

**CITY OF AUBURN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDING SEPTEMBER 30, 2016**



City of Auburn

The City of Auburn, Alabama

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2016

City Council

Bill Ham, Jr., Mayor

Clemon Byrd

Ron Anders, Jr., Mayor Pro Tem

Beth Witten

Brent Beard

Lynda Tremaine

Dick Phelan

Gene Dulaney

Tommy Dawson

Management

James C. Buston, III, *Interim City Manager*

Kevin Cowper, *Assistant City Manager*

Rick Davidson, *City Attorney*

Christopher Warren, *Library Director*

Phillip Dunlap, *Economic Development Director*

James McLaughlin, *Municipal Judge*

Timothy Woody, *Environmental Services Director*

Rebecca O. Richardson, *Parks and Recreation Director*

Penny L. Smith, *Finance Director/Treasurer*

Forrest Cotton, *Planning Director*

Steven A. Reeves, *Human Resources Director*

William H. James, *Public Safety Director*

Chris Graff, *Interim Information Technology Director*

Jeffery Ramsey, *Public Works Dir./City Engineer*

Greg Nelson, *Interim Information Technology Director*

Eric A. Carson, *Water Resource Mgt. Director*

Prepared by the City of Auburn Finance Department

Penny L. Smith, *CPA, CGFM, Director/Treasurer*

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Letter of Transmittal

March 28, 2017

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

The Comprehensive Annual Financial Report (CAFR) of The City of Auburn (the government) for the fiscal year ended September 30, 2016 is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Auburn management. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government and its component units. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The Report

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, and the primary government's organization chart. The financial section includes the management's discussion and analysis (MD&A), the basic financial statements for the primary government and its separately presented component units, and the primary government's combining and individual financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The MD&A contains a narrative introduction, overview, and analysis of the City's financial statements. It should be read in conjunction with this letter of transmittal. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. In contrast to the financial section information, the statistical section information has not been audited.

This report includes all funds of the primary government and its component units. The primary government provides a full range of services. These services include public safety, public works, environmental services, culture and recreation, economic and community development, planning, and general administrative services. Component units of the City of Auburn include the City's Board of Education, Water Works Board, Industrial Development Board, Commercial Development Authority, Downtown Redevelopment Authority, Public Park and Recreation Board, and Housing Authority. All have been included as separately presented component units of the City's reporting entity in the CAFR. Please see note 1.A for details of the reporting entity.

GASB Reporting Requirements Each year, management evaluates new GASB reporting requirements to determine applicability to the City. The requirements issued by GASB that became effective during this fiscal period and those that will become effective in the next fiscal period are described in this section.

The City implemented the following statements during fiscal year 2016:

- GASB Statement 72, “Fair Value Measurement and Application,” which addresses accounting and financial reporting issues related to fair value measurements. It also expands fair value disclosures.
- GASB Statement 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68” which improves the usefulness of pension related information included in general purpose external financial reports.
- GASB Statement 79, “Certain External Investment Pools and Pool Participants,” addresses accounting and financial reporting for certain external investment pools and pool participants. This statement does not currently affect the City.
- GASB Statement 82, “Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73,” addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The City will implement the following statements in future years:

- GASB Statement 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,” expands the disclosure requirements for certain postemployment benefit plans administered through trusts. This statement becomes effective for the fiscal 2017 reporting period. Management is aware of this pronouncement and will evaluate its implications.
- GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” requires the recognition of a liability for obligations incurred under postemployment benefit plans. The requirements of this statement are effective for the fiscal 2018 reporting period. Management is aware of these requirements and will implement this statement in fiscal year 2018.
- GASB Statement 77, “Tax Abatement Disclosures,” requires governments that enter into tax abatement agreements to disclose certain information about the abatements, which will make these transactions more transparent to financial statement users. These requirements are effective for the fiscal 2017 reporting period. Management is aware of these requirements and will implement this statement in fiscal year 2017.
- GASB Statement 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” addresses the scope and applicability of GASB 68 associated with pensions provided through certain multiple-employer defined benefit pension plans. This statement becomes effective for the fiscal 2017 reporting period. Management is aware of this pronouncement and will evaluate its implications.
- GASB Statement 80, “Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14,” improves financial reporting by clarifying the financial statement presentation requirements for certain component units. Management is aware of these requirements and will implement this statement in fiscal year 2017.
- GASB Statement 81, “Irrevocable Split-Interest Agreements,” improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement becomes effective for the fiscal 2018 reporting period. Management is aware of this pronouncement and will evaluate its implications.

City Profile

The City of Auburn, located in east central Alabama, is a thriving and diverse university-based community. The City was incorporated in Lee County in February of 1839. The establishment of Auburn University in 1856 marked

the beginning of a mutually beneficial partnership producing what *Demographics Daily* recognized as a small city “dream town,” offering a high quality of life to all its citizens.

During 2016, Forbes ranked Auburn number two in its top twenty-five places to retire. Forbes cited Auburn’s good economy, cost of living that is 11% below the national average and its low crime rate, as reasons for this excellent ranking. Also, Milken Institute ranked Auburn sixth in “Best Performing City for Economic Growth in the U.S.”

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



Auburn is conveniently located on Interstate 85.

Auburn has been among the fastest growing communities in Alabama, since beginning humbly in 1900 with a population of 1,831. During the past four decades, the City has seen tremendous growth from 22,767 residents in 1970 to 62,059 residents per the census-estimate released in July 2015. As the population has grown and the economic base diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multicultural citizenry.

Auburn has a Council-Manager form of municipal government. The City Council consists of nine members: eight elected from eight single-member wards, and the Mayor, who is elected at large. This legislative body establishes policy to guide the various City departments in providing services to its citizens. The City Manager is the chief executive officer of the City, directing and managing the daily activities of the city government. Charles M. Duggan, Jr. retired March 1, 2017, having served as City Manager since October 2006. The Auburn City Council appointed Assistant City Manager/Chief Information Officer James C. Buston, III as Interim City Manager.

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

Approximately 467 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

In fiscal year 2016, the City continued to prioritize school funding. The City contributed \$11.5 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

Construction began on the Moores Mill Bridge Replacement Project during fiscal 2016. This multi-year project will provide a wider, five-lane bridge over Interstate 85. It also improves the intersection of Moores Mill Road at East University Drive and the intersection of Moores Mill Road at Grove Hill Road. These improvements will tie into recent improvements widening Moores Mill Road between East University Drive and Dean Road. This project is partially funded by the State of Alabama's Alabama Transportation Rehabilitation and Improvement Program (ATRIP).

The City began work on its first Parks, Recreation and Culture Master Plan during fiscal year 2016. The plan will help the City determine how to best meet the future parks, trails, greenspace/greenways, recreation and cultural needs of its citizens by building upon, expanding or enhancing the existing infrastructure and programming. When complete, the master plan will be used as a roadmap for the City to establish goals and priorities for the next ten to fifteen years.

Blower improvements were completed at the H.C. Morgan Water Pollution Control Facility. This \$2.0 million project replaced equipment that was over 30 years old. The new blowers are considerably more efficient and will reduce energy costs at the City's sewer treatment plant.

Government Services

Public Safety Services The Public Safety Department is comprised of five divisions: Police, Fire, Communications, Codes Enforcement, and Administration. The Police Division includes 138 full-time and 20 part-time sworn officer positions, providing an average emergency call response time of 2-3 minutes. The Auburn University Police Department merged with the City of Auburn Public Safety Department effective July 1, 2004. All law enforcement and public safety services for the campus are now handled by the City. In 2001, the City and Lee County, Alabama initiated an agreement for the County to provide jail services for the City. The City pays the County a charge per inmate. The City also pays for medical care for prisoners who must be given care outside of the jail. In September 2004, an agreement between the City of Auburn, Lee County and the City of Opelika was executed for the expansion of the joint jail facility. The County's modern jail provides a better facility for inmates and a more efficient solution to the provision of jail services.

The Fire Division includes 43 regular, full-time firefighters and an average of 55 student firefighters, operating five fire stations. The City currently has a 2/9 fire insurance rating. This is a good rating and equates to low insurance rates for our citizens. The Communications Division provides E-911 emergency response and dispatch services to the public. The Codes Enforcement Division monitors construction activities within the City for compliance with public safety ordinances. Ambulance services are provided via a contract with East Alabama Medical Center.

Public Works Services The City's Public Works Department oversees the development and maintenance of the City's transportation systems. The City's roadway system currently includes over 650 miles of paved streets and less than 2.1 miles of unpaved road. Public Works expends approximately \$1.5 million per fiscal year on road maintenance. The Engineering Division of the Public Works Department performs planning and design services for the City's future highway, bikeway, and sidewalk systems. In addition, Public Works also monitors and inspects the construction and renovation of City facilities, including buildings and parks. The Traffic Engineering Division maintains 62 traffic signalized intersections, along with over 270 City-owned street lights and 116 LED edge lit signs.

Environmental Services Given Auburn University's origins as an agricultural and mechanical college, it is not surprising that Auburn's residents give a high priority to its environmental quality of life. The City's Environmental Services Department maintains the cleanliness of the City's rights of way to a standard considered remarkable for a university town. Environmental Services collects household waste, recyclables, and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. During fiscal year 2016, approximately 15,000 households were served with 13,390 tons of garbage, 12,321 tons of yard waste, and 1,280 tons of recycling collected. In an effort to provide residents the opportunity to do a holistic cleanup around their properties each spring, Environmental Services provides an annual trash amnesty period where fees are waived for oversized debris piles. Environmental Services also hosts an annual household hazardous waste collection event and an annual comprehensive neighborhood clean-up event. This year's household hazardous waste collection event had 306 participants that disposed of nine tons of material. The annual comprehensive clean-up event involves several other City departments and addresses public works infrastructure and codes related items along the rights of way. Environmental Services is also responsible for animal control and maintenance of the City's vehicle fleet.

Leisure Services In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and Library provide many leisure time choices to residents. The Library has 40 internet-connected computer workstations available to the public. During fiscal 2016, there were 87,201 logins on these computers. Additionally, the Library offers wireless internet access for patrons bringing their own laptops, tablets, and other portable devices. During fiscal 2016, library patrons checked out 402,227 books, audiobooks, ebooks, and movies. In addition, 18,299 patrons attended the library's 659 programs offered for children, teens, and adults. The Summer Reading Program had 1,332 young participants, who together read 20,691 books. In addition, other programs during 2016 included One Book One Village, a Star Wars Imperial Gala, and a Halloween Family Festival, all sponsored by the Friends of the Auburn Public Library. With the use of federal LSTA (Library Services and Technology Act) grant funds, the Library expanded its selection of graphic novels, adding 377 volumes including manga, superhero comics, nonfiction titles, and works by emerging artists.

The Parks and Recreation Department maintains sixteen City parks, four cemeteries, and numerous recreation facilities. This includes five recreation centers, two pools, four youth baseball complexes, a seven-field soccer complex, 33 miles of bike paths, five-field competition class softball complex, an award-winning 34 court tennis center, a community arts center and more. Parks and Recreation provides programs ranging from organized team sports leagues for football, basketball, soccer, baseball, volleyball, track and softball to music and dancing lessons to summer day camps and swimming teams. The department is increasing emphasis on fitness and seniors programming at Harris Center, Frank Brown Recreation Center and Boykin Community Center.

Education Services Auburn City Schools provide services to more than 8,500 students. It is one of the fastest growing school systems in Alabama, averaging about 400 new students per year from 2011 - 2016. Auburn City Schools consistently experiences record enrollment growth each year as parents are drawn to the excellent teachers, facilities and programming it has to offer.

Currently, students are housed on eleven separate campuses. These campuses include eight elementary schools, one middle school, one junior high school, and one high school. Excellent choral, drama, art, band, academic teams, sports, and other extracurricular programs are offered. All schools have a media center, art teacher, music teacher, and one or more full-time counselors. A new high school is under construction and is projected to be completed this spring. It will open for the 2017-2018 school year with a 2,200 student capacity. Also, construction of a new elementary school will begin during fiscal year 2017.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. Auburn High School consistently produces an average of five National Merit finalists/semi-finalists each year from the senior class. Upon graduation, approximately 93% of the graduates move on to higher education. The 2016 graduation rate for Auburn High School was 90% and seniors were awarded more than \$18

million in scholarships. Concurrent college enrollment, through Auburn University and Southern Union State Community College, is available for students who wish to take courses not taught at Auburn High School.

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

Auburn University, in Auburn

Columbus State University, Columbus, GA

Tuskegee University, Tuskegee

LaGrange College, LaGrange, GA

Huntingdon College, Montgomery

Southern Union State Community College, Opelika

Faulkner University, Montgomery

Chattahoochee Valley Community College, Phenix City

Auburn University, Montgomery

Central Alabama Community College, Alexander City

Troy University at Montgomery

Alabama State University, Montgomery

Auburn University is ranked as a top 100 public institution by *US News and World Report*. This is the 24 consecutive year that Auburn has been recognized. Auburn University's student body is taught by approximately 1,200 full-time faculty members, and the student to faculty ratio is 18 to 1. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates. Auburn offers degrees in 14 schools and colleges with over 140 majors at the undergraduate, graduate, and professional levels. Auburn has awarded more than 250,000 academic degrees since it opened in 1856.



Auburn University's Historic Samford Hall

As the City's largest employer with over 5,500 employees, Auburn University is a major contributor to the local economy. Enrollment was 28,290 for fall semester of the 2016/2017 academic year, an increase of 1,003 students over the previous year.

Southern Union State Community College is located in Auburn's sister city, Opelika, the Lee County seat. Southern Union is located six miles from Auburn and offers courses in business, accounting, computer science, industrial electricity and electronics technology, automotive mechanics technology, welding, and more.

Utilities The Water Works Board of the City of Auburn, drawing from Lake Ogletree as its main source, with secondary sources from a groundwater well located on Highway 29 South and Opelika Utilities, provides potable water services. The City's Water Resource Management (WRM) Department also provides the wastewater treatment services for the City, with a permitted treatment capacity of 13.45 million gallons per day. The City's stormwater program is managed by WRM, as well. The Watershed Management Division coordinates and implements the Phase II Stormwater Regulations published by the federal government in 1999, while offering educational opportunities about stormwater issues and enforcing the City's erosion and sediment control ordinance.

Healthcare The Auburn area is served by the East Alabama Medical Center (EAMC). Among the many services that EAMC provides are open-heart surgery and cancer treatment, both of which are highly acclaimed specialties at the hospital. EAMC has been recognized three times for having a “Top 100 heart program.” EAMC has been named twice as one of *Fortune’s* “100 best companies to work for in America”. The hospital has over 2,600 employees, making it the second largest employer in Lee County. EAMC facilities in Auburn include Health Plus Fitness Center, Rehab Works, and several assisted living communities. EAMC’s main building is licensed for 384 beds, and the center provides emergency medical transport services to the City of Auburn. In addition, EAMC operates the Auburn University Medical Clinic on the Auburn University campus.

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

Auburn University operates the Auburn University Regional Airport with the financial support of the three local governments in Lee County. Other conveniently accessible airports include Hartsfield-Jackson Atlanta International Airport (100 miles by Interstate 85), the Columbus (Georgia) regional airport (40 miles by US 280), and the Montgomery regional airport (60 miles by Interstate 85). CSX Transportation provides local mainline rail service through its Southern Railway and Western Railway of Alabama divisions.

Factors Affecting Financial Conditions

Local Economy

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

In the mid-1980’s, the City government began a conscious effort to strengthen the City’s economic base through diversification. The City government established an Economic Development Department, whose mission is to recruit small- to medium-sized technology-based companies that offer a high level of employment to citizens, with the corresponding improvements in salaries and benefits.

The City’s Economic Development Department, in partnership with the City’s Industrial Development Board, has achieved an outstanding level of success in this effort, having assisted in the recruitment of more than forty companies, resulting in the creation of over 6,000 jobs in the last 20 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the first phase of the newest park, Auburn Technology Park West, was completed in 2008. Construction of Phase II of this park is substantially complete and additional property was acquired in 2014 with development underway in 2015 with anticipated substantial completion in 2017.

The industrial sector showed continued growth in 2016. German manufacturer Berghoff Group selected Auburn as the location for its first U.S. manufacturing operation and construction is nearly complete for their new facility in the Auburn Technology Park West. Beginning in the summer of 2017, Berghoff Precision Machining will commence production of high performance machined metals for equipment manufacturing and aerospace and semiconductor industries. Berghoff Group specializes in the mechanical processing of highly complex work pieces, including five-axis and high-speed machining. Auburn continues to maintain a presence in other key sectors such as aerospace and information technology.

Several other existing manufacturers also increased their capital investment in 2016, including IntraMicron, Inc., Kemmerich USA, LP, Seohan Auto USA Corporation and Briggs & Stratton Corporation. The new industry

announcements and expansions that occurred in 2016 will produce a combined total of approximately 130 new jobs for Auburn and a planned capital investment in excess of \$55 million.

The City's Commercial Development Incentive Program has brought numerous new and redeveloped commercial enterprises to our area. During 2016, this program facilitated the renovation and expansion of: the Corner Village shopping center, anchored by Kroger; Auburn Mall, which added doughnut maker Krispy Kreme; Flint's Crossing Shopping Center, currently anchored by Panera Bread and Earth Fare, will add Michael's as an additional anchor tenant.



Corner Village Shopping Center

Alongside business recruitment efforts, the City's Economic Development Department manages the activities of The City's Community Development Division. Community Development provides a variety of opportunities to improve the quality of life for Auburn's citizens identified as low to moderate-income. The Community Development Block Grant (CDBG) funds programs specifically targeted to Housing, Public Service and Special Economic Development activities. Affordable Housing, Emergency Housing Rehab, Housing Reconstruction, and Utility and Mortgage Assistance are examples of programs available to qualifying citizens in need. The East Alabama Food Bank, the North Auburn Housing Development Corporation, and Presbyterian Community Ministries (PCM) are a few agencies that administer CDBG funding and provide supportive services directly to applicants residing within the City limits.



Northwest Village Subdivision

In an effort to leverage funds to finance economic development activities to create and retain jobs, the City of Auburn was approved for a Section 108 Loan sponsored by the U.S. Department of Housing and Urban Development (HUD). The City loaned \$1.5 million to the Auburn Housing Authority to redevelop the Moton public housing complex. Section 108 funds are also used to fund business loans to provide financing for commercial and industrial loans for undertaking special economic development activities and to offer short-term loans for active small businesses and small business start-ups. Currently, five (5) loans have been issued to these entities operating within the City of Auburn and committing to make hires designated for low to moderate-income workers.

In fiscal 2016, building permits were issued for 436 new single-family residences valued at \$132.2 million. The average valuation for single-family homes was \$303,318. Also, seven new commercial and industrial facilities valued at \$18.1 million were permitted during fiscal 2016.

CompPlan 2030

CompPlan 2030 is the City of Auburn's plan for future growth and development. The plan looks forward 20 years and provides recommendations for the future based on public input, analysis of existing future conditions, and the best practices of planning. CompPlan 2030 focuses on how the City uses the land, now and in the future; how land use and the built environment affect the natural world, and vice-versa; schools, parks and other facilities that form the civic foundation of the City; and the many forms of transportation that link everything together. The plan represents an achievable, comprehensive vision for Auburn's future growth and development that reflects input from a broad array of plan stakeholders.

Risk Management

The City of Auburn's risk management program includes identification and analysis of loss exposures and the selection of appropriate risk management techniques for specific loss exposures. The City uses a combination of risk reduction and risk financing techniques. The risk reduction techniques include loss prevention and loss reduction through periodic inspections and training. While insurance or self-insurance is used for risk financing, some loss exposures are retained by the City and paid for out of the operating budget.

Long-term Financial Planning

The City's capital improvements plan identifies potential capital projects for fiscal years 2017 through 2022. Project areas include downtown improvements, technology investments, public safety projects and major equipment, parks and cultural projects, and City facility improvements. Various funding options, including debt and grants, will be identified at the appropriate time. Several of the most significant projects planned are listed below.

- Construction of a new Public Safety center
- South College Street and Samford Avenue intersection improvements
- Boykin Recreation Center improvements
- Various projects identified through the Parks, Recreation and Cultural master plan

Financial Information

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate data are compiled to allow for the presentation of financial statements in conformance with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) that valuation of costs and benefits requires estimates and judgments by management.

Single Audit As a recipient of federal and state financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's audit in accordance with generally accepted government auditing standards, tests are made to determine the adequacy of the internal control structure, including that portion related to federal assistance programs, as well as to determine that the government has complied with applicable laws and regulations.

Budgeting Budgetary tracking is maintained at the line item level by the encumbrance of actual or estimated purchase amounts prior to the release of purchase orders to vendors. Accountability for budgetary compliance is held at the department level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The City Manager has the authority to make adjustments between budget line items.

The City has been using biennial budgeting since fiscal 2001. The objectives of a biennial budget process are two-fold: to give the Council and City management a longer time horizon for budgeting and to reduce the amount of staff time required for developing and adjusting the budget. Under the annual budgeting process, Auburn conducted a Mid-Year Budget Review process each April that was nearly as rigorous as the budget development each summer. With a Biennial Budget, the Mid-Year Review is streamlined and there is an in-depth Mid-Biennium Review. Also, a comprehensive Revenue Review is completed periodically to evaluate the City's revenue structure.

Budget amendments are effected by ordinance enacted by the governing body at mid-biennium and, if necessary, at fiscal year-end. Activities of the General Fund, the Debt Service funds, and most Special Revenue funds are included in the budget. Encumbrances lapse at year-end; however, encumbrances remaining against a positive department budget balance may be re-appropriated as "prior year carryover" during the Mid-Biennium Budget Review.

The City's budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the financial section of this report are presented in accordance with GAAP; that is, all capital outlays have been aggregated in a single line captioned "capital outlay." Debt service expenditures are presented in a single line caption in the GAAP financial statements, as well.

Cash Management and Investments It is the policy of the City to invest public funds not required for immediate operations in a manner that will provide the highest investment return. The priorities for City investments shall be legal compliance, liquidity, and safety of the investment. All financial institutions holding City deposits are Qualified Public Depositories (QPD) authorized by the Security for Alabama Funds Enhancement (SAFE) program. The SAFE program provides a collateral pool administered by the Alabama State Treasurer.

During fiscal year 2016, idle cash was invested in U.S. treasury notes with 9-27 month terms and rates ranging from .25% to 1.00%. The City's demand deposit operating account is currently earning .25%.

During fiscal year 2016, the City invested school debt proceeds into a portfolio consisting of certificates of deposit and U.S. treasury notes. Debt proceeds were invested in certificates of deposit with 6-30 month terms and rates ranging from .35% to 1.15%. Debt proceeds were also invested in U.S. treasury notes with 4-29.5 month terms and rates ranging from .25% to 4.5%.

General Fund Reserves The City Council has adopted a policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses. Management has an informal goal of 20-25%. The ending fund balance as a percentage of expenditures and other financing uses for the fiscal 2016 period was 62.5%, exceeding management's informal goal. There is a planned reduction of fund balance in fiscal 2017.

Other Information

Independent Audit The government is required by State law to undergo an annual audit by independent public accountants. To meet federal requirements of the Single Audit Act Amendments of 1996, and the resultant issuance of OMB Circular No. A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*), the City's audit report must be signed by a certified public accountant. The accounting firm of Machen McChesney completed the City's fiscal year 2016 audit. The auditor's report on the basic financial statements and the combining and individual fund statements and schedules is included in the *financial* section of this report.

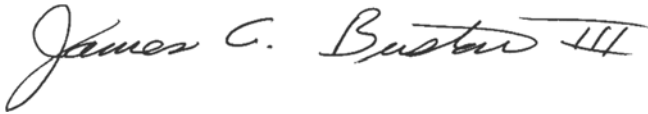
Information related to this Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are generally meaningful only to oversight agencies and therefore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

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2015. This was the twenty-ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received a GFOA Award for Distinguished Budget Presentation for its biennium beginning October 1, 2014. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

Acknowledgments The preparation of the comprehensive annual financial report could not be accomplished without the dedicated services of an efficient Finance Department staff, including adjunct members in other City departments. We express appreciation to each member of the Department and to those members of other City departments for their contributions made in the preparation of this report.

In closing, the commitment to the achievement of mandated priorities speaks to the progressive leadership and dedication to public service of the Mayor and the City Council. Their support for a policy of financial integrity has been instrumental in the preparation of this report.



James C. Buston, III
Interim City Manager



Penny L. Smith, CPA, CGFM, CGMA
Finance Director/Treasurer



Government Finance Officers Association

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

Presented to

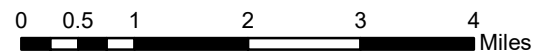
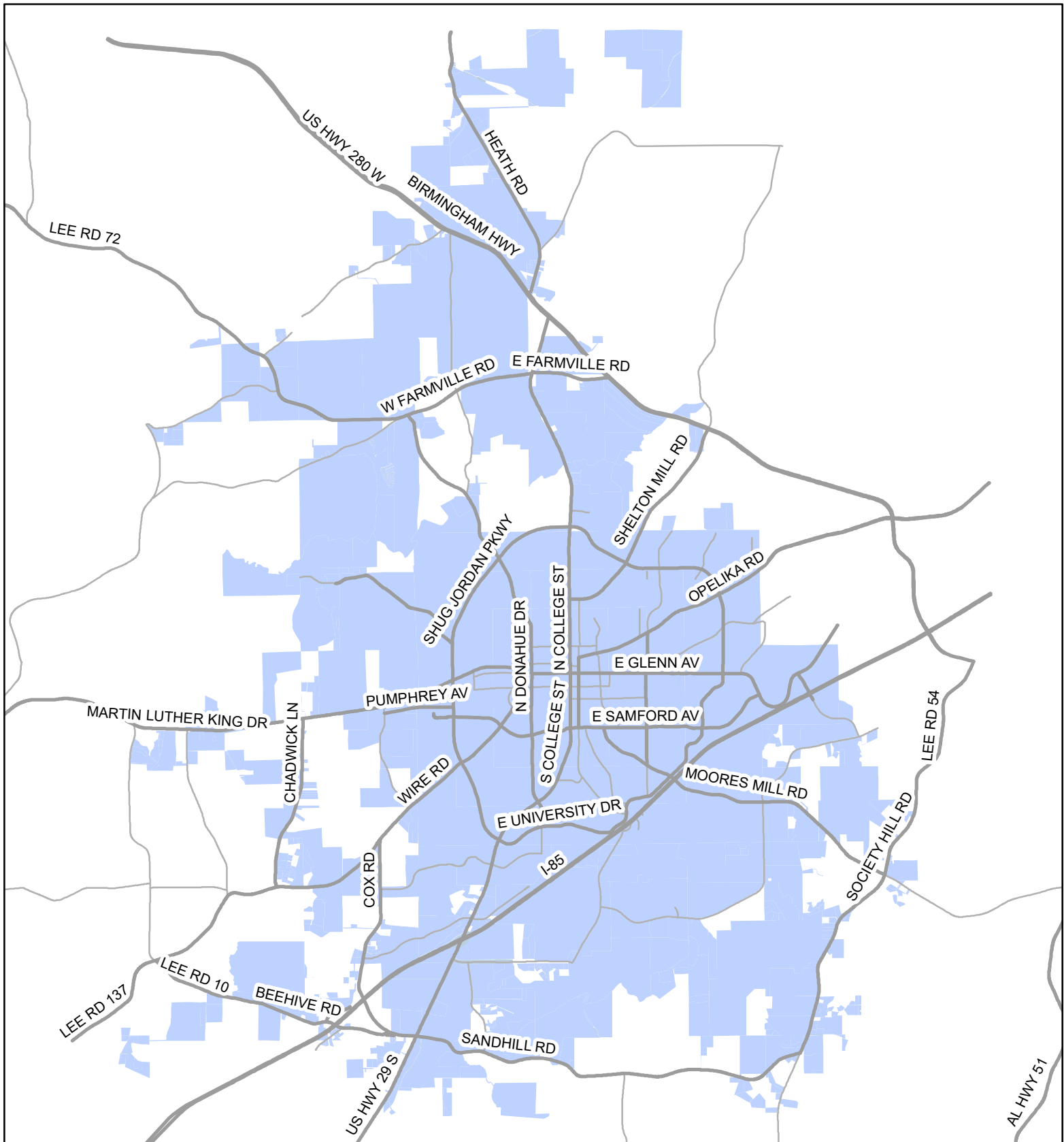
**City of Auburn
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Auburn as of September 30, 2016

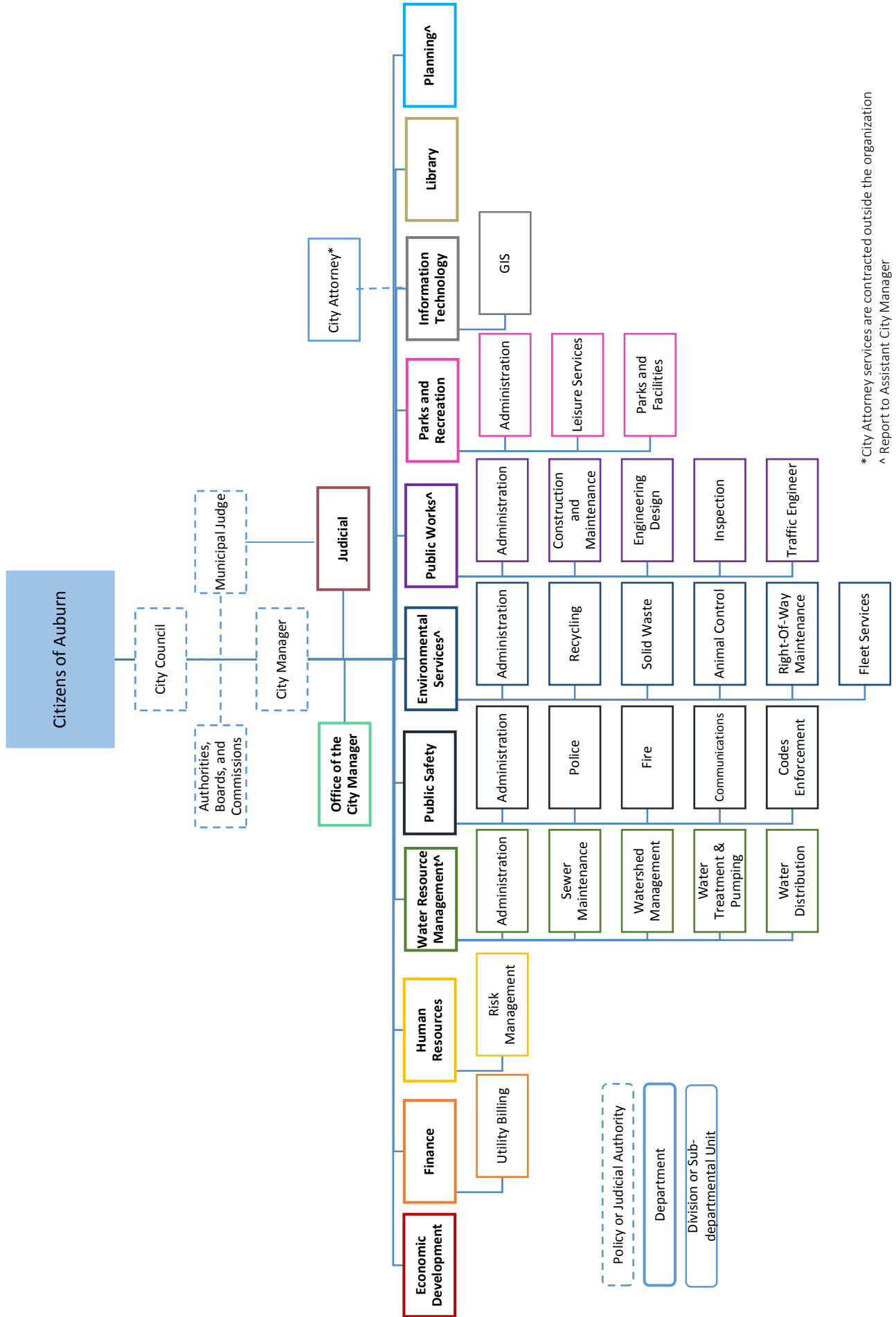


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Produced by COA
Planning Department
3/15/2017



City of Auburn Organization Chart



*City Attorney services are contracted outside the organization
 ^ Report to Assistant City Manager



City of Auburn

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Auburn, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Auburn discretely presented component unit, which represents seven percent of the assets, twelve percent of the net position, and seven percent of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Auburn discretely presented component unit, is based on the report of the other auditor. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special School Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 21 through 48) and pension information (pages 144 through 146) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, the capital asset schedules, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, and the capital asset schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, and the capital asset schedules, are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017, on our consideration of the City of Auburn, Alabama's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburn, Alabama's internal control over financial reporting and compliance.

Machen McChesney, LLP

Auburn, Alabama
March 8, 2017



City of Auburn

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Auburn's Comprehensive Annual Financial Report (CAFR) presents City management's discussion and analysis (MD&A) of the City's financial performance during the fiscal year that ended on September 30, 2016. Please read this in conjunction with the City's financial statements and the accompanying notes, which follow this section, and the additional information furnished in the letter of transmittal in the introductory section of the CAFR.

FINANCIAL HIGHLIGHTS

- The assets of the City of Auburn exceeded its liabilities at the close of the fiscal year by \$104.7 million (net position). Of this amount, the City had a deficit unrestricted net position of \$152.8 million offset by \$67.7 million in restricted net position and \$189.8 million in net investment in capital assets.
- The primary government experienced a 5.9% increase in net position from \$98.8 million at September 30, 2015 to \$104.7 million at September 30, 2016.
- At the close of fiscal 2016, the City's governmental funds reported a *combined* fund balance of \$98.5 million. This was a decrease of \$36.0 million (26.7%) from the prior year.
- At the end of fiscal 2016, total fund balance for the General Fund was \$49.4 million or 62.5% of total General Fund expenditures and other financing uses; total fund balance increased by \$5.1 million (11.5%) from fiscal year 2015. Total ending fund balance in the General Fund comprised 59.2% of total revenues in 2016 and 57.0% in 2015.
- The unassigned fund balance for the General Fund was \$24.5 million, or 31.0% of total General Fund expenditures and other financing uses; this was an increase of \$2.2 million from fiscal 2015.
- Sales and use tax, the City's single largest revenue source, increased by \$2.3 million (6.0%) during the 2016 fiscal year, reflecting continued growth in Auburn's economy.
- Other significant changes in revenue during 2016 include the following: contributions from the public increased by \$942,710 (140.9%); lodging taxes increased by \$431,401 (23.8%); occupation license fees increased by \$756,844 (7.0%); and fines and forfeitures decreased by \$179,151 (12.6%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- Fiduciary funds statements convey information about financial relationships in which the City acts solely as a trustee for the benefit of others, like athletic organizations' resources held for spending on specific sports' activities.

