



CITY OF AUBURN CALIFORNIA

2006



Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2006



City of Auburn, California

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2006

Prepared by:
Administrative Services Department
Andrew Heath, Director

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2006

Introductory Section

CITY OF AUBURN

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2006**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i-iv
Letter of Transmittal	I-VI
City Council and Administrative Personnel	VII
Organizational Chart	VIII
FINANCIAL SECTION	
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis (Required Supplementary Information).....	3-15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities.....	18-19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	21
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets – Governmental Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances.....	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities.....	24
Proprietary Funds:	
Statement of Fund Net Assets	25
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	26
Statement of Cash Flows.....	27-28
Fiduciary Funds:	
Statement of Fiduciary Net Assets	29
Statement of Changes in Fiduciary Net Assets	30
Notes to Financial Statements.....	31-58

CITY OF AUBURN

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2006**

TABLE OF CONTENTS

	<u>Page</u>
Required Supplementary Information:	
Schedule of Funding Progress	59
Budgetary Comparison Schedules:	
General Fund	60-61
Transportation Fund	62
Note to Required Supplementary Information	63
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	68
Nonmajor Special Revenue Funds:	
Definition	69-71
Combining Balance Sheet	73-76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77-80
Budgetary Comparison Schedules:	
State Gas Tax	81
ISTEA Program	82
Transportation	83
Multimodal Railstation	84
Redevelopment	85
Property Seizures	86
Merchant’s Council	87
Historic Auburn	88
Maidu Fire Station	89
Small Business Loans	90
Palm Terrace Apartments	91
Solid Waste Program	92
Auburn Bluffs	93
OTS Grant	94
Law Enforcement Grant	95
Facilities and Equipment	96
Miscellaneous Grants	97

CITY OF AUBURN

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2006**

TABLE OF CONTENTS

	<u>Page</u>
Supplementary Information (continued):	
Combining and Individual Fund Statements and Schedules: (continued)	
Nonmajor Capital Projects Funds:	
Definition.....	99
Combining Balance Sheet	101
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	102
Budgetary Comparison Schedules:	
AUSD Park Preserve.....	103
Project Fund.....	104
Highway 49 Beautification	105
Nonmajor Debt Service Funds:	
Definition.....	107
Combining Balance Sheet	109
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	110
Budgetary Comparison Schedules:	
General Obligation Bond Debt Service	111
Redevelopment Debt Service.....	112
Major Enterprise Funds:	
Definition.....	113
Budgetary Comparison Schedules:	
Airport.....	115-116
Sewer.....	117
Fiduciary Funds:	
Definition.....	119
Combining Statement of Fiduciary Net Assets	121-122
Combining Statement of Changes in Assets and Liabilities	123

CITY OF AUBURN

Comprehensive Annual Financial Report
For the Year Ended June 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION	
Net Assets by Component	127
Changes in Net Assets	128-129
Fund Balances of Governmental Funds	130
Changes in Fund Balances of Governmental Funds	131
Assessed Value and Estimated Actual Value of Taxable Property	132
Property Tax Rates – All Overlapping Governments	133
Principal Property Taxpayers	134
Property Tax Levies and Collections	135
Ratios of Outstanding Debt by Type	136
Ratios of General Bonded Debt Outstanding	137
Direct and Overlapping Bonded Debt	138
Legal Bonded Debt Margin	139
Demographic and Economic Statistics	140
Principal Employers	141
Full-Time Equivalent and Part-Time City Government Employees	142
Operating Indicators	143
Capital Asset Statistics	144
OTHER REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	145-146



1225 Lincoln Way, Auburn, CA 95603 • (530)823-4211 • FAX (530)885-5508
www.auburn.ca.gov

November 27, 2006

HONORABLE MAYOR AND CITY COUNCIL

**THE COMPREHENSIVE ANNUAL FINANCIAL
REPORT OF THE CITY OF AUBURN**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Auburn for the fiscal year July 1, 2005 through June 30, 2006. Although addressed to the City's governing body, the CAFR is intended also to provide relevant financial information to the citizens of Auburn, creditors, investors, and other interested parties. This transmittal letter provides a summary of City of Auburn finances, services, achievements, and economic prospects for readers without a technical background. Those wishing a more detailed discussion of the City's financial results should refer to Management's Discussion and Analysis (MD&A) contained in the Financial Section of the CAFR.

The City of Auburn's management is solely responsible for the accuracy of the information contained in this report, the adequacy of its disclosures, and the fairness of its presentation. We believe this CAFR to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, the City has established a system of internal controls designed to protect City assets from loss, to identify and record transactions accurately, and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles.

The City has contracted with Bartig, Basler & Ray, LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for fiscal year 2005-2006 are fairly stated and in compliance with accounting principles generally accepted in the United States. This conclusion is the most favorable kind and is commonly known as an "unqualified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

"Endurance Capital of the World"

This Comprehensive Annual Financial Report is organized into three sections:

- The Introductory Section is intended to familiarize the reader with the organizational structure of the City, the nature and scope of the services it provides, and specifics of its legal operating environment.
- The Financial Section contains the City's audited financial statements including the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present financial information for each of the City's major funds, as well as for nonmajor governmental and enterprise funds.
- The Statistical Section contains comprehensive statistical data on the City's financial, physical, economic, social, and political characteristics. This year, the City implemented Statement No. 44 of the Governmental Accounting Standards Board (GASB) titled "Economic Condition Reporting: the Statistical Section". This pronouncement required significant changes to the content and presentation of the Statistical Section of the CAFR.

REPORTING ENTITY

The City of Auburn is a general-law City incorporated under California law, first in 1860 and again on May 2, 1888. The City operates under a council-manager form of government. The City's five Council Members are elected at-large and serve up to two four-year terms. Annually, the City's five Council Members elect the position of Mayor and Mayor Pro Tempore, who serve one-year terms in this capacity. All elections are conducted on a non-partisan basis. The City Manager is appointed by the Council and serves as the chief administrative officer of the organization. The City Manager is responsible for administration of City affairs, day-to-day operations, and implementation of Council policies. The City Manager also acts as Executive Director of the Auburn Urban Development Authority to administer redevelopment projects and programs.

The City provides a full range of municipal services, including police and fire protection, the construction and maintenance of streets and infrastructure, land use planning and zoning, building safety regulation and public inspection, and general administrative services. The City also operates the Auburn Municipal Airport and a wastewater treatment facility.

The City of Auburn covers approximately 7.5 square miles on the western slope of the Sierra Nevada Range and has a population of 12,975. At the crossroads of Interstate 80 and Highway 49, Auburn is the county seat of Placer County and an important retail trade center. The City of Auburn and surrounding Auburn areas have emerged as a destination point for those enjoying a variety of activities including whitewater rafting, horseback riding, and hiking to the historic ambiance of the Old Town and Downtown areas providing unique shopping and dining experiences. In 2003, the Auburn City Council passed an official measure proclaiming Auburn as the Endurance Capital of the World. Auburn is home to some of the most challenging and historic endurance events on the planet, including the Auburn International Triathlon, the Tevis Cup Ride and the Western States 100.

This report includes all funds of the City, as well as all governmental organizations and the Auburn

Urban Development Authority, of which the City Council has full financial accountability.

ECONOMIC CONDITION AND OUTLOOK

The City's average unemployment rate for calendar year 2005 was 3.3 percent, which was lower than the Placer County average of 4.0 percent and the statewide average of 5.4 percent. The City's growth paces that of the region as a whole. Over the past five years, the economic bases for the City of Auburn and the entire region have grown at a faster pace than those of the national and statewide economies.

Growth in region as a whole has vastly impacted the City's ability to continue providing the level of service expected by residents and business owners, even with continued increases to the overall economic base. Projected growth in revenues will likely not be sufficient to meet future expenditure obligations for both existing programs and new operating and maintenance costs as the City confronts the challenges of providing competitive salaries and benefits to its employees; updating and maintaining an aging infrastructure; and expanding service level requirements consistent with regional growth. National and State economic predictions are for continued growth, but at a reduced level from the prior year due to spiking oil prices, a slowing housing market, and a continued rise in interest rates approved by the Federal Open Market Committee.

The City Council approved a balanced General Fund budget for Fiscal Year 2006-07. The resulting budget includes allocations of funding for the City's Street Overlay Program, information technology efficiency improvements, and public safety salary augmentations.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

Highlights of activities and accomplishments for the fiscal year ended June 30, 2006 include the following:

- ❖ Throughout Fiscal Year 2005-06, the City of Auburn has been working in partnership with six non-profit community groups to restore the Cooper Open Air Amphitheater located in a heritage oak grove in the heart of the downtown area. Pre-construction on the restoration project has commenced, with the project completion date anticipated during Fiscal Year 2006-07. When completed, the project will provide an adaptive reuse of a historical open air theater and natural heritage venue for area residents and tourists taking advantage of Auburn's historical significance.
- ❖ Recognizing the need to upgrade the City's roadways, the City Council approved as part of the Fiscal Year 2005-06 budget, an allocation of more than \$1.1 million towards the Street Overlay Program. This program, developed by the Public Works department, created the framework by which all City-maintained streets will be resurfaced on a twenty year rotational basis.

- ❖ The City Council approved creation of the City’s Administrative Services Department on May 22, 2006. The Administrative Services Department was created to combine Citywide programs related to Finance, Human Resources, Information Technology, Purchasing and Risk Management. The Administrative Services concept centralizes core “administrative” functions into a single department, thereby reducing the burden of line departments having to perform certain tasks; and ultimately enables a more efficient and effective delivery of internal services.
- ❖ The City of Auburn Corporation Yard was remodeled during Fiscal Year 2005-06, incorporating within the existing year covered areas for buses used by the City’s transit operation and additional work space required for mechanical activities.
- ❖ In July 2005, the State of California Office of Traffic Safety awarded the City a \$585,000 grant towards implementation and management of a region-wide “Avoid the 7 Regional DUI Task Force”. Proceeds from this grant will fund region-wide DUI checkpoint costs, managed by the City of Auburn, over a period comprising three fiscal years.

LONG-TERM FINANCIAL PLANNING AND INTIATIVES

Public Works:

Capital Improvement Plan: The budget adopted for Fiscal Year 2006-07 includes more than \$7.2 million appropriated for capital projects in the City’s Airport, Sewer and Transportation-related funds. Capital expenditures are expected to continue well into the future as the City strives to upgrade and maintain its aging infrastructure.

City Hall Space Study: During Fiscal Year 2006-07, a study will be performed to determine the most practical and efficient use of the office area in the existing City Hall consistent with providing the highest level of service to the community.

Public Safety:

Staffing Augmentations: The budget adopted for Fiscal Year 2006-07 allocates a new Police Records Clerk position to the Police Department. The addition of this position better enables efficient and effective service delivery while providing a higher level of legal and technical compliance with police records management.

Animal Services: The City is expected to begin discussions with Placer County concerning the future of providing animal services to the community. Growth in the region has increased the demand for expanded levels of animal services, costs of which will ultimately be borne by area communities, including the City of Auburn.

E-911 Upgrade: The City of Auburn Police Department has contracted with the State of California to upgrade the Auburn E-911 System enabling local processing of 911 calls made via cell phones in the City of Auburn.

Citywide / Administrative Services:

Strategic Plan: It is anticipated that the City will develop a multi-year strategic plan during Fiscal year 2006-07. The strategic plan will focus on departmental and citywide initiatives, accomplishments, and long-term financial goals.

Information Technology Efficiency: The Administrative Services Department, working with citywide staff, will explore alternative technology applications enabling better service delivery to the community. Technology solutions for the City's permitting, business license, document archival and financial management systems are several applications which will undergo a thorough review.

FINANCIAL INFORMATION

The City's management staff is responsible for establishing and maintaining internal controls that safeguard the assets of the government from loss, theft, or misuse and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits and that the evaluation of costs and benefits is subject to management estimates and judgments.

Budgetary Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the majority of the funds are included in the annual appropriated budget. Expenditure activities for certain funds are not considered during the annual budget process due to their reliance on revenues received. The level of budgetary control, at which expenditures in budgeted funds cannot legally exceed the budgeted amount, is at the departmental level. Budgetary control within each department is monitored at the major object level (employee salaries and benefits, services and supplies, other charges and capital assets) This means that the expenditures cannot legally exceed the amount appropriated by the City Council. If necessary, staff recommends budgetary changes each calendar quarter as part of the quarterly financial status report to the City Council.

The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Cash Management

Temporarily idle cash was invested in accordance with the California Government Code Section 53600 (et seq.) and the City's Investment Policy. During the fiscal year ended June 30, 2006, the City invested in demand deposits (checking accounts), medium-term corporate notes, U.S government securities, certificates of deposit, Local Agency Investment Fund (the State external investment pool), and the Placer County external investment pool. The City earned interest revenues of \$311,466 with an average yield of 3.84% on all investments for the fiscal year ended June 30, 2006.

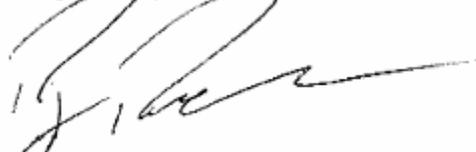
ACKNOWLEDGEMENTS

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Administrative Services Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. It should be mentioned that this is the first year the City has prepared the CAFR document – the preparation and research for which was a considerable undertaking.

In addition, staff in all City departments should be recognized for their timely and positive response to the requests for detailed information necessary to prepare the annual audit. The role of Bartig, Basler & Ray LLP Certified Public Accountants should also be acknowledged as a significant contribution.

Finally, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Robert Richardson
City Manager

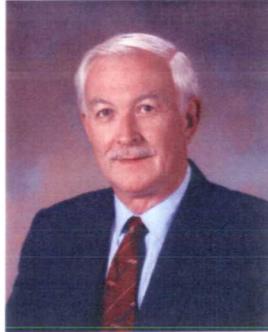


Andy Heath
Director of Administrative Services



City of Auburn Mayor & City Council
To contact Council Members by mail, send to:
1225 Lincoln Way, Auburn, CA 95603

2006



Mayor
Mike Holmes
njrhs@inreach.com

530-889-2780



Mayor Pro-Tem
Bob Snyder
snyder@jps.net

530-889-1989



Kevin Hanley
hanleykh@jps.net

530-906-1042



Keith Nesbitt
Mr.auburn@sbcglobal.net

530-320-2325



Bridgett Powers
bpowers@ortc.com

916-835-4565

CITY CLERK
Joe Labrie

**RESIDENTS
OF AUBURN**



**CITY
TREASURER**
George Williams

**AUBURN URBAN
DEVELOPMENT
AUTHORITY**

MAYOR & CITY COUNCIL
Mike Holmes, Mayor
Bob Snyder, Mayor Pro-Tem
Keith Nesbitt
Kevin Hanley
Bridget Powers

BOARDS & COMMISSIONS
Planning Commissions
Economic Development Commission
Historic Design Review Commission
Arts Commission
Telecommunications Commission

CITY ATTORNEY
Michael Colantuono

CITY MANAGER
Robert Richardson

**COMMUNITY
SERVICES**
Community
Development Director
Will Wong
Airport Manager
Jerry Martin

**CAPITAL
MAINTENANCE**
Public Works
Director
Jack Warren

**PUBLIC
SAFETY**
Police Chief
Valerie Harris
Fire Chief
Mark D'Ambrogi

**GENERAL
GOVERNMENT**
Administrative
Services Director
Andrew Heath

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2006

Financial Section



INDEPENDENT AUDITOR'S REPORT

City Council
City of Auburn
Auburn, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn, California (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Auburn, California. Our responsibility is to express an opinion 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinion.

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 aggregate remaining fund information of the City of Auburn, California, as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City Council
City of Auburn, CA

The Management's Discussion and Analysis (MD & A) and the required supplementary information, as listed 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company



Roseville, CA
August 30, 2006

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

Management's Discussion and Analysis

This section of the City of Auburn's (City) Comprehensive Annual Financial Report presents a discussion of the City's financial performance during the year ended June 30, 2006. Please read it in conjunction with the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the 2005-2006 fiscal year by \$39,567,455 (*net assets*). Of this amount, \$6,907,000 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$5,649,645 is restricted for capital projects, debt service and legally segregated taxes, grants and fees.
- As of June 30, 2006, the City governmental funds reported combined fund balances of \$10,711,320. Approximately 78% of the combined fund balances, \$8,344,580 is available to meet the City's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved, designated for economic uncertainty fund balance for the General Fund was \$2,250,000, or 25% of total General Fund expenditures (adjusted for initial pension bond outlay).
- The City's long-term obligations increased by \$4,532,952 compared to the prior year. The net increase occurred primarily as a result of issuing \$4,965,000 in pension obligation bonds and a \$352,000 capital lease-purchase financing of a Type III Fire Truck.
- The City's General Fund balance of \$5,230,165 as of June 30, 2006 was \$356,892 higher than that reported for the 2004-05 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 Basic Financial Statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all City assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

The *Statement of Activities* presents information showing how 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 result in cash flows in future fiscal periods, (e.g. uncollected taxes and earned but unused annual vacation and sick leave).

Both of these 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 in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, transportation and community development. The business-type activities of the City include an airport and wastewater treatment operating facility. The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Auburn Urban Development (redevelopment) Authority.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like any other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary 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 funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. The City considers revenue to be available if it is collected within 60 days after the fiscal year end.

Because the focus of 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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and Transit Fund, which are considered to be major funds. The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects funds). Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The governmental funds financial statements can be found on pages 21-24 of this report.

Proprietary funds are generally used to account for services for which the City charges customers – either outside customers (enterprise funds), or internal units of departments within the City (internal service funds). Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Proprietary 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 the Auburn Airport and the Wastewater Treatment Facility. The City has no internal service funds.

The proprietary funds financial statements can be found on pages 25-28 of this report.

Fiduciary funds are used to account for resources held for the benefit of the City's employees and parties outside the government. The City's private purpose trust and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary funds financial statements can be found on pages 29-30 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 31-58 of this report.

Required Supplementary Information presents certain required supplementary information other than this discussion and analysis. Required information includes a schedule of funding progress towards the City's obligation to provide pension benefits to its employees and the budgetary comparison schedules for the City's general fund and major special revenue fund.

The required supplemental information can be found on pages 59-63 of this report.

The combining and individual fund statements and schedules for non-major governmental funds and the budgetary comparison schedule for the City's major enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 65-123 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net assets and changes in net assets of the City as a whole.

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

Governmental Activities

**Table 1
Governmental Net Assets
June 30,**

	2006	2005
Current and other assets	\$ 16,900,104	\$ 10,644,226
Capital assets	12,957,384	11,995,672
Total assets	29,857,488	22,639,898
Current and other liabilities	2,818,453	1,149,463
Long-term liabilities	6,979,072	3,435,819
Total liabilities	9,797,525	4,885,282
Net assets:		
Invested in capital assets, net of related debt	12,112,065	11,455,672
Restricted net assets	5,607,805	2,472,114
Unrestricted net assets	2,340,093	3,826,830
Total net assets	\$ 20,059,963	\$ 17,754,616

The City's governmental net assets amounted to \$20 million as of June 30, 2006, an increase of \$2.3 million over fiscal year ended 2005. This increase is the change in net assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net assets as of June 30, 2006, comprised the following:

- Cash and investments comprised \$8.2 million in the City treasury, \$1.2 million of which is restricted in use. Substantially all of these amounts were held in short to medium term investments in governmental securities and corporate notes, as detailed in Note 2 to the financial statements.
- Current accounts, taxes and interest receivable comprised \$1.2 million.
- Prepaid expenses comprised \$1.6 million, the majority of which has been prepaid for expenses related to the Auburn School Park Preserve Project and is expected to be recovered via various grants and donations as the work is completed.
- A net pension asset resulting from the issuance of pension obligation bonds comprised \$4.8 million.
- Capital assets of \$13 million, net of depreciation charges, which does not include all of the City's infrastructure, but does include all other City assets.
- Current liabilities, including accounts and interest payable, deposits and unearned revenues, comprised \$1.2 million.
- Long-term liabilities, including a \$1.6 million landfill post-closure cost, comprised \$8.6 million.

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

- Net assets invested in capital assets net of related debt of \$12.1 million, representing the City's investment in infrastructure and other capital assets used in Governmental activities, net of amounts borrowed to finance that investment.
- Restricted assets totaling \$5.6 million, which may be used only to construct specified capital projects, debt service, or for public safety, transportation and community development projects.
- Unrestricted net assets are part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had \$2.3 million of unrestricted net assets as of June 30, 2006. While these assets are technically unrestricted, most of these assets are designated for a specific use.

