

City of Auburn

Auburn, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2009

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City of Auburn
List of Elected and Appointed Officials
June 30, 2009

City Commission

John McNally	Mayor
Richard Fletcher	Commissioner
Ann Machelski	Commissioner
Brian Raab	Commissioner
William Reder	Commissioner
Sandra Henning	Commissioner
Ken Charbonneau	Commissioner

Other Officers and Officials

JoElla Krantz	City Administrator/ Treasurer
Karen Bellor	City Clerk/ DeputyTreasurer



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Independent Auditors' Report

To the Honorable Mayor and Members of the City Commission
City of Auburn

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Auburn as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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. 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Auburn as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

November 16, 2009
Saginaw, Michigan

City of Auburn
Management's Discussion and Analysis
June 30, 2009

As management of the City of Auburn, Michigan, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's basic financial statements, which begin immediately following this analysis. This annual financial report consists of four parts – Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplemental Information and Other Supplemental Information.

Financial Highlights

- This City's financial statements are prepared using two different accounting standards resulting in fund financial statements and government-wide statements.
- Government-wide financial statements are comprised of governmental activities and business-type activities. Governmental activities include General Fund activities such as Public Safety and Parks and Recreation. Business-type activities include proprietary funds such as Water and Sewer.
 - In total, the assets of the City exceed its liabilities by \$5,464,744 at the close of the most recent fiscal year.
 - \$3,364,595 is invested in Capital Assets, net of related debt;
 - \$2,101,149 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors, subject to the purpose of the fund in which they are located. This balance is comprised of \$1,705,682 in governmental activities and \$395,467 in business-type activities.
 - The City's total net assets increased by \$253,060 during the year, primarily due to increased infrastructure.
 - The City's bonded debt decreased by \$261,622 (new issues less retirements), during the fiscal year.
- Fund financial statements are comprised of 8 governmental funds and 3 proprietary funds. Governmental funds include the General Fund, Major and Local Street Funds, Street Repair Millage Fund, and other special revenue and debt service funds.
 - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,245,991.
 - Of the fund balance amount, \$765,588 is unreserved and may be used to meet the government's ongoing obligations to citizens and creditors, subject to the purpose of the fund in which they are located.
 - The City's major funds, the General Fund (\$598,961), Major Street Fund (\$114,664), Local Street Fund (\$10,224) and the Street Repair Millage Fund (\$38,118) account for 99% of this unreserved balance. The remaining amount is represented across the other 4 non-major funds.
 - The general fund recognized a gain of \$15,678. At the end of the current fiscal year, unreserved general fund balance was 75% of the total general fund expenditures and other uses.

City of Auburn
Management's Discussion and Analysis
June 30, 2009

Overview of the Basic Financial Statement

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets includes all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net assets are displayed in three categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted
- Unrestricted

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the City include: general government, public safety, streets, sanitation and recreation. The business-type activities of the City include: a water and sewer system and motor pool.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Downtown Development Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

City of Auburn
Management's Discussion and Analysis
June 30, 2009

Fund Financial Statement. The fund financial statements provide more detailed information about the City's major funds individually. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Auburn, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-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 facilitate this comparison between governmental funds and governmental activities.

The City of Auburn maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, Local Street Fund and the Street Repair Millage Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general and other major funds to demonstrate compliance with this budget.

Proprietary funds. The City of Auburn maintains three (3) proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activity. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Auburn uses an internal service fund to account for its fleet of vehicles and other equipment.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

City of Auburn
Management's Discussion and Analysis
June 30, 2009

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

Analysis of the Government-Wide Financial Statements

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Government Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$1,878,159	\$1,863,953	\$ 1,708	\$ 31,418	\$1,879,867	\$1,895,371
Capital assets	1,308,729	1,209,396	2,955,866	2,930,636	4,264,595	4,140,032
Total assets	3,186,888	3,073,349	2,957,574	2,926,054	6,144,462	6,035,403
Liabilities						
Current liabilities	128,924	34,042	76,241	53,502	205,165	87,544
Long-term liabilities	473,553	735,175	-	-	473,553	735,175
Total liabilities	602,477	769,217	76,241	53,502	678,718	822,719
Net Assets						
Invested in capital assets - net of related debt	878,729	547,686	2,485,866	2,535,636	3,364,595	3,083,322
Unrestricted	1,705,682	1,756,446	395,467	372,916	2,101,149	2,129,362
Total net assets	\$2,584,411	\$2,304,132	\$2,881,333	\$2,908,552	\$5,465,744	\$5,212,684

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Auburn, assets exceeded liabilities by \$5,465,744 at the close of the most recent fiscal year. City of Auburn's increase in net assets for this fiscal year amounts to \$253,060.

The largest portion of the City's net assets (61%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any accumulated depreciation and related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets \$2,101,149 may be used to meet the City's ongoing obligations to citizens and creditors.

City of Auburn
Management's Discussion and Analysis
June 30, 2009

City's Changes in Net Assets:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue						
Program revenue						
Charges for services	\$ 144,389	\$ 141,438	\$ 499,703	\$ 519,985	\$ 644,092	\$ 661,423
Operating grants and contributions	137,589	142,660	-	-	137,589	142,660
General revenue						
Property taxes	608,588	769,554	-	-	608,588	769,554
State-shared revenue	176,396	184,343	-	-	176,396	184,343
Interest	38,693	72,621	2,432	7,307	41,125	79,928
Miscellaneous	2,386	5,785	1,029	1,058	3,415	6,843
County Drain Bond Payment	171,710	-	-	-	171,710	-
Transfers	(12,400)	(12,400)	12,400	12,400	-	-
Total revenue	1,267,351	1,304,001	515,564	540,750	1,782,915	1,844,751
Program expenses						
General government	207,694	183,719	-	-	207,694	183,719
Public safety	257,249	262,164	-	-	257,249	262,164
Public works	406,070	350,434	-	-	406,070	350,434
Community and economic development	3,264	2,591	-	-	3,264	2,591
Recreation and culture	91,603	104,509	-	-	91,603	104,509
Interest on long-term debt	21,192	41,802	-	-	21,192	41,802
Water and sewer	-	-	542,783	549,865	542,783	549,865
Total program expenses	987,072	945,219	542,783	549,865	1,529,855	1,495,084
Change in Net Assets	\$ 280,279	\$ 358,782	\$ (27,219)	\$ (9,115)	\$ 253,060	\$ 349,667