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

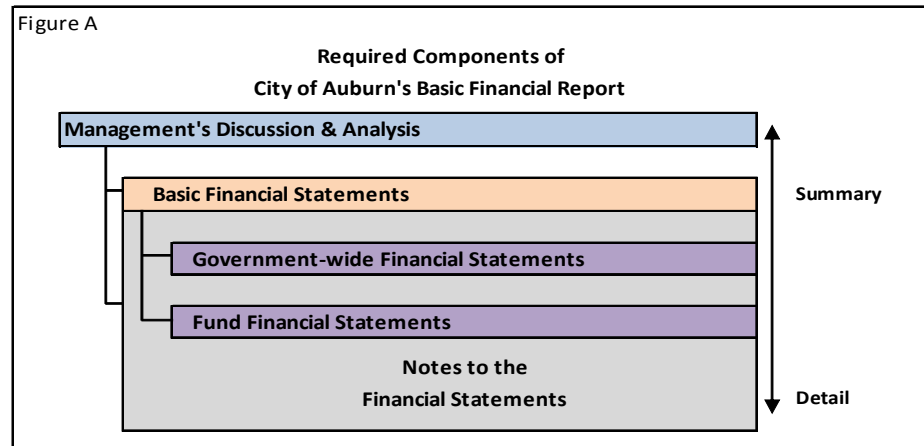


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

Government-wide Statements

The *government-wide financial statements* report information about the City as a whole, using accounting methods similar to those used by private-sector companies.

- The *statement of net position* includes all of the government's assets and liabilities, with the difference between the two reported as net position.
- All of the fiscal year's revenues and expenses are accounted for in the *statement of activities*, presenting the change in net position for the most recently completed fiscal year. All changes in net position (revenues and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

To assess the overall economic health of the City, additional non-financial factors, such as changes in the City's tax base, planning and zoning actions, and the condition of the City's roads, other infrastructure and public school system, should also be considered.

Figure B

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

	Government-Wide Statements	Fund Statements		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Sewer Revenue Fund and Solid Waste Management Fund	Instances in which the City is the trustee or agent for someone else's resources: Youth Athletic Funds
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, exp. and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis & measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets, deferred inflows, liabilities, and deferred outflows, both financial and capital, short-term and long-term	Only assets and deferred inflows expected to be used up and liabilities and deferred outflows that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term
Type of inflow/outflow	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year and expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when it is received or paid.	All revenues and expenses during the year regardless of when it is received or paid.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities.** Most of the City's basic services are included in this category, such as the services provided by the Public Safety, Public Works, Parks and Recreation, Human Resources, and Finance departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities.** The City charges fees to customers to help cover the costs of certain services it provides to the public. The City's Sewer Revenue Fund and Solid Waste Management Fund are included in this category as enterprise funds.
- **Discretely Presented Component Units.** The City includes seven other entities in this report. These entities include the City of Auburn Board of Education, Water Works Board of the City of Auburn, City of Auburn Industrial Development Board, City of Auburn Public Park and Recreation Board, the Commercial Development Authority of the City of Auburn, the Housing Authority of the City of Auburn, and the Auburn Downtown Redevelopment Authority. Although legally separate entities, these component units are important because the City is financially accountable for them. Please refer to Note 1.A. within the Notes to the Financial Statements regarding the availability of separately issued component unit financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds. Funds are groupings of related accounts that the City uses to keep track of specific revenues and spending for particular activities or objectives.

- State law requires gasoline tax funds to be accounted for separately, because the expenditures are restricted for specific uses.

- The City Council establishes other funds to control the use of monies for particular purposes, such as property taxes that are legally dedicated for repayment of long-term debt for voted projects or for support of the City school system.
- The City also establishes funds to demonstrate compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and the spending of grant revenues.

The City has three kinds of funds:

- *Governmental funds.* Most of the City's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out, and (2) the balances left at year-end that are available for spending in subsequent years. Consequently, the governmental funds statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs following the completion of a fiscal year.

Because governmental fund information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Doing so provides a better understanding of the long-term impact of the government's short-term funding decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between governmental funds statements and government-wide statements on governmental activities.

- *Proprietary funds.* Services provided to the public for which customers pay a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary funds' financial statements, like the government-wide statements, provide both long- and short-term financial information. Proprietary funds function like a business activity; therefore, the financial statements provide additional information, such as depreciation expense and cash flows, which are not presented for governmental funds.
- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City of Auburn's own programs. These private-purpose trust funds account for the revenues and expenditures of independent associations supporting youth athletic programs.

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

Notes to the financial statements

The notes are an integral and essential part of the basic financial statements. They provide additional information that is important if the reader is to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Net position

The City's *combined* net position at September 30, 2016 totaled \$104.7 million (see Table 1). Governmental Activities' net position increased by \$2.1 million, while Business-type Activities' net position increased \$3.7 million during the year.

The primary government's total net position increase of \$5.8 million (5.9%) in fiscal 2016 includes the following major changes: 1) an increase in the deficit in unrestricted net position of \$1.5 million, 2) a decrease in restricted net position of \$27.0 million, and 3) an increase in net investment in capital assets of \$34.4 million.

Table 1

**City of Auburn's Net Position
September 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 117,533,312	\$ 147,260,433	\$ 11,729,861	\$ 11,311,874	\$ 129,263,173	\$ 158,572,307
Capital assets	168,743,639	141,374,272	81,209,177	80,459,165	249,952,816	221,833,437
Total assets	286,276,951	288,634,705	92,939,038	91,771,039	379,215,989	380,405,744
Deferred outflows of resources	7,904,265	6,340,048	3,596,040	3,685,979	11,500,305	10,026,027
Current liabilities	25,714,554	19,947,185	4,352,357	4,367,169	30,066,911	24,314,354
Long-Term debt and other liabilities	211,795,487	219,076,807	43,997,679	46,553,896	255,793,166	265,630,703
Total liabilities	237,510,041	239,023,992	48,350,036	50,921,065	285,860,077	289,945,057
Deferred inflows of resources	95,760	1,464,079	75,364	176,548	171,124	1,640,627
Net position:						
Net investment in capital assets	149,544,640	118,307,151	40,247,221	37,097,393	189,791,861	155,404,544
Restricted	67,163,363	92,735,176	509,425	1,970,849	67,672,788	94,706,025
Unrestricted	(160,132,588)	(156,555,646)	7,353,032	5,291,163	(152,779,556)	(151,264,483)
Total net position	\$ 56,575,415	\$ 54,486,681	\$ 48,109,678	\$ 44,359,405	\$ 104,685,093	\$ 98,846,086

Net investment in capital assets (buildings, equipment, roads, etc.) is the primary component of Governmental Activities' net position. The net investment in capital assets at September 30, 2016 was \$150.0 million. Debt outstanding related to capital assets was \$19.2 million. The large negative unrestricted net position in FY 2015 (\$156.6 million) and FY 2016 (\$160.1 million) is primarily the result of a common financing circumstance in Alabama. The City of Auburn issues debt (repaid with legally dedicated ad valorem taxes) in the City's name for the benefit of the Board of Education, a component unit under the City of Auburn's oversight. Therefore, the City must report the debt in its financial statements. However, the City typically does not have a legal right (title) to the assets associated with the debt (which are owned by the School Board); hence, the large negative unrestricted net position balances. The last debt issuance of this nature occurred in fiscal 2015. The City issued \$78.1 million in General Obligation Bonds, used by Auburn City Schools to construct a new high school. The City holds and invests the bond proceeds and transfers the proceeds to the School Board as needed to pay for construction. Any unused proceeds are classified as restricted net position, thus further increasing the deficit in unrestricted net position. Also contributing to the large unrestricted net position balance is the liability related to pensions. The City implemented GASB Statement 68 – *Accounting and Financial Reporting for Pensions* in fiscal 2015. The City and its employees contribute to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participants. The net pension liability of governmental activities required to be included in the long-term liabilities section of the Statement of Net Position as of September 30, 2016 was \$30.6 million.

Similar to the school funding situation, the City entered into an agreement with Auburn University to issue general obligation debt, enabling Auburn University to finance an expansion of the City's tennis complex. The City leases a portion of the complex to Auburn University. These lease payments fund principal and

interest on the City's debt. The City's Public Park and Recreation Board, a component unit of the City, owns and operates the joint tennis facility. With respect to the Tennis Center, the debt principal of \$2.2 million outstanding is included in the City's liabilities and the offsetting capital asset is included on the balance sheet of the Public Park and Recreation Board, increasing the deficit in the City's unrestricted net position.

Table 2 displays the detail of debt issued by the City to acquire or construct capital assets owned by other entities, affecting the City's unrestricted net position. Total City debt for the benefit of Auburn City Schools and outstanding at September 30, 2016, was \$146.0 million, a decrease of \$3.5 million (2.4%) from the prior year. Debt outstanding in respect to agreements made with Auburn University was \$2.2 million, a decrease from the prior year of \$175,751 (7.3%). The decrease in both situations is attributable to the City's principal repayments.

Governmental Activities' other unrestricted net position increased to a deficit of \$11.9 million from a deficit of \$4.6 million (eliminating the effect of other entities' debt) at the end of fiscal 2016. This increase is attributable to the reclassification of investments in the form of U.S. Treasury notes from unrestricted to restricted net position.

The City's governmental activities' had an overall positive net position of \$56.6 million at the end of the 2016 fiscal year, an increase of \$2.1 million (3.8%).

Table 2

Governmental Activities

Net Position	<u>2016</u>	<u>2015</u>
	\$	\$
Net investment in capital assets	149,544,640	118,307,151
Restricted		
Capital Projects	1,448,357	2,272,196
Debt Service	3,776,254	2,531,934
Federal and State Grants	4,711,224	4,768,196
Other projects	13,166,372	2,860,701
Special Revenue, non-grant	44,061,156	80,302,149
Unrestricted (deficit)		
Governmental Activities	(11,876,360)	(4,581,478)
City School Debt	(146,027,701)	(149,569,890)
AU Debt	(2,228,527)	(2,404,278)
Total Net Position-Governmental	<u>56,575,415</u>	<u>54,486,681</u>

Net position of the City's business-type activities increased by \$3.8 million to \$48.1 million in fiscal year 2016, from \$44.4 million in fiscal year 2015. The majority of this increase is due to a positive change in net position from combined business-type operations revenues over expenses of \$5.1 million. The restricted for capital projects category of net position decreased by \$1.5 million. This decrease comes from access fee revenue previously earned and used for expansion of the sewer system during the year. The remaining balance of access fee revenue not used during the year, totaling \$509,425, will be available for projects that increase the capacity of the sewer system in future years.

The primary government's net position increased by \$5.8 million (5.9%) in fiscal year 2016. Total assets decreased by \$1.2 million (0.3%), while total liabilities decreased by \$4.1 million (1.4%). The decrease in assets resulted from a decrease in cash and investments related to borrowing proceeds for debt issued on behalf of Auburn City Schools coupled with an increase in capital assets of \$28.1 million. More information on the increase in capital assets is included in the *Capital Assets* section.

The decrease in liabilities is a result of three major changes. As mentioned above, the City issued \$78.1 million in General Obligation Bonds on behalf of Auburn City Schools for construction of a new high school.

As proceeds are spent on construction, the City transfers the funds to Auburn City Schools. At year-end, the City recorded a payable to the Schools for construction activities that happened in September, increasing due to components units by \$5.5 million. Another significant increase in liabilities relates to pensions. The City's net pension liability increased by \$3.7 million (12.6%), based on actuary plan information provided by the Retirement Systems of Alabama. Offsetting these two increases is a large decrease in the City's long-term debt. Long-term debt decreased by \$13.5 million, which is primarily the result of principal payments made during the year.

Governmental Activities

Table 3 presents the cost of each of the City's functions and/or programs, as well as each program's net expenses (total expenses less fees generated by the program's activities and intergovernmental support). The *Net (Expense) Revenue* amounts in table 4 show the financial burden placed on the City's general revenues by each of these functions.

Table 3

Excerpt of Governmental Activities <i>from the</i> City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2016 and 2015						
Governmental Activities	<i>Expenses</i>		<i>Program Revenues*</i>		<i>Net (Expense) Revenue</i>	
	2016	2015	2016	2015	2016	2015
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
General government	9,009,933	8,880,442	15,133,200	14,787,754	6,123,267	5,907,312
Public works	8,743,085	7,600,358	3,714,891	2,524,934	(5,028,194)	(5,075,424)
Environmental services	2,272,010	2,201,278	-	-	(2,272,010)	(2,201,278)
Public safety	20,189,149	19,363,905	4,879,352	4,479,061	(15,309,797)	(14,884,844)
Library	1,845,480	1,770,379	34,982	41,295	(1,810,498)	(1,729,084)
Parks and recreation	6,389,142	6,207,847	1,902,147	983,594	(4,486,995)	(5,224,253)
Social and economic development	5,370,638	4,624,506	305,207	387,564	(5,065,431)	(4,236,942)
Other functions	3,173,129	2,902,802	831,445	825,004	(2,341,684)	(2,077,798)
Education (payments to Board of Ed)	60,918,952	24,505,586	-	-	(60,918,952)	(24,505,586)
Interest on long-term debt	7,253,215	4,772,926	-	-	(7,253,215)	(4,772,926)
Total governmental activities	125,164,733	82,830,029	26,801,224	24,029,206	(98,363,509)	(58,800,823)

*Program revenue for governmental activities are analyzed in detail in the following section.

The cost of governmental activities this year was \$125.2 million. Program revenues provided \$26.8 million to finance the cost of the City's governmental activities. The amount that Auburn taxpayers paid to provide for governmental activities' expenses through general revenues (taxes, license fees, interest earnings, etc.) was \$98.4 million. This net expense is a \$39.6 million (67.3%) increase over fiscal 2015.

There are three items of note in the change in net expense of governmental activities. Payments for education increased by \$36.4 million (148.6%) over fiscal 2015. During fiscal 2015, the City issued \$78.1 million in general obligation bonds on behalf of Auburn City Schools for construction of a new high school. The City is holding and investing these funds, and as construction progresses, funds are transferred to the school board to pay contractors. The total amount transferred for this project in fiscal 2016 was \$44.3 million, an increase of \$36.3 million (453.1%) over fiscal 2015.

Another significant change in net expense occurred in the interest on long-term debt function. The debt issue mentioned above closed in late June 2015. Semi-annual payments began in November 2015 increasing governmental activities' interest on long-term debt by \$2.9 million. This addition to the City's interest obligations coupled with normal decreases in interest based on amortizations of existing debt resulted in a \$2.5 million (52.0%) increase over 2015.

In addition to these two changes, net expense for the City's social and economic development function increased by \$828,489 (19.55%). This function includes expenses and program revenue related to the City's economic development initiatives. One component of expenses for this function is the transfer of

bond proceeds and general fund appropriations to the Industrial Development Board for construction of Phase II of the Auburn Technology Park West. These transfers totaled \$2.1 million in fiscal 2016, which is an increase of \$842,489 (65.2%) over 2015.

Total City program income exceeded expenses for only one function; general government produced an excess of \$6.1 million. General government program revenue includes business licenses fees, construction permits and court fines, among other charges for services rendered administratively by the City of Auburn. In past years, the general government function has typically produced net revenue.

Table 4

Excerpt of Governmental Activities
from the
Statement of Activities

Governmental Activities	<i>Net (Expense) Revenue</i>	
	2016 \$	2015 \$
Net expense of the total governmental activities	<u>(98,363,509)</u>	<u>(58,800,823)</u>
General revenues:		
Sales taxes	39,672,910	37,418,331
Property taxes	23,782,006	22,486,529
Occupational license fees	11,561,046	10,804,202
Rental and leasing taxes	799,550	768,245
Lodging taxes	2,247,771	1,816,370
Motor fuel taxes	383,488	365,345
Other taxes	271,462	253,910
Interest and investment earnings	729,863	488,820
Miscellaneous	81,981	40,790
<i>Total general revenues</i>	<u>79,530,077</u>	<u>74,442,542</u>
Transfers	<u>118,755</u>	<u>130,979</u>
<i>Change in net position</i>		
General revenues and transfers less net expenses	(18,714,677)	15,772,698
Beginning net position	54,486,681	65,206,506
Prior period adjustment	<u>20,803,411</u>	<u>(26,492,523)</u>
Ending net position	<u>56,575,415</u>	<u>54,486,681</u>

Table 5 divides total governmental program revenue by source for 2016 and 2015 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative following the table provide insight into the changes in program revenue.

Table 5

Governmental Activities

Program revenue by source:	2016 \$	2015 \$
Charges for services	20,235,376	19,492,613
Operating grants and contributions	2,342,212	2,354,400
Capital grants and contributions	<u>4,223,636</u>	<u>2,182,193</u>
<i>Total Program Rev - Governmental Activities</i>	<u>26,801,224</u>	<u>24,029,206</u>

Some of the program costs of governmental activities in 2016 were paid by revenues collected from those who directly benefit from the programs (\$20.2 million). These revenue sources include the following:

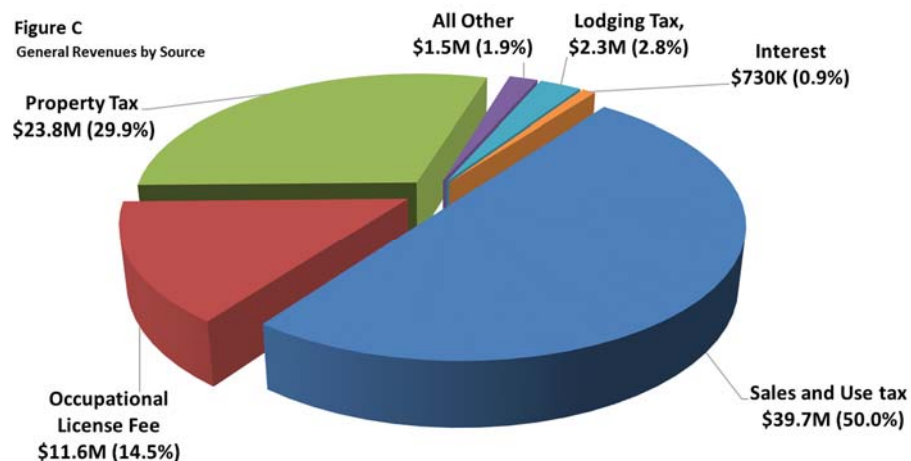
- General business license fees of \$6.8 million that support general government services.
- Residential rental license fees of \$1.6 million that fund a portion of general government services. The City charges this fee to owners of residential property used primarily for rental purposes.

- Court fines and tickets for \$857,763 that support essential public safety and judicial services within the City.
- Construction permit fees of \$1.1 million that fund construction and building inspections in an effort to meet Auburn's building requirement standards.
- Public safety fees of \$2.6 million paid by Auburn University fund fire and police services on campus.

Operating and capital grants and contributions of \$6.6 million also supported program costs during fiscal 2016. These revenues were up by \$2.0 million (44.7%) from fiscal year 2015. Major components of this change include the following:

- Gifts and donations, including donations of assets, are included in operating and capital grants and contributions. During fiscal 2016, the City received property bequeathed in the will of a citizen. This donation resulted in a \$720,000 capital contribution in the parks and recreation function. In addition, public works donations increased by \$2.2 million, primarily the result of streets contributed by developers as part of subdivision development. Streets contributed by developers during fiscal 2016 totaled \$1.8 million.
- Grant funding is also included in program revenue. A large portion of the City's grant funding relates to transportation and comes from various agencies through the Alabama Department of Transportation (ALDOT). The timing and amount of grant funding can vary greatly from year to year based on the availability of grant funds and the workload of both the City's public works department and ALDOT. During fiscal 2015, the City received grant funding of \$1.6 million for several large public works projects, including the College Street and Longleaf Drive intersection improvements project and the Opelika Road and E. University Drive widening project. Although the City received additional grant funding in fiscal 2016, the amounts were much less. Capital projects such as the Gay Street resurfacing project and the E. University Drive resurfacing project were funded by grants totaling \$404,399.

The City financed net expenses of \$98.4 million for governmental activities from taxes, license fees and other general revenues, such as interest earnings. Figure C shows the various sources of general revenues for fiscal year 2016:



General revenues include all revenue sources not reported as program revenues. All taxes, even those levied for a specific purpose, are general revenues. All other non-tax revenues (including license fees, interest, gains and losses, and contributions) that do not meet the criteria for program revenues are also general revenues.

- The largest of the City's general revenues is sales and use tax, comprising 50.0% of total general revenues. The sales tax rate for purchases made in the City of Auburn is 9%, which includes 4% for the State, 4% for the City, and 1% for Lee County.
- The second largest source of general revenues is property taxes (29.9%). Of the total 26 mills the City receives in property taxes, 16 mills are legally dedicated to the Auburn City Schools.
- The third largest general revenue source is occupational license fees (14.5%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn made payments of \$64.1 million to component units of the primary government during fiscal 2016. Of this amount, \$60.9 million (95.1%) was paid to the Board of Education, including \$5.2 million paid from education property taxes. An additional \$44.3 million paid to the Board in fiscal 2016 represented the use of borrowing proceeds used to pay for construction of a new high school. The \$11.5 million appropriated to Schools from the City's General Fund represents the continued commitment by the City of Auburn in response to the Citizen Survey results, which show that educational funding is the citizens' highest priority, consistently year after year.

Business-type Activities

The City has two business-type activities. The largest is its sewer system, which includes two active discharge permitted wastewater treatment plants operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. In 2013, the City decided to shut down the treatment portion of the Northside Water Pollution Control Facility (NSWPCF), and made improvements to the south side facility, the H. C. Morgan Water Pollution Control Facility, that allows this plant to handle treatment of sewage for the entire city. Flow historically treated by the NSWPCF diverts to the facility in the south. The NSWPCF continues to act as a pumping station for this diverted flow. The City continues to evaluate the need for future treatment capacity, and if necessary, the NSWPCF will reopen.

The City constantly monitors the need for sewer rate changes by studying and evaluating whether existing rates will meet the projected operating and capital needs of the sewer system in the future. The last rate study and analysis, conducted in November 2013, resulted in confirmation that the fund's current rates are adequate to meet revenue requirements through the end of fiscal 2019. Assumptions used in this analysis included currently identified capital expenditures and no unexpected, significant changes in operating expenses, sewer sales, regulatory requirements, or the economy. Based on this conclusion, the City does not expect to increase sewer rates over the next few fiscal years. City management will continue to evaluate rates internally and will engage a rate consultant in the future to re-evaluate the need for additional increases.

Table 6

Excerpt of Business Type Activities (Condensed)
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2016 and 2015

Business-Type Activities	<i>Expenses</i>		<i>Program Revenues*</i>		<i>Net (Expense) Revenue</i>	
	2016	2015	2016	2015	2016	2015
Functions and programs	\$	\$	\$	\$	\$	\$
Sewer Fund	8,387,444	8,639,882	11,987,468	13,270,346	3,600,024	4,630,464
Solid Waste Management Fund	4,380,090	4,112,900	4,562,372	4,482,532	182,282	369,632
Total business-type activities	12,767,534	12,752,782	16,549,840	17,752,878	3,782,306	5,000,096

*Program revenue for business-type activities are analyzed in detail in the following section.

Table 6 shows that program revenue of the Sewer Revenue Fund business-type activity, including charges for services (sewer treatment and disposal), operating grants and contributions, and capital grants and contributions decreased from the prior year by \$1.3 million (9.7%). The most notable component of this

decrease is a \$1.3 million decrease in lines contributed by developers. Sewer lines contributed by developers during fiscal 2016 totaled \$445,050, as compared to \$1.7 million in fiscal 2015. This type of contribution, driven by development, can vary greatly from year to year. Another component of the change in sewer-related program revenue includes a decrease in access fee revenue of \$358,800 (24.6%). Sewer access fees are fees charged to customers for new access to the sewer system. In fiscal 2015, two large multi-family developments added \$448,200 in access fees. Also contributing to the change in program revenue is an increase of \$397,005 (4.0%) in sewer service fees. Sewer service fees are user fees charged to customers based on their water usage. Water usage in fiscal 2015 was lower because the City experienced wetter than average conditions. In contrast, weather conditions in fiscal 2016 were much drier. In May 2016, drought monitors indicated that Auburn was moving into abnormally dry weather conditions. By September 2016, Auburn was officially experiencing drought conditions. As typical during dry weather patterns, customers use more water, thus increasing sewer service fees for fiscal 2016. Conditions continued to deteriorate across the Southeast during October and November, causing the Alabama Department of Economic and Community Affairs to issue a drought declaration for the State. As of the date of this report, the City is no longer in drought status.

Sewer expenses (operating plus interest expense) decreased by \$252,438 (2.9%) to \$8.4 million. The major components of this change include the following:

- Interest expense decreased by \$148,301 (7.8%). This decrease is attributable to normal changes in debt amortization over time.
- Professional services expenses decreased by \$70,285 (45.1%). This expense varies from year to year based on the City's need to hire consultants for services such as general engineering and sewer flow monitoring.
- Other factors include normal variations in staffing, repairs and maintenance, and administrative expenses.

The City's only other business-type activity, solid waste management, receives revenue from garbage charges to customers, special trash pick-up fees, and sales of recyclables. Revenue and expenses related to this function are accounted for in the Solid Waste Management Proprietary Fund (SWMF). Expenses include salaries and benefits of solid waste and recycling employees, landfill tipping fees, fuel, vehicle parts and other supplies, and depreciation expense on the capital assets used in the solid waste and recycling functions.

As Table 6 shows, revenue exceeded expenses by \$182,282 in fiscal 2016. Like the sewer function, user fees cover the cost of providing solid waste and recycling services. The City reviews and analyzes these fees regularly to ensure they continue to cover these costs. The last formal rate study was conducted in October 2010 and resulted in implementation of four rate increases phased in over four years. The last increase of \$1.00 (4.4%) was effective in fiscal 2015, bringing the rate for curbside service to \$23.50. Residents who receive backdoor service currently pay \$10.00 per month more than the rate for curbside service. As projected operating and capital needs of the solid waste function change, the need for further analysis becomes necessary. The City plans to conduct another formal rate study in fiscal 2017 to evaluate the adequacy of existing rates in funding future needs of the solid waste management system.

Also shown in Table 6, program revenue of the SWMF business-type activity, including charges for services (garbage and recycling collection), operating contributions and grants, and capital contributions and grants, increased from the prior year by \$79,840 (1.8%). This increase in program revenue primarily reflects an increase in solid waste collection revenue of \$84,682 (1.9%), attributed mainly to normal growth in the number of customers.

Expenses of the SWMF increased by \$267,191 (6.5%). There are two main components of this increase. First, depreciation increased by \$80,581 (17.6%). The solid waste management function follows an

equipment replacement plan based on the aging of equipment. There have been several large purchases over the past two years, including a tow truck and an automated garbage truck that attribute to this increase in depreciation expense. Also contributing to the change in expenses in this function is an increase in salaries expenses. Salaries for regular, full-time employees (including overtime) increased by \$92,860 (5.7%). This change is the result of scheduled merit and cost of living increases. The remainder of the increase in expenses is the result of increased operating expenses, such as tipping fees. These changes are normal for operations of solid waste activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2016 fiscal year, its governmental funds reported a *combined* fund balance of \$98.5 million, a \$36.0 million (26.7%) decrease from the prior year. The total decrease in fund balance is comprised of a \$5.1 million (11.5%) increase in the General Fund's fund balance; a \$41.5 million (48.6%) decrease in special revenue funds' fund balances; the debt service fund's fund balance increased by \$1.2 million (49.1%) and capital projects funds' fund balances decreased by \$823,839 (36.3%). The following narrative discusses the financial activities that comprise the major changes in governmental fund balances.

Governmental revenues and other financing sources

Total revenues of the governmental funds showed growth of \$4.1 million (4.1%) over the prior year. Major components of this change are described below, in statement presentation order.

- Sales and use tax, the General Fund's single largest revenue source, represents 38.1% of governmental funds revenue in fiscal 2016. This major revenue source increased by \$2.3 million (6.0%) during the 2016 fiscal year. The fiscal 2015 revenue total used for calculating this comparison included one-time revenues associated with 'piggy-back' audits conducted during that year. When the State performs audits of sales and use tax, the City has an opportunity to review the State audit and make appropriate assessments for City taxes. This caused revenue to be larger than normal with a one-time receipt of just over \$800,000. If the effect of this one-time revenue is eliminated in comparing the two years, it results in \$3.1 million (8.4%) increase in sales and use tax revenue in 2016 as compared to 2015. This increase reflects continued steady growth in Auburn's economy, as well as the addition of several new commercial businesses.
- Lodging tax increased by \$431,401 (23.8%) in fiscal 2016 as compared to 2015. Lodging tax is a privilege tax charged to businesses or individuals engaged in renting or furnishing rooms, lodgings or other accommodations to transients for periods of less than 180 days of continuous occupation. This increase in lodging tax is primarily attributable to the opening of a Courtyard by Marriott in August 2015 and a Candlewood Suites in June 2016.
- Licenses and permits revenue increased by \$554,558 (4.9%). This increase is primarily the result of an increase of \$435,305 (6.8%) in general business license fees and an increase of \$162,779 (16.0%) in franchise fees. Franchise fees are determined based on specific agreements with franchisees and like business licenses, are typically calculated as a percentage of gross receipts. As a company's gross receipts increase, the revenue received by the City increases. As with sales and use taxes, growth in business license fees can be partially attributed to positive growth in Auburn's economy.
- General property tax revenues increased by \$1.3 million (5.8%). Property taxes continue to show steady growth in Auburn. Property taxes are a lagging economic indicator, and as Auburn's economy has grown over the past few years, property taxes have shown consistent growth. This increase comes in the form of new property developed within the City as well as increases in

assessed values on existing property. This growth is also due to Auburn's ability to remain an attractive City and the overall health of the realty market in the Auburn area (low foreclosure rate and low turnover).

- Contributions from the public increased by \$942,710 (140.9%). This is primarily the result of an increase in gift and donations in the parks and recreation function. During fiscal 2016, the City received property bequeathed in the will of a citizen. Based on the wishes of the citizen, the City will sell this property and use the funds to build a passive park on Glenn Avenue on property that was also donated by the same property owner. This donation resulted in \$720,000 in donation revenue in fiscal 2016. In addition, the City received funding of \$138,250 from the Auburn Soccer Association for lighting at the Wire Road soccer complex.
- Grant revenue decreased by \$2.5 million (75.3%). This decrease has two major components. In September 2011, the City was approved for a guaranteed loan under Section 108 of Title 1 of the Housing and Community Development Act of 1974. The original loan amount was \$3.3 million, and these funds can be loaned to qualifying businesses as permitted by the Act. The U.S. Department of Housing and Urban Development (HUD) periodically converts these interim loans to fixed rate loans and allows the entity to draw any remaining funds approved into the fixed rate note. The City recognized revenue of \$1.4 million in fiscal 2015 for drawing the remaining funds available to take advantage of this fixed rate note structure. Since the City has drawn the total loan amount originally approved, there will be no additional grant revenue for the Section 108 loan program. Another component of the large change in grant revenue is related to public works transportation grants. As explained in the *Governmental Activities* section of this report, the City receives grant funding for transportation related projects from various agencies through the Alabama Department of Transportation (ALDOT). The timing and amount of grant funding can vary greatly from year to year based on the availability of grant funds and the workload of both the City's public works department and ALDOT. During fiscal 2015, the City received grant funding of \$1.6 million for several large public works projects, including the College Street and Longleaf Drive intersection improvements project and the Opelika Road and E. University Drive widening project. Although the City received additional grant funding in fiscal 2016, the amounts were much less, totaling a little over \$400,000.
- Other financing sources, excluding transfers between governmental funds, decreased by \$82.0 million (100.0%) in fiscal 2016 as compared to fiscal 2015. The major component of this large decrease is related to debt issuance in fiscal 2015. During fiscal 2015, there were two major debt issuances that affected governmental funds. In October, the City refunded various debt issues to take advantage of favorable interest rates, creating proceeds from refunding that are offset by payments to bond escrow agents. Also in fiscal 2015, the City issued \$78.1 million in General Obligation Bonds on behalf of Auburn City Schools for construction of a new high school. More information on debt issuances and/or refunding can be found in the *Long-term Debt* section of this MD&A. There was no debt related activity during fiscal 2016.

Governmental expenditures and other financing uses

Total governmental expenditures increased by \$40.7 million (40.7%) in fiscal 2016 over fiscal 2015. There are several components of this change, and the most notable of these components are described below, in statement presentation order.

- Departmental expenditures increased by \$1.8 million (4.4%). The most significant changes were seen in public works (increase of \$523,867 or 14.6%), parks and recreation (increase of \$525,742 or 10.6%), economic development (decrease of \$800,232 or 34.0%), employee services (increase of \$1.5 million or 215.7%), and risk management (decrease of \$1.3 million or 78.3%). Details of these changes are listed below.

- The public works function increase of \$523,867 (14.6%) is primarily attributable to an increase in health insurance claims of \$254,922 (156.8%). The City is self-insured and tracks insurance premiums and claims in a sub-fund of the General Fund, the Employee Benefit Self-Insurance Fund. At the end of each fiscal year, claims are distributed from a consolidated claims account in this fund to each employee's department in the General Fund. Health insurance claims can fluctuate significantly from year to year depending on employee needs. Another component of the change in public works expenditures is an increase of \$71,267 (81.8%) in infrastructure materials. When public works employees complete in-house infrastructure projects, such as sidewalk repair, the materials are expended from the infrastructure materials account. This can vary from year to year depending on necessary maintenance.
- Parks and recreation activities experienced an increase of \$525,742 (10.6%). As in the public works function, this increase is primarily attributable to an increase in health insurance claims of \$271,672 (280.4%). Other expenditures contributing to this increase include normal salary and benefit changes and an increase in supplies for resale. Concessions are purchased and inventoried through the supplies for resale account in parks and recreation. These purchases can vary from year to year depending on scheduling, weather and other recreation related activities.
- Economic development expenditures decreased by \$800,232 (34.0%) in fiscal 2016 as compared to 2015. As mentioned in the *Governmental revenues and other financing sources* section above, economic development administers HUD's Section 108 loan program. As the City loans these funds to qualifying businesses, expenditures for this function increase. In fiscal 2015, loans for \$641,558 were made to qualifying business as compared to only \$42,393 in fiscal 2016.
- Employee services increased quite significantly by \$1.5 million (215.7%) in fiscal 2016 over 2015. Historically, the fund used to account for the City's self-insured health plans, the Employee Benefit Self Insurance Fund, was presented in the risk management function in the governmental funds statements. In an effort to better classify this activity, expenditures related to self-insurance are now presented in the employee services function. This change represents \$1.4 million of the total change in employee services. Other changes affecting the employee services function include typical increases in salaries of human resources employees and an increase in training and consulting expenditures.
- As mentioned above, the risk management function has historically included employee insurance expenditures. When eliminating the effects of reclassifying these expenditures to employee services, the risk management function had a minimal increase of \$1,459 (.4%). The risk management function includes workers' compensation related expenses and various liability related expenses.
- The City's payments to its component units increased by \$37.2 million (138.5%) in fiscal 2016 as compared to 2015. The most significant component of this change is an increase in payments to Auburn City Schools. In fiscal 2015, the City issued \$78.1 million in General Obligation Bonds for construction of a new high school. The City holds and invests the debt proceeds and transfers funds to the schools when needed to pay for construction costs. These transfers of debt proceeds totaled \$44.3 million in fiscal 2016, an increase of \$36.2 million (453.1%) over transfers in 2015.

