				
General Fixed Assets	Long-Term Debt		Board of Education	Water Works Board	Auburn Center for Developing Industries	Industrial Development Board	Public Parks Recreation Board
\$ -	\$ -	\$ 35,260	\$ 16,400,287	\$ 4,494,355	\$ -	\$ 714,987	\$ -
-	-	23,814,720	-	-	149,613	207	-
-	-	23,849,980	16,400,287	4,494,355	149,613	715,194	-
-	-	-	20,301	-	-	25,248	-
-	-	2,555,986	-	1,351,365	13,094	15,568	-
-	-	383,830	-	-	-	-	-
-	-	515,459	440,415	84	-	-	-
-	-	494,186	-	-	-	-	-
-	-	1,880,581	-	-	-	-	-
-	-	23,039	-	-	-	20,109	-
-	-	91,492	15,496	-	-	23,736	-
-	-	27,679	615,238	-	-	-	-
-	-	40,000	-	-	-	-	-
-	-	-	143,403	-	-	4,668	-
-	-	22,426	106,154	122,883	-	-	-
-	-	72,762	-	50,481	-	-	-
-	-	5,101,178	-	-	-	208,074	-
-	-	-	-	-	-	1,444,890	-
-	-	276,080	-	-	-	-	-
-	-	2,313,583	-	-	-	-	-
-	-	9,213,205	-	7,840,581	-	27,619	-
-	-	568,252	-	785,186	-	-	-
-	-	-	-	5,660	-	-	-
-	-	-	-	-	-	7,741,318	-
33,918,952	-	34,082,193	42,357,189	576,571	1,193,590	7,459,085	-
-	-	-	153,691	-	-	-	-
1,945,581	-	2,976,816	4,154,486	10,426,869	-	3,397,749	-
-	-	33,706,218	-	32,552,621	-	-	-
4,844,632	-	5,608,113	6,902,479	1,201,899	17,410	128,678	-
6,423,865	-	6,753,554	-	-	-	52,935	-
-	-	(5,179,740)	-	(11,815,893)	(331,799)	(621,813)	-
-	-	405,757	-	497,640	-	360,867	-
-	-	-	-	1,807,528	-	-	-
-	-	231,656	-	-	-	-	-
-	66,917,624	66,917,624	682,362	-	-	-	-
-	1,520,836	1,520,836	-	-	-	-	-
<u>\$ 47,133,030</u>	<u>\$ 68,438,460</u>	<u>\$ 194,452,745</u>	<u>\$ 71,991,501</u>	<u>\$ 49,897,830</u>	<u>\$ 1,041,908</u>	<u>\$ 21,003,925</u>	<u>\$ -</u>

See accompanying notes to financial statements.
(continued, next page)

CITY OF AUBURN, ALABAMA

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS

SEPTEMBER 30, 2002

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
LIABILITIES, FUND EQUITY AND OTHER CREDITS						
Liabilities						
Current maturities of notes payable	\$ -	\$ -	\$ -	\$ -	\$ 435,737	\$ -
Current portion of water supply agreement payable	-	-	-	-	-	-
Payables to other governments	84	-	-	-	-	-
Accounts payable and accrued liabilities	471,491	22,088	-	43,146	350,965	-
Customer deposits	53,443	-	-	-	336,454	-
Due to						
Other funds	-	8,504	-	-	19,175	-
Component units	148,071	-	-	-	-	-
Primary government	-	-	-	-	-	-
Deferred revenue	2,463,807	-	-	300,000	-	-
Bonds, notes, warrants and capital leases payable (net of current maturities)	-	-	-	-	29,967,603	-
Water supply agreement with City of Opelika (net of unamortized discount and current portion)	-	-	-	-	-	-
Accumulated annual leave	-	-	-	-	37,565	-
Claims payable	46,618	-	-	-	-	-
Landfill closure and post-closure care liability	-	-	-	-	-	-
Deferred program revenue	-	5,101,678	-	-	-	-
Advances from						
Other funds	69,115	-	-	-	206,965	-
Primary government	-	-	-	-	-	-
Liabilities payable from restricted assets						
Accounts payable	-	-	-	-	-	-
Current portion of bonds payable	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-
Total liabilities	<u>3,252,629</u>	<u>5,132,270</u>	<u>-</u>	<u>343,146</u>	<u>31,354,464</u>	<u>-</u>
Fund equity and other credits						
Contributed capital						
Developers	-	-	-	-	10,400,013	-
General Public	-	-	-	-	-	-
Grants	-	-	-	-	194,410	-
General Fund	-	-	-	-	-	-
General Government	-	-	-	-	274,713	-
Special Revenue Funds	-	-	-	-	-	-
Investment in general fixed assets	-	-	-	-	-	-
Retained earnings						
Unreserved (deficit)	-	-	-	-	1,979,966	-
Fund balances						
Reserved for						
Inventories	22,426	-	-	-	-	-
Prepaid items	58,960	10,000	-	-	-	-
Debt service	-	-	1,520,836	-	-	-
Encumbrances	884,124	-	-	220,976	-	-
Advances	497,700	1,950,508	-	-	-	-
Capital projects	-	-	-	-	-	-
Medical and dental	-	-	-	-	-	-
Unreserved -						
Designated -						
Future school appropriations	-	-	-	-	-	-
Future emergency purchases	4,110,616	-	-	-	-	-
Undesignated (deficit)	8,524,960	1,687,538	-	6,461,000	-	-
Total equity and other credits	<u>14,098,786</u>	<u>3,648,046</u>	<u>1,520,836</u>	<u>6,681,976</u>	<u>12,849,102</u>	<u>-</u>
TOTAL LIABILITIES FUND EQUITY AND OTHER CREDITS	<u>\$ 17,351,415</u>	<u>\$ 8,780,316</u>	<u>\$ 1,520,836</u>	<u>\$ 7,025,122</u>	<u>\$ 44,203,566</u>	<u>\$ -</u>

Account Groups		Totals (Memorandum Only) Primary Government	Component Units				
General Fixed Assets	Long-Term Debt		Board of Education	Water Works Board	Auburn Center for Developing Industries	Industrial Development Board	Public Parks and Recreation Board
\$ -	\$ -	\$ 435,737	\$ -	\$ -	\$ -	\$ 12,486,193	\$ -
-	-	-	-	142,197	-	-	-
-	-	84	-	1,047,715	-	-	-
-	-	887,690	1,698,598	89,395	5,430	1,760,768	-
-	-	389,897	-	457,000	-	-	-
-	-	27,679	615,238	-	-	-	-
-	-	148,071	-	-	-	-	-
-	-	-	-	40,000	-	-	-
-	-	2,763,807	15,023	-	-	5,000	-
-	66,756,873	96,724,476	682,362	19,874,992	-	2,816,411	-
-	-	-	-	1,510,992	-	-	-
-	932,925	970,490	-	133,730	-	-	-
-	272,296	318,914	-	-	-	-	-
-	476,366	476,366	-	-	-	-	-
-	-	5,101,678	-	-	-	-	-
-	-	276,080	-	-	-	-	-
-	-	-	-	-	497,700	1,815,883	-
-	-	-	-	14,462	-	-	-
-	-	-	-	470,000	-	-	-
-	-	-	-	180,642	-	19,871	-
-	68,438,460	108,520,969	3,011,221	23,961,125	503,130	18,904,126	-
-	-	10,400,013	-	8,230,001	-	-	-
-	-	-	-	-	-	56,087	-
-	-	194,410	-	-	359,598	1,657,485	-
-	-	-	-	-	22,749	-	-
-	-	274,713	-	-	-	2,974,798	-
-	-	-	-	-	185,096	-	-
47,133,030	-	47,133,030	53,567,845	-	-	-	-
-	-	1,979,966	5,553	17,706,704	(28,665)	(2,588,571)	-
-	-	22,426	106,154	-	-	-	-
-	-	68,960	-	-	-	-	-
-	-	1,520,836	-	-	-	-	-
-	-	1,105,100	3,239	-	-	-	-
-	-	2,448,208	-	-	-	-	-
-	-	-	9,459,474	-	-	-	-
-	-	-	34,986	-	-	-	-
-	-	-	609,522	-	-	-	-
-	-	4,110,616	-	-	-	-	-
-	-	16,673,498	5,193,507	-	-	-	-
47,133,030	-	85,931,776	68,980,280	25,936,705	538,778	2,099,799	-
<u>\$ 47,133,030</u>	<u>\$ 68,438,460</u>	<u>\$ 194,452,745</u>	<u>\$ 71,991,501</u>	<u>\$ 49,897,830</u>	<u>\$ 1,041,908</u>	<u>\$ 21,003,925</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF AUBURN, ALABAMA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED SEPTEMBER 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)	Component Unit
	General	Special Revenue	Debt Service	Capital Projects	Primary Government	Board of Education
Revenues						
Locally levied taxes	\$ 14,357,459	\$ 262,573	\$ -	\$ -	\$ 14,620,032	\$ -
Licenses and permits	10,240,491	-	-	-	10,240,491	-
General property tax	1,930,710	5,005,803	1,515,308	-	8,451,821	-
Fees for services	4,078,189	-	-	-	4,078,189	-
Fines and forfeitures	750,521	-	-	-	750,521	-
State shared taxes	428,757	247,852	-	-	676,609	-
Contributions from the public	112,652	-	-	-	112,652	-
Grants	422,582	780,074	-	-	1,202,656	-
Program income	-	320,624	-	-	320,624	-
Confiscation revenue	-	4,380	-	-	4,380	-
Lease income	71,471	-	-	-	71,471	-
Mortgage loan interest	-	104,679	-	-	104,679	-
Other interest	610,856	91,936	79,628	89,514	871,934	-
Miscellaneous	154,587	-	-	-	154,587	-
Intergovernmental	-	-	-	-	-	32,557,167
Special assessments	554,692	-	-	-	554,692	-
Other revenues	-	-	-	-	-	328,688
Total revenues	33,712,967	6,817,921	1,594,936	89,514	42,215,338	32,885,855
Expenditures						
Current operations						
Departmental						
General government and administration	2,359,278	92,428	-	-	2,451,706	-
Public works	1,623,529	-	-	-	1,623,529	-
Environmental services	2,840,590	-	-	-	2,840,590	-
Public safety administration	482,780	2,266	-	-	485,046	-
Communications	378,451	-	-	-	378,451	-
Fire	2,637,493	-	-	-	2,637,493	-
Police and jail administration	4,243,062	-	-	-	4,243,062	-
Codes enforcement	187,278	-	-	-	187,278	-
Library	709,907	2,400	-	-	712,307	-
Parks and recreation	2,897,477	-	-	-	2,897,477	-
Housing rehab	-	72,850	-	-	72,850	-
Planning	355,626	-	-	-	355,626	-
Economic development	340,668	586,931	-	-	927,599	-
Human resource management	352,443	-	-	-	352,443	-
Risk management	311,404	-	-	-	311,404	-
Total departmental	19,719,986	756,875	-	-	20,476,861	-
Nondepartmental	2,156,396	219,068	66,075	-	2,441,539	-
Educational programs	-	-	-	-	-	32,342,948
Total current operations	21,876,382	975,943	66,075	-	22,918,400	32,342,948

	Governmental Fund Types				Totals (Memorandum Only)	Component Unit
	General	Special Revenue	Debt Service	Capital Projects	Primary Government	Board of Education
Expenditures (continued)						
Debt service	\$ 3,065,825	\$ 2,620,383	\$ 1,978,805	\$ 91,621	\$ 7,756,634	\$ 227,969
Capital outlay	2,347,587	645,237	-	1,625,129	4,617,953	4,475,321
Intergovernmental	4,867,674	-	-	-	4,867,674	-
Total expenditures	<u>32,157,468</u>	<u>4,241,563</u>	<u>2,044,880</u>	<u>1,716,750</u>	<u>40,160,661</u>	<u>37,046,238</u>
Excess (deficiency) of revenues over expenditures	<u>1,555,499</u>	<u>2,576,358</u>	<u>(449,944)</u>	<u>(1,627,236)</u>	<u>2,054,677</u>	<u>(4,160,383)</u>
Other financing sources (uses)						
Long-term debt proceeds	1,937,000	-	-	7,247,962	9,184,962	-
Proceeds of refunding bonds	-	26,877,867	-	-	26,877,867	-
Operating transfers in						
From other funds	853,750	2,617,405	76,450	629,760	4,177,365	710,408
From component units	-	-	-	40,000	40,000	-
From primary government	-	-	-	-	-	14,580,431
Proceeds from sale of assets	-	-	-	-	-	6,695
Operating transfers out						
To other funds	(521,669)	(3,054,355)	-	(631,091)	(4,207,115)	(713,243)
To component units	(1,029,352)	(14,764,933)	-	-	(15,794,285)	-
Payment to refunded bond escrow	-	(14,086,055)	-	-	(14,086,055)	-
Total other financing sources (uses)	<u>1,239,729</u>	<u>(2,410,071)</u>	<u>76,450</u>	<u>7,286,631</u>	<u>6,192,739</u>	<u>14,584,291</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>2,795,228</u>	<u>166,287</u>	<u>(373,494)</u>	<u>5,659,395</u>	<u>8,247,416</u>	<u>10,423,908</u>
Fund balances, beginning of year	9,777,794	3,481,759	1,894,330	1,022,581	16,176,464	4,982,974
Residual equity transfers in (out)	<u>1,525,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,525,764</u>	<u>-</u>
Fund balances, end of year	<u>\$ 14,098,786</u>	<u>\$ 3,648,046</u>	<u>\$ 1,520,836</u>	<u>\$ 6,681,976</u>	<u>\$ 25,949,644</u>	<u>\$ 15,406,882</u>

See accompanying notes to financial statements.

CITY OF AUBURN, ALABAMA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL (GAAP BASIS) - GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES

YEAR ENDED SEPTEMBER 30, 2002

	General Fund			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Locally levied taxes	\$ 14,135,000	\$ 14,357,459	\$ 222,459	\$ 225,000	\$ 262,573	\$ 37,573	\$ -	\$ -	\$ -
Licenses and permits	10,297,500	10,240,491	(57,009)	-	-	-	-	-	-
General property tax	1,925,000	1,930,710	5,710	4,980,000	5,005,803	25,803	1,455,000	1,515,308	60,308
Fees for services	4,406,040	4,078,189	(327,851)	-	-	-	-	-	-
Fines and forfeitures	805,300	750,521	(54,779)	-	-	-	-	-	-
State shared taxes	569,800	428,757	(141,043)	208,000	247,852	39,852	-	-	-
Contributions from the public	85,000	112,652	27,652	-	-	-	-	-	-
Grants	601,000	422,582	(178,418)	-	-	-	-	-	-
Confiscation revenue	-	-	-	4,200	4,380	180	-	-	-
Lease income	70,000	71,471	1,471	-	-	-	-	-	-
Interest	408,000	610,856	202,856	61,400	66,473	5,073	71,250	79,628	8,378
Miscellaneous	152,500	154,587	2,087	-	-	-	-	-	-
Special assessments	-	554,692	554,692	-	-	-	-	-	-
Total revenues	33,455,140	33,712,967	257,827	5,478,600	5,587,081	108,481	1,526,250	1,594,936	68,686
Expenditures									
Current operations									
Departmental									
General government and administration									
Executive	139,269	112,232	27,037	-	-	-	-	-	-
Information technology	710,041	625,807	84,234	-	-	-	-	-	-
Judicial	430,672	411,838	18,834	-	-	-	-	-	-
Administrative	442,688	422,506	20,182	-	-	-	-	-	-
Finance	859,824	786,895	72,929	-	-	-	-	-	-
Total general government and administration	2,582,494	2,359,278	223,216	-	-	-	-	-	-
Public works	2,109,212	1,623,529	485,683	-	-	-	-	-	-
Environmental services	2,804,596	2,840,590	(35,994)	-	-	-	-	-	-
Public safety administration	567,628	482,780	84,848	3,500	2,266	1,234	-	-	-
Communications	433,209	378,451	54,758	-	-	-	-	-	-
Fire	2,827,314	2,637,493	189,821	-	-	-	-	-	-
Police and jail administration	4,376,881	4,243,062	133,819	-	-	-	-	-	-
Codes enforcement	261,220	187,278	73,942	-	-	-	-	-	-
Library	821,216	709,907	111,309	-	-	-	-	-	-
Parks and recreation	3,316,484	2,897,477	419,007	-	-	-	-	-	-
Planning	384,991	355,626	29,365	-	-	-	-	-	-
Economic development	366,158	340,668	25,490	-	-	-	-	-	-
Human resource management	429,395	352,443	76,952	-	-	-	-	-	-
Risk management	573,400	311,404	261,996	-	-	-	-	-	-
Total departmental	21,854,198	19,719,986	2,134,212	3,500	2,266	1,234	-	-	-

	General Fund			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)									
Nondepartmental	\$ 3,226,046	\$ 2,156,396	\$ 1,069,650	\$ 219,000	\$ 219,068	\$ (68)	\$ 67,000	\$ 66,075	\$ 925
Total current operations	25,080,244	21,876,382	3,203,862	222,500	221,334	1,166	67,000	66,075	925
Debt service	2,261,737	3,065,825	(804,088)	2,401,795	2,620,383	(218,588)	2,380,221	1,978,805	401,416
Capital outlay	2,365,426	2,347,587	17,839	53,000	52,299	701	-	-	-
Intergovernmental	4,781,536	4,867,674	(86,138)	-	-	-	-	-	-
Total expenditures	34,488,943	32,157,468	2,331,475	2,677,295	2,894,016	(216,721)	2,447,221	2,044,880	402,341
Excess (deficiency) of revenues over expenditures	(1,033,803)	1,555,499	2,589,302	2,801,305	2,693,065	(108,240)	(920,971)	(449,944)	471,027
Other financing sources (uses)									
Long-term debt proceeds	1,937,000	1,937,000	-	-	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	12,580,430	26,877,867	14,297,437	-	-	-
Operating transfers in									
From other funds	431,750	853,750	422,000	2,617,083	2,617,083	-	76,450	76,450	-
Operating transfers out									
To other funds	(1,000)	(521,669)	(520,669)	(3,054,033)	(3,054,033)	-	-	-	-
To component units	(1,414,583)	(1,029,352)	385,231	(14,580,431)	(14,580,431)	-	-	-	-
Payment to refunded bond escrow	-	-	-	-	(14,086,055)	(14,086,055)	-	-	-
Total other financing sources (uses)	953,167	1,239,729	286,562	(2,436,951)	(2,225,569)	211,382	76,450	76,450	-
Excess (deficiency) of revenue and other sources over expen- ditures and other uses	(80,636)	2,795,228	2,875,864	\$ 364,354	467,496	\$ 103,142	(844,521)	(373,494)	471,027
Excess (deficiency) of revenues and other sources over expenditures and other uses for funds not budgeted (see Note 25)	-	-	-		(301,209)		-	-	-
Fund balances, beginning of year	9,777,794	9,777,794	-		3,481,759		1,894,330	1,894,330	-
Residual equity transfers in (out)	-	1,525,764	1,525,764		-		-	-	-
Fund balances, end of year	\$ 9,697,158	\$ 14,098,786	\$ 4,401,628		\$ 3,648,046		\$ 1,049,809	\$ 1,520,836	\$ 471,027

See accompanying notes to financial statements.