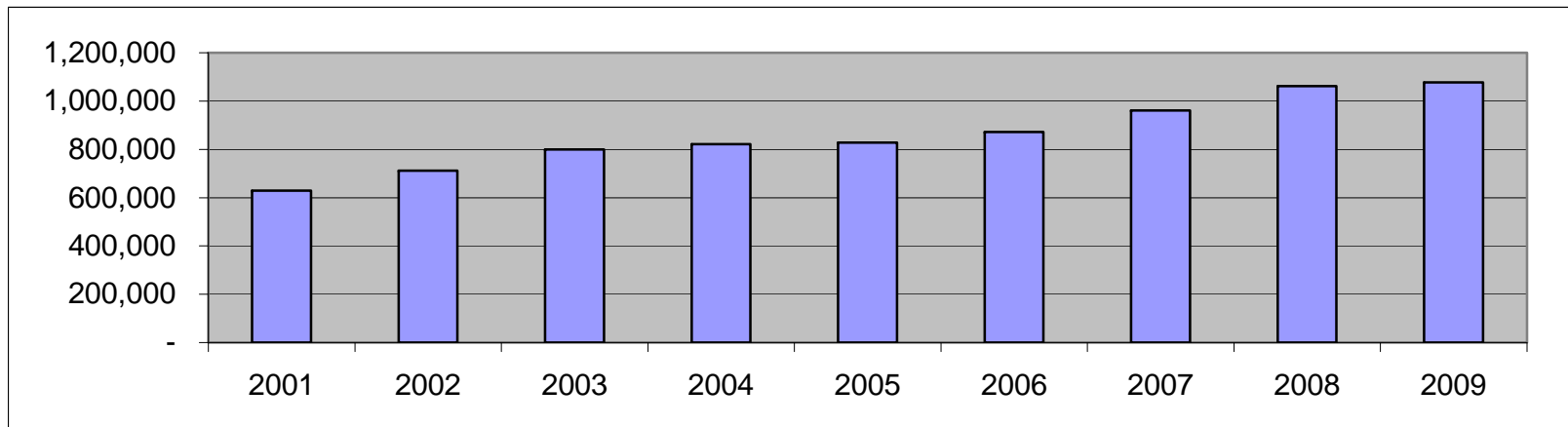
Governmental Activities. Governmental activities increased the City's net assets by \$280,279.

City of Auburn
Management's Discussion and Analysis
June 30, 2009

City of Auburn Funds

General Fund

The General Fund is the chief operating fund of the City. As of the end of the fiscal year, total fund balance for the General Fund was \$1,077,778, an increase of \$15,678 over prior year balance, a 1% increase over the previous year. Following is a chart of the General Fund fund balance trend over the past seven years.



Major and Local Street Funds

The State of Michigan provides municipalities revenues from gas and weight taxes to reimburse expenditures for the maintenance and construction of the local street system. The State requires that these expenditures be segregated into a Major Street component and a Local street component. The City uses the funds for improvements to the City street system, along with contributions from the Street Repair Millage Fund. Major Street fund balance had an increase of \$10,981 and the Local Street fund balance had an increase of \$1,460.

City of Auburn
Management's Discussion and Analysis
June 30, 2009

Street Repair Millage Fund

The City's millage for road construction and improvements are accounted for in this fund. The decrease in fund balance of \$106,493 was for transfers to the Local Fund for street improvement projects.

Business-type activities. Business-type activities decreased the City's net assets by \$27,219. The Water Fund continued to invest capital assets to replace its aging infrastructure. The Sewer Fund will continue to build capital reserves for future replacement and repairs of the Nine Mile Road pump station.

Budgetary Highlights

Budget and actual comparison statements are provided in the Budgetary Comparison Schedule for the General Fund and all major special revenue funds with annually appropriated budgets. These statements show the original budget, final budget, actual amounts, and the variances between actual and final budgeted amounts. Operating the City is a dynamic undertaking and budget amendments are approved throughout the year. Budgets are revised for a variety of reasons, such as unanticipated revenues or unforeseen expenditures. Over the course of the fiscal year the City Commission revised the budget two times.

Capital Asset and Debt Administration

Capital assets. At June 30, 2009 the City had \$4.26 million invested in capital assets, including buildings, equipment, park and recreation facilities and water and sewer lines.

Long-Term Debt. At June 30, 2009, the City of Auburn had total bonded debt outstanding of \$473,553. Additional information can be found in the Notes to the Financial Statements, Note 7.

Economic Factors

The General Operating Fund of the City is primarily reliant on distributions of state shared revenues and property taxes. State shared revenues have continued to decline. State revenues are at their lowest since 1970. At this writing, the State of Michigan's revenues are, once again, falling below projections. This may impact Auburn through further reductions in State revenue sharing. To date these revenue reductions have been masked because of our growth and increased property tax revenues. The City will continue to monitor revenues and expenditures to ensure the City maintains a balanced budget.

City of Auburn
Management's Discussion and Analysis
June 30, 2009

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Administrator at 113 E. Elm Street, Auburn, Michigan 48611.