Table 7 provides more detail about payments to component units; additional information follows the table.

Table 7
Governmental Funds - Expenditures Comparison

<u>Paid to component units:</u>	<u>FY16</u>	<u>FY15</u>	<u>FY 16 > FY 15</u>
Auburn City Schools	\$	\$	\$
General revenues	11,500,000	11,500,000	-
Education property taxes	5,153,114	5,003,023	150,091
Debt issuance - Schools	44,265,838	8,002,563	36,263,275
Subtotal to Schools	60,918,952	24,505,586	36,413,366
Industrial Development Board			
Operating Costs	881,500	680,000	201,500
West Tech Park Improvements	2,133,958	1,291,469	842,489
Subtotal to IDB	3,015,458	1,971,469	1,043,989
Water Board	-	103,000	(103,000)
Public Park & Rec Board	131,132	278,292	(147,160)
Total - Component Units	64,065,542	26,858,347	37,207,195

- Payments to Auburn City Schools increased by \$36.4 million (148.6%) in fiscal 2016 as compared to 2015. Details of this change are included below.
 - The City appropriated \$11.5 million out of its general revenue to the Auburn City Schools in fiscal year 2016. The City has committed to providing one penny of its four pennies of sales tax to the Schools. This commitment includes a floor of \$11.5 million, meaning that when one penny of total sales tax collected is less than \$11.5 million, the City will not lower the amount appropriated to the Schools. As sales tax collections increase, the amount appropriated to the Schools will also increase.
 - In addition to the City's General Fund providing support to the schools, the School Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for principal and interest on school debt issued by the City of Auburn on behalf of the Auburn Board of Education and provides additional funds for operating expenses of the school system. This payment of additional operating funds of \$5.2 million in fiscal 2016 is a \$150,091 (3.0%) increase over 2015.
 - As described on the previous page, the City transferred debt proceeds to the schools during 2016 for construction of a new high school. During fiscal 2015, the City issued \$78.1 million in general obligation bonds on behalf of Auburn City Schools for this construction. The City holds and invests these funds, and as construction progresses, funds are transferred to the school board to pay contractors. The total amount transferred for this project in fiscal 2016 was \$44.3 million, an increase of \$36.3 million (453.1%) over fiscal 2015.
- The City appropriates funds to the Industrial Development Board for economic development initiatives. This funding increased by \$1.0 million (53.0%) in fiscal 2016 over 2015. Details of this change are included below.
 - Payments for the operating costs of the Industrial Development Board increased by \$201,500 (29.6%) during fiscal 2016. The City Council continues to promote aggressive economic development as a long-term goal in providing jobs and expanding the City's revenue base. In addition, the City and the Industrial Development Board partner with the local tourism bureau to bring special events to the area. In July 2016, the Professional Golfers' Association held the Barbasol Championship in a neighboring city.

Because the City's economy benefits tremendously from such events, the City provided funding to help offset expenditures related to administering the event.

- In addition to operating transfers to the Industrial Development Board, the City of Auburn transferred \$2.1 million to the Industrial Development Board in fiscal 2016 for construction of infrastructure in the Auburn Technology Park West, which is an \$842,489 (65.2%) increase. This coupled with the \$201,500 increase in transfers for operations mentioned above resulted in a net increase of \$1.0 million in payments to the Industrial Development Board.
- The Water Works Board of the City of Auburn (Water Board) provides water for the citizens of Auburn. In fiscal 2015, the City's Parks and Recreation Department inquired about purchasing land owned by the Water Board that was historically used for a water tower. When the water tower was demolished, the Water Board sold the land to the City and agreed to extend an interest-free loan of \$115,000 to the City to be repaid over 12 years. Based on GASB Statement 48 – *Sales and Pledges of Receivables and Future Revenue and Intra-Entity Transfers of Assets and Future Revenues*, this transaction resulted in a capital outlay expenditure of \$12,000, the carrying value of the land on the Water Board's books, and a payment to component unit expenditure of \$103,000 in fiscal 2015. There were no transfers to the Water Board in fiscal 2016, resulting in a \$103,000 (100.0%) decrease when comparing the two years.
- The Public Park and Recreation Board (PPRB) was established in 1990, primarily to advise the Council concerning proposed recreation projects and to acquire such recreation facilities as deemed to be in the public interest. In 2006, the City, Auburn University, and the Public Park and Recreation Board partnered to construct and manage a state-of-the-art tennis facility for student and community use. This collaboration resulted in complex transactions concerning both the borrowing and subsequent transfers among the Public Park and Recreation Board, the City, and Auburn University to properly account for the development, supervision, and daily operation of the facility. The PPRB continues to receive amounts from the General Fund for the operation of the Yarbrough Tennis Center. In 2016, the transfer decreased by \$147,160 (52.9%) to \$131,132. Participation in leagues and tournaments increased significantly during 2016, causing court fees to increase. Management continues to allocate more resources toward recruiting and managing leagues and tournaments.

Proprietary Funds

The City of Auburn has two proprietary funds, which account for its business-type activities. The Sewer Revenue Fund, an enterprise fund, accounts for sewer collection, treatment and disposal services provided to residents and businesses within the City limits. The Solid Waste Management Fund, also an enterprise fund, accounts for services to collect and dispose of solid waste and recycling materials provided to the same customers. Net position of these proprietary funds combined increased by \$3.8 million (8.5%) from fiscal 2015 to fiscal 2016.

Proprietary funds' revenues, other resources

Sewer Revenue Fund operating revenues increased marginally by \$11,961 (0.1%) in 2016 as compared to 2015. This increase in operating revenue is composed of an increase in sewer service fees offset by a decrease in access fees. Sewer service fees increased by \$397,005 (4.0%), which is attributable to both a modest increase in sewer customers and dry weather conditions for a portion of the year. Sewer service fees are user fees charged to customers based on their water usage. Water usage in fiscal 2015 was lower because the City experienced wetter than average conditions. In contrast, weather conditions in fiscal 2016 were much drier. In May 2016, drought monitors indicated that Auburn was moving into abnormally dry weather conditions. By September 2016, Auburn was officially experiencing drought conditions. As typical during dry weather patterns, customers use more water, thus increasing sewer service fees for

fiscal 2016. An important point related to drought conditions is that water usage of single family residences in excess of 18,000 gallons per month are not charged sewer fees. Because of this cap, sewer service fees do not increase as much as water service fees would during a drought period. The other significant component of the net increase in operating revenue is a decrease in access fee revenue of \$358,800 (24.6%). Two large multi-family developments paid access fees in 2015 causing a variation in access fee revenue above normal growth. In addition to changes in operating revenue, the Sewer Revenue Fund's net position increased by \$445,050 from developers' contributions of sewer lines in fiscal 2016, which is a \$1.3 million (74.4%) decrease from contributions in 2015. Sewer line contributions are contingent upon completion of commercial and residential developments in the City and can vary greatly from year to year.

Operating revenues in the Solid Waste Management Fund increased modestly by \$84,607 (1.9%) in 2016. This increase is primarily attributable to an increase in solid waste collection fees of \$84,682 (1.9%). As mentioned in the *Business-type Activities* section above, the City reviews and analyzes solid waste collection fees regularly to ensure that they can cover the costs of providing garbage and recycling collection activities. The last increase of \$1.00 (4.4%) was effective in fiscal 2015, bringing the rate for curbside service to \$23.50. The City planned this rate increase based on results from a formal rate study conducted in fiscal 2010. As projected operating and capital needs of the solid waste function change, the need for further analysis becomes necessary. The City plans to conduct another formal rate study in fiscal 2017 to evaluate the adequacy of existing rates in funding future needs of the solid waste management system.

Proprietary funds' expenses

In the Sewer Revenue Fund, operating expenses for fiscal 2016 increased by \$129,133 (2.0%). The largest component of this change was depreciation, which increased by \$175,969 (7.8%). There were a significant number of sewer lines contributed by developers in fiscal 2015 that began being depreciated in October 2016. Another significant factor contributing to the increase in operating expenses is an \$85,017 (5.6%) increase in management fees. The City pays management fees to Veolia Water North America Operating Services, LLC for operating the sewer plants and lift stations. During fiscal 2016, sludge hauling increased by \$30,970 (12.3%) due to clarifier repairs at the treatment plant. In addition, outside services increased by \$26,556 for bi-annual wetwell cleaning. Offsetting these two increases were several decreases in sewer expenses. These include decreases in professional services (\$70,285 or 45.1%), due to decreased use of external consultants for engineering services; repair parts and materials (\$48,904 or 30.0%), due to decreased repairs to pump stations, heavy equipment, and transmission lines; and office supplies (\$34,869 or 49.3%), due to decreases in software and non-capital computer equipment purchases.

In the Solid Waste Management Fund, operating expenses increased moderately by \$267,190 (6.5%). There are three main components of this increase. First, salaries expense increased by \$80,789 (4.9%) due to normal increases based on the employee merit pay plan and a cost of living adjustment effective October 1. Second, depreciation increased by \$80,581 (17.6%) in fiscal 2016 as compared to 2015. Pursuant to the equipment replacement plan in solid waste and recycling, the City purchased several pieces of equipment, including a tow truck and an automated garbage truck that attribute to this increase in depreciation expense. Last, professional services increased by \$58,365 (9.3%). This is primarily the result of increased tipping fees at the City's waste disposal sites.

For more information related to the above funds see the *Business-type Activities* section of this Management's Discussion and Analysis.

Analysis of Changes in Major Funds

Major funds are funds whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate

amount for all governmental and enterprise funds for the same item. The General Fund is a major fund every year. In addition to the General Fund, the Special School Tax Fund and the Federal Grant Loan Repayment Fund were determined by testing to be the only other major governmental funds in 2016. The Sewer Revenue Fund, a proprietary fund, has been a major fund since fiscal 2003. These major fund classifications are the same as the classifications in fiscal 2015.

The General Fund (Governmental)

At the end of fiscal 2016, the total fund balance of the City's General Fund increased \$5.1 million (11.5%) from the prior year ending balance. Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. The 2016 total ending fund balance was \$49.4 million, compared to \$44.3 million at the end of 2015.

In accordance with GASB Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance categories include the following: nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance increased by \$3.9 million (23.7%) over 2015. These balances represent investments, inventories, prepaid items, advances, and property held for resale. The City has increased its investment portfolio over the past year, thus increasing nonspendable fund balance by \$2.3 million (20.9%). In addition, property held for resale increased by \$720,000 (17.4%) due to property donated to the City that is under contract to be sold, resulting in the property being recorded as held for resale as opposed to a capital asset. The restricted and assigned categories decreased by \$861,208 (14.4%), primarily the result of a lower estimated drawdown in the adopted fiscal 2016 budget as compared to 2015. Unassigned fund balance increased by \$2.2 million (9.7%).

The General Fund's total assets increased by \$5.3 million (9.9%) during 2016. The major components of this change are listed below, in statement presentation order.

- Investments increased by \$2.3 million (20.9%) over 2015. As the economy improves and the City realizes an increase in revenue collection from its major revenue source, sales tax, the City invests excess funds in longer-term investments, such as U.S. Treasuries.
- Accounts receivable increased by \$814,483 (7.8%) in fiscal 2016 as compared to 2015. Again, the City has experienced continued growth in the economy. Economic development efforts have brought several new commercial businesses to the area, and the City continues to see an increase in population. This growth resulted in additional sales tax being accrued at the end of the fiscal year.
- Prepaid items increased by \$641,379 (81.6%). This increase is primarily the result of prepaid expenditures related to the Moores Mill Road Bridge Widening project. The Alabama Department of Transportation (ALDOT) is constructing a new bridge that crosses Interstate 85 on Moores Mill Road. The City provided matching funds of \$3.0 million in an "up-front" payment to ALDOT. These funds are prepaid until ALDOT has performed work exceeding the City's match amount. As of September 30, 2016, ALDOT had performed work totaling \$2.1 million. The difference of \$865,414 remains a prepaid expenditure in the City's books.
- Property held for resale increased by \$720,000 (17.4%) over 2015. As mentioned above and in the *Governmental Activities* section, the City received property donations through the last will and testament of a citizen. According to GASB Statement 11, *Measurement Focus and Basis of Accounting – Governmental Fund Operating Statements*, if the property is under contract to be sold before issuance of the annual financial statements, the property should be classified as property held for resale as opposed to capital assets. The properties were under contract in February and March 2017.

Total liabilities of the General Fund increased by \$185,591 (2.1%) in 2016. This is a result of typical fluctuations in accounts payable and other accrued liabilities, as well as decreases to unearned revenue

from assessments and developer performance bonds reclassified to revenue during the year. The most significant component of this increase is in due to component units (\$174,405 or 1,206.9%). At the end of fiscal 2016, the City owed the Water Works Board \$61,482 for the public works portion of a project to run fiber optic line from the Dean Road Recreation Center to the James Estes Water Treatment Plant. In addition, as mentioned in the *Governmental expenditures and other financing uses* section of this report, the City participated in providing funding for the Professional Golfers' Association's Barbasol Championship tournament in the amount of \$105,500. This was a payable to the Industrial Development Board at the end of the fiscal year.

Special School Tax Fund (Governmental)

The Special School Tax Fund, a special revenue fund, accounts for sixteen mills of education ad valorem tax revenue used to pay principal and interest on City bonds issued for Auburn City Schools. In addition to debt service payments, this fund provides additional funding for school operations. The school system drew \$5.2 million from this fund for operations in 2016. This is a \$150,091 (3.0%) increase over 2015. This amount varies from year to year depending on property tax revenue collections, fund balance levels of this fund, and needs of the school system. In addition to the operating transfer, the City transferred \$44.2 million of borrowing proceeds to the Schools for construction of a new high school. The City issued \$78.1 million in general obligation bonds for construction of a new high school. The City holds and invests these funds until the Schools request a draw to pay construction invoices. The City then transfers borrowing proceeds necessary to cover those cash outlays.

Revenues increased by \$948,462 (6.8%) in this fund, and expenditures, including the transfers mentioned above and debt service on borrowings, increased by \$35.6 million (171.8%). Also changing significantly was debt related other financing sources and uses. In addition to the debt mentioned above, \$10.2 million in general obligation refunding and capital improvement warrants were issued for the Schools in fiscal 2015. The debt issuance and refunding added a net amount \$82.0 million in 2015. There were no debt issuances or refundings in fiscal 2016, thus causing a large decrease in other financing sources and uses.

Federal Grant Loan Repayment Fund (Governmental)

The Federal Grant Repayment Fund, a special revenue fund, accounts for multiple special revenue funds grouped together based on their related purposes and activities. The following special revenue funds are included in this group: the Shelton Park Urban Development Action Grant (UDAG) Fund, the Revolving Loan Fund (RLF), the Affordable Housing Fund, the Community Development Block Grant (CDBG) RLF Housing Rehab Loan Program Fund, the CDBG RLF Affordable Housing Loan Program Fund, and the Section 108 Loan Program Fund. These funds account for mortgage and other loan revenue from grants provided by the U.S. Department of Housing and Urban Development used to fund Title 1 projects within the city.

Total revenue in this fund decreased by \$1.6 million (81.1%). This decrease is primarily the result of drawing funds from the City's approved Section 108 loan with the Department of Housing and Urban Development (HUD). In September 2011, the City was approved for a guaranteed loan under Section 108 of Title 1 of the Housing and Community Development Act of 1974. HUD periodically converts these interim loans to fixed rate loans and allows the entity to draw any remaining funds approved into the fixed rate note. The City chose to draw the remaining loan funds in fiscal 2015 to include them in the fixed rate public offering, thus creating a total grant revenue of \$1.4 million (net of any fees). Because there were no additional draws on the loan, grant revenue in this fund decreased by that same amount in fiscal 2016.

Expenditures in this fund decreased by \$464,818 (53.8%) in fiscal 2016 as compared to 2015. During fiscal 2015, the City made loans of \$641,558 to qualifying businesses through the Section 108 loan program. When a Section 108 loan is approved, grant funds are received from HUD and then subsequently disbursed to the qualifying business. This disbursement is recognized as an expenditure of the economic development function. Section 108 loans made in fiscal 2016 totaled \$42,393, which resulted in a \$599,165 (93.4%) decrease in expenditures from 2015. Offsetting this decrease in expenditures is an

increase related to debt service on the permanent financing of the Section 108 loan funds mentioned above. Principal and interest expenditures related to the HUD loan increased by \$153,393 (143.6%) in fiscal 2016 over 2015.

Sewer Revenue Fund (Business-type activity)

Generally, the Sewer Revenue Fund accounts for the provision of sewer services to the City's residents and businesses. In addition, the Sewer Revenue Fund accounts for the capital expansion and maintenance of the City's sewer collection, treatment and disposal facilities. While the City owns the sewer collection, treatment and disposal facilities, they are operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. Veolia also maintains the City's sewer lift stations.

The Sewer Revenue Fund's net position increased by \$3.6 million (8.4%) in fiscal year 2016. The largest change in the components of net position is an increase of \$3.4 million (9.7%) in net investment in capital assets. In addition, net position restricted for capital projects decreased by \$1.5 million (74.2%). This decrease results from the use of access fees to fund projects in fiscal 2016. The City uses access fees to fund capital projects that expand the sewer system. As projects qualify during the year, the net position restriction is reduced by the amount of access fees used for the projects. Any remaining access fees accumulate for use in future years. The access fee balance at the end of fiscal 2016 was \$509,425, compared to \$2.0 million at the end of fiscal 2015. A few of the most significant projects funded by access fees in 2016 are listed below.

- H.C. Morgan Water Pollution Control Facility (WPCF) blower improvements
- Northside Sewer Basin 5 rehabilitation
- Parkerson Mill sewer main remediation
- H.C. Morgan WPCF screen and belt press improvements

Assets of the Sewer Revenue Fund increased by \$1.2 million (1.3%). Factors attributing to this increase are assets capitalized during the year. Assets capitalized included a decrease of \$177,992 (22.6%) in capital assets not being depreciated, such as land and construction in progress, and a \$1.2 million (1.6%) increase in capital assets being depreciated, such as buildings, vehicles, and sewer lines. During 2016, the City capitalized the H.C. Morgan WPCF blower improvements project. This project, costing \$2.0 million, entailed replacing three of the existing centrifugal multi-stage blowers originally installed in 1985. These blowers were nearing the end of their useful lives and were extremely energy-intensive. The blowers were replaced with two, 400-horsepower Aerzen turbo blowers that are much more energy efficient. These blowers are controlled through variable frequency drives, which allows them to be used based on the dissolved oxygen needs in the aeration basins. Other assets capitalized include the H.C. Morgan WPCF clarifier improvements project, the Northside Sewer Basin 5 rehabilitation project, and four vehicles used in sewer operations. Depreciation, which offsets capital assets balances, totaled \$2.4 million this year.

Sewer Revenue Fund liabilities decreased by \$2.6 million (5.2%), primarily the result of principal payments on the fund's warrant payables based on debt amortization schedules. Warrants payable decreased by \$2.4 million (5.6%) in fiscal 2016 as compared to 2015. As of September 30, 2016, the Sewer Revenue Fund has \$40.6 million in outstanding warrants. These warrants include debt issued to fund capital improvements to the sewer system as well as refundings issued to take advantage of favorable interest rates. The current portion of warrants payable due in 2017 is \$2.6 million.

Operating revenues of the Sewer Revenue Fund increased by \$11,961 (0.1%). This small increase in operating revenue is composed of an increase in sewer service fees offset by a decrease in access fees. Sewer service fees increased by \$397,005 (4.0%), which is attributable to both a modest increase in sewer customers and dry weather conditions for a portion of the year. As discussed in the *Proprietary Funds*

section of this report, sewer service fees are user fees charged to customers based on water usage. Weather conditions in 2016 were much drier than that of 2015. In September 2016, Auburn was officially in drought status after several months of extremely dry weather. As expected during dry weather patterns, customers use more water, thus increasing sewer service fees for fiscal 2016. The other significant component of the net increase in operating revenue is a decrease in access fee revenue of \$358,800 (24.6%). Two large multi-family developments paid access fees in 2015 causing a variation in access fee revenue above normal growth.

Operating expenses increased by \$129,133 (2.0%); major components of this increase were an increase in depreciation of \$175,969 (7.8%) due to assets capitalized in fiscal 2015 and 2016, and an increase in facility management fees of \$85,017 (5.6%); management fees are paid to Veolia Water North America Operating Services, LLC for operation of the City's two wastewater treatment plants. Other changes affecting total operating expenses were decreases in professional services (\$70,285 or 45.1%), due to decreased use of external consultants for engineering services; repair parts and materials (\$48,904 or 30.0%), due to decreased repairs to pump stations, heavy equipment, and transmission lines; and office supplies (\$34,869 or 49.3%), due to decreases in software and non-capital computer equipment purchases.

For more details on the Sewer Revenue Fund, see the *Business-type Activities* and *Proprietary Funds* sections of this Management's Discussion and Analysis.

General Fund Budgetary Highlights

The City of Auburn adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. Auburn's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. The budget integrates with the financial management system, enabling management at all levels to determine budgetary status on a line-item basis each day. Management constantly reviews the annual budgets in preparation for mid-year or mid-biennium adjustments. Revenue projections and budgeted expenditures are adjusted via Council ordinance to reflect changing conditions.

The fiscal year 2016 *final* General Fund budget projected \$77.1 million in revenue and \$523,813 in other financing sources; appropriations were approved for \$88.1 million in expenditures and \$1.3 million in other financing uses, producing a planned reduction of \$11.8 million in the General Fund's fund balance. Actual amounts for revenues (\$83.4 million), other financing sources (\$554,113), expenditures (\$77.7 million), and other financing uses (\$1.3 million) netted to a positive change in fund balance. As a result, the General Fund's fund balance increased by \$4.9 million in 2016 from revenues and other sources and expenditures and other uses. Also contributing to ending fund balance was the addition of inventory in the City's fleet department. In the past, the City has not accounted for fleet related items, such as car parts, in an inventory account. In an effort to better account for those items kept on hand, a prior period adjustment of \$138,972 was recorded to get inventory from prior years on the books. This adjustment brought total ending fund balance in the General Fund to \$49.4 million at the end of fiscal 2016.

The original revenue projections in the General Fund were \$2.4 million under the *final* budget. Budget adjustments resulted from varied growth/decline in revenue sources, with the largest increase found in sales and use tax (\$1.1 million or 3.0%). Other significant increases from budget adjustments were seen in occupation license fees (\$700,000 or 6.8%), licenses and permits (\$150,000 or 1.4%), and contributions from the public (\$138,250 or 50.2%). Should Auburn experience financial difficulty, alteration of spending can be made because of management's assessment of revenue changes during the year, using tools such as monthly financial reports and real-time department budget to actual reports.

Total actual departmental expenditures in the General Fund were under budget by \$2.0 million in fiscal 2016. All individual departments kept expenditures under final budget, with the exception of employee services. As discussed in the *Governmental Funds* section of this report, the City now presents

expenditures related to its self-insured health plans in the employee services line item. These expenditures include the cost of administering the City's health clinic, CityCare. The administrative fees for the clinic were over budget by \$72,838. The other City departments were under budget, with the most notable being general government and administration, risk management, and public safety. More details of these departments is included below.

- The General Government and Administration function was under budget by \$457,619. General government expenditures include sales and use tax rebates made to businesses participating in the City's Commercial Development Incentive Program, created pursuant to Amendment 772 to the Alabama Constitution of 1901. The number of businesses participating in the program that have met the requirements to begin receiving rebates has grown over the past two years. Given the highly variable nature of this rebate program, the budget for the rebate payments is very conservative, causing this expenditure to be \$259,737 under budget for fiscal 2016. Another factor contributing to this result is savings in salaries due to vacant positions throughout the year.
- The Risk Management function was under budget by \$451,894. Risk management includes expenditures related to general liability claims, worker's compensation claims, as well as other insurance types. Because of the volatility of this type of expenditure, the budget for this function is very conservative.
- The Public Safety function was under budget by \$338,752. The majority of this savings is attributable to reclassifications of health insurance claims. Other expenses, such as salaries for part-time student firefighters, were also under budget.

Non-departmental expenditures were over budget by \$383,864. There were several non-capital items, including \$206,168 for streetlights, which were expended from capital outlay accounts during the year. Although the City pays to have streetlights installed, Alabama Power actually owns the lights. The purchase of these lights was reclassified from a capital outlay function to the non-departmental function during the year-end process, causing the non-departmental expenditures to be over budget. Capital outlay expenditures were under budget by \$8.8 million. Certain capital outlay expenditures planned for fiscal 2016, such as fiscal 2016 annual resurfacing project and renovations to the Public Safety facility, were not completed and carried over to future years.

The total operating budget for all departments decreased by \$636,967 (1.4%). The two largest decreases (\$409,628 and \$100,695) were in the amounts appropriated for the Public Safety and Parks and Recreation functions, respectively. The adjustment of both the Public Safety and Parks and Recreation budget reflected changes in salaries based on position budgeting.

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

Capital assets are those assets that have a cost of \$5,000 or more (\$100,000 for software) and an expected useful life of more than two years. The City records capital assets at historical cost. If the historical cost is unknown, an estimated cost is developed as provided by Generally Accepted Accounting Principles. As of September 30, 2016, the City owned \$250.0 million invested in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, wastewater infrastructure, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$28.1 million (12.7%) over last year. The majority of the increase includes streets contributed by developers, sewer system capacity upgrades, parking improvements, and roadway and intersection improvements. In fiscal 2016, it was discovered that streets built by developers during commercial and residential development and subsequently donated to the City were not capitalized as part of the City's infrastructure. A prior period adjustment for

\$20.7 million was recorded to capture streets donated by developers (net of depreciation expense) in prior years. Streets donated during fiscal 2016 were valued at \$1.8 million.

Table 8 lists the largest capital asset additions to the City for fiscal year 2016. Some of these additions were multi-year projects completed in 2016 and reclassified from construction in progress. The prior period adjustment of streets contributed is not included in the current year additions.

	<u>Total Cost</u>
<i>Wastewater system expansion and improvements</i>	\$
H.C. Morgan WPCF blower improvements	2,028,767
H.C. Morgan WPCF clarifier improvements	253,590
<i>Equipment</i>	
Fire truck (75 ft. ladder)	747,119
Solid waste boom loader truck	140,628
<i>Parking Improvements</i>	
Downtown Parking Improvements	816,083
<i>Roadway and intersection improvements</i>	
Toomer's Corner intersection improvements	2,312,513
Streets contributed by developers (FY16 portion only)	1,825,505
Opelika Rd. improvements (Gay Street to Ross Street)	1,600,800
Opelika Rd. and E. University Dr. intersection improvements	1,255,346
Total	<u>10,980,351</u>

The City has committed, through general fund funding and potential future borrowings, to continue or complete some major construction projects in fiscal years 2017 and 2018. Although the timing and size of these projects could require adjustments to the schedule, the current capital improvements plan (CIP) for the next two years includes the following:

- Public safety projects including a new Public Safety Center;
- Transportation improvements projects;
- Downtown improvements projects;
- Other City facilities improvements; and
- Sidewalk construction projects.

In addition, the City is currently conducting a master plan of Parks, Recreation, & Culture activities in an attempt to determine the immediate needs in both facilities and programming as well as project those needs well into the future. When the plan is completed, the CIP will be updated for any projects necessary based on needs, timing, and cost.

Note 9 of the narrative notes to the financial statements provide additional detail on capital assets.

Long-term Liabilities

At 2016 fiscal year-end, the City owed \$268.7 million in long-term liabilities outstanding, of which \$12.9 million will mature during fiscal 2017. Long-term liabilities include bonds, warrants, and notes payable, accumulated annual leave, claims payable, landfill closure liability, other post-employment benefits liability, advances from component units, and pension liability. The fiscal 2016 net decrease in long-term liabilities, including the current portion, from the previous year was \$10.6 million or 4.0%.

Bonds and warrants payable

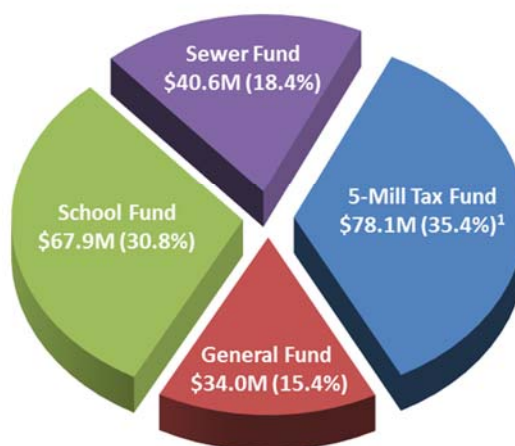
Bonds and warrants payable outstanding at September 30, 2016 totaled \$220.7 million. As mentioned in the *Net Position* section, the City issues debt for Auburn City Schools and for projects that result from partnerships with Auburn University or component units of the City. Of the \$220.7 million in debt outstanding, \$146.0 million is debt issued for assets that belong to Auburn City Schools and \$2.2 million is debt issued for assets that are owned by the City's Public Park and Recreation Board.

General obligation debt is usually payable from the City's general revenues (the General Fund). However, some long-term debt is payable from legally restricted revenue sources, such as debt issued to provide financing for the City Schools, which is payable from property taxes dedicated for education purposes. In addition, the City levies a property tax, the Special Five Mill Tax, which is legally restricted for repaying debt issued to finance projects approved by the voters. In addition, the City issues general obligation debt for sewer purposes, which is intended to be repaid from the Sewer Revenue Fund, and for capital improvements related to development agreements, which is issued with the intent being that a developer will pay the debt service as required by the agreement.

Figure D illustrates the various funding sources for the repayment of the City's long-term debt.

Figure D

**Debt Principal Outstanding by Repayment Source
September 30, 2016**



¹ Debt outstanding in the 5-Mill Tax Fund was issued for education purposes.

At the end of fiscal 2016, the Special Five Mill Tax Fund had long-term debt outstanding of \$78.1 million. In April 2015, the City of Auburn held a special municipal bond election allowing the citizens of Auburn to vote on using the Special Five Mill Tax fund for projects for educational purposes. The City issued debt related to this referendum in June 2015. The City Council decided to dedicate the Special Five Mill Tax Fund to Auburn City Schools for use in borrowing for facility needs. Therefore, the City moved existing Special Five Mill Tax fund debt to the General Fund in fiscal 2016, leaving this new education related debt as the only debt being repaid by this fund. There was no new debt issued in this fund in fiscal 2016.

The City also repays debt issued for Auburn City Schools from the Special School Tax Fund, which is a fund that accounts for 16 mills of ad valorem taxes legally designated for education purposes. The principal amount of currently outstanding school debt stands at \$67.9 million, which will be repaid from these dedicated taxes. The last debt issuance in this fund was refunding debt issued in fiscal 2015 for \$10.2 million. There was no new debt issued in this fund in fiscal 2016.

The Sewer Revenue Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$40.6 million at the end of fiscal 2016. Sewer Revenue Fund debt is issued to construct and improve the sewer system. The last debt issuance in this fund was refunding debt issued in fiscal 2015 for \$19.2 million. There was no new debt issued in this fund in fiscal 2016.

The remaining \$34.0 million in outstanding principal will be repaid solely from the General Fund. This total includes the Special Five Mill Tax Fund debt that was moved to the General Fund in fiscal 2016. The last debt issuance for the General Fund was in November 2012. There was no debt issued for the General Fund in fiscal 2016.

The reader may refer to Note 10 of the narrative notes to the financial statements for more detail concerning the debt issuances and debt outstanding of the City and its component units.

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, and water and sewer purposes are exempt from the legal debt limit. The City's outstanding debt applicable to this limit is \$31.1 million, resulting in a legal debt margin (additional legal debt capacity) of \$138.3 million.

An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2016 is 13.0%; the ratio for 2015 was 17.5%.

Bond Ratings

In May 2015, Standard and Poor's (S&P) affirmed the City of Auburn's bond rating as AA+. In their report, S&P cites very strong management, as well as Auburn's "strong financial policies, strong budgetary performance, very strong budgetary flexibility, and very strong liquidity" as factors that were considered in the rating. According to S&P, an AA+ rating indicates a "strong capacity to meet financial commitments."

In addition, the City holds a rating of Aa2 from Moody's Investors Service, issued in May 2015. The Moody's rating report cited the City's "continued diversification and growth of the city's sizable tax base" and the City's "solid financial position, strong management team, and manageable debt and pension burden" as among the factors considered in rating the City's credit.

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

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

City of Auburn Mission Statement

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

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

The City's robust budgetary processes, proactive financial management efforts, aggressive (yet selective) industrial and commercial recruitment strategies, the presence of Auburn University, a diversified revenue base and the exceptional City public school system, all combine to position Auburn as a strong municipal economy. As the economy within the State of Alabama and the nation as a whole continues to improve, Auburn has remained a relatively stable and growing economy. The City's unemployment rates typically compare favorably with the State's and national rates. The most recent data available from the Alabama Department of Labor show that for September 2016, Auburn's unemployment rate was 4.9%. The State's unemployment rate in September 2016 was 5.7%, while the national rate was 4.8% (US Bureau of Labor Statistics).

The Auburn City Council is committed to the development of a diversified economic base, with Auburn University as the cornerstone. The City's Economic Development Department, in partnership with the City's Industrial Development Board (IDB), has achieved an outstanding level of success in this effort, bringing more than 6,000 new jobs to the City in the last 20 years. The IDB targets small to medium-sized technology based companies that offer a high level of employment to citizens. Many of the recruited industries are based on technology partnerships with the University. In addition, the City's advantageous location on Interstate 85 and its proximity to various automotive manufacturing facilities in Alabama and west central Georgia make Auburn a natural choice for second and third tier automotive suppliers. The additional payrolls brought to the City generate occupational license fees, and sales tax revenues, which enable the City to provide the high levels of services and facilities expected by its citizens. Auburn University, the State's largest land-grant university, is a stabilizing force in the local economy. The proximity of the University to the City's downtown area contributes significantly to a vibrant atmosphere and vigorous business activity.

The City's Commercial Development Incentive Program (CDIP) has brought numerous new and redeveloped commercial enterprises to the Auburn area. Two examples of this are the renovation and expansion of the Flint's Crossing shopping center, anchored by EarthFare and Panera Bread, and the complete teardown and redevelopment of an apartment complex into a mixed-use retail center. Wholesale Mattress, Market Square shopping center, and Restaurant Row at Bent Creek are other commercial enterprises opening and/or renovating during fiscal year 2016. This activity continues to lead to an expansion of the City's tax base and continue the growth in Auburn's business development.