CITY OF AUBURN, ALABAMA

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED SEPTEMBER 30, 2002

	Totals (Memorandum Only) Primary Government			Component Units				
	Enterprise	Internal Service		Board of Education	Water Works Board	Auburn Center for Developing Industries	Industrial Development Board	Public Parks and Recreation Board
Operating revenues								
Sewer service charges	\$ 4,862,710	\$ -	\$ 4,862,710	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of property	-	-	-	-	-	-	25,000	-
Sewer tapping fees	6,590	-	6,590	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Metered parking fees	-	-	-	-	-	-	-	-
Lease income	-	-	-	-	-	160,233	273,503	-
Water sales and service	-	-	-	-	4,969,297	-	-	-
Miscellaneous	-	-	-	450	31,262	-	12,666	-
Total operating revenues	4,869,300	-	4,869,300	450	5,000,559	160,233	311,169	-
Operating expenses								
Salaries and wages	392,797	-	392,797	-	-	-	32,460	-
Employee benefits	68,597	-	68,597	-	-	-	3,535	-
Cost of land sold	-	-	-	-	-	-	165,063	-
Repairs and maintenance	8,029	-	8,029	-	-	25,928	44,535	-
Advertising	-	-	-	-	-	-	3,839	-
Utilities	23,503	-	23,503	-	-	68,803	25,735	-
Professional services	135,928	-	135,928	-	-	3,315	76,143	-
Rentals and leasing	149	-	149	-	-	-	-	-
Insurance	7,109	-	7,109	-	-	-	-	-
Office supplies	14,216	-	14,216	-	-	1,329	6,968	-
Fuels and lubricants	5,360	-	5,360	-	-	-	-	-
Agricultural and chemical supplies	15,296	-	15,296	-	-	-	-	-
Minor equipment and tools	1,362	-	1,362	-	-	-	-	-
Repair parts and materials	42,735	-	42,735	-	-	-	-	-
Clothing and linens	6,142	-	6,142	-	-	-	-	-
Sewer service fees	126,000	-	126,000	-	-	-	-	-
Management fees	1,201,415	-	1,201,415	-	-	-	-	-
Bad debt expense	9,396	-	9,396	-	-	-	-	-
Depreciation/amortization	816,127	-	816,127	-	993,807	28,185	190,727	7,080
Industrial recruitment	-	-	-	-	-	-	486,783	-
Travel and training	5,815	-	5,815	-	-	-	4,378	-
Special events	-	-	-	-	-	-	-	-
Water pumping and purification expense	-	-	-	-	1,181,228	-	-	-
Water distribution expense	-	-	-	-	455,147	-	-	-
Meter reading expense	-	-	-	-	170,866	-	-	-
Billing and collections expense	-	-	-	-	347,891	-	-	-
Operations administration expense	-	-	-	-	241,195	-	-	-
Revenue administration expense	-	-	-	-	102,254	-	-	-
General operations expense	-	-	-	-	383,009	-	-	-
Miscellaneous	5	-	5	300	-	-	22,966	-
Total operating expenses	2,879,981	-	2,879,981	300	3,875,397	127,560	1,063,132	7,080

			Totals (Memorandum Only) Primary Government	Component Units				
	Enterprise	Internal Service		Board of Education	Water Works Board	Auburn Center for Developing Industries	Industrial Development Board	Public Parks and Recreation Board
Operating income (loss)	\$ 1,989,319	\$ -	\$ 1,989,319	\$ 150	\$ 1,125,162	\$ 32,673	\$ (751,963)	\$ (7,080)
Nonoperating revenues (expenses)								
Interest earned	372,393	-	372,393	229	263,909	3,722	187,706	-
Net increase in fair value of investments	-	-	-	-	50,907	-	-	-
Grant revenue	-	-	-	-	17,980	-	-	-
Interest and fiscal charges	(1,512,041)	-	(1,512,041)	-	(749,443)	(31)	(568,395)	(5,129)
Gain (loss) on disposal of fixed assets	(111)	-	(111)	-	-	-	5,867	(70,858)
Realized gain on sale of investments	-	-	-	-	22,342	-	-	-
Total nonoperating revenues (expenses)	(1,139,759)	-	(1,139,759)	229	(394,305)	3,691	(374,822)	(75,987)
Net income (loss) before operating transfers and capital contributions	849,560	-	849,560	379	730,857	36,364	(1,126,785)	(83,067)
Operating transfers in								
From other funds	101,000	-	101,000	-	-	-	-	-
From primary government	-	-	-	-	-	-	1,194,921	18,933
Operating transfers out								
To other funds	(71,250)	-	(71,250)	-	-	-	-	-
To primary government	-	-	-	-	(40,000)	-	-	-
Capital contributions								
From developers	788,275	-	788,275	-	693,550	-	-	-
From impact fees	-	-	-	-	515,000	-	-	-
Net income (loss)	1,667,585	-	1,667,585	379	1,899,407	36,364	68,136	(64,134)
Retained earnings (deficit), beginning of year	312,381	1,525,764	1,838,145	5,174	15,807,297	(65,029)	(2,867,122)	64,134
Prior period adjustment	-	-	-	-	-	-	210,415	-
Retained earnings (deficit), beginning of year, as restated	312,381	1,525,764	1,838,145	5,174	15,807,297	(65,029)	(2,656,707)	64,134
Residual equity transfers in (out)	-	(1,525,764)	(1,525,764)	-	-	-	-	-
Retained earnings (deficit), end of year	\$ 1,979,966	\$ -	\$ 1,979,966	\$ 5,553	\$ 17,706,704	\$ (28,665)	\$ (2,588,571)	\$ -

See accompanying notes to financial statements.

CITY OF AUBURN, ALABAMA

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED SEPTEMBER 30, 2002

	Totals (Memorandum Only)			Component Units				
	Enterprise	Internal Service	Primary Government	Board of Education	Water Works Board	Auburn Center for Developing Industries	Industrial Development Board	Public Parks and Recreation Board
Cash flows from operating activities								
Cash collected from customers	\$ 4,707,108	\$ -	\$ 4,707,108	\$ -	\$ 4,832,857	\$ 151,589	\$ 375,969	\$ -
Cash collected from contributions	-	-	-	450	-	-	-	-
Customer deposits collected	52,376	-	52,376	-	61,185	-	-	-
Payments to suppliers and contractors for goods and services	(1,603,638)	(57,515)	(1,661,153)	-	(2,124,407)	(99,657)	(1,290,668)	-
Payments to employees for services	(460,088)	-	(460,088)	-	(994,731)	-	(34,595)	-
Payments for scholarships	-	-	-	(300)	-	-	-	-
Cash paid to the City for payments in lieu of tax	-	-	-	-	(124,135)	-	-	-
Net cash provided (consumed) by operating activities	<u>2,695,758</u>	<u>(57,515)</u>	<u>2,638,243</u>	<u>150</u>	<u>1,650,769</u>	<u>51,932</u>	<u>(949,294)</u>	<u>-</u>
Cash flows from noncapital financing activities								
Proceeds of operating transfers from primary government	-	-	-	-	-	-	1,194,921	12,186
Operating grants received	-	-	-	-	17,980	-	-	-
Proceeds of operating transfers in	101,000	-	101,000	-	-	-	-	-
Repayment of borrowing from other funds	(78,733)	-	(78,733)	-	-	-	-	-
Payments of operating transfers out	(71,250)	-	(71,250)	-	-	-	-	-
Repayment of cash loaned to component units	<u>70,050</u>	<u>-</u>	<u>70,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (consumed) by noncapital financing activities	<u>21,067</u>	<u>-</u>	<u>21,067</u>	<u>-</u>	<u>17,980</u>	<u>-</u>	<u>1,194,921</u>	<u>12,186</u>

	Totals (Memorandum Only)			Component Units				
	Enterprise	Internal Service	Primary Government	Board of Education	Water Works Board	Auburn Center for Developing Industries	Industrial Development Board	Public Parks and Recreation Board
Cash flows from capital and related financing activities								
Proceeds from capital contributions	-	-	-	-	515,000	-	-	-
Acquisition and construction of capital assets	(1,135,046)	-	(1,135,046)	-	(3,890,959)	(2,061)	(3,874,856)	-
Principal repayments on borrowing	(61,451)	-	(61,451)	-	(7,567,444)	-	(2,556,386)	(193,573)
Proceeds of debt issued	-	-	-	-	9,799,657	-	2,096,676	-
Proceeds from sale of capital assets	-	-	-	-	-	-	285,000	186,516
Repayment of advances from primary government	-	-	-	-	-	-	1,047,375	-
Residual equity transfers to other funds	-	(1,525,764)	(1,525,764)	-	-	-	-	-
Interest and fiscal fees paid	(1,078,385)	-	(1,078,385)	-	(1,071,739)	(31)	(588,717)	(5,129)
Net cash consumed by capital and related financing activities	(2,274,882)	(1,525,764)	(3,800,646)	-	(2,215,485)	(2,092)	(3,590,908)	(12,186)
Cash flows from investing activities								
Purchase of investments	(568,252)	-	(568,252)	-	-	-	(25,248)	-
Purchase of restricted investments	-	-	-	-	(1,333,409)	-	-	-
Cash received from sale of restricted investments	-	-	-	-	621,472	-	-	-
Cash received from maturities of unrestricted investments	-	-	-	-	500,000	-	-	-
Interest on investments	372,393	-	372,393	229	312,954	3,722	10,857	-
Interest on mortgages receivable	-	-	-	-	-	-	178,257	-
Minimum lease payments collected	-	-	-	-	-	-	2,366,041	-
Principal collected on mortgages receivable	-	-	-	-	-	-	297,214	-
Net cash provided (consumed) by investing activities	(195,859)	-	(195,859)	229	101,017	3,722	2,827,121	-
Net increase (decrease) in cash	246,084	(1,583,279)	(1,337,195)	379	(445,719)	53,562	(518,160)	-
Cash and cash equivalents, beginning of year	11,301,216	1,583,279	12,884,495	5,174	12,780,655	96,051	1,260,973	-
Cash and cash equivalents, end of year	\$ 11,547,300	\$ -	\$ 11,547,300	\$ 5,553	\$ 12,334,936	\$ 149,613	\$ 742,813	\$ -
Composition of cash and cash equivalents at September 30, 2002:								
Unrestricted	\$ 2,392,197	\$ -	\$ 2,392,197	\$ 5,553	\$ 4,494,355	\$ 149,613	\$ 715,194	\$ -
Restricted	9,155,103	-	9,155,103	-	7,840,581	-	27,619	-
Total cash and cash equivalents	\$ 11,547,300	\$ -	\$ 11,547,300	\$ 5,553	\$ 12,334,936	\$ 149,613	\$ 742,813	\$ -

** Total Board of education cash per the Combined Balance Sheet of \$16,400,287 includes cash of governmental fund types (\$16,394,734) and cash of proprietary fund types (\$5,553).

(continued, next page)

				Component Units															
Totals (Memorandum Only) Primary Government				Board of Education	Water Works Board	Auburn Center for Developing Industries	Industrial Development Board	Public Parks and Recreation Board											
Enterprise				Internal Service															
RECONCILIATION OF NET CASH PROVIDED (CONSUMED) BY OPERATING ACTIVITIES																			
Operating income (loss)				\$ 1,989,319	\$ -	\$ 1,989,319	\$ 150	\$ 1,125,162	\$ 32,673	\$ (751,963)	\$ (7,080)								
Add:	Depreciation/amortization expense				816,127	-	816,127	-	1,018,393	28,185	190,727	7,080							
	Decrease in property for resale				-	-	-	-	-	-	165,063	-							
	Decrease in inventory				-	-	-	-	1,805	-	-	-							
	Decrease in prepaid expenses				3,062	5,850	8,912	-	-	-	-	-							
	Decrease in accounts receivable				-	-	-	-	-	-	59,808	-							
	Increase in customer deposits				52,376	-	52,376	-	61,185	-	-	-							
	Increase in accrued leave				333	-	333	-	17,095	-	-	-							
Increase in payables to other governments				-	-	-	-	169,692	-	-	-								
Deduct:	Increase in accounts receivable from Water Board				(162,192)	-	(162,192)	-	-	-	-	-							
	Increase in prepaid expenses				-	-	-	-	(25,874)	-	-	-							
	Increase in due from primary government				-	-	-	-	-	-	(4,668)	-							
	Increase in accounts receivable, net				-	-	-	-	(167,702)	(8,644)	-	-							
	Decrease in accounts payable/accrued liabilities				(3,267)	(63,365)	(66,632)	-	(548,987)	(282)	(608,261)	-							
Net cash provided (consumed) by operating activities				\$ 2,695,758	\$ (57,515)	\$ 2,638,243	\$ 150	\$ 1,650,769	\$ 51,932	\$ (949,294)	\$ -								
Noncash transactions:																			
Estimated cost of utility lines installed by and contributed by developers												\$ 788,275	\$ -	\$ 788,275	\$ -	\$ 693,550	\$ -	\$ -	\$ -
Prior period adjustment to decrease accounts payable												-	-	-	-	-	-	210,415	-
Net increase in fair value of investments												-	-	-	-	50,907	-	-	-
Net book value of assets removed from service												111	-	111	-	-	-	279,133	291,145
Total noncash transactions												\$ 788,386	\$ -	\$ 788,386	\$ -	\$ 744,457	\$ -	\$ 489,548	\$ 291,145

See accompanying notes to financial statements.

Notes to the Financial Statements

City of Auburn, Alabama
Guide to Notes to the Financial Statements
September 30, 2002

	Page Number
1. Summary of Significant Accounting Policies	
A. Reporting Entity	67
Blended Component Units	67
Discretely Presented Component Units	67
Related Organizations	69
Joint Venture	70
Jointly Governed Organizations	70
B. Fund Accounting	73
C. Fixed Assets and Long-Term Liabilities	73
D. Basis of Accounting	75
E. Budgets and Budgetary Accounting	76
F. Cash and Cash Equivalents	77
G. Investments	77
H. Accounts Receivable	78
I. Inventories	78
J. Risk Financing	78
K. Compensated Absences	81
L. Postretirement Benefits	82
M. Reserves	82
N. Designations	82
O. Interfund Transactions	83
P. Total Columns on Combined Statements	83
Q. Estimates	83
2. Fund Equity Deficits	83
3. Deposits in Financial Institutions	84
4. Equity in Pooled Cash and Cash Equivalents	84
5. Investments	86
6. Property Taxes	87
7. Changes in General Fixed Assets and Proprietary Fund Property, Plant and Equipment	88
8. Long-Term Debt	92
9. Deferred Program Revenue	107
10. Lease Agreements	108
11. Defined Benefit Pension Plans	110

Guide to Notes to the Financial Statements (continued)

Page Number

12. Self-Insurance - General Liability and Workmen's Compensation	114
13. Medical Self Insurance	115
14. Unemployment Compensation	116
15. Ad Valorem Tax Collection Expenses	116
16. Primary Government's Interfund Receivables and Payables	116
17. Primary Government's Interfund Advances	117
18. Primary Government's Operating Transfers	117
19. Primary Government's Residual Equity Transfers	118
20. Intra-Entity Transactions	118
21. Quasi-External Transactions	119
22. Reporting of HODAG and UDAG Special Revenue Funds	120
23. Reporting of Public Safety Substance Abuse Special Revenue Fund	122
24. Reporting of General Fund Activities	124
25. Segment Information - Enterprise Funds	128
26. Unbudgeted Funds	129
27. Restricted Assets	130
28. Deferred Water Rights - Water Works Board (Component Unit)	130
29. Enterprise Funds' Contributed Capital	131
30. Special Capital Improvement Projects	131
31. Privatization of Sewer Plants	132
32. Prior Period Adjustments	133
33. Change in Presentation	133
34. Subsequent Events	133
35. Commitments, Litigation and Contingencies	133
36. Landfill Closure and Postclosure Care	135
37. Related Party Transactions	136

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

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 and fire), solid waste, 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 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 general purpose 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 general purpose financial statements to be misleading or incomplete.

BLENDDED 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 combined financial statements include the financial data of the City's five discretely presented component units. These organizations are legally separate from the City and are included in the reporting entity because the primary government is financially accountable for the component unit.

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, except for its nonexpendable trust activities which are presented as a proprietary fund type.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

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.

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.

City of Auburn Industrial Development Board

The City Council appoints 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

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 presented as a proprietary fund type.

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.

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

JOINT VENTURE

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

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. Accordingly, the City's net investment of \$589,200 is reported in the General Fixed Asset Account Group.

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, 2002, 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. These organizations are not joint ventures because the City does not retain an ongoing financial interest or an ongoing financial responsibility.

Indian Pines Recreation Authority

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

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

Unaudited summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2002, is as follows:

Total assets (net of accumulated depreciation on fixed assets)	\$ 1,416,748
Total liabilities	124,744
Total equity	1,292,004
Total revenues	953,012
Total expenses	918,768
Operating transfers to governing cities	(100,000)
Net decrease in retained earnings	(65,756)

The Authority had no debts outstanding as of September 30, 2002, other than current liabilities consisting of accounts payable, deferred revenue and accrued payroll totaling \$124,744. 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.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

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.

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.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

- B. Fund Accounting - The accounts of the City are organized on the basis of funds and account groups, 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

Enterprise Funds - The Enterprise Funds are used to account for operations (a) that are 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.

Internal Service Fund - The Internal Service Fund was used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis. The Internal Service Fund consisted of a Self-Insurance Fund. Effective October 1, 2001, the Self-Insurance Fund was eliminated and all assets were transferred to the General Fund. Costs previously accounted for in this fund and charged to individual departments are now accounted for as expenditures of the General Fund.

- C. Fixed Assets and Long-Term Liabilities - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources." Governmental fund operating statements present increases

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

(revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations and the Board of Education (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The City of Auburn primary government's public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized. However, it is the policy of the Board of Education to capitalize all infrastructure assets. Capital outlay expenditures include amounts expended for infrastructure fixed assets. There has been no depreciation provided on general fixed assets.

All purchased fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." The account group financial statements only present the measurement of financial position; the account groups do not measure the results of operations.

Special reporting treatments are also applied to governmental fund inventories to indicate that they do not represent "available spendable resources," even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost-of-services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

Depreciation of all exhaustible fixed assets used by proprietary funds, the Water Works Board, the Auburn Center for Developing Industries, the Industrial Development Board, and the Public Parks and Recreation Board is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives of proprietary funds' exhaustible fixed assets using the straight line method. These estimated useful lives are as follows:

	Component Units				
	Primary Government - <u>City of Auburn</u>	<u>Water Works Board</u>	<u>Auburn Center for Developing Industries</u>	<u>Industrial Development Board</u>	<u>Public Parks & Recreation Board</u>
Buildings	25 - 50 years	10 - 20 years	25 - 50 years	25 - 50 years	25 - 50 years
Utility plants and lines	50 years	25 - 50 years	-	-	-
Land improvements	-	-	-	20 - 30 years	-
Mechanical equipment	5 - 10 years	3 - 10 years	-	-	-
Tools	-	3 - 5 years	-	-	-
Furniture and fixtures	3 - 7 years	-	3 - 7 years	5 - 10 years	-
Office equipment	-	5 - 10 years	-	5 - 10 years	-
Vehicles	3 - 5 years	-	-	3 - 5 years	-

- 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. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All of the governmental funds of the primary government and the Board of Education are accounted for using the modified accrual basis of accounting. Their revenues are recognized when received in cash, except those accruable, which are recorded as receivables when measurable and available to pay current period liabilities. The City has no primary revenue sources which are treated as being susceptible to accrual. The City does not accrue property or sales taxes because those revenue sources are budgeted to finance the fiscal year in which they are scheduled to be received. Each fiscal year's budget and financial statements include twelve months' revenue from these sources. The City does accrue grants receivable for the amounts expended from reimbursable-type grants. Expenditures are recognized on the accrual basis 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; prepaid items are reported as current period expenditures, rather than allocating costs to the periods when the items are used; and costs of accumulated unpaid vacation and sick leave are reported in the period due and payable rather than in the period earned by employees.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

All of the proprietary funds of the primary government and the non-expendable trust fund of the Board of Education, as well as the Water Works Board, the Auburn Center for Developing Industries, the Industrial Development Board, and the Public Parks and Recreation Board, are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. All proprietary funds and component units follow all Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards (FASB) pronouncements that were issued prior to November 30, 1989.

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 15, the budget is legally enacted through passage of a resolution. 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 2002 fiscal year for the General Fund, Seven-Cent Gasoline Tax Fund, Four-Cent State Gasoline Tax Fund, City Gasoline Tax Fund, Special School Tax Fund, Special Additional School Tax Fund, Public Safety Substance Abuse Fund, and all Debt Service Funds.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for his department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations.
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 review, if the City Manager so recommends and if the Council approves.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

8. Excess of expenditures over appropriations: In the General Fund, environmental services expenditures of \$2,840,590 exceeded appropriations of \$2,804,596, debt service expenditures of \$3,065,825 exceeded appropriations of \$2,261,737, intergovernmental expenditures of \$4,867,674 exceeded appropriations of \$4,781,536, and operating transfers out to other funds of \$521,669 exceeded appropriations of \$1,000. In Special Revenue Funds – Special School Tax expenditures of \$2,693,007 exceeded appropriations of \$2,473,795.

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 are restricted cash and investments held by a bond trustee consisting of a U.S. Treasury money market fund.

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

G. Investments - Investments of the City of Auburn and its component units are stated at fair value, except for nonnegotiable certificates of deposit with redemption terms that do not consider market rates and money market investments which include short-term, highly liquid debt instruments, which are reported at cost or amortized cost (See Note 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, the Auburn Center For Developing Industries, and the Public Parks and Recreation Board 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 and mutual funds comprised of 100% U.S. Treasury securities (See Note 5).

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

- H. 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.
- I. 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. 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.

J. 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 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 \$50,000 per covered individual, per year, or approximately \$1,179,720 in the aggregate for the group, per year, are covered through a private insurance carrier. Liabilities associated with the plan are recorded in the general fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

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

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

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 the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and its transportation fleet. Settled claims in the past three years have not exceeded the commercial insurance 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 Fund (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 the 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

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 \$50,000 per covered individual, per year, or approximately \$1,179,720 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.

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, 2002.

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, 2002. 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 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, 2002. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverages, and there have been no significant reductions in insurance coverage from coverage in the prior year.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

K. Compensated Absences

CITY OF AUBURN PRIMARY GOVERNMENT

Effective September 19, 1989, City employees with up to ten years service can accumulate up to fifteen days of annual leave; employees with ten to fifteen years service can accumulate eighteen annual leave days; and employees with over fifteen years service can accumulate twenty annual leave days. Annual leave is earned at the rate of one day per month and is paid upon separation from City service. In Governmental Fund Types, the cost of vacation benefits is recognized when payments are made to employees. At September 30, 2002, a long-term liability of \$932,925 of accumulated annual leave and sick leave has been recorded in the General Long-Term Debt Account Group. This represents the City's commitment to fund such costs from future operations. In Proprietary Fund Types, accumulated annual leave and sick leave of \$37,565 has been recorded as current year salaries and wages with a corresponding long-term liability. The amount expected to be paid from current resources is not significant.

City employees earn sick leave at the rate of one day per month of service upon completion of a six-month probation period and the City funds sick leave as taken. 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-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.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

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 statement.

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 \$133,729 at September 30, 2002.

L. 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.

M. Reserves - 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, 2002, but which had not been received or completed at that date. Encumbrances are not included as expenditures in the governmental funds' operating statements.
2. Reserve for inventories indicates that the portion of fund balance represented by inventories is not available for appropriation.
3. Reserve for advances to other funds recognizes that advances to other funds constitute loans to other funds which are not expected to be repaid within one year of the balance sheet date and separately identifies that amount as a portion of fund balance which is not appropriable.
4. Reserve for debt service indicates the amount of fund balance which is legally segregated for payment of debt service expenditures.
5. Reserve for property for resale indicates the portion of fund balances that are not available for appropriation until the property is sold.
6. Reserve for prepaid items indicates the portion of fund balance not available for appropriation because prepaid items do not represent available expendable financial resources.

N. Designations - Portions of governmental funds' unreserved fund balances are separately identified as designations; such designations 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. In contrast, reserves, as discussed in the preceding section, are statutory requirements or reflect commitments already made.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies - continued

O. Interfund Transactions - Four 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. See Note 17.
3. Operating transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or quasi-external transactions. Operating transfers are accounted for separately from fund revenues and expenses. See Note 18.
4. Residual equity transfers - consist of nonroutine or nonrecurring (i.e., permanent) transfers of equity between funds. See Note 19.

