

**CITY OF AUBURN, GEORGIA**

**Basic Financial Statements**

**For the Fiscal Year Ended September 30, 2010**

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**City of Auburn, Georgia**  
**Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

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**City of Auburn, Georgia**  
**Basic Financial Statements**  
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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council Members  
City of Auburn, Georgia 30011

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the **City of Auburn, Georgia**, as of and for the fiscal year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

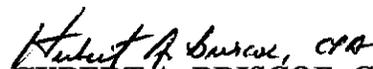
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining fund information of the **City of Auburn, Georgia**, as of September 30, 2010, and the respective changes in financial position, cash flows of its proprietary funds, and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **City of Auburn, Georgia's** basic financial statements. The combining and individual nonmajor fund financial statements, schedules and schedule of project expenditures with Special Option Sales Tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, schedules and schedule of project expenditures with Special Option Sales Tax have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2011, on our consideration of the **City of Auburn, Georgia's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of testing of internal control over financial reporting and compliance and results of that testing, and is not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no such opinion. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
**HUBERT A. BRISCOE, CPA**  
Winder, Georgia 30680-0531  
March 28, 2011

**City of Auburn, Georgia**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended September 30, 2010**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the City of Auburn, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government. Unless otherwise noted component units, related organization and joint ventures reported separately from the primary government are not included.

**Financial Highlights**

The City of Auburn (City), Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The City's assets exceeded its liabilities by \$10,542,023 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$10,998,646.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$7,684,744 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$328,280 are restricted by constraints imposed from outside the City such as grantors, laws, or regulations.
- (3) Unrestricted net assets of \$2,528,999 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of \$2,260,736 this year. This compares to the prior year ending fund balance of \$3,141,679 showing an decrease of \$880,943 during the current year. Unreserved fund balance of \$2,230,844 for the fiscal year 2010 shows a \$791,235 decrease over the prior year.

At the end of the fiscal year, unreserved fund balance for the General Fund was \$1,879,753 or 58.6 % of total General Fund expenditures and 70.9% of total General Fund revenues.

Total liabilities of the City decreased by \$291,750 to \$2,650,690 during the fiscal year.

## **Overview of the Financial Statements**

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

### ***Government-wide Financial Statements***

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors, such as diversification of the taxpayer base or the condition of the City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, planning & zoning, public safety and public works. Business-type activities include water system utilities. Fiduciary activities, such as employee pension plans, are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). The city had no reportable component units. Other organizations such as related organizations and joint ventures are reported separately and are not included in the City's overall reporting entity.

### *Fund Financial Statements*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in a later section of this report.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the difference between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for the capital projects and special revenue funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final, revised budgets.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The City utilizes only enterprise funds. Enterprise funds essentially encompass the same functions as reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as electric, gas and water utilities and solid waste disposal and management.

Proprietary fund statements and statements for discretely presented component units (reporting that is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. The city had no component units, internal service funds, or non-major enterprise funds.

*Fiduciary funds* such as employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. The City's only fiduciary funds are employee pension funds and financial statements are reported appropriately and separate from the City's financial statements.

**Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2010**

**City of Auburn, Georgia**

*Notes to the financial statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

*Other information*

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. Other supplementary information includes details by fund for receivables, payables, transfers, and payments within the reporting entity. Supplementary information follows the notes to the financial statements.

Major funds are reported in the basic financial statements as discussed. Individual statements and schedules for non-major funds are presented in a subsequent section of this report.

**Financial Analysis of the City as a Whole**

The City implemented the new financial reporting model used in this report at the beginning of the fiscal year October 1, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at fiscal year-end are \$10,542,023. This is a \$456,623 decrease over the beginning year's net assets of \$10,998,646. The following table provides a summary of the City's net assets:

	Summary of Net Assets (dollars are in thousands)							
	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2010	2009	2010	2009	2010	2009		
Current and other assets	\$2,317	\$3,384	\$720	\$1,160	\$3,037	\$4,544	(\$1,507)	-33.16%
Capital assets	5,249	4,897	4,906	4,500	10,155	9,397	758	8.07%
<b>Total Assets</b>	<b>\$7,566</b>	<b>\$8,281</b>	<b>\$5,626</b>	<b>\$5,660</b>	<b>\$13,192</b>	<b>\$13,941</b>	<b>(\$749)</b>	<b>-5.37%</b>
Current and other liabilities	\$57	\$242	\$111	\$143	\$168	\$385	(\$217)	-56.36%
Long-term liabilities	96	83	2,387	2,475	2,483	2,558	(75)	-2.93%
<b>Total Liabilities</b>	<b>\$153</b>	<b>\$325</b>	<b>\$2,498</b>	<b>\$2,618</b>	<b>\$2,651</b>	<b>\$2,943</b>	<b>(\$292)</b>	<b>-9.92%</b>
<b>Net Assets:</b>								
Invested in capital assets, net of related debt	\$5,249	\$4,897	\$2,436	\$1,944	\$7,685	\$6,841	\$844	12.34%
Unrestricted	2,164	3,059	692	1,098	2,856	4,157	(1,301)	-31.30%
<b>Total Net Assets</b>	<b>\$7,413</b>	<b>\$7,956</b>	<b>\$3,128</b>	<b>\$3,042</b>	<b>\$10,541</b>	<b>\$10,998</b>	<b>(\$457)</b>	<b>-4.16%</b>

**Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2010**

**City of Auburn, Georgia**

The City reported positive balances in net assets for both governmental and business-type activities. Net assets decreased \$542,369 for governmental activities and increased \$85,746 for business-type activities. The City's overall financial position improved during fiscal year 2010.

Comparative data is accumulated to assist analysis. The following table provides a summary of the City's changes in net assets:

**Summary of Changes in Net Assets  
(dollars are in thousands)**

	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2010	2009	2010	2009	2010	2009		
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services	\$159	\$378	\$1,204	\$1,210	\$1,363	\$1,588	(\$225)	-14.17%
Operating grants & contributions	3				3	0	3	
Capital grants & contributions	223	252			223	252	(29)	
<b>General Revenues:</b>								
Sales & Use taxes	977	981			977	981	(4)	-0.41%
Property taxes	694	783			694	783	(89)	-11.37%
Franchise taxes	223	196			223	196	27	13.78%
Alcohol Beverage taxes	68	77			68	77	(9)	-11.69%
Insurance Premium taxes	383	386			383	386	(3)	-0.78%
Other taxes, Interest & Misc	147	180	40	23	187	203	(16)	-7.88%
<b>Total Revenues</b>	<b>\$2,877</b>	<b>\$3,233</b>	<b>\$1,244</b>	<b>\$1,233</b>	<b>\$4,121</b>	<b>\$4,466</b>	<b>(\$345)</b>	<b>-7.73%</b>
<b>Expenses:</b>								
General Government	\$1,238	\$1,265			\$1,238	\$1,265	(\$27)	-2.13%
Public Safety	1,699	1,614			1,699	1,614	85	5.27%
Public Works	483	726			483	726	(243)	-33.47%
Water			\$1,158	\$982	1,158	982	176	17.92%
<b>Total Expenses</b>	<b>\$3,420</b>	<b>\$3,605</b>	<b>\$1,158</b>	<b>\$982</b>	<b>\$4,578</b>	<b>\$4,587</b>	<b>(\$9)</b>	<b>-0.20%</b>
Increase (decrease) in net assets before transfers	(\$543)	(\$372)	\$86	\$251	(\$457)	(\$121)	(\$336)	277.69%
Transfers		\$70		(\$70)	\$0	\$0	\$0	
<b>Change in Net Assets</b>	<b>(\$543)</b>	<b>(\$302)</b>	<b>\$86</b>	<b>\$181</b>	<b>(\$457)</b>	<b>(\$121)</b>	<b>(\$336)</b>	<b>277.69%</b>
Beginning net assets	7,956	8,258	3,042	2,861	10,998	11,119	(121)	-1.09%
<b>Ending net assets</b>	<b>\$7,413</b>	<b>\$7,956</b>	<b>\$3,128</b>	<b>\$3,042</b>	<b>\$10,541</b>	<b>\$10,998</b>	<b>(\$457)</b>	<b>-4.16%</b>

**GOVERNMENTAL REVENUES**

The City's governmental activities are heavily reliant on taxes to support governmental operations. Property taxes provided 26 percent, sales taxes provided 37 percent and other taxes provided 27 percent of the City's total revenues. Program revenues, which included capital grants covered 11 percent of governmental operating expenses. The City's taxpayers and other general revenues funded 89 percent of the governmental activities. Therefore the general economy and local business have a major impact on the City's revenue streams.