Auburn's consistent growth continues for many reasons. One major reason for this growth is the success of Auburn City Schools (ACS), the City's public school system. ACS has received consistently high ratings for the qualifications of its faculty and staff and the achievements of its students, as well as strong local funding levels. The ACS standard of excellence proves a major factor in the City's residential growth and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family detached homes had dropped back to more typical levels for the area, fiscal 2001 (254 permits) to fiscal 2014 (388 permits), after a period of significant growth from 2004 – 2007, during which an average of 445 single family homes were permitted each year. Single-family detached permits again spiked in 2015, with 455 permits issued, an increase of 67 (17.3%) as compared to 2014. The number of permits issued in this category in fiscal 2016 totaled 413, a decrease of 42 (9.2%) from 2015. At the same time, single-family attached residential dwelling permits increased by 27 (108.0%). Commercial/industrial/institutional building activity (including new construction and additions/renovations) decreased in fiscal year 2016 compared to the activity of 2015 in terms of valuation (\$23.1 million or 42.2%). A major component of this decrease resulted from permitting of two grocery stores and one hotel in 2015. The City's size has grown from 45.5 square miles in 2001 to 59.9 square miles in 2016. Population growth continues to average about 3% per year.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2017 and 2018. Revenue is budgeted conservatively, yet realistically. Management's strategy has been to continue to contain operating costs in the new biennium while maintaining high levels of service

and investing in capital asset maintenance and replacement. As mentioned in the *Capital Assets* section of this report, the City has quite a number of capital projects slated for 2017 and 2018. As 2017 progresses, decisions will be made about the timing of these projects and any changes will be included in a budget adjustment for both years that will be presented to Council in late spring or early summer 2017. In addition, any necessary changes to revenue projections and operating expenditures/expenses will be adjusted at this time. As part of the City's budget process, projected revenues and proposed expenditures are input into the long-term forecasting model to determine the effects on fund balances of various scenarios. Use of the long-term forecasting model is helpful for determining the effects of tax or fee increases that may be considered, as well as the need for borrowing, within the context of proposed expenditure scenarios.

The Council has established a goal of maintaining the fund balance in the General Fund at not less than 20% of expenditures plus other financing uses. The City has consistently exceeded this goal; the total fund balance in the General Fund at September 30, 2016 was 62.5% of expenditures compared to 57.8% in 2015. The total fund balance includes \$4.1 million designated by the Council for use only in the event of natural disaster or significant, unexpected economic downturn. Total fund balance less the designated \$4.1 million comprised 57.3% of expenditures and other financing uses. Another useful measure is the comparison of fund balance with total revenues, excluding other financing sources. The General Fund's total fund balance as a percentage of revenues was 59.2% and 57.0% at the end of fiscal 2016 and 2015, respectively, another indication of the stability of fund balance.

The primary government provides wastewater treatment and disposal and solid waste management utility services. As discussed in the *Business-Type Activities* section of this report, the City constantly monitors the need for sewer and solid waste rate changes by studying and evaluating whether existing rates will meet the projected operating and capital needs of each activity in the future. There are currently no plans for a formal rate study in the Sewer Revenue Fund. However, the City plans to contract with a consultant in fiscal 2017 for an update of the solid waste rate study to evaluate the adequacy of existing rates in funding future needs of the solid waste management system. The last formal rate study was conducted in fiscal 2010.

The Water Works Board of the City of Auburn, a component unit of the City, provides water services to the citizens of Auburn. During fiscal year 2015, based on a consultant's recommendation that the aging spillway at Lake Ogletree was in need of replacement, the Board hired an engineering firm to design a new spillway at Lake Ogletree, the City's main water source. Using the rate study from 2014, staff prepared a new projection model to determine revenue requirements needed for the Board to fund additional debt and meet coverage requirements for the construction of the spillway. Based on staff's recommendation, the Board approved two 5% rate increases effective January 1, 2016, and October 1, 2016, respectively, in an effort to meet its obligation to provide clean and safe drinking water to the citizens of Auburn. Therefore, in November 2015, the Board issued \$16.7 million in revenue bonds to cover the cost of replacing the Lake Ogletree spillway.

The minimum monthly bill of 3,000 gallons for residential water customers increased from \$12.60 to \$13.23 (5%), effective January 1, 2016, and from \$13.23 to \$13.89 (5%), effective October 1, 2016. In continued review of capital projects related to aging infrastructure, at the regular monthly Board meeting in September 2016, the Board approved a 5% rate increase effective October 1, 2017.

An expanding populace translates into additional needs for public services and facilities. Auburn citizens enjoy and continue to expect a high quality of life from their City government. In the past, Auburn citizens have demonstrated their willingness to pay for these services and facilities by supporting the Council's decision to increase the sales tax rate. This support continued in fiscal 2011 when the Council made a decision to increase the sales tax rate from 3% to 4%. This rate became effective in August 2011. Revenue from this increase continues to support the school system and enables the City to improve its infrastructure. This public support is attributable, at least in part, to the open government policies of the

City Council, as well as the public's confidence that the City's finances are carefully managed, and their knowledge that taxes and license fee increases are imposed infrequently and proposed only after deliberate study and debate. The citizens of Auburn also supported the Council's desire to use revenue from the Special Five Mill Tax Fund for educational purposes. This fund accounts for five mills of ad valorem taxes legally restricted to pay for debt service on capital projects approved by voters. In April 2015, the City held a referendum asking Auburn citizens to vote on using the revenue in this fund to pay for debt used to construct a new high school, allowing the City to continue their priority of supporting the local school system.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Auburn's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. For any additional questions or information, please contact the City of Auburn Finance Department by mail, 144 Tichenor Avenue, Suite 5, Auburn, Alabama 36830, or by email, webfinance@auburnalabama.org. Updated financial information about the City is also available by accessing the City's web site at www.auburnalabama.org/CAFR.

Basic Financial Statements

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

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
ASSETS				
Current assets:				
Cash and cash equivalents	47,333,133	9,541,833	56,874,966	34,489,454
Certificates of deposit	563,000	-	563,000	59,317
Receivables, net	10,519,272	2,055,664	12,574,936	1,877,510
Due from component units	373,143	44,835	417,978	-
Inventories	214,265	54,226	268,491	542,308
Current portion of assessments receivable	182,910	-	182,910	-
Current portion of mortgages and notes receivable	120,022	-	120,022	29,217
Current portion of net investment in capital leases	-	-	-	330,377
Property tax receivable	-	-	-	6,380,934
Due from other governments	-	-	-	1,024,755
Due from primary government	-	-	-	6,523,453
Other current assets	1,492,666	33,303	1,525,969	71,919
Restricted cash	470,665	-	470,665	281,026
Total current assets	<u>61,269,076</u>	<u>11,729,861</u>	<u>72,998,937</u>	<u>51,610,270</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	-	-	9,166,020
Investments	-	-	-	12,590,374
Interest receivable	-	-	-	1,803
Assessments receivable, net of current portion	914,550	-	914,550	-
Mortgages and notes receivable, net of current portion	2,533,511	-	2,533,511	136,806
Investments	46,722,072	-	46,722,072	-
Net investment in capital leases, net of current portion	-	-	-	5,590,254
Advances to component units	1,125,000	-	1,125,000	-
Advances to primary government	-	-	-	105,417
Advances to other agencies	117,976	-	117,976	-
Property for resale	4,851,127	-	4,851,127	9,697,814
Capital assets not being depreciated	26,781,837	611,145	27,392,982	85,779,452
Capital assets net of accumulated depreciation	141,961,802	80,598,032	222,559,834	205,469,657
Net pension asset	-	-	-	9,956,067
Total noncurrent assets	<u>225,007,875</u>	<u>81,209,177</u>	<u>306,217,052</u>	<u>338,493,664</u>
Total assets	<u>286,276,951</u>	<u>92,939,038</u>	<u>379,215,989</u>	<u>390,103,934</u>
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	905,576
Deferred amount on refunding	3,621,068	3,164,559	6,785,627	969,898
Pension related	4,283,197	431,481	4,714,678	12,919,379
Total deferred outflows of resources	<u>7,904,265</u>	<u>3,596,040</u>	<u>11,500,305</u>	<u>14,794,853</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016
CONTINUED

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	300,135
Current portion of long-term debt	-	-	-	830,000
Accrued interest payable	-	-	-	289,958
Accounts payable and other accrued liabilities	2,227,224	364,271	2,591,495	12,060,663
Payable to other governments	1,683,273	-	1,683,273	-
Due to component units	6,406,498	116,955	6,523,453	-
Accrued interest payable	1,989,263	511,550	2,500,813	-
Salaries and benefits payable	530,785	64,153	594,938	6,024,899
Claims payable	169,008	-	169,008	-
Customer deposits	297,389	734,852	1,032,241	666,842
Unearned revenue	2,110,042	576	2,110,618	1,870,913
Current portion of long-term debt	10,301,072	2,560,000	12,861,072	3,813,109
Short term notes payable	-	-	-	331,798
Due to primary government	-	-	-	417,977
Due to other government	-	-	-	4,000
Obligations under capital leases	-	-	-	39,331
Total current liabilities	25,714,554	4,352,357	30,066,911	26,649,625
Noncurrent liabilities:				
Advances from component unit	105,417	-	105,417	-
Advances from primary government	-	-	-	1,125,000
Derivative instrument liability	-	-	-	905,576
Long-term debt and other liabilities	181,124,446	41,789,855	222,914,301	82,143,785
Net pension liability	30,565,624	2,207,824	32,773,448	67,040,861
Total noncurrent liabilities	211,795,487	43,997,679	255,793,166	151,215,222
Total liabilities	237,510,041	48,350,036	285,860,077	177,864,847
DEFERRED INFLOWS OF RESOURCES				
Future property tax revenue	-	-	-	6,380,934
Pension related	95,760	75,364	171,124	615,570
Total deferred inflows of resources	95,760	75,364	171,124	6,996,504
NET POSITION				
Net investment in capital assets	149,544,640	40,247,221	189,791,861	211,013,063
Restricted for :				
Capital projects	1,448,357	509,425	1,957,782	11,516,282
Debt service	3,776,254	-	3,776,254	2,749,163
Federal and state grants	4,711,224	-	4,711,224	-
Restricted for other projects	13,166,372	-	13,166,372	2,666,514
Housing assistance payments	-	-	-	248,058
Replacement reserve	-	-	-	2,558,686
Special revenues (gas tax and road projects)	96,870	-	96,870	-
Special revenues (ad valorem tax for schools)	43,193,501	-	43,193,501	-
Special revenues (public safety)	770,785	-	770,785	-
Unrestricted (deficit)	(160,132,588)	7,353,032	(152,779,556)	(10,714,330)
Total net position	56,575,415	48,109,678	104,685,093	220,037,436

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

CITY OF AUBURN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

					Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
		Charges for	Operating Grants	Capital Grants	Governmental	Business-type	Total	Component
Functions/Programs	Expenses	Services	and Contributions	and Contributions	Activities	Activities		Units
Primary government:	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities:								
General government and administration	9,009,933	13,940,978	1,192,222	-	6,123,267	-	6,123,267	
Public works	8,743,085	625	679,993	3,034,273	(5,028,194)	-	(5,028,194)	
Environmental services	2,272,010	-	-	-	(2,272,010)	-	(2,272,010)	
Public safety	20,189,149	4,750,953	128,399	-	(15,309,797)	-	(15,309,797)	
Library	1,845,480	27,519	7,463	-	(1,810,498)	-	(1,810,498)	
Parks and recreation	6,389,142	684,363	28,421	1,189,363	(4,486,995)	-	(4,486,995)	
Planning	594,714	64,665	507	-	(529,542)	-	(529,542)	
Social and economic development	5,370,638	-	305,207	-	(5,065,431)	-	(5,065,431)	
Human resources	2,244,797	-	-	-	(2,244,797)	-	(2,244,797)	
Risk management	333,618	766,273	-	-	432,655	-	432,655	
Education (payments to Board of Education)	60,918,952	-	-	-	(60,918,952)	-	(60,918,952)	
Interest on long-term debt	7,253,215	-	-	-	(7,253,215)	-	(7,253,215)	
Total governmental activities	125,164,733	20,235,376	2,342,212	4,223,636	(98,363,509)	-	(98,363,509)	
Business-type activities:								
Sewer Revenue Fund	8,387,444	11,526,093	3,190	458,185		3,600,024	3,600,024	
Solid Waste Management Fund	4,380,090	4,560,179	2,193	-		182,282	182,282	
Total business-type activities	12,767,534	16,086,272	5,383	458,185		3,782,306	3,782,306	
Total primary government	137,932,267	36,321,648	2,347,595	4,681,821	(98,363,509)	3,782,306	(94,581,203)	
Component units:								
Board of Education	81,065,471	6,025,651	42,622,893	2,202,742				(30,214,185)
Water Works Board	10,644,280	10,586,213	-	1,081,575				1,023,508
Industrial Development Board	7,006,560	4,656,995	-	2,286,827				(62,738)
Housing Authority	4,278,397	305,170	5,455,578	-				1,482,351
Public Park & Recreation Board	647,494	83,139	893	-				(563,462)
Downtown Redevelopment Authority	26,019	-	-	-				(26,019)
Total Component Units	103,668,221	21,657,168	48,079,364	5,571,144				(28,360,545)
General revenues								
Taxes:								
Sales taxes					39,672,910	-	39,672,910	7,096,156
Occupational license fees					11,561,046	-	11,561,046	-
Property taxes					23,782,006	-	23,782,006	5,866,495
Motor fuel taxes					383,488	-	383,488	-
Lodging taxes					2,247,771	-	2,247,771	-
Rental and leasing taxes					799,550	-	799,550	-
Cigarette taxes					69,249	-	69,249	-
Alcoholic beverage taxes					202,213	-	202,213	574,533
Other taxes					-	-	-	59,584
Appropriations from the City of Auburn					-	-	-	60,355,884
Federal and state aid not restricted					-	-	-	3,800
Interest and investment earnings					729,863	41,216	771,079	472,072
Estimated pension earnings					-	-	-	701,666
Gain on disposal of assets					-	21,770	21,770	595,318
Sale of property					-	-	-	1,450,000
Miscellaneous	81,981					23,736	105,717	1,328,888
Transfers					118,755	(118,755)	-	-
Total general revenues and transfers					79,648,832	(32,033)	79,616,799	78,504,396
Change in net position					(18,714,677)	3,750,273	(14,964,404)	50,143,851
Net position - beginning					54,486,681	44,359,405	98,846,086	169,893,585
Prior period adjustment					20,803,411	-	20,803,411	-
Net position - beginning, as restated					75,290,092	44,359,405	119,649,497	169,893,585
Net position - ending					56,575,415	48,109,678	104,685,093	220,037,436

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

CITY OF AUBURN, ALABAMA

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	26,527,763	13,653,142	146,616	7,005,611	47,333,132
Certificates of deposit	-	563,000	-	-	563,000
Investments	13,166,372	32,680,283	875,419	-	46,722,074
Receivables, net	11,193,144	212,029	7,838	203,721	11,616,732
Due from other funds	12,717	-	-	2,027	14,744
Due from component units	373,143	-	-	-	373,143
Inventories	214,265	-	-	-	214,265
Prepaid items	1,426,962	-	-	400	1,427,362
Mortgages receivable	-	-	2,653,532	-	2,653,532
Advances to component units	-	-	1,125,000	-	1,125,000
Advances to other agencies	117,976	-	-	-	117,976
Restricted cash	343,769	-	126,897	-	470,666
Property for resale	4,851,127	-	-	-	4,851,127
Total assets	<u>58,227,238</u>	<u>47,108,454</u>	<u>4,935,302</u>	<u>7,211,759</u>	<u>117,482,753</u>
LIABILITIES					
Accounts payable and accrued liabilities	2,742,025	-	21,457	33,156	2,796,638
Payables to other governments	1,683,273	-	-	-	1,683,273
Due to component units	188,856	5,490,653	-	726,989	6,406,498
Customer deposits	258,760	-	-	-	258,760
Claims payable	265,191	-	-	-	265,191
Due to other funds	-	-	2,027	12,717	14,744
Unearned revenue	3,588,921	-	3,778,582	71,600	7,439,103
Advance from component unit	105,417	-	-	-	105,417
Total liabilities	<u>8,832,443</u>	<u>5,490,653</u>	<u>3,802,066</u>	<u>844,462</u>	<u>18,969,624</u>
FUND BALANCES					
Nonspendable					
Investments	13,166,371	-	-	-	13,166,371
Inventories	214,265	-	-	-	214,265
Prepaid items	1,426,962	-	-	-	1,426,962
Advances	117,976	-	-	-	117,976
Property for resale	4,851,127	-	-	-	4,851,127
Restricted					
Roads, bridges and streets	-	-	-	96,870	96,870
Law enforcement	343,769	-	-	854,821	1,198,590
Education	-	41,617,801	-	-	41,617,801
General grants	-	-	-	190,995	190,995
Social and economic	-	-	1,133,236	-	1,133,236
Capital projects	-	-	-	1,448,357	1,448,357
Debt service	-	-	-	3,776,254	3,776,254
Assigned					
Social and economic	305,871	-	-	-	305,871
General	4,482,241	-	-	-	4,482,241
Unassigned	24,486,213	-	-	-	24,486,213
Total fund balances	<u>49,394,795</u>	<u>41,617,801</u>	<u>1,133,236</u>	<u>6,367,297</u>	<u>98,513,129</u>
Total liabilities and fund balances	<u>58,227,238</u>	<u>47,108,454</u>	<u>4,935,302</u>	<u>7,211,759</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	168,743,639
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(214,182,638)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	5,329,061
Prepaid items accounted for using the purchases method are not reported in the funds.	65,304
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(1,893,080)
Net position of governmental activities	<u>56,575,415</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
Revenues					
Sales and use taxes	39,672,910	-	-	-	39,672,910
Occupational license fees	11,561,047	-	-	-	11,561,047
Motor fuel taxes	755,217	-	-	-	755,217
Lodging taxes	2,247,771	-	-	-	2,247,771
Rental and leasing taxes	799,550	-	-	-	799,550
Other taxes	271,462	-	-	-	271,462
Licenses and permits	11,856,992	-	-	-	11,856,992
General property taxes	5,027,995	14,531,927	-	4,222,083	23,782,005
Charges for services	7,086,335	-	-	-	7,086,335
Fines and forfeitures	1,083,811	-	-	157,850	1,241,661
State shared taxes	1,175,067	-	-	280,257	1,455,324
Contributions from the public	1,532,346	-	-	79,338	1,611,684
Grants	-	-	-	820,258	820,258
Program income	-	-	287,464	-	287,464
Interest	271,969	334,388	89,248	34,257	729,862
Miscellaneous	85,166	-	272	-	85,438
Total revenues	<u>83,427,638</u>	<u>14,866,315</u>	<u>376,984</u>	<u>5,594,043</u>	<u>104,264,980</u>
Expenditures					
General government and administration	6,080,440	-	-	9,321	6,089,761
Public works	4,100,956	-	-	511	4,101,467
Environmental services	2,085,786	-	-	-	2,085,786
Public safety	19,205,564	-	-	116,757	19,322,321
Library	1,698,020	-	-	7,463	1,705,483
Parks and recreation	5,478,444	-	-	22,990	5,501,434
Planning	591,964	-	-	507	592,471
Economic development	1,073,748	-	64,063	413,367	1,551,178
Employee services	2,186,194	-	-	-	2,186,194
Risk management	360,932	-	-	-	360,932
Total departmental	<u>42,862,048</u>	<u>-</u>	<u>64,063</u>	<u>570,916</u>	<u>43,497,027</u>
Non-Departmental	2,241,732	467,828	-	136,403	2,845,963
Debt service					
Administrative charges	2,233	1,430	-	806	4,469
Interest	1,415,771	2,881,569	82,187	2,859,527	7,239,054
Principal retirement	7,303,644	3,542,189	178,000	-	11,023,833
Capital outlay	10,427,970	-	-	416,800	10,844,770
Intergovernmental	1,037,158	-	-	-	1,037,158
Payments to component units	12,437,632	49,418,952	75,000	2,133,958	64,065,542
Total expenditures	<u>77,728,188</u>	<u>56,311,968</u>	<u>399,250</u>	<u>6,118,410</u>	<u>140,557,816</u>
Excess (deficiency) of revenues over expenditures	<u>5,699,450</u>	<u>(41,445,653)</u>	<u>(22,266)</u>	<u>(524,367)</u>	<u>(36,292,836)</u>
Other financing sources (uses)					
Sale of surplus assets	57,863	-	-	6,815	64,678
Transfers in	496,250	-	-	1,409,967	1,906,217
Transfers out	(1,312,495)	-	(109,967)	(365,000)	(1,787,462)
Total other financing sources (uses)	<u>(758,382)</u>	<u>-</u>	<u>(109,967)</u>	<u>1,051,782</u>	<u>183,433</u>
Net changes in fund balances	4,941,068	(41,445,653)	(132,233)	527,415	(36,109,403)
Fund balances, beginning of year	44,314,755	83,063,454	1,265,469	5,839,882	134,483,560
Prior period adjustment	138,972	-	-	-	138,972
Fund balances, beginning, as restated	<u>44,453,727</u>	<u>83,063,454</u>	<u>1,265,469</u>	<u>5,839,882</u>	<u>134,622,532</u>
Fund balances, end of year	<u>49,394,795</u>	<u>41,617,801</u>	<u>1,133,236</u>	<u>6,367,297</u>	<u>98,513,129</u>

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

CITY OF AUBURN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Net change in fund balances - total governmental funds	\$ (36,109,403)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	4,350,217
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.	2,354,711
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond issue insurance, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	11,023,833
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.	(154,855)
Revenues previously recorded as deferred revenue in governmental funds that were recognized in prior years in the statement of activities, but in the current year in governmental funds.	<u>(179,180)</u>
Change in net position - statement of activities	<u><u>\$ (18,714,677)</u></u>

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

CITY OF AUBURN, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
	\$	\$	\$	\$
Revenues				
Sales and use taxes	36,690,000	37,790,000	39,672,910	1,882,910
Occupational license fees	10,291,245	10,991,245	11,561,047	569,802
Motor fuel taxes	650,000	650,000	755,217	105,217
Lodging taxes	1,649,000	1,849,000	2,247,771	398,771
Rental and leasing taxes	575,000	705,000	799,550	94,550
Other taxes	249,370	256,870	271,462	14,592
Licenses and permits	10,995,000	11,145,000	11,856,992	711,992
General property taxes	4,763,000	4,813,000	5,027,995	214,995
Charges for services	6,272,127	6,180,227	7,086,335	906,108
Fines and forfeitures	1,279,000	1,279,000	1,083,811	(195,189)
State shared taxes	768,100	770,100	1,175,067	404,967
Contributions from the public	275,614	413,864	1,532,346	1,118,482
Interest	164,346	164,346	271,969	107,623
Miscellaneous	49,116	49,116	85,166	36,050
Total revenues	<u>74,670,918</u>	<u>77,056,768</u>	<u>83,427,638</u>	<u>6,370,870</u>
Expenditures				
General government and administration	6,601,590	6,538,059	6,080,440	457,619
Public works	4,254,843	4,232,876	4,100,956	131,920
Environmental services	2,266,411	2,240,259	2,085,786	154,473
Public safety	19,953,614	19,544,316	19,205,564	338,752
Library	1,742,625	1,709,331	1,698,020	11,311
Parks and recreation	5,892,848	5,792,153	5,478,444	313,709
Planning	703,098	689,829	591,964	97,865
Economic development	1,146,004	1,134,235	1,073,748	60,487
Employee services	2,082,801	2,125,809	2,186,194	(60,385)
Risk management	812,826	812,826	360,932	451,894
Total departmental	<u>45,456,660</u>	<u>44,819,693</u>	<u>42,862,048</u>	<u>1,957,645</u>
Non-departmental	1,710,570	1,857,868	2,241,732	(383,864)
Debt service:				
Administrative charges	30	30	2,233	(2,203)
Interest	1,391,118	1,391,118	1,415,771	(24,653)
Principal retirement	7,120,733	7,120,733	7,303,644	(182,911)
Capital outlay	12,483,273	19,223,028	10,427,970	8,795,058
Intergovernmental	1,015,663	1,015,663	1,037,158	(21,495)
Payments to component units	12,425,500	12,680,875	12,437,632	243,243
Total expenditures	<u>81,603,547</u>	<u>88,109,008</u>	<u>77,728,188</u>	<u>10,380,820</u>
Excess (deficiency) of revenues over expenditures	<u>(6,932,629)</u>	<u>(11,052,240)</u>	<u>5,699,450</u>	<u>16,751,690</u>
Other financing sources (uses)				
Sale of surplus assets	27,563	27,563	57,863	30,300
Transfers in	496,250	496,250	496,250	-
Transfers out	-	(1,300,000)	(1,312,495)	(12,495)
Total other financing sources (uses)	<u>523,813</u>	<u>(776,187)</u>	<u>(758,382)</u>	<u>17,805</u>
Net changes in fund balances	(6,408,816)	(11,828,427)	4,941,068	16,769,495
Fund balances, beginning of year	44,314,755	44,314,755	44,314,755	-
Prior period adjustment	-	-	138,972	138,972
Fund balances, beginning, as restated	<u>44,314,755</u>	<u>44,314,755</u>	<u>44,453,727</u>	<u>138,972</u>
Fund balances, end of year	<u>37,905,939</u>	<u>32,486,328</u>	<u>49,394,795</u>	<u>16,908,467</u>

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

CITY OF AUBURN, ALABAMA
SPECIAL SCHOOL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Revenues	\$	\$	\$	\$
General property taxes	13,762,550	13,922,550	14,531,927	609,377
Interest	197,000	197,000	334,388	137,388
Total revenues	<u>13,959,550</u>	<u>14,119,550</u>	<u>14,866,315</u>	<u>746,765</u>
Expenditures				
Non-Departmental	509,000	509,000	467,828	41,172
Debt service				
Administrative charges	1,300	1,300	1,430	(130)
Interest	2,881,593	2,881,593	2,881,569	24
Principal retirement	3,542,189	3,542,189	3,542,189	-
Payments to component units	<u>35,766,113</u>	<u>35,766,113</u>	<u>49,418,952</u>	<u>(13,652,839)</u>
Total expenditures	<u>42,700,195</u>	<u>42,700,195</u>	<u>56,311,968</u>	<u>(13,611,773)</u>
Net changes in fund balances	(28,740,645)	(28,580,645)	(41,445,653)	(12,865,008)
Fund balances, beginning of year	<u>83,063,454</u>	<u>83,063,454</u>	<u>83,063,454</u>	<u>-</u>
Fund balances, end of year	<u><u>54,322,809</u></u>	<u><u>54,482,809</u></u>	<u><u>41,617,801</u></u>	<u><u>(12,865,008)</u></u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	8,324,868	1,216,965	9,541,833
Receivables, net	1,511,664	544,000	2,055,664
Due from component units	44,835	-	44,835
Inventories	36,851	17,375	54,226
Other current assets	13,606	19,697	33,303
Total current assets	<u>9,931,824</u>	<u>1,798,037</u>	<u>11,729,861</u>
Noncurrent assets			
Capital assets not being depreciated	611,145	-	611,145
Capital assets net of accumulated depreciation	79,197,657	1,400,375	80,598,032
Total noncurrent assets	<u>79,808,802</u>	<u>1,400,375</u>	<u>81,209,177</u>
Total assets	<u>89,740,626</u>	<u>3,198,412</u>	<u>92,939,038</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	3,164,559	-	3,164,559
Pension related	176,530	254,951	431,481
Total deferred outflows of resources	<u>3,341,089</u>	<u>254,951</u>	<u>3,596,040</u>
 LIABILITIES			
Current liabilities			
Accounts payable	264,456	99,815	364,271
Salaries and benefits payable	29,308	34,845	64,153
Due to component units	91,041	25,914	116,955
Accrued interest payable	511,550	-	511,550
Customer deposits	575,700	159,152	734,852
Unearned revenue	576	-	576
Current portion of long-term debt	2,560,000	-	2,560,000
Total current liabilities	<u>4,032,631</u>	<u>319,726</u>	<u>4,352,357</u>
Noncurrent liabilities			
Long-term debt and other liabilities	41,641,196	148,659	41,789,855
Net pension liability	935,787	1,272,037	2,207,824
Total noncurrent liabilities	<u>42,576,983</u>	<u>1,420,696</u>	<u>43,997,679</u>
Total liabilities	<u>46,609,614</u>	<u>1,740,422</u>	<u>48,350,036</u>
 DEFERRED INFLOWS OF RESOURCES			
Pension related	25,262	50,102	75,364
Total deferred inflows of resources	<u>25,262</u>	<u>50,102</u>	<u>75,364</u>
 NET POSITION			
Net investment in capital assets	38,846,846	1,400,375	40,247,221
Restricted for capital projects	509,425	-	509,425
Unrestricted	7,090,568	262,464	7,353,032
Total net position	<u>46,446,839</u>	<u>1,662,839</u>	<u>48,109,678</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
Operating revenues	\$	\$	\$
Charges for services	11,510,711	4,560,179	16,070,890
Sewer tapping fees	15,382	-	15,382
Grants	3,190	2,193	5,383
Miscellaneous	12,385	11,351	23,736
Total operating revenues	<u>11,541,668</u>	<u>4,573,723</u>	<u>16,115,391</u>
Operating expenses			
Salaries and wages	875,954	1,723,196	2,599,150
Employee benefits	241,715	477,017	718,732
Repairs and maintenance	17,146	66,294	83,440
Utilities	703,376	326	703,702
Professional services	85,435	686,027	771,462
Rentals and leasing	76,083	-	76,083
Insurance	23,475	35,727	59,202
Office supplies	35,824	6,474	42,298
Fuels and lubricants	32,799	138,369	171,168
Agricultural and chemical supplies	32,796	1,331	34,127
Minor equipment and tools	105,204	64,461	169,665
Repair parts and materials	114,127	278,878	393,005
Clothing and linens	11,211	8,965	20,176
Sewer service fees	215,711	-	215,711
Management fees	1,602,427	334,000	1,936,427
Depreciation/amortization	2,421,074	537,229	2,958,303
Travel and training	21,033	11,682	32,715
Miscellaneous	6,167	10,114	16,281
Total operating expenses	<u>6,621,557</u>	<u>4,380,090</u>	<u>11,001,647</u>
Operating income (loss)	<u>4,920,111</u>	<u>193,633</u>	<u>5,113,744</u>
Nonoperating revenues (expenses)			
Interest earned	35,953	5,263	41,216
Interest and fiscal charges	(1,765,887)	-	(1,765,887)
Gain (loss) on disposal of capital assets	10,130	11,640	21,770
Total nonoperating revenues (expenses)	<u>(1,719,804)</u>	<u>16,903</u>	<u>(1,702,901)</u>
Income (loss) before transfers and capital contributions	3,200,307	210,536	3,410,843
Transfers	(70,358)	(48,397)	(118,755)
Capital contributions - grants	13,135	-	13,135
Capital contributions - developers	445,050	-	445,050
Change in net position	3,588,134	162,139	3,750,273
Net position - beginning	42,858,705	1,500,700	44,359,405
Net position - ending	<u><u>46,446,839</u></u>	<u><u>1,662,839</u></u>	<u><u>48,109,678</u></u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	11,458,274	4,539,120	15,997,394
Other cash collected	12,385	11,351	23,736
Customer deposits collected	152,410	74,085	226,495
Customer deposits paid	(151,478)	(53,263)	(204,741)
Proceeds from operating grant	3,310	1,859	5,169
Payments to suppliers for goods and services	(3,086,255)	(1,857,186)	(4,943,441)
Payments to employees for services	(1,132,341)	(2,188,188)	(3,320,529)
Net cash provided (consumed) by operating activities (A)	<u>7,256,305</u>	<u>527,778</u>	<u>7,784,083</u>
Cash flows from noncapital financing activities			
Transfers in	5,892	6,603	12,495
Transfers out	(76,250)	(55,000)	(131,250)
Net cash provided (consumed) by noncapital financing activities	<u>(70,358)</u>	<u>(48,397)</u>	<u>(118,755)</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(2,395,000)	-	(2,395,000)
Proceeds from sale of assets	18,680	20,850	39,530
Acquisition and construction of capital assets	(2,965,316)	(260,478)	(3,225,794)
Interest and fiscal fees paid	(1,849,313)	-	(1,849,313)
Net cash provided (consumed) by capital and related financing activities	<u>(7,190,949)</u>	<u>(239,628)</u>	<u>(7,430,577)</u>
Cash flows from investing activities			
Interest on investments	35,953	5,263	41,216
Net cash provided (consumed) by investing activities	<u>35,953</u>	<u>5,263</u>	<u>41,216</u>
Net increase (decrease) in cash	30,951	245,016	275,967
Cash and cash equivalents, beginning of year	8,293,917	971,949	9,265,866
Cash and cash equivalents, end of year	<u>8,324,868</u>	<u>1,216,965</u>	<u>9,541,833</u>
Reconciliation of operating income (loss) to net cash provided by operating activities (A):			
Operating income (loss)	4,920,111	193,633	5,113,744
Add:			
Depreciation	2,421,074	537,229	2,958,303
Increase in accounts payable	13,383	-	13,383
Increase in customer deposits	932	20,822	21,754
Increase in unearned revenue	576	-	576
Increase in accrued leave	-	1,744	1,744
Increase in OPEB liability	3,402	9,187	12,589
Decrease in amounts due from component units	152,436	-	152,436
Increase in amounts due to component units	1,690	125	1,815
Increase in pension related liabilities	108,641	143,561	252,202
Deduct:			
Increase in accounts receivable	(220,712)	(21,394)	(242,106)
Decrease in accounts payable	-	(193,962)	(193,962)
Decrease in accrued leave	(29,037)	-	(29,037)
Increase in prepaid items	(18,513)	(20,701)	(39,214)
Increase in deferred pension contributions	(54,091)	(84,869)	(138,960)
Decrease in pension related deferred inflows	(43,587)	(57,597)	(101,184)
Net cash provided by operating activities	<u>7,256,305</u>	<u>527,778</u>	<u>7,784,083</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	445,050	-	445,050
	<u>445,050</u>	<u>-</u>	<u>445,050</u>

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

**CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016**

	Youth Athletic Associations' Private-purpose Trust Fund
	<u>\$</u>
ASSETS	
Current assets:	
Cash and cash equivalents	<u>549,495</u>
Total assets	<u>549,495</u>
NET POSITION	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	171,934
Auburn Soccer Organization	312,960
Auburn Youth Football	17,726
Auburn Community Tennis Association	23,281
Auburn Cemetery Trust	<u>23,594</u>
Total net position	<u><u>549,495</u></u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Youth Athletic Associations' Private-purpose Trust Fund
	<u>\$</u>
ADDITIONS	
Program revenues:	
Baseball/Softball	129,941
Soccer	238,403
Football	25,455
Tennis	3,540
Total program revenues	<u>397,339</u>
Investment earnings:	
Baseball/Softball interest	329
Soccer interest	503
Football interest	33
Tennis interest	9
Cemetery Trust interest	59
Total investment earnings	<u>933</u>
Total additions	<u>398,272</u>
DEDUCTIONS	
Program expenses:	
Baseball/Softball	107,115
Soccer	309,355
Football	26,208
Tennis	2,755
Total deductions	<u>445,433</u>
Change in net position	(47,161)
Net position - beginning	<u>596,656</u>
Net position - ending	<u><u>549,495</u></u>