Quasi-external transactions are accounted for as revenues, expenditures or expenses.

P. Total Columns on Combined Statements - Primary government total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation of the primary government. Interfund eliminations have not been made in the aggregation of this data.

Q. 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.

2. Fund Equity Deficits

At September 30, 2002, the Industrial Park Enterprise fund had a retained earnings deficit in the amount of \$453,826. Operating transfers in from other funds and repayments of amounts owed by the Industrial Development Board, a component unit of the City, are expected to reduce deficits in the Industrial Park Fund.

Component units with retained earnings deficits at September 30, 2002, include the Auburn Center for Developing Industries and the Industrial Development Board at \$28,665 and \$2,588,571, respectively.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

3. 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, 2002, 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.

4. Equity in Pooled Cash and Cash Equivalents

The City maintains a cash pool that is available for use by all funds of the primary government and the following component units: the Auburn Center for Developing Industries, the Industrial Development Board, and the Public Parks and Recreation Board. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and cash equivalents." 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 the pooled cash and each fund's share at September 30, 2002, is as follows:

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

4. Equity in Pooled Cash and Cash Equivalents - continued

<u>Composition</u>	<u>Cost</u>
AuburnBank	
Government money market account	\$ 20,617,838
Premium interest checking accounts	<u>3,346,702</u>
Total pooled assets, restricted and unrestricted	<u>\$ 23,964,540</u>
<u>Funds' Share in Pooled Assets</u>	
General Fund	\$ 11,638,661
Special Revenue Funds	
Seven-Cent Gas Tax	40,960
Four-Cent Gas Tax	43,542
Public Safety Substance Abuse	128,581
City Gas Tax	118,581
Special School Tax	79,037
Special Additional School Tax	1,082,821
Federal Grant Loan Repayment	100,443
Community Development Block Grant Fund	6,274
Debt Service Funds	
GORSIW Series 76	34,890
Special 5-Mill Tax	1,468,597
Capital Projects Funds	
'01 Capital Projects Fund	6,216,864
'99 Bond Projects Fund	230,649
'97-'98 Bond Projects Fund	232,623
Enterprise Funds	
Industrial Park Fund	100,000
Sewer Revenue Fund	<u>2,292,197</u>
Subtotal, primary government	<u>23,814,720</u>
Component Units	
Auburn Center for Developing Industries	149,613
Industrial Development Board	<u>207</u>
Subtotal, component units	<u>149,820</u>
Total pooled cash and cash equivalents, unrestricted	<u>\$ 23,964,540</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

5. 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, 2002, the City of Auburn's investments were comprised of the following:

<u>Restricted Cash and Investments - Sewer Revenue Fund</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Cash (insured through SAFE Program - see Note 4)	\$ 9,155,103	\$ 9,155,103	\$ N/A	\$ N/A	\$ N/A
Repurchase agreements	568,252	568,252	568,252	-	-
	<u>\$ 9,723,355</u>	<u>\$ 9,723,355</u>	<u>568,252</u>	<u>-</u>	<u>-</u>

The money market fund listed above is comprised of 100% U.S. Treasury securities. 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, 2002, the Water Works Board's investments were comprised of the following:

<u>Restricted Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Cash (insured through SAFE Program - see Note 4)	\$ 1,839,643	\$ 1,839,643	\$ N/A	\$ N/A	\$ N/A
U.S. Treasury Bonds	785,186	785,186	785,186	-	-
JP Morgan U.S. Treasury Securities					
Money Market Fund	6,000,938	6,000,938	N/A	N/A	N/A
	<u>\$ 8,625,767</u>	<u>\$ 8,625,767</u>	<u>785,186</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.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

5. Investments - (continued)

During the fiscal year ended September 30, 2002, the Water Works Board realized a net gain of \$22,342 from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during fiscal year 2002 was \$73,249. 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 \$50,907.

Industrial Development Board

At September 30, 2002, 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)	\$ 15,608	\$ 15,608
AmSouth U.S. Treasury Money Market Fund (not subject to categorization)	12,011	12,011
Total	<u>\$ 27,619</u>	<u>\$ 27,619</u>

The 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 physical or book entry form.

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.

6. Property Taxes

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

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

7. Changes in General Fixed Assets and Proprietary Fund Property, Plant and Equipment

CITY OF AUBURN PRIMARY GOVERNMENT

A summary of changes in general fixed assets follows:

	Balance 09/30/01	Additions	Transfers and Deductions	Balance 09/30/02
Land, buildings and improvements	\$ 31,225,443	\$ 2,731,745	\$ (38,236)	\$ 33,918,952
Construction in progress	2,925,509	1,545,890	(2,525,818)	1,945,581
Communication equipment	500,798	43,393	-	544,191
Heavy equipment	929,162	122,603	-	1,051,765
Office equipment	1,728,869	360,539	(9,549)	2,079,859
Small tools and equipment	1,132,353	35,449	1,015	1,168,817
Vehicles	6,152,471	271,394	-	6,423,865
Total general fixed assets	<u>\$ 44,594,605</u>	<u>\$ 5,111,013</u>	<u>\$ (2,572,588)</u>	<u>\$ 47,133,030</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 \$47,133,030 includes \$374,000 at estimated cost.

Included in the total cost of vehicles are vehicles under capital leases with a cost of \$1,746,487; and total cost of office equipment includes leased equipment costing \$218,492.

A summary of proprietary fund type property, plant and equipment at September 30, 2002, follows:

	Sewer Fund	Industrial Park Fund	Total
Land	\$ 134,626	\$ -	\$ 134,626
Buildings	28,615	-	28,615
Construction in progress	1,031,235	-	1,031,235
Sewage plants and lines	33,706,218	-	33,706,218
Machinery and equipment	763,481	-	763,481
Vehicles	329,689	-	329,689
	35,993,864	-	35,993,864
Less accumulated depreciation	5,179,740	-	5,179,740
Proprietary fund net property, plant and equipment	<u>\$ 30,814,124</u>	<u>\$ -</u>	<u>\$ 30,814,124</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

7. Changes in General Fixed Assets and Proprietary Fund Property, Plant and Equipment - continued

It is the City's policy to capitalize net interest costs on funds borrowed to finance the construction of Proprietary Fund fixed assets. For the year ended September 30, 2002, no interest was capitalized in connection with construction in progress.

COMPONENT UNITS

Board of Education

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance 10/01/01	Additions	Retirements	Balance 09/30/02
Land and improvements	\$ 1,897,664	\$ 29,493	\$ -	\$ 1,927,157
Building and improvements	39,705,802	724,230	-	40,430,032
Equipment	7,384,360	387,632	(869,513)	6,902,479
Construction in progress	405,452	4,154,486	(405,452)	4,154,486
Leasehold improvements	153,691	-	-	153,691
Total	<u>\$ 49,546,969</u>	<u>\$ 5,295,841</u>	<u>\$ (1,274,965)</u>	<u>\$ 53,567,845</u>

Included in the total cost of equipment are assets under capital leases with a cost of \$1,325,902.

Water Works Board

The following is a schedule of changes in property, plant, and equipment for the year ended September 30, 2002:

	Balance 10/01/01	Additions	Retirements/ Reclassifications	Balance 9/30/02
Land and buildings	\$ 576,571	\$ -	\$ -	\$ 576,571
Water plants and lines	28,910,113	3,711,082	(68,574)	32,552,621
Machinery and equipment	1,214,755	80,576	(93,432)	1,201,899
Construction in progress	9,634,016	3,802,673	(3,009,820)	10,426,869
Total	<u>\$ 40,335,455</u>	<u>\$ 7,594,331</u>	<u>\$ (3,171,826)</u>	<u>\$ 44,757,960</u>

It is the Board's policy to capitalize net interest costs on funds borrowed to finance the construction of fixed assets. For the year ended September 30, 2002, the Board incurred interest costs of \$1,045,025; total interest expense was \$702,732, and interest cost of \$342,293 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

7. Changes in General Fixed Assets and Proprietary Fund Property, Plant and Equipment - continuedAuburn Center for Developing Industries

The following is a schedule of changes in property, plant and equipment for the year ended September 30, 2002:

	Balance 10/01/01	Additions	Retirements/ Reclassifications	Balance 09/30/02
Land	\$ 67,543	\$ -	\$ -	\$ 67,543
Buildings	1,126,047	-	-	1,126,047
Machinery and equipment	15,349	2,061	-	17,410
Total	<u>\$ 1,208,939</u>	<u>\$ 2,061</u>	<u>\$ -</u>	<u>\$ 1,211,000</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, 2002, no interest was incurred or capitalized.

Industrial Development Board

The following is a schedule of changes in property, plant, and equipment for the year ended September 30, 2002:

	Balance 10/01/01	Additions	Disposals/ Reclassifications	Balance 09/30/02
Land	\$ 659,570	\$ 95,751	\$ (5,729)	\$ 749,592
Buildings	4,880,357	1,381,278	(292,953)	5,968,682
Building improvements	91,689	65,000	(2,183)	154,506
Land improvements	588,405	-	(2,100)	586,305
Construction in progress	-	4,626,197	(1,228,448)	3,397,749
Equipment	126,974	1,704	-	128,678
Vehicles	-	52,935	-	52,935
Total	<u>\$ 6,346,995</u>	<u>\$ 6,222,865</u>	<u>\$ (1,531,413)</u>	<u>\$ 11,038,447</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, 2002, total interest costs incurred were \$456,331; interest expense was \$402,510, interest cost of \$27,271 was capitalized in connection with construction of buildings included above that are owned by the Board and held for leasing, and interest cost of \$53,821 was capitalized in connection with improvements in progress on land held for resale.

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

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

7. Changes in General Fixed Assets and Proprietary Fund Property, Plant and Equipment - continued

Public Parks and Recreation Board

The following is a schedule of changes in property, plant, and equipment for the year ended September 30, 2002:

	<u>Balance 10/01/01</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Balance 09/30/02</u>
Land	\$ 33,771	\$ -	\$ (33,771)	\$ -
Buildings	<u>273,802</u>	<u>-</u>	<u>(273,802)</u>	<u>-</u>
Total	<u>\$ 307,573</u>	<u>\$ -</u>	<u>\$ (307,573)</u>	<u>\$ -</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, 2002, no interest was incurred in connection with construction of assets.

During 2002, the Board's land and buildings were sold to the Industrial Development Board at a loss of \$104,629. Because the land was originally transferred to the Public Parks and Recreation Board and recorded as contributed capital, a portion of the loss (\$33,771) was closed directly to contributed capital and the balance (\$70,858) was reported in the statement of revenues, expenses and changes in retained earnings.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt

CITY OF AUBURN PRIMARY GOVERNMENT

The following is a summary of changes in long-term debt of the City of Auburn for the year ended September 30, 2002:

	Bonds Payable	Notes Payable	Warrants Payable	Capital Leases Payable	Total Bonds, Notes, Warrants and Capital Leases Payable	Accumulated Annual Leave	Claims Payable	Landfill Closure and Postclosure Care Liability	Total
General obligation:									
Balance, September 30, 2001	\$15,825,000	\$ 362,341	\$30,577,536	\$ 1,443,010	\$48,207,887	\$ 851,657	\$ 709,637	\$ 154,000	\$49,923,181
Face value of new debt issued	7,250,000	-	29,212,000	-	36,462,000	-	-	-	36,462,000
Increase (decrease) in accumulated annual leave	-	-	-	-	-	81,268	-	-	81,268
Increase (decrease) in claims payable	-	-	-	-	-	-	(437,341)	-	(437,341)
Increase (decrease) in landfill closure and postclosure care liability	-	-	-	-	-	-	-	322,366	322,366
Retirement of debt	<u>(5,315,000)</u>	<u>(48,010)</u>	<u>(12,058,679)</u>	<u>(491,325)</u>	<u>(17,913,014)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,913,014)</u>
Balance, September 30, 2002	<u>17,760,000</u>	<u>314,331</u>	<u>47,730,857</u>	<u>951,685</u>	<u>66,756,873</u>	<u>932,925</u>	<u>272,296</u>	<u>476,366</u>	<u>68,438,460</u>
Enterprise:									
Balance, September 30, 2001	5,283,433	-	24,765,000	110,053	30,158,486	37,232	-	-	30,195,718
Face value of new debt issued	-	-	-	-	-	-	-	-	-
Increase (decrease) in accumulated annual leave	-	-	-	-	-	333	-	-	333
Interest accretion	306,305	-	-	-	306,305	-	-	-	306,305
Retirement of debt	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(36,451)</u>	<u>(61,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,451)</u>
Balance, September 30, 2002	<u>5,589,738</u>	<u>-</u>	<u>24,740,000</u>	<u>73,602</u>	<u>30,403,340</u>	<u>37,565</u>	<u>-</u>	<u>-</u>	<u>30,440,905</u>
Total long-term debt	<u>\$23,349,738</u>	<u>\$ 314,331</u>	<u>\$72,470,857</u>	<u>\$ 1,025,287</u>	<u>\$97,160,213</u>	<u>\$ 970,490</u>	<u>\$ 272,296</u>	<u>\$ 476,366</u>	<u>\$98,879,365</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

8. Long-Term Debt - continued

Bonds, notes, and warrants payable of the City of Auburn at September 30, 2002, are comprised of the following individual issues:

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Source of Payment</u>	<u>Principal Issued</u>	<u>Principal Outstanding September 30, 2002</u>	<u>Year of Final Principal Maturity</u>
General obligation						
General governmental issues						
Park and recreation facilities bonds, dated 07/01/74	6.25%-6.6%	1/1-7/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 900,000	\$ 40,000	2003
Capital improvement bonds, dated 06/01/97 (Samford Sports Complex, etc.)	3.8%-5.25%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	6,500,000	5,445,000	2015
Capital improvement bonds, dated 05/01/02	1.60%-4.75%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	7,250,000	6,960,000	2016
General obligation warrant dated 12/30/97 (PW & ES bldgs.)	5%	Monthly	Full faith credit and taxing power of the City of Auburn	750,000	56,238	2003
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	1,615,000	2015
General obligation warrant, dated 08/05/98 (Dean Rd. Ext.)	5.16%	Quarterly	General Fund	810,672	535,172	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	2,030,000	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	6,325,000	2011
Capital improvement warrant dated 09/30/98 (Drake Gym, etc.)	5.47%	Monthly	Full faith credit and taxing power of the City of Auburn	1,200,000	796,707	2008
General obligation bonds dated 8/1/99 (Library)	5.0%-5.4%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	3,700,000	3,700,000	2014
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	3,710,000	2019
General obligation school warrant dated 10/6/99 (computer eq.)	5.98%	Monthly	Special School Tax Fund ad valorem taxes	857,750	651,702	2009
General obligation warrants dated 10/27/99 (Wright St.)	6.29%	Monthly	Full faith credit and taxing power of the City of Auburn	650,000	295,778	2005
General obligation warrants dated 08/05/00 (Salmon Prop.)	6.929%	Monthly	Full faith credit and taxing power of the City of Auburn	1,507,034	1,251,710	2020

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt – continued

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2002	Year of Final Principal Maturity
General obligation warrants dated 04/10/01 (Fraley)	7.52%	Monthly	Full faith credit and taxing power of the City of Auburn	428,000	381,651	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	953,309	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	1,297,724	2011
General obligation warrants dated 06/27/02	5.74%	Monthly	Full faith credit and taxing power of the City of Auburn	1,937,000	1,900,866	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
Note payable, East Alabama Medical Center, dated 10/15/96	0%	10/10	General Fund	250,000	150,000	2007
Note Payable, East Alabama Medical Center, dated 10/27/97	5%	11/1	General Fund	250,000	164,331	2008
Capital lease, Regions Financial Leasing, dated 07/08/97	6.1685%	Monthly	General Fund	20,866	3,048	2003
Capital lease, Regions Financial Leasing, dated 12/12/97	5.6973%	Monthly	General Fund	182,500	6,956	2003
Capital lease, Regions Financial Leasing, dated 03/15/99	5.80%	Monthly	General Fund	94,420	31,245	2004
Capital lease, Regions Financial Leasing, dated 5/15/00	6.291%	Monthly	General Fund	22,303	5,325	2003
Capital lease, Regions Financial Leasing, dated 4/15/00	6.293%	Monthly	General Fund	22,162	4,642	2003
Capital lease, Regions Financial Leasing dated 2/15/00	5.80%	Monthly	General Fund	18,249	2,188	2003
Capital lease, Regions Financial Leasing, dated 2/15/00	5.80%	Monthly	General Fund	18,430	2,209	2003
Capital lease, Regions Financial Leasing, dated 6/15/00	6.272%	Monthly	General Fund	23,709	6,351	2003
Capital lease, Regions Financial Leasing, dated 1/15/00	5.80%	Monthly	General Fund	20,216	1,822	2003
Capital lease, Regions Financial Leasing, dated 3/15/00	5.80%	Monthly	General Fund	45,998	24,660	2005

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

8. Long-Term Debt - continued

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2002	Year of Final Principal Maturity
Capital lease, Regions Financial Leasing, dated 3/15/00	5.80%	Monthly	General Fund	72,699	38,974	2005
Capital lease, Regions Financial Leasing, dated 12/15/99	5.80%	Monthly	General Fund	87,999	42,760	2005
Capital lease, Regions Financial Leasing dated 12/15/99	5.80%	Monthly	General Fund	18,485	1,666	2003
Capital lease, Regions Financial Leasing, dated 11/15/99	5.80%	Monthly	General Fund	90,000	40,685	2005
Capital lease, Regions Financial Leasing, dated 6/15/00	6.272%	Monthly	General Fund	39,538	10,591	2003
Capital lease, Regions Financial Leasing, dated 1/15/00	5.80%	Monthly	General Fund	20,216	1,822	2003
Capital lease, Regions Financial Leasing, dated 10/15/00	6.47%	Monthly	General Fund	88,500	56,482	2005
Capital lease, Regions Financial Leasing, dated 07/15/01	5.80%	Monthly	General Fund	88,500	68,717	2006
Capital lease, Regions Financial Leasing, dated 07/15/01	5.49%	Monthly	General Fund	92,368	71,591	2006
Capital lease, Regions Financial Leasing, dated 04/15/01	5.80%	Monthly	General Fund	85,776	63,938	2006
Capital lease, Regions Financial Leasing, dated 04/15/01	5.80%	Monthly	General Fund	147,904	107,932	2006
Capital lease, Ford Motor Credit, dated 09/04/01	4.75%	Monthly	General Fund	223,222	139,612	2004
Capital lease, Nissan Motor Acceptance, dated 04/30/01	3.90%	Monthly	General Fund	130,581	75,140	2004
Capital lease, Key Municipal Finance, dated 08/17/01	4.99%	Monthly	General Fund	<u>218,492</u>	<u>143,329</u>	2004
Total general governmental issues				76,290,776	66,486,873	
General obligation:						
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	<u>1,000,000</u>	<u>270,000</u>	2006
Total general obligation				<u>77,290,776</u>	<u>66,756,873</u>	

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt - continued

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Source of Payment</u>	<u>Principal Issued</u>	<u>Principal Outstanding September 30, 2002</u>	<u>Year of Final Principal Maturity</u>
Enterprise:						
General obligation warrants dated 08/01/01 (sewer plant & expansion)	2.8%-5.0%	1/1-7/1	Sewer Fund	24,765,000	24,740,000	2024
Zero coupon general obligation warrants dated 8/29/01 (sewer plant & expansion)	5.70%	1/1-7/1	Sewer Fund	5,257,326	5,589,738	2012
Capital lease, Regions Financial Leasing, dated 10/15/99	5.80%	Monthly	Sewer Fund	169,203	73,602	2003
Total sewer fund issues				<u>30,191,529</u>	<u>30,403,340</u>	
Total bonds, notes, warrants, and capital leases payable				<u>\$ 107,482,305</u>	<u>\$ 97,160,213</u>	

The City has twenty-six leases with Regions Financial Leasing, Inc., and one lease each with Ford Motor Credit Company and 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 \$1,025,287 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, 2002, 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>
2003	\$ 454,258	\$ 44,055	\$ 498,313
2004	382,741	21,347	404,088
2005	129,686	7,149	136,835
2006	58,602	1,227	59,829
Totals	<u>\$1,025,287</u>	<u>\$ 73,778</u>	<u>\$1,099,065</u>

The City issued its \$7,250,000 General Obligation Bonds on May 1, 2002 for the purposes of acquiring, providing and constructing recreational facilities in the City and a new cemetery. The Bonds bear interest at rates ranging from 1.60% to 4.75%, payable semi-annually on February 1 and August 1, and mature on August 1 beginning in 2002 and continuing through 2016.

The City issued its \$1,937,000 General Obligation Warrants on June 27, 2002, for the purpose of constructing certain infrastructure improvements in the City, including drainage and street improvements, and purchasing capital equipment, including computer systems. The Warrants bear interest at a rate of 5.74%, payable on the twelfth day of each month beginning July 2002 and continuing through June 2012.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt - continued

On February 1, 2002, the City issued \$27,275,000 in General Obligation School Warrants with an average interest rate of 4.73% to currently refund \$225,000 of outstanding 1992 Series General Obligation School Warrants with an average interest rate of 5.5%; to advance refund and defease \$3,710,000 of outstanding 1994 Series General Obligation School Warrants with an average interest rate of 5.5% and \$9,255,000 of outstanding 1996 Series General Obligation School Warrants with an average interest rate of 5.38%; and to pay costs of constructing schools under the jurisdiction of the Board of Education. The net proceeds of \$13,856,364 (after an original issue discount of \$397,133, payment of issuance costs of \$291,381, refunding the 1992 warrants at \$229,691, and transferring \$12,500,431 to a construction account) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 and 1996 Series warrants. As a result, the 1994 and 1996 Series warrants are considered to be defeased and the liability for those warrants has been removed from the general long-term debt account group.