City of Auburn
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,277,650	\$ 342,592	\$ 1,620,242	\$ 486,795
Receivables				
Taxes	34,325	1,049	35,374	4,676
Customers	20,624	69,040	89,664	-
Special assessments	7,040	-	7,040	-
Accrued interest and other	2,688	-	2,688	-
Due from other units of government	75,800	-	75,800	-
Internal balances	449,206	(449,206)	-	-
Due from primary government	-	-	-	773
Prepaid items	10,826	38,233	49,059	-
Capital assets not being depreciated	61,570	36,000	97,570	13,000
Capital assets net of accumulated depreciation	<u>1,247,159</u>	<u>2,919,866</u>	<u>4,167,025</u>	<u>10,066</u>
Total assets	<u>3,186,888</u>	<u>2,957,574</u>	<u>6,144,462</u>	<u>515,310</u>
Liabilities				
Accounts payable	112,355	73,504	185,859	2,165
Accrued and other liabilities	15,747	1,948	17,695	-
Due to component unit	773	-	773	-
Due to other units of government	49	789	838	-
Noncurrent liabilities				
Due within one year	60,000	-	60,000	-
Due in more than one year	<u>413,553</u>	<u>-</u>	<u>413,553</u>	<u>-</u>
Total liabilities	<u>602,477</u>	<u>76,241</u>	<u>678,718</u>	<u>2,165</u>
Net assets				
Invested in capital assets, net of related debt	878,729	2,485,866	3,364,595	23,066
Unrestricted	<u>1,705,682</u>	<u>395,467</u>	<u>2,101,149</u>	<u>490,079</u>
Total net assets	<u>\$ 2,584,411</u>	<u>\$ 2,881,333</u>	<u>\$ 5,465,744</u>	<u>\$ 513,145</u>

See Accompanying Notes to Financial Statements

City of Auburn
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 207,694	\$ 22,716	\$ -	\$ -	\$ (184,978)	\$ -	\$ (184,978)	\$ -
Public safety	257,249	3,462	-	-	(253,787)	-	(253,787)	-
Public works	406,070	110,588	137,589	-	(157,893)	-	(157,893)	-
Community and economic development	3,264	400	-	-	(2,864)	-	(2,864)	-
Recreation and culture	91,603	7,223	-	-	(84,380)	-	(84,380)	-
Interest on long-term debt	21,192	-	-	-	(21,192)	-	(21,192)	-
Total governmental activities	<u>987,072</u>	<u>144,389</u>	<u>137,589</u>	<u>-</u>	<u>(705,094)</u>	<u>-</u>	<u>(705,094)</u>	<u>-</u>
Business-type activities								
Sewer	283,513	254,293	-	-	-	(29,220)	(29,220)	-
Water	259,270	245,410	-	-	-	(13,860)	(13,860)	-
Total business-type activities	<u>542,783</u>	<u>499,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,080)</u>	<u>(43,080)</u>	<u>-</u>
Total primary government	<u>\$ 1,529,855</u>	<u>\$ 644,092</u>	<u>\$ 137,589</u>	<u>\$ -</u>	<u>(705,094)</u>	<u>(43,080)</u>	<u>(748,174)</u>	<u>-</u>
Component unit								
Downtown Development Authority	<u>\$ 69,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(69,275)</u>
General revenues								
Property taxes					608,588	-	608,588	209,450
State shared revenue					176,396	-	176,396	-
Unrestricted investment earnings					38,693	2,432	41,125	7,623
Miscellaneous					2,386	1,029	3,415	-
County Drain bond					171,710	-	171,710	-
Transfers					(12,400)	12,400	-	-
Total general revenues and transfers					<u>985,373</u>	<u>15,861</u>	<u>1,001,234</u>	<u>217,073</u>
Change in net assets					280,279	(27,219)	253,060	147,798
Net assets - beginning of year					<u>2,304,132</u>	<u>2,908,552</u>	<u>5,212,684</u>	<u>365,347</u>
Net assets - end of year					<u>\$ 2,584,411</u>	<u>\$ 2,881,333</u>	<u>\$ 5,465,744</u>	<u>\$ 513,145</u>

See Accompanying Notes to Financial Statements

City of Auburn
Governmental Funds
Balance Sheet
June 30, 2009

	<u>Special Revenue Funds</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Street Repair Millage</u>	<u>Nonmajor Governmental Funds</u>	
Assets						
Cash and cash equivalents	\$ 560,275	\$ 183,645	\$ 5,997	\$ 29,676	\$ 3,234	\$ 782,827
Receivables						
Taxes	26,101	-	-	8,224	-	34,325
Customers	20,237	-	-	-	387	20,624
Special assessments	7,040	-	-	-	-	7,040
Accrued interest and other	56	-	-	-	-	56
Due from other units of government	54,412	15,083	6,087	218	-	75,800
Due from other funds	-	-	3,771	-	-	3,771
Prepaid items	8,817	695	891	-	-	10,403
Advances to other funds	470,000	-	-	-	-	470,000
Total assets	<u>\$ 1,146,938</u>	<u>\$ 199,423</u>	<u>\$ 16,746</u>	<u>\$ 38,118</u>	<u>\$ 3,621</u>	<u>\$ 1,404,846</u>

See Accompanying Notes to Financial Statements

City of Auburn
Governmental Funds
Balance Sheet
June 30, 2009

	Special Revenue Funds					Total Governmental Funds
	General	Major Street	Local Street	Street Repair Millage	Nonmajor Governmental Funds	
Liabilities						
Accounts payable	\$ 24,514	\$ 79,487	\$ 4,807	\$ -	\$ -	\$ 108,808
Accrued and other liabilities	9,117	765	769	-	-	10,651
Due to other funds	-	3,771	-	-	-	3,771
Due to component unit	652	41	55	-	-	748
Deferred revenue	<u>34,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,877</u>
Total liabilities	<u>69,160</u>	<u>84,064</u>	<u>5,631</u>	<u>-</u>	<u>-</u>	<u>158,855</u>
Fund balances						
Reserved for:						
Long-term advances	470,000	-	-	-	-	470,000
Prepaid items	8,817	695	891	-	-	10,403
Unreserved, reported in:						
General fund	598,961	-	-	-	-	598,961
Special revenue funds	<u>-</u>	<u>114,664</u>	<u>10,224</u>	<u>38,118</u>	<u>3,621</u>	<u>166,627</u>
Total fund balances	<u>1,077,778</u>	<u>115,359</u>	<u>11,115</u>	<u>38,118</u>	<u>3,621</u>	<u>1,245,991</u>
Total liabilities and fund balances	<u>\$ 1,146,938</u>	<u>\$ 199,423</u>	<u>\$ 16,746</u>	<u>\$ 38,118</u>	<u>\$ 3,621</u>	<u>\$ 1,404,846</u>

See Accompanying Notes to Financial Statements

City of Auburn
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2009

Total fund balances for governmental funds	\$ 1,245,991
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,144,340
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	34,877
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(3,906)
Compensated absences	(43,553)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(430,000)
Internal service funds are included as part of governmental activities.	<u>636,662</u>
Net assets of governmental activities	<u><u>\$ 2,584,411</u></u>