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

The following table indicates the changes in governmental net assets:

Table 2
Governmental Statement of Activities
For the year ended June 30,

	2006	2005
Revenues:		
<i>Program Revenues:</i>		
Fees, fines and charges for services	\$ 1,575,424	\$ 2,081,966
Operating grants and contributions	2,378,837	1,483,658
Capital grants and contributions	684,447	201,773
	4,638,708	3,767,397
 <i>General Revenues:</i>		
Property taxes	3,682,204	3,256,499
Sales and use taxes	2,922,367	2,605,488
Other taxes	1,328,748	1,050,935
Franchise fees	620,185	599,725
Rents	297,896	316,959
Unrestricted interest and investment earnings	198,507	153,018
Miscellaneous	33,988	-
	9,083,895	7,982,624
 Total Revenues	13,722,603	11,750,021
 Expenses:		
General government	1,783,691	2,058,232
Public Safety	5,385,966	4,745,520
Transportation	2,691,900	1,136,527
Community development	1,483,471	852,264
Recreation and culture	18,308	96,251
Interest on long-term debt	50,740	48,009
	11,414,076	8,936,803
 Total Expenses	11,414,076	8,936,803
 Excess (deficiency) before transfers	2,308,527	2,813,218
Transfers	(3,180)	135,186
	2,305,347	2,948,404
 Change in Net Assets	2,305,347	2,948,404
Net Assets, Beginning	17,754,616	14,806,212
Net Assets, Ending	\$ 20,059,963	\$ 17,754,616

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

As Table 2 above shows, \$4.6 million, or 34% of the City's fiscal year 2005-06 revenue derived from the program revenues, while \$9.1 million, or 66%, derived from general revenues such as taxes and interest. Program revenues are composed of fees, fines and charges for service of \$1.6 million that include permit revenues, fees and charges used to fund expenses incurred in providing services; and \$2.4 million of operating grants and contributions which include gas tax, transportation development allocations and public safety allocations and grants.

General revenues are not allocable to programs, but are used to pay for the net costs of governmental programs.

Business-type Activities

Proprietary funds. The City's proprietary enterprise funds provide the same type of information found in the government-wide statements, but in more detail.

Table 3
Business-Type Net Assets
June 30,

	<u>2006</u>	<u>2005</u>
Current assets	\$ 4,912,406	\$ 4,820,491
Other assets	711,207	736,226
Capital assets	19,264,584	19,531,192
Total assets	24,888,197	25,087,909
Current and other liabilities	669,315	712,620
Non-current liabilities	4,711,390	5,057,373
Total liabilities	5,380,705	5,769,993
Net assets:		
Invested in capital assets, net of related debt	14,898,745	14,150,118
Restricted net assets	41,840	41,840
Unrestricted net assets	4,566,907	5,125,958
Total net assets	\$ 19,507,492	\$ 19,317,916

The City's business-type net assets amounted to \$19.5 million as of June 30, 2006, relatively unchanged since fiscal year ended 2005. The slight increase in the change in net assets experienced in the business-type funds occurred primarily as a result of making debt service payments for both the Airport and Sewer operations.

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

The following table shows actual revenues, expenses and results of operations for the current fiscal year ended June 30, 2006:

Table 4
Business-Type
Statement of Revenues, Expenses and Changes in Net Assets

	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 113,472	\$ 2,941,471	\$ 3,054,943
Operating expenses	<u>(700,094)</u>	<u>(2,805,808)</u>	<u>(3,505,902)</u>
Operating income (loss)	(586,622)	135,663	(450,959)
Non-operating revenues (expenses), net	297,762	80,386	378,148
Net income (loss) before contributions and transfers	<u>(288,860)</u>	<u>216,049</u>	<u>(72,811)</u>
Transfers in (out)	3,180	-	3,180
Capital contributions	<u>238,136</u>	<u>-</u>	<u>238,136</u>
Change in Net Assets	<u>\$ (47,544)</u>	<u>\$ 216,049</u>	<u>\$ 168,505</u>

As reflected in Table 4 above and in the business-type Statement of Revenues, Expenses and Changes in Fund Net Assets, the total assets for both the Airport and Sewer programs combined increased by \$168,000 during Fiscal Year 2005-06. The Airport experienced a \$47,000 decrease in net assets, primarily as a result of incurring one-time costs associated with the relocation and refurbishment of airport management offices.

Net assets in the City's Sewer Fund increased by \$216,000 during Fiscal Year 2005-06. Net assets in the City's Sewer Fund continue to rise, but are doing so at a marginally declining rate. Costs to operate the Sewer Facility are expected to continue rising.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CITY OF AUBURN

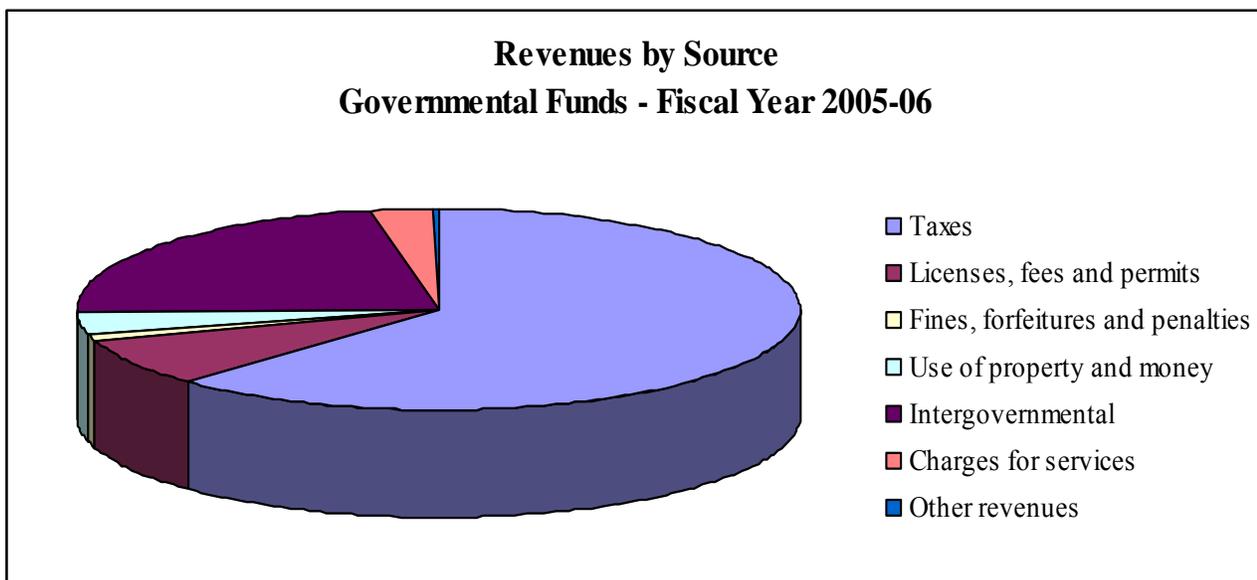
Management Discussion and Analysis
June 30, 2006

The following table presents the amount of revenue from various sources:

Table 5
Revenues Classified by Source
Governmental Funds
For the Fiscal Years Ended June 30,

Revenues by Source	2006	2005	% Change
Taxes	\$ 8,553,504	\$ 8,096,974	5.6%
Licenses, fees and permits (1)	1,065,241	1,114,193	-4.4%
Fines, forfeitures and penalties (2)	121,808	134,882	-9.7%
Use of money and property	496,403	471,087	5.4%
Intergovernmental (3)	3,063,284	1,583,310	93.5%
Charges for services	388,375	334,879	16.0%
Other revenues	33,988	25,688	32.3%
Total Revenues	\$ 13,722,603	\$ 11,761,013	16.7%

- (1) Decreased due to reduction in City impact development fees collected during the 2005-06 fiscal year as compared to the previous fiscal year.
- (2) Fines, forfeitures and penalties decreased due to reduction in parking and traffic citation revenue during the 2005-06 fiscal year as compared to the previous fiscal year.
- (3) Intergovernmental revenues increased due to increased allocations of transportation-related revenues, and the one-time receipt of traffic safety and capital project grant revenues.



CITY OF AUBURN

Management Discussion and Analysis
June 30, 2006

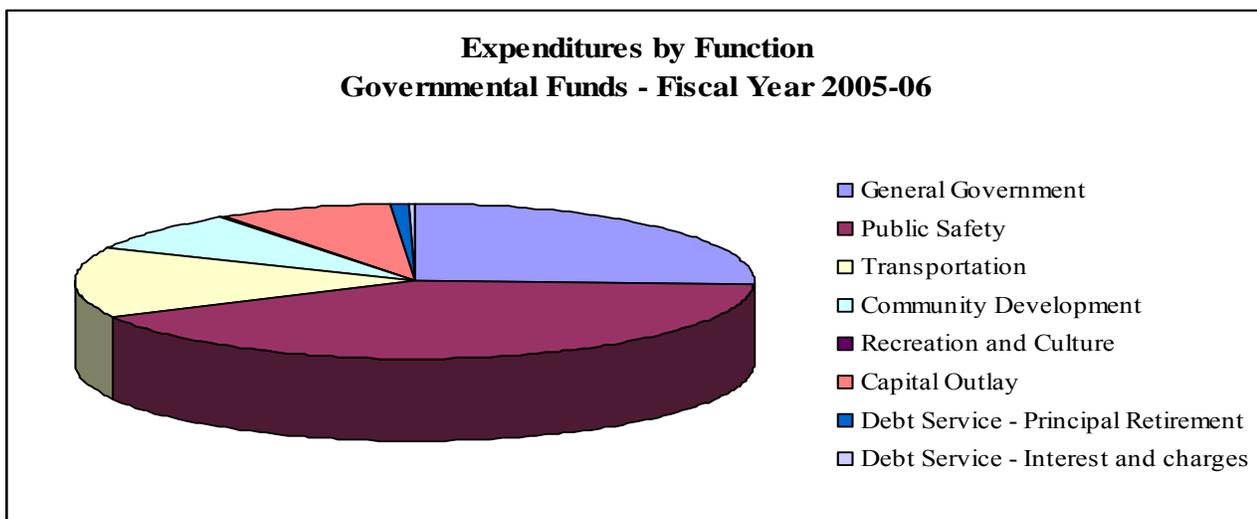
The following table presents expenditures by function:

**Table 6
Expenditures by Function
Governmental Funds
For the Fiscal Years Ended June 30,**

Expenditures by Function	2006	2005	% Change
General government	\$ 4,500,812	\$ 1,705,245	163.9 %
Public safety	7,313,153	4,606,218	58.8 %
Transportation	2,521,915	2,100,278	20.1 %
Community development	1,492,402	1,062,079	40.5 %
Recreation and culture	18,308	-	100.0 %
Capital outlay	1,477,368	1,345,115	9.8 %
Debt service – Principal retirement	157,725	146,282	7.8 %
Debt service – Interest and charges	38,181	48,009	(20.5)%
Total Expenditures	\$ 17,519,864	\$ 11,013,226	59.1 %

The \$6.5 million increase in general government expenditures during the 2005-06 fiscal year can be primarily attributed to the following:

- \$4,965,000 payment of bond proceeds to the State of California Public Employees Retirement System (CalPERS) to settle the outstanding unfunded actuarial accrued liability; and
- \$352,000 payment of capital lease proceeds towards the purchase of a fire truck.



CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

The **General Fund** is the main operating fund of the City, and accounts for general operations including public safety, community development, and administration. At June 30, 2006, unreserved fund balance of the general fund was \$2.87 million while fund balance totaled \$5.2 million. As measures of the General Fund's ability to meet operating expenditures, it is useful to note that unreserved fund balance represents 30% percent of total General Fund expenditures, while total fund balance represents 55% percent of the same amount.

The **Transit Fund** is a major fund that accounts for operations of the City's transit system, in operation since 1978. The Auburn Transit System provides citizens with a convenient, attractive and economical alternative to automobiles and increases the mobility of young, elderly, economically disadvantaged and handicapped persons. The Auburn Transit System is funded primarily through Transportation Development Act (TDA) funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7
Capital Assets at End of Fiscal Year

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land	\$ 350,000	\$ 350,000	\$ 2,874,395	\$ 2,827,430
Infrastructure	3,815,191	3,770,984	17,957,861	17,957,861
Buildings and improvements	5,230,205	5,230,205	-	-
Equipment	4,212,889	3,479,580	1,085,915	1,043,360
Construction in progress	3,522,048	2,823,389	2,463,492	2,223,332
Accumulated depreciation	(4,172,949)	(3,658,486)	(5,117,079)	(4,520,791)
Total	\$ 12,957,384	\$ 11,995,672	\$ 19,264,584	\$ 19,531,192

The City's investment in capital assets for its governmental type activities as of June 30, 2006 totaled approximately \$13 million (net of accumulated depreciation). The City's investment in capital assets for its business-type activities as of June 30, 2006 totaled approximately \$19.3 million (net of accumulated depreciation). The investment in capital assets includes land, infrastructure, buildings and improvements, equipment and construction in progress.

Major capital asset events during the fiscal year ended June 30, 2006 include:

- Auburn Multi-modal Rail Station (completed project and capitalized asset)
- City of Auburn Corporation Yard Remodel (completed project)

CITY OF AUBURN

Management Discussion and Analysis June 30, 2006

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

Debt Administration

The following schedule shows the changes in long-term debt for the fiscal year ended June 30, 2006.

**Table 8
Long-Term Debt**

	<u>Balance July 1, 2005</u>	<u>Incurred</u>	<u>Retired</u>	<u>Balance June 30, 2006</u>
Governmental Activities				
General obligation bonds	\$ 540,000	\$ -	\$ (120,000)	\$ 420,000
Pension obligation bonds	-	4,965,000	-	4,965,000
Notes payable	79,888	-	(11,308)	68,580
Due to other agencies	109,427	-	(25,306)	84,121
Capital leases	9,556	352,000	(4,817)	356,739
Compensated absences	937,016	147,616	-	1,084,632
Landfill closure costs	1,759,932	-	(176,711)	1,583,221
Total Governmental Activity	<u>\$ 3,435,819</u>	<u>\$ 5,464,616</u>	<u>\$ (338,142)</u>	<u>\$ 8,562,293</u>
	<u>Balance</u>	<u>Incurred</u>	<u>Retired</u>	<u>Balance</u>
	<u>July 1, 2005</u>	<u>Incurred</u>	<u>Retired</u>	<u>June 30, 2006</u>
Business-Type Activities				
Notes payable	\$ 5,381,074	\$ -	\$ (345,868)	\$ 5,035,206
Compensated absences	25,077	2,223	-	27,300
Total Business-type Activity	<u>\$ 5,406,151</u>	<u>\$ 2,223</u>	<u>\$ (345,868)</u>	<u>\$ 5,062,506</u>

The City's total debt increased by approximately \$4.8 million, primarily as a result of issuing pension obligation bonds related to settlement of the City's unfunded actuarial accrued liability (for both the safety and miscellaneous pension plans).

Additional information on the City's long-term debt is presented in Note 5 to the financial statements.

CITY OF AUBURN

Management Discussion and Analysis
June 30, 2006

GENERAL FUND BUDGETARY VARIANCES

In January (mid-year) and April (3rd quarter) 2006, the City underwent budget reviews, and certain adjustments were made at those times. The general fund total revenue budget increased by approximately \$420,000, while the general fund expenditure budget increased by \$350,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

With the exception of the fiscal year ending June 30, 2002, the City's General Fund has sustained substantial gains in sales tax revenues generated over the past ten fiscal years. Our overall assessment is that Sales Tax revenue collections have, and will continue to, improve in future fiscal periods. Similarly, continued increases in residential housing development coupled with increases in assessed valuations have resulted in historically high regional growth in property tax revenues during the past three fiscal years. Indications are that this growth in property tax assessed valuation will continue into fiscal year 2006-07. Together these two tax revenues account for 68% of the operating revenues available to the City's General Fund.

As part of their strategy to balance the State Budget, the Legislature, in July 2004, enacted a "tax swap" plan whereby one-quarter of sales taxes due to local municipalities (like the City) would be retained by the State of California, in exchange for equal amounts of property tax revenues that would otherwise have been used to fund local school districts (Education Revenue Augmentation Funding). This plan has been labeled the "Triple Flip." Notwithstanding the "revenue neutrality" design of this tax exchange plan, the City will continue to exchange one-quarter of the monthly (sales tax) revenue collections for semi-annual (property tax) revenue payments. Depending on the ongoing operating requirements of the City, this change in funding sources could result in an adverse impact on the City's "cash flows" necessary to provide basic services. The genesis of the tax exchange was tied directly to the State's issuance of "deficit funding" bonds to balance the State's budget for fiscal year 2003-04.

At this time, the City's overall financial condition remains sound, and adequate cash reserves are maintained to meet the long term debt service and equipment replacement requirements. All of the above factors were considered in preparing the City budget for the 2006-07 fiscal year.

During the 2005-06 fiscal year, fund balance in the City's general fund increased by \$357,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Auburn, Office of the Administrative Services Director
1225 Lincoln Way, Room 1, Auburn, CA 95603
(530) 823-4211 extension 110

Or, you may visit the City's website at www.auburn.ca.us for contact information.

THIS PAGE INTENTIONALLY LEFT BLANK

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2006

Basic Financial Statements
Government-Wide Financial Statements

CITY OF AUBURN

Statement of Net Assets June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and investments	\$ 6,992,361	\$ 4,786,813	\$ 11,779,174
Restricted cash	1,255,656	41,840	1,297,496
Insurance deposits	761,104	--	761,104
Accounts receivable	909,096	113,426	1,022,522
Interest receivable	27	--	27
Taxes receivable	49,810	--	49,810
Loans receivable	257,824	--	257,824
Deferred costs	131,076	669,367	800,443
Prepaid expenses	1,605,386	12,167	1,617,553
Internal balances	103,840	(103,840)	--
Net pension asset	4,833,924	--	4,833,924
Capital assets:			
Nondepreciable	3,872,048	5,337,887	9,209,935
Depreciable, net	9,085,336	13,926,697	23,012,033
Total assets	<u>\$ 29,857,488</u>	<u>\$ 24,784,357</u>	<u>\$ 54,641,845</u>
Liabilities			
Accounts payable	\$ 508,431	\$ 160,893	\$ 669,324
Deposits	130,138	29,190	159,328
Interest payable	11,448	24,276	35,724
Unearned revenue	585,215	--	585,215
Closure/post closure liability	1,583,221	--	1,583,221
Long-term liabilities			
Due within one year	575,681	351,116	926,797
Due in more than one year	6,403,391	4,711,390	11,114,781
Total liabilities	<u>9,797,525</u>	<u>5,276,865</u>	<u>15,074,390</u>
Net Assets			
Invested in capital assets, net of related debt	12,112,065	14,898,745	27,010,810
Restricted for:			
Public safety	2,012,962	--	2,012,962
Transportation projects	611,569	--	611,569
Community resources & facilities	1,665,014	--	1,665,014
Capital projects	1,064,094	--	1,064,094
Debt service	254,166	--	254,166
Other	--	41,840	41,840
Unrestricted	2,340,093	4,566,907	6,907,000
Total net assets	<u>20,059,963</u>	<u>19,507,492</u>	<u>39,567,455</u>
Total liabilities and net assets	<u>\$ 29,857,488</u>	<u>\$ 24,784,357</u>	<u>\$ 54,641,845</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			
Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
Governmental Activities:				
General government	\$ 1,783,691	\$ 1,538,236	\$ 85,881	\$ 3,837
Public safety	5,385,966	9,660	637,568	--
Transportation	2,691,900	27,528	1,403,811	449,404
Community development	1,483,471	--	251,577	231,206
Recreation and culture	18,308	--	--	--
Interest on long-term debt	50,740	--	--	--
Total governmental activities	11,414,076	1,575,424	2,378,837	684,447
Business-Type Activities:				
Auburn Municipal Airport	774,459	113,472	--	238,136
Wastewater Treatment	2,852,847	2,941,471	--	--
Total business-type activities	3,627,306	3,054,943	--	238,136
Total primary government	\$ 15,041,382	\$ 4,630,367	\$ 2,378,837	\$ 922,583
General Revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
In-lieu sales taxes				
Franchise fees				
Other				
Rents				
Unrestricted interest and investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Prior period adjustment				
Net assets, end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (155,737)	\$ --	\$ (155,737)
(4,738,738)	--	(4,738,738)
(811,157)	--	(811,157)
(1,000,688)	--	(1,000,688)
(18,308)	--	(18,308)
(50,740)	--	(50,740)
<u>(6,775,368)</u>	<u>--</u>	<u>(6,775,368)</u>
--	(422,851)	(422,851)
--	88,624	88,624
<u>--</u>	<u>(334,227)</u>	<u>(334,227)</u>
<u>(6,775,368)</u>	<u>(334,227)</u>	<u>(7,109,595)</u>
3,682,204	41,764	3,723,968
2,922,367	--	2,922,367
980,145	--	980,145
620,185	--	620,185
348,603	--	348,603
297,896	331,784	629,680
198,507	126,004	324,511
33,988	--	33,988
(3,180)	3,180	--
<u>9,080,715</u>	<u>502,732</u>	<u>9,583,447</u>
2,305,347	168,505	2,473,852
17,754,616	19,317,916	37,072,532
--	21,071	21,071
<u>\$ 20,059,963</u>	<u>\$ 19,507,492</u>	<u>\$ 39,567,455</u>