Although the City's refunding of the 1992, 1994, and 1996 Series warrants increased its total debt service payments over the next 24 years by \$8,269,266 and caused an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$494,721, the City was able to facilitate the financing of school improvements on more favorable terms than would otherwise be available.

The \$27,275,000 Warrants bear interest at rates ranging from 4.10% to 5.125%, payable semi-annually on February 1 and August 1, and mature on August 1 beginning 2009 and continuing through 2026.

In fiscal year 2001, the City issued a noninterest bearing General Obligation Warrant in connection with the purchase of sewer plants. 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, 2002, the accreted value of the warrant was \$5,589,738. 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, 2002, was \$568,252. Sinking fund payments required each fiscal year to maturity are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 672,518
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>\$ 6,388,921</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt - 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, 2002:

Fiscal Year	General Obligation Bonds, Notes, Warrants and Capital Leases										
	Total Annual Requirements			Payable from		Payable from		Total	Enterprise Notes and Warrants		
				General Governmental	Specific Revenue						
	Principal	Interest	Total	Issues	Sources	Principal	Interest	Requirements	Principal	Interest	Total
	Principal	Interest	Total	Principal	Interest	Principal	Interest		Principal	Interest	Requirements
2003	\$ 3,889,927	\$ 4,379,773	\$ 8,269,700	\$ 3,394,190	\$ 3,195,169	\$ 60,000	\$ 17,820	\$ 6,667,179	\$ 435,737	\$ 1,166,784	\$ 1,602,521
2004	4,060,678	4,198,929	8,259,607	3,542,813	3,033,358	65,000	13,860	6,655,031	452,865	1,151,711	1,604,576
2005	3,931,910	4,016,632	7,948,542	3,431,910	2,870,712	70,000	9,570	6,382,192	430,000	1,136,350	1,566,350
2006	4,296,187	3,825,425	8,121,612	3,781,187	2,699,462	75,000	4,950	6,560,599	440,000	1,121,013	1,561,013
2007	4,110,248	3,628,182	7,738,430	3,650,248	2,523,715	-	-	6,173,963	460,000	1,104,467	1,564,467
2008	3,870,055	3,441,912	7,311,967	3,395,055	2,355,332	-	-	5,750,387	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	-	-	-
Total	\$91,570,475	\$53,131,581	\$144,702,056	\$66,486,873	\$35,651,829	\$ 270,000	\$ 46,200	\$102,454,902	\$24,813,602	\$17,433,552	\$42,247,154

The above schedule does not reflect the noninterest bearing Enterprise Warrant which will mature at the principal amount of \$9,400,000 in 2012. As of September 30, 2002, the amount included in Enterprise Fund Warrants payable is \$5,589,738, which equals the original principal amount of \$5,257,326 plus the accretion of interest through September 30, 2002 of \$332,412. Sinking fund requirements are disclosed previously in this note.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

8. Long-Term Debt - 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, 2002:

	Capital Leases Payable
Balance, September 30, 2001	\$ 867,814
Retirement of debt	<u>(185,452)</u>
Balance, September 30, 2002	<u><u>\$ 682,362</u></u>

Capital lease payable of the Auburn City Board of Education at September 30, 2002, is comprised of the following issues:

	<u>Interest Rate</u>	<u>Dates</u>	<u>Source of Payment</u>	<u>Principal Issued</u>	<u>Principal Outstanding September 30, 2002</u>	<u>Year of Final Principal Maturity</u>
Capital Lease #1, AmSouth Lease Corporation dated 09/29/98	5.08%	Monthly	General Fund	\$ 327,637	\$ 154,719	2005
Capital Lease #2, AmSouth Lease Corporation dated 01/07/99	5.308%	Monthly	General Fund	687,135	351,775	2006
Capital Lease #3, AmSouth Lease Corporation dated 01/11/99	5.479%	Monthly	General Fund	172,364	87,986	2006
Capital Lease #4, AmSouth Lease Corporation dated 10/27/99	5.98%	Monthly	General Fund	138,766	<u>87,882</u> <u><u>\$ 682,362</u></u>	2007

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt - continued

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 \$682,362 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 \$42,517 for the fiscal year ended September 30, 2002.

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>
2003	\$ 195,696	\$ 32,273	\$ 227,969
2004	206,561	21,408	227,969
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>\$ 682,362</u>	<u>\$ 64,867</u>	<u>\$ 747,229</u>

Water Works Board

Bonds payable at September 30, 2002, 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. As discussed in the following paragraphs, the 2002 bond proceeds were used to call the 1993 Series bonds dated May 1, 1993, and to fund various construction projects.

On August 27, 2002, the Board issued \$9,799,656.80 of Water Revenue Bonds with an average interest rate of 4.1% (see components below) to advance refund \$7,040,000 of outstanding 1993 Series Water Revenue Bonds with an average interest rate of 5.5% and to finance the cost of certain improvements to the Board's water system. The net proceeds of \$6,583,439.61 (after payment of an original issue discount of \$54,450.50 and underwriting fees of \$91,822.78 and transferring \$598,500.00 to the Reserve Fund and \$2,471,452.16 to the Construction Fund) plus an additional \$347,489.24 from the 1993 Bond Fund and \$646,208.65 from the 1993 Reserve Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with and escrow agent to provide for all future debt service payments on the 1993 series bonds. As a result, the 1993 series bonds are considered to be defeased and the liability for those bonds has been removed from the Board's balance sheet.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt - continued

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 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$347,002. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the straight-line method. Although the advance refunding increased the Board's total debt service payments over the next 30 years by \$1.7 million, it resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1.3 million, and it allowed the Board to facilitate the financing of water system improvements on more favorable terms than would otherwise be available.

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, 2002:

Bonds and water supply agreement payable, September 30, 2001	\$ 20,100,633
Proceeds of new debt	9,799,657
Retirement of debt	(7,567,444)
Accretion of interest	9,445
Bonds and water supply agreement payable, September 30, 2002	<u>\$ 22,342,291</u>

A summary of the September 30, 2002, current and long-term debt maturities follows:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Bonds payable	\$ 470,000	\$ 20,219,102	\$ 20,689,102
Less: Deferred amount on refunding	<u>-</u>	<u>(344,110)</u>	<u>(344,110)</u>
	<u>470,000</u>	<u>19,874,992</u>	<u>20,344,992</u>
Water Supply Agreement with City of Opelika	267,663	2,049,390	2,317,053
Less: Unamortized discount	<u>(125,466)</u>	<u>(538,398)</u>	<u>(663,864)</u>
	<u>142,197</u>	<u>1,510,992</u>	<u>1,653,189</u>
Accumulated annual leave	<u>-</u>	<u>133,730</u>	<u>133,730</u>
Total long-term debt	<u>\$ 612,197</u>	<u>\$ 21,519,714</u>	<u>\$ 22,131,911</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

8. Long-Term Debt - continued

Annual requirements (principal and interest) to amortize long-term debt at September 30, 2002, are as follows:

<u>Year ending September 30</u>	<u>Bonds Payable</u>	<u>Water Supply Agreement</u>	<u>Total</u>
2003	\$ 1,332,413	\$ 267,663	\$ 1,600,076
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
2008-2012	6,654,065	979,743	7,633,808
2013-2017	6,650,427	-	6,650,427
2018-2022	6,652,595	-	6,652,595
2023-2027	<u>5,322,819</u>	<u>-</u>	<u>5,322,819</u>
Total	31,930,757	2,317,053	34,247,810
Add zero coupon bonds	1,854,102	-	1,854,102
Less amount representing interest	<u>(13,095,757)</u>	<u>(663,864)</u>	<u>(13,759,621)</u>
Total at present value	<u>\$ 20,689,102</u>	<u>\$ 1,653,189</u>	<u>\$ 22,342,291</u>

Industrial Development Board

The following is a summary of the Board's current and long-term debt maturities as of September 30, 2002:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Bonds payable	\$ 11,435,000	\$ -	\$ 11,435,000
Notes payable	1,033,548	2,798,110	3,831,658
Capital leases payable	<u>17,645</u>	<u>18,301</u>	<u>35,946</u>
Total	<u>\$ 12,486,193</u>	<u>\$ 2,816,411</u>	<u>\$ 15,302,604</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt – continued

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, 2002. 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, 2003. The City intends to fund the appropriations through future sales of industrial property and additional tax revenues derived from future industrial 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 2002 was 1.58% and 1.98% for the Series 2000-A and Series 2000-B bonds, respectively, and interest incurred for the fiscal year amounted to \$70,426 for the Series 2000-A bonds and \$144,229 for the Series 2000-B bonds.

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

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, 2003; 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 2003. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

<u>Fiscal Year</u>	<u>Series 2000-A</u>	<u>Series 2000-B</u>	<u>Total</u>
2003	<u>\$ 4,375,000</u>	<u>\$ 7,060,000</u>	<u>\$ 11,435,000</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

8. Long-Term Debt - continued

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
2003	\$ 140,000	\$ 205,000	\$ 345,000
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
Total	<u>\$ 4,375,000</u>	<u>\$ 7,060,000</u>	<u>\$ 11,435,000</u>

The following is a summary of the changes in bonds payable for the year ended September 30, 2002:

Bonds payable, September 30, 2001	\$ 11,955,000
Proceeds of debt	-
Retirement of debt	<u>(520,000)</u>
Bonds payable, September 30, 2002	<u>\$ 11,435,000</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

8. Long-Term Debt - continuedNotes and Capital Leases Payable

The following is a summary of changes in notes and capital leases payable of the Industrial Development Board of the City of Auburn for the year ended September 30, 2002:

	<u>Total</u>	<u>Current</u>	<u>Long-Term</u>
Notes payable, September 30, 2001	\$ 3,754,379		
Face value of new debt issued	2,096,676		
Retirement of debt	(2,019,397)		
Total notes payable, September 30, 2002	<u>3,831,658</u>	<u>1,033,548</u>	<u>2,798,110</u>
Capital leases payable, September 30, 2001	-		
Face value of new debt issued	52,935		
Retirement of debt	(16,989)		
Total capital leases payable, September 30, 2002	<u>35,946</u>	<u>17,645</u>	<u>18,301</u>
Total notes and capital leases payable, September 30, 2002	<u>\$ 3,867,604</u>	<u>\$ 1,051,193</u>	<u>\$ 2,816,411</u>

Notes and capital leases payable of the Board at September 30, 2002, are comprised of the following individual issues:

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Principal Issued</u>	<u>Principal Outstanding 9/30/02</u>	<u>Year of Final Principal Maturity</u>
Notes payable:					
AuburnBank	5.750%	Monthly	\$ 952,574	\$ 952,574	2003
AuburnBank	6.675%	Monthly	957,500	953,491	2007
AuburnBank	7.500%	Monthly	300,000	297,089	2006
Charter Bank	7.750%	Monthly	1,500,000	1,444,890	2016
Compass Bank	7.750%	Monthly	186,602	183,614	2016
Total notes payable			<u>3,896,676</u>	<u>3,831,658</u>	
Capital leases payable:					
GMAC	0.000%	Monthly	<u>52,935</u>	<u>35,946</u>	2005
Total notes and capital leases payable			<u>\$ 3,949,611</u>	<u>\$ 3,867,604</u>	

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

8. Long-Term Debt- continued

The following schedule shows debt service to maturity for notes and capital leases payable of the Industrial Development Board at September 30, 2002:

<u>Fiscal Year</u>	<u>Total Annual Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 1,051,193	\$ 255,186	\$ 1,306,379
2004	105,173	202,988	308,161
2005	95,066	196,105	291,171
2006	385,242	185,133	570,375
2007	1,135,271	131,978	1,267,249
2008	87,584	81,846	169,430
2009	94,618	74,812	169,430
2010	102,217	67,213	169,430
2011	110,426	59,004	169,430
2012	119,295	50,135	169,430
2013	128,876	40,554	169,430
2014	139,226	30,204	169,430
2015	150,408	19,022	169,430
2016	163,009	6,942	169,951
Total	<u>\$ 3,867,604</u>	<u>\$ 1,401,122</u>	<u>\$ 5,268,726</u>

Public Parks and Recreation Board

The following is a summary of changes in notes payable of the Public Parks and Recreation Board for the year-ended September 30, 2002:

	<u>Total</u>	<u>Current</u>	<u>Long-Term</u>
Notes payable, September 30, 2001	\$ 193,573	\$ 21,863	\$ 171,710
Face value of new debt issued	-	-	-
Retirement of debt	(193,573)	(21,863)	(171,710)
Total notes payable, September 30, 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

9. Deferred Program Revenue

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, deferred revenue equal to the principal amount of the mortgage was recorded. 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, 2002, totaled \$4,118,261. One mortgage, with a principal balance of \$3,498,859, 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.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

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, 2002, was \$67,543 and \$1,126,047, respectively. Accumulated depreciation on the buildings was \$331,799. Rents received during 2002 were \$94,678 and utility reimbursements were \$65,555. None of the leases currently in effect extend beyond September 30, 2003. Additionally, at September 30, 2002, there were seven tenants occupying space on a month-to-month basis with no lease in effect, and total rentals for these tenants were \$8,567 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, 2002, was \$749,592 and \$5,968,682, respectively; accumulated depreciation on the buildings was \$459,056. Rents received during 2002 were \$273,503. Of the five leases in effect at September 30, 2002, 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, 2002:

Fiscal Year

2003	\$ 248,328
2004	248,328
2005	248,328
2006	248,328
2007	216,546
2008	121,200
2009	77,400
2010	55,500
2011	55,500
2012	40,625
2013 and thereafter	251,200
	<u>\$ 1,811,283</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

10. Lease Agreements - continued

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 2003 to 2035. There were no lease payments received in fiscal year 2002 and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal. See Note 38 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, 2002, are as follows:

Total minimum lease payments to be received	\$ 1,942,808
Less: unearned income	<u>(497,918)</u>
Net investment in capital leases	<u>\$ 1,444,890</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>	
2003	\$ 169,430
2004	169,430
2005	169,430
2006	169,430
2007	<u>1,265,088</u>
	<u>\$ 1,942,808</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

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 36004-0001 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, 2002, was 3.70% of covered payroll.

The City's annual pension cost of \$607,548 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2001, 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 techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. 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, 2001, was 12 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

11. Defined Benefit Pension Plans - continued

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:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
09/30/99	\$459,243	100%	\$0
09/30/00	\$481,912	100%	\$0
09/30/01	\$541,155	100%	\$0

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)*</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
9/30/99	\$24,674,182	\$23,812,107	\$ (862,075)	103.6%	\$10,198,094	(8.5%)
9/30/00	\$26,610,682	\$26,381,130	\$ (229,552)	100.9%	\$11,050,548	(2.1%)
9/30/01**	\$28,196,927	\$30,536,059	\$ 2,339,132	92.3%	\$11,827,692	19.8%

* 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.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

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 at 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, 2002, the Board's contribution requirement is an actuarially determined rate equal to 5.96% (6.38% in 2001) of annual covered payroll. The Board's contributions to the plan for the years ending September 30, 2002 and 2001, were \$1,149,051 and \$1,199,021, 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 36004-0001 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, 2002, was 1.82% of covered payroll; and the Board's annual pension cost of \$14,698 was equal to its required and actual contributions.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

11. Defined Benefit Pension Plans - continued

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:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
09/30/99	\$20,190	100%	\$0
09/30/00	\$27,854	100%	\$0
09/30/01	\$32,075	100%	\$0

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered P/R ((b - a)/c)</u>
9/30/99	\$1,533,173	\$ 1,252,127	\$ (281,046)	122.4%	\$ 853,798	(32.9%)
9/30/00	\$1,654,796	\$ 1,373,161	\$ (281,635)	120.5%	\$ 874,552	(32.2%)
9/30/01	\$1,782,421	\$ 1,638,641	\$ (143,780)	108.8%	\$1,011,128	(14.2%)

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

12. Self-Insurance - General Liability 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 in the General Fund. The following is a schedule of changes in claims liabilities for these two risk areas during the past two fiscal years:

	Fiscal Year	
	2002	2001
Unpaid claims, beginning of year	\$ 637,181	\$ 590,623
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	114,525	135,561
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	(473,289)	(2,500)
Total incurred claims	(358,764)	133,061
Payments:		
Claims attributable to current year events where the City has retained risk of loss	54,630	38,903
Claims attributable to prior years' events where the City has retained risk of loss	(8,300)	47,600
Total payments	46,330	86,503
Unpaid claims, end of year	\$ 232,087	\$ 637,181

Total general liability for uninsured risks and workmen's compensation claims liability at September 30, 2002, are recorded as follows: \$14,791 is recorded as a current liability in the General Fund and the long-term portion, \$217,296, along with the estimated liability for insured risks of \$55,000, is recorded in the General Long-Term Debt Account Group.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

13. Medical Self-Insurance

The City has chosen to retain risk of loss relating to medical claims of City employees and their covered dependents. Prior to 2002, these risks were accounted for in an Internal Service Fund; beginning in 2002, the costs are recorded in the General Fund. The following is a schedule of changes in medical claims liabilities during the past two fiscal years:

	<u>Fiscal Year</u>	
	<u>2002</u>	<u>2001</u>
Unpaid claims, beginning of year	\$ 63,365	\$ 52,124
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	868,818	875,452
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>13,224</u>	<u>1,631</u>
Total incurred claims	<u>882,042</u>	<u>877,083</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	822,952	812,088
Claims attributable to prior years' events where the City has retained risk of loss	<u>75,837</u>	<u>53,754</u>
Total payments	<u>898,789</u>	<u>865,842</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 46,618</u>	<u>\$ 63,365</u>

The unpaid claims as of September 30, 2001, were reported in the Internal Service Fund, and the balance as of September 30, 2002, is reported in the General Fund.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

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, 2002, by the State (\$-0-) to individuals is reflected as an expense of the General Fund.

15. Ad Valorem Tax Collection Expenses

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, 2002:

<u>Funds</u>	<u>Millage</u>	<u>Taxes Collected</u>	<u>Collection Fee</u>	<u>Reappraisal Costs</u>	<u>Net Received by the City</u>
General Fund	5	\$ 1,529,229 *	\$ 34,415	\$ 31,659	\$ 1,463,155
Special 5-Mill Tax Fund	5	\$ 1,515,308**	\$ 34,415	\$ 31,659	\$ 1,449,234
Special School Tax Fund	5	\$ 1,652,854	\$ 40,965	\$ 31,659	\$ 1,580,230
Special Additional School Tax Fund	11	3,352,949	76,787	69,657	3,206,505
School tax totals	<u>16</u>	<u>\$ 5,005,803</u>	<u>\$ 117,752</u>	<u>\$ 101,316</u>	<u>\$ 4,786,735</u>

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

** Reduced by industrial tax exemptions.

16. Primary Government's Interfund Receivables and Payables

The following is a schedule, by individual fund, of interfund receivables and payables as of September 30, 2002:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 27,679	\$ -
Special Revenue Funds		
Federal Grant Loan Repayment Fund	-	322
Community Development Block Grants	-	8,182
Enterprise Funds		
Industrial Park Fund	-	19,175
Totals	<u>\$ 27,679</u>	<u>\$ 27,679</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

17. Primary Government's Interfund Advances

The following is a schedule, by individual fund, of interfund advances as of September 30, 2002:

	<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>
Special Revenue Funds		
Federal Grant Loan Repayment	\$ 276,080	\$ -
General Fund	-	69,115
Enterprise Funds		
Industrial Park Fund	-	206,965
Totals	<u>\$ 276,080</u>	<u>\$ 276,080</u>

18. Primary Government's Operating Transfers

The following is a schedule, by individual fund, of operating transfers for the year-ended September 30, 2002:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 853,750	\$ 521,669
Special Revenue Funds		
Seven-Cent Gas Tax	-	124,000
Four-Cent Gas Tax	-	86,500
City Gas Tax	-	226,450
Special School Tax	2,617,083	-
Special Additional School Tax	-	2,617,083
Federal Grant Loan Repayment	-	322
Community Development Block Grant	322	-
Debt Service Funds		
GORSIW Series 76	76,450	-
Capital Projects Funds		
'99 Warrant Projects	-	631,091
'99 Bond Projects	629,760	-
Enterprise Funds		
Sewer Revenue	-	71,250
Industrial Park Fund	101,000	-
Totals	<u>\$ 4,278,365</u>	<u>\$ 4,278,365</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

19. Primary Government's Residual Equity Transfers

On October 1, 2001, the City closed its Employee Benefit Self-Insurance Fund and transferred all of the assets to the General Fund (see Note 33). Accordingly, the following residual equity transfers were recorded:

	Residual Equity Transfers In	Residual Equity Transfers Out
General Fund	\$ 1,525,764	\$ -
Employee Benefit Self-Insurance Fund	-	1,525,764
Totals	<u>\$ 1,525,764</u>	<u>\$ 1,525,764</u>

20. Intra-Entity Transactions

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

A. Short-term receivables and payables

	Due From	Due To
Primary Government		
Capital Projects		
'99 Bond Projects Fund	\$ 40,000	\$ -
General Fund	-	148,071
Component Units		
Industrial Development Board	4,668	-
Auburn City Board of Education	143,403	-
Water Works Board	-	40,000
Total	<u>\$ 188,071</u>	<u>\$ 188,071</u>

B. Long-term advances

	Advances To	Advances From
Primary Government		
General Fund	\$ 497,700	\$ -
Special Revenue Funds		
Federal Grant Loan Repayment	1,674,428	-
Enterprise Funds		
Industrial Park Fund	141,455	-
Component Units		
Auburn Center for Developing Industries	-	497,700
Industrial Development Board	-	1,815,883
Total	<u>\$ 2,313,583</u>	<u>\$ 2,313,583</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

20. Intra-Entity Transactions - continued

C. Operating transfers

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
Primary Government		
General Fund	\$ -	\$ 1,029,352
Special Revenue Funds		
Special School Tax	-	14,580,431
Federal Grant Loan Repayment	-	184,502
Capital Projects Funds		
'99 Bond Projects Fund	40,000	-
Component Units		
Auburn City Board of Education	14,580,431	-
Water Works Board	-	40,000
Industrial Development Board	1,194,921	-
Public Parks and Recreation Board	18,933	-
Total	<u>\$ 15,834,285</u>	<u>\$ 15,834,285</u>

21. Quasi-External Transactions

The following transactions are considered to be quasi-external transactions between the City of Auburn and its component units.