See Accompanying Notes to Financial Statements

City of Auburn
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2009

	<u>Special Revenue Funds</u>				<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Street Repair Millage</u>		
Revenues						
Taxes	\$ 450,180	\$ -	\$ -	\$ 158,408	\$ -	\$ 608,588
Licenses and permits	24,836	-	-	-	638	25,474
State revenue sharing	182,163	93,418	37,694	-	-	313,275
Other state grants	-	2,157	4,320	-	-	6,477
Charges for services	110,632	-	-	-	-	110,632
Fines and forfeitures	1,060	-	-	-	-	1,060
Interest income	26,569	719	2	1,440	25	28,755
Rental income	5,438	-	-	-	-	5,438
Other revenue	9,817	230	-	-	-	10,047
Total revenues	<u>810,695</u>	<u>96,524</u>	<u>42,016</u>	<u>159,848</u>	<u>663</u>	<u>1,109,746</u>

See Accompanying Notes to Financial Statements

City of Auburn
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2009

	<u>Special Revenue Funds</u>				<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Street Repair Millage</u>		
Expenditures						
Current						
General government	\$ 209,862	\$ -	\$ -	\$ -	\$ -	\$ 209,862
Public safety	255,443	-	-	-	80	255,523
Public works	205,168	62,188	78,910	-	-	346,266
Community and economic development	3,264	-	-	-	-	3,264
Recreation and culture	77,888	-	-	-	-	77,888
Capital outlay	15,992	-	178,636	-	-	194,628
Debt service						
Principal retirement	-	-	-	-	60,000	60,000
Interest and fiscal charges	-	-	-	-	27,706	27,706
Total expenditures	<u>767,617</u>	<u>62,188</u>	<u>257,546</u>	<u>-</u>	<u>87,786</u>	<u>1,175,137</u>
Excess (deficiency) of revenues over expenditures	<u>43,078</u>	<u>34,336</u>	<u>(215,530)</u>	<u>159,848</u>	<u>(87,123)</u>	<u>(65,391)</u>
Other financing sources (uses)						
Transfers in	-	-	216,990	-	87,706	304,696
Transfers out	<u>(27,400)</u>	<u>(23,355)</u>	<u>-</u>	<u>(266,341)</u>	<u>-</u>	<u>(317,096)</u>
Total other financing sources and uses	<u>(27,400)</u>	<u>(23,355)</u>	<u>216,990</u>	<u>(266,341)</u>	<u>87,706</u>	<u>(12,400)</u>
Net change in fund balance	15,678	10,981	1,460	(106,493)	583	(77,791)
Fund balance - beginning of year	<u>1,062,100</u>	<u>104,378</u>	<u>9,655</u>	<u>144,611</u>	<u>3,038</u>	<u>1,323,782</u>
Fund balance - end of year	<u>\$ 1,077,778</u>	<u>\$ 115,359</u>	<u>\$ 11,115</u>	<u>\$ 38,118</u>	<u>\$ 3,621</u>	<u>\$ 1,245,991</u>

See Accompanying Notes to Financial Statements

City of Auburn
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - Total governmental funds	\$ (77,791)
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(68,822)
Capital outlay	192,996
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
State shared revenue	(5,767)
Special assessments	(5,876)
County Drain bond	171,710
Expenses are recorded when incurred in the statement of activities	
Accrued interest	6,514
Compensated absences	29,912
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	60,000
Internal service funds are also included as governmental activities	(22,597)
Change in net assets of governmental activities	\$ 280,279

See Accompanying Notes to Financial Statements

City of Auburn
Proprietary Funds
Statement of Net Assets
June 30, 2009

	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 274,116	\$ 68,476	\$ 342,592	\$ 494,823
Receivables				
Taxes	-	1,049	1,049	-
Customers	19,298	49,742	69,040	-
Accrued interest and other	-	-	-	453
Due from other funds	-	2,179	2,179	-
Prepaid items	37,532	701	38,233	423
Total current assets	<u>330,946</u>	<u>122,147</u>	<u>453,093</u>	<u>495,699</u>
Noncurrent assets				
Capital assets not being depreciated	36,000	-	36,000	-
Capital assets net of accumulated depreciation	970,143	1,949,723	2,919,866	164,389
Total noncurrent assets	<u>1,006,143</u>	<u>1,949,723</u>	<u>2,955,866</u>	<u>164,389</u>
Total assets	<u>1,337,089</u>	<u>2,071,870</u>	<u>3,408,959</u>	<u>660,088</u>
Liabilities				
Current liabilities				
Accounts payable	57,746	15,758	73,504	3,547
Accrued and other liabilities	677	1,271	1,948	1,190
Due to component unit	-	-	-	74
Due to other units of government	72	717	789	-
Total current liabilities	<u>58,495</u>	<u>17,746</u>	<u>76,241</u>	<u>4,811</u>
Noncurrent liabilities				
Advances from other funds	-	470,000	470,000	-
Total liabilities	<u>58,495</u>	<u>487,746</u>	<u>546,241</u>	<u>4,811</u>

See Accompanying Notes to Financial Statements

City of Auburn
Proprietary Funds
Statement of Net Assets
June 30, 2009

	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
Net assets				
Invested in capital assets, net of related debt	\$ 1,006,143	\$ 1,479,723	\$ 2,485,866	\$ 164,389
Unrestricted	272,451	104,401	376,852	490,888
Total net assets	\$ 1,278,594	\$ 1,584,124	2,862,718	\$ 655,277
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service funds assets and liabilities are reported with business-type activities			18,615	
Net assets of business-type activities			\$ 2,881,333	