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Major Component Units				Nonmajor Component Units	Total
	Board of Education	Water Works Board	Industrial Development Board	Housing Authority		
	\$	\$	\$	\$	\$	\$
ASSETS						
Current assets:						
Cash and cash equivalents	23,603,011	6,789,408	1,579,547	2,517,338	150	34,489,454
Certificates of deposit	-	-	59,317	-	-	59,317
Receivables, net	32,012	1,673,518	88,682	46,346	36,952	1,877,510
Inventories	127,697	380,238	-	34,373	-	542,308
Current portion of mortgages and notes receivable	-	-	29,217	-	-	29,217
Current portion of net investment in capital leases	-	-	284,206	-	46,171	330,377
Property tax receivable	6,380,934	-	-	-	-	6,380,934
Due from other government	1,020,755	-	4,000	-	-	1,024,755
Due from primary government	5,490,653	200,597	832,203	-	-	6,523,453
Other current assets	-	52,272	2,400	15,948	1,299	71,919
Restricted cash	-	-	281,026	-	-	281,026
Total current assets	36,655,062	9,096,033	3,160,598	2,614,005	84,572	51,610,270
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	2,538,817	2,612,348	-	4,014,855	-	9,166,020
Investments	-	11,490,374	-	1,100,000	-	12,590,374
Interest receivable	-	1,803	-	-	-	1,803
Mortgages and notes receivable, net of current portion	-	-	136,806	-	-	136,806
Advance to primary government	-	105,417	-	-	-	105,417
Net investment in capital leases, net of current portion	-	-	4,221,667	-	1,368,587	5,590,254
Property for resale	-	-	9,697,814	-	-	9,697,814
Capital assets not being depreciated	64,583,815	10,417,154	9,583,634	1,194,849	-	85,779,452
Capital assets, net of accumulated depreciation	80,180,289	56,124,605	55,167,258	9,287,051	4,710,454	205,469,657
Net pension asset	-	-	-	9,956,067	-	9,956,067
Total noncurrent assets	147,302,921	80,751,701	78,807,179	25,552,822	6,079,041	338,493,664
Total assets	183,957,983	89,847,734	81,967,777	28,166,827	6,163,613	390,103,934
DEFERRED OUTFLOWS OF RESOURCES						
Accumulated decrease in fair value of hedging derivatives	-	-	905,576	-	-	905,576
Deferred amounts on refunding, net	-	969,898	-	-	-	969,898
Pension related	12,290,487	168,889	-	439,755	20,248	12,919,379
Total deferred outflows of resources	12,290,487	1,138,787	905,576	439,755	20,248	14,794,853
LIABILITIES						
Current liabilities:						
Liabilities payable from restricted assets:						
Accounts payable	-	300,135	-	-	-	300,135
Current portion of long-term debt	-	830,000	-	-	-	830,000
Accrued interest payable	-	129,678	160,280	-	-	289,958
Accounts payable and other accrued liabilities	7,345,349	2,949,826	1,708,054	43,371	14,063	12,060,663
Salaries and benefits payable	5,974,386	-	-	50,513	-	6,024,899
Customer deposits	-	636,812	-	30,030	-	666,842
Unearned revenue	1,858,820	-	5,670	6,423	-	1,870,913
Current portion of long-term debt	-	-	3,691,938	75,000	46,171	3,813,109
Short term loans payable	-	-	331,798	-	-	331,798
Due to primary government	-	417,977	-	-	-	417,977
Due to other government	-	-	4,000	-	-	4,000
Obligations under capital leases	39,331	-	-	-	-	39,331
Total current liabilities	15,217,886	5,264,428	5,901,740	205,337	60,234	26,649,625
Noncurrent liabilities:						
Advances from primary government	-	-	-	1,125,000	-	1,125,000
Derivative instrument liability	-	-	905,576	-	-	905,576
Long-term debt and other liabilities	-	35,696,223	45,000,688	78,287	1,368,587	82,143,785
Net pension liability	66,126,000	781,469	-	-	133,392	67,040,861
Total noncurrent liabilities	66,126,000	36,477,692	45,906,264	1,203,287	1,501,979	151,215,222
Total liabilities	81,343,886	41,742,120	51,808,004	1,408,624	1,562,213	177,864,847
DEFERRED INFLOWS OF RESOURCES						
Future property tax revenue	6,380,934	-	-	-	-	6,380,934
Pension related	358,000	254,406	-	-	3,164	615,570
Total deferred inflows of resources	6,738,934	254,406	-	-	3,164	6,996,504
NET POSITION						
Net investment in capital assets	144,724,773	31,082,599	20,013,337	10,481,900	4,710,454	211,013,063
Restricted for:						
Capital projects	-	11,516,282	-	-	-	11,516,282
Debt service	-	2,586,439	162,724	-	-	2,749,163
Other projects	2,666,514	-	-	-	-	2,666,514
Housing assistance payments	-	-	-	248,058	-	248,058
Replacement reserve	-	-	-	2,558,686	-	2,558,686
Unrestricted	(39,225,637)	3,804,675	10,889,288	13,909,314	(91,970)	(10,714,330)
Total net position	108,165,650	48,989,995	31,065,349	27,197,958	4,618,484	220,037,436

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Total Component Units		
					Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	\$
Governmental activities:							
Auburn Board of Education							
Functions/Programs							
Instruction	48,766,010	1,488,226	30,304,314	1,368,784	(15,604,686)	-	(15,604,686)
Instructional support	14,841,159	638,500	7,450,916	24,452	(6,727,291)	-	(6,727,291)
Operation and maintenance	5,852,664	70,816	1,346,986	362,740	(4,072,122)	-	(4,072,122)
Auxiliary services							
Student transportation services	4,036,735	139,120	2,698,002	446,766	(752,847)	-	(752,847)
Food services	3,661,326	2,930,570	224,069	-	(506,687)	-	(506,687)
General administrative services	2,793,914	2,313	374,131	-	(2,417,470)	-	(2,417,470)
Other	1,100,411	756,106	224,475	-	(119,830)	-	(119,830)
Interest and fiscal charges	13,252	-	-	-	(13,252)	-	(13,252)
Total governmental activities	81,065,471	6,025,651	42,622,893	2,202,742	(30,214,185)	-	(30,214,185)
Business-type activities:							
Water Works Board	10,644,280	10,586,213	-	1,081,575	-	1,023,508	1,023,508
Industrial Development Board	7,006,560	4,656,995	-	2,286,827	-	(62,738)	(62,738)
Housing Authority	4,278,397	305,170	5,455,578	-	-	1,482,351	1,482,351
Public Park & Recreation Board	647,494	83,139	893	-	-	(563,462)	(563,462)
Downtown Redevelopment Authority	26,019	-	-	-	-	(26,019)	(26,019)
Total business-type activities	22,602,750	15,631,517	5,456,471	3,368,402	-	1,853,640	1,853,640
Total component units	103,668,221	21,657,168	48,079,364	5,571,144	(30,214,185)	1,853,640	(28,360,545)
General revenues:							
Taxes:							
Sales taxes					7,096,156	-	7,096,156
Property taxes					5,866,495	-	5,866,495
Alcoholic beverage taxes					574,533	-	574,533
Other taxes					59,584	-	59,584
Unrestricted appropriations from the City of Auburn					59,343,252	1,012,632	60,355,884
Federal/state aid not restricted					3,800	-	3,800
Interest and investment earnings					158,674	313,398	472,072
Estimated pension earnings					-	701,666	701,666
Gain on disposal of assets					-	595,318	595,318
Sale of property					-	1,450,000	1,450,000
Miscellaneous					748,750	580,138	1,328,888
Total general revenues					73,851,244	4,653,152	78,504,396
Change in net position					43,637,059	6,506,792	50,143,851
Net position - beginning					64,528,591	105,364,994	169,893,585
Net position - ending					108,165,650	111,871,786	220,037,436

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Major Business-type Component Units			Nonmajor Business-type Component Units	Total
	Water Works Board	Industrial Development Board	Housing Authority		
	\$	\$	\$	\$	\$
Operating revenues					
Lease income	-	4,656,995	-	-	4,656,995
Water sales and service	10,586,213	-	-	-	10,586,213
Tennis center revenue	-	-	-	83,139	83,139
Dwelling Rent	-	-	305,170	-	305,170
Operating grants	-	-	5,455,578	893	5,456,471
Sale of property	-	1,450,000	-	-	1,450,000
Miscellaneous	164,657	111,510	210,047	93,924	580,138
Total operating revenues	10,750,870	6,218,505	5,970,795	177,956	23,118,126
Operating expenses					
Water treatment and pumping expense	3,111,907	-	-	-	3,111,907
Water distribution expense	1,043,283	-	-	-	1,043,283
Meter reading expense	706,104	-	-	-	706,104
Operations administration expense	359,586	-	689,439	-	1,049,025
Utility billing office expense	1,032,727	-	-	-	1,032,727
Tenant services	-	-	39,394	-	39,394
General operations expense	672,477	-	179,328	-	851,805
Cost of property sold	-	1,691,781	-	-	1,691,781
Salaries and wages	-	-	-	138,078	138,078
Employee benefits	-	-	-	34,089	34,089
Repairs and maintenance	-	148,057	537,968	51,049	737,074
Housing assistance payments	-	-	2,026,102	-	2,026,102
Advertising	-	52,237	-	-	52,237
Utilities	-	101,325	148,417	101,210	350,952
Rentals and leasing	-	-	-	1,531	1,531
Insurance	-	-	-	2,416	2,416
Minor equipment and tools	-	-	-	9,477	9,477
Professional services	-	209,488	-	604	210,092
Office supplies	-	14,314	-	3,632	17,946
Agricultural and chemical supplies	-	-	-	550	550
Depreciation/amortization	2,217,664	1,319,252	636,253	303,601	4,476,770
Industrial recruitment	-	272,917	-	-	272,917
Industrial incentives granted	-	538,935	-	-	538,935
Travel and training	-	9,540	-	358	9,898
Special events	-	161,887	-	-	161,887
Workforce development	-	11,848	-	-	11,848
Miscellaneous	-	525	-	895	1,420
Total operating expenses	9,143,748	4,532,106	4,256,901	647,490	18,580,245
Operating income (loss)	1,607,122	1,686,399	1,713,894	(469,534)	4,537,881
Non-operating revenues (expenses)					
Interest and investment earnings	58,064	222,625	6,655	26,054	313,398
Estimated pension earnings	-	-	701,666	-	701,666
Appropriations from the City of Auburn	-	881,500	-	131,132	1,012,632
Interest and fiscal charges	(1,500,532)	(2,474,454)	(21,496)	(26,025)	(4,022,507)
Gain/(loss) on disposal of assets	24,599	582,938	(12,219)	-	595,318
Total non-operating revenues (expenses)	(1,417,869)	(787,391)	674,606	131,161	(1,399,493)
Income (loss) before capital contributions	189,253	899,008	2,388,500	(338,373)	3,138,388
Capital contributions					
From other governments	-	2,286,827	-	-	2,286,827
From developers	359,775	-	-	-	359,775
From access fees	721,800	-	-	-	721,800
Total capital contributions	1,081,575	2,286,827	-	-	3,368,402
Change in net position	1,270,828	3,185,835	2,388,500	(338,373)	6,506,790
Net position - beginning	47,719,167	27,879,514	24,809,458	4,956,857	105,364,996
Net position - ending	48,989,995	31,065,349	27,197,958	4,618,484	111,871,786

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



City of Auburn

City of Auburn, Alabama
Guide to Notes to the Financial Statements
September 30, 2016

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Guide to Notes to the Financial Statements
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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Auburn was incorporated February 2, 1839. The City operates under the Council-Manager form of government and provides the following services: public safety (police, fire, emergency communications and codes enforcement), solid waste collection and recycling, recreation, library, planning and zoning, public improvements, sanitary sewer, economic development, and general administrative services.

The accounting policies of the City of Auburn conform to generally accepted accounting principles in the United States of America (GAAP) applicable to municipal governments as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the most significant policies:

- A. **Reporting Entity** - As required by generally accepted accounting principles, the financial statements present the City of Auburn (the primary government) and its component units. The component units include organizations that are financially accountable to the City's executive or legislative branches (the Mayor or the Council, respectively) and other organizations for which the nature and significance of their relationships with the primary government are such that their exclusion could cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

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

City of Auburn Board of Education (ABOE)

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

Water Works Board of the City of Auburn (AWWB)

The City Council appoints all members of the Water Works Board. A financial benefit relationship exists between the City and the Water Works Board by virtue of the fact that the City is legally entitled to the Water Board's resources after the Board's indebtedness is retired. In addition, the City and the Water Works Board are parties to an exchange of services agreement which provides that the City will supply management services to the Water Works Board. In exchange, the Water Works Board bills and collects service charges for the City's sewer and solid waste services. The Water Works Board is presented as a proprietary fund type or business-type activity.

City of Auburn Industrial Development Board (IDB)

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

City of Auburn Public Park and Recreation Board (PPRB)

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

All three PPRB members are appointed by the City Council, which maintains a significant degree of control over the PPRB's officials. The City exercises total control over budgetary adoption requests and revisions and has responsibility for funding deficits and operating deficiencies of the PPRB. The Public Park and Recreation Board is a proprietary fund type or business-type activity.

Commercial Development Authority of the City of Auburn (CDA)

On August 12, 2004, the Commercial Development Authority of the City of Auburn was incorporated. The City Council appoints all members of the CDA and has charged the CDA with conducting the City's commercial development efforts on behalf of the City Council. The CDA acts as a financing conduit to facilitate the recruitment of commercial projects to the City. Daily commercial development activities are conducted by the City's Economic Development Department, and the Department acts as a liaison between the Commercial Development Authority and the City Council.

The City is the CDA's primary source of operating funds. The City has responsibility for funding deficits and operating deficiencies of the CDA and City Council exercises significant influence over the CDA's actions. The Commercial Development Authority of the City of Auburn is presented as a proprietary fund type or business-type activity. The Commercial Development Authority had no activity for the year ending September 30, 2016, and no assets or liabilities as of September 30, 2016.

Housing Authority of the City of Auburn (the Authority)

The Auburn Housing Authority was incorporated on October 14, 1949, with the goal of improving the living conditions for low-income families. The governing officials are appointed by the Mayor of the City; however, the City does not maintain a significant degree of oversight with respect to the performance of the Authority's officials. The City does not have any influence over the Authority's annual budget. The City does not have any responsibility to fund deficits or to secure any outstanding debt of the Housing Authority. The Authority has a note payable to the City that was funded through the Department of Housing and Urban Development section 108 loan program. The City is liable to the Department of Housing and Urban Development should the Authority default on the loan.

The Housing Authority has a June 30 year end. The audited financial information from June 30, 2016, is included in this report. See Note 21 for the effect of the different year end on these financial statements.

Auburn Downtown Redevelopment Authority (ADRA)

The Auburn Downtown Redevelopment Authority was incorporated in February of 1985 and all members are appointed by the City Council. It was established in order to aid in the revitalization and improvement of the central downtown business district. The Authority is charged with promoting the public good and general welfare, trade, commerce, industry, and employment opportunities and with creating a climate favorable to the location of a new industry, trade and commerce, and the development of existing industry, trade and commerce.

The City invested funds into the Authority to facilitate the redevelopment of downtown property. The Authority must repay the City, which indicates a financial benefit burden relationship, as the City is legally entitled to the Authority's resources. The Auburn Downtown Redevelopment Authority is presented as a proprietary fund type or business-type activity.

Complete financial statements of the individual component units can be obtained from the following locations or can be requested from the City's Finance Director. The City of Auburn Public Park and Recreation Board, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority do not prepare separately issued financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Water Works Board of the City of Auburn
1501 West Samford Avenue
Auburn, Alabama 36832

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

Housing Authority of the City of Auburn
930 Booker Street
Auburn, Alabama 36832

RELATED ORGANIZATIONS

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

- Board of Zoning Adjustments
- Building Board of Adjustments
- Cemeteries Advisory Board
- Educational Building Authority
- Green Space Advisory Board
- Historic Preservation Commission
- Library Board
- Parks and Recreation Advisory Board
- Planning Commission
- Tree Commission

JOINT VENTURE

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

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July, 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2016, the City's remaining net investment in the Indian Pines Golf Course is \$503,300, which represents the initial cost of the land capitalized by the City.

The joint venture agreement provided that management decisions shall be made by mutual agreement of the two cities. The cities have leased the Indian Pines Golf Course to the Indian Pines Recreation Authority, a jointly governed organization (see discussion below). The lease expired September 30, 1979, but, by a provision in the lease, the Authority continues to operate the golf course on a month-to-month basis with the lease terms continuing in force.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**JOINTLY GOVERNED ORGANIZATIONS**

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

Indian Pines Recreation Authority

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

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2016, is as follows:

Total assets and deferred outflows of resources	\$ 1,639,540
Total liabilities and deferred inflows of resources	<u>(135,654)</u>
Total net position	<u>\$ 1,503,886</u>
 Total operating revenues	 \$ 1,082,295
Total operating expenses	(1,004,668)
Other revenues	49,045
Other expenses	<u>-</u>
Net increase in net position	<u>\$ 126,672</u>

Lee-Russell Council of Governments

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

The Council of Governments provides transportation services, governmental planning services and services to the aging in Lee and Russell counties, which area includes the City of Auburn.

The Council's activities are funded in part by appropriations from its member governmental units. The Auburn City Council controls the amount of Auburn's appropriation to the Council of Governments, but cannot exert significant influence over the Council of Government's financial activities, including approval of the Council of Government's budget, due to a lack of majority representation on the Board of Directors.

While the City of Auburn does not have explicit responsibility for any of the Council of Government's debts, there could be a perception that the City would be morally responsible for 20% of any such debts. There are no special financing arrangements between the City and the Council of Governments.

The Metropolitan Planning Organization is part of the Lee-Russell Council of Governments and includes a policy board, citizen advisory committee and a technical advisory committee. The governing bodies who appoint members to the Council of Governments also appoint members to the various Metropolitan Planning Organization committees.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

East Alabama Mental Health - Mental Retardation Board

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

Lee County Youth Development Center

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

East Alabama Medical Center

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

Auburn-Opelika Tourism Bureau

The Mayor appoints one of the five board members of the Bureau. The City appropriates 1/7th of lodging tax collections to the Bureau on a monthly basis; however, the Auburn-Opelika Tourism Bureau is not dependent on the City's funding.

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

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for or reported in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

Debt Service Funds - The Debt Service Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned to expenditure for capital projects.

PROPRIETARY FUNDS

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activity. The principal operating revenues for the Sewer Revenue Fund, the Solid Waste Management Fund, and discretely presented component units are charges to customers for sales and services. Operating expenses include cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

MAJOR FUNDS

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund (See note above).

The Special School Tax Fund, a special revenue fund, accounts for five mill ad valorem tax revenues used to pay principal and interest on bonds issued for school purposes and eleven mill ad valorem tax revenues used in furtherance of education.

The Federal Grant Loan Repayment Fund, a special revenue fund, accounts for multiple special revenue funds that are grouped together based on their related purposes and activities. The following special revenue funds are presented as a single fund entitled the Federal Grant Loan Repayment Fund: the Shelton Park Urban Development Action Grant (UDAG) Fund, the Revolving Loan Fund, the Affordable Housing Fund, the CDBG RLF Housing Rehab Loan Program Fund, the CDBG RLF Affordable Housing Loan Program Fund and the Section 108 Loan Program Fund.

The City reports the following major proprietary fund:

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

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

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

Accrual Basis - Revenues are recognized when earned and expenses are recognized when incurred.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property taxes, sales taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants. The program revenues must be directly associated with the function or a business-type activity. Charges for services include revenues from fines and forfeitures, licenses and permit fees, and special assessment taxes. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. As a rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

The City defines the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days. The specific types of major revenue sources that are susceptible to accrual include sales and use taxes, occupational license fees, lodging taxes, rental and leasing taxes, gasoline taxes and fines.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fiduciary fund financial statements are presented on the accrual basis of accounting and are presented separately from the government wide and the governmental fund financial statements.

D. Reconciliation of Government-Wide and Fund Financial Statements**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the current period." The details of this \$214,182,638 difference are as follows:

Bonds and warrants payable	\$ 177,111,051
Less: Deferred amount on refunding	(3,621,068)
Add: Issuance premium	7,855,754
Notes payable	2,965,000
Compensated absences	2,463,593
Claims and judgments	173,847
Landfill closure and post-closure care	133,000
Other postemployment benefits	723,273
Net pension liability	30,565,624
Less: Deferred outflow pension related	(4,283,197)
Add: Deferred inflow pension related	<u>95,761</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 214,182,638</u></u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this \$4,350,217 difference are as follows:

Capital outlay	\$ 10,844,770
Depreciation expense	<u>(6,494,553)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 4,350,217</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position." The details of this \$2,354,711 difference are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources:

Donations from outside parties	\$ 2,487,955
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In the statement of activities, only the gain or loss on the disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed of:

Remaining cost basis of disposed assets	<u>(133,244)</u>
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Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

<u>\$ 2,354,711</u>

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond issue insurance, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$11,023,833 difference are as follows:

Debt issued or incurred:

Principal repayments	<u>\$ 11,023,833</u>
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Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

<u>\$ 11,023,833</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Another element of that reconciliation states that "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." The details of this \$154,855 difference are as follows:

Compensated absences	\$ 126,405
Accrued interest	(323,761)
Claims and judgments	16,364
Landfill closure and post-closure care	7,000
Other post employment benefits	(112,499)
Net pension liability	(171,292)
Amortization of deferred amount on refunding	(306,726)
Amortization of prepaid bond issue insurance	(983)
Amortization of bond premiums	616,326
Amortization of prepaid expenses	<u>(5,689)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (154,855)</u>

E. Budgets and Budgetary Accounting - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget (operating and capital) prior to the beginning of each biennial period. The proposed budget is for two one-year periods, each beginning on October 1 and ending on the following September 30.
2. Prior to September 30, the budget is legally enacted through passage of an ordinance. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Annual budgets were legally adopted for the 2016 fiscal year for the General Fund, Seven-Cent Gas Tax Fund, Four and Five-Cent Gas Tax Fund, Special School Tax Fund, Public Safety Substance Abuse Fund, Special 5-Mill Tax Debt Service Fund, Sewer Revenue fund, and the Solid Waste Management Fund.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for the department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
7. All budgetary appropriations expire at fiscal year-end. Encumbrances of departments that did not exceed their departmental budgets may be added to the subsequent year's appropriations at the time of the mid-biennium budget review, if the City Manager so recommends and if the Council approves.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Excess of expenditures over appropriations: In the General Fund, employee services expenditures of \$2,186,194 exceeded appropriations of \$2,125,809 and non-departmental expenditures of \$2,241,732 exceeded appropriations of \$1,857,868; debt service administrative charges of \$2,233 exceeded appropriations of \$30; debt service interest charges of \$1,415,771 exceeded appropriations of \$1,391,118; debt service principal retirement of \$7,303,644 exceeded appropriations of \$7,120,733; and intergovernmental expenditures of \$1,037,158 exceeded appropriations of \$1,015,663. In the Special School Tax Fund, debt service administrative charges of \$1,430 exceeded appropriations of \$1,300 and payments to component units of \$49,418,952 exceeded appropriations of \$35,766,113.

- F. **Cash and Cash Equivalents** - Cash and cash equivalents of the City of Auburn primary government include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased.

Cash and cash equivalents of the Board of Education include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents of the Water Works Board include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased. Also included is restricted cash.

Cash and cash equivalents of the Industrial Development Board include cash on hand, demand deposits and highly liquid investments with a maturity of three months or less when purchased. Also included is restricted cash.

Cash and cash equivalents of the Public Park and Recreation Board include demand deposits.

Cash and cash equivalents of the Housing Authority includes cash on hand and amounts in demand deposits.

- G. **Deposits and Investments** - Deposits and investments of the City of Auburn and its component units are stated at fair value, except for nonnegotiable certificates of deposit with redemption terms that do not consider market rates and money market investments which include short-term, highly liquid debt instruments, which are reported at cost or amortized cost (See Note 3).

State statutes authorize the City and its component units to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; U.S. dollar denominated deposit accounts and certificates of deposit; pre-funded public obligations as defined by state law; and interests in any common trust fund or other collective investment bank, trust company or savings and loan association. The City of Auburn has invested in interest-bearing demand deposits, certificates of deposit and U.S. Treasury notes. The Board of Education usually only invests in certificates of deposit. The Water Works Board is invested in interest-bearing demand deposits, certificates of deposit and mutual funds comprised of U.S. Treasury securities. The Industrial Development Board has invested in certificates of deposit and interest-bearing demand deposits. The Housing Authority has invested in certificates of deposit (see Note 3).

- H. **Restricted Assets** - Certain debt proceeds of the City's enterprise funds and component units, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

- I. **Accounts Receivable** – Revenues receivable are reflected net of an allowance for doubtful accounts. For the General Fund, the Sewer Revenue Fund, Solid Waste Management Fund and the Water Works Board component unit, the amount of the allowance is equal to accounts receivable in excess of 90 days past due.

- J. **Inventories** - Inventories of the City of Auburn primary government are valued at first-in/first-out cost and consist of gasoline, parts, and supplies held for consumption. The amount of such inventories is recorded as an asset in the General Fund, and the cost of inventories is recorded as an expenditure at the time used.

Inventories of the Board of Education are valued at cost, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories of the Water Works Board are stated at cost and consists of expendable supplies held for future consumption or capitalization.

Inventories of the Auburn Housing Authority consist of materials and supplies that have not been used or consumed. Inventory is valued at cost and recorded as an expense when it is consumed.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- K. **Capital Assets** - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (except for software that has a capitalization threshold of \$100,000) and an estimated useful life in excess of two years. Such assets are recorded at actual cost (or estimated historical cost if actual cost is not available) if purchased or constructed. Easements are valued at 50% of the average value for commercial and residential property within the City as obtained from the Lee County Appraisers Office on an annual basis, multiplied by the square footage of the easement. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

	<u>Years</u>
Infrastructure	25-50
Buildings and improvements	10-50
Communication equipment	5-10
Office equipment	5-10
Heavy equipment	3-10
Vehicles	3-10
Small tools and equipment	3-10
Software	3

L. **Risk Financing**

CITY OF AUBURN PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, and torts related to municipal operations. These risks are covered by commercial insurance purchased from independent third parties. These risks are accounted for in the City's General Fund. The total liability for unpaid claims within the coverage deductible consists of claims reported at the balance sheet date, plus estimated claims incurred but not reported for both insured and uninsured risks. These estimates are based primarily upon historical trends. There were only minimal changes to insurance coverage from coverage in the prior year. Also, no settlements have exceeded insurance coverage in the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims in the period since the purchase of insurance have not exceeded the commercial insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

The City has chosen to retain the risk of loss for risks associated with its employees' health insurance plan. Premiums are charged to other funds and component units that account for employees eligible for coverage by the plan. Total premiums allocated to the participating entities are calculated using trends in actual claims experience. Employees may also be charged for extended benefits at their option. Medical claims exceeding \$85,000 per covered individual, per year, are covered through a private insurance carrier after satisfaction of a \$25,000 aggregating specific deductible. Liabilities associated with the plan are recorded in the General Fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

The City is a self-insurer under the Alabama Workmen's Compensation Law for its workers' compensation exposure. Workers' compensation claims exceeding \$400,000 (\$450,000 for certified police officers and firefighters) in an accident period are covered through a private insurance carrier. Stop loss coverage is purchased through the General Fund. Liabilities include an amount for claims within the coverage deductible that have been incurred but not reported and are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**COMPONENT UNITS**

Board of Education - The ABOE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The ABOE has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The ABOE pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The ABOE purchases commercial insurance for fidelity bonds and its transportation fleet. Settled claims in the past three years have not exceeded the commercial insurance coverage. Also, there have been no significant reductions in insurance coverage from the prior year.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The ABOE's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining balance.

The Auburn Board of Education does not have insurance coverage for job-related injuries. ABOE employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama* 1975, Section 16-1-1831(d). Any unreimbursed medical expenses and costs that the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustments. The State Board of Adjustments is a state agency with which employees can file claims against the ABOE to collect reimbursement for damages when all other means have been exhausted. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from the state appropriated funds at no cost to the ABOE.

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

The Water Works Board employees are covered under the City's health insurance plan. Premiums are charged to the AWWB and are calculated using trends in actual claims experience, along with overall program costs, including third-party administration and reinsurance. Employees may also be charged for additional benefits through supplemental insurance programs. Medical claims exceeding \$85,000 per member individual, per year, are covered through a private insurance carrier after satisfaction of a \$25,000 aggregating specific deductible.

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

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

There has been no significant reduction in insurance coverage from coverage in the prior year. Also, for the past three fiscal years, no settlements have exceeded insurance coverage.

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. The Industrial Development Board is covered by this insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The IDB had no liability for unpaid claims at September 30, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

For risk of loss from claims arising from torts (general liability), the PPRB is covered by the City's commercial insurance purchased from third parties. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The PPRB had no liability for unpaid claims at September 30, 2016. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

Housing Authority - The Housing Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Housing Authority has not had any significant reductions in insurance coverage or any claims not reimbursed.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs related to prepaid insurance, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at issuance, except for those related to prepaid insurance, which are recorded as prepaids in the Statement of Net Position.

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

N. Compensated Absences

CITY OF AUBURN PRIMARY GOVERNMENT

Effective September 23, 2003, City employees may accumulate up to twenty days of annual leave. Annual leave is earned at the rate of one day per month and is paid upon separation from City service. Employees with ten years service receive an additional three days annual leave on their anniversary date and employees with fifteen years service receive an additional five days annual leave on their anniversary date. The liability for compensated absences attributable to the City's governmental funds is recorded in the government-wide statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide statements as well as the applicable business-type funds.

City employees can accumulate an unlimited number of sick leave days. Sick leave is earned at the rate of one day per month or in proportion to the number of hours they work per year, with 8 hours/2080 hours being the basis. Effective April 5, 1994, all new employees may, upon retirement, apply their entire accrued sick leave balance to retirement service credit with the Retirement Systems of Alabama. Except for firefighters, employees hired prior to that date may, upon retirement, elect to apply their entire balance to retirement service credit or to be paid for one-half of their accumulated sick leave. Firefighters hired prior to February 3, 1989, may, upon retirement, elect to apply their entire balance to retirement service credit or to be paid for one-half of their sick leave earned during the first fifteen years of service plus all of their sick leave earned after fifteen years. The City estimates its accrued sick leave liability using the vesting method, whereby the estimated liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**COMPONENT UNITS**

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

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

Certified and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may convert their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the ABOE. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Water Works Board - The AWWB allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours at current wage rates. Upon retirement with at least ten years of service, an employee can receive payment of one-half of accumulated sick-leave hours if hired before April 5, 1994. All employees may elect to apply unused accumulated sick-leave hours toward their retirement.

Housing Authority – It is the Housing Authority's policy to permit employees to accumulate a limited amount of earned but unused annual leave. Employees receive annual leave in varying amounts to specified maximums depending on tenure with the Housing Authority. Upon separation from employment, an employee shall be paid for all accumulated annual leave, as of their final date of employment.

- O. **Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 14.
- P. **Pensions** - The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.
- Q. **Fund Balance** - The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
 - Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
 - Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution, which are equally binding. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation and commitment of the fund. The City has no amount classified as committed fund balance as of September 30, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has by resolution authorized the Finance Director to assign fund balance. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

The City Council has officially adopted a fund balance policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing sources. This policy has been informally updated, with a goal of maintaining a net ending fund balance in the General fund that is equal to or greater than 20% of total expenditures and other financing sources.

R. Net Position - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net investment in capital assets - represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position - represents liquid assets which have third party (statutory, bond covenant or granting agency) limitations on their use. Certain enterprise funds and component units have assets that are restricted for construction that is being funded with long-term debt and therefore, there are no net restricted assets for these amounts. The City would typically use restricted net position first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.
- Unrestricted net position - represents unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

S. Interfund Transactions - Interfund transactions are either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within governmental activities or within business-type activities are eliminated upon consolidation in the government-wide statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

1. Interfund receivables and payables - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 19.
2. Interfund advances - consist of longer term loans between funds, which are not expected to be repaid within one year. These longer term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources. There were no interfund advances outstanding at year end.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Interfund transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or payments between the City and component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 20.

Resource flows (except those that affect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as internal activity in the financial statements. Payments to component units are primarily subsidized funding for debt service payments and other recurring operating expenses incurred by the component units.

- T. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- U. Recently Implemented Accounting Pronouncements – GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the fiscal year ended September 30, 2016. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, was implemented during the fiscal year ended September 30, 2016. GASB 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was implemented during the fiscal year ended September 30, 2016. GASB 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was implemented during the fiscal year ended September 30, 2016. This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. Prior to the issuance of the Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure.

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2016, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, the Public Park and Recreation Board, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority are held in a certified qualified public depository, and as such, are deemed fully insured. As of September 30, 2016, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority did not have any deposits.

The Auburn Housing Authority deposits are insured up to \$250,000 by the FDIC, per financial institution and excess deposits are collateralized with securities held by the pledging financial institution's agent in the Housing Authority's name.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 3. DEPOSITS AND INVESTMENTS

Investments of the City consist of certificates of deposit, U.S. Treasury Notes and other investments. The City's deposits are held by a certified qualified public depository under the SAFE program, its deposits are not subject to "custodial credit risk".

A summary of the City's certificates of deposits and investments held as of September 30, 2016, is as follows:

	Carrying Value	Fair Value	Maturities
<u>Governmental Activities</u>			
Certificates of deposit			
Special School Tax Fund	\$ 563,000	\$ 563,000	2017
Investments			
U.S. Treasury Notes			
General Fund	\$ 10,508,606	\$ 10,508,606	2016-2018
Special School Tax Fund	32,680,282	32,680,282	2016-2017
Federal Grant Loan Repayment Fund	875,419	875,419	2016
Industrial Development Revenue Bond	1,243,007	1,243,007	2023
Limited Obligation Revenue Bond	1,414,758	1,414,758	2035
Total investments	\$ 46,722,072	\$ 46,722,072	

During fiscal year 2013 the City sold a building to the Industrial Development Board for \$1,800,000. The IDB in turn issued an Industrial Development Revenue Bond to the City in that same amount. The City recognized an investment that will be reduced as payments of \$17,399 are received from the IDB on a monthly basis that commenced on May 1, 2013 and will continue through April 1, 2023, at an interest rate of 3.03% per annum. The balance of the City's investment at September 30, 2016, was \$1,243,007.

During fiscal year 2015 the City invested \$1,450,000 into the Auburn Downtown Redevelopment Authority to facilitate the redevelopment of downtown property. The City recognized an investment that will be reduced as payments of \$6,126 are received from ADRA on a monthly basis that commenced on December 1, 2015, and will continue through October 1, 2035, at an interest rate of 2.50% per annum. Also due on October 1, 2035, is a balloon payment of \$300,000 that bears no interest. The balance of the City's investment at September 30, 2016, was \$1,414,758.