**GOVERNMENTAL FUNCTIONAL EXPENSES**

Total governmental activities costs for the current fiscal year were \$3,420,754. Of this amount, general government was \$1,238,704 (36%), public safety was \$1,699,043 (50%), and public works was \$483,007 (14%) of the total cost for services for fiscal year 2009-2010. Some of the costs were paid by programs revenues of \$385,247.

**BUSINESS-TYPE ACTIVITIES**  
**Revenues vs. Costs**  
**Fiscal Year Ended September 30, 2010**

	<u>Revenues</u>	<u>Expenses</u>
Water & Sewer System	\$1,244,461	\$1,158,715

**Financial Analysis of the City's Funds**

*Governmental Funds*

As discussed, governmental funds are reported in the fund statements with a short-term, inflows and outflows of spendable resource focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$2,260,736. Of this year-end total, \$2,230,844 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show a decrease of \$880,943 from the prior year. This decrease is primarily the result of the events and programs described with the analysis of the City's governmental activities.

*Major Governmental Funds*

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$896,137. Key factors contributing to this decrease were decreases in governmental revenues.

The Capital Projects Fund had a fund balance of \$328,353; which increased by \$7,951.

*Nonmajor Governmental Funds* - the Special Revenue Fund had a fund balance of \$22,738.

***Proprietary Funds***

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Water & Sewer Fund net assets increased by \$85,746 from the prior year.

***Major Proprietary Funds***

The Water & Sewer Fund provides water to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water. The City's water & sewage utilities are reported within this activity in the government-wide statements.

**General Fund Budgetary Highlights**

The General Fund budget for fiscal year 2009-2010 was \$3,545,413. This was a decrease of \$175,436 over the previous year amended budget. The City Council made subsequent budget amendments, which decreased their original appropriations by \$338,500.

**Capital Asset and Debt Administration**

***Capital assets***

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2010, were \$5,248,837 and \$4,906,249 respectively. Major capital asset additions by the City's governmental-type activities during the current year included infrastructure improvements in the amount of \$180,680, buildings and improvements of \$337,301, construction in progress of \$18,059 and acquisition of capital assets of \$81,696. Expansion and improvements by the City's business-type activities in the amount of \$530,842 also contributed to changes in the City's investment in capital assets. See Note 4. D. for additional information about changes in capital assets during the fiscal year.

**Capital Assets**  
**Net of Accumulated Depreciation**  
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2010	2009	2010	2009	2010	2009		
<b>Non-Depreciable Assets:</b>								
Land	\$1,089	\$1,089	\$96	\$96	\$1,185	\$1,185	\$0	0.00%
Construction in Progress	69	51	22	21	91	72	19	26.39%
<b>Depreciable Assets:</b>								
Buildings	1,138	825			1,138	825	313	37.94%
Distribution Systems			4,763	4,334	4,763	4,334	429	9.90%
Vehicles & Equipment	588	696	25	49	613	745	(132)	-17.72%
Infrastructure	2,365	2,236			2,365	2,236	129	5.77%
<b>Total</b>	<b>\$5,249</b>	<b>\$4,897</b>	<b>\$4,906</b>	<b>\$4,500</b>	<b>\$10,155</b>	<b>\$9,397</b>	<b>\$758</b>	<b>8.07%</b>

**Long-term debt**

At the end of the fiscal year, the City had total debt outstanding of \$2,572,696. Of this amount, \$102,354 for compensated absences, and \$2,470,342 for water system expansion. See Note 4. G. for additional discussion.

**Bond Ratings**

The City had no bond debt.

**Outstanding Debt**  
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2010	2009	2010	2009	2010	2009		
<b>General Obligation-Compensated absences</b>	\$96	\$83	\$6	\$4	\$102	\$87	\$15	17.24%
<b>Note Payable - GEFA</b>			2,470	2,556	2,470	2,556	(86)	-3.36%
<b>Total</b>	<b>\$96</b>	<b>\$83</b>	<b>\$2,476</b>	<b>\$2,560</b>	<b>\$2,572</b>	<b>\$2,643</b>	<b>(\$71)</b>	<b>-2.69%</b>

**Economic Environment and Next Year's Budgets**

The City's elected officials considered many factors when adopting the fiscal year 2010-2011 budget. The City's tax rates and fees for business-type activities were predominate budget considerations. The City is experiencing steady growth in population and local businesses. The City has low to moderate cost of living, relatively low unemployment and a stable but growing economic environment. Infrastructure and recreation improvements are planned and are expected to be funded primarily with Special Option Sale Tax receipts.

For the fiscal year 2010-2011, the City Council approved a total budget of \$4.72 million. This budget includes operating and non-operating funds. The General Fund budget is \$3,350,987 and the Water & Sewer Fund is budgeted for \$1,214,300. The City's budgets and relative fund balances are maintained in compliance with the City's adopted financial policies.

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Clerk, at P. O. Box 1059, Auburn, Georgia 30011.

**City of Auburn, Georgia**  
**Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

City of Auburn, Georgia  
Statement of Net Assets  
September 30, 2010

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
<b>ASSETS</b>			
Current Assets			
Cash and Cash equivalents	\$ 1,653,775	\$ 613,406	\$ 2,267,181
Receivables - Taxes	78,431		78,431
Other Accounts	47,630	105,274	152,904
Due from Other Governments	179,353		179,353
Prepaid Insurance	29,892	1,586	31,478
Restricted Current Assets			
Cash and Cash equivalents	328,280		328,280
Non-Current Assets			
Capital Assets:			
Land & Construction in Progress	1,157,590	117,623	1,275,213
Other Capital Assets, net of accumulated depreciation	4,091,247	4,788,626	8,879,873
<b>TOTAL ASSETS</b>	<b>\$ 7,566,198</b>	<b>\$ 5,626,515</b>	<b>\$ 13,192,713</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 8,995	\$ 469	\$ 9,464
Refundable Deposits		20,900	20,900
Notes & Leases Payable - Current		89,671	89,671
Deferred Revenues	47,630		47,630
Non-Current Liabilities			
Notes & Leases Payable - Non Current	95,935	2,380,671	2,380,671
Compensated Absences		6,419	102,354
<b>TOTAL LIABILITIES</b>	<b>\$ 152,560</b>	<b>\$ 2,498,130</b>	<b>\$ 2,650,690</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net of related debt	\$ 5,248,837	\$ 2,435,907	\$ 7,684,744
Unrestricted	2,164,801	692,478	2,857,279
<b>TOTAL NET ASSETS</b>	<b>\$ 7,413,638</b>	<b>\$ 3,128,385</b>	<b>\$ 10,542,023</b>

See accompanying notes to Financial Statements

City of Auburn, Georgia  
Statement of Activities  
For the Fiscal Year Ended September 30, 2010