The City issues bonds and makes debt service payments on behalf of the Board of Education. In fiscal year 2002, a general obligation school warrant in the principal amount of \$27,275,000 was approved by City Council for issuance on February 1, 2002, on behalf of the Board. Debt payments (including bond issue costs) are reflected on the City's books as debt service expenditures and amounted to \$16,706,437.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

21. Quasi-External Transactions - continued

The Water Works Board remits certain fees to the City of Auburn monthly. Payments consist primarily of sewer and garbage fees collected on behalf of the City and payments in lieu of tax. An accrual was made at September 30, 2002, to record amounts due to the City at that date. Differences exist between payables recorded by the Water Works Board and receivables recorded by the City of Auburn. These differences are a result of differing bases of accounting employed by the two entities. The Water Works Board uses the accrual basis of accounting. Sewer fees are recorded by the City in the Sewer Enterprise Fund, which also uses the accrual basis, and all other payments from the Water Works Board are recorded in the General Fund, which uses the modified accrual basis of accounting. Accordingly, certain payments owed to the City by the Water Board have been recorded as payables by the Board, but have not been recorded as receivables by the City.

The amounts of intra-entity receivables and payables between the City and the Water Works Board are reflected on the combined statements in the totals for the categories shown below:

	City of Auburn	Water Works Board
Receivables		
Water Works Board	\$ 494,186	\$ -
Other governmental units	-	84
Payables to other governments	84	1,047,715
	<u>\$ 494,270</u>	<u>\$ 1,047,799</u>

22. Reporting of HODAG and UDAG Special Revenue Funds

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 general purpose 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 Funds: 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 Funds for the current fiscal year are as follows:

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

22. Reporting of HODAG and UDAG Special Revenue Funds - continued

	<u>HODAG*</u>	<u>Shelton Park*</u>	<u>Tiger Theater*</u>	<u>Magnolia Plaza*</u>	<u>Revolving Loan*</u>	<u>Affordable Housing*</u>	<u>Total</u>
Equity in pooled cash	\$ 742	\$ 18,326	\$ 318	\$ 5,989	\$ 23,098	\$ 51,970	\$ 100,443
Advances to							
Other funds	206,965	-	-	-	69,115	-	276,080
Component units	-	-	-	-	1,674,428	-	1,674,428
Mortgages receivable	3,498,859	279,464	-	340,881	792,164	148,586	5,059,954
Prepaid items	-	-	-	-	10,000	-	10,000
Total assets	<u>\$ 3,706,566</u>	<u>\$ 297,790</u>	<u>\$ 318</u>	<u>\$ 346,870</u>	<u>\$ 2,568,805</u>	<u>\$ 200,556</u>	<u>\$ 7,120,905</u>
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,667	\$ -	\$ 2,667
Due to other funds	-	-	-	-	322	-	322
Deferred revenue	3,499,359	279,464	-	340,881	792,164	148,586	5,060,454
Fund balance - reserved for prepaid items	-	-	-	-	10,000	-	10,000
Fund balance-reserved for advances	206,965	-	-	-	1,743,543	-	1,950,508
Fund balance-unreserved	<u>242</u>	<u>18,326</u>	<u>318</u>	<u>5,989</u>	<u>20,109</u>	<u>51,970</u>	<u>96,954</u>
Total liabilities and fund balance	<u>\$ 3,706,566</u>	<u>\$ 297,790</u>	<u>\$ 318</u>	<u>\$ 346,870</u>	<u>\$ 2,568,805</u>	<u>\$ 200,556</u>	<u>\$ 7,120,905</u>

*Net of interfund eliminations.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

22. Reporting of HODAG and UDAG Special Revenue Funds - continued

	<u>HODAG*</u>	<u>Shelton Park*</u>	<u>Tiger Theater*</u>	<u>Magnolia Plaza*</u>	<u>Revolving Loan*</u>	<u>Affordable Housing*</u>	<u>Total</u>
Program income	\$ 35,342	\$ 38,308	\$ -	\$ 13,734	\$ 168,033	\$ 65,207	\$ 320,624
Mortgage interest	35,342	21,517	-	20,903	20,695	6,222	104,679
Other interest	7,520	6,438	2,829	2,245	1,979	4,037	25,048
Grants	-	-	-	-	13,817	-	13,817
Total revenues	<u>78,204</u>	<u>66,263</u>	<u>2,829</u>	<u>36,882</u>	<u>204,524</u>	<u>75,466</u>	<u>464,168</u>
Expenditures							
Economic development	-	-	-	-	522,553	50,268	572,821
Capital outlay	-	-	-	-	5,747	-	5,747
Operating transfers out							
to other funds	-	-	-	-	322	-	322
to component units	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,502</u>	<u>-</u>	<u>184,502</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	78,204	66,263	2,829	36,882	(508,600)	25,198	(299,224)
Beginning fund balance	<u>619,221</u>	<u>554,191</u>	<u>99,146</u>	<u>260,064</u>	<u>378,306</u>	<u>445,758</u>	<u>2,356,686</u>
Ending fund balance	<u>\$ 697,425</u>	<u>\$ 620,454</u>	<u>\$ 101,975</u>	<u>\$ 296,946</u>	<u>\$ (130,294)</u>	<u>\$ 470,956</u>	<u>\$ 2,057,462</u>

*Net of interfund eliminations.

23. Reporting of Public Safety Substance Abuse Special 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 general purpose financial statements.

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

23. Reporting of Public Safety Substance Abuse Special Revenue Fund - continued

Selected financial information for the sub funds of the Public Safety Substance Abuse Special Revenue Fund is shown below, net of interfund eliminations:

	State Funded Seizures	Public Safety Substance Abuse (other seizures)	Total
Assets			
Equity in pooled cash	<u>\$ 23,373</u>	<u>\$ 105,208</u>	<u>\$ 128,581</u>
Liabilities and Fund balance			
Fund balance - unreserved	<u>\$ 23,373</u>	<u>\$ 105,208</u>	<u>\$ 128,581</u>
Revenues			
Confiscation revenues	\$ 1,085	\$ 3,295	\$ 4,380
Other interest	<u>796</u>	<u>3,550</u>	<u>4,346</u>
Total revenues	1,881	6,845	8,726
Expenditures			
Public Safety	2,266	-	2,266
Capital outlay	<u>-</u>	<u>52,299</u>	<u>52,299</u>
Excess (deficiency) of revenues over expenditures	(385)	(45,454)	(45,839)
Beginning fund balance	<u>7,547</u>	<u>166,873</u>	<u>174,420</u>
Ending fund balance	<u>\$ 7,162</u>	<u>\$ 121,419</u>	<u>\$ 128,581</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

24. 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 is shown below, net of related eliminating entries:

	<u>General Government Operations</u>	<u>Former County Road Maintenance</u>	<u>Community Built Playground</u>	<u>Veterans Memorial Monument</u>	<u>Special Improvement Projects</u>	<u>Employee Benefit Risk Financing</u>	<u>General Liability Risk Financing</u>	<u>Total (Net of Eliminations)</u>
ASSETS								
Cash	\$ 22,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,825
Equity in pooled cash and cash equivalents	9,536,747	35,330	21,146	1,096	-	1,243,737	800,605	11,638,661
Restricted cash and investments	<u>57,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,829</u>
Total cash and cash equivalents	9,617,401	35,330	21,146	1,096	-	1,243,737	800,605	11,719,315
Receivables								
Revenues	2,507,615	-	-	-	-	-	-	2,507,615
Grants	56,227	-	-	-	-	-	-	56,227
Other governmental units	515,459	-	-	-	-	-	-	515,459
Water Works Board	2,966	-	-	-	-	-	-	2,966
Special assessments	25,107	-	-	-	1,855,474	-	-	1,880,581
Interest	-	-	-	-	23,039	-	-	23,039
Other	24,734	-	-	-	-	14,714	-	39,448
Due from								
Other funds	27,679	-	-	-	-	-	-	27,679
Inventories, at cost	22,426	-	-	-	-	-	-	22,426
Prepaid expenses	58,960	-	-	-	-	-	-	58,960
Advances to component units	<u>497,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,700</u>
TOTAL ASSETS	<u>\$ 13,356,274</u>	<u>\$ 35,530</u>	<u>\$ 21,146</u>	<u>\$ 1,096</u>	<u>\$ 1,878,513</u>	<u>\$ 1,258,451</u>	<u>\$ 800,605</u>	<u>\$ 17,351,415</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

24. Reporting of General Fund Activities - continued

	<u>General Government Operations</u>	<u>Former County Road Maintenance</u>	<u>Community Built Playground</u>	<u>Veterans Memorial Monument</u>	<u>Special Improvement Projects</u>	<u>Employee Benefit Risk Financing</u>	<u>General Liability Risk Financing</u>	<u>Total (Net of Eliminations)</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS								
Liabilities								
Payables to other governments	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84
Accounts payable and accrued liabilities	456,701	-	-	-	-	-	14,790	471,491
Customer deposits	53,443	-	-	-	-	-	-	53,443
Due to								
Other funds	-	-	-	-	-	-	-	-
Component units	148,071	-	-	-	-	-	-	148,071
Deferred revenue	608,333	-	-	-	1,855,474	-	-	2,463,807
Claims payable	-	-	-	-	-	46,618	-	46,618
Advances from Other funds	-	-	-	69,115	-	-	-	69,115
Total liabilities	<u>1,266,632</u>	<u>-</u>	<u>-</u>	<u>69,115</u>	<u>1,855,474</u>	<u>46,618</u>	<u>14,790</u>	<u>3,252,629</u>
Fund equity and other credits								
Fund balances								
Reserved for								
Inventories	22,426	-	-	-	-	-	-	22,426
Prepaid expenses	58,960	-	-	-	-	-	-	58,960
Encumbrances	844,624	-	-	-	-	-	39,500	884,124
Advances	497,700	-	-	-	-	-	-	497,700
Unreserved -								
Designated								
Future emergency purchases	4,110,616	-	-	-	-	-	-	4,110,616
Undesignated (deficit)	<u>6,555,316</u>	<u>35,330</u>	<u>21,146</u>	<u>(68,019)</u>	<u>23,039</u>	<u>1,211,833</u>	<u>746,315</u>	<u>8,524,960</u>
Total equity and other credits	<u>12,089,642</u>	<u>35,330</u>	<u>21,146</u>	<u>(68,019)</u>	<u>23,039</u>	<u>1,211,833</u>	<u>785,815</u>	<u>14,098,786</u>
TOTAL LIABILITIES FUND EQUITIES AND OTHER CREDITS								
	<u>\$ 13,356,274</u>	<u>\$ 35,330</u>	<u>\$ 21,146</u>	<u>\$ 1,096</u>	<u>\$ 1,878,513</u>	<u>\$ 1,258,451</u>	<u>\$ 800,605</u>	<u>\$ 17,351,415</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

24. Reporting of General Fund Activities - continued

	General Government Operations	Former County Road Maintenance	Community Built Playground	Veterans Memorial Monument	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues								
Locally levied taxes	\$ 14,357,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,357,459
Licenses and permits	10,240,491	-	-	-	-	-	-	10,240,491
General property tax	1,930,710	-	-	-	-	-	-	1,930,710
Fees for services	3,420,748	-	-	-	-	657,441	-	4,078,189
Fines and forfeitures	750,521	-	-	-	-	-	-	750,521
State shared taxes	428,757	-	-	-	-	-	-	428,757
Contributions from the public	93,267	-	-	19,385	-	-	-	112,652
Grants	422,582	-	-	-	-	-	-	422,582
Lease income	71,471	-	-	-	-	-	-	71,471
Other interest	397,990	2,264	616	62	138,266	52,985	18,673	610,856
Miscellaneous	154,587	-	-	-	-	-	-	154,587
Special assessment	-	-	-	-	554,692	-	-	554,692
Total revenues	<u>32,268,583</u>	<u>2,264</u>	<u>616</u>	<u>19,447</u>	<u>692,958</u>	<u>710,426</u>	<u>18,673</u>	<u>33,712,967</u>
Expenditures								
Current operations								
Departmental								
General government and administration								
Executive	112,232	-	-	-	-	-	-	112,232
Information technology	625,807	-	-	-	-	-	-	625,807
Judicial	411,838	-	-	-	-	-	-	411,838
Administrative	422,506	-	-	-	-	-	-	422,506
Finance	786,895	-	-	-	-	-	-	786,895
Total general government and administration	2,359,278	-	-	-	-	-	-	2,359,278
Public works	1,623,529	-	-	-	-	-	-	1,623,529
Sanitation	2,840,590	-	-	-	-	-	-	2,840,590
Public Safety administration	482,780	-	-	-	-	-	-	482,780
Communications	378,451	-	-	-	-	-	-	378,451
Fire	2,637,493	-	-	-	-	-	-	2,637,493
Police and jail administration	4,243,062	-	-	-	-	-	-	4,243,062
Library	709,907	-	-	-	-	-	-	709,907
Parks and recreation	2,889,325	-	-	8,152	-	-	-	2,897,477
Planning	355,626	-	-	-	-	-	-	355,626
Codes enforcement	187,278	-	-	-	-	-	-	187,278
Economic development	340,668	-	-	-	-	-	-	340,668
Employee services	352,443	-	-	-	-	-	-	352,443
Risk management	188,774	-	-	-	-	-	122,630	311,404
Total departmental	19,589,204	-	-	8,152	-	-	122,630	19,719,986
Non departmental	946,010	-	-	-	-	1,210,386	-	2,156,396
Total current operations	<u>20,535,214</u>	<u>-</u>	<u>-</u>	<u>8,152</u>	<u>-</u>	<u>1,210,386</u>	<u>122,630</u>	<u>21,876,382</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

24. Reporting of General Fund Activities - continued

	<u>General Government Operations</u>	<u>Former County Road Maintenance</u>	<u>Community Built Playground</u>	<u>Veterans Memorial Monument</u>	<u>Special Improvement Projects</u>	<u>Employee Benefit Risk Financing</u>	<u>General Liability Risk Financing</u>	<u>Total (Net of Eliminations)</u>
Debt service								
Principal	1,692,456	-	-	-	592,668	-	-	2,285,124
Interest	645,974	-	-	-	133,068	-	-	779,042
Fiscal fees	<u>1,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,659</u>
Total debt service	<u>2,340,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>725,736</u>	<u>-</u>	<u>-</u>	<u>3,065,825</u>
Capital outlay	<u>2,290,154</u>	<u>52,161</u>	<u>-</u>	<u>-</u>	<u>5,272</u>	<u>-</u>	<u>-</u>	<u>2,347,587</u>
Intergovernmental	<u>4,867,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,867,674</u>
Total expenditures	<u>30,033,131</u>	<u>52,161</u>	<u>-</u>	<u>8,152</u>	<u>731,008</u>	<u>1,210,386</u>	<u>122,630</u>	<u>32,157,468</u>
Excess (deficiency) of revenues over expenditures	<u>2,235,452</u>	<u>(49,897)</u>	<u>616</u>	<u>11,295</u>	<u>(38,050)</u>	<u>(499,960)</u>	<u>(103,957)</u>	<u>1,555,499</u>
Other financing sources (uses)								
Long-term debt proceeds	1,937,000	-	-	-	-	-	-	1,937,000
Operating transfers in								
From other funds	853,750	-	-	-	-	-	-	853,750
Operating transfers out								
To other funds	(521,669)	-	-	-	-	-	-	(521,669)
To component units	<u>(1,029,352)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,029,352)</u>
Total other financing sources (uses)	<u>1,239,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,239,729</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	3,475,181	(49,897)	616	11,295	(38,050)	(499,960)	(103,957)	2,795,228
Fund balances, beginning of year	9,138,776	85,227	20,530	(79,314)	9,903	-	602,672	9,777,794
Residual equity transfer in (out)	<u>1,525,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,525,764</u>
Fund balances, end of year	<u>\$ 14,139,721</u>	<u>\$ 35,330</u>	<u>\$ 21,146</u>	<u>\$ (68,019)</u>	<u>\$ (28,147)</u>	<u>\$ (499,960)</u>	<u>\$ 498,715</u>	<u>\$ 14,098,786</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

25. Segment Information - Enterprise Funds

The City maintains two Enterprise Funds which provide sewer services to the public and industrial park operations. Segment information for the year ended September 30, 2002 for the City's enterprise funds and certain of the City's component units using the full accrual basis of accounting, is as follows:

	Primary Government			Component Units			
	Sewer Revenue Fund	Industrial Park Fund	Total Enterprise Funds	Water Works Board	Auburn Center for Developing Industries	Industrial Development Board	Public Parks and Recreation Board
Operating revenues	\$ 4,869,300	\$ -	\$ 4,869,300	\$ 5,000,559	\$ 160,233	\$ 311,169	\$ -
Depreciation/amortization expense	816,127	-	816,127	993,807	28,185	190,727	7,080
Operating income (loss)	1,989,526	(207)	1,989,319	1,125,162	32,673	(751,963)	(7,080)
Operating grants, entitlements and shared revenue	-	-	-	17,980	-	-	-
Operating transfers:							
In	-	101,000	101,000	-	-	1,194,921	18,933
Out	(71,250)	-	(71,250)	(40,000)	-	-	-
Net income (loss)	1,566,620	100,965	1,667,585	1,899,407	36,364	68,136	(64,134)
Current capital Contributions	788,275	-	788,275	1,208,550	-	-	-
Transfers	-	-	-	-	-	-	-
Property, plant and equipment							
Additions	2,126,222	-	2,126,222	7,594,331	2,061	6,222,865	-
Transfers and reclassifications	(238,823)	-	(238,823)	(3,009,820)	-	(1,228,448)	-
Deletions	(1,015)	-	(1,015)	(162,006)	-	(302,965)	(307,573)
Net working capital	11,387,436	80,807	11,468,243	4,699,861	157,277	(13,199,891)	-
Total assets	43,962,111	241,455	44,203,566	49,897,830	1,041,908	21,003,925	-
Bonds and other long-term liabilities							
Payable from operating revenues	30,005,168	206,965	30,212,133	21,528,181	-	15,302,604	-
Payable from other sources	-	-	-	470,000	-	-	-
Contributed capital	10,400,013	469,123	10,869,136	8,230,001	567,443	4,688,370	-
Retained earnings (deficit)	-	-	-	17,706,704	(28,665)	(2,588,571)	-
Total equity (deficit)	12,833,805	15,297	12,849,102	25,936,705	538,778	2,099,799	-

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

26. Unbudgeted Funds

The City did not prepare annual budgets for the following funds:

- Special Revenue
 - Federal Grant Loan Repayment Funds
 - Community Development Block Grant Fund
 - Public Library Board
- Capital Projects
 - '01 Capital Projects Fund
 - '99 Warrant Projects
 - '99 Bond Projects
 - '97/'98 Capital Projects Fund

Program budgets have been adopted for the above funds; however, they cover a period greater than twelve months and therefore cannot be used for budgetary comparisons in the accompanying financial statements. The excess of revenues and other sources over expenditures and other uses for these unbudgeted funds has been entered for balancing purposes on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the Special Revenue Funds. This amount is summarized as follows:

Revenues	\$ 1,230,840
Expenditures	
Current operations	754,609
Capital outlay	<u>592,938</u>
Excess (deficiency) of revenues over expenditures	(116,707)
Other financing sources and (uses)	
Operating transfers in from other funds	322
Operating transfers out to other funds	(322)
to component units	<u>(184,502)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (301,209)</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

27. 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 5).

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 5).

Industrial Development Board

Restricted assets of the Industrial Development 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 5).

28. 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, 2002, follows:

Deferred water rights, beginning of year	\$ 1,976,984
Amortization of deferred water rights	<u>(169,456)</u>
Deferred water rights, end of year	<u>\$ 1,807,528</u>

CITY OF AUBURN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

29. Enterprise Funds' Contributed Capital

Effective October 1, 2000, the City of Auburn and its component units began reporting capital contributions as revenues rather than direct additions to contributed capital in accordance with GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The statement does not allow restatement of contributed capital arising from prior periods, therefore, contributed capital reported in the equity section of the balance sheet at September 30, 2002, is comprised solely of capital contributions received prior to October 1, 2000.

30. 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 2002 included principal of \$74,259 and interest of \$30,025; the balance due from the property owners at September 30, 2002, was \$535,172. 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 two similar projects, the Longleaf and Watercrest Road projects. To fund the projects during construction, the City issued two general obligation warrants in the form of construction lines of credit. During fiscal year 2001, the warrants were converted to permanent financing through the issuance of two new warrants in the principal amounts of \$416,064 (Longleaf) and \$1,461,456 (Watercrest). The warrants bear interest at 7.6% and 6.98% respectively, and will be repaid over ten years. The warrants are backed by the full faith credit and taxing power of the City and are not secured by liens against the property. Upon conversion to permanent financing, the owners entered into agreements in lieu of assessments to repay the costs of construction over a ten year period and pledged irrevocable letters of credit to secure the City's general obligation warrants. The terms of the agreements are the same as the terms of the warrants. During 2002, the Longleaf property owners repaid the City the entire balance due under the agreement and the City repaid the entire balance due on the warrant. Amounts collected under the agreements in fiscal year 2002 included principal of \$480,433 and interest of \$84,692; the balance due from the property owners of Longleaf and Watercrest at September 30, 2002, was \$0 and \$1,320,301, respectively.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

31. 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.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

31. Deprivatization of Sewer Plants – continued

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 to the Service Agreement until January 1, 2020.

32. Prior Period Adjustment

COMPONENT UNITS

Industrial Development Board

Beginning retained earnings was adjusted by \$210,415 to reflect a decrease in the estimated amount required to complete a construction project.