See Accompanying Notes to Financial Statements

City of Auburn
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2009

	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
Operating revenue				
Customer fees	\$ 252,293	\$ 242,725	\$ 495,018	\$ -
Billings to other funds	-	-	-	129,116
Connection fees	2,000	2,685	4,685	-
Rental income	409	-	409	-
Other revenue	-	620	620	-
Total operating revenue	<u>254,702</u>	<u>246,030</u>	<u>500,732</u>	<u>129,116</u>
Operating expenses				
Personnel services	26,399	48,973	75,372	42,454
Supplies	1,574	10,801	12,375	32,661
Contractual services	200,607	118,885	319,492	1,110
Utilities	5,010	405	5,415	3,389
Repairs and maintenance	9,988	10,016	20,004	27,476
Other expenses	1,482	5,559	7,041	13,663
Depreciation	36,426	50,496	86,922	45,210
Total operating expenses	<u>281,486</u>	<u>245,135</u>	<u>526,621</u>	<u>165,963</u>
Operating income (loss)	<u>(26,784)</u>	<u>895</u>	<u>(25,889)</u>	<u>(36,847)</u>

See Accompanying Notes to Financial Statements

City of Auburn
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2009

	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
Nonoperating revenue (expenses)				
Interest income	\$ 1,737	\$ 695	\$ 2,432	\$ 9,938
Interest expense	<u>-</u>	<u>(11,850)</u>	<u>(11,850)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>1,737</u>	<u>(11,155)</u>	<u>(9,418)</u>	<u>9,938</u>
Income (loss) before transfers in	(25,047)	(10,260)	(35,307)	(26,909)
Transfers in	<u>-</u>	<u>12,400</u>	<u>12,400</u>	<u>-</u>
Change in net assets	(25,047)	2,140	(22,907)	(26,909)
Net assets - beginning of year	<u>1,303,641</u>	<u>1,581,984</u>		<u>682,186</u>
Net assets - end of year	<u><u>\$ 1,278,594</u></u>	<u><u>\$ 1,584,124</u></u>		<u><u>\$ 655,277</u></u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities			<u>(4,312)</u>	
Change in net assets of business-type activities			<u><u>\$ (27,219)</u></u>	

See Accompanying Notes to Financial Statements

City of Auburn
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2009

	<u>Business-type Activities - Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Equipment</u>
Cash flows from operating activities				
Receipts from customers	\$ 255,679	\$ 248,532	\$ 504,211	\$ (335)
Receipts from interfund users	-	-	-	129,116
Payments to other funds	-	(2,179)	(2,179)	-
Payments to suppliers	(193,863)	(132,594)	(326,457)	(75,464)
Payments to employees	(26,399)	(48,973)	(75,372)	(42,454)
Payments for interfund services used	(7,148)	(7,960)	(15,108)	-
Net cash provided by operating activities	<u>28,269</u>	<u>56,826</u>	<u>85,095</u>	<u>10,863</u>
Cash flows from noncapital financing activities				
Transfer from other funds	-	12,400	12,400	-
Cash flows from capital and related financing activities				
Advances from other funds	-	75,000	75,000	-
Purchases/construction of capital assets	-	(112,152)	(112,152)	(20,369)
Principal and interest paid on long-term debt	-	(11,850)	(11,850)	-
Net cash used by capital and related financing activities	<u>-</u>	<u>(49,002)</u>	<u>(49,002)</u>	<u>(20,369)</u>
Cash flows from investing activities				
Interest received	<u>1,737</u>	<u>695</u>	<u>2,432</u>	<u>9,938</u>
Net increase (decrease) in cash and cash equivalents	30,006	20,919	50,925	432
Cash and cash equivalents - beginning of year	<u>244,110</u>	<u>47,557</u>	<u>291,667</u>	<u>494,391</u>
Cash and cash equivalents - end of year	<u>\$ 274,116</u>	<u>\$ 68,476</u>	<u>\$ 342,592</u>	<u>\$ 494,823</u>

See Accompanying Notes to Financial Statements

City of Auburn
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2009

	<u>Business-type Activities - Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Equipment</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (26,784)	\$ 895	\$ (25,889)	\$ (36,847)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization expense	36,426	50,496	86,922	45,210
Changes in assets and liabilities				
Receivables (net)	977	2,502	3,479	(335)
Due from other funds	-	(2,179)	(2,179)	-
Prepaid items	4	19	23	16
Accounts payable	17,484	4,136	21,620	2,355
Accrued and other liabilities	135	320	455	451
Due to component unit	-	-	-	74
Due to other units of government	27	637	664	(61)
Net cash provided by operating activities	<u>\$ 28,269</u>	<u>\$ 56,826</u>	<u>\$ 85,095</u>	<u>\$ 10,863</u>

See Accompanying Notes to Financial Statements

City of Auburn
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2009

	<u>Payroll</u>	<u>Current Tax Collection</u>
Assets		
Cash and cash equivalents	\$ 6,734	\$ 5,266
Liabilities		
Accounts payable	\$ 503	\$ -
Due to other funds	-	2,179
Due to other units of government	<u>6,231</u>	<u>3,087</u>
 Total liabilities	 <u>\$ 6,734</u>	 <u>\$ 5,266</u>

See Accompanying Notes to Financial Statements

City of Auburn
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Auburn is governed by an elected seven-member Commission. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements include the financial data of the City's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the Governing Board of the Downtown Development Authority are appointed by the City Commission. The budgets and expenditures of the Downtown Development Authority must be approved by the City Commission. The City also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the City of Auburn annual financial statements.

Jointly Governed Organizations

Auburn-Williams Fire Protection District – The City of Auburn and Williams Township jointly govern the Auburn-Williams Fire Protection District. The funding formula requires the City provide 30% and Williams Township 70% of the operational and building costs. The District has title to all property, plant and equipment. All of the financial operations of the District are recorded in the Auburn-Williams Fire Protection District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net

assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of

City of Auburn
Notes to Financial Statements
June 30, 2009

related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the

City. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is primarily through state shared gas and weight taxes.