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2006

Basic Financial Statements
Fund Financial Statements

CITY OF AUBURN

Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Transit Fund	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 2,384,276	\$ 178,754	\$ 4,429,331	\$ 6,992,361
Restricted cash	43,200	--	1,212,456	1,255,656
Insurance deposits	761,104	--	--	761,104
Accounts receivable	558,710	--	350,386	909,096
Interest receivable	27	--	--	27
Taxes receivable	--	--	49,810	49,810
Due from other funds	450,822	37,499	--	488,321
Loans receivable	--	--	257,824	257,824
Prepaid expenses	1,603,048	2,338	--	1,605,386
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,801,187</u>	<u>\$ 218,591</u>	<u>\$ 6,299,807</u>	<u>\$ 12,319,585</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 442,202	\$ 11,003	\$ 55,226	\$ 508,431
Deposits	128,820	--	1,318	130,138
Due to other funds	--	--	384,481	384,481
Unearned revenues	--	186,184	399,031	585,215
Total liabilities	<u>571,022</u>	<u>197,187</u>	<u>840,056</u>	<u>1,608,265</u>
 Fund balances:				
Reserved:				
Imprest cash	250	--	--	250
Prepaid expenses	1,603,048	2,338	--	1,605,386
Insurance deposits	761,104	--	--	761,104
Unreserved:				
Designated	2,462,000	--	--	2,462,000
Undesignated and reported in:				
General fund	403,763	--	--	403,763
Special revenue funds	--	19,066	4,167,229	4,186,295
Debt service funds	--	--	254,166	254,166
Capital projects funds	--	--	1,038,356	1,038,356
Total fund balances	<u>5,230,165</u>	<u>21,404</u>	<u>5,459,751</u>	<u>10,711,320</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 5,801,187</u>	<u>\$ 218,591</u>	<u>\$ 6,299,807</u>	<u>\$ 12,319,585</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2006

Fund Balance - total governmental funds	\$ 10,711,320
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 governmental funds.	12,957,384
Net pension assets and deferred costs in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,965,000
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.	(11,448)
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Bonds payable	(5,385,000)
Loan payable	(68,580)
Capital leases	(356,739)
Due to other agencies	(84,121)
Landfill closure costs	(1,583,221)
Compensated absences	<u>(1,084,632)</u>
Net assets of governmental activities	<u>\$ 20,059,963</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Transit Fund	Other Governmental	Total
Revenues				
Taxes	\$ 7,650,298	\$ --	\$ 903,206	\$ 8,553,504
Licenses and permits	507,080	--	558,161	1,065,241
Fines, forfeitures and penalties	121,808	--	--	121,808
Use of money and property	389,875	7,761	98,767	496,403
Intergovernmental	280,158	761,847	2,021,279	3,063,284
Charges for services	355,847	32,528	--	388,375
Other revenues	33,988	--	--	33,988
Total revenues	<u>9,339,054</u>	<u>802,136</u>	<u>3,581,413</u>	<u>13,722,603</u>
Expenditures				
Current:				
General government	4,500,812	--	--	4,500,812
Public safety	6,840,698	--	472,455	7,313,153
Transportation	1,764,287	384,175	373,453	2,521,915
Community development	921,685	--	570,717	1,492,402
Recreation and culture	--	--	18,308	18,308
Debt Service:				
Principal	--	--	157,725	157,725
Interest	--	--	38,181	38,181
Capital outlay	--	417,961	1,059,407	1,477,368
Total expenditures	<u>14,027,482</u>	<u>802,136</u>	<u>2,690,246</u>	<u>17,519,864</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,688,428)</u>	<u>--</u>	<u>891,167</u>	<u>(3,797,261)</u>
Other Financing Sources (Uses)				
Transfers in	100,000	--	123,873	223,873
Transfers out	(19,680)	--	(207,373)	(227,053)
Bonds issuance	4,965,000	--	--	4,965,000
Capital lease inception	--	--	352,000	352,000
Total other financing sources (uses)	<u>5,045,320</u>	<u>--</u>	<u>268,500</u>	<u>5,313,820</u>
Net change in fund balances	356,892	--	1,159,667	1,516,559
Fund balances, beginning of year	<u>4,873,273</u>	<u>21,404</u>	<u>4,300,084</u>	<u>9,194,761</u>
Fund balances, end of year	<u>\$ 5,230,165</u>	<u>\$ 21,404</u>	<u>\$ 5,459,751</u>	<u>\$ 10,711,320</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2006

Net change to fund balance - total governmental funds		\$ 1,516,559
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 is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	1,476,173	
Less: current year depreciation	<u>(514,463)</u>	961,710
<p>Governmental funds report the effect of the pension asset when first paid, whereas the amount is deferred and amortized in the statement of activities. This is the net amount during the year.</p>		
		4,833,924
<p>Long-term debt proceeds provide current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of of activities.</p>		
Debt issuance:		
Bonds payable	(4,965,000)	
Capital leases	<u>(352,000)</u>	(5,317,000)
Principal repayments:		
Bonds payable	120,000	
Loan payable	11,308	
Capital leases	4,817	
Due to other agencies	<u>25,306</u>	161,431
Bond issuance costs		131,076
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences	(147,616)	
Change in accrued landfill closure costs	176,711	
Change in accrued interest payable	<u>(11,448)</u>	
		<u>17,647</u>
Change in net assets of governmental activities		<u><u>\$ 2,305,347</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Statement of Fund Net Assets
Proprietary Funds
June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ --	\$ 4,786,813	\$ 4,786,813
Accounts receivable	523	112,903	113,426
Prepaid expenses	12,167	--	12,167
	<u>12,690</u>	<u>4,899,716</u>	<u>4,912,406</u>
Total current assets			
Noncurrent assets:			
Restricted cash	41,840	--	41,840
Deferred interest	--	669,367	669,367
Capital assets:			
Nondepreciable	5,024,293	313,594	5,337,887
Depreciable, net	5,308,342	8,618,355	13,926,697
	<u>5,308,342</u>	<u>8,618,355</u>	<u>13,926,697</u>
Total assets	<u>\$ 10,387,165</u>	<u>\$ 14,501,032</u>	<u>\$ 24,888,197</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 25,986	\$ 134,907	\$ 160,893
Deposits	29,190	--	29,190
Interest payable	24,276	--	24,276
Due to other funds	103,840	--	103,840
Compensated absences, current portion	4,086	2,958	7,044
Notes payable, current portion	61,838	282,234	344,072
	<u>61,838</u>	<u>282,234</u>	<u>344,072</u>
Total current liabilities	249,216	420,099	669,315
Noncurrent liabilities:			
Compensated absences	12,900	7,356	20,256
Notes payable	957,244	3,733,890	4,691,134
	<u>957,244</u>	<u>3,733,890</u>	<u>4,691,134</u>
Total liabilities	<u>1,219,360</u>	<u>4,161,345</u>	<u>5,380,705</u>
Net Assets			
Invested in capital assets, net of related debt	9,313,553	5,585,192	14,898,745
Restricted	41,840	--	41,840
Unrestricted	(187,588)	4,754,495	4,566,907
	<u>9,167,805</u>	<u>10,339,687</u>	<u>19,507,492</u>
Total net assets			
Total liabilities and net assets	<u>\$ 10,387,165</u>	<u>\$ 14,501,032</u>	<u>\$ 24,888,197</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 105,722	\$ 2,941,471	\$ 3,047,193
Other revenues	7,750	--	7,750
Total operating revenues	<u>113,472</u>	<u>2,941,471</u>	<u>3,054,943</u>
Operating Expenses:			
Salaries and benefits	104,339	139,992	244,331
Services and supplies	116,318	1,726,790	1,843,108
Maintenance	199,950	622,225	822,175
Depreciation	279,487	316,801	596,288
Total operating expenses	<u>700,094</u>	<u>2,805,808</u>	<u>3,505,902</u>
Operating income (loss)	<u>(586,622)</u>	<u>135,663</u>	<u>(450,959)</u>
Nonoperating Revenues (Expenses):			
Taxes	41,764	--	41,764
Rents	331,784	--	331,784
Interest revenue	(1,421)	127,425	126,004
Interest expense	(74,365)	(47,039)	(121,404)
Total nonoperating revenues (expenses)	<u>297,762</u>	<u>80,386</u>	<u>378,148</u>
Income (Loss) Before Capital Contributions and Transfers	(288,860)	216,049	(72,811)
Capital contributions	238,136	--	238,136
Transfers in	3,180	--	3,180
Change in net assets	(47,544)	216,049	168,505
Net assets, beginning of year	9,215,349	10,102,567	19,317,916
Prior period adjustment	--	21,071	21,071
Net assets, end of year	<u>\$ 9,167,805</u>	<u>\$ 10,339,687</u>	<u>\$ 19,507,492</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 114,568	\$ 2,951,227	\$ 3,065,795
Cash paid to suppliers for goods and services	(324,322)	(2,275,891)	(2,600,213)
Cash paid to employees for salaries and benefits	(103,759)	(138,349)	(242,108)
Net cash provided (used) by operating activities	<u>(313,513)</u>	<u>536,987</u>	<u>223,474</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Taxes received	41,764	--	41,764
Cash received from other funds	3,180	--	3,180
Cash paid to other funds	(93,385)	--	(93,385)
Net cash provided (used) by noncapital financing activities	<u>(48,441)</u>	<u>--</u>	<u>(48,441)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants	238,136	--	238,136
Principal paid on notes payable	(63,634)	(282,234)	(345,868)
Interest payments on notes payable	(50,089)	--	(50,089)
Acquisition of capital assets	(91,872)	(237,808)	(329,680)
Net cash provided (used) by capital and related financing activities	<u>32,541</u>	<u>(520,042)</u>	<u>(487,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Rents received	331,784	--	331,784
Interest on investments	(1,421)	127,426	126,005
Net cash provided by investing activities	<u>330,363</u>	<u>127,426</u>	<u>457,789</u>
Net Increase (Decrease) in Cash and Cash Equivalents	950	144,371	145,321
Cash and cash equivalents, beginning of year	<u>40,890</u>	<u>4,642,442</u>	<u>4,683,332</u>
Cash and cash equivalents, end of year	<u><u>\$ 41,840</u></u>	<u><u>\$ 4,786,813</u></u>	<u><u>\$ 4,828,653</u></u>

The accompanying notes are an integral part of these financial statements.

continued

CITY OF AUBURN

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds		
	Airport	Sewer	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (586,622)	\$ 135,663	\$ (450,959)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	279,487	316,801	596,288
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	1,896	9,756	11,652
Prepaid expense	(12,167)	--	(12,167)
Increase (decrease) in:			
Accounts payable	4,113	73,124	77,237
Deposits	(800)	--	(800)
Compensated absences	580	1,643	2,223
	<u>\$ (313,513)</u>	<u>\$ 536,987</u>	<u>\$ 223,474</u>
Net Cash Provided (Used) by Operating Activities			
	<u>\$ (313,513)</u>	<u>\$ 536,987</u>	<u>\$ 223,474</u>
Noncash investing, capital and financing activities:			
Amortization of deferred interest	\$ --	\$ 47,081	\$ 47,081
	<u>\$ --</u>	<u>\$ 47,081</u>	<u>\$ 47,081</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Current Assets:		
Cash and investments	\$ 22,454	\$ 95,482
Accounts receivable	--	7,102
	<u> </u>	<u> </u>
Total assets	<u>\$ 22,454</u>	<u>\$ 102,584</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ --	\$ 34,892
Agency obligations	--	67,692
	<u> </u>	<u> </u>
Total liabilities	--	102,584
Net Assets		
Net assets held in trust for other purposes	<u>22,454</u>	<u>--</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 22,454</u>	<u>\$ 102,584</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AUBURN

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2006

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Interest and investment income	\$ 571
DEDUCTIONS:	
Distributions to participants	<u>--</u>
Change in net assets	571
Net assets, beginning of year	<u>21,883</u>
Net assets, end of year	<u><u>\$ 22,454</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

The notes provided in the financial section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of significant accounting policies for the City, and other necessary disclosure of pertinent matters relating to the financial position of the City. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

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

A. The Financial Reporting Entity

The City of Auburn (City), California was incorporated in 1888. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture-recreation, public improvements, planning and zoning and general administration services.

The financial statements presented herein include all of the funds relevant to the operations of the City. The City's fiscal year begins July 1 and ends on June 30.

The accounting methods and procedures adopted by the City of Auburn conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under criteria set by Government Accounting Standards Board (GASB) Statement No. 14. Reporting for component units on the City's financial statements can be blended or discretely presented. Blended component units, although legally separate entities are, in substance, part of government's operations. Blended component units are an extension of the City and so data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City.

Blended Component Units

Auburn Urban Development Authority is a blended component unit because it is governed by a five-member board composed of the four city council members and the mayor. The Authority is a public instrumentality, organized and existing pursuant to the laws of the State of California for the purpose of eliminating blight through the process of redevelopment. Financial statements of the Authority can be obtained from the City of Auburn Finance Department, 1225 Lincoln Way, Auburn, CA 95603.

Discretely Presented Component Units

There are no component units of the City which meet the criteria for discrete presentation.

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental 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 charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted net assets are used only after restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. *Nonoperating* revenues, such as subsidies and investment earnings, result from

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

B. **Basis of Presentation** (continued)

Fund Financial Statements (continued)

nonexchange transactions or ancillary activities. All revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating.

The City reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as general government, public safety, public ways and facilities, community development, health and sanitation and culture-recreation services.
- The *Transit Fund* is used to account for all revenues and expenditures necessary to provide public transit services and to construct and maintain transit related facilities and infrastructure.

The City reports the following major enterprise funds:

- The *Airport Fund* was established to account for the operation and maintenance of the City's general aviation airport serving recreation, commuter, limited air cargo and public safety needs.
- The *Sewer Fund* was established to account for the building, operating and maintaining of the City's sewer treatment plant and collection system.

The City reports the following additional fund types:

- *Private Purpose Trust Funds* account for property held under trust agreements under which principal and income benefit individuals, private organizations or other governments.
- The *Agency Funds* account for assets held by the City as an agent for various local governments and other entities.

C. **Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

C. **Basis of Accounting** (continued)

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and capital leases are reported as other financial sources.

For its business-type activities and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes Generally Accepted Accounting Principles (GAAP) for governmental units.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

D. **Implementation of Government Accounting Standards Board Statements**

GASB Statement No. 42

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB No. 42 is effective for the fiscal year ended June 30, 2006.

GASB Statement No. 44

GASB Statement No. 44 guides the preparation of supplementary information included in the statistical section. This new statement provides specific requirements for the information presented in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and will enhance comparability among governments presenting a statistical section. GASB No. 44 is effective for the fiscal year ended June 30, 2006.

E. **Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Interest from bank accounts and investments are allocated to the various funds based on average balances of the funds entitled to receive interest.

Except for investments in external investment pools, the City has stated required investments at fair values as required by GASB Statement No. 31. Fair value is based on published market prices and quotations from major investment brokers. Investments in external investment pools are stated at amortized cost, which approximately fair value.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments, including restricted cash and investments, with original maturity of three months or less and amounts held in the City’s investment pool to be cash and cash equivalents.

F. **Accounts Receivable and Unearned Revenue**

Receivables consist mostly of property taxes, sales taxes, franchise fees, grants and utility billings. Management believes its receivables are fully collectible and, accordingly, no allowances for doubtful accounts is required.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

F. Accounts Receivable and Unearned Revenue (continued)

The City reports unearned revenue on its financial statements. Unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability unearned revenue is removed from the financial statements and revenue is recognized.

G. Prepays

Certain payments made to vendors reflect costs applicable to future accounting periods and are reported as prepays in both the government-wide and fund financial statements. Prepaid items as reported in the financial statements are offset by a reservation of fund balance for noncurrent assets in government funds to indicate that they do not constitute resources available for appropriation.

H. Capital Assets

Capital assets (including infrastructure) are recorded at historical or estimated cost. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control.

The City’s policy is to capitalize all capital assets with a cost of \$5,000 or more and having an estimated useful life greater than one year. The straight-line method of depreciation is used for capital assets and infrastructure.

Maintenance and repairs are charged to expense as incurred. Significant renewals or betterments are capitalized and depreciated over their estimated useful lives. Costs incurred for major improvements or construction of capital assets are carried in construction in progress until the project is completed at which time cost related to the project are capitalized.

The estimated useful lives are as follows:

Infrastructure	40 years
Buildings and improvements	40 years
Equipment	5 to 10 years

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

H. **Capital Assets** (continued)

The City has five networks of infrastructure assets – roads, water/sewer, lighting, drainage, and flood control.

I. **Compensated Absences**

Employees accrue vacation, sick and compensatory time off benefits. An employee may accumulate vacation time equal to the amount that can be earned in a two-year period. Vacation pay is paid upon separation of service or retirement. Sick leave benefits may be applied to earlier retirement. Upon termination, sick leave benefits in excess of a specified maximum are paid.

All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund statements. In governmental funds, the cost of vacation and sick leave benefits is recognized when payments are made to employees.

J. **Interfund Balances**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivable and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/due from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, are reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

K. **Property Tax Revenues**

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on July 1st and are payable in two installments on December 10th and April 10th.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

K. Property Tax Revenues (continued)

The County of Placer is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due provided they are collected within 60 days after year-end.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property and assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments, penalties and interest during a fiscal year will revert to the County.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: **Cash and Investments**

The City's deposit and investment balances as of June 30, 2006, consisted of the following:

Cash on hand	\$	250
Deposits		2,183,788
Investments		<u>11,010,568</u>
Total Cash and Investments	\$	<u><u>13,194,606</u></u>

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 2: **Cash and Investments** (continued)

Total cash and investments were classified and reported on the City's financial statements as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Cash and Investments</u>
Governmental activities	\$ 6,992,361	\$ 1,255,656	\$ 8,248,017
Business-type activities	4,786,813	41,840	4,828,653
Fiduciary funds	117,936	--	117,936
	<u>11,897,110</u>	<u>1,297,496</u>	<u>13,194,606</u>
Total Cash and Investments	<u>\$ 11,897,110</u>	<u>\$ 1,297,496</u>	<u>\$ 13,194,606</u>

Custodial Credit Risk of Cash Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure the City's cash deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

At June 30, 2006, the recorded amount of the City's deposits was \$2,183,788 and the bank balance was \$2,463,445. The entire bank balance was covered by Federal Depository Insurance Corporation (FDIC) or the multiple financial institution collateral pool that insures public deposits.

Investments

The City invests monies through pooling of monies. The pooling of monies, referred to as an internal investment pool, is theoretically invested on the whole and not as a combination of monies from each fund belonging to the pool. In this manner, the City's Treasurer is able to invest the monies at a higher interest rate for a longer period of time. Interest revenue is apportioned quarterly to each fund in the pool based on the average cash balance of the fund for the quarter. The City investment pool is not registered with the Securities and Exchange Commission as an investment company.

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 2: **Cash and Investments** (continued)

Investments (continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code or the City's investment policy, where more restrictive.

The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
City or City Agency Bonds	5 years	5%	5%
California State Bonds	5 years	5%	5%
Local Agency Bonds (CA only)	5 years	15%	5%
Banker's Acceptances	180 days	40%	30%
Commerical Paper	270 days	25%	10%
Negotiable Certificates of Deposit	180 days	30%	10%
Time deposits, under \$100,000	3 years	30%	10%
Time deposits, over \$100,000	18 months	30%	10%
Repurchase Agreements	10 days	30%	None
Reverse Repurchase Agreements	30 days	20% of base value	None
Medium Term Notes	3 years	30%	15%
Mutual Funds/Money Market Mutual Funds	N/A	15%	5%
Local Agency Investment Fund (LAIF)	N/A	None	None
Placer County Investment Pool	N/A	25%	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio, as well as limiting the weighted average maturity to 5 years or less.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 2: **Cash and Investments** (continued)

Investments (continued)

Disclosures Relating to Interest Rate Risk (continued)

Investment Type	Fair Value	Weighted Average Maturity (in years)
Investments in Investment Pool:		
Federal Agency Obligations	\$ 6,864,705	1.87
Corporate Obligations	3,464,740	0.78
Money Market Funds	14,189	0.00
Certificates of Deposit	504,246	0.18
Local Agency Investment Fund	135,031	0.00
Placer County Investment Pool	27,657	0.00
Portfolio Weighted Average Maturity	<u>\$ 11,010,568</u>	<u>1.42</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, and the actual rating as of year end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	S&P	Moody's	% of Portfolio
Investments in Investment Pool:					
Federal Home Loan Banks	\$ 3,928,135	N/A	AAA	Aaa	35.67%
Federal Farm Credit Banks	979,535	N/A	AAA	Aaa	8.90%
Federal National Mortgages	1,957,035	AA	AAA	Aaa	17.77%
Corporate Medium Term Note	991,870	A	AA-	Aa2	9.01%
Corporate Medium Term Note	986,630	A	A	A2	8.96%
Corporate Medium Term Note	498,495	A	AA-	Aa1	4.53%
Corporate Medium Term Note	500,105	A	AA-	Aa3	4.54%
Corporate Medium Term Note	487,640	A	A+	Aa3	4.43%
Money Market Funds	14,189	N/A	N/A	N/A	0.13%
Certificates of Deposit	504,246	N/A	N/A	N/A	4.58%
California Local Agency Investment Fund	135,031	N/A	N/A	N/A	1.23%
Placer County Investment Pool	27,657	N/A	N/A	N/A	0.25%
	<u>\$ 11,010,568</u>				<u>100.00%</u>

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 2: **Cash and Investments** (continued)

Investments (continued)

Concentrations of Credit Risk

The California Government Code and the investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) at June 30, 2006, did not exceed limits established by law or the City's investment policy.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2006, the City's investment pool had no securities exposed to custodial credit risk and there was no securities lending.