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business Type Activities		Total
			Grants and Contributions	Grants and Contributions		Capital Grants and Contributions		
Primary Government:								
Governmental Activities:								
General Government	\$ 1,238,704	\$ 34,678	\$ 3,000	\$ 59,954	\$ (1,141,072)			\$ (1,141,072)
Public Safety	1,699,043	124,330		19,715	(1,554,998)			(1,554,998)
Public Works	483,007	334		143,236	(339,437)			(339,437)
Total Governmental Activities	\$ 3,420,754	\$ 159,342	\$ 3,000	\$ 222,905	\$ (3,035,507)			\$ (3,035,507)
Business Type Activities:								
Water & Sewer	1,158,715	1,204,147				\$ 45,432		\$ 45,432
Total Business Type Activities	\$ 1,158,715	\$ 1,204,147	\$ 0	\$ 0		\$ 45,432		\$ 45,432
Total Primary Government	\$ 4,579,469	\$ 1,363,489	\$ 3,000	\$ 222,905	\$ (3,035,507)	\$ 45,432	\$ 45,432	\$ (2,990,075)

**General Revenues:**

Taxes:								
Sales & Use Taxes - Local Option								
Property Taxes	\$ 977,625				\$ 977,625			\$ 977,625
Franchise Taxes	694,014				694,014			694,014
Alcohol Beverage Taxes	222,799				222,799			222,799
Insurance Premium Taxes	68,455				68,455			68,455
Other Taxes	382,779				382,779			382,779
Interest & Investment Earnings	42,446				42,446			42,446
Miscellaneous	61,095			40,025	61,095			101,120
Total General Revenues, Special Items & Transfers	\$ 2,493,138			\$ 289	\$ 2,493,138	\$ 40,314	\$ 2,533,452	\$ 2,533,452
Change in Net Assets	\$ (542,369)				\$ (542,369)	\$ 85,746		\$ (456,623)
Net Assets-Beginning	7,956,007				7,956,007	3,042,639		10,998,646
Net Assets-Ending	\$ 7,413,638				\$ 7,413,638	\$ 3,128,385	\$ 3,128,385	\$ 10,542,023

See accompanying notes to Financial Statements

City of Auburn, Georgia  
Balance Sheet  
Governmental Funds  
September 30, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,653,775	\$ 305,542	\$ 22,738	\$ 1,982,055
Receivables - Taxes	78,431			78,431
Other Accounts	47,630			47,630
Due From Other Governments	156,542	22,811		179,353
Prepaid Insurance	29,892			29,892
<b>TOTAL ASSETS</b>	<u>\$ 1,966,270</u>	<u>\$ 328,353</u>	<u>\$ 22,738</u>	<u>\$ 2,317,361</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 8,995			\$ 8,995
Deferred Revenues	47,630			47,630
<b>TOTAL LIABILITIES</b>	<u>\$ 56,625</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,625</u>
<b>FUND BALANCES</b>				
Reserved for Prepaids	\$ 29,892			\$ 29,892
Unreserved - General Fund	1,879,753			1,879,753
Unreserved - Capital Projects Fund		328,353		328,353
Unreserved - Special Revenue Fund			22,738	22,738
<b>TOTAL FUND BALANCES</b>	<u>\$ 1,909,645</u>	<u>\$ 328,353</u>	<u>\$ 22,738</u>	<u>\$ 2,260,736</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,966,270</u>	<u>\$ 328,353</u>	<u>\$ 22,738</u>	<u>\$ 2,317,361</u>

See accompanying notes to Financial Statements

**City of Auburn, Georgia**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**September 30, 2010**

<b>Total fund balance - total governmental funds</b>	<b>\$ 2,260,736</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets (Cost)	\$ 6,935,561
Less accumulated depreciation	<u>(1,686,724)</u>
Long-term Liabilities are not due and payable in the current period and are not reported in the funds	
Compensated absences	<u>(95,935)</u>
<b>Net Assets of Governmental Activities</b>	<b>\$ <u><u>7,413,638</u></u></b>

**City of Auburn, Georgia**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Fiscal Year Ended September 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Taxes	\$ 2,388,118	\$	\$	\$ 2,388,118
Licenses & Permits	34,678			34,678
Fines and Forfeitures	124,330		19,715	144,045
Interest Income	61,095	823		61,918
Charges For Services	334			334
Intergovernmental		202,367	3,000	205,367
Miscellaneous	43,925			43,925
<b>TOTAL REVENUES</b>	<u>\$ 2,652,480</u>	<u>\$ 203,190</u>	<u>\$ 22,715</u>	<u>\$ 2,878,385</u>
<b>EXPENDITURES:</b>				
Current Operations				
General Government	\$ 1,164,092	\$	\$ 656	\$ 1,164,748
Public Safety	1,577,028			1,577,028
Public Works	399,816			399,816
Capital Outlay - General Government	4,758	355,360		360,118
Capital Outlay - Public Safety	62,122		14,816	76,938
Capital Outlay - Public Works		180,680		180,680
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,207,816</u>	<u>\$ 536,040</u>	<u>\$ 15,472</u>	<u>\$ 3,759,328</u>
<b>Revenues Over (Under) Expenditures</b>	<u>\$ (555,336)</u>	<u>\$ (332,850)</u>	<u>\$ 7,243</u>	<u>\$ (880,943)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	\$ (340,801)	\$ 340,801	\$	\$ 0
<b>TOTAL OTHER FINANCING SOURCES USES</b>	<u>\$ (340,801)</u>	<u>\$ 340,801</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ (896,137)	\$ 7,951	\$ 7,243	\$ (880,943)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,805,782</u>	<u>320,402</u>	<u>15,495</u>	<u>3,141,679</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,909,645</u>	<u>\$ 328,353</u>	<u>\$ 22,738</u>	<u>\$ 2,260,736</u>

*See accompanying notes to Financial Statements*

**City of Auburn, Georgia**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2010**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>		<b>\$ (880,943)</b>
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and depreciation differ in the current period.</p>		
Capital Outlay	617,736	
Depreciation	<u>(266,029)</u>	351,707
<p>Proceeds from debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Compensated absences. see Note 4 G.</p>		
		<u>(13,133)</u>
<b>Change in net assets of Governmental Activities</b>		<b>\$ <u>(542,369)</u></b>

*See accompanying notes to Financial Statements*

**City of Auburn, Georgia**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts			Actual	Variance
	Original	Revisions	Final		
<b>REVENUES</b>					
<b>Taxes</b>					
Property Taxes	\$ 702,000	\$	\$ 702,000	\$ 643,365	\$ (58,635)
Motor Vehicle Taxes	66,000		66,000	50,649	(15,351)
Sales Taxes	1,380,000	(338,500)	1,041,500	977,625	(63,875)
Franchise Taxes	206,000		206,000	222,799	16,799
Alcohol Beverage Taxes	85,000		85,000	68,455	(16,545)
Insurance Premium Taxes	405,000		405,000	382,779	(22,221)
Other Taxes	58,800		58,800	42,446	(16,354)
<b>Total Taxes</b>	<b>\$ 2,902,800</b>	<b>\$ (338,500)</b>	<b>\$ 2,564,300</b>	<b>\$ 2,388,118</b>	<b>\$ (176,182)</b>
Licenses & Permits	59,500		59,500	34,678	(24,822)
Fines & Forfeitures	203,863		203,863	124,330	(79,533)
Charges for Services	30,000		30,000	334	(29,666)
Miscellaneous	224,250		224,250	43,925	(180,325)
Interest Earned	125,000		125,000	61,095	(63,905)
<b>TOTAL REVENUES</b>	<b>\$ 3,545,413</b>	<b>\$ (338,500)</b>	<b>\$ 3,206,913</b>	<b>\$ 2,652,480</b>	<b>\$ (554,433)</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>General Government</b>					
Personal Services	\$ 614,260	\$ (82,500)	\$ 531,760	\$ 531,738	\$ 22
Purchased/Contracted Services	579,403	(62,000)	517,403	517,056	347
Supplies	110,738	1,100	111,838	111,809	29
Other Costs	3,500		3,500	3,489	11
Capital Outlay	13,250	(7,600)	5,650	4,758	892
<b>Total General Government</b>	<b>\$ 1,321,151</b>	<b>\$ (151,000)</b>	<b>\$ 1,170,151</b>	<b>\$ 1,168,850</b>	<b>\$ 1,301</b>
<b>Public Safety</b>					
Personal Services	\$ 1,290,473	\$ 31,000	\$ 1,321,473	\$ 1,321,430	\$ 43
Purchased/Contracted Services	180,132	(11,500)	168,632	168,554	78
Supplies	94,750	(7,500)	87,250	87,044	206
Capital Outlay	63,200	(1,000)	62,200	62,122	78
<b>Total Public Safety</b>	<b>\$ 1,628,555</b>	<b>\$ 11,000</b>	<b>\$ 1,639,555</b>	<b>\$ 1,639,150</b>	<b>\$ 405</b>