33. Change in Presentation

In previous years, the City had established an Internal Service Fund to account for risk retention relating to medical claims of City employees and their covered dependents. Effective October 1, 2001, management decided to account for these activities prospectively in the General Fund. Accordingly, all assets of the Internal Service Fund were transferred to the General Fund and a residual equity transfer equal to the carrying amount of the assets was recorded on that date to effectively close the Internal Service Fund (see Note 19).

34. Subsequent Events

CITY OF AUBURN PRIMARY GOVERNMENT

Subsequent to September 30, 2002, the City signed two transportation enhancement grants for the construction of bike paths. The agreements call for 80% Federal Transportation Enhancement Funds and 20% City Funds at \$450,222 and \$112,556, respectively.

Subsequent to September 30, 2002, the City obtained a \$4,200,000 line of credit that will allow the City to participate in the redevelopment of the Colonial Mall. The Council has agreed to expend up to \$5,869,000 for infrastructure improvements and \$4,131,000 for the purchase of real property for the purpose of furthering the redevelopment of the Mall property.

Various design and construction contracts totaling approximately \$4,775,000 and equipment purchases totaling approximately \$136,000 were also approved by council. Also, approval was granted for incentives in the amount of \$175,000 from the Revolving Loan Fund, a sub fund of The Federal Grant Loan Repayment Special Revenue Fund.

35. 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 \$902,681 as of September 30, 2002.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

35. Commitments, Litigation and Contingencies - continued

Commitments - The City was committed to funding the 10% local share of a Federal Aviation Authority grant application to be submitted to obtain federal funds to be used to expand the Auburn-Opelika Airport. During fiscal year 2002, the City paid \$23,865 for its share of runway extension costs. The remaining amount as of September 30, 2002, could not be estimated. In addition, the Council had approved a resolution committing \$100,000 per year for airport development, operations, and maintenance for ten years beginning in fiscal year 1993.

Claims and Litigation - As of September 30, 2002, the City had been named defendant in four pending lawsuits. Two of these suits do not specify a dollar amount of damages claimed, one suit claims injunctive relief, and another suit was dismissed subsequent to year end. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$65,000.

In fiscal year 2002, the City expended \$28,126 in payment of claims and judgments and legal costs associated therewith. These expenditures are included in the General Fund as current expenditures in the Risk Management Department.

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 uncomplete contracts for the construction or renovation of various facilities to be funded with Alabama Public School and College Authority (PSCA) funds and proceeds from bonds issued by the City of Auburn as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>	<u>Required Further Financing</u>
Auburn High School	\$ 3,745,990	\$ 780,658	\$ 2,965,332	\$ -
Auburn Jr. High School	3,278,560	1,126,308	2,152,252	-
Drake Middle School	1,401,697	778,285	623,412	-
Ogletree Elementary School	1,030,134	534,528	495,606	-
Yarbrough Elementary School	654,178	373,757	280,421	-
Auburn Early Education Center	376,106	326,672	49,434	-
Auburn Jr. High School	122,943	115,876	7,067	-
Various	120,386	118,401	1,985	-
Total	<u>\$ 10,729,994</u>	<u>\$ 4,154,485</u>	<u>\$ 6,575,509</u>	<u>\$ -</u>

The Board has a non cancelable lease for certain equipment that is classified as an operating lease. Rent expense under this noncancelable lease was \$47,325 for the fiscal year ended September 30, 2002. The approximate remaining annual minimum lease payments under the noncancelable lease existing as of September 30, 2002 are as follows:

2003	\$ 47,325
2004	47,325
2005	2,860
Totals	<u>\$ 97,510</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

35. Commitments, Litigation and Contingencies - continued

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 principally in connection with system improvements. The cost to complete the projects is approximately \$204,180 which will be incurred in fiscal year 2003.

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, 2002.

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 would be sufficient to satisfy the Board's mortgage. Because the actual sales price is unknown at this time and because Board management believes that there is a reasonable possibility that the mortgage will be satisfied, no allowance for uncollectible receivables has been recorded as of the date of these financial statements.

36. 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 will be paid only after the date that the landfill stops accepting waste; the City reports these postclosure care costs as a liability in the General Long-Term Debt Account Group. The total amount expended for landfill closure and postclosure care during fiscal year 2002 was \$9,000. This amount is reflected in General Fund expenditures. The \$476,366 reported as landfill postclosure care liability in the General Long-Term Debt Account Group at September 30, 2002, represents estimated costs of postclosure care based on what it would cost to perform all postclosure care in 2002. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

As of September 30, 2002, 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 construction and demolition 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 (\$298,000) has been included in the liability for landfill closure and post-closure care recorded in the General Long-Term Debt Account Group.

CITY OF AUBURN, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

37. 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.

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.

CITY OF AUBURN, ALABAMA

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2002

	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	Federal Grant Loan Repayment Fund	Community Development Block Grant Fund	Public Library Board	Total
ASSETS										
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,435	\$ 12,435
Equity in pooled cash and cash equivalents	40,960	43,542	128,581	118,581	79,037	1,082,821	100,443	6,274	-	1,600,239
Restricted cash and investments	-	-	-	-	272	-	-	-	-	272
Revenues receivable	13,101	9,413	-	20,871	-	-	-	-	-	43,385
Grants receivable	-	-	-	-	-	-	-	27,603	-	27,603
Other receivables	-	-	-	-	17,348	17,348	-	-	-	34,696
Prepaid items	-	-	-	-	-	-	10,000	-	-	10,000
Mortgages receivable	-	-	-	-	-	-	5,059,954	41,224	-	5,101,178
Advances to Other funds	-	-	-	-	-	-	276,080	-	-	276,080
Component units	-	-	-	-	-	-	1,674,428	-	-	1,674,428
TOTAL ASSETS	\$ 54,061	\$ 52,955	\$ 128,581	\$ 139,452	\$ 96,657	\$ 1,100,169	\$ 7,120,905	\$ 75,101	\$ 12,435	\$ 8,780,316
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,667	\$ 19,421	\$ -	\$ 22,088
Due to other funds	-	-	-	-	-	-	322	8,182	-	8,504
Deferred program revenues	-	-	-	-	-	-	5,060,454	41,224	-	5,101,678
Total liabilities	-	-	-	-	-	-	5,063,443	68,827	-	5,132,270
Fund balances										
Reserved for prepaid items	-	-	-	-	-	-	10,000	-	-	10,000
Reserved for advances	-	-	-	-	-	-	1,950,508	-	-	1,950,508
Unreserved - undesignated	54,061	52,955	128,581	139,452	96,657	1,100,169	96,954	6,274	12,435	1,687,538
Total fund balances	54,061	52,955	128,581	139,452	96,657	1,100,169	2,057,462	6,274	12,435	3,648,046
TOTAL LIABILITIES AND FUND BALANCES	\$ 54,061	\$ 52,955	\$ 128,581	\$ 139,452	\$ 96,657	\$ 1,100,169	\$ 7,120,905	\$ 75,101	\$ 12,435	\$ 8,780,316

CITY OF AUBURN, ALABAMA

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)

YEAR ENDED SEPTEMBER 30, 2002

	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	Federal Grant Loan Repayment Fund	Community Development Block Grant Fund	Public Library Board	Total
Revenues										
General property tax	\$ -	\$ -	\$ -	\$ -	\$ 1,652,854	\$ 3,352,949	\$ -	\$ -	\$ -	\$ 5,005,803
State shared taxes	143,883	103,969	-	-	-	-	-	-	-	247,852
Locally levied taxes	-	-	-	262,573	-	-	-	-	-	262,573
Grants	-	-	-	-	-	-	13,817	766,257	-	780,074
Program income	-	-	-	-	-	-	320,624	-	-	320,624
Confiscation revenues	-	-	4,380	-	-	-	-	-	-	4,380
Mortgage loan interest	-	-	-	-	-	-	104,679	-	-	104,679
Other interest	1,990	1,682	4,346	3,374	8,796	46,285	25,048	206	209	91,936
Total revenues	145,873	105,651	8,726	265,947	1,661,650	3,399,234	464,168	766,463	209	6,817,921
Expenditures										
Current operations										
Library	-	-	-	-	-	-	-	-	2,400	2,400
Public safety	-	-	2,266	-	-	-	-	-	-	2,266
Housing Rehab	-	-	-	-	-	-	-	72,850	-	72,850
Economic development	-	-	-	-	-	-	572,821	14,110	-	586,931
Administrative	-	-	-	-	-	-	-	92,428	-	92,428
Nondepartmental	-	-	-	-	72,624	146,444	-	-	-	219,068
Total current operations	-	-	2,266	-	72,624	146,444	572,821	179,388	2,400	975,943
Debt service										
Principal	-	-	-	-	1,112,818	-	-	-	-	1,112,818
Interest	-	-	-	-	1,210,392	-	-	-	-	1,210,392
Refunding bond issuance costs	-	-	-	-	289,969	-	-	-	-	289,969
Other	-	-	-	-	7,204	-	-	-	-	7,204
Total debt service	-	-	-	-	2,620,383	-	-	-	-	2,620,383
Capital outlay	-	-	52,299	-	-	-	5,747	587,191	-	645,237
Total expenditures	-	-	54,565	-	2,693,007	146,444	578,568	766,579	2,400	4,241,563
Excess (deficiency) of revenues over expenditures	145,873	105,651	(45,839)	265,947	(1,031,357)	3,252,790	(114,400)	(116)	(2,191)	2,576,358

	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	Federal Grant Loan Repayment Fund	Community Development Block Grant Fund	Public Library Board	Total
Other financing sources (uses)										
Proceeds of refunding bonds	\$ -	\$ -	\$ -	\$ -	\$ 26,877,867	\$ -	\$ -	\$ -	\$ -	\$ 26,877,867
Operating transfers in from other funds	-	-	-	-	2,617,083	-	-	322	-	2,617,405
Operating transfers out										
To other funds	(124,000)	(86,500)	-	(226,450)	-	(2,617,083)	(322)	-	-	(3,054,355)
To component units	-	-	-	-	(14,580,431)	-	(184,502)	-	-	(14,764,933)
Payment to refunded bond escrow	-	-	-	-	(14,086,055)	-	-	-	-	(14,086,055)
Total other financ- ing sources (uses)	<u>(124,000)</u>	<u>(86,500)</u>	<u>-</u>	<u>(226,450)</u>	<u>828,464</u>	<u>(2,617,083)</u>	<u>(184,824)</u>	<u>322</u>	<u>-</u>	<u>(2,410,071)</u>
Excess (deficiency) of revenue and other sources over expen- ditures and other uses	21,873	19,151	(45,839)	39,497	(202,893)	635,707	(299,224)	206	(2,191)	166,287
Fund balances (deficit) beginning of year	<u>32,188</u>	<u>33,804</u>	<u>174,420</u>	<u>99,955</u>	<u>299,550</u>	<u>464,462</u>	<u>2,356,686</u>	<u>6,068</u>	<u>14,626</u>	<u>3,481,759</u>
Fund balances, end of year	<u>\$ 54,061</u>	<u>\$ 52,955</u>	<u>\$ 128,581</u>	<u>\$ 139,452</u>	<u>\$ 96,657</u>	<u>\$ 1,100,169</u>	<u>\$ 2,057,462</u>	<u>\$ 6,274</u>	<u>\$ 12,435</u>	<u>\$ 3,648,046</u>

CITY OF AUBURN, ALABAMA

SEVEN-CENT GAS TAX SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
State shared taxes	\$ 124,000	\$ 143,883	\$ 19,883
Interest	-	1,990	1,990
Total revenues	<u>124,000</u>	<u>145,873</u>	<u>21,873</u>
Other financing sources (uses)			
Operating transfers out to other funds	<u>(124,000)</u>	<u>(124,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	21,873	21,873
Fund balance (deficit), beginning of year	<u>32,188</u>	<u>32,188</u>	<u>-</u>
Fund balance, end of year	<u>\$ 32,188</u>	<u>\$ 54,061</u>	<u>\$ 21,873</u>

CITY OF AUBURN, ALABAMA

FOUR-CENT GAS TAX SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
State shared taxes	\$ 84,000	\$ 103,969	\$ 19,969
Interest	1,500	1,682	182
Total revenues	<u>85,500</u>	<u>105,651</u>	<u>20,151</u>
Other financing sources (uses)			
Operating transfers out to other funds	<u>(86,500)</u>	<u>(86,500)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,000)	19,151	20,151
Fund balance, beginning of year	<u>33,804</u>	<u>33,804</u>	<u>-</u>
Fund balance, end of year	<u>\$ 32,804</u>	<u>\$ 52,955</u>	<u>\$ 20,151</u>

CITY OF AUBURN, ALABAMA

PUBLIC SAFETY SUBSTANCE ABUSE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Confiscation revenue	\$ 4,200	\$ 4,380	\$ 180
Interest	3,400	4,346	946
Total revenues	<u>7,600</u>	<u>8,726</u>	<u>1,126</u>
Expenditures			
Current operations			
Public safety administration	3,500	2,266	1,234
Capital outlay	<u>53,000</u>	<u>52,299</u>	<u>701</u>
Total expenditures	<u>56,500</u>	<u>54,565</u>	<u>1,935</u>
Excess (deficiency) of revenues over expenditures	(48,900)	(45,839)	3,061
Fund balance, beginning of year	<u>174,420</u>	<u>174,420</u>	<u>-</u>
Fund balance, end of year	<u>\$ 125,520</u>	<u>\$ 128,581</u>	<u>\$ 3,061</u>

CITY OF AUBURN, ALABAMA

CITY GAS TAX SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
Revenues			
Locally levied taxes	\$ 225,000	\$ 262,573	\$ 37,573
Interest	7,000	3,374	(3,626)
Total revenues	<u>232,000</u>	<u>265,947</u>	<u>33,947</u>
Other financing sources (uses)			
Operating transfers out to other funds	<u>(226,450)</u>	<u>(226,450)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	5,550	39,497	33,947
Fund balance, beginning of year	<u>99,955</u>	<u>99,955</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 105,505</u></u>	<u><u>\$ 139,452</u></u>	<u><u>\$ 33,947</u></u>

CITY OF AUBURN, ALABAMA

SPECIAL SCHOOL TAX SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
General property tax	\$ 1,640,000	\$ 1,652,854	\$ 12,854
Interest	7,500	8,796	1,296
Total revenues	<u>1,647,500</u>	<u>1,661,650</u>	<u>14,150</u>
Expenditures			
Current operations			
Nondepartmental	<u>72,000</u>	<u>72,624</u>	<u>(624)</u>
Debt service			
Principal	1,112,818	1,112,818	-
Interest	1,209,777	1,210,392	(615)
Refunding bond issuance costs	-	289,969	(289,969)
Other	<u>79,200</u>	<u>7,204</u>	<u>71,996</u>
Total debt service	<u>2,401,795</u>	<u>2,620,383</u>	<u>(218,588)</u>
Total expenditures	<u>2,473,795</u>	<u>2,693,007</u>	<u>(219,212)</u>
Excess (deficiency) of revenues over expenditures	<u>(826,295)</u>	<u>(1,031,357)</u>	<u>(205,062)</u>
Other financing sources (uses)			
Proceeds of refunding bonds	12,580,430	26,877,867	14,297,437
Operating transfers in from other funds	2,617,083	2,617,083	-
Operating transfers out to component units	(14,580,431)	(14,580,431)	-
Payment to refunded bond escrow	<u>-</u>	<u>(14,086,055)</u>	<u>(14,086,055)</u>
Total other financing sources (uses)	<u>617,082</u>	<u>828,464</u>	<u>211,382</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>(209,213)</u>	<u>(202,893)</u>	<u>6,320</u>
Fund balance, beginning of year	<u>299,550</u>	<u>299,550</u>	<u>-</u>
Fund balance, end of year	<u>\$ 90,337</u>	<u>\$ 96,657</u>	<u>\$ 6,320</u>

CITY OF AUBURN, ALABAMA

SPECIAL ADDITIONAL SCHOOL TAX SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
General property tax	\$ 3,340,000	\$ 3,352,949	\$ 12,949
Interest	42,000	46,285	4,285
Total revenues	<u>3,382,000</u>	<u>3,399,234</u>	<u>17,234</u>
Expenditures			
Current operations			
Nondepartmental	<u>147,000</u>	<u>146,444</u>	<u>556</u>
Excess (deficiency) of revenues over expenditures	3,235,000	3,252,790	17,790
Other financing sources (uses)			
Operating transfers out to other funds	<u>(2,617,083)</u>	<u>(2,617,083)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	617,917	635,707	17,790
Fund balance, beginning of year	<u>464,462</u>	<u>464,462</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,082,379</u>	<u>\$ 1,100,169</u>	<u>\$ 17,790</u>



City of Auburn

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.

CITY OF AUBURN, ALABAMA

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2002

	GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 34,890	\$ 1,468,597	\$ 1,503,487
Restricted cash and investments	-	1	1
Other receivables	-	17,348	17,348
TOTAL ASSETS	<u>\$ 34,890</u>	<u>\$ 1,485,946</u>	<u>\$ 1,520,836</u>
LIABILITIES AND FUND BALANCES			
Fund balances			
Reserved for debt service	<u>\$ 34,890</u>	<u>\$ 1,485,946</u>	<u>\$ 1,520,836</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,890</u>	<u>\$ 1,485,946</u>	<u>\$ 1,520,836</u>

CITY OF AUBURN, ALABAMA

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED SEPTEMBER 30, 2002

	GORSIW Series 76 Fund	Special 5-Mill Tax Fund	Total
Revenues			
General property tax	\$ -	\$ 1,515,308	\$ 1,515,308
Interest	1,459	78,169	79,628
Total revenues	<u>1,459</u>	<u>1,593,477</u>	<u>1,594,936</u>
Expenditures			
Current operations			
Nondepartmental	-	66,075	66,075
Debt service			
Interest	21,450	615,567	637,017
Principal	55,000	1,275,000	1,330,000
Fiscal fees	-	11,788	11,788
Total debt service	<u>76,450</u>	<u>1,902,355</u>	<u>1,978,805</u>
Total expenditures	<u>76,450</u>	<u>1,968,430</u>	<u>2,044,880</u>
Excess (deficiency) of revenues over expenditures	(74,991)	(374,953)	(449,944)
Other financing sources (uses)			
Operating transfers in from other funds	<u>76,450</u>	-	<u>76,450</u>
Excess of revenues and other sources over expenditures and other uses	1,459	(374,953)	(373,494)
Fund balances, beginning of year	<u>33,431</u>	<u>1,860,899</u>	<u>1,894,330</u>
Fund balances, end of year	<u>\$ 34,890</u>	<u>\$ 1,485,946</u>	<u>\$ 1,520,836</u>

CITY OF AUBURN, ALABAMA

GORSIW SERIES 76 DEBT SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest	\$ 1,250	\$ 1,459	\$ 209
Expenditures			
Debt service			
Interest	21,450	21,450	-
Principal	55,000	55,000	-
Total debt service	76,450	76,450	-
Excess (deficiency) of revenues over expenditures	(75,200)	(74,991)	209
Other financing sources			
Operating transfers in from other funds	76,450	76,450	-
Excess of revenues and other sources over expenditures	1,250	1,459	209
Fund balance, beginning of year	33,431	33,431	-
Fund balance, end of year	\$ 34,681	\$ 34,890	\$ 209

CITY OF AUBURN, ALABAMA

SPECIAL 5-MILL TAX DEBT SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
General property tax	\$ 1,455,000	\$ 1,515,308	\$ 60,308
Interest	70,000	78,169	8,169
Total revenues	<u>1,525,000</u>	<u>1,593,477</u>	<u>68,477</u>
Expenditures			
Current operations			
Nondepartmental	<u>67,000</u>	<u>66,075</u>	<u>925</u>
Debt service			
Interest	881,771	615,567	266,204
Principal	1,410,000	1,275,000	135,000
Fiscal fees	12,000	11,788	212
Total debt service	<u>2,303,771</u>	<u>1,902,355</u>	<u>401,416</u>
Total expenditures	<u>2,370,771</u>	<u>1,968,430</u>	<u>402,341</u>
Excess (deficiency) of revenues over expenditures	(845,771)	(374,953)	470,818
Fund balance, beginning of year	<u>1,860,899</u>	<u>1,860,899</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,015,128</u>	<u>\$ 1,485,946</u>	<u>\$ 470,818</u>

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

CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2002

	'01 Capital Projects Fund	'99 Warrant Projects Fund	'99 Bond Projects Fund	'97/'98 Capital Projects Fund	Total
ASSETS					
Equity in pooled cash and cash equivalents	\$ 6,216,864	\$ -	\$ 230,649	\$ 232,623	\$ 6,680,136
Receivables					
Revenues	-	-	-	4,986	4,986
Grants	-	-	-	300,000	300,000
Due from					
Component units	-	-	40,000	-	40,000
TOTAL ASSETS	<u>\$ 6,216,864</u>	<u>\$ -</u>	<u>\$ 270,649</u>	<u>\$ 537,609</u>	<u>\$ 7,025,122</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 22,940	\$ 20,206	\$ 43,146
Deferred revenue	-	-	-	300,000	300,000
Total liabilities	<u>-</u>	<u>-</u>	<u>22,940</u>	<u>320,206</u>	<u>343,146</u>
Fund balances					
Reserved for encumbrances	148,881	-	43,126	28,969	220,976
Unreserved-undesignated (deficit)	<u>6,067,983</u>	<u>-</u>	<u>204,583</u>	<u>188,434</u>	<u>6,461,000</u>
Total fund balances (deficit)	<u>6,216,864</u>	<u>-</u>	<u>247,709</u>	<u>217,403</u>	<u>6,681,976</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,216,864</u>	<u>\$ -</u>	<u>\$ 270,649</u>	<u>\$ 537,609</u>	<u>\$ 7,025,122</u>

CITY OF AUBURN, ALABAMA

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED SEPTEMBER 30, 2002

	'01 Capital Projects Fund	'99 Warrant Projects Fund	'99 Bond Projects Fund	'97/'98 Capital Projects Fund	Total
Revenues					
Interest	\$ 44,420	\$ 27,088	\$ 10,146	\$ 7,860	\$ 89,514
Expenditures					
Debt service					
Other	91,621	-	-	-	91,621
Capital outlay	280,115	258,082	1,044,866	42,066	1,625,129
Total expenditures	371,736	258,082	1,044,866	42,066	1,716,750
Excess (deficiency) of revenues over expenditures	(327,316)	(230,994)	(1,034,720)	(34,206)	(1,627,236)
Other financing sources (uses)					
Long-term debt proceeds	7,247,962	-	-	-	7,247,962
Operating transfers in					
From other funds	-	-	629,760	-	629,760
From component units	-	-	40,000	-	40,000
Operating transfers out					
To other funds	-	(631,091)	-	-	(631,091)
Total other financing sources (uses)	7,247,962	(631,091)	669,760	-	7,286,631
Excess of revenues and other sources over expenditures and other uses	6,920,646	(862,085)	(364,960)	(34,206)	5,659,395
Fund balances, beginning of year	(703,782)	862,085	612,669	251,609	1,022,581
Fund balances (deficit), end of year	\$ 6,216,864	\$ -	\$ 247,709	\$ 217,403	\$ 6,681,976

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Sewer Revenue Fund accounts for revenues and costs related to the provision of sewer services.