The Street Repair Millage Fund accounts for taxes levied for road construction and improvements.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The nonmajor special revenue fund, Building Inspection Fund, accounts for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The debt service funds, 2000 Midland Road Bonds Fund, 2000 Michigan Transportation Bonds Fund, and 1992 Auburn Drain Fund, account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

City of Auburn
Notes to Financial Statements
June 30, 2009

The Payroll Fund and Current Tax Collection Fund account for payroll expenses and property tax and other deposits collected on behalf of other units and individuals, respectively.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the

portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Assets, Liabilities, and Net Assets or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

City of Auburn
Notes to Financial Statements
June 30, 2009

The 2008 taxable valuation of the government totaled \$52,989,865, on which ad valorem taxes consisted of 10.0 mills for operating purposes and 3.0 mills for road repairs. This resulted in \$438,379 for operating expenses and \$158,352 for road repairs, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Roads	20 to 40 years
Other infrastructure	20 to 40 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 5 years

Compensated absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits,

which will be paid to employees upon separation from the City. Sick leave is paid only upon retirement and is limited to the lesser of one-half of the total accumulation or 60 days. Employees are paid all of their accumulated vacation pay upon termination of employment for any reason. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

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

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Auburn
Notes to Financial Statements
June 30, 2009

Comparative Data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to the first meeting held in June, the City Administrator submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Administrator is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Commission.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Attorney	\$ 8,000	\$ 8,119	\$ 119
Sidewalks	24,725	25,094	369
Parks and recreation	69,689	77,888	8,199
Capital outlay	12,940	15,992	3,052
Downtown Development Authority			
Community and economic development	9,600	17,905	8,305

Budget Deficit

The City authorized a budget deficit in the original budget in the Local Street Fund. This was corrected in an amendment.

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 1,277,650
Business-type activities	342,592
Fiduciary funds	12,000
Total primary government	<u>1,632,242</u>
Component unit	<u>486,795</u>
Total	<u><u>\$ 2,119,037</u></u>

City of Auburn
Notes to Financial Statements
June 30, 2009

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 1,632,092	\$ 486,795
Petty cash and cash on hand	150	-
	\$ 1,632,242	\$ 486,795

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the government’s investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for

custodial credit risk. As of year end, \$ 0 of the City’s bank balance of \$2,116,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Receivables and Deferred Revenue

The only receivable not expected to be collected within one year is as follows:

	Due After One Year	Fund
Primary government		
Special assessments	\$ 2,220	General Fund

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
Primary government	
State shared revenue	\$ 27,837
Special assessments	7,040
	\$ 34,877

City of Auburn
Notes to Financial Statements
June 30, 2009

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 61,570	\$ -	\$ -	\$ 61,570
Capital assets being depreciated				
Land improvements	214,741	7,788	-	222,529
Infrastructure	922,554	178,635	-	1,101,189
Buildings, additions and improvements	215,371	3,665	-	219,036
Machinery and equipment	657,927	23,277	9,342	671,862
Vehicles	115,021	-	-	115,021
Total capital assets being depreciated	<u>2,125,614</u>	<u>213,365</u>	<u>9,342</u>	<u>2,329,637</u>
Less accumulated depreciation for				
Land improvements	194,262	3,164	-	197,426
Infrastructure	80,593	50,594	-	131,187
Buildings, additions and improvements	124,437	9,047	-	133,484
Machinery and equipment	499,282	46,196	9,342	536,136
Vehicles	79,214	5,031	-	84,245
Total accumulated depreciation	<u>977,788</u>	<u>114,032</u>	<u>9,342</u>	<u>1,082,478</u>
Net capital assets being depreciated	<u>1,147,826</u>	<u>99,333</u>	<u>-</u>	<u>1,247,159</u>
Governmental activities capital assets, net	<u>\$ 1,209,396</u>	<u>\$ 99,333</u>	<u>\$ -</u>	<u>\$ 1,308,729</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Capital assets being depreciated				
Water system	2,572,857	112,152	-	2,685,009
Sewer system	1,806,998	-	-	1,806,998
Total capital assets being depreciated	<u>4,379,855</u>	<u>112,152</u>	<u>-</u>	<u>4,492,007</u>
Less accumulated depreciation for				
Water system	684,790	50,496	-	735,286
Sewer system	800,429	36,426	-	836,855
Total accumulated depreciation	<u>1,485,219</u>	<u>86,922</u>	<u>-</u>	<u>1,572,141</u>
Net capital assets being depreciated	<u>2,894,636</u>	<u>25,230</u>	<u>-</u>	<u>2,919,866</u>
Business-type capital assets, net	<u>\$ 2,930,636</u>	<u>\$ 25,230</u>	<u>\$ -</u>	<u>\$ 2,955,866</u>

Capital assets activity of the component unit for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital assets not being depreciated				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Capital assets being depreciated				
Land improvements	12,581	-	-	12,581
Less accumulated depreciation for				
Land improvements	2,012	503	-	2,515
Net capital assets being depreciated	<u>10,569</u>	<u>(503)</u>	<u>-</u>	<u>10,066</u>
Component unit capital assets, net	<u>\$ 23,569</u>	<u>\$ (503)</u>	<u>\$ -</u>	<u>\$ 23,066</u>

City of Auburn
Notes to Financial Statements
June 30, 2009

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

Governmental activities

General government	\$ 5,308
Public safety	3,479
Public works	50,594
Recreation and culture	9,441
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>45,210</u>
Total governmental activities	<u>114,032</u>

Business-type activities

Sewer	36,426
Water	<u>50,496</u>
Total business-type activities	<u>86,922</u>
Total primary government	<u><u>\$ 200,954</u></u>

The component unit recognized \$503 of depreciation expense.

Note 6 - Interfund Receivables, Payable, and Transfers

The composition of interfund balances is as follows:

Due from/to other funds

Local Street	Major Street	\$ 3,771
Tax Collections	Water	<u>2,179</u>
		<u><u>\$ 5,950</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds

are made.

Advances at year end are as follows:

Advances due to/from other funds

General	Water	<u>\$ 470,000</u>
---------	-------	-------------------

The advance was made for water main improvements. Annual principal payments of \$31,000 plus 3% annual interest will be made until the advance is paid in full in 2024.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Water Fund	\$ 12,400
General Fund	Local Street	15,000
Major Street	Local Street	23,355
Street Repair Millage Fund	Local Street	178,635
Street Repair Millage Fund	Midland Road Debt	<u>87,706</u>
		<u><u>\$ 317,096</u></u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The Street Repair Millage Fund and the Major Street Fund transferred revenues to the Local Street Fund for the construction of roadways. In addition, the Street Repair Millage Fund transferred funds to other governmental funds for the payment of debt.

City of Auburn
Notes to Financial Statements
June 30, 2009

Note 7 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund.