*See accompanying notes to Financial Statements*

**City of Auburn, Georgia**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
<b>Public Works</b>					
Personal Services	\$ 359,683	\$ (187,900)	\$ 171,783	\$ 171,745	\$ 38
Purchased/Contracted Services	69,112	4,900	74,012	73,734	278
Supplies	163,500	(9,000)	154,500	154,337	163
Capital Outlay	6,500	(6,500)	0		0
<b>Total Public Works</b>	<u>\$ 598,795</u>	<u>\$ (198,500)</u>	<u>\$ 400,295</u>	<u>\$ 399,816</u>	<u>\$ 479</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,548,501</u>	<u>\$ (338,500)</u>	<u>\$ 3,210,001</u>	<u>\$ 3,207,816</u>	<u>\$ 2,185</u>
<b>EXCESS OF REVENUES OVER</b>					
<b>EXPENDITURES</b>	<u>\$ (3,088)</u>	<u>\$ 0</u>	<u>\$ (3,088)</u>	<u>\$ (555,336)</u>	<u>\$ (552,248)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	<u>\$ 3,088</u>	<u>\$</u>	<u>\$ 3,088</u>	<u>\$ (340,801)</u>	<u>\$ (343,889)</u>
<b>TOTAL OTHER FINANCING</b>					
<b>SOURCES (USES)</b>	<u>\$ 3,088</u>	<u>\$ 0</u>	<u>\$ 3,088</u>	<u>\$ (340,801)</u>	<u>\$ (343,889)</u>
<b>REVENUES AND OTHER SOURCES</b>					
<b>(UNDER) EXPENDITURES</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (896,137)</u>	<u>\$ (896,137)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>				<u>\$ 2,805,782</u>	
<b>FUND BALANCE - END OF YEAR</b>				<u>\$ 1,909,645</u>	

*See accompanying notes to Financial Statements*

**City of Auburn, Georgia**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2010**

	<b>Enterprise Funds</b>	
	<b>Water &amp; Sewer System</b>	<b>Totals</b>
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 613,406	\$ 613,406
Receivables, Net	105,274	105,274
Prepaid Insurance	1,586	1,586
Total Current Assets	\$ 720,266	\$ 720,266
Non-Current Assets:		
Capital Assets:		
Land & Construction in Progress	\$ 117,623	\$ 117,623
Buildings, Equipment & Distribution System net of accumulated depreciation	4,788,626	4,788,626
Total Non-Current Assets	\$ 4,906,249	\$ 4,906,249
<b>TOTAL ASSETS</b>	<b>\$ 5,626,515</b>	<b>\$ 5,626,515</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 469	\$ 469
Refundable Deposits	20,900	20,900
Note Payable, Current	89,671	89,671
Non-Current Liabilities:		
Compensated Absences	6,419	6,419
Note Payable, Non-Current	2,380,671	2,380,671
<b>TOTAL LIABILITIES</b>	<b>\$ 2,498,130</b>	<b>\$ 2,498,130</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 2,435,907	\$ 2,435,907
Unrestricted	692,478	692,478
<b>TOTAL NET ASSETS</b>	<b>\$ 3,128,385</b>	<b>\$ 3,128,385</b>

*See accompanying notes to Financial Statements*

**City of Auburn, Georgia**  
**Statement of Revenues, Expenses**  
**and Changes in Funds Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2010**

	<u>Enterprise Funds</u>	
	<u>Water &amp; Sewer System</u>	<u>Totals</u>
<b>Operating Revenues:</b>		
Charges for Service	\$ 1,204,147	\$ 1,204,147
Other	289	289
<b>Total Operating Revenues</b>	<u>\$ 1,204,436</u>	<u>\$ 1,204,436</u>
<b>Operating Expenses:</b>		
Personal Services & Benefits	\$ 510,053	\$ 510,053
Purchased/Contracted Services	81,384	81,384
Water Purchases	245,680	245,680
Supplies	90,601	90,601
Depreciation	125,274	125,274
<b>Total Operating Expenses</b>	<u>\$ 1,052,992</u>	<u>\$ 1,052,992</u>
<b>Operating Income (Loss)</b>	\$ 151,444	\$ 151,444
<b>Non-operating Revenues (Expenses)</b>		
Interest Income	40,025	40,025
Interest Expense	<u>(105,723)</u>	<u>(105,723)</u>
<b>Net Income (Loss) before transfers</b>	\$ 85,746	\$ 85,746
<b>Transfers In/(Out)</b>	<u>0</u>	<u>0</u>
<b>Change in Net Assets</b>	\$ 85,746	\$ 85,746
<b>Total Net Assets - Beginning of Year</b>	<u>3,042,639</u>	<u>3,042,639</u>
<b>Total Net Assets - End of Year</b>	<u><u>\$ 3,128,385</u></u>	<u><u>\$ 3,128,385</u></u>

*See accompanying notes to Financial Statements*

**City of Auburn, Georgia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2010**

	<u>Enterprise Funds</u>	
	<u>Water &amp; Sewer Fund</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 1,210,051	\$ 1,210,051
Payments to suppliers	(369,285)	(369,285)
Payments to employees	(420,778)	(420,778)
Other receipts (payments)	(162,921)	(162,921)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 257,067</u>	<u>\$ 257,067</u>
<b>Cash Flows from Noncapital and Related Financing Activities:</b>		
Transfers Out	\$ _____	\$ _____ 0
<b>Total Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<u>\$ _____ 0</u>	<u>\$ _____ 0</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of Capital Assets	\$ (530,842)	\$ (530,842)
Principal Payments	(85,989)	(85,989)
Interest Expense	(105,723)	(105,723)
<b>Total Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>\$ (722,554)</u>	<u>\$ (722,554)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest Income	\$ 40,025	\$ 40,025
<b>Net Increase (Decrease) in Cash</b>	<u>\$ (425,462)</u>	<u>\$ (425,462)</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,038,868</u>	<u>1,038,868</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 613,406</u>	<u>\$ 613,406</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Net Operating Income/(Loss)	\$ 151,444	\$ 151,444
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	125,274	125,274
(Increase)/Decrease - Accounts Receivable	5,615	5,615
(Increase)/Decrease - Prepaids	8,474	8,474
Increase/(Decrease) - Accounts Payable	(33,004)	(33,004)
Increase/(Decrease) - Customer Deposits	(3,050)	(3,050)
Increase/(Decrease) - Compensated Absences	2,314	2,314
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 257,067</u>	<u>\$ 257,067</u>

*See accompanying notes to Financial Statements*

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 1. Summary of Significant Accounting Policies**

**A. Introduction:**

The City of Auburn (City), Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The financial statements of the City of Auburn have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) of the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**B. Financial Reporting Entity - Basis of Presentation**

**1. Primary Government and Component Units:**

The City has implemented Governmental Accounting Standards Board Statement 14 "The Financial Reporting Entity". Statement 14 applies levels to all state and local governments. The Statement applies to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand-alone governments; and it applies to the separately issued financial statements of governmental component units. The financial reporting entity consists of (a) primary governments, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, joint venture, jointly governed organization or another stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