Industrial Park Fund accounts for certain purchases and improvements of property to be sold as industrial sites and receipts of monies when property is subsequently sold.



City of Auburn

CITY OF AUBURN, ALABAMA

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2002

	Sewer Revenue Fund	Industrial Park Fund	Total
ASSETS			
Current assets			
Equity in pooled cash and cash equivalents	\$ 2,292,197	\$ 100,000	\$ 2,392,197
Restricted cash and investments			
Capital improvement fund	9,155,103	-	9,155,103
Bond sinking fund	568,252	-	568,252
Total cash and cash equivalents	12,015,552	100,000	12,115,552
Receivables			
Water Works Board	491,220	-	491,220
Prepaid insurance	3,802	-	3,802
Total current assets	12,510,574	100,000	12,610,574
Property, plant and equipment			
Land	134,626	-	134,626
Buildings	28,615	-	28,615
Construction in progress	1,031,235	-	1,031,235
Sewage plants and lines	33,706,218	-	33,706,218
Machinery and equipment	763,481	-	763,481
Vehicles	329,689	-	329,689
	35,993,864	-	35,993,864
Accumulated depreciation/amortization	5,179,740	-	5,179,740
Net property, plant and equipment	30,814,124	-	30,814,124
Other assets			
Deferred charges	231,656	-	231,656
Bond issue costs (net)	405,757	-	405,757
Total other assets	637,413	-	637,413
Advances to			
Component units	-	141,455	141,455
TOTAL ASSETS	\$ 43,962,111	\$ 241,455	\$ 44,203,566

	Sewer Revenue Fund	Industrial Park Fund	Total
LIABILITIES AND FUND EQUITY			
Current liabilities			
Current maturities of long-term payables	\$ 435,737	\$ -	\$ 435,737
Accounts payable and accrued liabilities	350,947	18	350,965
Customer deposits	336,454	-	336,454
Due to other funds	-	19,175	19,175
Total current liabilities	<u>1,123,138</u>	<u>19,193</u>	<u>1,142,331</u>
Long-term liabilities			
Bonds payable	5,589,738	-	5,589,738
Warrants payable	24,340,000	-	24,340,000
Capital leases payable	37,865	-	37,865
Accumulated annual leave	37,565	-	37,565
Advances from other funds	-	206,965	206,965
Total long-term liabilities	<u>30,005,168</u>	<u>206,965</u>	<u>30,212,133</u>
Total liabilities	<u>31,128,306</u>	<u>226,158</u>	<u>31,354,464</u>
Fund equity (deficit)			
Contributed capital			
Developers	10,400,013	-	10,400,013
Grants	-	194,410	194,410
General government	-	274,713	274,713
Retained earnings (deficit)			
Unreserved	<u>2,433,792</u>	<u>(453,826)</u>	<u>1,979,966</u>
Total fund equity (deficit)	<u>12,833,805</u>	<u>15,297</u>	<u>12,849,102</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 43,962,111</u>	<u>\$ 241,455</u>	<u>\$ 44,203,566</u>

CITY OF AUBURN, ALABAMA

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)

YEAR ENDED SEPTEMBER 30, 2002

	Sewer Revenue Fund	Industrial Park Fund	Total
Operating revenues			
Sewer service charges	\$ 4,862,710	\$ -	\$ 4,862,710
Sewer tapping fees	6,590	-	6,590
Total operating revenues	<u>4,869,300</u>	<u>-</u>	<u>4,869,300</u>
Operating expenses			
Salaries and wages	392,797	-	392,797
Employee benefits	68,597	-	68,597
Repairs and maintenance	8,029	-	8,029
Utilities	23,296	207	23,503
Professional services	135,928	-	135,928
Rentals and leasing	149	-	149
Insurance	7,109	-	7,109
Office supplies	14,216	-	14,216
Fuels and lubricants	5,360	-	5,360
Agricultural and chemical supplies	15,296	-	15,296
Minor equipment and tools	1,362	-	1,362
Repair parts and materials	42,735	-	42,735
Clothing and linens	6,142	-	6,142
Sewer service fees	126,000	-	126,000
Management fees	1,201,415	-	1,201,415
Bad debt expense	9,396	-	9,396
Depreciation/amortization	816,127	-	816,127
Travel and training	5,815	-	5,815
Miscellaneous	5	-	5
Total operating expenses	<u>2,879,774</u>	<u>207</u>	<u>2,879,981</u>
Operating income (loss)	<u>1,989,526</u>	<u>(207)</u>	<u>1,989,319</u>

	Sewer Revenue Fund	Industrial Park Fund	Total
Nonoperating revenues (expenses)			
Interest earned	\$ 372,221	\$ 172	\$ 372,393
Interest and fiscal charges	(1,512,041)	-	(1,512,041)
Loss on disposal of fixed assets	(111)	-	(111)
Total nonoperating revenues (expenses)	<u>(1,139,931)</u>	<u>172</u>	<u>(1,139,759)</u>
Net income (loss) before operating transfers and capital contributions	849,595	(35)	849,560
Operating transfers in from other funds	-	101,000	101,000
Operating transfers out to other funds	(71,250)	-	(71,250)
Capital contributions from developers	<u>788,275</u>	<u>-</u>	<u>788,275</u>
Net income (loss)	1,566,620	100,965	1,667,585
Retained earnings (deficit), beginning of year	<u>867,172</u>	<u>(554,791)</u>	<u>312,381</u>
Retained earnings (deficit), end of year	<u><u>\$ 2,433,792</u></u>	<u><u>\$ (453,826)</u></u>	<u><u>\$ 1,979,966</u></u>

CITY OF AUBURN, ALABAMA

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2002

	Sewer Revenue Fund	Industrial Park Fund	Total
Cash flows from operating activities			
Cash collected from customers	\$ 4,707,108	\$ -	\$ 4,707,108
Customer deposits collected	52,376	-	52,376
Payments to suppliers for goods and services	(1,603,431)	(207)	(1,603,638)
Payments to employees for services	(460,088)	-	(460,088)
Net cash provided (consumed) by operating activities (A)	2,695,965	(207)	2,695,758
Cash flows from noncapital financing activities			
Proceeds of operating transfers in	-	101,000	101,000
Payments of operating transfers out	(71,250)	-	(71,250)
Repayment of cash loaned to component units	-	70,050	70,050
Repayment of borrowing from other funds	-	(78,733)	(78,733)
Net cash provided by noncapital financing activities	(71,250)	92,317	21,067

	Sewer Revenue Fund	Industrial Park Fund	Total
Cash flows from capital and related financing activities			
Principal repayments on borrowing	\$ (61,451)	\$ -	\$ (61,451)
Acquisition and construction of capital assets	(1,135,046)	-	(1,135,046)
Interest and fiscal fees paid	(1,078,385)	-	(1,078,385)
Net cash provided (consumed) by capital and related financing activities	(2,274,882)	-	(2,274,882)
Cash flows from investing activities			
Interest on investments	372,221	172	372,393
Purchase of investments	(568,252)	-	(568,252)
Net cash provided by investing activities	(196,031)	172	(195,859)
Net increase (decrease) in cash	153,802	92,282	246,084
Cash and cash equivalents, beginning of year	11,293,498	7,718	11,301,216
Cash and cash equivalents, end of year	<u>\$ 11,447,300</u>	<u>\$ 100,000</u>	<u>\$ 11,547,300</u>
Composition of cash and cash equivalents at September 30, 2002:			
Unrestricted	\$ 2,292,197	\$ 100,000	\$ 2,392,197
Restricted	9,155,103	-	9,155,103
Total cash and cash equivalents	<u>\$ 11,447,300</u>	<u>\$ 100,000</u>	<u>\$ 11,547,300</u>

(continued, next page)

	Sewer Revenue Fund	Industrial Park Fund	Total
RECONCILIATION OF NET INCOME TO CASH PROVIDED (CONSUMED) BY OPERATING ACTIVITIES (A)			
Operating income (loss)	\$ 1,989,526	\$ (207)	\$ 1,989,319
Add: Depreciation/amortization expense	816,127	-	816,127
Decrease in prepaid expenses	3,062	-	3,062
Increase in customer deposits	52,376	-	52,376
Increase in accrued leave	333	-	333
Deduct: Increase in receivable from Water Board	(162,192)	-	(162,192)
Decrease in accounts payable/accrued liabilities	(3,267)	-	(3,267)
Net cash provided (consumed) by operating activities	<u>\$ 2,695,965</u>	<u>\$ (207)</u>	<u>\$ 2,695,758</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	\$ 788,275	\$ -	\$ 788,275
Net book value of assets removed from service	111	-	111
Total noncash transactions	<u>\$ 788,386</u>	<u>\$ -</u>	<u>\$ 788,386</u>

General Fixed Assets Account Group

General Fixed Assets are fixed assets of the City that are not accounted for in an Enterprise, Internal Service, or Trust Fund. To be classified as a fixed asset in this account group, a specific property must possess three attributes: (1) tangible nature, (2) a life beyond the year of acquisition, and (3) a significant value. The significant value test is important because governmental units will have many individual assets which are tangible and long-lived but whose value is so small that the time and expense of maintaining detailed accounting and inventory records on them is not justified. The City also excludes from its General Fixed Assets Account Group infrastructure fixed assets because a continuing record of the capital value of such assets far exceeds the benefits to be derived from their capitalization.

CITY OF AUBURN, ALABAMA
SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCES
SEPTEMBER 30, 2002

General fixed assets	
Land, buildings and improvements	\$ 33,918,952
Construction in progress	1,945,581
Communication equipment	544,191
Heavy equipment	1,051,765
Office equipment	2,079,859
Small tools and equipment	1,168,817
Vehicles	6,423,865
Total general fixed assets	<u>\$ 47,133,030</u>
Investment in general fixed assets from:	
General Fund revenues	\$ 21,914,134
Capital Projects Funds	20,167,345
Federal grants	948,417
State grants	30,745
Special Revenue Fund revenues	2,600,536
Donations	1,012,313
Special assessments	27,800
Enterprise Fund revenues	63,200
Unclassified	368,540
Total investment in general fixed assets	<u>\$ 47,133,030</u>

CITY OF AUBURN, ALABAMA

SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2002

Function and Activity	Total	Land Buildings & Improvements	Construction in Progress	Communication Equipment	Heavy Equipment	Office Equipment	Small Tools and Equipment	Vehicles
General government and administration								
Executive	\$ 1,705	\$ -	\$ -	\$ -	\$ -	\$ 1,705	\$ -	\$ -
Information technology	557,555	12,816	-	9,012	-	451,567	10,576	73,584
Judicial	35,394	12,400	-	-	-	22,994	-	-
Administrative	65,880	-	-	-	-	20,719	-	45,161
Finance	163,181	-	-	-	-	117,313	1,098	44,770
Total general government and administration	823,715	25,216	-	9,012	-	614,298	11,674	163,515
Public works	1,377,086	22,002	-	4,686	226,606	225,666	102,956	795,170
Environmental services	2,593,156	58,438	-	11,139	476,247	57,452	185,071	1,804,809
Public safety administration	529,123	90,401	-	200,639	-	195,009	5,176	37,898
Fire	1,653,849	14,299	-	23,032	29,197	21,361	166,715	1,399,245
Police and jail administration	1,966,788	133,600	-	118,187	-	121,050	279,256	1,314,695
Codes enforcement	55,660	-	-	2,934	-	8,761	-	43,965
Library	3,276,137	3,038,097	-	-	-	229,034	9,006	-
Parks and recreation	4,452,723	3,031,940	-	19,320	316,226	81,876	349,852	653,509
Planning	94,331	3,061	-	-	-	57,734	-	33,536
Human resource management	76,367	-	-	-	-	43,237	-	33,130
Economic development	47,864	-	-	-	-	5,743	-	42,121
Total departmental	16,946,799	6,417,054	-	388,949	1,048,276	1,661,221	1,109,706	6,321,593
Nondepartmental	30,186,231	27,501,898	1,945,581	155,242	3,489	418,638	59,111	102,272
Total general fixed assets	<u>\$ 47,133,030</u>	<u>\$ 33,918,952</u>	<u>\$ 1,945,581</u>	<u>\$ 544,191</u>	<u>\$ 1,051,765</u>	<u>\$ 2,079,859</u>	<u>\$ 1,168,817</u>	<u>\$ 6,423,865</u>

CITY OF AUBURN, ALABAMA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

YEAR ENDED SEPTEMBER 30, 2002

	General Fixed Assets September 30, 2001	Additions	Transfers and Deductions	General Fixed Assets September 30, 2002
General government and administration				
Executive	\$ 1,705	\$ -	\$ -	\$ 1,705
Information technology	481,218	54,588	21,749	557,555
Judicial	35,394	-	-	35,394
Administrative	61,330	4,550	-	65,880
Finance	130,228	37,192	(4,239)	163,181
Total general government and administration	709,875	96,330	17,510	823,715
Public works administration	1,144,412	256,409	(23,735)	1,377,086
Environmental services	2,547,455	45,701	-	2,593,156
Public safety administration	487,802	41,321	-	529,123
Fire	1,650,417	5,742	(2,310)	1,653,849
Police and jail administration	1,956,818	9,970	-	1,966,788
Codes enforcement	55,660	-	-	55,660
Library	3,302,092	12,281	(38,236)	3,276,137
Parks and recreation	4,205,066	247,657	-	4,452,723
Planning	85,320	9,011	-	94,331
Human resource management	47,321	29,046	-	76,367
Economic development	46,810	1,054	-	47,864
Total departmental	16,239,048	754,522	(46,771)	16,946,799
Nondepartmental	28,355,557	4,356,491	(2,525,817)	30,186,231
Total general fixed assets	<u>\$ 44,594,605</u>	<u>\$ 5,111,013</u>	<u>\$ (2,572,588)</u>	<u>\$ 47,133,030</u>



City of Auburn

General Long-Term Debt Account Group

General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the City as a whole and not its individual constituent funds. In addition, the proceeds of such debt may be spent on facilities that are utilized in the operations of several funds. Moreover, since the budgetary requirements of other funds usually require the allocation of resources on a twelve-month cycle, long-term obligations should be separated from funds that contain current assets and current liabilities. For these reasons, the amount of unmatured long-term indebtedness which is backed by the full faith and credit of the City is recorded and accounted for in a separate self-balancing account group titled “General Long-Term Debt Account Group.” This account group includes, in addition to conventional general obligation bonds, warrants, notes and capital leases that have a maturity of more than one year from date of issuance.

CITY OF AUBURN, ALABAMA
STATEMENT OF GENERAL LONG-TERM DEBT
SEPTEMBER 30, 2002

Amount Available and to be Provided
For the Payment of General Long-Term Debt

Amount to be provided in future years for retirement	\$ 66,917,624
Amount available for retirement in Debt Service Funds	<u>1,520,836</u>
Total available and to be provided for payment of general long-term debt	<u><u>\$ 68,438,460</u></u>

General Long-Term Debt

Serial bonds payable	\$ 17,760,000
Notes payable	314,331
Warrants payable	47,730,857
Capital leases payable	<u>951,685</u>
Total bonds, notes, warrants and capital leases payable	66,756,873
Accumulated annual leave	932,925
Claims payable	272,296
Landfill closure and postclosure care liability	<u>476,366</u>
Total general long-term debt	<u><u>\$ 68,438,460</u></u>



City of Auburn

Table 1

City of Auburn ~ Primary Government***General Revenues by Source⁽¹⁾***

Last Ten Fiscal Years

Unaudited

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses & Permits</u>	<u>Fees For Services</u>	<u>Fines & Forfeitures</u>	<u>Inter- Governmental</u>	<u>Other Operating Revenues</u>	<u>Totals</u>
1993	\$ 11,119,007	\$ 5,734,437	\$ 1,950,460	\$ 527,369	\$ 1,352,993	\$ 590,256	\$ 21,274,522
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

⁽¹⁾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(1)

Last Ten Fiscal Years
Unaudited

Fiscal Year	Sales & Use Tax	Cigarette & ABC* Tax	Motor Fuel Tax	Lodging and Rental Tax	Financial Institution Tax	Motor Vehicle Tax	General Property Tax	Totals
1993	\$ 7,451,555	\$ 106,150	\$ 492,139	\$ 145,268	\$ 125,391	\$ 59,863	\$ 3,126,195	\$ 11,506,561
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 ⁽²⁾	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

*State Alcoholic Beverage Control Board

⁽¹⁾ Includes state shared taxes.

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

Table 3

City of Auburn ~ Primary Government
General Government Expenditures by Functions

Last Ten Fiscal Years
Unaudited

Fiscal Year	General & Government ⁽¹⁾	Public Safety	Public Works	Recreational & Cultural Services	Health Education & Welfare	Debt Service	Capital Outlay	Totals
1993	\$ 3,714,242	\$ 5,660,726	\$ 2,726,314	\$ 2,097,982	\$ 7,289,829	\$ 3,046,463	\$ 3,142,493	\$ 27,678,049
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	13,997,653 ⁽²⁾	3,707,506	2,344,586	36,156,203
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	5,620,283	11,447,448	40,909,849
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	7,007,753 ⁽³⁾	8,000,345	4,487,984	3,629,140	4,660,852	7,756,634	4,617,953	40,160,661

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

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

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

⁽³⁾ In FY02, 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 \$7,007,753 are Employee Benefit Expenditures of \$1,210,386.

Table 4

City of Auburn ~ Primary Government***Revenue Bond Coverage******Sewer Bonds***

Last Ten Fiscal Years

Unaudited

Fiscal Year	Direct Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1993	\$ 3,168,825	\$ 3,682,989	\$ (514,164)	\$ -0-	\$ 8,120	\$ 8,120	None
1994	3,880,589	3,680,162	200,427	245,000	25,395	270,395	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	4,562,913	4,175,127	287,786	-	131,955	131,955	2.18
2002	5,241,521	2,134,897	3,106,624	25,000	1,487,037	1,512,037	2.05

⁽¹⁾Includes sewer service charges, tapping fees, gains on property disposals and other net non-operating revenues.⁽²⁾Includes operating expenses and operating transfers out less depreciation expense.

Table 5

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				%
1993	\$ 149,150,200	\$ 2,855,636	\$ 2,855,636	100
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

Source: Lee County Tax Assessor and Lee County Tax Collector.

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

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

Table 6

City of Auburn***Property Tax Rates ~ Direct and Overlapping Government***

(mills per \$1000 of assessed value)

	Last Ten Fiscal Years									
	<i>Unaudited</i>									
Taxing Authority	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
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	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Veteran Pension	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
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	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Roads and Bridges	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
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	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>
Dependent and Neglected Children	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
Auburn District Schools	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
City of Auburn										
General Fund	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Debt Retirement	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
School System	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	<u>16.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
Total City of Auburn	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>
Total Tax Millage	<u>54.0</u>	<u>54.0</u>	<u>54.0</u>	<u>54.0</u>	<u>54.0</u>	<u>48.0</u>	<u>48.0</u>	<u>48.0</u>	<u>48.0</u>	<u>48.0</u>

Source: Lee County Tax Assessor

Table 7

City of Auburn ~ Primary Government
Assessed Value of All Taxable Property (1)

Last Ten Fiscal Years
Unaudited

Assessment Date October 1	Real Property Assessed Value	Personal Property Assessed Value	Utilities Property Assessed Value	Automobile Assessed Value	Totals
1993	\$ 112,084,800	\$ 17,407,740	\$ 9,082,000	\$ 10,575,660	\$ 149,150,200
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

⁽¹⁾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 assessed on the following basis:

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

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 Total Assessed Value To Total Estimated True Value ⁽¹⁾
	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	
1993	\$ 112,085	\$ 747,233	\$ 17,408	\$ 87,040	\$ 9,082	\$ 30,273	\$ 10,576	\$ 62,212	\$ 149,151	\$ 926,758	16.1%
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%

(1) 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***Principal Taxpayers ~ 2002 Ad Valorem Tax Year⁽¹⁾****Unaudited*

<u>Taxpayers</u>	<u>Total Assessed Value of all Property within City Limits</u>	<u>Ad Valorem Taxes Paid⁽²⁾</u>	<u>Taxpayers' Ad Valorem Taxes Paid as Percentage of City's Total Ad Valorem Tax Revenue</u>
Alabama Power Company	\$ 8,181,680	\$ 212,724	2.70%
Briggs and Stratton Corporation	10,221,120	102,211	1.27%
BellSouth Telecommunications	3,841,560	99,881	1.24%
Colonial Realty, Ltd. Partnership	2,790,220	72,546	0.90%
Wal-Mart	2,651,260	68,933	0.86%
Pick Rentals	2,374,220	61,730	0.77%
SUH Auburn (Sterling University Apartments)	1,988,380	51,698	0.64%
WHGMH Realty, LLC (College Park I and II)	1,710,500	44,473	0.55%
Alabama Gas Corporation	1,492,280	38,800	0.48%
United Artists Communications (Carmike Cinemas)	1,486,400	38,646	0.47%
Totals	\$ 36,737,620	\$ 791,641	9.80%

Source: Lee County Tax Assessor.