Investment in External Investment Pools

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by State statute. The value of the City's investment in this pool is reported in the accompanying financial statements at amortized cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2006, a total of \$63,481,426,759 was invested by all public agencies. Of that amount, 97.43% was invested in non-derivative products and 2.57% was invested in derivative type products consisting of structured notes and asset-backed securities.

The City is a participant in the Placer County Investment Pool. The Placer County Treasurer manages investments in the County pool. On a monthly basis, interest is allocated to participants based on average daily balances. The Placer County Treasury Oversight Committee oversees the Treasurer's investments and policies. Investments held in the County's investment pool are available on demand and are stated at amortized cost, which approximated fair value.

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 3: **Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 350,000	\$ --	\$ --	\$ --	\$ 350,000
Construction in process	2,823,389	698,659	--	--	3,522,048
Total capital assets, not being depreciated	<u>3,173,389</u>	<u>698,659</u>	<u>--</u>	<u>--</u>	<u>3,872,048</u>
Capital assets, being depreciated:					
Infrastructure	3,770,984	56,455	--	(12,248)	3,815,191
Building and improvements	5,230,205	--	--	--	5,230,205
Equipment	3,479,580	721,061	--	12,248	4,212,889
Total capital assets, being depreciated	<u>12,480,769</u>	<u>777,516</u>	<u>--</u>	<u>--</u>	<u>13,258,285</u>
Less accumulated depreciation for:					
Infrastructure	(10,861)	(53,151)	--	--	(64,012)
Building and improvements	(1,512,456)	(108,565)	--	--	(1,621,021)
Equipment	(2,135,169)	(352,747)	--	--	(2,487,916)
Total accumulated depreciation	<u>(3,658,486)</u>	<u>(514,463)</u>	<u>--</u>	<u>--</u>	<u>(4,172,949)</u>
Total capital assets, being depreciated, net	<u>8,822,283</u>	<u>263,053</u>	<u>--</u>	<u>--</u>	<u>9,085,336</u>
Governmental activities capital assets, net	<u>\$ 11,995,672</u>	<u>\$ 961,712</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,957,384</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,827,430	\$ 46,965	\$ --	\$ --	\$ 2,874,395
Construction in process	2,223,332	258,810	--	(18,650)	2,463,492
Total capital assets, not being depreciated	<u>5,050,762</u>	<u>305,775</u>	<u>--</u>	<u>(18,650)</u>	<u>5,337,887</u>
Capital assets, being depreciated:					
Infrastructure	17,957,861	--	--	--	17,957,861
Equipment	1,043,360	23,905	--	18,650	1,085,915
Total capital assets, being depreciated	<u>19,001,221</u>	<u>23,905</u>	<u>--</u>	<u>18,650</u>	<u>19,043,776</u>
Less accumulated depreciation for:					
Infrastructure	(3,681,813)	(546,788)	--	4,406	(4,224,195)
Equipment	(838,978)	(49,500)	--	(4,406)	(892,884)
Total accumulated depreciation	<u>(4,520,791)</u>	<u>(596,288)</u>	<u>--</u>	<u>--</u>	<u>(5,117,079)</u>
Total capital assets, being depreciated, net	<u>14,480,430</u>	<u>(572,383)</u>	<u>--</u>	<u>18,650</u>	<u>13,926,697</u>
Business-type activities capital assets, net	<u>\$ 19,531,192</u>	<u>\$ (266,608)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 19,264,584</u>

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 3: **Capital Assets** (continued)

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

Governmental activities:	
General government	\$ 85,608
Public safety	268,612
Transportation	160,243
Total depreciation expense - governmental activities	\$ 514,463
Business-type activities:	
Auburn Municipal Airport	\$ 279,487
Sewer	316,801
Total depreciation expense - business-type activities	\$ 596,288

Note 4: **Unearned Revenue**

Governmental funds report unearned revenue in connection with receivables for revenues considered unavailable to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2006, the various components of unearned revenue in the governmental funds were as follows:

	Unavailable	Unearned
Governmental activities:		
Transit:		
Intergovernmental revenues	\$ --	\$ 186,184
Other Governmental Funds:		
Intergovernmental revenues	--	141,207
Housing loans receivable	--	257,824
	\$ --	\$ 585,215

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 5: Long-Term Debt

Long-term liabilities at June 30, 2006 consisted of the following:

	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Installments</u>	<u>Date of Issue</u>	<u>Amount Authorized</u>	<u>Outstanding June 30, 2006</u>
<u>Governmental Activities</u>						
General obligation bonds						
Civic Center general obligation bonds <i>(financed Civic Center, including Police Station)</i>	2009	6.5% - 9.25%	\$130,000 - \$150,000	1987	\$ 2,330,000	\$ 420,000
Pension obligation bonds						
Taxable Pension Obligation Bonds <i>(financed unfunded accrued actuarial liability)</i>	2028	5.93%	\$65,000 - \$345,000	2006	4,965,000	4,965,000
Loans Payable						
California Energy Commission <i>(LED Signal Conversion)</i>	2011	3%	\$11,649 - \$19,832	2002	112,060	68,580
Due to Other Agencies						
Placer County Library, Park and Cemetery Districts <i>(tax-increment pass-through)</i>	2023	0%	\$2,234 - \$25,306	1987	286,569	84,121
<u>Business-type Activities</u>						
Notes payable						
East Hanger Project at Airport	2018	4.68%	\$51,111 - \$64,444	2002	1,000,000	871,111
Fuel facility at Airport	2017	4.78%	\$9,561 - \$16,955	2005	200,000	147,971
State Water Resources Control Board <i>(construction of water waste treatment plant - phase 1A)</i>	2019	0%	\$108,691	1998	2,173,820	1,412,983
State Water Resources Control Board <i>(construction of water waste treatment plant - phase 1B)</i>	2020	0%	\$173,543	2000	3,470,855	2,603,141

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 5: **Long-Term Debt** (continued)

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 540,000	\$ --	\$ (120,000)	\$ 420,000	\$ 130,000
Pension obligation bonds	--	4,965,000	--	4,965,000	65,000
Notes payable	79,888	--	(11,308)	68,580	11,649
Due to other agencies	109,427	--	(25,306)	84,121	25,306
Capital leases	9,556	352,000	(4,817)	356,739	87,693
Compensated absences	937,016	147,616	--	1,084,632	256,033
Landfill closure costs	1,759,932	--	(176,711)	1,583,221	--
Total Governmental Activities Long-term Liabilities	<u>\$ 3,435,819</u>	<u>\$ 5,464,616</u>	<u>\$ (338,142)</u>	<u>\$ 8,562,293</u>	<u>\$ 575,681</u>
Business-type Activities:					
Notes payable	\$ 5,381,074	\$ --	\$ (345,868)	\$ 5,035,206	\$ 344,072
Compensated absences	25,077	2,223	--	27,300	7,044
Total Business-type Activities Long-term Liabilities	<u>\$ 5,406,151</u>	<u>\$ 2,223</u>	<u>\$ (345,868)</u>	<u>\$ 5,062,506</u>	<u>\$ 351,116</u>

Landfill closure costs are liquidated from a special revenue fund. Compensated absences attributable to governmental activities will be liquidated from the general fund and related special revenue funds.

New Debt Issued

On June 29, 2006, the City of Auburn issued \$4,965,000 of Series A-1 Taxable Pension Obligation Bonds to fund the accrued actuarial liability of the City to CalPERS. Interest is payable June 1 and December 1, commencing December 1, 2006, bearing interest at rates varying from 5.69% to 5.93%. Principal payments escalate from \$65,000 in 2007 to \$345,000 in 2028.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bonds proceeds at an interest yield greater than the interest yield paid to bondholders. The City was not subject to arbitrage regulations at June 30, 2006.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 5: **Long-Term Debt** (continued)

As of June 30, 2006, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30:	General Obligation Bonds		Pension Obligation Bonds		Notes Payable		Due to Other Agencies	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 130,000	\$ 27,370	\$ 65,000	\$ 269,487	\$ 11,649	\$ 1,971	\$ 25,306	\$ --
2008	140,000	26,560	55,000	288,517	11,997	1,623	25,303	--
2009	150,000	16,500	70,000	285,387	12,364	1,256	2,234	--
2010	--	--	90,000	281,404	12,738	882	2,234	--
2011	--	--	110,000	276,283	19,832	598	2,234	--
2012-2016	--	--	875,000	1,263,396	--	--	11,170	--
2017-2021	--	--	1,620,000	924,995	--	--	11,170	--
2022-2026	--	--	1,420,000	432,593	--	--	4,470	--
2027-2028	--	--	660,000	59,597	--	--	--	--
	<u>\$ 420,000</u>	<u>\$ 70,430</u>	<u>\$ 4,965,000</u>	<u>\$ 4,081,659</u>	<u>\$ 68,580</u>	<u>\$ 6,330</u>	<u>\$ 84,121</u>	<u>\$ --</u>

As of June 30, 2006, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending June 30:	Notes Payable	
	Principal	Interest
2007	\$ 344,072	\$ 47,871
2008	349,209	44,965
2009	354,345	41,817
2010	359,481	38,429
2011	364,618	34,798
2012-2016	1,900,135	111,092
2017-2021	1,363,346	10,969
	<u>\$ 5,035,206</u>	<u>\$ 329,941</u>

Note 6: **Leases**

Capital Leases Payable

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when all terms of the lease agreements are met.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 6: **Leases** (continued)

Capital Leases Payable (continued)

<u>Governmental Fund Activities</u>	<u>Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2006</u>
Copier	5.90%	\$ 4,739
Firetruck	5.95%	352,000
		\$ 356,739

The cost of equipment and related accumulated depreciation acquired under capital leases are as follows:

Cost of equipment	\$ 374,181
Less: accumulated depreciation	(17,442)
Carrying value at June 30, 2006	\$ 356,739

As of June 30, 2006, future minimum lease payments under capital leases were as follows:

<u>Year Ending June 30</u>	
2007	\$ 101,597
2008	96,858
2009	96,858
2010	96,858
Total Future Minimum Lease Payments	392,171
Less: Interest	(35,432)
Present Value of Minimum Lease Payments	\$ 356,739

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 7: **Net Assets/Fund Balances**

Net Assets

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the City, not restricted for any project or other purpose.

Restricted net assets at June 30, 2006 for governmental activities were as follows:

Restricted for Public Safety:			
Maidu Fire Station	\$	87,765	
Property Seizures		580	
Public Safety Grants		677,546	
Solid Waste Management		1,247,071	\$ 2,012,962
Restricted for Transportation Projects:			
State Gas Tax		590,165	
Transit		21,404	611,569
Restricted for Community Resources & Facilities:			
Redevelopment Agency		1,210,612	
Merchant's Council		525	
Small Business Loans		451,045	
Historic Auburn		2,832	1,665,014
Restricted for Capital Projects			1,064,094
Restricted for Debt Service			254,166
Total Restricted Net Assets - Governmental Activities			\$ 5,607,805

Included in governmental activities restricted net assets at June 30, 2006, were net assets restricted by enabling legislation of \$1,301,734. For business-type activities, restricted net assets at June 30, 2006 of \$41,840 were for cash received from tenants.

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 7: Net Assets/Fund Balances (continued)

Fund Balances

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various designations are established by actions of the City Council and management and can be increased, reduced or eliminated by similar actions.

The term “reserved” is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The City’s management will sometimes designate portions of unreserved (available) fund balance based on tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned.

The City has “reserved” fund balances as follows:

- *Reserved for imprest cash* – unavailable for appropriation because the City maintains various levels of revolving funds for daily operations.
- *Reserved for prepaid expenses* – represents prepaid expenses that do not represent available spendable resources.
- *Insurance deposits* – represents cash held on deposit with the insurance joint powers authority to provide for payment of claims within the City’s self-insured retention layer.

Portions of unreserved fund balance may be designated to indicate tentative for financial resources in a future period. Such plans or intent are subject to change and have not been legally authorized.

As of June 30, 2006, fund balance designations included the following:

- *Capital projects* – To reflect management’s intent to use these funds for future capital projects. \$ 212,000
- *Economic Uncertainty* – To reflect management’s intent to expend funds during poor economic times or in times when the cost of services rises dramatically. \$ 2,250,000

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 8: **Interfund Transactions**

Interfund balances and transfers as of June 30, 2006 consisted of the following:

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 346,982
	Airport	103,840
		<u>450,822</u>
Transit Fund	Nonmajor Governmental Funds	37,499
		<u>\$ 488,321</u>

During the year, various funds borrowed cash to cover operating cash deficits. These amounts will be repaid in the following fiscal year.

Transfers From/To Other Funds:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 16,500
	Airport	3,180
		<u>19,680</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	107,373
	General Fund	100,000
		<u>207,373</u>
		<u>\$ 227,053</u>

Transfers are indicative of funding for capital projects, lease payments or debt service and subsidies of various City operations.

Note 9: **Deficit Fund Balances/Net Assets**

As of June 30, 2006, the following funds had deficit fund balances/net assets. The deficits occurred because expenditures exceeded revenues. Future funding will reduce the deficits.

<u>Fund</u>	<u>Deficit</u>
Multimodal Railstation	\$ 37,546
Palm Terrace Apartments	15,954
Auburn Bluffs	204
OTS Grant	44,974
AUSD Park Preserve	25,738

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 10: **Defined Benefit Pension Plan**

A. **Plan Description**

The City contributes to the California Public Employee Retirement System (CalPERS), an agent multiple-employer public employment retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions and other requirements are established by statute. Copies of CalPERS annual financial report may be obtained from their Executive Office – 400 Q Street, Room 1820, Lincoln Plaza East, Sacramento, CA. 95814.

B. **Fund Policy**

Employees under the Miscellaneous Plan are required to contribute 7% and employees under the Safety Plan are required to contribute 9% of covered salary to CalPERS. The City is required to contribute remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal year ended June 30, 2006, the employer contribution rate was 14.521% for the Miscellaneous Plan and 26.357% for the Safety Plan. The City makes the contribution required by employees on their behalf and for their account.

Annual Pension Cost

For the fiscal year ended June 30, 2006, the City's annual pension cost was \$1,363,015 and the City actually contributed \$1,363,015. The required contribution for the fiscal year 2005-06 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expense); (b) projected salary increases of 3.25% to 14.45%, depending on age, service and type of employment and (c) inflation of 3.0%. The actuarial value of the City's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a four year period. The difference between the actuarial value of assets and the actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period for the miscellaneous plan and the safety plan at June 30, 2003 was 17 years.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 10: **Defined Benefit Pension Plan** (continued)

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Annual Pension Obligation
6/30/2004	\$ 864,404	100%	\$ --
6/30/2005	1,016,112	100%	--
6/30/2006	1,363,015	100%	--

Note 11: **Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount for the loss can be reasonably estimated.

There were no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverage for each of the past three years.

The City has joined together with other Cities in the State of California to participate in Northern California Cities Self-Insurance Fund (NCCSIF), a joint powers agency which provides the City with a shared risk layer of coverage above the self-insured retention amount for liability and workers' compensation. In addition, NCCSIF provides claims servicing to the City for the banking layer, which represents the City's self-insurance. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for liability and workers compensation coverage for member cities. The NCCSIF is composed of 20 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budgeting and financing. The workers' compensation and general liability programs are administered by third-party administrators.

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 11: **Risk Management** (continued)

General Liability Coverage: Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. Each member city, including Auburn, self-insures for the first \$25,000 of each loss. Participating cities share in loss occurrences in excess of \$25,000 up to a maximum of \$500,000. Premiums accrue based on the ultimate cost of the experience of the group of Cities. Coverage in excess of \$500,000 is provided through the California Joint Powers Insurance Risk Management Authority, a joint power authority organized to provide excess coverage for its members.

Workers' Compensation Coverage: Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. The City self-insured for the first \$25,000 of each loss and has purchased excess coverage with limits of \$5,000,000 per occurrence.

Upon termination of the JPA agreement, all property of the Authority will vest in the respective parties which theretofore transferred, conveyed or leased said property to the Authority. Any surplus of funds will be returned to the parties in proportion to actual balances to each equity.

The Authority establishes claims liabilities based on estimates of the ultimate costs of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claim costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited in the periods in which they are made.

The City's deposits for its banking layer administered by NCCSIF of \$761,104 is recorded in the general fund as insurance deposits. Activity for the year ended June 30, 2006 is as follows:

	General Liability	Workers' Compensation	Total
Balance, June 30, 2005	\$ 402,406	\$ 309,808	\$ 712,214
Deposits and other income	88,835	135,033	223,868
Investment income and changes in fair values	8,985	466	9,451
Claims paid, net of refunds	(81,595)	112,177	30,582
Claims administration and other expenses	(33,590)	(9,039)	(42,629)
Dividends	(89,216)	(83,166)	(172,382)
Balance, June 30, 2006	\$ 295,825	\$ 465,279	\$ 761,104

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 11: **Risk Management** (continued)

The following is summary financial information of the NCCSIF for the liability and workers' compensation program for the fiscal year ended June 30, 2006:

	General Liability	Workers' Compensation	Total
Assets	\$ 12,750,485	\$ 29,822,052	\$ 42,572,537
Liabilities	6,055,532	19,291,163	25,346,695
Net Assets	<u>\$ 6,694,953</u>	<u>\$ 10,530,889</u>	<u>\$ 17,225,842</u>
Revenues	5,012,220	9,822,702	14,834,922
Expenses	3,805,446	5,209,995	9,015,441
Change in Net Assets	1,206,774	4,612,707	5,819,481
Net Assets - July 1, 2005	5,488,179	5,918,182	11,406,361
Net Assets - June 30, 2006	<u>\$ 6,694,953</u>	<u>\$ 10,530,889</u>	<u>\$ 17,225,842</u>

Note 12: **Joint Agencies**

The Northern California Cities Self-Insurance Fund (NCCSIF) is a joint powers authority organized to provide for a banking plan whereby the member cities can share in the administrative costs of providing liability and workers' compensation insurance. The NCCSIF is governed by the Board of Directors appointed by the member cities.

Complete audited financial statements can be obtained from the Claims Administrator, 574 Manzanita Avenue, Suite 12, Chico, California 95626.

The California Joint Powers Insurance Risk Management Authority (CJPRMA) is a joint power authority organized to provide excess coverage for its members. The CJPRMA is governed by a board of directors representing its member cities.

Complete audited financial statements can be obtained from the Claims Administrator, 574 Manzanita Avenue, Suite 12, Chico, California 95626.

The California Transit Insurance Pool (CTIP) is a joint powers authority organized to provide liability coverage for its members. The CTIP is governed by a board of directors representing its member agencies. CTIP is composed of 32 member agencies.

Complete audited financial statements can be obtained from the Claims Administrator, 574 Manzanita Avenue, Suite 12, Chico, California 95626.

CITY OF AUBURN

Notes to Financial Statements
June 30, 2006

Note 13: **Commitments and Contingencies**

Contingencies

The City has received state grants for specific purposes that are subject to review and audit by the state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

Construction Commitments

At June 30, 2006, the City had construction contracts outstanding of approximately \$852,000. These projects should be completed within the next year and the cost will be recorded at that time.

Note 14: **Post Closure**

The City of Auburn has post closure responsibility for one landfill site (located on the Auburn Municipal Airport). State and federal laws and regulations require that the City of Auburn place a final cover over its closed landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years following its closure. Closure procedures have been performed and post closure activity is recorded in a trust fund. Post closure maintenance activities are funded by a 4.71 percent surcharge on refuse collection fees. The estimated liability for post closure care costs is estimated to be \$1,583,221 as of June 30, 2006. The estimate of post closure care costs is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2006. However, the actual costs may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City of Auburn is required by state and federal laws and regulations to make annual contributions to finance post closure care costs. The costs of these procedures is funded on a pay as you go basis. The City has not adopted a pledge of revenue to fund these costs. At June 30, 2006, the City was holding bank deposits and federal securities in the amount of \$1,212,456 for this purpose. It is anticipated that future costs will be financed in part from earnings on these investments, and the continuation of the franchise fee surcharge. The net present value of the estimated future surcharge fees and interest is \$1,096,580. The remaining portion of estimated post closure maintenance costs and any additional costs that might arise from changes in post closure requirements (due to changes in technology or more rigorous environment regulations) may need to be covered by an increase in the rate of the franchise surcharge assessed against refuse collection fees.