In conformity with GASB Statement 14, the City of Auburn, Georgia, has no component units that meet the criteria for component units requiring discrete presentation in the primary government financial reporting entity.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**B. Financial Reporting Entity - Basis of Presentation, continued**

**2. Government-wide and Fund Financial Statements:**

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. The primary government is the focus of these financial statements. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

The City segregates transactions related to certain City functions or activities in separate funds in order to aid in financial management and to demonstrate legal and contractual compliance. Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

*Fund Accounting*

The City uses funds to maintain its financial records. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**B. Financial Reporting Entity - Basis of Presentation, continued**

**2. Government-wide and Fund Financial Statements**

*Fund Accounting*

**Governmental Fund Types**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within sixty (60) days of end of the year. Revenues subject to accrual are property taxes, sales & use taxes, interest income and grants. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. Governmental fund types utilized by the City are General, Capital Projects, and Special Revenue Funds. The general fund is the City's primary operating fund and accounts for all financial resources of the general government. Capital projects fund accounts for accumulation of resources and subsequent disbursements in obtaining or renovating major capital assets. Special revenue funds account for resources that are legally restricted to expenditures for specific purposes. Capital projects include SPLOST receipts and disbursements. The General Fund and Capital Projects Fund are major governmental funds.

**Proprietary Fund Types**

Proprietary fund financial statements report using the economic resources measurement focus and the accrual basis of accounting, primarily directed to continuing operations. Reporting focuses on the determination of net income, financial position, and cash flows. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are costs of providing goods or services and includes administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. The only proprietary fund type utilized by the City is the Water & Sewer Fund. It is a major enterprise funds. The Water & Sewer Fund accounts for utility services and their related distribution operations.

**3. Measurement Focus:**

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**B. Financial Reporting Entity - Basis of Presentation, continued**

**3. Measurement Focus - continued**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*Fund Financial Statements* - All governmental funds are accounted for using a flow of current financial resources measurement focus. Therefore, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the City's finances meet the cash flow needs of its proprietary activities.

**C. Basis of Accounting:**

Basis of accounting determines when transactions are recorded in the financial records and reported on financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental fund types use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenues, recording of deferred revenues, and in the presentation of expenses versus expenditures.

**D. Assets, Liabilities, Net Assets or Fund Equity:**

**1. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include demand deposits, money market accounts and short-term investments with a maturity date, within ninety (90) days of the date acquired by the City.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**D. 1. Cash, Cash Equivalents, and Investments - continued**

The City may invest and reinvest money subject to its control in (1) obligations of the United States and its agencies and instrumentalities; (2) bonds or certificates of indebtedness of Georgia and its agencies and instrumentalities; and (3) certificates of deposit of banks which have deposits insured by the Federal Deposit Insurance Corporation and certain specified amounts in excess of the amount insured by the F.D.I.C. The City also may hold funds in deposit accounts with banking institutions as otherwise authorized by law.

Investments are stated at cost or amortized costs, which approximates market. Investments consist of money market accounts, certificates of deposit and U. S. Government Treasury Bills & Notes, and are considered as the same as cash and cash equivalents, and accordingly are reported under the caption of cash on the balance sheet.

**2. Receivables**

Receivables are recorded in the General and Enterprise Funds net of any estimated uncollectibles.

**3. Inventory**

Materials purchased and expendable supplies are shown as expenditures in governmental funds and expenses in proprietary funds when acquired and are not inventoried at year end because the amounts are not considered to be material.

**4. Prepaid Items**

Payments to vendors for services that benefit future periods beyond fiscal year end are recorded as prepaid items and reported on the consumption basis. When prepaid items are incurred by the City, the expenditure or expense is deferred to the period benefited. At the fund reporting level, a reservation is made in the fund balance for an equal amount.

**5. Capital Assets**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Infrastructure acquired prior to implementation of GASB Statement 34 on October 1, 2003 are not reported in the basic financial statements. Proprietary/Enterprise fund capital assets also are reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, curbs and gutters, sidewalks, and utility (Water) distribution systems. Major improvements to capital assets are capitalized. Cost of normal maintenance and repair that do not add to the asset value or materially extend useful lives are not capitalized.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**D. 5. Capital Assets - continued**

Capital assets are depreciated using the straight-line method. When capital assets are disposed or retired, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss recorded in operations. Depreciation is determined using the straight-line method over the following estimated useful lives:

Plants & Buildings	20 - 50 years
Machinery & Equipment	5 - 7 years
Vehicles	3 - 5 years
Transmission/Distribution Systems & Infrastructure	50 years

**6. Interest Capitalization**

Interest costs are capitalized when incurred by proprietary fund types on debt where the proceeds were used to finance construction of assets.

**7. Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The maximum vacation accrual is limited to thirty (30) days. Sick leave accrues to full-time employees to specified maximums; however, benefits are paid only upon illness of an employee and are charged to expenditures when taken. Accrued sick benefits are lost upon termination or retirement. Accrued vacations are paid to employees upon termination. Compensated absences are reported as accrued in the government-wide financial statements. Proprietary funds report compensated liabilities in each individual fund at the fund level. Governmental funds report only matured compensated absences payable to currently terminating employees and included in personal services and benefits.

**8. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide and proprietary financial statements. Bond issue costs, bond discounts or premiums, and the difference between the reacquisition price and net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest rate method.

Governmental fund payables and accrued liabilities reported as obligations of these funds are paid in full from current financial resources. Governmental fund financial statements recognize proceeds from debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. Compensated absences paid from governmental funds are reported only to the extent they are due during the current year.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**D. 9. Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net assets.

*Fund Balance*

Fund balance represents the difference between current assets and current liabilities. Unreserved fund balance indicates the amount available for appropriation in future periods. The City reserves portions of fund balance which are legally segregated for a specific purpose or do not represent amounts available for appropriation or expenditure.

*Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or contractual by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

**10. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The City's operating revenues are charges for services for water & sewage. Operating expenses are the necessary costs incurred to provide goods or services that are the primary activity of each fund. Other revenues and expenses are non-operating.

**11. Contributed Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, grants or outside contribution of resources restricted to capital acquisition and construction.

**Note 2. Changes in Accounting Principles, Fund Reclassifications and Restatement of Equity**

**A. Changes in Accounting Principles**

For the Fiscal Year beginning October 1, 2003, the City implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." GASB Statement No. 34 creates new basic financial statements for reporting the City's financial activities. The financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 2. Changes in Accounting Principles, Fund Reclassifications and Restatement of Equity**

**A. Changes in Accounting Principles, continued**

information for individual major funds rather than by fund type. Nonmajor funds are presented in total in a single column.

The government-wide financial statements classify the City's programs between governmental activities and business-type activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise fund from the prior year. The beginning net asset amount for governmental programs reflect the change in fund balance for governmental funds at September 30, 2003, caused by the conversion to the accrual basis of accounting.

**B. Restatement of Equity Balances**

Restatement of fund equity had no effect on the General Fund as a result of GASB Interpretation No. 6.

**Note 3. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

*Budget Policy and Practice*

The City prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, each year the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Projects, Special Revenue and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

*Basis for Budgeting*

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, capital outlays, and transfers. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the fiscal year. All unexpended annual appropriations lapse at year end.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 3. Stewardship, Compliance and Accountability - continued**

**B. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting - under which purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve the applicable appropriation - is not used by the City.

**C. Deficit Fund Equities**

No funds reflected deficit fund balances as of September 30, 2010.

**D. Excess of Expenditures over Appropriations**

There were no known expenditures in excess of appropriations for the primary government.