⁽¹⁾ Assessed 2001; collected October 2001 through September 2002.⁽²⁾ 26 mill City levy only.

Table 10

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

Past Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Federal Census</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Net Bonded Debt⁽²⁾</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
1993	1990	36,578 ⁽¹⁾	\$ 149,150,200	\$ 22,131,446	14.84%	\$ 605
1994	1990	37,494 ⁽¹⁾	174,467,860	24,151,180	13.84%	644
1995	1990	38,410 ⁽¹⁾	186,382,440	22,493,505	12.07%	586
1996	1990	39,326 ⁽¹⁾	196,322,540	30,641,378	15.61%	779
1997	1990	40,242 ⁽¹⁾	210,995,540	38,532,415	18.26%	958 ⁽³⁾
1998	1990	41,158 ⁽¹⁾	233,605,380	41,965,477	17.96%	1,019
1999	1990	42,074 ⁽¹⁾	297,855,880	48,117,085	16.15%	1,143
2000	2000	43,906 ⁽⁷⁾	315,482,120	48,851,019	15.48%	1,112
2001	2000	44,179 ⁽¹⁾	339,151,500	46,423,610	13.69%	1,057 ⁽⁵⁾
2002	2000	44,822 ⁽¹⁾	359,156,440	64,966,037	18.09%	1,449 ⁽⁶⁾

⁽¹⁾These amounts were calculated using population estimates based on the 1990 and 2000 Census Bureau population counts.

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

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

⁽⁴⁾City issued \$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.

⁽⁵⁾Calculations excluding the general obligation debt intended to be repaid from sewer fund revenues.

⁽⁶⁾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 Board.

⁽⁷⁾Federal Census

Table 11

City of Auburn***Schedule of Direct and Overlapping Debt***

September 30, 2002

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	\$ 97,160,213		
Less: Debt Service Funds' Equity	<u>1,894,330</u>		
Net Direct Debt	95,265,883	100.00%	\$ 95,265,883
OVERLAPPING DEBT			
Lee County General Bonded Debt and Warrants	3,275,000	62.50%	<u>2,046,875</u>
Total Direct and Overlapping Debt			\$ 97,312,758

Table 12

City of Auburn ~ Primary Government

Computation of Legal Debt Margin

September 30, 2002

Unaudited

Assessed Value ⁽¹⁾		<u>\$ 359,156,440</u>
Debt Limit: Twenty Percent of Assessed Value		\$ 71,831,288
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	\$ 97,160,213	
Other Debt ⁽²⁾	<u>1,799,877</u>	
Total Debt	98,960,090	
Less Exempt Indebtedness ⁽³⁾	<u>64,581,440</u>	
Total Amount of Debt Applicable to Debt Limit		<u>34,378,650</u>
Legal Debt Margin		<u>\$ 37,452,638</u>
Percent of Applicable Debt to Debt Limit		47.86%

⁽¹⁾2002 valuation of property subject to taxation

⁽²⁾Accounts payable and accrued liabilities

⁽³⁾Payable from property assessments and for providing school houses, waterworks, and sewers

Table 13

City of Auburn ~ Primary Government

***Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures***

Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1993	\$ 1,644,163	\$ 1,402,300	\$ 3,046,463	\$ 27,678,049	11.01%
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 ⁽²⁾	7,756,634	40,160,661	19.31%

⁽¹⁾Includes fiscal fees and charges.

⁽²⁾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 14

City of Auburn ~ Primary Government***Schedule of Insurance in Force***

September 30, 2002

Unaudited

<u>Name of Company</u>	<u>Type of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Midwest Employers Casualty Company	Workers Compensation	4498-SA-AL	10/01/02 - 10/01/03	\$ 250,000 Retention \$ 1,000,000 Specific Limit \$ 5,000,000 Aggregate	\$ 41,302 Annual Deposit Subject to Audit
Alabama Municipal Insurance Corporation	Automobile Liability	AL1101743402042	03/27/02 - 03/27/03	\$ 300,000 Combined Liability/Comprehensive & Collision Coverage on Selected Vehicles	\$ 66,200
Fidelity and Deposit	Public Employees Blanket Bond	CCP894880208	06/27/99 - Cancellation	\$ 750,000	\$ 1,555
Alabama Municipal Insurance Corporation	General Liability Property/Inland Marine Law Enforcement Liability	AL1101743402042	03/27/02 - 03/27/03	\$3,000,000/Occurrence \$6,000,000/ Law Enforcement aggregate \$6,000,000 Public Officials aggregate \$1,350,021 Inland Marine \$37,158,615 Blanket Bldg & Contents	\$ 133,081
Indemnity Company of the South	Trolley Liability	74 APN 199431	08/25/02 - 08/25/03	\$1,000,000	\$ 1,906

Table 15

City of Auburn ~ Primary Government
Assessed Valuation, Construction and Bank Deposits

Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Value Of Building Permits (in thousands) ⁽¹⁾</u>	<u>Bank Deposits (In thousands) ⁽²⁾</u>	<u>Assessed Valuation ⁽³⁾</u>
1993	\$ 29,463	\$ 493,202	\$ 148,028,600
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

Source: ⁽¹⁾ City of Auburn Building Codes Enforcement Division.

⁽²⁾ FDIC

⁽³⁾ Lee County Tax Assessor (reflects current reappraisal values).

Table 16

City of Auburn ~ Primary Government***Demographic Statistics***

Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Lee County Population⁽¹⁾</u>	<u>City of Auburn Population⁽¹⁾</u>	<u>Lee County Per Capita Income</u>	<u>City Of Auburn Retail Sales⁽³⁾ (in thousands)</u>	<u>City of Auburn Unemployment Rate ⁽²⁾</u>	<u>Lee County Unemployment Rate ⁽²⁾</u>
1993	87,146 ⁽¹⁾	33,830 ⁽¹⁾	\$ 13,939	\$ 298,062	5.10%	6.80%
1994	87,146 ⁽¹⁾	33,830 ⁽¹⁾	13,939	315,887	4.40%	3.70%
1995	87,146 ⁽¹⁾	33,830 ⁽¹⁾	14,358	349,180	4.20%	4.80%
1996	87,146 ⁽¹⁾	33,830 ⁽¹⁾	15,538	381,832	2.90%	3.00%
1997	87,146 ⁽¹⁾	33,830 ⁽¹⁾	16,018	389,998	4.90%	4.80%
1998	87,146 ⁽¹⁾	33,830 ⁽¹⁾	15,659	412,005	3.40%	3.40%
1999	102,164 ⁽⁴⁾	40,425 ⁽⁴⁾	17,236	452,025	3.60%	3.90%
2000	115,092 ⁽⁴⁾	42,987 ⁽⁸⁾	18,831	486,082	3.30%	3.50%
2001	116,572 ⁽⁵⁾	44,179 ⁽⁵⁾	16,799 ⁽⁶⁾	502,184	3.60%	3.70%
2002	118,808 ⁽⁶⁾	44,822 ⁽⁵⁾	17,998 ⁽⁶⁾	526,430	4.20%	4.30%

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, 6/30/99⁽⁵⁾Federal Census, Population Estimate, 2/06/03⁽⁶⁾Auburn Chamber of Commerce⁽⁷⁾Federal Census, Population Estimate, 2/06/02- Increased by prior year percent increase.⁽⁸⁾Federal Census, 2000

Table 17

City of Auburn***Miscellaneous Statistical Data***

September 30, 2002

Unaudited

Date of Incorporation	February 2, 1839	Population		Auburn City Schools	
Form of Government		1900 Federal Census	1,831	Elementary (K-5)	6
City	Council-Manager	1910 Federal Census	2,145	Secondary (6-12)	3
County	Commission	1920 Federal Census	3,338	Administrative staff	16
City Area in Square Miles	44.00	1930 Federal Census	4,727	Instructional staff	333
Miles of Streets		1940 Federal Census	8,380	Non-certified staff	213
Paved	285.00	1950 Federal Census	12,939	Total staff	562
Unpaved	1.30	1960 Federal Census	16,261	Enrollment 2001-02	4,431
Miles of Sanitary Sewers	175.55	1970 Federal Census	22,767	High school graduates	
Financial Institutions		1980 Federal Census	28,471	2001-02	296
Banks	16	1990 Federal Census	33,830	Police Protection	
Credit Unions	2	2000 Federal Census	42,987	Sworn officers	71
Health Care Facility		2002 Estimate	44,822	Classified personnel	1
East Alabama		Largest Employers		Unclassified personnel	1
Medical Center	1	Auburn University	4,980	Patrol cars	30
City Library		Briggs and Stratton	704	Unmarked cars	17
Number of libraries	1	Auburn City Schools	562	Utility vehicles	12
Number of employees	23	City of Auburn and		Fire Protection	
		Water Works Board	384	Full time firefighters	28
		Winn Dixie	225	Student firefighters	65
		MasterBrand Cabinet		Recruit school students	0
		Company	294	Fire stations	4
		Capitol Vial	248	Fire trucks	8
		Auburn University		Other fire vehicles	6
		Hotel and Dixon			
		Conference Center	183		
		Federal government	181		

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



City of Auburn

City of Auburn, Alabama
Comprehensive Annual Financial Report
Index

A

Accounting policies, 67-83
Accounting principles, 22, 26, 32, 49, 67, 75, 76, 83
Accounts receivable, 64, 78
Accrual basis of accounting, 75, 76, 120, 128
Actuarial valuation, 110
Alabama Gas Corporation, 6, 175
Alabama Power Company, 6, 175
Alabama Shakespeare Festival, 10
Alabama State University, 6
AmSouth Bank, 103, 104
Amsouth Lease Corporation, 99, 100
Annual leave, accumulated, 54, 81, 101, 155, 165
Appropriation agreement, 103
Auburn City Schools, 5, 8, 19, 183
Auburn Technology Park, 1, 8, 9, 15, 19, 135
Auburn University, 1-11, 14, 15, 20, 183
Auburn University Montgomery, 6
Auburn Bank, 85, 105
Auburn-Opelika Airport, 7, 134
Auburn-Opelika Convention and Visitors Bureau, 72

B

Balance sheet, 52, 54, 63, 79, 81, 82, 84, 100, 131, 137, 147, 151, 154
Bargain purchase option, 109, 136
Basis of accounting, 75, 76, 120, 128
Board of Education, 14, 16, 63, 67, 69, 74-79, 81, 84, 89, 97, 99, 112, 118, 119, 134, 169, 176, 179

Briggs and Stratton, 8, 15, 175, 183
Budget and Actual, 33-43, 58, 59, 129, 140-145, 149, 150
Budgetary accounting, 76

C

Capital appreciation bonds, 101
Capital lease, 90, 94-96, 99, 109, 136
Capital Projects Funds, 24, 26, 28, 73, 85, 117, 119, 151, 152, 161, 167, 169
Cash and cash equivalents, 52, 63, 77, 84, 85, 124, 137, 147, 151, 154, 159
Central Alabama Community College, 6
Chattahoochee Valley Community College, 6
City Gas Tax, 35, 117, 143
City Hall, 9, 16, 28
City Library, 9, 183
Claims and litigation, 134
Codes Enforcement, 4, 14, 16, 44-46, 58, 126, 162, 163, 181
Columbus State University, 5
Combining Balance Sheet, 137, 147, 151, 154
Combining Statement of Cash Flows, 154
Combining Statements of Revenues, Expenditures and Changes in Fund Balances, 138, 148, 152, 156, 158
Commitments, litigation and contingencies, 133-135
Communications, 4, 14, 17, 21, 41, 45-47, 56, 58, 126
Community Built Playground, 43, 45, 124-127, 131

Community Development Block Grant Fund, 85, 117, 129, 137-139
Compass Bank, 105
Compensated absences, 81
Component units, 13, 14, 25-27, 49, 52-57, 59-64, 67, 69, 75-79, 81, 83-89, 99, 106, 112, 118, 119, 121, 122, 124, 125, 127-131, 133, 134, 137, 139, 144, 151-154, 158
Construction in progress, 52, 88-90, 154, 161
Contributed capital, 54, 74, 128, 131, 155
Council-Manager form of government, 67
Current interest bonds, 101

D

Dean Road Extension, 131
Debt Service Funds, 23, 26, 28, 52, 58, 59, 73, 76, 85, 117, 147, 148, 165, 176, 177
Debt service to maturity, 98, 106
Deferred water rights, 52, 130
Deficits, 68, 69, 83, 118
Deprivatization of sewer plants, 132, 133

E

E-911, 4, 14, 33
East Alabama Medical Center, 7, 72, 74, 183
East Alabama Mental Health-Mental Retardation Board, 72
East Alabama Regional Solid Waste Disposal Authority, 72
Economic Development, 4, 7, 8, 20, 21, 30, 37, 44, 46, 47, 56-58, 68, 122, 126, 138, 162, 163

City of Auburn, Alabama
Comprehensive Annual Financial Report
Index (continued)

Employees' Retirement System of Alabama, 30, 112
Enterprise Funds, 26, 30, 73, 85, 116-118
128, 131, 154, 156, 157, 167, 169
Environmental Services, 4, 14, 19, 26-28, 39,
40, 44, 46, 47, 56, 58, 77, 162, 163
Equity in pooled cash and cash equivalents,
52, 84, 121, 123, 124, 137, 147, 151, 154

F

Faulkner University, 6
Federal Grant Loan Repayment Fund, 85,
116-120, 129, 133
Finance, 4, 47, 58, 69, 75, 79, 89-91, 95, 96,
100, 126, 132, 162, 163, 176
Fire Division, 4, 14-16, 21, 22, 41, 45-47, 56,
58, 67, 126, 162, 163, 183
Fixed assets and long-term liabilities, 73, 74,
128, 155
Former County Road Maintenance, 43, 45,
124-127, 131
Four-Cent Gas Tax Fund, 76, 85, 117, 136,
139, 141
Fund accounting, 73
Funded ratio, 111, 113

G

GASB Statement 33, 29, 131
General fixed assets, 54, 74, 88-91, 161-163
General Fixed Assets Account Group, 54, 74,
88-91, 161, 163

General Fund, 54, 58, 59, 72, 76-79, 85, 94,
95, 99, 115-120, 124-127, 131, 133-135,
161, 169, 172
General liability claims, 114
General liability risk financing, 124-127
General obligation bonds, 18, 93, 98, 176
General Obligation Refunding School
Warrants, 93, 94, 97, 176
General Obligation Warrants, 30, 35, 93, 94,
96, 131, 133
GMAC, 105
GORSIW Series 76 Fund, 85, 117, 147-149
Government auditing standards, 22, 49
Governmental fund types, 23, 52, 56-58, 63,
74, 81

H

Health insurance plan, 78, 80
Housing Authority, 14, 69
Housing Development Action Grants, 107, 120
Human Resources, 4, 9, 17, 21, 37, 46,
47
Huntingdon College, 6

I

Independent Auditor's Report, 1, 49
Indian Pines Golf Course, 70, 71
Indian Pines Recreation Authority, 70
Industrial Development Board, 1, 8, 30, 49,
68, 75-77, 80, 83-85, 87, 90, 91, 102, 103,
105, 106, 108, 118, 119, 130, 133, 135,
136

Industrial Park Fund, 27, 30, 83, 85, 116-118
154
Information Technology, 4, 9, 17, 21, 27, 33,
36, 38, 44, 58, 126, 162, 163
Interfund advances, 83, 117
Interfund receivables and interfund payables,
83, 116
Internal Service Fund, 26, 27, 73, 115, 133,
169
Interstate Highway 85, 2, 15
Inventories, 52, 54, 74, 78, 82, 124, 125
Investments, 52, 61, 63-64, 77, 86, 87, 118,
124, 130, 137, 147, 154, 159

J

Jan Dempsey Community Arts Center, 1, 9,
19
Judicial, 4, 21, 33, 36, 44, 47, 58, 126, 162,
169
Jule Collins Smith Museum of Art, 10

L

LaGrange College, 6
Lee County Youth Development Center, 72
Lee-Russell Council of Governments, 71
Letter of credit, 103, 104, 131
Library, 4, 5, 9, 14, 16, 18, 21, 28, 33, 41, 45-
47, 56, 67, 126, 129, 130, 137-139, 162,
163, 183
Longleaf Road, 131
Long-term debt, 35, 52, 53, 57, 59, 73, 74, 81
92-106, 114, 127, 135, 152, 165

City of Auburn, Alabama
Comprehensive Annual Financial Report
Index (continued)

Long-Term Debt Account Group, 35, 52, 57,
59, 73, 74, 81, 92-106, 114, 127, 135
152, 165

M

Medical claims, 78, 80, 115, 133
Modified accrual basis of accounting, 75, 120

N

Note payable, 94

O

Office of the City Manager, 4, 14, 18
Operating transfers, 35, 43, 57, 59, 61, 62,
71, 77, 83, 117, 119, 122, 127-129, 139-
141, 143-148, 149, 152, 157, 158, 170
Original issue discount, 97, 100

P

Parks and Recreation, 4, 5, 14, 19, 33, 34,
42, 45, 46, 56, 58, 69, 75-77, 80, 84, 91,
106, 119, 126, 162, 163
Patterson State Technical College, 6
Pension Cost, 110, 112
Pension Liability, 111, 113
Planning, 4, 14-16, 20, 33, 42, 45-47, 56, 58,
67, 71, 126, 162, 163
Police, 4, 41, 44, 46, 47, 56, 58, 122, 126, 162,
163, 183
Population, 2, 3, 6, 9, 14, 20, 24, 30, 72, 176,
182, 183

Primary Government, 13, 14, 31, 52, 54, 57,
61-64, 67, 74-78, 81, 83-86, 88, 92, 110
115-118, 128, 130, 133, 167-171, 173
174, 176, 178-182
Property Taxes, 23-25, 33, 67, 87
Propriety Fund Types, 42, 49, 52, 54, 60, 62,
63, 81
Public Library Board, 67, 129
Public Park and Recreation Board, 14, 53, 55,
60-64, 69, 75-77, 80, 84, 91, 106, 119, 128
Public Safety, 4, 16, 17, 21, 26-28, 33, 40, 41,
44-47, 56, 58, 67, 76, 85, 122, 123, 126,
138, 142, 162, 163
Public Safety Substance Abuse, 76, 85, 122,
123, 142
Public Works, 4, 14, 16, 17, 19, 26-28, 36-39,
44, 46, 47, 56, 58, 126, 162, 163

Q

Quasi-external transactions, 119, 120, 183

R

Recreation, 1, 4, 5, 14, 19, 26-28, 33, 34, 42,
45-47, 53, 55, 56, 58, 60-64, 67, 69-71, 75-
77, 80, 84, 91, 93, 96, 106, 119, 126, 129,
162, 163, 169
Related party transactions, 136
Remarketing agent, 103, 104
Reporting entity, 14, 67
Reserve for advances, 82
Reserve for encumbrances, 82
Reserve for inventories, 82

Reserve for prepaid items, 82
Reserve for property for resale, 82
Residual equity transfers, 29, 37, 59, 61, 63,
83, 118, 127, 133
Residual equity transfers in, 118, 119
Residual equity transfers out, 118, 119
Restricted cash and investments, 77, 86, 87,
124, 137, 147, 154
Retirement benefits, 112
Revolving Loan Fund, 8, 20, 120, 133
Risk financing, 23, 29, 31, 78, 124-127

S

Second mortgages, 107
Security for Alabama Funds Enhancement
(SAFE) Program, 84, 86
Segment information-Enterprise Funds, 128
Self-insurance, 17, 18, 43, 45, 73, 114, 115,
118
Seven-Cent Gas Tax Fund, 35, 85, 95, 117,
137-141, 143
Sewer treatment plants, 30, 97, 132, 133
Sewer Revenue Fund, 30, 85, 86, 117, 154
Southern Union State Community College, 6
Special 5-Mill Tax Fund, 93, 116, 147, 148
Special Additional School Tax Fund, 27, 76,
85, 116, 117, 145
Special capital improvement projects, 28, 29,
35, 93, 131, 154
Special Revenue Funds, 22-24, 26, 28, 54,
58, 59, 73, 77, 85, 116-122, 129, 137, 138

City of Auburn, Alabama
Comprehensive Annual Financial Report
Index (continued)

Special School Tax Fund, 27, 76, 93, 94, 116,
117, 168
State Insurance Fund, 79
Statement of Cash Flows, 62, 158
Statement Of Revenues, Expenditures And
Changes In Fund Balances, 56-58, 60, 129,
138, 140-145, 148-150, 152, 156
Statement of Revenues, Expenses and
Changes in Retained Earnings, 60, 91, 156
Subsequent events, 133

T

Tax exempt infrastructure improvement bonds,
103
Taxable Refunding Bonds, 103
Teachers' Retirement System, 82, 112
The Frazier Lanier Company, Inc., 103
Transportation, 7, 17, 71, 79, 133
Troy State University at Montgomery, 6
Tuskegee University, 6

U

U.S Department of Housing and Urban
Development (HUD), 107
Unemployment compensation, 116
Urban Development Action Grants, 107, 120

V

Veterans Memorial Monument, 43, 45, 124-
127

W

Water and Sewer, 4, 19, 20
Water Board, City of Opelika, 101, 130

Water treatment plants, 89
Water Revenue Bonds, 100
Water Supply Agreement, 54, 101, 130
Water Works Board, 6, 8, 14, 49, 52, 68, 69,
75-80, 82, 84, 86, 87, 89, 100, 112, 118-
120, 124, 130, 135, 154, 183
Watercrest Road, 131
Workmen's Compensation, 78

Z

Zero coupon general obligation warrants, 96