CITY OF AUBURN

Notes to Financial Statements June 30, 2006

Note 14: **Post Closure** (continued)

Additionally, the City recognizes that there is a risk of future landfill gas migration or groundwater contamination, which could result in bodily injury and/or property damage liability claims against the City. Accordingly, the City has secured a “third party pollution liability” insurance agreement (underwritten by United Capital Insurance Company) to pay for any damages arising out of claims which might result from future pollution conditions that might result from the landfill site. This insurance coverage applies to groundwater contamination from leakages, but excludes remediation of landfill gas that might migrate from the closed landfill site. The aggregate coverage limit is \$1,500,000 and there is a policy deductible of \$100,000 for each pollution condition.

Note 15: **Prior Period Adjustment**

The beginning balance of net assets of the Sewer fund and business-type activities were restated to correct a prior year overstatement of \$21,071 in amortizing deferred interest.

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2006

**Required Supplementary
Information**

CITY OF AUBURN

Required Supplementary Information For the Year Ended June 30, 2006

Schedule of Funding Progress

The table below shows the three-year analysis of the risk pool's actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

Miscellaneous Plan

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) - Entry Age (a)	Actuarial Value of Assets (b)	(Over) Underfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2001	\$ 8,107,368	\$ 9,588,105	\$ (1,480,737)	118.3%	\$ 2,003,783	-73.9%
6/30/2002	8,781,679	8,656,713	124,966	98.6%	2,271,891	5.5%
6/30/2003	10,394,072	8,766,936	1,627,136	84.3%	2,678,967	60.7%

Safety Plan

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) - Entry Age (a)	Actuarial Value of Assets (b)	(Over) Underfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2001	\$ 9,305,310	\$ 8,668,384	\$ 636,926	93.2%	\$ 1,546,555	41.2%
6/30/2002	10,359,774	8,284,132	2,075,642	80.0%	1,713,661	121.1%
6/30/2003	11,544,038	8,888,229	2,655,809	77.0%	1,810,720	146.7%

CITY OF AUBURN

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 4,980,664	\$ 4,873,273	\$ 4,873,273	\$ --
Resources (inflows):				
Taxes	7,128,600	7,395,927	7,650,298	254,371
Licenses and permits	506,400	522,900	507,080	(15,820)
Fines, forfeitures and penalties	140,600	140,600	121,808	(18,792)
Use of money and property	435,000	450,000	389,875	(60,125)
Intergovernmental	249,000	267,000	280,158	13,158
Charges for services	284,600	410,400	355,847	(54,553)
Other revenues	41,000	17,000	33,988	16,988
Transfers from other funds	376,761	376,761	376,771	10
Amounts available for appropriation	<u>9,161,961</u>	<u>9,580,588</u>	<u>9,715,825</u>	<u>135,237</u>
Charges to appropriations (outflows):				
General government:				
City council	63,916	63,916	58,828	5,088
City manager	266,754	296,354	289,287	7,067
City clerk	120,988	120,988	92,401	28,587
Finance and personnel	370,996	427,996	479,521	(51,525)
City attorney	105,377	115,377	158,316	(42,939)
Information technology	--	215,774	306,834	(91,060)
Insurance programs	343,646	267,408	200,921	66,487
	<u>1,271,677</u>	<u>1,507,813</u>	<u>1,586,108</u>	<u>(78,295)</u>
Public safety:				
Police	3,233,469	3,284,469	3,466,946	(182,477)
Fire	1,444,315	1,444,315	1,442,107	2,208
	<u>4,677,784</u>	<u>4,728,784</u>	<u>4,909,053</u>	<u>(180,269)</u>
Transportation:				
Administration and engineering	324,671	324,671	313,283	11,388
Building maintenance	383,610	436,110	397,722	38,388
Construction and maintenance	729,682	754,682	819,804	(65,122)
Yard and shop	215,417	225,417	246,862	(21,445)
Stormwater management	39,100	39,100	31,907	7,193
	<u>1,692,480</u>	<u>1,779,980</u>	<u>1,809,578</u>	<u>(29,598)</u>

continued

CITY OF AUBURN

Budgetary Comparison Schedule (continued)
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (continued):				
Community development:				
Administration	\$ 387,122	\$ 474,215	\$ 443,246	\$ 30,969
Support for Community programs	136,600	193,750	72,710	121,040
Building inspections	269,481	269,481	280,219	(10,738)
Public services counter	369,763	223,989	230,613	(6,624)
	<u>1,162,966</u>	<u>1,161,435</u>	<u>1,026,788</u>	<u>134,647</u>
Nondepartmental	72,649	--	27,406	(27,406)
Contingencies	177,551	225,790	--	225,790
Total charges to appropriations	<u>9,055,107</u>	<u>9,403,802</u>	<u>9,358,933</u>	<u>44,869</u>
 Budgetary fund balances, June 30	 <u>\$ 5,087,518</u>	 <u>\$ 5,050,059</u>	 <u>\$ 5,230,165</u>	 <u>\$ 180,106</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 9,715,825

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (100,000)

Reimbursements for interfund services are inflows of budgetary resources but are not revenues for financial reporting purposes (276,771)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 9,339,054

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 9,358,933

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (19,680)

Services provided to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (276,771)

Payment of funds to reduce the unfunded accrued actuarial liability are not expenditures for budgetary reporting purposes 4,965,000

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 14,027,482

CITY OF AUBURN

Budgetary Comparison Schedule
Transit Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 21,404	\$ 21,404	\$ 21,404	\$ --
Resources (inflows):				
Use of money and property	8,000	8,000	7,761	(239)
Intergovernmental	534,000	534,000	761,847	227,847
Charges for services	30,000	30,000	32,528	2,528
Other revenues	800	800	--	(800)
Transfers from other funds	140,000	--	--	--
Amounts available for appropriation	<u>712,800</u>	<u>572,800</u>	<u>802,136</u>	<u>229,336</u>
Charges to appropriations (outflows):				
Transportation	380,428	380,428	384,175	(3,747)
Capital outlay	498,000	498,000	417,961	80,039
Transfers out	24,547	24,547	--	24,547
Total charges to appropriations	<u>902,975</u>	<u>902,975</u>	<u>802,136</u>	<u>100,839</u>
Budgetary fund balances, June 30	<u>\$ (168,771)</u>	<u>\$ (308,771)</u>	<u>\$ 21,404</u>	<u>\$ 330,175</u>

CITY OF AUBURN

Note to Required Supplementary Information For the Year Ended June 30, 2006

BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds and Enterprise Funds and is controlled at the department level for the City. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that interfund transfers are reported as revenues and expenditures.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Finance Director submits to the City Council a proposed operating budget for the year commencing the following July 1. The operating budget proposes expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to July 1 (when possible), the budget is legally enacted through passage of a formal resolution.
4. Any revisions which alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are as originally adopted and as subsequently revised by the City Council.

All unused appropriations for budgeted amounts lapse at the end of the year.

THIS PAGE INTENTIONALLY LEFT BLANK

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2006

**Combining and Individual
Fund Statements and
Schedules**

NONMAJOR GOVERNMENTAL FUNDS

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF AUBURN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2006

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 3,124,561	\$ 239,358	\$ 1,065,412	\$ 4,429,331
Restricted cash	1,212,456	--	--	1,212,456
Accounts receivable	350,386	--	--	350,386
Taxes receivable	35,002	14,808	--	49,810
Loans receivable	<u>257,824</u>	<u>--</u>	<u>--</u>	<u>257,824</u>
 Total assets	 <u>\$ 4,980,229</u>	 <u>\$ 254,166</u>	 <u>\$ 1,065,412</u>	 <u>\$ 6,299,807</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 55,226	\$ --	\$ --	\$ 55,226
Deposits	--	--	1,318	1,318
Due to other funds	358,743	--	25,738	384,481
Unearned revenues	<u>399,031</u>	<u>--</u>	<u>--</u>	<u>399,031</u>
Total liabilities	<u>813,000</u>	<u>--</u>	<u>27,056</u>	<u>840,056</u>
Fund balances:				
Unreserved:, undesignated and reported in:				
Special revenue funds	4,167,229	--	--	4,167,229
Debt service funds	--	254,166	--	254,166
Capital projects funds	<u>--</u>	<u>--</u>	<u>1,038,356</u>	<u>1,038,356</u>
Total fund balances	<u>4,167,229</u>	<u>254,166</u>	<u>1,038,356</u>	<u>5,459,751</u>
 Total liabilities and fund balances	 <u>\$ 4,980,229</u>	 <u>\$ 254,166</u>	 <u>\$ 1,065,412</u>	 <u>\$ 6,299,807</u>

CITY OF AUBURN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue	Debt Service	Capital Projects	Total
Revenues				
Taxes	\$ 665,828	\$ 237,378	\$ --	\$ 903,206
Licenses and permits	338,776	--	219,385	558,161
Use of money and property	74,482	3,843	20,442	98,767
Intergovernmental	1,677,796	--	343,483	2,021,279
Total revenues	2,756,882	241,221	583,310	3,581,413
Expenditures				
Current:				
Public safety	472,455	--	--	472,455
Transportation	373,453	--	--	373,453
Community development	570,717	--	--	570,717
Recreation and culture	18,308	--	--	18,308
Debt Service:				
Principal	37,725	120,000	--	157,725
Interest	1,202	36,979	--	38,181
Capital outlay	932,857	--	126,550	1,059,407
Total expenditures	2,406,717	156,979	126,550	2,690,246
Excess (Deficiency) of Revenues Over (Under) Expenditures	350,165	84,242	456,760	891,167
Other Financing Sources (Uses)				
Transfers in	122,515	1,358	--	123,873
Transfers out	(207,373)	--	--	(207,373)
Capital lease inception	352,000	--	--	352,000
Total other financing sources (uses)	267,142	1,358	--	268,500
Net change in fund balances	617,307	85,600	456,760	1,159,667
Fund balances, beginning of year	3,549,922	168,566	581,596	4,300,084
Fund balances, end of year	\$ 4,167,229	\$ 254,166	\$ 1,038,356	\$ 5,459,751

SPECIAL REVENUE FUNDS

DEFINITION

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. Special Revenue Funds include:

Nonmajor Special Revenue Funds

Gas Tax Fund

The Gas Tax fund accounts for gas tax revenue allocations from the State. Funds received are restricted to expenditures for street maintenance, traffic safety, and construction.

ISTEA Fund

The City no longer receives direct funding for Intermodal Surface Transportation Efficiency Act (ISTEA) authorized projects, but rather, requests and receives funds through the Surface Transportation Program (STP). This fund has been closed out effective at the end of Fiscal Year 2005-06.

Transportation Fund

The City uses financing from a number of sources, including State and Federal programs, to build and maintain the street transportation and storm drain network. The Transportation Fund receives revenues through the Transportation Development Act Tax (TDA) and STP programs.

Auburn Multimodal Station Fund

This fund accounts for capital expenditures related to the construction of the Auburn Multimodal Rail Station which is extensively supported by grant-related revenues.

Auburn Urban Development Authority Fund

The Auburn Urban Development Authority (AUDA) provides essential funding for capital projects, housing projects, studies, planning and development efforts which are focused on the economic development of blighted areas within the City.

Property Seizures Fund

This fund accounts for cash and assets seized as a result of law enforcement activities. Generally, such funds are held on deposit until expiration of the required holding period and/or funds are provided to appropriate parties.

Merchant's Council Fund

This fund is used to account for business improvement district fees received by the City for the Downtown Business Association. Funds received are periodically allocated to the association for appropriate use.

Historic Auburn Fund

This fund is used to account for business improvement district fees received by the City for the Old Town Business Association. Funds received are periodically allocated to the association for appropriate use.

Maidu Fire Station Fund

This fund accounts for development impact fees received for the maintenance and upkeep of the Maidu Fire Station. The Fire Department periodically appropriates these funds towards upkeep of the station and for the purchase of new equipment.

Small Business Loans (Community Development Block Grant) Funds

The Community Development Block Grant Funds account for monies received from the State and loaned by the City to encourage small business growth. Funds, when repaid, are provided to new businesses.

Palm Terrace Apartments Fund

This fund was used at one time to account for development fees collected for the Palm Terrace Apartment complex and will be closed out during Fiscal Year 2006-07.

Solid Waste Management Funds

The Solid Waste Management Funds are used to account for recycling programs funded by State grants and program expenditures related to the City's closed landfill located at the Auburn Municipal Airport.

Auburn Bluffs Fund

This fund was used at one time to account for development fees collected for the Auburn Bluffs Project and will be closed out during Fiscal Year 2006-07.

Office of Traffic Safety Grant Fund

The Office of Traffic Safety (OTS) Grant Fund is used to account for OTS grant funds received and the corresponding eligible expenditures as authorized by the grants.

State Law Enforcement Personnel Grant Fund

The State Law Enforcement Personnel Grant Fund accounts for grant revenues received from the State which must be wholly spent for Law Enforcement personnel. These funds reimburse the General Fund for approximately 2.0 FTE Police Officers.

Facilities and Equipment Plan Fund

The Facilities and Equipment Plan Fund accounts for revenues received through mitigation fees assessed on construction of new residential units and renovation of commercial and industrial spaces. Revenues received are used to fund recurring capital outlay as it relates to the purchase of equipment for citywide departments.

Other Miscellaneous Grant Funds

These funds account for grant revenues received for public safety (i.e. FEMA / Law Enforcement) activities. Generally, these funds must be used appropriated for specific law enforcement and fire activities.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF AUBURN

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2006

	<u>State Gas Tax</u>	<u>ISTEA Program</u>	<u>Transportation</u>	<u>Multimodal Railstation</u>	<u>Redevelop- ment</u>
Assets					
Cash and investments	\$ 559,654	\$ --	\$ 148,943	\$ --	\$ 1,175,610
Restricted cash	--	--	--	--	--
Accounts receivable	58,569	--	--	--	--
Taxes receivable	--	--	--	--	35,002
Loans receivable	--	--	--	--	--
	<u>\$ 618,223</u>	<u>\$ --</u>	<u>\$ 148,943</u>	<u>\$ --</u>	<u>\$ 1,210,612</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 28,058	\$ --	\$ 7,736	\$ 47	\$ --
Due to other funds	--	--	--	37,499	--
Unearned revenue	--	--	141,207	--	--
	<u>28,058</u>	<u>--</u>	<u>148,943</u>	<u>37,546</u>	<u>--</u>
Fund Balances:					
Unreserved:					
Undesignated	590,165	--	--	(37,546)	1,210,612
	<u>590,165</u>	<u>--</u>	<u>--</u>	<u>(37,546)</u>	<u>1,210,612</u>
Total fund balances	<u>590,165</u>	<u>--</u>	<u>--</u>	<u>(37,546)</u>	<u>1,210,612</u>
Total liabilities and fund balances	<u>\$ 618,223</u>	<u>\$ --</u>	<u>\$ 148,943</u>	<u>\$ --</u>	<u>\$ 1,210,612</u>

continued

CITY OF AUBURN

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2006

	Property Seizures	Merchant's Council	Historic Auburn	Maidu Fire Station	Small Business Loans
Assets					
Cash and investments	\$ 580	\$ 525	\$ 2,832	\$ 87,765	\$ 471,045
Restricted cash	--	--	--	--	--
Accounts receivable	--	--	--	--	--
Taxes receivable	--	--	--	--	--
Loans receivable	--	--	--	--	257,824
Total assets	\$ 580	\$ 525	\$ 2,832	\$ 87,765	\$ 728,869
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ 20,000
Due to other funds	--	--	--	--	--
Unearned revenue	--	--	--	--	257,824
Total liabilities	--	--	--	--	277,824
Fund Balances:					
Unreserved:					
Undesignated	580	525	2,832	87,765	451,045
Total fund balances	580	525	2,832	87,765	451,045
Total liabilities and fund balances	\$ 580	\$ 525	\$ 2,832	\$ 87,765	\$ 728,869

continued

CITY OF AUBURN

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2006

	Palm Terrace Apartments	Solid Waste Program	Auburn Bluffs	OTS Grant
Assets				
Cash and investments	\$ --	\$ 1,451	\$ --	\$ --
Restricted cash	--	1,212,456	--	--
Accounts receivable	--	33,164	--	258,653
Taxes receivable	--	--	--	--
Loans receivable	--	--	--	--
	<u>\$ --</u>	<u>\$ 1,247,071</u>	<u>\$ --</u>	<u>\$ 258,653</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ 775
Due to other funds	15,954	--	204	302,852
Unearned revenue	--	--	--	--
	<u>15,954</u>	<u>--</u>	<u>204</u>	<u>303,627</u>
Fund Balances:				
Unreserved:				
Undesignated	<u>(15,954)</u>	<u>1,247,071</u>	<u>(204)</u>	<u>(44,974)</u>
Total fund balances	<u>(15,954)</u>	<u>1,247,071</u>	<u>(204)</u>	<u>(44,974)</u>
Total liabilities and fund balances	<u>\$ --</u>	<u>\$ 1,247,071</u>	<u>\$ --</u>	<u>\$ 258,653</u>

continued

CITY OF AUBURN

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2006

	Law Enforcement Grant	Facilities and Equipment	Miscellaneous Grants	Total
Assets				
Cash and investments	\$ 982	\$ 587,922	\$ 87,252	\$ 3,124,561
Restricted cash	--	--	--	1,212,456
Accounts receivable	--	--	--	350,386
Taxes receivable	--	--	--	35,002
Loans receivable	--	--	--	257,824
	<u>982</u>	<u>587,922</u>	<u>87,252</u>	<u>4,980,229</u>
Total assets	<u>\$ 982</u>	<u>\$ 587,922</u>	<u>\$ 87,252</u>	<u>\$ 4,980,229</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 982	\$ 1,180	\$ (3,552)	\$ 55,226
Due to other funds	--	--	2,234	\$ 358,743
Unearned revenue	--	--	--	399,031
	<u>982</u>	<u>1,180</u>	<u>(1,318)</u>	<u>813,000</u>
Total liabilities	<u>982</u>	<u>1,180</u>	<u>(1,318)</u>	<u>813,000</u>
Fund Balances:				
Unreserved:				
Undesignated	--	586,742	88,570	4,167,229
	<u>--</u>	<u>586,742</u>	<u>88,570</u>	<u>4,167,229</u>
Total fund balances	<u>--</u>	<u>586,742</u>	<u>88,570</u>	<u>4,167,229</u>
Total liabilities and fund balances	<u>\$ 982</u>	<u>\$ 587,922</u>	<u>\$ 87,252</u>	<u>\$ 4,980,229</u>