**Note 4. Detailed Notes on All Funds**

**A. Deposits and Investments**

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or its agent in the City's name. Cash and investments are classified as to credit risk as described below:

Deposits

Category 1 - Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

	1	Category 2	3	Bank Balance	Carrying Amount
Primary Government	\$2,678,593	\$0	\$0	\$2,678,593	\$2,595,461
Total	<u>\$2,678,593</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,678,593</u>	<u>\$2,595,461</u>

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds - continued**

**A. Deposits and Investments - continued**

Investments

The City may invest and reinvest money subject to its control in 1) obligations of the United States and its agencies and instrumentalities; 2) bonds or certificates of indebtedness of the State of Georgia and its agencies and instrumentalities; and (3) certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance Corporation (FDIC) and certain specified amounts in excess of the amounts insured by the FDIC with the bank pledging appropriate bank assets as collateral. The City also may hold funds in deposit accounts with banking institutions as otherwise authorized by law.

Investments are stated at cost or amortized costs, which approximates market. Investments consist of money market accounts and U.S. Government Treasury bills and notes, which mature within three months or less from the date of acquisition are considered as the same as cash and cash equivalents, and accordingly are reported under the caption of cash on the balance sheet.

**B. Receivables**

Receivables are recorded in the General and Enterprise Funds net of any estimated uncollectibles. A summary by fund of the receivables and their respective allowances for doubtful accounts follows:

<b>Primary Government</b>	<u>Property Taxes</u>	<u>Accounts</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
General Fund	\$ 78,431	\$ 123,648	\$ 76,018	\$ 126,061
Water System Fund		<u>105,851</u>	<u>577</u>	<u>105,274</u>
<b>Total Primary Government</b>	<u>\$ 78,431</u>	<u>\$ 229,499</u>	<u>\$ 76,595</u>	<u>\$ 231,335</u>

**C. Due from Other Governments**

The City recorded sales and use tax receipts for August and September 2010 due from the Georgia Department of Revenue in the amount of \$156,542. The August 2010 receivable in the amount of \$79,458 was received October 2010. The September 2010 receivable in the amount of \$77,084 was received in November 2010. The City also recorded SPLOST receipts receivable for \$16,070 due from Barrow County and \$6,741 due from Gwinnett County.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds - continued**

**D. Capital Assets**

A summary of changes in Capital Assets follows:

<b>Governmental Activities</b>	<u>Balance 10/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2010</u>
<b>Capital Assets not being depreciated</b>				
Land	\$1,088,824			\$1,088,824
Construction in Progress	50,707	\$18,059		68,766
<b>Total Capital Assets not being depreciated</b>	<u>\$1,139,531</u>	<u>\$18,059</u>	<u>\$0</u>	<u>\$1,157,590</u>
<b>Other Capital Assets:</b>				
Buildings	\$996,063	\$337,301		\$1,333,364
Vehicles & Equipment	1,829,490	81,696	\$50,954	1,860,232
Infrastructure	2,403,695	180,680		2,584,375
<b>Total Other Capital Assets</b>	<u>\$5,229,248</u>	<u>\$599,677</u>	<u>\$50,954</u>	<u>\$5,777,971</u>
<b>Accumulated Depreciation:</b>				
Buildings	\$170,705	\$24,319		\$195,024
Vehicles & Equipment	1,133,276	189,812	\$50,954	1,272,134
Infrastructure	167,668	51,898		219,566
<b>Total Accumulated Deprec.</b>	<u>\$1,471,649</u>	<u>\$266,029</u>	<u>\$50,954</u>	<u>\$1,686,724</u>
<b>Governmental Activities - Capital assets, net</b>	<u>\$4,897,130</u>	<u>\$351,707</u>	<u>\$0</u>	<u>\$5,248,837</u>

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**D. Capital Assets - Continued**

<b>Business-type Activities</b>	<b>Balance 10/1/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2010</b>
<b>Capital Assets not being depreciated</b>				
Land	\$95,950			\$95,950
Construction in Progress	21,445	\$2,090	\$1,862	21,673
<b>Total Capital Assets not being depreciated</b>	<b>\$117,395</b>	<b>\$2,090</b>	<b>\$1,862</b>	<b>\$117,623</b>
<b>Other Capital Assets</b>				
Distribution Systems	\$4,807,629	\$530,614		\$5,338,243
Equipment	129,307			129,307
Vehicles	231,549			231,549
<b>Total Other Capital Assets</b>	<b>\$5,168,485</b>	<b>\$530,614</b>	<b>\$0</b>	<b>\$5,699,099</b>
<b>Accumulated Depreciation</b>				
Distribution Systems	\$473,756	\$101,459		\$575,215
Equipment	109,675	8,266		117,941
Vehicles	201,768	15,549		217,317
<b>Total Accumulated Deprec.</b>	<b>\$785,199</b>	<b>\$125,274</b>	<b>\$0</b>	<b>\$910,473</b>
<b>Business-type Activities Capital Assets, net</b>	<b>\$4,500,681</b>	<b>\$407,430</b>	<b>\$1,862</b>	<b>\$4,906,249</b>

**Commitments**

Active construction in progress is composed of the following:

	<b>Spent as of September 30, 2010</b>	<b>Remaining Commitment</b>
<i>General Government Activities</i>		
Sports Complex	\$48,128	\$426,872
Scott Industrial Blvd.	20,638	479,362

**Depreciation Expense**

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

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
General Government	\$69,344	Water & Sewer Fund	\$125,274
Public Safety	117,910		
Public Works	78,775		

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**E. Interfund Balances /Transfers**

Fund financial statement receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in governmental and business-type activities of government-wide statements of net assets, except for net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances. There were no interfund balances at September 30, 2010.

	<b>Interfund</b>		<b>Transfers</b>	
	<b>Receivable</b>	<b>Payable</b>	<b>To</b>	<b>From</b>
<b>Governmental Activities</b>				
<i>Major Governmental Funds</i>				
General Fund	\$	\$	\$	\$ 340,801
Capital Projects Fund			340,801	
<b>Business-type Activities</b>				
<i>Major Enterprise Funds</i>				
Water & Sewer Fund				
Totals	\$ 0	\$ 0	\$ 340,801	\$ 340,801

Transfers from the General Fund to the Capital Projects Fund were for the acquisition of property and renovations to governmental buildings.

**F. Property Tax Calendar**

The City receives property tax assessments from Barrow and Gwinnett County. Taxes were levied on November 5 and tax bills were mailed to taxpayers by November 30. The due date for these taxes is January 15, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date is April 15th of the following year. Ad Valorem taxes on vehicles are collected concurrently with the issuance of state license tags by Barrow and Gwinnett County. Property tax revenues are recognized when they become available, which includes those tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

**G. Long-Term Debt**

*Long-Term Debt Supporting Business Activities*

Financing in the form of a note payable was obtained through the Georgia Environmental Facilities Association (GEFA) during 2005 in the amount of \$2,591,109 for water system improvements and expansion. This note is payable over twenty (20) years by monthly installments of \$15,976.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**G. Long-Term Debt, continued**

*Changes in Long-Term Debt*

<b>PRIMARY GOVERNMENT</b>	Balance			Balance	Due Within
<i>Governmental Activities</i>	10/1/2009	Issued	Retired	9/30/2010	One Year
Compensated Absences	\$82,802	\$13,133		\$95,935	\$0
<i>Total Governmental Activities</i>	<u>\$82,802</u>	<u>\$13,133</u>	<u>\$0</u>	<u>\$95,935</u>	<u>\$0</u>
<i>Business-type Activities</i>					
Compensated Absences	\$4,105	\$2,314		\$6,419	\$0
Notes Payable - GEFA	2,556,331		\$85,989	2,470,342	85,989
<i>Total Business-type Activities</i>	<u>\$2,560,436</u>	<u>\$2,314</u>	<u>\$85,989</u>	<u>\$2,476,761</u>	<u>\$85,989</u>
<i>Total Primary Government</i>	<u>\$2,643,238</u>	<u>\$15,447</u>	<u>\$85,989</u>	<u>\$2,572,696</u>	<u>\$85,989</u>

*Debt Service Requirements*

<b>PRIMARY GOVERNMENT</b>	Amount of Original Issue	Interest Rate	Year Ending September 30	Principal	Interest
<i>Business-type Activities</i>					
Notes Payable					
Water Fund - GEFA	\$2,591,109	4.20%	2011	\$89,671	\$105,723
		4.20%	2012	93,511	102,041
		4.20%	2013	97,514	98,202
		4.20%	2014	101,690	94,198
		4.20%	2015	106,044	90,022
		4.20%	2016-20	602,344	380,949
		4.20%	2021-25	742,826	246,235
		4.20%	2026-29	636,742	80,664
Totals - Business-type Activities				<u>\$2,470,342</u>	<u>\$1,198,034</u>
<b>TOTAL PRIMARY GOVERNMENT</b>				<u>\$2,470,342</u>	<u>\$1,198,034</u>

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**H. Risk Management**

The City is exposed to various risks of losses related to torts, thefts, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance policies covering each of the above risk of loss. Management believes this coverage is adequate to preclude any significant uninsured risk exposure to the City.