The fair value measurements listed in the table above are based upon Level 1 inputs per GASB Statement No. 72, which are defined as quoted prices in active markets for identical assets or liabilities that a government can access at the measurement date.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

COMPONENT UNITS**Board of Education**

Investments of the ABOE consist of nonnegotiable, interest bearing demand deposits. They are carried at cost, which equals market value.

At September 30, 2016, the Board of Education's restricted cash and investments were composed of the following, all of which are insured by the SAFE Program:

	Carrying Value	Fair Value
Cash - Other Governmental Funds		
Child Nutrition Program	\$ 2,365,155	\$ 2,365,155
Dental Clinic	173,662	173,662
	<u>\$ 2,538,817</u>	<u>\$ 2,538,817</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

Interest Rate Risk – The ABOE does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Water Works Board

At September 30, 2016, the Water Works Board's restricted cash, cash equivalents, and investments were comprised of the following:

	Carrying Value	Fair Value
Cash (Access Fee Account)	\$ 2,612,348	\$ 2,612,348
Bank of New York Mellon U.S. Treasury Securities Money Market Fund	11,490,374	11,490,374
Total restricted cash and investments	<u>\$ 14,102,722</u>	<u>\$ 14,102,722</u>

The Bank of New York Mellon U.S. Treasury Securities Money Market Fund listed above is an open-end mutual fund comprised of U.S. Treasury securities totaling \$11,474,083 and cash of \$16,291. The fair value of the units in the fund equals the carrying value.

Restricted investments are held by a trustee and are restricted by the terms of the 2010 and 2015 bond indentures until retirement of the bonds.

The fair value measurements listed in the table above are based upon Level 1 inputs per GASB Statement No. 72, which are defined as quoted prices in active markets for identical assets or liabilities that a government can access at the measurement date.

Interest Rate Risk – The investment policy of the AWWB does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Industrial Development Board

At September 30, 2016, the Industrial Development Board's investments were comprised of the following:

<u>Restricted cash</u>	Carrying Value	Fair Value
Cash (SAFE deposit)		
Restricted for debt service	<u>\$ 281,026</u>	<u>\$ 281,026</u>

The restricted cash is held by a certified qualified public depository under the SAFE program is entirely insured. Cash restricted for debt service is restricted to payment of debt service by the terms of a bond indenture.

<u>Unrestricted investments</u>	Carrying Value	Fair Value
Certificate of deposit	<u>\$ 59,317</u>	<u>\$ 59,317</u>

The above certificate of deposit is held in a certified qualified public depository and is entirely insured.

Interest Rate Risk – The IDB does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED**Auburn Housing Authority**

The Authority's restricted assets consist of the following as of June 30, 2016:

	Carrying Value	Fair Value
<u>Restricted cash and investments</u>		
Cash		
Restricted funds for debt service	\$ 1,200,000	\$ 1,200,000
Replacement reserve	2,558,686	2,558,686
FSS Escrows	8,111	8,111
Restricted for HAP payments	248,058	248,058
Total restricted cash	<u>\$ 4,014,855</u>	<u>\$ 4,014,855</u>
Investments		
Certificate of deposit	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

Custodial Credit Risk - The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk - The Authority's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

NOTE 4. DERIVATIVE INSTRUMENTS**COMPONENT UNIT****Industrial Development Board**

The fair value balance and notional amount of the IDB's derivative instrument outstanding at September 30, 2016, and the change in its fair value for the year then ended as reported in the 2016 financial statements are as follows:

	Changes in Fair Value		Fair Value at 9/30/16		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedge:					
Pay fixed interest					
rate swap	Deferred outflow	<u>\$ 104,459</u>	Long term liability	<u>\$ 905,576</u>	<u>\$ 4,080,000</u>

The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 4. DERIVATIVE INSTRUMENTS - CONTINUED

Objective and Terms of Hedging Derivative Instrument – The following summarizes the objective and terms of the IDB's hedging derivative instrument outstanding at September 30, 2016, along with the credit rating of the associated counterparty:

Type of Derivative:	Pay-fixed, receive-variable interest rate swap.
Objective:	Hedge of changes in cash flows on the Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds.
Notional Amount:	The swap's notional amount matches the principal amount of the Series 2006-A Bonds. As the principal amount of the bonds declines, the notional amount of the swap also declines. The notional amount as of September 30, 2016, was \$4,080,000.
Effective Date of Derivative:	8/1/2006
Maturity Date of Derivative:	7/1/2022
Terms:	The Board pays the counterparty a fixed payment of 5.87% on the notional amount, and receives a variable payment in return based on the one-month U.S. dollar London Interbank Rate (LIBOR). The variable rate on the bonds is reset weekly by auction.
Counterparty Credit Rating:	BB+/Positive/B; Baa2

Credit Risk – As of September 30, 2016, the IDB is not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the IDB would be exposed to credit risk in the amount of the swap's positive fair value. To mitigate the potential for credit risk, if the counterparty's credit rating falls below BBB or the equivalent by two of the major rating agencies, the IDB will have the option of terminating the agreement, requesting assignment of the agreement to another counterparty, or requiring that the counterparty provide collateral payable to the IDB in the event the counterparty defaults under its obligations.

Interest rate Risk – The IDB is exposed to interest rate risk on the interest rate swap. As LIBOR decreases, the IDB's net payment on the swap increases.

Basis Risk – The swap exposes the IDB to basis risk because the variable rate payments received by the IDB on the interest rate swap are based on a rate other than interest rates the IDB pays on its hedged variable-rate debt, which is remarketed weekly. As of September 30, 2016, the interest rate on the IDB's hedged variable-rate debt was 0.85% and LIBOR was 0.52438%.

Termination Risk – The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event," under which the swap may be terminated by the IDB with five business days prior written notice. The IDB or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination, the hedging derivative instrument is in a liability position, the IDB would be liable to the counterparty for a payment equal to the liability.

Rollover Risk – The IDB is exposed to rollover risk since the swap matures prior to the maturity of the associated debt. When the swap terminates, the IDB will be re-exposed to the risks being hedged by the hedging derivative instrument.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 5. ACCOUNTS RECEIVABLE

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

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Nonmajor Proprietary Fund	Component Units	Total
Receivables:								
Revenues receivable	\$ 12,967,487	\$ 147,569	\$ -	\$ 236,264	\$ 1,542,504	\$ 593,161	\$ 1,868,506	\$ 17,355,491
Grants receivable	-	-	-	106,276	13,591	334	128	120,329
Receivable from other governmental units	924,910	-	-	-	-	-	1,508	926,418
Other receivables	812,361	64,460	7,838	-	49,632	100	100,727	1,035,118
Gross receivables	14,704,758	212,029	7,838	342,540	1,605,727	593,595	1,970,869	19,437,356
Less: allowance for uncollectibles	(3,511,614)	-	-	(138,818)	(94,064)	(49,595)	(93,359)	(3,887,450)
Net receivables	\$ 11,193,144	\$ 212,029	\$ 7,838	\$ 203,722	\$ 1,511,663	\$ 544,000	\$ 1,877,510	\$ 15,549,906

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 6. MORTGAGES AND NOTES RECEIVABLE**CITY OF AUBURN PRIMARY GOVERNMENT**

On December 19, 2012, the City entered into a loan agreement with the Lee County Humane Society. The loan provides permanent financing in the amount of \$175,250, for a new spay and neuter clinic that was added on to existing facilities. The terms of the note include monthly payments for a period of ten years at a fixed interest rate of 3.50%. Principal and interest payments totaling \$1,733 are due in 120 equal monthly installments beginning February 2013.

The balance of the notes receivable at September 30, 2016 was \$117,976 and is presented in the financial statements as advances to other agencies. Future payments due under the loans are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 16,937	\$ 3,859	\$ 20,796
2018	17,539	3,257	20,796
2019	18,163	2,633	20,796
2020	18,809	1,987	20,796
2021	19,478	1,318	20,796
2022	20,170	626	20,796
2023	6,880	45	6,925
	<u>\$ 117,976</u>	<u>\$ 13,725</u>	<u>\$ 131,701</u>

For information regarding mortgages receivable of the Federal Grant Loan Repayment Fund, see Note 11.

COMPONENT UNITS**Industrial Development Board**

Mortgages and notes receivable consist of the following as of September 30, 2016:

	<u>Balance 10/01/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/2016</u>	<u>Due Within One Year</u>
Mortgages receivable	\$ 107,568	\$ -	\$ (12,000)	\$ 95,568	\$ 12,000
Notes receivable - other	121,805	-	(51,350)	70,455	17,217
Total	<u>\$ 229,373</u>	<u>\$ -</u>	<u>\$ (63,350)</u>	<u>\$ 166,023</u>	<u>\$ 29,217</u>

Mortgages Receivable

In June, 2006, the Industrial Development Board made a loan to a new company purchasing an existing industry located in one of its industrial parks. The principal amount of the loan was \$200,000; and the loan was secured by a second mortgage on the real property and by a personal guaranty from the owner of the company. During fiscal year 2013, the repayment terms for the mortgage were amended as follows: no interest is charged for the remainder of the term, and the maturity date was adjusted to May 1, 2018. Future payments due under the loan are as follows:

<u>Fiscal Year</u>	<u>Principal Due</u>
2017	\$ 12,000
2018	83,568
	<u>\$ 95,568</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 6. MORTGAGES AND NOTES RECEIVABLE – CONTINUED**Notes Receivable**

In March 2013, the IDB made a loan to a new company locating in Auburn. The principal amount loaned was \$200,000, and the note bears interest at 2.50%. Monthly payments of principal and interest were due until March 2016, at which time the loan matured.

In September 2015, the IDB made a loan to a new company locating in Auburn. The loan bears interest at 1.50%. Monthly payments of principal and interest are due beginning October 1, 2015, and continuing until September 1, 2020, at which time the loan matures. The loan is secured by a personal guaranty from each owner of the business.

Future payments due under the notes are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 17,217	\$ 939	\$ 18,156
2018	17,477	679	18,156
2019	17,741	415	18,156
2020	<u>18,020</u>	<u>147</u>	<u>18,167</u>
	<u>\$ 70,455</u>	<u>\$ 2,180</u>	<u>\$ 72,635</u>

NOTE 7. PROPERTY FOR RESALE**CITY OF AUBURN PRIMARY GOVERNMENT**

During fiscal year 2003, the City purchased seven outparcels of land for future mall expansion totaling \$4,131,127. One of the lots has been leased to Lee County for \$1 per year for 10 years beginning May 2007. The County can extend the lease for an additional two five-year terms with written notice. The County constructed the satellite office of the Lee County Courthouse on this site.

During fiscal year 2016, the City received donated property valued at \$720,000 that was held for resale as of September 30, 2016. The value of the donated property was based upon sales contracts finalized subsequent to September 30, 2016 but prior to issuance of this report.

COMPONENT UNITS**Industrial Development Board**

The following is a schedule of changes in property consisting of an apartment complex and held for resale for the year ended September 30, 2016:

	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Disposals</u>	<u>Balance 9/30/2016</u>
Land and buildings	\$ 5,387,799	\$ 1,043	\$ 419,401	\$ (1,811,010)	\$ 3,997,233
Improvements in progress	<u>4,630,470</u>	<u>2,239,830</u>	<u>(950,012)</u>	<u>(219,707)</u>	<u>5,700,581</u>
Total property held for resale	<u>\$ 10,018,269</u>	<u>\$ 2,240,873</u>	<u>\$ (530,611)</u>	<u>\$ (2,030,717)</u>	<u>\$ 9,697,814</u>

The net reclassification consists of: a reclassification of property previously held for sale to land held for leasing by the IDB in the amount of \$1,252,663 and a reclassification of improvement costs from construction in progress to buildings held for resale in the amount of \$722,052. The building was sold upon completion of the improvements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 8. PROPERTY TAXES

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1 and are due and payable between October 1 and December 31. The County bills and collects the taxes and remits them semimonthly to the City of Auburn. The City currently levies taxes of \$2.60 per \$100 assessed valuation for governmental purposes - \$.50 for general governmental services, \$.50 for payment of principal and interest on outstanding bonds of the municipality, \$.50 for school purposes and \$1.10 for the support and furtherance of education. The tax rates are applied to 10% of the appraised value of residential property, also called assessed value. The tax rates are also applied to commercial property at 20%, utility property at 30% and vehicles at 15%.

A description of property class groups is included in the chart below. Property is assessed based on these classifications

Class	Description	Assessment Percent
I	All property of utilities used in the business of such utilities	30%
II	All property not otherwise classified	20%
III	All agricultural, forest, and single family, owner occupied residential property, including owner occupied residential manufactured homes located on land owned by the manufactured home owner, and historic buildings and sites	10%
IV	All private passenger automobiles and motor trucks of the type commonly known as "pickups" or "pickup trucks" owned and operated by an individual for personal or private use and not for hire, rent, or compensation	15%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 9. CAPITAL ASSETS**CITY OF AUBURN PRIMARY GOVERNMENT**

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Balance 10/1/2015</u>	<u>Prior Period Adjustment</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2016</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 17,627,206	\$ -	\$ 723,575	\$ -	\$ 18,350,781
Construction in progress	<u>7,838,515</u>	<u>-</u>	<u>8,641,702</u>	<u>(8,049,161)</u>	<u>8,431,056</u>
Total capital assets, not being depreciated	<u>25,465,721</u>	<u>-</u>	<u>9,365,277</u>	<u>(8,049,161)</u>	<u>26,781,837</u>
Capital assets, being depreciated:					
Buildings and improvements	45,031,323	-	1,663,682	(15,850)	46,679,155
Communication equipment	381,851	-	-	-	381,851
Heavy equipment	2,502,086	-	825,514	(35,906)	3,291,694
Office equipment	3,559,692	-	122,141	(62,871)	3,618,962
Small tools and equipment	1,378,532	-	101,026	(40,786)	1,438,772
Vehicles	9,011,927	-	551,786	(629,020)	8,934,693
Infrastructure	<u>145,854,632</u>	<u>22,059,421</u>	<u>8,752,462</u>	<u>(141,866)</u>	<u>176,524,649</u>
Total capital assets, being depreciated	<u>207,720,043</u>	<u>22,059,421</u>	<u>12,016,611</u>	<u>(926,299)</u>	<u>240,869,776</u>
Less accumulated depreciation for:					
Buildings and improvements	(14,878,716)	-	(1,289,787)	5,944	(16,162,559)
Communication equipment	(335,244)	-	(21,073)	-	(356,317)
Heavy equipment	(1,851,386)	-	(200,237)	35,906	(2,015,717)
Office equipment	(3,007,382)	-	(161,523)	62,871	(3,106,034)
Small tools and equipment	(905,978)	-	(150,700)	40,786	(1,015,892)
Vehicles	(6,819,507)	-	(823,983)	627,687	(7,015,803)
Infrastructure	<u>(64,013,281)</u>	<u>(1,394,981)</u>	<u>(3,847,251)</u>	<u>19,861</u>	<u>(69,235,652)</u>
Total accumulated depreciation	<u>(91,811,494)</u>	<u>(1,394,981)</u>	<u>(6,494,554)</u>	<u>793,055</u>	<u>(98,907,974)</u>
Total capital assets, being depreciated, net	<u>115,908,549</u>	<u>20,664,440</u>	<u>5,522,057</u>	<u>(133,244)</u>	<u>141,961,802</u>
Governmental activities capital assets, net	<u>\$ 141,374,270</u>	<u>\$ 20,664,440</u>	<u>\$ 14,887,334</u>	<u>\$ (8,182,405)</u>	<u>\$ 168,743,639</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 9. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2016, was as follows:

	<u>Balance 10/1/2015</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2016</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>661,998</u>	<u>2,697,714</u>	<u>(2,913,193)</u>	<u>446,519</u>
Total capital assets, not being depreciated	<u>826,624</u>	<u>2,697,714</u>	<u>(2,913,193)</u>	<u>611,145</u>
Capital assets, being depreciated:				
Buildings and improvements	18,284,825	2,362,424	-	20,647,249
Sewage plants and lines	76,948,445	885,616	(146,215)	77,687,846
Machinery and equipment	2,762,667	352,523	(104,984)	3,010,206
Small tools and equipment	7,200	-	-	7,200
Vehicles	<u>5,000,890</u>	<u>340,991</u>	<u>(305,689)</u>	<u>5,036,192</u>
Total capital assets, being depreciated	<u>103,004,027</u>	<u>3,941,554</u>	<u>(556,888)</u>	<u>106,388,693</u>
Less accumulated depreciation for:				
Buildings, improvements, plants and lines	(19,160,553)	(2,054,522)	146,215	(21,068,860)
Machinery and equipment	(1,074,536)	(299,389)	88,039	(1,285,886)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	<u>(3,129,199)</u>	<u>(604,390)</u>	<u>304,874</u>	<u>(3,428,715)</u>
Total accumulated depreciation	<u>(23,371,488)</u>	<u>(2,958,301)</u>	<u>539,128</u>	<u>(25,790,661)</u>
Total capital assets, being depreciated, net	<u>79,632,539</u>	<u>983,253</u>	<u>(17,760)</u>	<u>80,598,032</u>
Business-type activities capital assets, net	<u>\$ 80,459,163</u>	<u>\$ 3,680,967</u>	<u>\$ (2,930,953)</u>	<u>\$ 81,209,177</u>

It is the City's policy to capitalize net interest costs on funds borrowed to finance the construction of business-type capital assets. For the year ended September 30, 2016, the City incurred interest costs of \$1,818,992; total interest expense was \$1,763,762, and interest cost of \$55,230 was capitalized in connection with the cost of construction in progress.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 9. CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
General government and administration	\$ 271,557
Public works	4,161,731
Environmental services	190,841
Public safety	843,449
Library	145,237
Parks and recreation	814,791
Planning	180
Economic development	6,119
Employee services	60,649
Total depreciation expense - governmental activities	<u>\$ 6,494,554</u>
Business-type activities:	
Sewer revenue fund	\$ 2,421,074
Solid waste management fund	537,229
Total depreciation expense - business-type activities	<u>\$ 2,958,303</u>

COMPONENT UNITS**Board of Education**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/2015	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,052,819	\$ 6,898,717	\$ -	\$ 15,951,536
Construction in progress	<u>9,347,419</u>	<u>39,417,270</u>	<u>(132,410)</u>	<u>48,632,279</u>
Total capital assets, not being depreciated	<u>18,400,238</u>	<u>46,315,987</u>	<u>(132,410)</u>	<u>64,583,815</u>
Capital assets, being depreciated:				
Land improvements	3,598,969	1,824,497	-	5,423,466
Buildings and improvements	105,375,197	-	-	105,375,197
Furniture, equipment and vehicles	11,830,268	929,186	1,483,626	14,243,080
Equipment under capital lease	<u>2,303,682</u>	<u>-</u>	<u>(1,904,630)</u>	<u>399,052</u>
Total capital assets, being depreciated	<u>123,108,116</u>	<u>2,753,683</u>	<u>(421,004)</u>	<u>125,440,795</u>
Less accumulated depreciation for:				
Land improvements	(2,811,460)	(157,540)	-	(2,969,000)
Buildings and improvements	(30,449,238)	(2,589,444)	-	(33,038,682)
Furniture, equipment and vehicles	<u>(8,285,471)</u>	<u>(1,351,518)</u>	<u>384,165</u>	<u>(9,252,824)</u>
Total accumulated depreciation	<u>(41,546,169)</u>	<u>(4,098,502)</u>	<u>384,165</u>	<u>(45,260,506)</u>
Total capital assets, being depreciated, net	<u>81,561,947</u>	<u>(1,344,819)</u>	<u>(36,839)</u>	<u>80,180,289</u>
Total governmental activities capital assets, net	<u>\$ 99,962,185</u>	<u>\$ 44,971,168</u>	<u>\$ (169,249)</u>	<u>\$ 144,764,104</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 9. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to governmental functions/programs as follows:

Governmental activities:	
Instruction	\$ 3,300,513
Instructional support	49,361
Operation and maintenance	61,657
Auxiliary services	
Student transportation services	559,111
Food services	119,569
General administrative services	<u>8,291</u>
Total depreciation expense - governmental activities	<u>\$ 4,098,502</u>

Water Works Board

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/2015	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2016
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,382,108	\$ -	\$ -	\$ 1,382,108
Construction in progress	<u>906,043</u>	<u>8,449,016</u>	<u>(320,013)</u>	<u>9,035,046</u>
Total capital assets, not being depreciated	<u>2,288,151</u>	<u>8,449,016</u>	<u>(320,013)</u>	<u>10,417,154</u>
Capital assets, being depreciated:				
Utility system and plant	75,433,378	507,659	(140,813)	75,800,224
Buildings and improvements	6,428,959	96,152	-	6,525,111
Office equipment	574,472	20,564	-	595,036
Mobile equipment	1,090,496	226,021	(78,194)	1,238,323
Tools	<u>385,387</u>	<u>18,265</u>	<u>(5,543)</u>	<u>398,109</u>
Total capital assets, being depreciated	<u>83,912,692</u>	<u>868,661</u>	<u>(224,550)</u>	<u>84,556,803</u>
Less accumulated depreciation for:				
Utility system and plant	(22,941,343)	(1,616,505)	140,813	(24,417,035)
Buildings and improvements	(2,240,699)	(258,456)	-	(2,499,155)
Office equipment	(475,644)	(33,658)	-	(509,302)
Mobile equipment	(653,041)	(118,864)	78,194	(693,711)
Tools	<u>(294,625)</u>	<u>(23,913)</u>	<u>5,543</u>	<u>(312,995)</u>
Total accumulated depreciation	<u>(26,605,352)</u>	<u>(2,051,396)</u>	<u>224,550</u>	<u>(28,432,198)</u>
Total capital assets, being depreciated, net	<u>57,307,340</u>	<u>(1,182,735)</u>	<u>-</u>	<u>56,124,605</u>
Business-type activity capital assets, net	<u>\$ 59,595,491</u>	<u>\$ 7,266,281</u>	<u>\$ (320,013)</u>	<u>\$ 66,541,759</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 9. CAPITAL ASSETS - CONTINUED

It is the AWWB's policy to capitalize net interest costs on funds borrowed to finance the construction of capital assets. For the year ended September 30, 2016, the AWWB incurred interest costs of \$1,374,634; total interest expense was \$1,269,384, and interest cost of \$105,250 was capitalized in connection with the cost of construction in progress.

Industrial Development Board

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/2015	Additions	Retirements/ Reclassifications	Balance 9/30/2016
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 7,124,940	\$ -	\$ 1,222,787	\$ 8,347,727
Construction in progress	3,497,867	4,603,433	(6,865,393)	1,235,907
Total capital assets, not being depreciated	10,622,807	4,603,433	(5,642,606)	9,583,634
Capital assets, being depreciated:				
Buildings	55,587,013	-	5,223,823	60,810,836
Building improvements	2,623,563	59,597	(89,505)	2,593,655
Land improvements	1,623,909	168,339	-	1,792,248
Equipment	522,785	-	-	522,785
Vehicles	199,411	-	(29,336)	170,075
Total capital assets, being depreciated	60,556,681	227,936	5,104,982	65,889,599
Accumulated depreciation				
Buildings	(8,054,260)	(1,163,874)	390,794	(8,827,340)
Building improvements	(526,918)	(61,926)	29,835	(559,009)
Land improvements	(648,407)	(57,063)	-	(705,470)
Equipment	(515,310)	(15,031)	-	(530,341)
Vehicles	(108,159)	(21,358)	29,336	(100,181)
Total accumulated depreciation	(9,853,054)	(1,319,252)	449,965	(10,722,341)
Total capital assets, being depreciated, net	50,703,627	(1,091,316)	5,554,947	55,167,258
Total capital assets, net	\$ 61,326,434	\$ 3,512,117	\$ (87,659)	\$ 64,750,892

It is the IDB's policy to capitalize net interest costs on funds borrowed to finance construction. For the year ended September 30, 2016, the IDB incurred interest costs of \$2,498,406; total interest expense was \$2,384,361, and interest costs of \$114,045 were capitalized in connection with construction of buildings owned by the IDB and held for leasing and with improvements to property held for resale.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 9. CAPITAL ASSETS - CONTINUED**Public Park and Recreation Board**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/2015	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2016
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,344,382	\$ 6,988	\$ -	\$ 7,351,370
Machinery and equipment	55,454	-	-	55,454
Vehicles	<u>46,103</u>	<u>-</u>	<u>-</u>	<u>46,103</u>
Total capital assets, being depreciated	<u>7,445,939</u>	<u>6,988</u>	<u>-</u>	<u>7,452,927</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,348,983)	(301,267)	-	(2,650,250)
Machinery and equipment	(43,786)	(2,334)	-	(46,120)
Vehicles	<u>(46,103)</u>	<u>-</u>	<u>-</u>	<u>(46,103)</u>
Total accumulated depreciation	<u>(2,438,872)</u>	<u>(303,601)</u>	<u>-</u>	<u>(2,742,473)</u>
Business-type activity capital assets, net	<u>\$ 5,007,067</u>	<u>\$ (296,613)</u>	<u>\$ -</u>	<u>\$ 4,710,454</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 9. CAPITAL ASSETS - CONTINUED**Housing Authority**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Transfers/ Additions	Transfers/ Deductions	Balance 6/30/2016
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 1,133,373	\$ -	\$ 56,847	\$ 1,190,220
Construction in progress	141,063	4,629	(141,063)	4,629
Total capital assets, not being depreciated	1,274,436	4,629	(84,216)	1,194,849
Capital assets, being depreciated:				
Buildings and improvements	21,048,973	-	73,303	21,122,276
Furniture and equipment	461,088	8,845	(13,553)	456,380
Total capital assets, being depreciated	21,510,061	8,845	59,750	21,578,656
Less accumulated depreciation for:				
Buildings and improvements	(11,356,098)	(597,253)	-	(11,953,351)
Furniture and equipment	(311,501)	(39,000)	12,247	(338,254)
Less accumulated depreciation	(11,667,599)	(636,253)	12,247	(12,291,605)
Total capital assets, being depreciated, net	9,842,462	(627,408)	71,997	9,287,051
Business-type activity capital assets, net	<u>\$ 11,116,898</u>	<u>\$ (622,779)</u>	<u>\$ (12,219)</u>	<u>\$ 10,481,900</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES**CITY OF AUBURN PRIMARY GOVERNMENT****Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/2015	Additions	Reductions	Balance 9/30/2016	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 92,005,000	\$ -	\$ (3,060,000)	\$ 88,945,000	\$ 1,780,000
General obligation warrants	95,951,883	-	(7,785,832)	88,166,051	8,093,635
Add: bond issue premiums	8,472,079	-	(616,325)	7,855,754	-
Total bonds and warrants payable	196,428,962	-	(11,462,157)	184,966,805	9,873,635
Notes payable	3,143,000	-	(178,000)	2,965,000	178,000
Accumulated annual leave	2,589,999	-	(126,406)	2,463,593	146,254
Claims payable	146,885	107,952	(80,990)	173,847	96,183
Landfill closure and postclosure care liability	140,000	-	(7,000)	133,000	7,000
Other postemployment benefits liability	610,774	112,499	-	723,273	-
Net pension liability	27,155,070	3,410,554	-	30,565,624	-
Governmental activity long-term liabilities	230,214,690	3,631,005	(11,854,553)	221,991,142	10,301,072
Business-type activities:					
General obligation warrants payable:					
warrants payable	43,005,000	-	(2,395,000)	40,610,000	2,560,000
Add: warrant issue premiums	3,758,220	-	(236,239)	3,521,981	-
Less: warrant issue discounts	(7,988)	-	2,522	(5,466)	-
Total warrants payable	46,755,232	-	(2,628,717)	44,126,515	2,560,000
Accumulated annual leave	159,780	-	(27,294)	132,486	7,949
Other postemployment benefits liability	78,266	12,588	-	90,854	-
Net pension liability	1,955,622	252,202	-	2,207,824	-
Business-type activity long-term liabilities	48,948,900	264,790	(2,656,011)	46,557,679	2,567,949
Total primary government long-term liabilities	\$ 279,163,590	\$ 3,895,795	\$ (14,510,564)	\$ 268,548,821	\$ 12,869,021

For the governmental activities, accumulated annual leave, claims payable, landfill closure and post closure care liabilities, and the other postemployment benefits liabilities are generally paid by the General Fund.

In the current year and prior years, the government defeased various general obligation bonds and warrants by placing the proceeds of the new bonds or warrants in an irrevocable trust account to provide for all future debt service payments on the old bonds and warrants. Accordingly, the trust account assets and the liabilities for the defeased bonds and warrants are not included in the government's financial statements. At September 30, 2016, \$67,020,000 of defeased bonds and warrants remain outstanding.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

Bonds, notes, and warrants payable of the City of Auburn at September 30, 2016, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2016	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
General obligation bonds,						
Dated 7/1/09 ('09 Capital Projects)	2%-4%	5/1-11/1	Full faith credit and taxing power of the City of Auburn	\$ 9,000,000	\$ 4,250,000	2021
General obligation bonds,						
Dated 5/1/12 ('12 Capital Projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,000,000	2,920,000	2024
General obligation refunding bonds,						
Dated 8/1/12						
(Refund '98, '99, '02, and '05 bonds)						
('98 bonds - S. College Imp.; '99 bonds - Library, Watson Complex; '02 bonds - Soccer, Town Creek; '05 bonds - '05 Projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	6,180,000	1,500,000	2021
General obligation refunding bonds,						
Dated 10/28/14						
(Partially refund '07 bonds)	2%-4%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	2,510,000	2,130,000	2021
General obligation bonds,						
Dated 6/23/15 (New High School and School Capital Improvements)	2.25%-5%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	78,145,000	78,145,000	2045
Total bonds payable				99,835,000	88,945,000	
Notes Payable:						
Note payable, U. S. Dept of Housing and Urban Development, Dated 3/27/12						
(Loan Guarantee Assistance)	LIBOR+0.2%	Monthly	Section 108 Loan Program Fund	3,312,000	2,965,000	2034

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2016	Year of Final Principal Maturity
Warrants payable:						
General obligation warrants Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	2,228,527	2026
General obligation warrants Dated 5/29/08 (Refund '05 Mall Warrants)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,657,050	1,816,736	2018
General obligation warrants Dated 5/29/08 (Refund Aub. Bank LOC) (Aub. Bank LOC - Glenn Ave/Bent Creek)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,800,000	1,846,735	2018
General obligation warrants Dated 12/19/08 (Auburn HS renovations)	4.76%	Monthly	Special School Tax Fund ad valorem taxes	8,500,000	6,019,686	2028
General obligation refunding school warrants, Dated 6/1/10 (Refund '02 School Warrants)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,020,000	19,470,000	2026
General obligation warrants Dated 7/27/10 (Refund IDB '00-A Bonds)	2.90%	Monthly	Full faith credit and taxing power of the City of Auburn	3,010,000	1,284,106	2020
General obligation warrants Dated 7/27/10 (Refund IDB '04-A Bonds)	4.84%	Monthly	Full faith credit and taxing power of the City of Auburn	10,275,000	6,660,683	2024
General obligation warrants Dated 8/20/10 (Purch Bldg - 155 AL St.)	3.03%	Monthly	Full faith credit and taxing power of the City of Auburn	1,870,000	1,020,595	2022
General obligation school warrants Dated 2/22/12 (Pick elementary school and land)	2.78%	Monthly	Special School Tax Fund ad valorem taxes	18,500,000	15,093,015	2032
General obligation warrants Dated 9/7/12 (Cary Creek Perm. Financing)	1.86%	3/1-9/1	Full faith credit and taxing power of the City of Auburn	1,829,100	1,097,460	2022
General obligation warrants Dated 8/1/12 (refund '99 warrants) ('99 warrants - City Hall, streets, etc)	2% - 5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	1,790,000	810,000	2019

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2016	Year of Final Principal Maturity
General obligation refunding school warrants						
Dated 8/1/12 (partially refund '05 warrants - school expansion)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	18,080,000	17,205,000	2030
General obligation warrants						
Dated 11/9/12 (West Tech Park - Phase II)	1.72%	Monthly	Full faith credit and taxing power of the City of Auburn	5,525,000	3,518,508	2022
General obligation warrants						
Dated 10/28/14 (partially refund '05 warrants - school improvement)	1% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	10,240,000	10,095,000	2035
Total warrants payable				127,796,150	88,166,051	
Total governmental activity bonds, notes, and warrants payable				324,894,300	180,076,051	
Business-type activities:						
Warrants payable:						
General obligation warrants						
Dated 12/1/08 (Refund Compass Bank Note; Sewer capital projects)	4%-5.625%	6/1-12/1	Sewer Fund	25,370,000	2,315,000	2018
General obligation warrants						
Dated 9/1/09 (Partial refund '01 Warrants)	3.5%-5%	1/1-7/1	Sewer Fund	15,245,000	14,490,000	2024
General obligation warrants						
Dated 8/1/12 (Refund '01 warrants; Sewer capital projects)						
('01 warrants - sewer plant and expansion)	2% - 5%	2/1-8/1	Sewer Fund	10,030,000	4,645,000	2032
General obligation warrants						
Dated 10/28/14 (Partial refund '08 warrants)	3%-5%	6/1-12/1	Sewer Fund	19,240,000	19,160,000	2033
Total business type activity warrants payable				69,885,000	40,610,000	
Total bonds, notes, and warrants payable				\$394,779,300	\$220,686,051	

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds, notes, and warrants payable of the City of Auburn at September 30, 2016:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity		
	Total			Bonds, Notes, and Warrants Payable			Warrants Payable		
	Payable from			General Governmental			Total		
	Principal	Interest	Total	Principal	Issues	Interest	Requirements	Principal	Interest
2017	\$ 12,611,636	\$ 9,048,339	\$ 21,659,975	\$ 10,051,636	\$ 7,314,695	\$ 17,366,331	\$ 17,366,331	\$ 2,560,000	\$ 1,733,644
2018	12,570,063	8,523,015	21,093,078	9,890,063	6,912,240	16,802,303	16,802,303	2,680,000	1,610,775
2019	11,417,249	8,035,694	19,452,943	8,607,249	6,556,619	15,163,868	15,163,868	2,810,000	1,479,075
2020	11,519,695	7,554,419	19,074,114	8,619,695	6,214,044	14,833,739	14,833,739	2,900,000	1,340,375
2021	12,387,013	7,064,403	19,451,416	9,357,013	5,858,078	15,215,091	15,215,091	3,030,000	1,206,325
2022	10,853,044	6,585,870	17,438,914	7,698,044	5,505,407	13,203,451	13,203,451	3,155,000	1,080,463
2023	11,087,320	6,146,674	17,233,994	7,797,320	5,200,180	12,997,500	12,997,500	3,290,000	946,494
2024	11,322,828	5,660,514	16,983,342	7,897,828	4,857,436	12,755,264	12,755,264	3,425,000	803,078
2025	8,207,299	5,229,113	13,436,412	6,777,299	4,535,419	11,312,718	11,312,718	1,430,000	693,694
2026	9,855,089	4,854,450	14,709,539	8,355,089	4,233,756	12,588,845	12,588,845	1,500,000	620,694
2027	7,515,964	4,398,226	11,914,190	5,940,964	3,854,032	9,794,996	9,794,996	1,575,000	544,194
2028	7,648,050	4,049,199	11,697,249	5,988,050	3,585,380	9,573,430	9,573,430	1,660,000	463,819
2029	7,435,872	3,707,426	11,143,298	5,695,872	3,328,232	9,024,104	9,024,104	1,740,000	379,194
2030	7,672,123	3,415,187	11,087,310	5,867,123	3,102,868	8,969,991	8,969,991	1,805,000	312,319
2031	7,999,254	3,146,719	11,145,973	6,139,254	2,889,225	9,028,479	9,028,479	1,860,000	257,494
2032	7,465,552	2,927,534	10,393,086	5,545,552	2,728,018	8,273,570	8,273,570	1,920,000	199,516
2033	6,842,000	2,678,828	9,520,828	5,247,000	2,555,203	7,802,203	7,802,203	1,595,000	123,625
2034	7,096,000	2,341,700	9,437,700	5,421,000	2,299,825	7,720,825	7,720,825	1,675,000	41,875
2035	5,580,000	2,026,294	7,606,294	5,580,000	2,026,294	7,606,294	7,606,294		
2036	3,615,000	1,781,500	5,396,500	3,615,000	1,781,500	5,396,500	5,396,500		
2037	3,760,000	1,633,213	5,393,213	3,760,000	1,633,213	5,393,213	5,393,213		
2038	3,910,000	1,477,313	5,387,313	3,910,000	1,477,313	5,387,313	5,387,313		
2039	4,070,000	1,313,538	5,383,538	4,070,000	1,313,538	5,383,538	5,383,538		
2040	4,240,000	1,141,363	5,381,363	4,240,000	1,141,363	5,381,363	5,381,363		
2041	4,415,000	960,200	5,375,200	4,415,000	960,200	5,375,200	5,375,200		
2042	4,600,000	783,600	5,383,600	4,600,000	783,600	5,383,600	5,383,600		
2043	4,790,000	599,600	5,389,600	4,790,000	599,600	5,389,600	5,389,600		
2044	4,995,000	408,000	5,403,000	4,995,000	408,000	5,403,000	5,403,000		
2045	5,205,000	208,200	5,413,200	5,205,000	208,200	5,413,200	5,413,200		
Total	\$ 220,686,051	\$ 107,700,131	\$ 328,386,182	\$ 180,076,051	\$ 93,863,478	\$ 273,939,529	\$ 273,939,529	\$ 40,610,000	\$ 13,836,653
									\$ 54,446,653

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES - CONTINUED**COMPONENT UNITS****Water Works Board****Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/2015	Additions	Reductions	Balance 9/30/2016	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2010 issue	\$ 18,255,000	\$ -	\$ (735,000)	\$ 17,520,000	\$ 770,000
Bonds payable - 2015 issue	-	16,695,000	-	16,695,000	60,000
Add: bond issue premiums	903,209	1,412,113	(101,263)	2,214,059	-
	<u>19,158,209</u>	<u>18,107,113</u>	<u>(836,263)</u>	<u>36,429,059</u>	<u>830,000</u>
Accumulated annual leave	90,030	5,809	(43,212)	52,627	-
Other postemployment					
benefits liability	35,296	9,241	-	44,537	-
Net pension liability	<u>863,144</u>	<u>-</u>	<u>(81,675)</u>	<u>781,469</u>	<u>-</u>
	<u>988,470</u>	<u>15,050</u>	<u>(124,887)</u>	<u>878,633</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>\$ 20,146,679</u>	<u>\$18,122,163</u>	<u>\$ (961,150)</u>	<u>\$ 37,307,692</u>	<u>\$ 830,000</u>

Bonds payable at September 30, 2016, are comprised of an original bond issue of \$21,595,000 dated June 1, 2010 and an original bond issue of \$16,695,000 dated November 24, 2015. The 2010 bond proceeds were used to call the 2001 and 2002 series bonds dated July 1, 2001 and August 1, 2002, respectively, and to fund various capital projects. The 2010 bonds were issued at an average interest rate of 4.35%. The stated maturity dates of the 2010 bonds are September 1 beginning in 2011 and continuing through 2032. The 2015 bond proceeds were used to fund the Lake Ogletree spillway project. The 2015 bonds were issued at an average interest rate of 4.68%. The stated maturity dates of the 2015 bonds are September 1 beginning in 2017 and continuing through 2040.