CITY OF AUBURN

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	State Gas Tax	ISTEA Program	Transportation	Multimodal Railstation	Redevelop- ment
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ 530,075
Licenses and permits	--	--	--	--	--
Use of money and property	12,531	50	2,767	(3,298)	26,896
Intergovernmental	307,290	--	334,674	337,127	--
Total revenues	<u>319,821</u>	<u>50</u>	<u>337,441</u>	<u>333,829</u>	<u>556,971</u>
Expenditures					
Current:					
Public safety	--	--	--	--	--
Transportation	155,020	2,814	215,619	--	--
Community development	--	--	--	--	189,532
Recreation and culture	--	--	--	--	--
Debt Service:					
Principal	--	--	12,419	--	25,306
Interest	--	--	1,202	--	--
Capital outlay	--	--	108,201	56,455	--
Total expenditures	<u>155,020</u>	<u>2,814</u>	<u>337,441</u>	<u>56,455</u>	<u>214,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>164,801</u>	<u>(2,764)</u>	<u>--</u>	<u>277,374</u>	<u>342,133</u>
Other Financing Sources (Uses)					
Transfers in	--	--	--	--	106,015
Transfers out	--	--	--	--	(107,373)
Capital lease inception	--	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,358)</u>
Net change in fund balances	164,801	(2,764)	--	277,374	340,775
Fund balances, beginning of year	<u>425,364</u>	<u>2,764</u>	<u>--</u>	<u>(314,920)</u>	<u>869,837</u>
Fund balances, end of year	<u>\$ 590,165</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (37,546)</u>	<u>\$ 1,210,612</u>

continued

CITY OF AUBURN

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Property Seizures	Merchant's Council	Historic Auburn	Maidu Fire Station	Small Business Loans
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	38,178	20,864	9,660	--
Use of money and property	--	--	--	--	18,979
Intergovernmental	--	--	--	--	251,577
Total revenues	<u>--</u>	<u>38,178</u>	<u>20,864</u>	<u>9,660</u>	<u>270,556</u>
Expenditures					
Current:					
Public safety	--	--	--	9,885	--
Transportation	--	--	--	--	--
Community development	--	37,998	--	--	342,792
Recreation and culture	--	--	18,308	--	--
Debt Service:					
Principal	--	--	--	--	--
Interest	--	--	--	--	--
Capital outlay	--	--	--	--	--
Total expenditures	<u>--</u>	<u>37,998</u>	<u>18,308</u>	<u>9,885</u>	<u>342,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>180</u>	<u>2,556</u>	<u>(225)</u>	<u>(72,236)</u>
Other Financing Sources (Uses)					
Transfers in	--	--	--	--	--
Transfers out	--	--	--	--	--
Capital lease inception	--	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	--	180	2,556	(225)	(72,236)
Fund balances, beginning of year	<u>580</u>	<u>345</u>	<u>276</u>	<u>87,990</u>	<u>523,281</u>
Fund balances, end of year	<u>\$ 580</u>	<u>\$ 525</u>	<u>\$ 2,832</u>	<u>\$ 87,765</u>	<u>\$ 451,045</u>

continued

CITY OF AUBURN

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Palm Terrace Apartments	Solid Waste Program	Auburn Bluffs	OTS Grant
Revenues				
Taxes	\$ --	\$ 135,753	\$ --	\$ --
Licenses and permits	--	--	--	--
Use of money and property	(404)	9,925	--	--
Intergovernmental	--	5,000	--	277,518
Total revenues	<u>(404)</u>	<u>150,678</u>	<u>--</u>	<u>277,518</u>
Expenditures				
Current:				
Public safety	--	306,878	--	142,866
Transportation	--	--	--	--
Community development	395	--	--	--
Recreation and culture	--	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Capital outlay	--	--	--	177,298
Total expenditures	<u>395</u>	<u>306,878</u>	<u>--</u>	<u>320,164</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(799)</u>	<u>(156,200)</u>	<u>--</u>	<u>(42,646)</u>
Other Financing Sources (Uses)				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Capital lease inception	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(799)	(156,200)	--	(42,646)
Fund balances, beginning of year	<u>(15,155)</u>	<u>1,403,271</u>	<u>(204)</u>	<u>(2,328)</u>
Fund balances, end of year	<u>\$ (15,954)</u>	<u>\$ 1,247,071</u>	<u>\$ (204)</u>	<u>\$ (44,974)</u>

continued

CITY OF AUBURN

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Law Enforcement Grant	Facilities and Equipment	Miscellaneous Grants	Total
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ 665,828
Licenses and permits	--	270,074	--	338,776
Use of money and property	131	6,744	161	74,482
Intergovernmental	100,000	--	64,610	1,677,796
Total revenues	100,131	276,818	64,771	2,756,882
Expenditures				
Current:				
Public safety	1,542	--	11,284	472,455
Transportation	--	--	--	373,453
Community development	--	--	--	570,717
Recreation and culture	--	--	--	18,308
Debt Service:				
Principal	--	--	--	37,725
Interest	--	--	--	1,202
Capital outlay	--	590,903	--	932,857
Total expenditures	1,542	590,903	11,284	2,406,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	98,589	(314,085)	53,487	350,165
Other Financing Sources (Uses)				
Transfers in	--	16,500	--	122,515
Transfers out	(100,000)	--	--	(207,373)
Capital lease inception	--	352,000	--	352,000
Total other financing sources (uses)	(100,000)	368,500	--	267,142
Net change in fund balances	(1,411)	54,415	53,487	617,307
Fund balances, beginning of year	1,411	532,327	35,083	3,549,922
Fund balances, end of year	\$ --	\$ 586,742	\$ 88,570	\$ 4,167,229

CITY OF AUBURN

Budgetary Comparison Schedule
State Gas Tax Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 425,364	\$ 425,364	\$ 425,364	\$ --
Resources (inflows):				
Use of money and property	6,600	6,600	12,531	5,931
Intergovernmental	307,697	307,697	307,290	(407)
Amounts available for appropriation	<u>314,297</u>	<u>314,297</u>	<u>319,821</u>	<u>5,524</u>
Charges to appropriations (outflows):				
Current:				
Transportation	577,000	577,000	155,020	421,980
Total charges to appropriations	<u>577,000</u>	<u>577,000</u>	<u>155,020</u>	<u>421,980</u>
Budgetary fund balances, June 30	<u>\$ 162,661</u>	<u>\$ 162,661</u>	<u>\$ 590,165</u>	<u>\$ 427,504</u>

CITY OF AUBURN

Budgetary Comparison Schedule
ISTEA Program
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 2,764	\$ 2,764	\$ 2,764	\$ --
Resources (inflows):				
Use of money and property	--	--	50	50
Amounts available for appropriation	--	--	50	50
Charges to appropriations (outflows):				
Current:				
Transportation	2,740	2,740	2,814	(74)
Total charges to appropriations	2,740	2,740	2,814	(74)
Budgetary fund balances, June 30	<u>\$ 24</u>	<u>\$ 24</u>	<u>\$ --</u>	<u>\$ (24)</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Transportation
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ --	\$ --	\$ --	\$ --
Resources (inflows):				
Use of money and property	--	--	2,767	2,767
Intergovernmental	1,395,186	1,163,980	334,674	(829,306)
Amounts available for appropriation	<u>1,395,186</u>	<u>1,163,980</u>	<u>337,441</u>	<u>(826,539)</u>
Charges to appropriations (outflows):				
Current:				
Transportation	47,000	47,000	215,619	(168,619)
Debt service	13,620	13,620	13,621	(1)
Capital outlay	1,420,000	1,420,000	108,201	1,311,799
Total charges to appropriations	<u>1,480,620</u>	<u>1,480,620</u>	<u>337,441</u>	<u>1,143,179</u>
Budgetary fund balances, June 30	<u>\$ (85,434)</u>	<u>\$ (316,640)</u>	<u>\$ --</u>	<u>\$ 316,640</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Multimodal Railstation
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ (314,920)	\$ (314,920)	\$ (314,920)	\$ --
Resources (inflows):				
Use of money and property	(3,000)	(3,000)	(3,298)	(298)
Intergovernmental	449,539	449,539	337,127	(112,412)
Amounts available for appropriation	<u>446,539</u>	<u>446,539</u>	<u>333,829</u>	<u>(112,710)</u>
Charges to appropriations (outflows):				
Capital outlay	338,895	338,895	56,455	282,440
Total charges to appropriations	<u>338,895</u>	<u>338,895</u>	<u>56,455</u>	<u>282,440</u>
Budgetary fund balances, June 30	<u>\$ (207,276)</u>	<u>\$ (207,276)</u>	<u>\$ (37,546)</u>	<u>\$ 169,730</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Redevelopment
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 869,837	\$ 869,837	\$ 869,837	\$ --
Resources (inflows):				
Taxes	418,000	418,000	530,075	112,075
Use of money and property	23,800	23,800	26,896	3,096
Transfers from other funds	83,600	83,600	106,015	22,415
Amounts available for appropriation	<u>525,400</u>	<u>525,400</u>	<u>662,986</u>	<u>137,586</u>
Charges to appropriations (outflows):				
Current:				
Community development	314,000	314,000	189,532	124,468
Debt service	--	--	25,306	(25,306)
Transfers to other funds	175,936	175,936	107,373	68,563
Total charges to appropriations	<u>489,936</u>	<u>489,936</u>	<u>322,211</u>	<u>167,725</u>
Budgetary fund balances, June 30	<u>\$ 905,301</u>	<u>\$ 905,301</u>	<u>\$ 1,210,612</u>	<u>\$ 305,311</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Sources/inflows of resources</u>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule				\$ 662,986
Differences - budget to GAAP:				
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes				<u>(106,015)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 556,971</u>
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule				\$ 322,211
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes				<u>(107,373)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 214,838</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Property Seizures
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 580	\$ 580	\$ 580	\$ --
Resources (inflows):				
Taxes	--	--	--	--
Licenses and permits	--	--	--	--
Use of money and property	--	--	--	--
Intergovernmental	--	--	--	--
Amounts available for appropriation	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Charges to appropriations (outflows):				
Current:				
Public safety	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total charges to appropriations	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Budgetary fund balances, June 30	<u><u>\$ 580</u></u>	<u><u>\$ 580</u></u>	<u><u>\$ 580</u></u>	<u><u>\$ --</u></u>

CITY OF AUBURN

Budgetary Comparison Schedule
Merchant's Council
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 345	\$ 345	\$ 345	\$ --
Resources (inflows):				
Licenses and permits	--	--	38,178	38,178
Amounts available for appropriation	--	--	38,178	38,178
Charges to appropriations (outflows):				
Current:				
Community development	--	--	37,998	(37,998)
Total charges to appropriations	--	--	37,998	(37,998)
Budgetary fund balances, June 30	<u>\$ 345</u>	<u>\$ 345</u>	<u>\$ 525</u>	<u>\$ 180</u>

CITY OF AUBURN

Budgetary Comparison Schedule
 Historic Auburn
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 276	\$ 276	\$ 276	\$ --
Resources (inflows):				
Licenses and permits	--	--	20,864	20,864
Amounts available for appropriation	--	--	20,864	20,864
Charges to appropriations (outflows):				
Current:				
Recreation and culture	--	--	18,308	(18,308)
Total charges to appropriations	--	--	18,308	(18,308)
Budgetary fund balances, June 30	<u>\$ 276</u>	<u>\$ 276</u>	<u>\$ 2,832</u>	<u>\$ 2,556</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Maidu Fire Station
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 87,990	\$ 87,990	\$ 87,990	\$ --
Resources (inflows):				
Licenses and permits	--	--	9,660	9,660
Amounts available for appropriation	--	--	9,660	9,660
Charges to appropriations (outflows):				
Current:				
Public safety	--	--	9,885	(9,885)
Total charges to appropriations	--	--	9,885	(9,885)
Budgetary fund balances, June 30	<u>\$ 87,990</u>	<u>\$ 87,990</u>	<u>\$ 87,765</u>	<u>\$ (225)</u>

CITY OF AUBURN

Budgetary Comparison Schedule
 Small Business Loans
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 523,281	\$ 523,281	\$ 523,281	\$ --
Resources (inflows):				
Use of money and property	5,000	5,000	18,979	13,979
Intergovernmental	--	--	251,577	251,577
Amounts available for appropriation	<u>5,000</u>	<u>5,000</u>	<u>270,556</u>	<u>265,556</u>
Charges to appropriations (outflows):				
Current:				
Community development	<u>25,000</u>	<u>25,000</u>	<u>342,792</u>	<u>(317,792)</u>
Total charges to appropriations	<u>25,000</u>	<u>25,000</u>	<u>342,792</u>	<u>(317,792)</u>
Budgetary fund balances, June 30	<u>\$ 503,281</u>	<u>\$ 503,281</u>	<u>\$ 451,045</u>	<u>\$ (52,236)</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Palm Terrace Apartments
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ (15,155)	\$ (15,155)	\$ (15,155)	\$ --
Resources (inflows):				
Use of money and property	--	--	(404)	(404)
Amounts available for appropriation	--	--	(404)	(404)
Charges to appropriations (outflows):				
Current:				
Community development	--	--	395	(395)
Total charges to appropriations	--	--	395	(395)
Budgetary fund balances, June 30	<u>\$ (15,155)</u>	<u>\$ (15,155)</u>	<u>\$ (15,954)</u>	<u>\$ (799)</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Solid Waste Program
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,403,271	\$ 1,403,271	\$ 1,403,271	\$ --
Resources (inflows):				
Taxes	135,000	135,000	135,753	753
Use of money and property	30,000	35,000	9,925	(25,075)
Intergovernmental	--	--	5,000	5,000
Amounts available for appropriation	165,000	170,000	150,678	(19,322)
Charges to appropriations (outflows):				
Current:				
Public safety	126,500	140,747	306,878	(166,131)
Total charges to appropriations	126,500	140,747	306,878	(166,131)
Budgetary fund balances, June 30	\$ 1,441,771	\$ 1,432,524	\$ 1,247,071	\$ (185,453)

CITY OF AUBURN

Budgetary Comparison Schedule
Auburn Bluffs
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ (204)	\$ (204)	\$ (204)	\$ --
Resources (inflows):				
Taxes	--	--	--	--
Licenses and permits	--	--	--	--
Use of money and property	--	--	--	--
Intergovernmental	--	--	--	--
Amounts available for appropriation	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Charges to appropriations (outflows):				
Current:				
Transportation	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total charges to appropriations	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Budgetary fund balances, June 30	<u><u>\$ (204)</u></u>	<u><u>\$ (204)</u></u>	<u><u>\$ (204)</u></u>	<u><u>\$ --</u></u>

CITY OF AUBURN

Budgetary Comparison Schedule
 OTS Grant
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ (2,328)	\$ (2,328)	\$ (2,328)	\$ --
Resources (inflows):				
Intergovernmental	<u>315,366</u>	<u>315,366</u>	<u>277,518</u>	<u>(37,848)</u>
Amounts available for appropriation	<u>315,366</u>	<u>315,366</u>	<u>277,518</u>	<u>(37,848)</u>
Charges to appropriations (outflows):				
Current:				
Public safety	142,866	142,866	142,866	--
Capital outlay	<u>172,500</u>	<u>183,000</u>	<u>177,298</u>	<u>5,702</u>
Total charges to appropriations	<u>315,366</u>	<u>325,866</u>	<u>320,164</u>	<u>5,702</u>
Budgetary fund balances, June 30	<u>\$ (2,328)</u>	<u>\$ (12,828)</u>	<u>\$ (44,974)</u>	<u>\$ (32,146)</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Law Enforcement Grant
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,411	\$ 1,411	\$ 1,411	\$ --
Resources (inflows):				
Use of money and property	500	500	131	(369)
Intergovernmental	100,000	100,000	100,000	--
Amounts available for appropriation	100,500	100,500	100,131	(369)
Charges to appropriations (outflows):				
Current:				
Public safety	--	--	1,542	(1,542)
Transfer to other funds	100,000	100,000	100,000	--
Total charges to appropriations	100,000	100,000	101,542	(1,542)
Budgetary fund balances, June 30	\$ 1,911	\$ 1,911	\$ --	\$ (1,911)
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule				\$ 101,542
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes				(100,000)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				\$ 1,542

CITY OF AUBURN

Budgetary Comparison Schedule
Facilities and Equipment
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(On Budgetary Basis)	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 532,327	\$ 532,327	\$ 532,327	\$ --
Resources (inflows):				
Licenses and permits	165,000	199,000	270,074	71,074
Use of money and property	7,500	7,500	6,744	(756)
Transfers from other funds	16,500	16,500	16,500	--
Proceeds from long-term debt	--	352,000	352,000	--
Amounts available for appropriation	<u>189,000</u>	<u>575,000</u>	<u>645,318</u>	<u>70,318</u>
Charges to appropriations (outflows):				
Capital outlay	697,000	731,000	590,903	140,097
Transfer to other funds	140,000	--	--	--
Total charges to appropriations	<u>837,000</u>	<u>731,000</u>	<u>590,903</u>	<u>140,097</u>
Budgetary fund balances, June 30	<u>\$ (115,673)</u>	<u>\$ 376,327</u>	<u>\$ 586,742</u>	<u>\$ 210,415</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 645,318

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (16,500)

Proceeds from long-term debt are inflows of budgetary resources but are not revenues for financial reporting purposes (352,000)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 276,818

CITY OF AUBURN

Budgetary Comparison Schedule
Miscellaneous Grants
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 35,083	\$ 35,083	\$ 35,083	\$ --
Resources (inflows):				
Use of money and property	--	--	161	161
Intergovernmental	2,500	2,500	64,610	62,110
Amounts available for appropriation	<u>2,500</u>	<u>2,500</u>	<u>64,771</u>	<u>62,271</u>
Charges to appropriations (outflows):				
Current:				
Public safety	--	--	11,284	(11,284)
Capital outlay	6,162	6,162	--	6,162
Total charges to appropriations	<u>6,162</u>	<u>6,162</u>	<u>11,284</u>	<u>(5,122)</u>
Budgetary fund balances, June 30	<u>\$ 31,421</u>	<u>\$ 31,421</u>	<u>\$ 88,570</u>	<u>\$ 57,149</u>

THIS PAGE INTENTIONALLY LEFT BLANK

CAPITAL PROJECTS FUNDS

DEFINITION

The Capital Projects Funds were established to account for financial resources for the acquisition or construction of major capital facilities.

Nonmajor Capital Projects Funds

Auburn School Park Relocation / Park Preserve Funds

The Auburn School Park Relocation and Park Preserve (ASPP) Funds account for the capital costs of relocating the Auburn School and subsequent development of a park where the school once resided. In FY 2005-06, a \$1.5 million “loan” was provided to the ASPP Fund from the City’s General Fund for payment to the Army Corp of Engineers for related project costs (the Army Corp of Engineers will manage the construction of the Park). The City expects to receive the \$1.5 million back in the form of community support for the park project once the project is underway. It is expected that the park project will commence in FY 2006-07.

Project Fund

This fund accounts for traffic mitigation fees collected for numerous project areas citywide. Funds collected for each project area may only be used for traffic mitigation projects within boundaries defined by each fee area resolution.

Highway 49 Beautification Plan Fund

The Highway 49 Beautification Plan Fund accounts for project costs specifically related to Highway 49. These funds may be used for eligible projects along the Highway 49 corridor.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF AUBURN

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2006

	AUSD Park Preserve	Project Fund	Hwy 49 Beautification	Total
Assets				
Cash and investments	\$ --	\$ 1,004,555	\$ 60,857	\$ 1,065,412
Total assets	\$ --	\$ 1,004,555	\$ 60,857	\$ 1,065,412
Liabilities and Fund Balances				
Liabilities:				
Deposits	\$ --	\$ --	\$ 1,318	\$ 1,318
Due to other funds	25,738	--	--	25,738
Total liabilities	25,738	--	1,318	27,056
Fund Balances:				
Unreserved:				
Undesignated	(25,738)	1,004,555	59,539	1,038,356
Total fund balances	(25,738)	1,004,555	59,539	1,038,356
Total liabilities and fund balances	\$ --	\$ 1,004,555	\$ 60,857	\$ 1,065,412

CITY OF AUBURN

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2006

	AUSD Park Preserve	Project Fund	Hwy 49 Beautification	Total
Revenues				
Licenses and permits	\$ --	\$ 219,385	\$ --	\$ 219,385
Use of money and property	(4,285)	23,172	1,555	20,442
Intergovernmental	343,483	--	--	343,483
Total revenues	<u>339,198</u>	<u>242,557</u>	<u>1,555</u>	<u>583,310</u>
Expenditures				
Capital outlay	<u>126,550</u>	<u>--</u>	<u>--</u>	<u>126,550</u>
Total expenditures	<u>126,550</u>	<u>--</u>	<u>--</u>	<u>126,550</u>
Net change in fund balances	212,648	242,557	1,555	456,760
Fund balances, beginning of year	<u>(238,386)</u>	<u>761,998</u>	<u>57,984</u>	<u>581,596</u>
Fund balances, end of year	<u><u>\$ (25,738)</u></u>	<u><u>\$ 1,004,555</u></u>	<u><u>\$ 59,539</u></u>	<u><u>\$ 1,038,356</u></u>

CITY OF AUBURN

Budgetary Comparison Schedule
 Nonmajor Capital Projects Funds
 AUSD Park Preserve
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ (238,386)	\$ (238,386)	\$ (238,386)	\$ --
Resources (inflows):				
Use of money and property	--	--	(4,285)	(4,285)
Intergovernmental	--	--	343,483	343,483
Transfers from other funds	--	85,000	--	(85,000)
Amounts available for appropriation	<u>--</u>	<u>85,000</u>	<u>339,198</u>	<u>254,198</u>
Charges to appropriations (outflows):				
Capital outlay	--	--	126,550	(126,550)
Total charges to appropriations	<u>--</u>	<u>--</u>	<u>126,550</u>	<u>(126,550)</u>
Budgetary fund balances, June 30	<u>\$ (238,386)</u>	<u>\$ (153,386)</u>	<u>\$ (25,738)</u>	<u>\$ 127,648</u>

CITY OF AUBURN

Budgetary Comparison Schedule
 Nonmajor Capital Projects Funds
 Project Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 761,998	\$ 761,998	\$ 761,998	\$ --
Resources (inflows):				
Licenses and permits	--	--	219,385	219,385
Use of money and property	--	--	23,172	23,172
Amounts available for appropriation	--	--	242,557	242,557
Charges to appropriations (outflows):				
Capital outlay	--	--	--	--
Total charges to appropriations	--	--	--	--
Budgetary fund balances, June 30	<u>\$ 761,998</u>	<u>\$ 761,998</u>	<u>\$ 1,004,555</u>	<u>\$ 242,557</u>

CITY OF AUBURN

Budgetary Comparison Schedule
 Nonmajor Capital Projects Funds
 Hwy 49 Beautification
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 57,984	\$ 57,984	\$ 57,984	\$ --
Resources (inflows):				
Use of money and property	750	750	1,555	805
Amounts available for appropriation	750	750	1,555	805
Charges to appropriations (outflows):				
Capital outlay	--	--	--	--
Total charges to appropriations	--	--	--	--
Budgetary fund balances, June 30	<u>\$ 58,734</u>	<u>\$ 58,734</u>	<u>\$ 59,539</u>	<u>\$ 805</u>

THIS PAGE INTENTIONALLY LEFT BLANK

DEBT SERVICE FUNDS

DEFINITION

The Debt Service is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. Nonmajor debt service funds include:

Nonmajor Debt Service Funds

Government Obligation (GO) Bond Debt Service Fund

The GO Bond Debt Service Fund accounts for the receipt of revenues collected with property taxes which support the repayment of bonds issued for the Civic Center.