There were no significant reductions in insurance coverage from the prior year, and there have been no settled claims in the past three years that have exceeded the coverage.

**I. Litigation**

The City Attorney advised that no legal actions were in progress by or against the City at September 30, 2010, that would have a material effect on the City's financial condition.

**J. Compliance with Legal Provisions**

**State Laws**

**Budgets** - The City was in compliance with Title 36, Chapter 91, Section 3-6 of the Official Code of Georgia, Annotated (OCGA) which requires the adoption of balanced budgets.

**Special Local Option Sales Tax** - The City expended \$195,239 (street paving \$180,680 and recreation \$14,559) of special option sales tax during the current year.

The City received a GMA Health Promotion Grant in the amount of \$3,000. The City was in compliance with the grant restrictions.

**K. Contingent Liabilities**

The City participates in both federal and state assistance programs which are subject to program compliance audits by the grantors or their representatives.

**L. Related Parties**

The City was not involved in any significant related party transactions during the current operating year.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**M. Retirement/Pension Plans**

*Plan Description*

As authorized by the City council through passage of an ordinance, the City participates in a defined benefit agent-multiple-employer retirement plan (*City of Auburn Retirement Plan*), which is administered through the Georgia Municipal Employees Benefit System (**GMEBS**). The plan covers substantially all of the City's employees. The Plan's actuarial valuation is not computed for individual funds of the City that participates in the plan. Accordingly, the pension plan disclosures herein are for the Plan as a whole.

The City is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code sets forth the funding standards for state and local governmental pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirements.

The Georgia Constitution enables the governing authority, the City Council, to establish and amend from time to time, the contribution rates of the employer and its plan members. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. A copy of that report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street, S.W., Atlanta, GA 30303.

Employees working a minimum of twenty (20) hours per week are eligible for participation after one year of continuous service. Employees are entitled to 50% vested benefits after five years, 60% after six years, 70% after seven years, 80% after eight years, 90% after nine years, and 100% after ten years of credited service.

The total current year payroll for the City was \$1,772,846. Total covered payroll was \$1,574,490. At January 1, 2010 (date of most recent actuarial valuation) the plan covered 43 active employees, 11 former vested employees, and 1 retired employee.

*Funding Policy*

The City's plan is a non-contributory plan, which means the City bears the entire cost of the plan. Covered employees are not required to contribute to the plan. The City contributed the entire cost of \$107,244 to the Plan for the fiscal year ended September 30, 2010. This cost was determined using the actuarial basis known as the projected unit credit method.

The City's contributions to the Plan for the Plan years ending September 30, 2010, June 30, 2009, and 2008 were \$107,244 \$90,666, and \$67,071 respectively, and were equal to the required contribution for each year.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**M. Retirement/Pension Plans - continued**

Annual Pension Cost

A Schedule of Employer's required contributions since 1996 (City's first year in the plan) follows:

Plan Fiscal Year Ended	Required Contribution	Percentage Contributed
6/30/1996	\$11,394	100%
6/30/1997	13,100	100%
6/30/1998	7,536	100%
6/30/1999	6,645	100%
6/30/2000	19,758	100%
6/30/2001	16,165	100%
6/30/2002	10,170	100%
6/30/2003	22,053	100%
6/30/2004	30,552	100%
6/30/2005	44,726	100%
6/30/2006	48,113	100%
6/30/2007	72,866	100%
6/30/2008	67,071	100%
6/30/2009	90,666	100%
12/31/2009	107,244	100%

Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar (Closed)
Remaining amortization period	Varies
Asset Valuation Method	Market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	3.50%
Included inflation at	0.00%
Merit or seniority increases at	0.00%
Cost-of-living adjustments	0.00%
Post-retirement Benefit increases	N/A

Transition Year

The pension liability at transition of \$572,005 was determined in accordance with GASB 27, paragraph 37. Previously reported pension liability was \$503,300.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**M. Retirement/Pension Plans - continued**

*Analysis of Funding Progress*

Expressing net assets available for benefits as a percentage of the actuarial accrued liability provides an indication of the plan's funding status on a going concern basis. Analysis of this percentage indicates whether the plan is becoming financially stronger or weaker. Generally the greater this percentage, the stronger the plan. Trends in both actuarial liability and annual covered payroll are affected by inflation. Expressing the actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in analysis of the plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage the stronger the plan. Historical trend information follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1)/(2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered P/R (Prior Year)	(6) UAAL as % of Covered P/R (1)/(5)
1996	\$4,092	\$38,542	10.6%	34,450	\$308,778	11.2%
1997	\$4,629	\$35,191	13.2%	30,562	\$147,194	20.8%
1998	\$24,906	\$32,085	77.6%	7,179	\$112,112	6.4%
1999	\$31,872	\$56,349	56.6%	24,477	\$458,431	5.3%
2000	\$49,332	\$74,428	66.3%	25,096	\$455,283	5.5%
2001	\$69,515	\$66,662	104.3%	(2,853)	\$359,502	-0.8%
2002	\$80,801	\$58,016	139.3%	(22,785)	\$327,541	-7.0%
2003	\$101,296	\$91,251	111.0%	(10,045)	\$543,389	-1.8%
2004	\$120,148	\$116,000	103.6%	(4,148)	\$642,360	-0.6%
2005	\$152,047	\$161,131	94.4%	9,084	\$695,555	1.3%
2006	\$204,186	\$218,678	93.4%	14,492	\$773,555	1.9%
2007	\$263,863	\$324,523	81.3%	60,660	\$1,098,797	5.5%
2008	\$343,941	\$381,507	90.2%	37,566	\$1,014,534	3.7%
2009	\$357,593	\$503,300	71.0%	145,707	\$1,482,935	9.8%
2010	\$458,235	\$572,005	80.1%	113,770	\$1,574,490	7.2%

**N. Other Post-Employment Benefits**

The City does not provide post retirement benefits other than pension benefits as outlined in Note 4M.