Long-term obligation activity is summarized as follows:

	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities								
Bonds and notes payable								
General obligation bonds								
1992 Auburn Drain				\$ 171,710	\$ -	\$ 171,710	\$ -	\$ -
2000 Michigan Transportation Bonds	2015	5.50% - 5.60%	\$40,000 - \$60,000	330,000	-	40,000	290,000	40,000
2000 Midland Road Bonds	2015	5.50% - 5.60%	\$20,000 - \$25,000	160,000	-	20,000	140,000	20,000
Total bonds payable				661,710	-	231,710	430,000	60,000
Compensated absences				73,465	-	29,912	43,553	-
Total governmental activities				<u>\$ 735,175</u>	<u>\$ -</u>	<u>\$ 261,622</u>	<u>\$ 473,553</u>	<u>\$ 60,000</u>

Payments on the 1992 Auburn Drain bonds were deemed complete during the year. The County had sufficient funds from interest earned accumulations to pay off the balance. This is shown as "County Drain bond" on the Statement of Activities.

City of Auburn
Notes to Financial Statements
June 30, 2009

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2010	\$ 60,000	\$ 23,886
2011	65,000	20,586
2012	70,000	17,012
2013	70,000	13,126
2014	80,000	9,240
2015	85,000	4,760
	<u>\$ 430,000</u>	<u>\$ 88,610</u>

Note 8 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing,

Michigan 48917.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires a contribution from the employees of 3% of gross wages for the first \$4,200 of wages earned and 5% thereafter, for full time employees.

Annual pension costs – For year ended 2009, the government's annual pension cost of \$29,708 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry age normal cost method. Significant actuarial assumptions used include: 1) a 8 percent investment rate of return; 2) projected salary increases of 4.5 percent per year; and 3) 4.5 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period.

The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2008 follows:

	2008	2007	2006
Annual pension cost	\$ 31,650	\$ 32,812	\$ 27,657
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	1,473,883	1,393,058	1,274,864
Actuarial accrued liabilities	1,562,588	1,481,807	1,392,789
Unfunded AAL	88,705	88,749	117,925
Funded ratio	94.0%	94.0%	92.0%
Covered payroll	344,918	333,028	323,583
UAAL as a percentage of covered payroll	26%	27%	36%

City of Auburn
Notes to Financial Statements
June 30, 2009

Note 10 - Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

City of Auburn
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Taxes				
Property taxes	\$ 482,394	\$ 440,000	\$ 439,214	\$ (786)
Penalties and interest	5,000	4,000	4,233	233
Administration fee	5,000	6,730	6,733	3
Licenses and permits	19,870	20,125	24,836	4,711
State revenue sharing	184,000	177,000	182,163	5,163
Charges for services	108,300	110,400	110,632	232
Fines and forfeitures	500	1,030	1,060	30
Interest income	23,000	23,000	26,569	3,569
Rental income	5,000	5,875	5,438	(437)
Other revenue	5,400	9,790	9,817	27
	<u>838,464</u>	<u>797,950</u>	<u>810,695</u>	<u>12,745</u>
Expenditures				
General government				
City commission	6,250	6,250	5,148	(1,102)
Manager	100,454	89,515	82,818	(6,697)
Audit	2,500	2,500	2,220	(280)
Board of review	500	500	411	(89)
Treasurer	53,852	74,275	67,249	(7,026)
Assessor	10,350	13,520	12,465	(1,055)
Elections	13,906	10,231	8,941	(1,290)
Buildings and grounds	33,742	29,542	22,491	(7,051)
Attorney	2,000	8,000	8,119	119
	<u>223,554</u>	<u>234,333</u>	<u>209,862</u>	<u>(24,471)</u>
Total general government				

City of Auburn
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Public safety				
Police	\$ 199,665	\$ 200,000	\$ 190,890	\$ (9,110)
Fire department	66,000	68,755	64,553	(4,202)
Total public safety	<u>265,665</u>	<u>268,755</u>	<u>255,443</u>	<u>(13,312)</u>
Public works				
Department of public works	54,998	51,527	45,593	(5,934)
Sidewalks	30,865	24,725	25,094	369
Street lighting	26,000	27,600	27,320	(280)
Sanitary land fill	104,000	107,200	107,161	(39)
Total public works	<u>215,863</u>	<u>211,052</u>	<u>205,168</u>	<u>(5,884)</u>
Community and economic development				
Planning	11,100	5,900	2,761	(3,139)
Zoning	1,300	1,300	503	(797)
Total community and economic development	<u>12,400</u>	<u>7,200</u>	<u>3,264</u>	<u>(3,936)</u>
Recreation and culture				
Parks and recreation	58,936	69,689	77,888	8,199
Other functions				
Contingency	2,000	-	-	-
Capital outlay	2,500	12,940	15,992	3,052
Transfers out	54,594	27,400	27,400	-
Total expenditures	<u>835,512</u>	<u>831,369</u>	<u>795,017</u>	<u>(36,352)</u>
Excess (deficiency) of revenues over expenditures	2,952	(33,419)	15,678	49,097
Fund balance - beginning of year	1,062,100	1,062,100	1,062,100	-
Fund balance - end of year	<u>\$ 1,065,052</u>	<u>\$ 1,028,681</u>	<u>\$ 1,077,778</u>	<u>\$ 49,097</u>

City of Auburn
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State revenue sharing	\$ 100,000	\$ 100,000	\$ 93,418	\$ (6,582)
Other state grants	2,000	2,000	2,157	157
Interest income	1,000	1,000	719	(281)
Other revenue	-	-	230	230
	<u>103,000</u>	<u>103,000</u>	<u>96,524</u>	<u>(6,476)</u>
Expenditures				
Current				
Public works	70,733	70,733	62,188	(8,545)
Transfers out	25,500	25,500	23,355	(2,145)
	<u>96,233</u>	<u>96,233</u>	<u>85,543</u>	<u>(10,690)</u>
Excess of revenues over expenditures	6,767	6,767	10,981	4,214
Fund balance - beginning of year	<u>104,378</u>	<u>104,378</u>	<u>104,378</u>	<u>-</u>
Fund balance - end of year	<u>\$ 111,145</u>	<u>\$ 111,145</u>	<u>\$ 115,359</u>	<u>\$ 4,214</u>