Auburn Urban Development Authority Debt Service Fund

The Auburn Urban Development Authority Debt Service Fund accounts for debt payments related to AUDA bonded indebtedness. It is anticipated that the AUDA will issue debt for eligible projects during FY 2006-07.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF AUBURN

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2006

	General Obligation Bonds	Redevelopment Debt Service	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 239,358	\$ --	\$ 239,358
Taxes receivable	14,808	--	14,808
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 254,166</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 254,166</u></u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ --	\$ --	\$ --
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Unreserved:			
Undesignated	254,166	--	254,166
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>254,166</u>	<u> </u>	<u>254,166</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 254,166</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 254,166</u></u>

CITY OF AUBURN

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2006

	General Obligation Bonds	Redevelopment Debt Service	Total
Revenues			
Taxes	\$ 237,378	\$ --	\$ 237,378
Use of money and property	3,867	(24)	3,843
Total revenues	241,245	(24)	241,221
Expenditures			
Debt Service:			
Principal	120,000	--	120,000
Interest	36,979	--	36,979
Total expenditures	156,979	--	156,979
Excess (Deficiency) of Revenues Over (Under) Expenditures	84,266	(24)	84,242
Other Financing Sources (Uses)			
Transfers in	--	1,358	1,358
Total other financing sources (uses)	--	1,358	1,358
Net change in fund balances	84,266	1,334	85,600
Fund balances, beginning of year	169,900	(1,334)	168,566
Fund balances, end of year	\$ 254,166	\$ --	\$ 254,166

CITY OF AUBURN

Budgetary Comparison Schedule
 Nonmajor Debt Service Funds
 General Obligation Bonds
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 169,900	\$ 169,900	\$ 169,900	\$ --
Resources (inflows):				
Taxes	202,000	202,000	237,378	35,378
Use of money and property	--	--	3,867	3,867
Amounts available for appropriation	<u>202,000</u>	<u>202,000</u>	<u>241,245</u>	<u>39,245</u>
Charges to appropriations (outflows):				
Debt service	156,911	156,911	156,979	(68)
Total charges to appropriations	<u>156,911</u>	<u>156,911</u>	<u>156,979</u>	<u>(68)</u>
Budgetary fund balances, June 30	<u>\$ 214,989</u>	<u>\$ 214,989</u>	<u>\$ 254,166</u>	<u>\$ 39,177</u>

CITY OF AUBURN

Budgetary Comparison Schedule
 Nonmajor Debt Service Funds
 Redevelopment Debt Service
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ (1,334)	\$ (1,334)	\$ (1,334)	\$ --
Resources (inflows):				
Use of money and property	--	--	(24)	(24)
Transfers from other funds	1,322	--	1,358	1,358
Amounts available for appropriation	1,322	--	1,334	1,334
Charges to appropriations (outflows):				
Debt service	--	--	--	--
Total charges to appropriations	--	--	--	--
Budgetary fund balances, June 30	\$ (12)	\$ (1,334)	\$ --	\$ 1,334

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,334
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(1,358)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ (24)

ENTERPRISE FUNDS

DEFINITION

Enterprise Funds are established to account for the financing of self-supporting activities of governmental units which render services on a user-charge basis to the general public. The City has two enterprise funds, both of which are considered major. Major enterprise funds include:

Major Enterprise Funds

Airport Fund

The Airport Fund was established to account for the operation and maintenance of the City's general aviation airport serving recreation, commuter, limited air cargo and public safety needs.

Sewer Fund

The Sewer Fund was established to account for the building, operating and maintaining of the City's sewer treatment plant and collection system.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF AUBURN

Budgetary Comparison Schedule
 Airport Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 9,215,349	\$ 9,215,349	\$ 9,215,349	\$ --
Resources (inflows):				
Taxes	55,000	55,000	41,764	(13,236)
Use of money and property	347,635	347,635	330,363	(17,272)
Intergovernmental	1,004,334	1,004,334	238,136	(766,198)
Charges for services	112,560	112,560	105,722	(6,838)
Other revenues	--	--	7,750	7,750
Transfers from other funds	56,149	56,149	3,180	(52,969)
Amounts available for appropriation	<u>1,575,678</u>	<u>1,575,678</u>	<u>726,915</u>	<u>(848,763)</u>
Charges to appropriations (outflows):				
Current:				
Transportation	287,124	274,455	420,607	(146,152)
Debt Service	111,950	111,950	131,067	(19,117)
Capital outlay	1,020,000	1,035,109	91,873	943,236
Tranfers to other funds	21,231	21,231	--	21,231
Total charges to appropriations	<u>1,440,305</u>	<u>1,442,745</u>	<u>643,547</u>	<u>799,198</u>
Budgetary fund balances, June 30	<u>\$ 9,350,722</u>	<u>\$ 9,348,282</u>	<u>\$ 9,298,717</u>	<u>\$ (49,565)</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 726,915

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes (3,180)

Total revenues as reported on the statement of revenues, expenses and changes in fund net assets - proprietary funds \$ 723,735

continued

CITY OF AUBURN

Budgetary Comparison Schedule (continued)

Airport Fund

For the Year Ended June 30, 2006

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 643,547
Differences - budget to GAAP:	
Principal repayments are outflows of budgetary resources but are not expenses for financial reporting purposes	(56,702)
Capital outlays are outflows of budgetary resources but are not expenses for financial reporting purposes	(91,873)
Depreciation expense is an expense for financial reporting purposes but is not an outflow of budgetary resources	<u>279,487</u>
Total expenses as reported on the statement of revenues, expenses and changes in fund net assets - proprietary funds	<u>\$ 774,459</u>

CITY OF AUBURN

Budgetary Comparison Schedule
Sewer Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (On Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 10,102,567	\$ 10,102,567	\$ 10,102,567	\$ --
Resources (inflows):				
Use of money and property	90,000	90,000	127,425	37,425
Charges for services	2,765,000	2,765,000	2,941,471	176,471
Amounts available for appropriation	<u>2,855,000</u>	<u>2,855,000</u>	<u>3,068,896</u>	<u>213,896</u>
Charges to appropriations (outflows):				
Current:				
Public safety	1,905,204	1,959,157	2,489,007	(529,850)
Debt Service	284,348	284,348	282,192	2,156
Capital outlay	2,097,000	2,012,000	237,807	1,774,193
Transfers to other funds	66,479	151,479	--	151,479
Total charges to appropriations	<u>4,353,031</u>	<u>4,406,984</u>	<u>3,009,006</u>	<u>1,397,978</u>
Budgetary fund balances, June 30	<u>\$ 8,604,536</u>	<u>\$ 8,550,583</u>	<u>\$ 10,162,457</u>	<u>\$ 1,611,874</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 3,009,006

Differences - budget to GAAP:

Principal repayments are outflows of budgetary resources but are not expenses for financial reporting purposes	(282,234)
Amortization of deferred interest is an expense for financial reporting purposes but is not an outflow of budgetary resources	47,081
Capital outlays are outflows of budgetary resources but are not expenses for financial reporting purposes	(237,807)
Depreciation expense is an expense for financial reporting purposes but is not an outflow of budgetary resources	<u>316,801</u>

Total expenses as reported on the statement of revenues, expenses and changes in fund net assets - proprietary funds \$ 2,852,847

THIS PAGE INTENTIONALLY LEFT BLANK

FIDUCIARY FUNDS

Agency Funds – These funds account for assets held by the City for various local governments and other organizations.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF AUBURN

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2006

	Cable TV Access Fees	Recreation Park Development	AUESD Relocation Project
Assets			
Cash and investments	\$ --	\$ 49,570	\$ --
Accounts receivable	2,052	--	--
	<u>\$ 2,052</u>	<u>\$ 49,570</u>	<u>\$ --</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Agency obligations	2,052	49,570	--
	<u>\$ 2,052</u>	<u>\$ 49,570</u>	<u>\$ --</u>

CITY OF AUBURN

Combining Statement of Fiduciary Net Assets (continued)

Agency Funds

June 30, 2006

	Placer County Facilities Fee	Payroll Clearing	Total
Assets			
Cash and investments	\$ 18,293	\$ 27,619	\$ 95,482
Accounts receivable	--	5,050	7,102
Total assets	<u>\$ 18,293</u>	<u>\$ 32,669</u>	<u>\$ 102,584</u>
Liabilities			
Accounts payable	\$ --	\$ 34,892	\$ 34,892
Agency obligations	18,293	(2,223)	67,692
Total liabilities	<u>\$ 18,293</u>	<u>\$ 32,669</u>	<u>\$ 102,584</u>

CITY OF AUBURN

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Cable TV Access Fees				
Assets:				
Cash and investments	\$ 2,347	\$ 8,711	\$ 11,058	\$ --
Accounts receivable	2,256	2,052	2,256	2,052
Total assets	<u>\$ 4,603</u>	<u>\$ 10,763</u>	<u>\$ 13,314</u>	<u>\$ 2,052</u>
Liabilities:				
Agency obligations	<u>\$ 4,603</u>	<u>\$ 10,763</u>	<u>\$ 13,314</u>	<u>\$ 2,052</u>
Recreation Park Development				
Assets:				
Cash and investments	<u>\$ 23,025</u>	<u>\$ 50,792</u>	<u>\$ 24,247</u>	<u>\$ 49,570</u>
Liabilities:				
Agency obligations	<u>\$ 23,025</u>	<u>\$ 50,792</u>	<u>\$ 24,247</u>	<u>\$ 49,570</u>
AUESD Relocation Project				
Assets:				
Cash and investments	<u>\$ 236,626</u>	<u>\$ 7,208</u>	<u>\$ 243,834</u>	<u>\$ --</u>
Liabilities:				
Accounts payable	\$ 3,244	\$ --	\$ 3,244	\$ --
Agency obligations	233,382	7,208	240,590	--
Total liabilities	<u>\$ 236,626</u>	<u>\$ 7,208</u>	<u>\$ 243,834</u>	<u>\$ --</u>
Placer County Facilities Fee				
Assets:				
Cash and investments	<u>\$ 38,523</u>	<u>\$ 164,287</u>	<u>\$ 184,517</u>	<u>\$ 18,293</u>
Liabilities:				
Accounts payable	\$ 46,626	\$ --	\$ 46,626	\$ --
Agency obligations	(8,103)	164,287	137,891	18,293
Total liabilities	<u>\$ 38,523</u>	<u>\$ 164,287</u>	<u>\$ 184,517</u>	<u>\$ 18,293</u>
Payroll Clearing				
Assets:				
Cash and investments	\$ 30,590	\$ 34,892	\$ 37,863	\$ 27,619
Accounts receivable	5,050	--	--	5,050
Total assets	<u>\$ 35,640</u>	<u>\$ 34,892</u>	<u>\$ 37,863</u>	<u>\$ 32,669</u>
Liabilities:				
Accounts payable	\$ 35,051	\$ 34,892	\$ 35,051	\$ 34,892
Agency obligations	589	--	2,812	(2,223)
Total liabilities	<u>\$ 35,640</u>	<u>\$ 34,892</u>	<u>\$ 37,863</u>	<u>\$ 32,669</u>

THIS PAGE INTENTIONALLY LEFT BLANK

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2006

Statistical Section

Statistical Section

This part of the comprehensive annual financial report for the City of Auburn presents detailed information as a context for understanding what the information in financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

GASB issued Statement No. 44, Economic Conditions Reporting; The Statistical Section – an amendment of NCGA Statement 1. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. During fiscal year 2005-06, the City implemented this statement and added new information that financial statement users have identified as important.

Contents	Schedule
Financial Trends	I - IV
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	V – VIII
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, which is property tax.</i>	
Debt Capacity	IX – XII
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	XIII – XV
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	XVI – XVII
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	
Sources:	Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

THIS PAGE INTENTIONALLY LEFT BLANK

SCHEDULE I

**CITY OF AUBURN
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
Governmental Activities					
Invested in capital assets, net of related debt	\$ 2,160,238	\$ 4,044,224	\$ 9,219,557	\$ 11,455,672	\$ 12,112,065
Restricted	3,241,483	3,649,999	2,459,174	2,472,114	3,897,934
Unrestricted	3,588,055	3,874,941	3,127,481	3,826,830	4,049,964
Total governmental activities net assets	<u>\$ 8,989,776</u>	<u>\$ 11,569,164</u>	<u>\$ 14,806,212</u>	<u>\$ 17,754,616</u>	<u>\$ 20,059,963</u>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 11,113,831	\$ 12,841,536	\$ 14,206,489	\$ 14,150,118	\$ 14,898,745
Restricted	-	37,350	-	41,840	41,840
Unrestricted	4,161,203	5,555,953	4,858,983	5,125,958	4,566,907
Total business-type activities	<u>\$ 15,275,034</u>	<u>\$ 18,434,839</u>	<u>\$ 19,065,472</u>	<u>\$ 19,317,916</u>	<u>\$ 19,507,492</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 13,274,069	\$ 16,885,760	\$ 23,426,046	\$ 25,605,790	\$ 27,010,810
Restricted	3,241,483	3,687,349	2,459,174	2,513,954	3,939,774
Unrestricted	7,749,258	9,430,894	7,986,464	8,952,788	8,616,871
Total primary government net assets	<u>\$ 24,264,810</u>	<u>\$ 30,004,003</u>	<u>\$ 33,871,684</u>	<u>\$ 37,072,532</u>	<u>\$ 39,567,455</u>

Note:

The City of Auburn implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is unavailable.

SCHEDULE II

**CITY OF AUBURN
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
Expenses					
Governmental activities:					
General government	\$ 1,220,517	\$ 1,429,251	\$ 1,835,478	\$ 2,058,232	\$ 1,783,691
Public safety	3,824,766	4,151,189	4,619,641	4,745,520	5,385,966
Transportation	2,424,057	1,852,245	1,713,258	1,136,527	2,691,900
Community development	1,491,453	1,650,580	593,072	948,515	1,483,471
Recreation and culture	-	-	-	-	18,308
Interest on long-term debt	250,614	375,021	173,235	48,009	50,740
Total governmental activities expenses	<u>9,211,407</u>	<u>9,458,286</u>	<u>8,934,684</u>	<u>8,936,803</u>	<u>11,414,076</u>
Business-type activities:					
Auburn Municipal Airport	523,903	528,518	610,851	641,157	774,459
Wastewater Treatment Plant	2,255,861	2,375,566	2,488,911	2,276,655	2,852,847
Total business-type activities expenses	<u>2,779,764</u>	<u>2,904,084</u>	<u>3,099,762</u>	<u>2,917,812</u>	<u>3,627,306</u>
Total primary government expenses	<u>11,991,171</u>	<u>12,362,370</u>	<u>12,034,446</u>	<u>11,854,615</u>	<u>15,041,382</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	552,040	721,017	589,308	711,105	1,538,236
Public safety	601,788	571,971	663,715	642,003	9,660
Transportation	397,537	106,716	211,933	315,400	27,528
Community development	424,571	385,506	416,660	413,458	-
Operating grants and contributions	1,350,496	2,119,337	2,028,080	1,483,658	2,378,837
Capital grants and contributions	602,427	1,370,007	1,935,210	201,773	684,447
Total governmental program revenues	<u>3,928,859</u>	<u>5,274,554</u>	<u>5,844,906</u>	<u>3,767,397</u>	<u>4,638,708</u>
Business-type activities:					
Charges for services:					
Auburn Municipal Airport	92,237	69,896	71,800	104,223	113,472
Wastewater Treatment Plant	2,759,106	2,982,607	2,941,660	2,773,504	2,941,471
Capital grants and contributions	4,235,314	2,325,301	611,500	61,586	238,136
Total business-type activities program revenues	<u>7,086,657</u>	<u>5,377,804</u>	<u>3,624,960</u>	<u>2,939,313</u>	<u>3,293,079</u>
Total primary government revenues	<u>\$ 11,015,516</u>	<u>\$ 10,652,358</u>	<u>\$ 9,469,866</u>	<u>\$ 6,706,710</u>	<u>\$ 7,931,787</u>
Net (Expenses) Revenues					
Governmental activities	\$ (5,282,548)	\$ (4,183,732)	\$ (3,089,778)	\$ (5,169,406)	\$ (6,775,368)
Business-type activities	4,306,893	2,473,720	525,198	21,501	(334,227)
Total primary government	<u>(975,655)</u>	<u>(1,710,012)</u>	<u>(2,564,580)</u>	<u>(5,147,905)</u>	<u>(7,109,595)</u>

continued

**CITY OF AUBURN
CHANGES IN NET ASSETS (continued)
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
General Revenue and Other Changes in Net Assets					
Governmental activities					
Taxes:					
Property	2,071,282	2,224,532	2,258,103	3,256,499	3,682,204
Sales and use	2,446,555	2,797,849	2,776,035	2,605,488	2,922,367
In-lieu sales	-	-	-	686,335	980,145
Transient occupancy	207,877	198,602	215,627	215,627	220,388
Other taxes	118,907	23,613	78,337	148,973	128,215
Franchise fees	523,851	617,846	592,670	599,725	620,185
Rents	323,418	317,227	293,459	316,959	297,896
Unrestricted interest and investment earnings	475,787	556,114	75,681	153,018	198,507
Miscellaneous revenues	-	-	-	-	33,988
Transfers	5,353	27,337	36,914	135,186	(3,180)
Total governmental activities	<u>6,173,030</u>	<u>6,763,120</u>	<u>6,326,826</u>	<u>8,117,810</u>	<u>9,080,715</u>
Business-type activities					
Property taxes	25,385	71,050	43,772	53,456	41,764
Rents	285,509	321,576	324,546	347,803	331,784
Unrestricted interest and investment earnings	109,581	203,188	47,647	(35,130)	126,004
Capital contributions	-	117,610	-	-	-
Transfers	(5,353)	(27,337)	(36,914)	(135,186)	3,180
Total business-type activities	<u>415,122</u>	<u>686,087</u>	<u>379,051</u>	<u>230,943</u>	<u>502,732</u>
Total primary government	<u>\$ 6,588,152</u>	<u>\$ 7,449,207</u>	<u>\$ 6,705,877</u>	<u>\$ 8,348,753</u>	<u>\$ 9,583,447</u>
Change in Net Assets					
Governmental activities	890,482	2,579,388	3,237,048	2,948,404	2,305,347
Business-type activities	4,722,015	3,159,807	904,249	252,444	168,505
Total Primary government	<u>\$ 5,612,497</u>	<u>\$ 5,739,195</u>	<u>\$ 4,141,297</u>	<u>\$ 3,200,848</u>	<u>\$ 2,473,852</u>

Note:

The City of Auburn implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is unavailable.

**CITY OF AUBURN
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
General Fund					
Reserved	\$ 541,707	\$ 640,674	\$ 681,845	\$ 712,214	\$ 2,364,402
Unreserved	3,978,973	4,178,560	3,381,247	4,161,059	2,865,763
Total General Fund	<u>\$ 4,520,680</u>	<u>\$ 4,819,234</u>	<u>\$ 4,063,092</u>	<u>\$ 4,873,273</u>	<u>\$ 5,230,165</u>
Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 2,338
Unreserved, reported in:					
Special revenue funds	2,515,686	2,718,822	3,431,582	3,571,328	4,186,295
Debt service funds	1,748,810	1,881,236	109,657	168,566	254,166
Capital project funds	1,022,038	968,127	707,465	581,596	1,038,356
Total Other Governmental Funds	<u>\$ 5,286,534</u>	<u>\$ 5,568,185</u>	<u>\$ 4,248,704</u>	<u>\$ 4,321,490</u>	<u>\$ 5,481,155</u>

Note:

As certain data required by GASB 44 was not readily available for years prior to 2002, the City of Auburn has elected to show five years of data for this schedule.