**City of Auburn, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**O. Net Assets**

Net assets on the government-wide statement of net assets as of September 30, 2010 are as follows:

	Governmental Activities	Business Type Activities
<u>Investments in capital assets, net of related debt</u>		
Cost of capital assets	\$6,935,561	\$5,816,722
Less: accumulated depreciation	1,686,724	910,473
Book Value	\$5,248,837	\$4,906,249
Less capital related debt	0	2,470,342
Invested in capital assets, net of related debt	\$5,248,837	\$2,435,907

**Note 5. Joint Ventures:**

Under Georgia law, the City, in conjunction with other cities and counties in the twelve (12) county northeast Georgia area, is a member of the Northeast Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During its fiscal year ended September 30, 2010, the City's membership dues were assessed to and paid by Barrow County, Georgia. The City of Auburn did not pay any annual dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA Section 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements for the RDC may be obtained from:

Northeast Georgia Regional Development Center  
305 Research Drive  
Athens, Georgia 30605-2795

**City of Auburn, Georgia**  
**Supplemental Statements and Schedules**  
**For the Fiscal Year Ended September 30, 2010**

**City of Auburn, Georgia**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
<b>REVENUES</b>					
Intergovernmental - SPLOST	\$ 303,780	\$ (88,900)	\$ 214,880	\$ 202,367	\$ (12,513)
Interest Earned	<u>820</u>	<u>          </u>	<u>820</u>	<u>823</u>	<u>3</u>
<b>TOTAL REVENUES</b>	<u>\$ 304,600</u>	<u>\$ (88,900)</u>	<u>\$ 215,700</u>	<u>\$ 203,190</u>	<u>\$ (12,510)</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>Capital Outlay</b>					
Public Works - Streets	\$ 225,000	\$ (44,300)	\$ 180,700	\$ 180,680	\$ 20
General Government - Recreation	<u>400,000</u>	<u>(44,600)</u>	<u>355,400</u>	<u>355,360</u>	<u>40</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 625,000</u>	<u>\$ (88,900)</u>	<u>\$ 536,100</u>	<u>\$ 536,040</u>	<u>\$ 60</u>
<b>EXCESS OF REVENUES OVER</b>					
<b>EXPENDITURES</b>	<u>\$ (320,400)</u>	<u>\$ 0</u>	<u>\$ (320,400)</u>	\$ (332,850)	<u>\$ (12,450)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	\$ 320,400	\$ 0	\$ 320,400	\$ 340,801	\$ (20,401)
<b>OTHER FINANCING SOURCES (USES)</b>	<u>\$ 320,400</u>	<u>\$ 0</u>	<u>\$ 320,400</u>	<u>340,801</u>	<u>(20,401)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,951</u>	<u>\$ (32,851)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>				<u>\$ 320,402</u>	
<b>FUND BALANCE - END OF YEAR</b>				<u>\$ 328,353</u>	

**City of Auburn, Georgia**  
**Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended September 30, 2010**

	Budgeted Amounts			Actual	Variance
	Original	Revisions	Final		
<b>REVENUES</b>					
Fines & Forfeitures	\$ 6,350	\$ 8,500	\$ 14,850	\$ 19,715	\$ 4,865
Intergovernmental		3,000	3,000	\$ 3,000	\$ 0
<b>TOTAL REVENUES</b>	<b>\$ 6,350</b>	<b>\$ 11,500</b>	<b>\$ 17,850</b>	<b>\$ 22,715</b>	<b>\$ 4,865</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>Capital Outlay</b>					
Police	\$ 6,350	\$ 8,500	\$ 14,850	\$ 14,816	\$ 34
<b>Current Operations</b>					
General Government		3,000	3,000	656	2,344
<b>TOTAL EXPENDITURES</b>	<b>\$ 6,350</b>	<b>\$ 11,500</b>	<b>\$ 17,850</b>	<b>\$ 15,472</b>	<b>\$ 2,344</b>
<b>EXCESS OF REVENUES OVER</b>					
<b>EXPENDITURES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,243</b>	<b>\$ 7,209</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>				<b>\$ 15,495</b>	
<b>FUND BALANCE - END OF YEAR</b>				<b>\$ 22,738</b>	

**City of Auburn, Georgia**  
**Enterprise Fund - Water & Sewer**  
**Schedule of Revenues, Expenses and Changes in**  
**Fund Equity - Budget and Actual**  
**For the Year Ended September 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Metered Sales	\$ 1,143,904	\$ 1,138,748	\$ (5,156)
Tapping Fees	3,000	3,500	500
Penalties & Late Fees	62,800	62,188	(612)
<b>Total Operating Revenues</b>	<b>\$ <u>1,209,704</u></b>	<b>\$ <u>1,204,436</u></b>	<b>\$ <u>(5,268)</u></b>
<b>Operating Expenses:</b>			
Personal Services & Benefits	\$ 510,092	\$ 510,053	\$ 39
Purchased/Contracted Services	81,450	81,384	66
Water Purchases	245,700	245,680	20
Supplies	90,631	90,601	30
Depreciation	125,300	125,274	26
<b>Total Operating Expenses</b>	<b>\$ <u>1,053,173</u></b>	<b>\$ <u>1,052,992</u></b>	<b>\$ <u>181</u></b>
<b>Net Operating Income</b>	<b>\$ <u>156,531</u></b>	<b>\$ <u>151,444</u></b>	<b>\$ <u>(5,087)</u></b>
<b>Nonoperating Income and</b>			
<b>(Expenses):</b>			
Interest Income	\$ 24,000	\$ 40,025	\$ 16,025
Interest Expense	(105,723)	(105,723)	0
<b>Net Nonoperating</b>			
<b>Income/(Expense)</b>	<b>\$ <u>(81,723)</u></b>	<b>\$ <u>(65,698)</u></b>	<b>\$ <u>16,025</u></b>
<b>Net Income/(Loss)</b>	<b>\$ <u>74,808</u></b>	<b>\$ 85,746</b>	<b>\$ <u>10,938</u></b>
<b>Fund Equity -</b>			
<b>Beginning of Year</b>		<u>3,042,639</u>	
<b>End of Year</b>		<u>\$ 3,128,385</u>	

**City of Auburn, Georgia**  
**Special Schedules and Reports**  
**For the Fiscal Year Ended September 30, 2010**

City of Auburn, Georgia  
 Schedule of Project Expenditures with  
 Special Purpose Local Option Sales Tax Revenue  
 For the Fiscal Year Ended September 30, 2010

	Original Estimated Cost	EXPENDITURES		% of Completion
		Prior Years	Current Year	
<u>Project - 2008 Gwinnett County</u>				
<b>PUBLIC WORKS:</b>				
<i>Road Improvements</i>	\$ 75,000	\$	\$ 0	0%
<b>GENERAL GOVERNMENT:</b>				
<i>Recreation Facilities</i>	189,528		0	0%
<b>PROJECT TOTALS</b>	<u>\$ 264,528</u>	<u>\$ 0</u>	<u>\$ 0</u>	

	Original Estimated Cost	EXPENDITURES		% of Completion
		Prior Years	Current Year	
<u>Project - 2005 Barrow County</u>				
<b>PUBLIC WORKS:</b>				
<i>Road Improvements - Paving</i>	\$ 2,408,040	\$ 378,692	\$ 115,376	21%
<b>GENERAL GOVERNMENT:</b>				
<i>Recreation</i>	599,474	\$ 287,017	\$ 14,559	50%
<i>Library</i>	75,000			
<b>PROJECT TOTALS</b>	<u>\$ 3,082,514</u>	<u>\$ 665,709</u>	<u>\$ 129,935</u>	

	Original Estimated Cost	EXPENDITURES		% of Completion
		Prior Years	Current Year	
<u>Project - 2004 Gwinnett County</u>				
<b>PUBLIC WORKS:</b>				
<i>Road Improvements - Paving</i>	\$ 228,741	\$ 112,018	\$ 65,304	78%
<b>PROJECT TOTALS</b>	<u>\$ 228,741</u>	<u>\$ 112,018</u>	<u>\$ 65,304</u>	
<b>SPLOST TOTALS</b>	<u>\$ 3,575,783</u>	<u>\$ 777,727</u>	<u>\$ 195,239</u>	

**HUBERT A. BRISCOE, CPA**

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CERTIFIED PUBLIC ACCOUNTANTS

**CPA** MEMBER GEORGIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
City of Auburn, Georgia

We have audited the basic financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the **City of Auburn, Georgia**, as of and for the year ended September 30, 2010, and have issued our report thereon dated March 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the **City of Auburn, Georgia's** basic financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **City of Auburn, Georgia's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of and use of the audit committee, management, others within the City and city council, and is not intended to be and should not be used by anyone other than these specified parties.

  
HUBERT A. BRISCOE, CPA  
Winder, Georgia 30680-0531  
March 28, 2011