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2016, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2016	Year of Final Principal Maturity
Business type activities						
Bonds payable:						
Capital improvement	3.0% to					
bonds, Dated 06/01/10	5.0%	3/1-9/1	Revenues	\$ 21,595,000	\$ 17,520,000	2032
Capital improvement	1.5% to					
bonds, Dated 11/24/15	5.0%	3/1-9/1	Revenues	\$ 16,695,000	\$ 16,695,000	2040

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds payable of the Water Works Board of the City of Auburn at September 30, 2016:

Year ending September 30	Principal	Interest	Total
2017	\$ 830,000	\$ 1,556,137	\$ 2,386,137
2018	865,000	1,516,737	2,381,737
2019	910,000	1,475,412	2,385,412
2020	950,000	1,432,013	2,382,013
2021	995,000	1,386,613	2,381,613
2022-2026	5,540,000	6,377,788	11,917,788
2027-2031	6,955,000	4,964,250	11,919,250
2032-2036	8,635,000	3,276,325	11,911,325
2037-2040	8,535,000	1,003,050	9,538,050
Total	<u>\$ 34,215,000</u>	<u>\$ 22,988,325</u>	<u>\$ 57,203,325</u>

Water Revenue Bonds are collateralized by a pledge of net system revenues derived and to be derived from the operation of the AWWB's water system. The AWWB is also required to maintain such rates and charges for the water service and other services supplied from the System and make collections from the users thereof in such a manner as shall produce revenues sufficient at all times (i) to provide for payment of all operating expenses, (ii) to produce annual net income of not less than 110% of the then applicable maximum annual debt service requirement and (iii) to make all monthly payments provided herein to be made into each of the special funds. These coverage requirements have been met by the AWWB for the year ended September 30, 2016.

Industrial Development Board**Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/2015	Additions	Reductions	Balance 9/30/2016	Due Within One Year
Long-term notes payable	\$ 41,286,227	\$ 6,329,088	\$ (3,002,689)	\$ 44,612,626	\$ 3,401,938
Short term notes payable	2,245,207	3,987,091	(5,900,500)	331,798	331,798
Bonds payable	4,350,000	-	(270,000)	4,080,000	290,000
Total	<u>\$ 47,881,434</u>	<u>\$ 10,316,179</u>	<u>\$ (9,173,189)</u>	<u>\$ 49,024,424</u>	<u>\$ 4,023,736</u>

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

Bonds payable

Bonds payable at September 30, 2016 are comprised of Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds in the original principal amount of \$5,640,000. The bonds were used to fund real property improvements and to refund previous outstanding debt.

The debt service payments on the Series 2006-A bonds are limited obligations of the IDB, payable solely out of payments received pursuant to an Appropriation Agreement with the City of Auburn and funds drawn by the trustee from a letter of credit issued by Aliant Bank. Under the agreement which was approved by City Council in July 2006 and amended in September 2011, the City has agreed to appropriate during each fiscal year an amount equal to the debt service on the bonds. The agreement is automatically renewed each fiscal year for a term of twelve months, unless the City passes a resolution electing not to renew the agreement prior to the first day of the applicable fiscal year. As of the date of these financial statements, the agreement had been extended to September 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

The City intends to fund the appropriations through additional tax revenues derived from future industrial recruitment. The Appropriation Agreement has been assigned and pledged by the Industrial Development Board as security for the bonds.

The bonds mature on July 1, 2026, and bear interest at a variable rate determined weekly by the IDB's remarketing agent, The Frazer Lanier Company, Inc., with the interest payable in arrears on the first business day of the following month. The rate is the lowest rate that would, in the opinion of the remarketing agent, result in the market value of the bonds being 100% of the purchase price on the date of determination, with a maximum rate of 10% per annum. This method was used beginning on September 22, 2011, the date the bonds were remarketed. The weighted average interest rate for fiscal year 2016 was 0.393%. Interest incurred for the fiscal year amounted to \$252,244.

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

There is no take out agreement in place to convert the bonds to permanent financing in the event the remarketing agent is unable to resell bonds that are repurchased under the optional tender provision. Under an irrevocable letter of credit issued by Aliant Bank, the trustee or remarketing agent may draw an amount equal to the purchase price of bonds tendered for purchase plus an amount corresponding to thirty-five (35) days of interest on the bonds, computed at the maximum rate of interest. The letter of credit expires on September 22, 2018. If notice is not given by Aliant Bank within fifty days of the expiration of the letter of credit, it is automatically renewed in one-year periods until September 22, 2018. In the event the remarketing agent is unable to resell the tendered bonds, any principal drawn on the letter of credit to purchase the bonds bears interest at a variable rate equal to the prime rate plus 3%. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

<u>Fiscal Year</u>	<u>Principal Maturities</u>
2017	\$ 290,000
2018	3,790,000
	<u>\$ 4,080,000</u>

The IDB is required to pay to Aliant Bank annual fees for the letter of credit in the amount of 1.75% of the outstanding principal amount of the stated principal amount of the letter of credit. In addition, the remarketing agent is paid an annual fee of one-eighth of one percent of the weighted average daily principal amount of the bonds outstanding.

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

<u>Fiscal Year</u>	<u>Series 2006-A</u>
2017	\$ 290,000
2018	315,000
2019	335,000
2020	360,000
2021	385,000
2022	415,000
2023	445,000
2024	475,000
2025	510,000
2026	550,000
Total	<u>\$ 4,080,000</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2016, using the variable interest rate in effect on the last day of the fiscal year (0.85%):

Fiscal Year	Series 2006-A		Total
	Principal	Interest	
2017	\$ 290,000	\$ 34,268	\$ 324,268
2018	315,000	31,768	346,768
2019	335,000	29,062	364,062
2020	360,000	26,179	386,179
2021	385,000	23,083	408,083
2022	415,000	19,768	434,768
2023	445,000	16,198	461,198
2024	475,000	12,373	487,373
2025	510,000	8,285	518,285
2026	550,000	3,894	553,894
Total	<u>\$ 4,080,000</u>	<u>\$ 204,878</u>	<u>\$ 4,284,878</u>

Swap payments and associated debt – With respect to the Series 2006-A bonds, the IDB entered into an interest rate swap agreement with Allied Irish Bank to hedge the changes in cash flows on the variable-rate bonds (see Note 4). Using rates as of September 30, 2016, debt service requirements of the variable rate debt and net swap payments on the associated hedging derivative instrument are presented below. These amounts assume that current interest rates on the variable-rate bonds and the current reference rates of the hedging derivative instrument will remain the same for their term. As these rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year	Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2017	\$ 290,000	\$ 34,268	\$ 236,440	\$ 560,708
2018	315,000	31,768	219,187	565,955
2019	335,000	29,062	200,517	564,579
2020	360,000	26,179	180,625	566,804
2021	385,000	23,083	159,267	567,350
2022	415,000	19,768	105,442	540,210
2023	445,000	16,198	-	461,198
2024	475,000	12,373	-	487,373
2025	510,000	8,285	-	518,285
2026	550,000	3,894	-	553,894
Total	<u>\$ 4,080,000</u>	<u>\$ 204,878</u>	<u>\$ 1,101,478</u>	<u>\$ 5,386,356</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES - CONTINUEDLong-term notes payable

Notes payable of the IDB at September 30, 2016, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/2016	Year of Final Principal Maturity
AuburnBank	5.000%	Monthly	\$ 8,670,000	\$ 5,490,908	2019
AuburnBank	5.000%	Monthly	2,157,341	2,068,897	2020
AuburnBank	5.000%	Monthly	300,000	230,908	2022
AuburnBank	5.000%	Monthly	1,079,500	701,502	2020
AuburnBank	5.000%	Monthly	3,144,057	2,783,862	2019
AuburnBank	5.000%	Monthly	2,146,000	1,841,492	2022
AuburnBank	6.000%	Monthly	1,290,000	899,134	2017
AuburnBank	4.500%	Monthly	3,026,000	2,506,803	2018
AuburnBank	5.000%	Monthly	2,274,000	1,905,816	2022
AuburnBank	5.000%	Monthly	1,025,000	720,259	2021
AuburnBank	5.000%	Monthly	4,753,000	4,429,977	2017
AuburnBank	5.000%	Monthly	2,380,000	1,847,221	2019
AuburnBank	6.470%	Monthly	491,000	387,301	2017
AuburnBank	5.000%	Monthly	825,000	642,156	2019
AuburnBank	6.000%	Monthly	165,250	127,166	2019
AuburnBank	4.500%	Monthly	4,250,000	3,893,180	2019
AuburnBank	4.500%	Monthly	475,000	435,118	2019
AuburnBank	6.000%	Monthly	168,589	141,649	2019
AuburnBank	5.000%	Monthly	3,102,500	3,079,827	2021
AuburnBank	4.850%	Monthly	7,000,000	6,757,601	2020
AuburnBank	5.000%	Monthly	260,000	259,542	2021
Aliant Bank	5.500%	Monthly	2,656,136	2,219,300	2018
City of Auburn	3.030%	Monthly	1,800,000	1,243,007	2023
Total notes payable			<u>\$ 53,438,373</u>	<u>\$ 44,612,626</u>	

Proceeds of the notes were used to purchase and construct industrial buildings held for leasing by the IDB, to purchase property for resale, and to finance buildings and equipment sold under a capital lease.

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2016:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2017	\$ 3,401,938	\$ 2,127,176	\$ 5,529,114
2018	6,352,222	1,886,132	8,238,354
2019	14,770,763	1,269,122	16,039,885
2020	9,173,302	884,649	10,057,951
2021	7,151,823	348,646	7,500,469
2022	3,642,019	58,037	3,700,056
2023	120,559	1,236	121,795
Total	<u>\$ 44,612,626</u>	<u>\$ 6,574,998</u>	<u>\$ 51,187,624</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10. LONG-TERM LIABILITIES - CONTINUED**Housing Authority**

On June 14, 2012, the Housing Authority entered into an agreement with the City of Auburn for a loan in the amount of \$1,500,000. The proceeds from the loan are being used to pay the costs of renovation and revitalization of low-income housing.

Beginning on July 20, 2012, the principal of this promissory note is paid in annual payments due on July 20, each succeeding year over a twenty (20) year period and repaid in twenty (20) equal installments in the amount of \$75,000. Interest is paid semi-annually on January 20, and July 20, of each succeeding year until the principal amount of this note is paid in full. The interest rate on the loan is a variable rate of interest equal to LIBOR adjusted monthly plus .20%.

This promissory note represents a pass through of funds loaned to the Holder (City of Auburn, Alabama) then to the Authority under the terms of Section 108 of title I of the Housing and Community Development Act of 1974, as amended, with the United States Department of Housing and Urban Development (HUD) acting as the guarantor of the loan funds. The outstanding principal balance is listed as advances from primary government in the City's financial statements (see Note 21).

The principal payment amortization of the note over the term of the loan is as follows:

Year ending June 30	Principal	Interest	Total
2017	\$ 75,000	\$ 29,876	\$ 104,876
2018	75,000	29,216	104,216
2019	75,000	28,369	103,369
2020	75,000	27,165	102,165
2021	75,000	25,718	100,718
2022-2026	375,000	100,950	475,950
2027-2031	375,000	44,719	419,719
2032	<u>75,000</u>	<u>1,331</u>	<u>76,331</u>
Total	<u>\$1,200,000</u>	<u>\$ 287,344</u>	<u>\$1,487,344</u>

NOTE 11. UNEARNED PROGRAM REVENUE

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2016, totaled \$268,509.

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers for housing rehabilitation and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans made under this program are deferred for 20 years from the date of the loan. At that time, the City will begin receiving amortized payments of principal and interest for the second mortgages, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2016, totaled \$1,560,300.

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) under a Loan Guarantee Assistance contract pursuant to Section 108 of Title 1 of the Housing and Urban Development Act of 1974. Under the terms of the loans, the monies received from HUD are loaned to qualified borrowers as micro-loans or as part of a Commercial and Industrial Loan Program.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 11. UNEARNED PROGRAM REVENUE - CONTINUED

When the City made these loans, unearned revenue equal to the principal amount of the loan was recorded in the governmental fund financial statements. The loans made under this program are repaid according to the terms of each individual loan agreement. As the City receives amortized payments of principal and interest, unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The loans outstanding at September 30, 2016, totaled \$1,949,772, of which \$1,125,000 is listed as advances to component units.

NOTE 12. LEASE AGREEMENTS**COMPONENT UNITS****Industrial Development Board**

Description of leasing arrangements - The IDB's leasing activities consist of the leasing of industrial space in facilities owned by the IDB (operating leases) and sales-type capital leases to various industries for land, buildings and/or equipment located in the IDB's industrial parks. The operating leases expire over the next fourteen years and the capital leases expire over the next eighteen years.

Operating leases - The Industrial Development Board began leasing industrial space during fiscal year 1995. The cost of land and buildings held for leasing by the IDB at September 30, 2016, was \$8,347,727, and \$60,810,836, respectively; accumulated depreciation on the buildings was \$8,827,340. Rents received during 2016 were \$4,515,713. Of the sixteen leases in effect at September 30, 2016, fifteen were noncancelable. One lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term; the lease provides for automatic one-year renewal terms ending on May 31, 2025, and annual minimum rentals of \$35,000 payable in advance.

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. In September 2011, the lease was further amended to conform to the terms of the amended trust agreement related to the Series 2006-A bonds (see Note 10). Pursuant to the terms of an interest rate swap (see Note 4), rentals due under the lease were changed in 2009 to variable amounts equal to the total debt service on the Series 2006-A bonds, including certain fees related to the debt, and payments due under the rate swap agreement. The lease was further amended in 2013 to incorporate an additional expansion. Because the debt service payments are based on variable rates and include payments due under the swap, rental amounts included in the following schedule are calculated using rates in effect as of September 30, 2016.

The following is a schedule by years of future minimum rental payments required under the leases with remaining noncancelable lease terms in excess of one year as of September 30, 2016:

<u>Fiscal Year</u>	<u>Future Minimum Rental Payments</u>
2017	\$ 4,624,403
2018	4,438,811
2019	3,225,442
2020	2,911,050
2021	2,912,497
2022	2,536,668
2023	2,380,279
2024	2,264,660
2025	1,835,015
2026	1,049,443
2027	558,919
2028	558,920
2029	558,921
2030	466,107
Total	<u>\$ 30,321,135</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 12. LEASE AGREEMENTS - CONTINUEDCapital leases

- A. The IDB has leased, under capital leases, ten parcels of land located in its Industrial Parks. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2017 to 2045, and several of the leases provide for renewal terms. No lease payments were received in fiscal year 2016, and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal.

During fiscal year 2014, two existing industries conveyed property to the IDB, and the Board leased the property back to the industries under prepaid capital leases. Remaining payments under the leases consist solely of payments due under the bargain-purchase options, which are minimal, and no payments were received in fiscal year 2016. The leases expire in 2019 and 2024.

- B. The IDB has three sales-type capital leases. One involves manufacturing equipment with a lease term that expired in 2016. The other two involve land and buildings in the Auburn Industrial Park and the Auburn Technology Park West with lease terms expiring in 2023 and 2034, respectively. The components of the net investment in sales-type capital leases at September 30, 2016 are as follows:

Total minimum lease payments to be received	\$ 6,454,337
Less: unearned income	<u>(1,948,464)</u>
Net investment in capital lease	<u>\$ 4,505,873</u>

Executory costs such as maintenance and insurance are paid directly by lessees and therefore are not included in minimum lease payments. All lease payments are deemed collectible and there are no contingent rentals or unguaranteed residual values associated with the leases. Future minimum lease payments due under the leases are as follows:

<u>Year</u>	<u>Lease Payments</u>
2017	\$ 494,017
2018	494,017
2019	494,017
2020	494,017
2021	494,017
2022	494,017
2023	405,899
2024	282,534
2025	282,534
2026	282,534
Thereafter	<u>2,236,734</u>
Total	<u>\$ 6,454,337</u>

- C. The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. Four of the operating leases in effect at the end of the fiscal year are non-cancelable, four are cancelable with 120 days' notice and one is cancelable with 90 days' notice. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during fiscal year 2016 were \$141,282. As of September 30, 2016, all of the non-cancelable leases expire within one year. Future minimum rentals of \$3,075 are due under the non-cancelable leases in fiscal year 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 84,393 participants.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

As of September 30, 2015, membership consisted of:

Retired participants and beneficiaries	
currently receiving benefits	22,211
Terminated participants and beneficiaries entitled	
to benefits but not yet receiving benefits	1,353
Terminated participants entitled to a refund of contributions:	5,451
Active participants	55,164
Post-DROP participants still in active service	214
	<u>84,393</u>

Contributions. Tier 1 employees are those employees who were members of RSA before January 1, 2014. Tier 1 employees (excluding law enforcement and fire fighters) contribute 5% of earnable compensation. Tier 1 employees that are certified law enforcement and firefighters contribute 6%.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 5.57 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 10.40 percent of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 was 11.19 percent of pensionable pay for Tier 1 employees, and 8.56 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$2,933,448 for the year ended September 30, 2016.

Total Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2014	\$ 86,895,839	\$ 86,709,247
(b) Entry Age Normal Cost for the period October 1, 2014 - September 30, 2015	2,096,359	2,096,359
(c) Actual Benefit Payments and Refunds for the period October 1, 2014 - September 30, 2015	<u>(4,462,051)</u>	<u>(4,462,051)</u>
(d) TPL as of September 30, 2015 = [(a) x (1.08)] + (b) - [(c) x (1.04)]	<u>\$ 91,303,332</u>	<u>\$ 91,101,813</u>
(e) Difference between Expected and Actual Experience (Gain)/Loss		\$ (201,519)

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Actuarial assumptions. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%-7.25%
Investment rate of return*	8.00%
* Net of pension plan investment expense, including inflation	

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

<u>Asset Class</u>	Target	Long-Term
	<u>Allocation</u>	<u>Expected Real Rate of Return*</u>
Fixed Income	25.00%	5.00%
Domestic Large Cap Equity	34.00%	9.00%
Domestic Mid Cap Equity	8.00%	12.00%
Domestic Small Cap Equity	3.00%	15.00%
International Developed Equity	15.00%	11.00%
Emerging Market Equity	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash Equivalents	2.00%	1.50%
	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2014	\$ 86,895,839	\$ 57,663,395	\$ 29,232,444
Changes for the year:			
Service cost	2,096,359	-	2,096,359
Interest	6,773,185	-	6,773,185
Difference between expected and actual experience	(201,519)	-	(201,519)
Contributions - employer	-	2,827,895	(2,827,895)
Contributions - employee	-	1,548,903	(1,548,903)
Net investment income	-	683,202	(683,202)
Benefit payments, including refunds of employee contributions	(4,462,051)	(4,462,051)	-
Transfers among employers	-	(66,372)	66,372
Net changes	4,205,974	531,577	3,674,397
Balances at September 30, 2015	\$ 91,101,813	\$ 58,194,972	\$ 32,906,841

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's net pension liability	\$ 44,562,262	\$ 32,906,841	\$ 23,166,694

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2016, the City recognized pension expense of \$183,350. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 174,287
Net difference between projected and actual earnings on pension plan investments	1,902,699	-
Employer contributions subsequent to the measurement date	2,832,227	-
	<u>\$ 4,734,926</u>	<u>\$ 174,287</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$ 345,414
2018	345,414
2019	345,414
2020	757,529
2021	(27,232)
Thereafter	(38,127)
	<u>\$ 1,728,412</u>

COMPONENT UNITS**Board of Education***Plan Description*

The ABOE employees are members of the Teachers' Retirement System of Alabama (TRS). The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2016, was 11.94% of annual pay for Tier 1 members and 10.84% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$4,848,487 for the year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the Board reported a liability of \$66,126,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2015, the Board's proportion was 0.631834%, which was an increase of 0.01898% from its proportion measured as of September 30, 2014.

For the year ended September 30, 2016, the Board recognized pension expense of \$5,950,398. At September 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 358,000
Net difference between projected and actual earnings on pension plan investments	4,329,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,083,000	-
Employer contributions subsequent to the measurement date	4,878,487	-
	<u>\$ 12,290,487</u>	<u>\$ 358,000</u>

\$4,848,487 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$	1,565,000
2018		1,565,000
2019		1,565,000
2020		2,306,000
2021		53,000
	\$	<u>7,054,000</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.50%-8.25%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2014, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
Domestic Large Cap Equity	34.00%	9.00%
Domestic Mid Cap Equity	8.00%	12.00%
Domestic Small Cap Equity	3.00%	15.00%
International Developed Equity	15.00%	11.00%
Emerging Market Equity	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash Equivalents	2.00%	1.50%
	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED*Discount Rate*

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	\$ 87,480,000	\$ 66,126,000	\$ 48,015,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2015. The auditor's report dated October 17, 2016, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2015, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Water Works Board

The Water Works Board also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City.

For the year ended September 30, 2016, AWWB's active employee contribution rate was 3.07 percent of covered employee payroll, and AWWB's average contribution rate to fund the normal and accrued liability costs was 4.22 percent of covered employee payroll.

The AWWB's contractually required contribution rate for the year ended September 30, 2016 was 7.66 percent of pensionable pay for Tier 1 employees, and 5.16 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the AWWB were \$89,550 for the year ended September 30, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED*Total Pension Liability*

The AWWB's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2014	\$ 3,481,754	\$ 3,212,053
(b) Entry Age Normal Cost for the period October 1, 2014 - September 30, 2015	96,462	96,462
(c) Actual Benefit Payments and Refunds for the period October 1, 2014 - September 30, 2015	<u>(145,480)</u>	<u>(145,480)</u>
(d) TPL as of September 30, 2015 = [(a) x (1.08)] + (b) - [(c) x (1.04)]	<u>\$ 3,705,457</u>	<u>\$ 3,414,180</u>
(e) Difference between Expected and Actual Experience (Gain)/Loss		\$ (291,277)

Changes in Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at September 30, 2014	\$ 3,481,754	\$ 2,618,610	\$ 863,144
Changes for the year:			
Service cost	96,462	-	96,462
Interest	272,721	-	272,721
Differences between expected and actual experience	(291,277)	-	(291,277)
Contributions - employer	-	72,750	(72,750)
Contributions - employee	-	55,865	(55,865)
Net investment income	-	30,966	(30,966)
Benefit payments, including refunds of employee contributions	<u>(145,480)</u>	<u>(145,480)</u>	<u>-</u>
Net changes	<u>(67,574)</u>	<u>14,101</u>	<u>(81,675)</u>
Balances at September 30, 2015	<u>\$ 3,414,180</u>	<u>\$ 2,632,711</u>	<u>\$ 781,469</u>

Sensitivity of the net pension liability to changes in the discount rate

The following table presents AWWB's net pension liability calculated using the discount rate of 8%, as well as what AWWB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Board's net pension liability	\$ 1,207,134	\$ 781,469	\$ 423,093

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2016, the AWWB recognized pension income of \$1,358. At September 30, 2016, AWWB reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 254,406
Net difference between projected and actual earnings on pension plan investments	83,816	-
Employer contributions subsequent to the measurement date	85,073	-
Total	<u>\$ 168,889</u>	<u>\$ 254,406</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$ (20,789)
2018	(20,789)
2019	(20,787)
2020	(1,303)
2021	(36,871)
Thereafter	<u>(70,051)</u>
	<u>\$ (170,590)</u>

Housing Authority

The Housing Authority also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City.

For the year ended June 30, 2016, AHA's active employee contribution rate was 6.34 percent of covered employee payroll, and AHA's average contribution rate to fund the normal and accrued liability costs was 0.94 percent of covered employee payroll.

The AHA's contractually required contribution rate for the year ended June 30, 2016 was 0.35 percent of pensionable pay for Tier 1 employees, and 0.35 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from AHA were \$6,219 for the year ended June 30, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Total Pension Liability

The AHA's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) TPL as of September 30, 2014	\$ 3,165,324	\$ 3,176,479
(b) Entry Age Normal Cost for the period October 1, 2014 - September 30, 2015	60,140	60,140
(c) Actual Benefit Payments and Refunds for the period October 1, 2014 - September 30, 2015	(500,914)	(500,914)
(d) TPL as of September 30, 2015 = [(a) x (1.08)] + (b) - [(c) x (1.04)]	<u>\$ 2,957,739</u>	<u>\$ 2,969,787</u>
(e) Difference between Expected and Actual Experience (Gain)/Loss		\$ 12,048

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2014	<u>\$ 3,165,324</u>	<u>\$ 13,233,005</u>	<u>\$ (10,067,681)</u>
Changes for the year:			
Service cost	60,140	-	60,140
Interest	233,189	-	233,189
Difference between expected and actual experience	12,048	-	12,048
Contributions - employee	-	39,507	(39,507)
Net investment income	-	154,256	(154,256)
Benefit payments, including refunds of employee contributions	(500,914)	(500,914)	-
Net changes	(195,537)	(307,151)	111,614
Balances at September 30, 2015	<u>\$ 2,969,787</u>	<u>\$ 12,925,854</u>	<u>\$ (9,956,067)</u>

Sensitivity of the net pension liability to changes in the discount rate

The following table presents AHA's net pension liability calculated using the discount rate of 8%, as well as what AHA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's net pension liability (asset)	\$ (9,646,799)	\$ (9,956,067)	\$ (10,220,776)

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, the Authority recognized pension income of \$701,666. At June 30, 2016, the AHA reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,731	\$ -
Net difference between projected and actual earnings on pension plan investments	424,320	-
Employer contributions subsequent to the measurement date	5,704	-
	<u>\$ 439,755</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 84,696
2018	84,696
2019	84,695
2020	179,501
2021	463
	<u>\$ 434,051</u>

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS**CITY OF AUBURN PRIMARY GOVERNMENT**

The City of Auburn's General Employees' OPEB Plan is a single-employer, defined benefit OPEB plan. From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended September 30, 2009, the City recognized the cost of postemployment healthcare in the year when employee services are received, reported the accumulated liability from prior years, and provided information useful in assessing potential demands on the City's future cash flows. Because the City adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability. The City obtains the services of an independent actuary so as to determine its OPEB liabilities.

The Water Works Board of the City of Auburn participates in The City of Auburn's General Employees' OPEB plan. All descriptions, policies, costs, methods and assumptions described below apply to the City, as well as the AWWB, and their employees.

Plan description

The City provides medical benefits to employees upon retirement according to the retirement eligibility provisions as follows: 25 years of service at any age; or, age 60 and 10 years of service for employees who began eligible employment prior to January 1, 2013. Employees who first began eligible employment on or after January 1, 2013 require age 62 with 10 years of service to become eligible for retiree health benefits. The retirees pay 100% of the premium costs and specific deductibles. Employees do not contribute to their postemployment benefits costs until they retire and begin receiving those benefits. The City pays for all costs in excess of premiums and deductibles.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Benefits and contribution requirements (both employee and employer) for the General employees OPEB Plan are established by City ordinance and can only be amended by City Council. OPEB benefits are administered by City personnel. No separate financial statements are issued.

Funding policy

The City currently pays for postemployment health care benefits on a pay-as-you-go basis. Additional investments of assets into a third-party trust have been considered by management and were not deemed to be the most appropriate course of action for future funding given current facts. Therefore, these financial statements assume that pay-as-you-go funding will continue.

Annual required contribution

The City's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 45) has been used for the postemployment benefits. The total ARC for the years ended September 30, 2016, are as follows:

	2016	2015	2014
Normal cost as of beginning of year	\$ 100,932	\$ 112,575	\$ 97,465
Amortization of the unfunded AAL (UAAL) for 30 years	<u>121,563</u>	<u>134,309</u>	<u>120,449</u>
Total normal cost and amortization payment	222,495	246,884	217,914
Interest to end of year	<u>8,900</u>	<u>9,875</u>	<u>8,717</u>
Annual required contribution (ARC)	<u><u>\$ 231,395</u></u>	<u><u>\$ 256,759</u></u>	<u><u>\$ 226,631</u></u>
Percent of Annual Covered Payroll	0.92%	1.05%	0.98%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUEDNet postemployment benefit obligation

The table below shows the City's net other postemployment benefit (OPEB) obligation at September 30, 2016:

	2016	2015	2014
Annual required contribution (ARC)	\$ 231,395	\$ 256,759	\$ 226,631
Interest on net OPEB obligation (NOO) to end of year	28,973	22,216	16,668
NOO amortization adjustment to the ARC	(41,888)	(32,118)	(24,097)
Annual OPEB cost	218,480	246,857	219,202
Actual annual employer contribution - pay-go cost	(84,151)	(77,918)	(80,494)
Change in net OPEB obligation	134,329	168,939	138,708
Beginning net OPEB obligation	724,335	555,396	416,688
Ending net OPEB obligation	<u>\$ 858,664</u>	<u>\$ 724,335</u>	<u>\$ 555,396</u>
Percentage of annual OPEB cost contributed	38.5%	31.6%	36.7%
Ending net OPEB obligation by employer			
City of Auburn General Fund	\$ 723,273	\$ 610,774	\$ 461,347
Sewer Revenue Fund of City of Auburn	35,629	32,227	24,148
Solid Waste Management Fund of City of Auburn	55,225	46,038	40,670
Water Works Board of City of Auburn	44,537	35,296	29,231
Total	<u>\$ 858,664</u>	<u>\$ 724,335</u>	<u>\$ 555,396</u>

Funded status and funding progress

In the fiscal year ending September 30, 2016, the City contributed \$84,151 to its postemployment benefits plan. This represents 38.5% of the annual OPEB cost. The plan has no assets and therefore has a funded ratio of zero. As of September 30, 2015, the most recent actuarial valuation, the actuarial accrued liability was \$2,186,158 which is defined as that portion, as determined by a particular actuarial cost method, of the actuarial present value of postemployment plan benefits and expenses which is not provided for by the future normal cost. Since the plan has no assets, the entire actuarial accrued liability was unfunded. The schedule of funding progress is included in the table below.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ((b - a)/c)
9/30/2013	\$ -	\$ 2,166,123	\$ 2,166,123	0%	\$ 23,028,460	9.4%
9/30/2014	-	2,415,369	2,415,369	0%	24,400,268	9.9%
9/30/2015	-	2,186,158	2,186,158	0%	25,132,276	8.7%

Actuarial methods and assumptions

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer portion has been estimated as the average claims plus administrative expenses, less the employee portion paid, over the preceding year for the retired group and has been used as the basis for projecting the medical trend assumption into the future.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

After age 65, Medicare becomes primary, but retirees are allowed to remain on this plan with the same contribution amount. The unfunded actuarial accrued liability is being amortized over 30 years.