CITY OF AUBURN
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
REVENUES					
Property taxes	\$ 1,739,577	\$ 2,224,532	\$ 2,258,103	\$ 3,256,499	\$ 3,682,114
Sales and use tax	2,446,555	2,797,849	2,776,035	2,605,488	2,922,367
Other taxes	1,141,246	1,228,249	1,493,718	1,635,262	1,328,838
Franchise fees	523,851	617,846	592,670	599,725	620,185
Licenses and permits	466,842	479,110	473,012	606,469	1,065,241
Fines, forfeitures and penalties	91,193	112,573	237,535	134,882	121,808
Use of money and property	809,872	873,341	369,143	471,087	496,403
Intergovernmental	2,064,245	2,889,251	3,208,687	1,583,310	3,063,284
Charges for services	656,522	691,483	626,231	842,603	388,375
Other revenues	178,534	95,388	124,994	25,688	33,988
Total revenues	<u>10,118,437</u>	<u>12,009,622</u>	<u>12,160,128</u>	<u>11,761,013</u>	<u>13,722,603</u>
EXPENDITURES					
General government	1,609,061	1,714,622	1,722,442	1,705,245	4,500,812
Public safety	3,602,928	3,986,908	4,267,351	4,606,218	7,313,153
Transportation	1,515,202	1,488,587	1,563,670	2,100,278	2,521,915
Community development	1,425,914	1,502,302	725,476	1,062,079	1,492,402
Recreation and culture	-	-	-	-	18,308
Capital outlay	1,210,561	2,375,694	3,291,566	1,345,115	1,477,368
Debt service:					
Principal	885,000	180,550	2,525,952	146,282	157,725
Interest	250,615	208,091	176,208	48,009	38,181
Total expenditures	<u>10,499,281</u>	<u>11,456,754</u>	<u>14,272,665</u>	<u>11,013,226</u>	<u>17,519,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(380,844)</u>	<u>552,868</u>	<u>(2,112,537)</u>	<u>747,787</u>	<u>(3,797,261)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	-	-	4,965,000
Capital lease inception	-	-	-	-	352,000
Loan proceeds	112,060	-	-	-	-
Transfers in	1,671,708	387,586	868,639	778,599	223,873
Transfers out	<u>(1,666,354)</u>	<u>(360,248)</u>	<u>(831,725)</u>	<u>(643,414)</u>	<u>(227,053)</u>
Total other financing sources (uses)	<u>117,414</u>	<u>27,338</u>	<u>36,914</u>	<u>135,185</u>	<u>5,313,820</u>
Net change in fund balance	<u>\$ (263,430)</u>	<u>\$ 580,206</u>	<u>\$ (2,075,623)</u>	<u>\$ 882,972</u>	<u>\$ 1,516,559</u>
Debt service as a percentage of noncapital expenditures	12.23%	4.28%	24.61%	2.01%	1.22%

Note:

As certain data required by GASB 44 was not readily available for years prior to 2002, the City of Auburn has elected to show only five years of data for this schedule.

**CITY OF AUBURN
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year	City					Auburn Urban Development Authority (Redevelopment Agency)					Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Rate	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Rate	
1996-97	695,857,614	85,546,752	- (1)	781,404,366	0.149%	65,226,369	11,511,310	-	76,737,679	0.329%	0.165%
1997-98	711,913,021	79,632,199	- (1)	791,545,220	0.149%	65,528,901	8,994,129	-	74,523,030	0.304%	0.163%
1998-99	738,195,757	100,589,679	- (1)	838,785,436	0.148%	66,764,056	9,885,194	-	76,649,250	0.277%	0.159%
1999-2000	775,659,066	114,580,759	- (1)	890,239,825	0.150%	67,717,345	10,423,349	-	78,140,694	0.301%	0.162%
2000-01	836,846,826	131,757,047	- (1)	968,603,873	0.149%	69,828,985	10,375,768	-	80,204,753	0.270%	0.158%
2001-02	924,878,465	163,171,437	50,034,999	1,038,014,903	0.200%	74,226,618	11,382,798	-	85,609,416	0.318%	0.135%
2002-03	1,000,767,284	183,554,586	52,245,073	1,132,076,797	0.197%	79,807,169	10,719,189	-	90,526,358	0.356%	0.188%
2003-04	1,098,885,515	187,072,771	54,539,705	1,231,418,581	0.156%	88,588,481	9,961,089	-	98,549,570	0.390%	0.173%
2004-05	1,205,735,778	184,994,566	65,101,805	1,325,628,539	0.217%	95,172,938	9,837,947	-	105,010,885	0.408%	0.231%
2005-06	1,349,777,552	161,246,947	67,494,168	1,443,530,331	0.221%	102,726,618	11,721,184	-	114,447,802	0.463%	0.239%

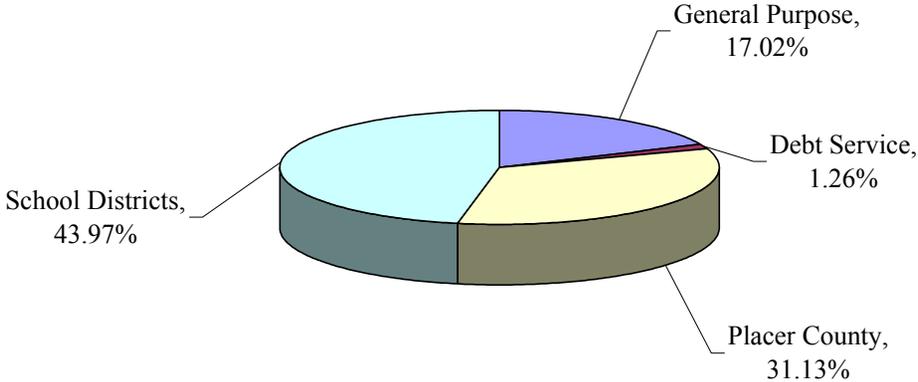
(1) Exemption information is unavailable for years prior to FY 2001-02.

Note:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property tax may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Auditor-Controllers Office, County of Placer

**CITY OF AUBURN
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Fiscal Year	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
City of Auburn										
General Purpose	0.175	0.176	0.175	0.175	0.175	0.175	0.175	0.175	0.175	0.175
Debt Service	0.020	0.020	0.019	0.017	0.016	0.017	0.015	0.013	0.012	0.013
	0.195	0.196	0.194	0.192	0.191	0.192	0.190	0.188	0.187	0.188
Placer County	0.335	0.335	0.334	0.330	0.330	0.328	0.326	0.321	0.320	0.320
School districts	0.431	0.482	0.430	0.434	0.448	0.447	0.447	0.455	0.455	0.452
Special districts	0.068	0.014	0.068	0.068	0.068	0.068	0.068	0.068	0.068	0.068
	1.029	1.027	1.026	1.024	1.037	1.035	1.031	1.032	1.030	1.028

- Note:**
- The above tax rates are applied per \$100 of assessed valuation.
 - In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of school district bonds.

Source: Auditor-Controllers Office, County of Placer

SCHEDULE VII

CITY OF AUBURN
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

Taxpayer	FY 2005-06		FY 1996-97	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Regal Cinemas, Inc.	\$ 11,118,160	0.789%	<i>not available</i>	-
Reneson Hotels, Inc.	7,776,061	0.533%	<i>not available</i>	-
Jewel Food Stores, Inc.	7,564,668	0.519%	<i>not available</i>	-
Foothill Terrace Investors	7,530,429	0.516%	<i>not available</i>	-
Auburn Town Square LLC	5,404,729	0.371%	<i>not available</i>	-
Persimmon Terrace Apartments, Partnership	4,806,237	0.330%	<i>not available</i>	-
Ginn Le Royce Leo Jr, Trustee	4,092,719	0.281%	<i>not available</i>	-
1616 I Street Properties	4,060,094	0.278%	<i>not available</i>	-
701 Auburn Ravine, LLC	4,009,494	0.275%	<i>not available</i>	-
Esperanca Family Trust	3,912,436	0.268%	<i>not available</i>	-
Congregational Church Retirement Comm	3,850,222	0.264%	<i>not available</i>	-
Total assessed property valuation	\$ 64,125,249	4.425%	<i>not available</i>	-
Total City of Auburn assessed property valuation (including AUDA):				
	Fiscal Year 2005-06	<u>\$ 1,408,472,479</u>		
	Fiscal Year 1996-97		<u>\$ 858,142,045</u>	

Note:

As some information required by GASB 44 is not readily available, data for FY 1996-97 is not shown in the schedule.

Source: Auditor-Controllers Office, County of Placer

SCHEDULE VIII

**CITY OF AUBURN
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Levied Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1996-97	1,417,975	1,501,009	105.9%	-	1,501,009	105.9%
1997-98	1,408,252	1,281,978	91.0%	-	1,281,978	91.0%
1998-99	1,457,605	1,430,024	98.1%	-	1,430,024	98.1%
1999-2000	1,573,407	1,532,769	97.4%	-	1,532,769	97.4%
2000-01	1,692,780	1,663,552	98.3%	-	1,663,552	98.3%
2001-02	1,825,238	1,764,962	96.7%	-	1,764,962	96.7%
2002-03	2,131,441	2,295,582	107.7%	-	2,295,582	107.7%
2003-04	2,321,327	2,301,875	99.2%	-	2,301,875	99.2%
2004-05	3,256,499	3,309,955	101.6%	-	3,309,955	101.6%
2005-06	3,562,725	3,723,878	104.5%	-	3,723,878	104.5%

*Source: Auditor-Controllers Office, County of Placer
Administrative Services Department, City of Auburn*

SCHEDULE IX

CITY OF AUBURN
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

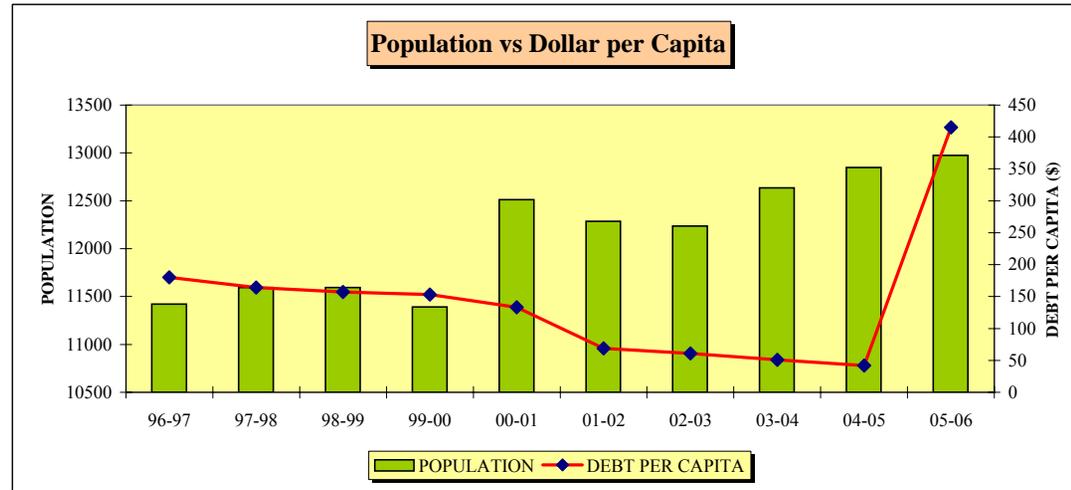
Fiscal Year	Governmental Activities					Total Governmental Activities
	General Obligation Bonds	COPS (1) / Pension Obligation Bonds	Loans and Notes Payable	Due to Other Agencies	Capital Leases	
1996-97	\$ 1,950,000	\$ 2,785,000	\$ 350,897	\$ 249,310	\$ 76,143	\$ 5,411,350
1997-98	1,885,000	2,725,000	109,359	286,569	159,426	5,165,354
1998-99	1,815,000	2,665,000	-	261,263	118,262	4,859,525
1999-2000	1,740,000	2,600,000	-	235,957	104,798	4,680,755
2000-01	1,660,000	2,535,000	-	210,651	58,130	4,463,781
2001-02	845,000	2,465,000	112,060	185,345	33,855	3,641,260
2002-03	750,000	2,390,000	101,510	160,039	24,342	3,425,891
2003-04	650,000	-	90,864	134,733	14,031	889,628
2004-05	540,000	-	79,888	109,427	9,556	738,871
2005-06	420,000	4,965,000	68,580	84,121	356,739	5,894,440

Fiscal Year	Business-type Activities		Total Primary Government	Percentage of Assessed Value	Debt Per Capita
	Loans and Notes Payable	Total Business-Type Activities			
1996-97	\$ 1,900,000	\$ 1,900,000	\$ 7,311,350	0.852%	\$ 640
1997-98	1,849,722	1,849,722	7,015,076	0.810%	605
1998-99	1,996,301	1,996,301	6,855,826	0.749%	591
1999-2000	5,316,578	5,316,578	9,997,333	1.032%	878
2000-01	6,816,457	6,816,457	11,280,238	1.076%	902
2001-02	5,329,059	5,329,059	8,970,319	0.798%	730
2002-03	6,038,825	6,038,825	9,464,716	0.774%	774
2003-04	5,707,941	5,707,941	6,597,569	0.496%	522
2004-05	5,374,142	5,374,142	6,113,013	0.427%	476
2005-06	5,035,206	5,035,206	10,929,646	0.702%	842

(1) Amounts listed in this column prior to FY 2003-04 relate to Certificates of Participation debt outstanding.

Sources: Department of Administrative Services, City of Auburn
Auditor-Controller's Office, County of Placer

**CITY OF AUBURN
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**



Outstanding General Debt

Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Pension Obligation Bonds	Total	Percent of Assessed Value	Population	Debt Per Capita
1996-97	\$ 1,950,000	\$ 105,567	\$ -	\$ 2,055,567	0.240%	11,422	\$ 180
1997-98	1,885,000	15,283	-	1,900,283	0.219%	11,595	164
1998-99	1,815,000	-	-	1,815,000	0.198%	11,595	157
1999-2000	1,740,000	-	-	1,740,000	0.180%	11,391	153
2000-01	1,660,000	-	-	1,660,000	0.158%	12,511	133
2001-02	845,000	-	-	845,000	0.075%	12,287	69
2002-03	750,000	-	-	750,000	0.061%	12,235	61
2003-04	650,000	-	-	650,000	0.049%	12,634	51
2004-05	540,000	-	-	540,000	0.038%	12,849	42
2005-06	420,000	-	4,965,000	5,385,000	0.346%	12,975	415

Source: Auditor-Controllers Office, County of Placer
Administrative Services Department, City of Auburn

**CITY OF AUBURN
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2006**

City Assessed Valuation	\$	1,470,630,541
Auburn Urban Development Authority Incremental Valuation		62,158,062
Adjusted Assessed Valuation	\$	1,408,472,479

<i>Overlapping Tax and Assessment Debt:</i>	% Applicable	Outstanding Debt as of 6/30/2006	Estimated Share of Overlapping Debt
Placer Union High School District	15.402%	\$ 40,559,040	\$ 6,246,903
Nevada Irrigation District	0.153%	3,710,000	5,676
		\$ 44,269,040	\$ 6,252,580

Direct and Overlapping General Fund Obligation Debt:

Placer County General Fund Obligations	3.232%	\$ 22,855,000	\$ 738,674
Placer County Office of Education Certificates of Participation	3.232%	2,885,000	93,243
Sierra Joint Community College District General Fund Obligations	2.357%	10,700,000	252,199
Placer Union High School District Certificates of Participation	15.402%	11,615,000	1,788,942
Auburn Union School District Certificates of Participation	42.029%	36,763,580	15,451,365
City of Auburn General Fund Obligations	100.000%	420,000	420,000
City of Auburn Pension Obligations	100.000%	4,965,000	4,965,000
Auburn Area Recreation and Park District Certificates of Participatic	32.752%	900,000	294,768

<i>Total Direct and Overlapping General Fund Obligation Debt:</i>		\$ 91,103,580	\$ 24,004,191
---	--	---------------	---------------

<i>Combined Total Debt:</i>		\$ 135,372,620	\$ 30,256,771
-----------------------------	--	----------------	---------------

Ratios to 2005-06 Assessed Valuation:

Direct Debt (\$0).....	0.000%
Total Direct and Overlapping Tax and Assessment Debt.....	0.430%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$5,385,000).....	0.382%
Combined Total Debt.....	2.148%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Auburn. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

*Source: Auditor-Controller's Office, County of Placer
Administrative Services Department, City of Auburn
California Municipal Statistics*

SCHEDULE XIII

**CITY OF AUBURN
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Calendar Year</u>	<u>Population</u>	<u>Taxable Assessed Valuation</u>	<u>Per Capita Taxable Property Values</u>	<u>Average Unemployment Rate</u>
1997	11,422	\$ 858,142,045	\$ 75,131	4.7%
1998	11,595	866,068,250	74,693	4.1%
1999	11,595	915,434,686	78,951	3.2%
2000	11,391	968,380,519	85,013	2.9%
2001	12,511	1,048,808,626	83,831	3.2%
2002	12,287	1,123,624,319	91,448	3.9%
2003	12,235	1,222,603,155	99,927	4.0%
2004	12,634	1,329,968,151	105,269	3.7%
2005	12,849	1,430,639,424	111,342	3.3%
2006	12,975	1,557,978,133	120,075	3.2%

Note:

Data pertaining to personal income is not readily available, thus the City used taxable assessed values to calculate per capita taxable property values

*Source: Auditor-Controllers Office, County of Placer
Administrative Services Department, City of Auburn
Employment Development Department, State of California*

SCHEDULE XIV

**CITY OF AUBURN
PRINCIPAL EMPLOYERS
2006**

<u>Employer</u>	<u>No. of Employees</u>	<u>Percent of Total Employment</u>
Nella Oil Company	530	6.54%
Coherent	305	3.77%
Placer County Water Agency	166	2.05%
Pacific Bell Telephone	160	1.98%
Pride Industries	141	1.74%
Auburn Courthouse Gym	120	1.48%
Auburn Journal	110	1.36%

Note:

*Data pertaining to principal employers for nine years ago is not readily available.
calculate per capita taxable property values*

*Source: Auburn Area Chamber of Commerce
Employment Development Department, State of California*

**CITY OF AUBURN
FULL-TIME AND PART-TIME CITY EMPLOYEES
LAST TEN FISCAL YEARS**

Full-Time and Part-Time Employees as of June 30										
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
City Manager's Office	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	2.0	2.0
City Clerk's Office	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance / Administrative Services	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.8	5.0
Community Development	5.0	7.0	7.0	7.0	8.5	9.0	9.0	9.0	9.5	12.0
Police Department	30.6	29.4	31.0	32.5	31.5	33.5	33.5	33.5	32.5	35.5
Fire Department	4.6	7.8	13.8	11.8	14.8	14.8	13.0	13.0	13.0	14.5
Public Works	19.0	19.5	19.5	21.5	24.0	25.5	25.0	25.5	25.5	26.0
Airport	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Total Full-Time Equivalent Employees:	<u>73.2</u>	<u>77.7</u>	<u>85.3</u>	<u>86.8</u>	<u>94.8</u>	<u>98.8</u>	<u>96.5</u>	<u>97.0</u>	<u>95.3</u>	<u>103.0</u>

Source: Administrative Services Department, City of Auburn

**CITY OF AUBURN
OPERATING INDICATORS
LAST FIVE FISCAL YEARS**

	Fiscal Year				
	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
AUBURN AIRPORT:					
Tie-downs per year	1,056	990	1,086	1,050	978
Hanger rentals per year	81	84	95	96	97
Gallons of fuel sold per year	298,000	330,000	271,000	194,000	155,000
ENVIRONMENT AND UTILITIES:					
Gallons of wastewater treated per year (in millions)	450	468	477	602	628
FIRE:					
Fires per year	87	76	109	130	82
Emergency medical calls per year	787	722	887	995	1,013
Hazardous materials incidents per year	17	27	24	26	34
Non-emergency service calls per year	92	126	134	176	229
POLICE:					
911 calls per year	4,128	3,365	3,056	2,966	2,910
Cases investigated per year	4,300	4,593	5,243	3,973	4,100
Arrests per year	864	893	975	847	886
BUILDING PERMITS:					
Building permits issues per year	532	533	580	635	599
New building and alteration valuation	\$ 25,665,075	\$ 19,779,477	\$ 27,882,769	\$ 45,634,211	\$ 33,298,065

Note:

As certain data required by GASB 44 was not readily available prior to FY 2001-02, the City of Auburn has elected to show five years of data in this schedule.

Source: City of Auburn

CITY OF AUBURN
 CAPITAL ASSET STATISTICS
 LAST FIVE FISCAL YEARS

	Fiscal Year				
	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
AUBURN AIRPORT:					
Terminals (Airport Management Building)	1	1	1	1	1
Runways	1	1	1	1	1
Airport hangers	81	81	81	81	81
ENVIRONMENT AND UTILITIES:					
Miles of municipal sewer mains	59	60	61	62	62
Maximum daily capacity (gallons per day)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
FIRE:					
Full-time staffed stations	1	1	1	1	1
Volunteer stations	2	2	2	2	2
POLICE:					
Stations	1	1	1	1	1
Vehicles and motorcycles	23	23	24	25	27
COMMUNITY DEVELOPMENT:					
Miles of municipal roadways	62	62	62	62	62
Pocket park sites	10	10	10	10	10

Note:

As certain data required by GASB 44 was not readily available prior to FY 2001-02, the City of Auburn has elected to show five years of data in this schedule.

Source: City of Auburn

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2006

Other Reports



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

City Council
City of Auburn
Auburn, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 30, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated August 30, 2006.

City Council
City of Auburn
Auburn, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 *Government Auditing Standards*.

This report is intended solely for the information and use of the management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

A handwritten signature in black ink that reads "Bartig Basler & Ray, LLP". The signature is written in a cursive, flowing style.

Roseville, CA
August 30, 2006