City of Auburn
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State revenue sharing	\$ 41,000	\$ 41,000	\$ 37,694	\$ (3,306)
Other state grants	4,200	4,300	4,320	20
Interest income	5	45	2	(43)
Transfers in	<u>130,000</u>	<u>240,000</u>	<u>216,990</u>	<u>(23,010)</u>
Total revenues	<u>175,205</u>	<u>285,345</u>	<u>259,006</u>	<u>(26,339)</u>
Expenditures				
Current				
Public works	74,744	79,395	78,910	(485)
Capital outlay	<u>200,000</u>	<u>200,000</u>	<u>178,636</u>	<u>(21,364)</u>
Total expenditures	<u>274,744</u>	<u>279,395</u>	<u>257,546</u>	<u>(21,849)</u>
Excess (deficiency) of revenues over expenditures	(99,539)	5,950	1,460	(4,490)
Fund balance - beginning of year	<u>9,655</u>	<u>9,655</u>	<u>9,655</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ (89,884)</u>	<u>\$ 15,605</u>	<u>\$ 11,115</u>	<u>\$ (4,490)</u>

City of Auburn
Required Supplemental Information
Budgetary Comparison Schedule
Street Repair Millage Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 264,000	\$ 159,000	\$ 158,408	\$ (592)
Interest income	5,000	3,000	1,440	(1,560)
Total revenues	<u>269,000</u>	<u>162,000</u>	<u>159,848</u>	<u>(2,152)</u>
Expenditures				
Current				
Public works	25	-	-	-
Transfers out	<u>188,500</u>	<u>288,500</u>	<u>266,341</u>	<u>(22,159)</u>
Total expenditures	<u>188,525</u>	<u>288,500</u>	<u>266,341</u>	<u>(22,159)</u>
Excess (deficiency) of revenues over expenditures	80,475	(126,500)	(106,493)	20,007
Fund balance - beginning of year	<u>144,611</u>	<u>144,611</u>	<u>144,611</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 225,086</u></u>	<u><u>\$ 18,111</u></u>	<u><u>\$ 38,118</u></u>	<u><u>\$ 20,007</u></u>

City of Auburn
Other Supplemental Information
Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	<u>Special Revenue Fund</u>
	<u>Building Inspection</u>
Assets	
Cash and cash equivalents	\$ 3,234
Receivables	
Customers	<u>387</u>
Total assets	<u>\$ 3,621</u>
Fund balance	
Unreserved	
Undesignated	<u>\$ 3,621</u>

City of Auburn
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Building Inspection	2000 Midland Road Bonds	2000 Michigan Transportation Bonds	
Revenues				
Licenses and permits	\$ 638	\$ -	\$ -	\$ 638
Interest income	25	-	-	25
Total revenues	<u>663</u>	<u>-</u>	<u>-</u>	<u>663</u>
Expenditures				
Current				
Public safety	80	-	-	80
Debt service				
Principal retirement	-	20,000	40,000	60,000
Interest and fiscal charges	-	9,278	18,428	27,706
Total expenditures	<u>80</u>	<u>29,278</u>	<u>58,428</u>	<u>87,786</u>
Excess (deficiency) of revenues under expenditures	<u>583</u>	<u>(29,278)</u>	<u>(58,428)</u>	<u>(87,123)</u>
Other financing sources				
Transfers in	-	29,278	58,428	87,706
Net change in fund balance	583	-	-	583
Fund balance - beginning of year	<u>3,038</u>	<u>-</u>	<u>-</u>	<u>3,038</u>
Fund balance - end of year	<u>\$ 3,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,621</u>

City of Auburn
Other Supplemental Information
Component Unit - Downtown Development Authority
Budgetary Comparison Schedule
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 205,000	\$ 205,000	\$ 209,450	\$ 4,450
Interest income	1,000	1,000	7,623	6,623
Total revenues	<u>206,000</u>	<u>206,000</u>	<u>217,073</u>	<u>11,073</u>
Expenditures				
Current				
Community and economic development	9,600	9,600	17,905	8,305
Capital outlay	<u>300,000</u>	<u>300,000</u>	<u>50,867</u>	<u>(249,133)</u>
Total expenditures	<u>309,600</u>	<u>309,600</u>	<u>68,772</u>	<u>(240,828)</u>
Excess (deficiency) of revenues over expenditures	(103,600)	(103,600)	148,301	251,901
Fund balance - beginning of year	<u>341,778</u>	<u>341,778</u>	<u>341,778</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 238,178</u></u>	<u><u>\$ 238,178</u></u>	<u><u>\$ 490,079</u></u>	<u><u>\$ 251,901</u></u>

City of Auburn
Component Unit - Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - Total governmental funds \$ 148,301

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (503)

Change in net assets of governmental activities \$ 147,798

City of Auburn
Other Supplemental Information
Schedule of Indebtedness
June 30, 2009

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Governmental Activities	5.50%	2010	\$ 20,000	\$ 3,888	\$ 3,888	\$ 27,776
2000 Midland Road Bonds	5.50%	2011	20,000	3,338	3,338	26,676
	5.55%	2012	25,000	2,788	2,788	30,576
	5.55%	2013	25,000	2,094	2,094	29,188
	5.60%	2014	25,000	1,400	1,400	27,800
	5.60%	2015	<u>25,000</u>	<u>700</u>	<u>700</u>	<u>26,400</u>
			<u>\$ 140,000</u>	<u>\$ 14,208</u>	<u>\$ 14,208</u>	<u>\$ 168,416</u>
2000 Michigan Transportation Bonds	5.50%	2010	\$ 40,000	\$ 8,055	\$ 8,055	\$ 56,110
	5.50%	2011	45,000	6,955	6,955	58,910
	5.55%	2012	45,000	5,718	5,718	56,436
	5.55%	2013	45,000	4,469	4,469	53,938
	5.60%	2014	55,000	3,220	3,220	61,440
	5.60%	2015	<u>60,000</u>	<u>1,680</u>	<u>1,680</u>	<u>63,360</u>
			<u>\$ 290,000</u>	<u>\$ 30,097</u>	<u>\$ 30,097</u>	<u>\$ 350,194</u>