Turnover rates are based on a standard actuarial termination table adjusted for the City's historical turnover experience. These rates approximate to a 7% average turnover annually. It is also assumed that 50% of retirees elect not to have retiree medical coverage because of the employee premium required.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2015, actuarial valuation, the liabilities were computed using the projected unit credit cost method with linear proration to decrement and level dollar amortization over 30 years based on an open group. The actuarial assumptions utilized a 4% discount rate and a 3% inflation rate. The expected rate of increase in medical cost is based on the plans actual experience initially with subsequent years based on a combination of employer history, national trend surveys, and professional judgment. The valuation assumes an 7.5% healthcare cost trend increase for fiscal year 2017, graded down to an ultimate annual rate of 5% for 2022 and later.

COMPONENT UNITS

Board of Education

The ABOE contributes to the Alabama Retired Education Employee's Health Care Trust (Trust), a multiple employer cost sharing defined benefit health care plan established in 2007 under the provisions of Act 2007-16 as an irrevocable trust fund. The Trust is administered by members of the Public Education Employees' Health Insurance Board (PEEHIB). The Trust provides health care benefits to state and local school system retirees. Code of Alabama 1975, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. The Alabama Retired Education Employees' plan issues a stand-alone financial report that may be obtained at the PEEHIB website at <http://www.rsa-al.gov> under the Employers' Financial Reports section.

Code of Alabama 1975, Section 16-25A-8 provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. Retirees eligible for Medicare benefits must pay \$10 per month for coverage while those not eligible for Medicare must pay \$151 per month for coverage. The employer's share of premiums for retired ABOE employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. The fiscal year 2016 rate paid by the ABOE was \$780 per active participant per month; \$211, or approximately 27.08% of the allocation for active participants, represents the required contribution for retirees. This required contribution rate is determined annually by the State Legislature. The estimated portion of health insurance premiums paid by the ABOE for retired employees for fiscal years ending September 30, 2016 and 2015 were approximately \$2,384,463 and \$2,007,491, respectively, equal to its required contributions each year. The estimated portion of payments made on behalf of the ABOE for retiree drug subsidy payments for fiscal years ending September 30, 2016 and 2015 were approximately \$531,896 and \$449,415, respectively. The ABOE has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees. The requirements of GASB Statement No. 45 were implemented prospectively beginning at October 1, 2008.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 15. WORKMEN'S COMPENSATION SELF-INSURANCE

The City has retained risk of loss for workmen's compensation claims. These risks are accounted for as governmental activities of the primary government. The following is a schedule of changes in claims liabilities during the past two fiscal years:

	Fiscal Year	
	2016	2015
Unpaid claims, beginning of year	\$ 41,323	\$ 82,082
Incurring claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	28,967	62,055
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>4,018</u>	<u>(16,698)</u>
Total incurred claims	<u>32,985</u>	<u>45,357</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(25,849)	(43,231)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(26,483)</u>	<u>(42,885)</u>
Total payments	<u>(52,332)</u>	<u>(86,116)</u>
Unpaid claims, end of year	<u>\$ 21,976</u>	<u>\$ 41,323</u>

Total liability for uninsured workmen's compensation claims at September 30, 2016, is recorded as follows: \$4,311 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$17,665, along with the estimated liability for insured risks of \$151,872, is recorded in the primary government's governmental activities' long-term debt and other liabilities in the government-wide financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 16. MEDICAL SELF-INSURANCE

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

	Fiscal Year	
	2016	2015
Unpaid claims, beginning of year	<u>\$ 191,160</u>	<u>\$ 162,718</u>
Incurring claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	3,350,301	2,844,293
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>13,678</u>	<u>43,342</u>
Total incurred claims	<u>3,363,979</u>	<u>2,887,635</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(3,181,293)	(2,653,133)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(204,838)</u>	<u>(206,060)</u>
Total payments	<u>(3,386,131)</u>	<u>(2,859,193)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 169,008</u>	<u>\$ 191,160</u>

The unpaid claims as of September 30, 2016, are reported in the General Fund.

NOTE 17. UNEMPLOYMENT COMPENSATION

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2016, by the State (\$7,508) to individuals is reflected as an expense of the General Fund.

NOTE 18. AD VALOREM TAX COLLECTION EXPENSE

The City is charged a collection fee by the County Revenue Commissioner for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year-ended September 30, 2016:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 4,233,055 *	\$ 97,527	\$ 38,865	\$ 4,096,663
Special 5-Mill Tax Fund	5	4,222,083 **	97,527	38,865	4,085,691
Special School Tax Fund	16	<u>14,531,928</u>	<u>332,513</u>	<u>134,555</u>	<u>14,064,860</u>
Property tax totals	<u>26</u>	<u>\$ 22,987,066</u>	<u>\$ 527,567</u>	<u>\$ 212,285</u>	<u>\$ 22,247,214</u>

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

** Reduced by industrial tax exemptions.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2016 consist of the following:

<u>Amount</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Purpose</u>
\$ 12,717	General Fund	Nonmajor Governmental Funds	Provide cash flow for grants program
	Nonmajor Governmental Funds	Federal Grant Loan Repayment Fund	Provide cash flow for grants program
<u>2,027</u>			
<u>\$ 14,744</u>			

NOTE 20. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2016:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 496,250	\$ 1,312,495
Federal Grant Loan Repayment Fund	-	109,967
Nonmajor Governmental Funds	<u>1,409,967</u>	<u>365,000</u>
Total governmental activities	<u>1,906,217</u>	<u>1,787,462</u>
Major Proprietary Fund		
Sewer Revenue Fund	5,892	76,250
Nonmajor proprietary fund	<u>6,603</u>	<u>55,000</u>
Total business-type activities	<u>12,495</u>	<u>131,250</u>
Total primary government	<u>\$ 1,918,712</u>	<u>\$ 1,918,712</u>

Interfund transfers are reported in the governmental activities and business-type activities fund financial statements. Interfund transfers are eliminated in the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 21. INTRA-ENTITY TRANSACTIONS

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

A. Short-term receivables and payables

	<u>Due To</u>	<u>Due From</u>
Component Units		
Auburn City Board of Education	\$ -	\$ 5,490,653
Industrial Development Board	-	832,203
Water Works Board	417,978	200,597
Primary Government		
General Fund	188,856	373,143
Special School Tax Fund	5,490,653	-
Nonmajor governmental funds	726,989	-
Sewer Revenue Fund	91,041	44,835
Nonmajor proprietary fund	25,914	-
Total	<u>\$ 6,941,431</u>	<u>\$ 6,941,431</u>

Amounts loaned from the City of Auburn to its component units represent reimbursements due for operating expenses, and repayment will be made from operating revenues in the next fiscal period.

B. Long-term advances

	<u>Advances To</u>	<u>Advances From</u>
Primary Government		
General Fund	\$ -	105,417
Federal Grant Loan Repayment Fund	1,125,000	-
Component Units		
Water Works Board	105,417	-
Housing Authority	-	1,200,000
Total	<u>\$ 1,230,417</u>	<u>\$ 1,305,417</u>

Amounts loaned from the City of Auburn to the Auburn Housing Authority represent pass through grant funds for the purpose of renovation and revitalization of low-income housing. See the Auburn Housing Authority detail of Note 10 for detail of the repayment terms.

Due to the disparity in the year ends of the Housing Authority and the City of Auburn of June 30 and September 30, respectively, the amounts receivable and payable between the entities do not agree. The annual payment of \$75,000 plus interest is due on July 20 of each year, therefore the payment is reflected as received by the City of Auburn, but was not reflected as paid by the Housing Authority at their year end.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 21. INTRA-ENTITY TRANSACTIONS - CONTINUEDC. Payments between the City and Component Units

	Appropriations To	Payments From
Primary Government		
General Fund	\$ -	\$ 12,437,632
Special School Tax Fund	-	49,418,952
Federal Grant Loan Repayment Fund	-	75,000
Nonmajor governmental funds	-	2,133,958
Component Units		
Auburn City Board of Education	60,918,952	-
Industrial Development Board	3,015,458	-
Public Parks and Recreation Board	131,132	-
Total	<u>\$ 64,065,542</u>	<u>\$ 64,065,542</u>

Payments from the City to its component units consist primarily of funding for routine operating expenses and debt service payments. The payments between the City and its component units do not balance in the fund financial statements due to a difference in the measurement focus and basis of accounting between governmental funds and proprietary-type component units.

The City appropriated \$60,918,952 to the Board of Education during the year, \$59,343,252 of which is reported as unrestricted appropriations from the City with the balance of \$1,575,700 reported as unearned revenue related to retainage payable on construction contracts.

The City appropriated \$881,500 to the Industrial Development Board for various operating purposes, including industrial recruitment, commercial development, workforce development, and other general operating expenses. Additionally, the City appropriated \$2,133,958 for improvements to the Auburn Technology Park West. That amount is included in capital contributions in the statement of revenues, expenses and changes in net position.

In addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education that are not recorded as payments to the ABOE. The debt payments (including bond trustee fees) paid on behalf of the Board of Education are reflected on the City's books as debt service expenditures and amounted to \$9,283,311.

NOTE 22. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND

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

In previous years, the City received various HODAG and UDAG federal grants which were used to make loans to private entities to be used for housing and business development activities within the City. As the City receives repayments from these loans, the repayments of funds may be expended for Title I eligible purposes. The City is using some of these repayments to make loans and grant incentives to private entities and individuals for further housing and business development activities. Loans made under contracts for the Micro-Loan Program and the Commercial and Industrial Loan Program will produce repayments which the City will use in the same manner as described above. Based on their related purposes and activities, the following Special Revenue Funds are presented as a single fund entitled the Federal Grant Loan Repayment Fund: the Shelton Park Urban Development Action Grant (UDAG) Fund, the Revolving Loan Fund, the Affordable Housing Fund, the CDBG RLF Housing Rehab Loan Program Fund, the CDBG RLF Affordable Housing Loan Program Fund and the Section 108 Loan Program Fund.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 22. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND-CONTINUED

Selected financial information for the sub-funds of the Federal Grant Loan Repayment Fund for the current fiscal year is as follows:

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Section 108 Loan Program*	Total
Assets							
Cash and cash equivalents	\$ 40,445	\$ 52,112	\$ 52,029	\$ 1,127	\$ 903	\$ -	\$ 146,616
Investments	-	-	-	-	-	875,419	875,419
Receivables, net	-	-	-	-	-	7,838	7,838
Mortgages receivable	76,986	-	191,474	1,005,992	554,308	824,772	2,653,532
Advance to component units	-	-	-	-	-	1,125,000	1,125,000
Restricted cash	-	-	-	-	-	126,897	126,897
Total assets	\$ 117,431	\$ 52,112	\$ 243,503	\$ 1,007,119	\$ 555,211	\$ 2,959,926	\$ 4,935,302
Liabilities and Fund Balance							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 21,457	\$ -	\$ -	\$ -	\$ 21,457
Due to other funds	-	-	-	1,127	900	-	2,027
Unearned revenues	76,986	-	191,523	1,005,992	554,308	1,949,773	3,778,582
Total liabilities	76,986	-	212,980	1,007,119	555,208	1,949,773	3,802,066
Fund balance:							
Restricted - social & economic	40,445	52,112	30,523	-	3	1,010,153	1,133,236
Total liabilities and fund balance	\$ 117,431	\$ 52,112	\$ 243,503	\$ 1,007,119	\$ 555,211	\$ 2,959,926	\$ 4,935,302
Revenues							
Program income	\$ -	\$ -	\$ 7,727	\$ 34,995	\$ 60,177	\$ 184,565	\$ 287,464
Miscellaneous	-	-	54	6	212	-	272
Interest	210	659	9,728	570	13,876	64,205	89,248
Total revenues	210	659	17,509	35,571	74,265	248,770	376,984
Expenditures							
Economic development	-	-	21,457	-	-	42,606	64,063
Debt service - interest	-	-	-	-	-	82,187	82,187
Debt service - principal	-	-	-	-	-	178,000	178,000
Payments to component units	-	75,000	-	-	-	-	75,000
Total expenditures	-	75,000	21,457	-	-	302,793	399,250
Excess (deficiency) of revenues over expenditures	210	(74,341)	(3,948)	35,571	74,265	(54,023)	(22,266)
Other financing sources (uses)							
Transfers out	-	-	-	(35,571)	(74,396)	-	(109,967)
Total other financing sources (uses)	-	-	-	(35,571)	(74,396)	-	(109,967)
Net changes in fund balance	210	(74,341)	(3,948)	-	(131)	(54,023)	(132,233)
Fund balance, beginning of year	40,235	126,453	34,471	-	134	1,064,176	1,265,469
Fund balance, end of year	\$ 40,445	\$ 52,112	\$ 30,523	\$ -	\$ 3	\$ 1,010,153	\$ 1,133,236

* Net of interfund eliminations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 23. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE REVENUE FUND

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

	State Funded Seizures	Public Safety Substance Abuse (other seizures)	Total
Assets			
Cash and cash equivalents	<u>\$ 84,158</u>	<u>\$ 122,522</u>	<u>\$ 206,680</u>
Liabilities and fund balance			
Accounts payable and accrued liabilities	\$ 121	\$ 954	\$ 1,075
Unearned revenue	<u>-</u>	<u>56,117</u>	<u>56,117</u>
Total liabilities	<u>121</u>	<u>57,071</u>	<u>57,192</u>
Fund balance			
Restricted - law enforcement	<u>84,037</u>	<u>65,451</u>	<u>149,488</u>
Total liabilities and fund balance	<u>\$ 84,158</u>	<u>\$ 122,522</u>	<u>\$ 206,680</u>
Revenues			
Contributions from the public	\$ 19,964	\$ 59,374	\$ 79,338
Interest	<u>387</u>	<u>786</u>	<u>1,173</u>
Total revenues	<u>20,351</u>	<u>60,160</u>	<u>80,511</u>
Expenditures			
Public safety	6,940	61,755	68,695
Capital outlay	<u>12,400</u>	<u>-</u>	<u>12,400</u>
Total expenditures	<u>19,340</u>	<u>61,755</u>	<u>81,095</u>
Excess (deficiency) of revenues over expenditures	<u>1,011</u>	<u>(1,595)</u>	<u>(584)</u>
Other financing sources (uses)			
Sale of surplus assets	<u>5,220</u>	<u>1,595</u>	<u>6,815</u>
Total other financing sources (uses)	<u>5,220</u>	<u>1,595</u>	<u>6,815</u>
Net changes in fund balances	6,231	-	6,231
Fund balance, beginning of year	<u>77,806</u>	<u>65,451</u>	<u>143,257</u>
Fund balance, end of year	<u>\$ 84,037</u>	<u>\$ 65,451</u>	<u>\$ 149,488</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES

For managerial accounting purposes, several activities reported in the City of Auburn's General Fund are recorded in sub-funds. Selected financial information for these various activities for the current fiscal year (as reflected in the governmental fund financial statements) is shown below, net of related eliminating entries:

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Assets					
Cash and cash equivalents	\$ 22,034,818	\$ 865,967	\$ 1,930,330	\$ 1,696,648	\$ 26,527,763
Investments	13,166,372	-	-	-	13,166,372
Receivables, net	10,066,885	1,099,439	26,820	-	11,193,144
Due from other funds	12,717	-	-	-	12,717
Due from component units	360,861	-	12,282	-	373,143
Inventories	214,265	-	-	-	214,265
Prepaid items	1,426,962	-	-	-	1,426,962
Advances to other agencies	117,976	-	-	-	117,976
Restricted cash	343,769	-	-	-	343,769
Property for resale	4,851,127	-	-	-	4,851,127
Total assets	\$ 52,595,752	\$ 1,965,406	\$ 1,969,432	\$ 1,696,648	\$ 58,227,238
Liabilities					
Accounts payable and accrued liabilities	\$ 2,709,320	\$ 5,658	\$ 27,047	\$ -	\$ 2,742,025
Payables to other governments	1,683,273	-	-	-	1,683,273
Due to component units	188,856	-	-	-	188,856
Customer deposits	258,760	-	-	-	258,760
Claims payable	-	-	169,008	\$ 96,183	265,191
Unearned revenue	838,633	2,750,288	-	-	3,588,921
Advance from component unit	105,417	-	-	-	105,417
Total liabilities	5,784,259	2,755,946	196,055	96,183	8,832,443
Fund balances					
Nonspendable					
Investments	13,166,371	-	-	-	13,166,371
Inventories	214,265	-	-	-	214,265
Prepaid items	1,426,962	-	-	-	1,426,962
Advances	117,976	-	-	-	117,976
Property for resale	4,851,127	-	-	-	4,851,127
Restricted					
Law enforcement	343,769	-	-	-	343,769
Assigned					
Social and economic	305,871	-	-	-	305,871
General	3,833,467	648,774	-	-	4,482,241
Unassigned	22,330,692	(1,439,314)	1,948,005	1,646,830	24,486,213
Total fund balances	46,590,500	(790,540)	1,948,005	1,646,830	49,394,795
Total liabilities and fund balances	\$ 52,374,759	\$ 1,965,406	\$ 2,144,060	\$ 1,743,013	\$ 58,227,238

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues					
Sales and use taxes	\$ 39,672,910	\$ -	\$ -	\$ -	\$ 39,672,910
Occupational license fees	11,561,047	-	-	-	11,561,047
Motor fuel taxes	755,217	-	-	-	755,217
Lodging taxes	2,247,771	-	-	-	2,247,771
Rental and leasing taxes	799,550	-	-	-	799,550
Other taxes	271,462	-	-	-	271,462
Licenses and permits	11,856,992	-	-	-	11,856,992
General property tax	5,027,995	-	-	-	5,027,995
Charges for services	6,320,062	-	766,273	-	7,086,335
Fines and forfeitures	1,083,811	-	-	-	1,083,811
State shared taxes	1,175,067	-	-	-	1,175,067
Contributions from the public	1,170,602	361,744	-	-	1,532,346
Interest	229,198	23,540	11,526	7,705	271,969
Miscellaneous	85,081	-	85	-	85,166
Total revenues	82,256,765	385,284	777,884	7,705	83,427,638
Expenditures					
General government and administration	6,080,440	-	-	-	6,080,440
Public works	4,096,286	4,670	-	-	4,100,956
Environmental services	2,085,786	-	-	-	2,085,786
Public safety	19,205,564	-	-	-	19,205,564
Library	1,698,020	-	-	-	1,698,020
Parks and recreation	5,478,444	-	-	-	5,478,444
Planning	591,964	-	-	-	591,964
Economic development	1,073,748	-	-	-	1,073,748
Employee services	794,435	-	1,391,759	-	2,186,194
Risk management	179,021	-	-	181,911	360,932
Total departmental	41,283,708	4,670	1,391,759	181,911	42,862,048
Non-departmental	2,241,732	-	-	-	2,241,732
Debt service:					
Administrative charges	2,233	-	-	-	2,233
Interest	1,391,956	23,815	-	-	1,415,771
Principal retirement	7,120,734	182,910	-	-	7,303,644
Capital outlay	10,078,942	349,028	-	-	10,427,970
Intergovernmental	1,037,158	-	-	-	1,037,158
Payments to component units	12,437,632	-	-	-	12,437,632
Total expenditures	75,594,095	560,423	1,391,759	181,911	77,728,188
Excess (deficiency) of revenues over expenditures	6,662,670	(175,139)	(613,875)	(174,206)	5,699,450

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Other financing sources (uses)					
Sale of surplus assets	57,863	-	-	-	57,863
Transfers in	436,250	-	-	60,000	496,250
Transfers out	(1,312,495)	-	-	-	(1,312,495)
Total other financing sources (uses)	(818,382)	-	-	60,000	(758,382)
Net changes in fund balances	5,844,288	(175,139)	(613,875)	(114,206)	4,941,068
Fund balances,					
beginning of year	40,607,240	(615,401)	2,561,880	1,761,036	44,314,755
Prior period adjustment	138,972	-	-	-	138,972
Fund balances, beginning, as restated	40,746,212	(615,401)	2,561,880	1,761,036	44,453,727
Fund balances, end of year	<u>\$ 46,590,500</u>	<u>\$ (790,540)</u>	<u>\$ 1,948,005</u>	<u>\$ 1,646,830</u>	<u>\$ 49,394,795</u>

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES**CITY OF AUBURN PRIMARY GOVERNMENT**

Commitments - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was \$3,985,336 as of September 30, 2016.

The City contracts with Veolia Water North America Operating Services, LLC for the operation, management and maintenance of the City's publicly owned wastewater treatment facilities. The original contract, dated February 5, 2002 and amended November 16, 2010, is effective until January 1, 2020. Under the agreement, the City pays for the cost of operations plus a management fee based on a percentage of the cost of operations. The operating fee is calculated annually based upon the facilities budget for the year and paid in monthly installments to Veolia. A true-up is conducted annually to adjust the budgeted payments to actual costs. During fiscal year 2016, the City paid Veolia \$1,602,428 to operate the wastewater facilities.

In September 2004, the City signed an agreement with Lee County, Alabama for the County to provide jail services to the City. In addition to a per inmate charge, the City agreed to assist the County with funding for its jail expansion project. The City agreed to make annual appropriations provided that the payments can be made from current revenues budgeted and appropriated for such purpose. Provided that this restriction is met, the following payments would be made to the County:

Fiscal Year	Appropriation
2017	\$ 361,574
2018	359,214
2019	361,630
2020	357,512
2021	357,858
2022	358,835
2023	356,706
2024	357,875
2025	358,818
Total	<u>\$ 3,230,022</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

In July 2006, the City entered into a development, funding and cooperation agreement with Auburn University and The Public Park and Recreation Board of the City of Auburn. The agreement provided for the construction of a tennis facility on approximately 11.21 acres of City owned land to include both an Auburn City tennis facility and an Auburn University tennis facility. The costs for constructing the tennis facilities were paid from general obligation bonds and warrants. The entire complex is being leased by the City to the Park Board for a period of twenty years. The Park Board subleases the University tennis facility to Auburn University, also for a period of twenty years. The tennis complex was completed in August 2007.

In fiscal year 2009, the City entered into an agreement with a commercial developer to provide for the use of future taxes to support the issuance of bonds for the purpose of constructing qualified public improvements as outlined in State of Alabama enabling legislation Chapter 99A and 99B, Title 11, Code of Alabama 1975. A portion of sales and lodging taxes (derived taxes) generated in this development is rebated to the developer to pay for debt service on the infrastructure improvements. Total derived taxes rebated on this agreement are \$1,477,597. The agreement expires in 2039.

In fiscal year 2011, the City began a commercial development incentive program pursuant to Amendment 772 to the Constitution of Alabama of 1901. This program allows the City of Auburn to rebate a portion of sales and use tax to projects as an incentive to locate within the City of Auburn or to make major renovations to an existing business, if the business meets certain capital and infrastructure improvement requirements. These incentives are performance based and would only be rebated if taxes are generated. These agreements have various terms with the longest term being 30 years. Total rebated taxes paid on these agreements are \$2,764,368.

Claims and Litigation - As of September 30, 2016, the City had been named defendant in one pending lawsuit. The suit did not specify a dollar amount of damages claimed. City management intends to vigorously defend this suit, and estimates that the City's potential loss in these actions will not exceed \$25,000.

In fiscal year 2016, the City expended \$120,915 in payment of claims and judgments and legal costs associated therewith. These expenditures are included in the General Fund as current expenditures for Risk Management.

Contingency: Audit of Federal and State Grants - The City received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City Management believes such disallowances, if any, will be immaterial.

COMPONENT UNITS**Board of Education**Commitments

The ABOE has one remaining commitment on an uncompleted contract for the construction of the new high school which is being funded with proceeds from a bond issued by the City of Auburn as follows:

	Project <u>Authorization</u>	Expended To <u>Date</u>	Remaining <u>Commitment</u>
New High School	\$ 73,664,850	\$ 47,712,563	\$ 25,952,287

The ABOE is obligated under certain leases which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the results of these lease agreements are not reflected as part of the ABOE's capital assets. The ABOE has several non-cancelable leases for certain equipment that are classified as operating leases. Rent expense under these noncancelable leases was \$88,308 for the fiscal year ended September 30, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 70,038
2018	27,992
2019	<u>6,314</u>
Total	<u>\$ 104,344</u>

The ABOE entered into lease agreements with Hewlett-Packard Financial Services Company and Key Government Finance for the purchase of student laptop computers and network equipment. These agreements qualified as capital leases for accounting purposes and were recorded at the present value of the future minimum lease payments as of the date of inception. Interest expense for the year ended September 30, 2016, was \$13,252.

The following is a summary of changes in obligations under capital leases of the ABOE for the year ended September 30, 2016:

	<u>Capital Lease Payable</u>
Balance, September 30, 2015	\$ 660,284
Retirement of debt	<u>(620,953)</u>
Balance, September 30, 2016	<u>\$ 39,331</u>

The approximate remaining annual minimum lease payments under the capital leases existing as of September 30, 2016, are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 39,331	\$ 574	\$ 39,905
	<u>\$ 39,331</u>	<u>\$ 574</u>	<u>\$ 39,905</u>

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

Water Works Board

Commitments - The Water Works Board has commitments for construction projects in connection with system improvements. During 2015 and 2016, the Board approved construction contracts totaling approximately \$17,600,000 for the Lake Ogletree Spillway project. The majority of these contracts were unfulfilled at year-end. These amounts along with commitments to complete other construction projects as of September 30, 2016, totaled \$13,217,259.

The Board entered into an agreement with the City of Opelika Water Board effective on June 1, 1983, for the right to purchase water from Opelika. The agreement had two commitments. First, the agreement provided that the Auburn Board would pay its proportionate share of the debt service on Opelika's Series 1983 bonds, plus its share of the bond issue costs, and an initial capital contribution. Auburn has fulfilled all of these initial commitments. Second, Auburn would pay Opelika for the water it purchased based on its share of the production and transportation costs in relation to total production. In return for its payment of these amounts, Auburn's Board receives the right to purchase not greater than 3.6 million gallons of water per day. It is a 'take-or-pay' agreement with the first 138 million gallons annual amount set as a required minimum. The original agreement was set to expire in March of 2013; however, the Board approved the 20 year renewal (at no additional cost as set forth in the agreement) in October of 2012.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

The Water Board also entered into an agreement in May 2011 to purchase water from Sandy Springs Farm II, LLC. The agreement included a land lease and permission to build and operate a well on property located on the farm. Construction was completed and Well No. 3 was placed in service May of 2012. The agreement includes a minimum annual purchase of 210,240,000 gallons per year at an initial rate of \$.50 per 1,000 gallons (\$105,120 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and increased to \$.55 per 1,000 gallons (\$115,632) for the year ended September 30, 2016. The term of the agreement is twenty years, with six five-year extension options. Total water pumped in the 2016 fiscal year was 427,206 thousand gallons with a total annual payment of \$234,963.

In October of 2003 the Water Board entered into Safe Harbor Agreement along with Martin Marietta Materials, Inc, The City of Auburn, the State of Alabama, the U.S. Fish and Wildlife Service and other land owners along Chewacala Creek to provide for the protection of certain endangered species. The agreement lays out minimal water discharge, maintenance, testing and reporting along the Chewacala Creek stream bank and bed. The requirements are pursuant to the Safe Harbor Policy for the “enrolled properties” which include the Martin Marietta Quarry, where the Water Board has agreed upon rights to pump water directly from the quarry basin to Lake Ogletree. The Safe Harbor agreement is for 30 years and subject to changes as required by federal laws and the health of the aquatic community.

Industrial Development Board

Commitments - As of September 30, 2016, the IDB was committed under certain construction contracts in the approximate amount of \$2,800,000. Additionally, various incentive packages were committed to thirteen companies as incentives to locate in Auburn or to expand existing operations. The incentives include property acquisition at discounted values; cash assistance for site preparation, relocation and training; and tax abatements. Subsequent to year end, but prior to the date of these financial statements, \$100,000 of these incentives were paid by the IDB.

In a prior year, the IDB had committed approximately 13 +/- acres of property in Auburn Technology Park West to an industry for future expansion, if needed. The commitment expires in November, 2023.

Prior to year end, the IDB committed to transfer approximately 1.24 +/- acres in its Industrial Park to the school board. The transfer was recorded subsequent to September 30, 2016.

Contingencies - The IDB has received several state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, IDB management believes such disallowances, if any, will be immaterial.

Auburn Housing Authority

Contingencies - Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 26. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill closed in fiscal year 2000. Post closure care costs are paid only after the date that the landfill stops accepting waste; the City reports these post closure care costs in governmental activities' long-term debt and other liabilities. There were no expenditures for landfill closure and post closure care during fiscal year 2016. The \$133,000 reported as landfill post closure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2016, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 27. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

The City has evaluated subsequent events through March 8, 2017, the date these financial statements were available to be issued.

Subsequent to September 30, 2016, the City Council approved various design and construction contracts totaling approximately \$6,300,000, professional services type contracts totaling approximately \$1,380,000, and equipment and computer software purchases totaling approximately \$2,630,000.

On February 21, 2017, the City Council approved the purchase of approximately 160 acres of land from the Auburn Board of Education for \$3,989,500 to be used for recreational purposes.

COMPONENT UNITS

Board of Education

On October 11, 2016, the Board approved a lease for the front field located on the property of Pick Elementary School to the City of Auburn for an initial term of 10 years with an automatic renewal of 4 additional 10 year terms.

On December 13, 2016, the Board approved bids in the amounts of \$92,832 each for the purchase of one or more 54-passenger special needs buses, and \$84,389 each for three or more 78-passenger buses.

On January 10, 2017, the Board approved a bid of \$72,347 by University Agency for vehicle fleet insurance, insuring 99 buses and 25 vehicles.

Water Works Board

Subsequent to September 30, 2016, the Board approved contract amendments, one engineering and one construction, totaling \$286,009. Both contracts were associated with the construction of the Lake Ogletree Dam Outlet Structure and Spillway project.

Subsequent to September 30, 2016, the Board approved the purchase of equipment totaling \$137,780. The equipment included a 5,300-gallon chemical tank and a 50 horsepower pump and assembly for the James E. Estes Water Treatment Facility and two replacement vehicles.

Industrial Development Board

The Board signed two construction contracts subsequent to September 30, 2016, totaling approximately \$2.08 million. The contracts were for improvements to Auburn Technology Park West Annex, and an expansion to a building owned by the Board and held for leasing. The improvements to Auburn Technology Park West Annex will be funded with capital contributions from the City of Auburn.

A new construction loan in the principal amount of \$1.3 million was obtained to finance the expansion contract that was signed subsequent to September 30, 2016. Additionally, draws were made from an existing construction loan in the approximate amount of \$1.69 million to pay for construction costs incurred subsequent to year end. The construction loan will be converted to permanent financing upon completion of the building.

Subsequent to September 30, 2016, the Board committed \$335,000 in the form of two working capital loans to industries located in Auburn Technology Park West. The loans were used to finance the tenant portion of improvement costs.

In December 2016, the Board purchased approximately 50.9 +/- acres of industrial property in the vicinity of Auburn Technology Park West. The purchase price including settlement costs was approximately \$602,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 28. PRIOR PERIOD ADJUSTMENTS

CITY OF AUBURN PRIMARY GOVERNMENT

During 2016, a prior period adjustment of \$20,664,439 was recorded to recognize the net value of roads contributed to the City for fiscal years 2008 through 2015. These roads were either started by developers but subsequently abandoned and completed by the City, roads completed by developers and contributed to the City upon completion, or roads contributed to the City by the Industrial Development Board. The City will record these contributed roads as they're accepted by Council going forward.

During 2016, a prior period adjustment of \$138,972 was recorded to recognize the initial value of fleet materials inventory. The City finalized an inventory tracking system during the year and will properly record purchases and usage going forward.

Required Supplementary Information

CITY OF AUBURN, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

	<u>2015</u>	<u>2014</u>
	\$	\$
Total pension liability		
Service cost	2,096,359	2,020,170
Interest	6,773,185	6,444,210
Differences between expected and actual experience	(201,519)	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(4,462,051)</u>	<u>(4,242,336)</u>
Net change in total pension liability	4,205,974	4,222,044
Total pension liability - beginning	<u>86,895,839</u>	<u>82,673,795</u>
Total pension liability - ending (a)	<u><u>91,101,813</u></u>	<u><u>86,895,839</u></u>
Plan fiduciary net position		
Contributions - employer	2,827,895	2,602,824
Contributions - member	1,548,903	1,341,496
Net investment income	683,202	6,183,165
Benefit payments, including refunds of employee contributions	(4,462,051)	(4,242,336)
Transfers among employers	<u>(66,372)</u>	<u>193,733</u>
Net change in plan fiduciary net position	531,577	6,078,882
Plan net position - beginning	<u>57,663,395</u>	<u>51,584,513</u>
Plan net position - ending (b)	<u><u>58,194,972</u></u>	<u><u>57,663,395</u></u>
Net pension liability - ending (a) - (b)	32,906,841	29,232,444
Plan fiduciary net position as a percentage of the total pension liability	63.88%	66.36%
Covered payroll ⁽¹⁾	25,894,222	24,266,174
Net pension liability as a percentage of covered-employee payroll	127.08%	120.47%

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of Auburn will only present information for those years for which information is available.

⁽¹⁾Employer's covered payroll during the measurement period is the total covered payroll. For FY2016, the measurement period is October 1, 2014 to September 30, 2015.

CITY OF AUBURN, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEAR ENDING SEPTEMBER 30

	<u>2016</u>	<u>2015</u>
	\$	\$
Actuarially determined contributions	2,818,007	2,704,775
Actual employer contributions	2,818,007	2,704,775
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered payroll ⁽¹⁾	27,235,213	25,894,222
Contributions as a percentage of covered payroll	10.35%	10.45%

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of Auburn will only present information for those years for which information is available.

⁽¹⁾ Employer's covered payroll for FY2016 is the total covered payroll for the 12 month period of the underlying financial statement.

CITY OF AUBURN, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

Schedule of Employer Contributions:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

The following methods and assumptions used to determine contribution rates:

Actuarial cost method: entry age

Amortization method: level percent closed

Remaining amortization period: 28 years

Asset valuation method: five year smoothed market

Inflation: 3.00%

Salary increases: 3.75 - 7.25%, including inflation

Investment rate of return: 8.00%, net of pension plan investment expense, including inflation

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Municipal Court Judicial Administration Fund accounts for funds received from specific fines collected that are to be used for municipal court administration purposes.

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

Grants – General Activities Fund accounts for state and federal grants.

Community Development Block Grant Fund accounts for those funds received from federal Community Development Block Grants and expended for approved community development projects.

Debt Service Funds

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

Special 5-Mill Tax Fund accounts for general property tax receipts used to pay principal and interest on voted bonds issued to finance projects approved by the voters.

Capital Projects Funds

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

West Tech Park Phase II Fund accounts for the revenue and expenditure of bonds issued by the City for the expansion of Auburn Technology Park West and other infrastructure projects.

**CITY OF AUBURN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue Funds										Debt Service Fund	Capital Projects Fund		Total Nonmajor Governmental Funds
	Public								Special 5-Mill Tax Fund	West Tech Park Phase II Fund				
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Total							
ASSETS														
Cash and cash equivalents	\$ 31,960	\$ 39,872	\$ 704,600	\$ 206,680	\$ 117,154	\$ 146	\$ 1,100,412	\$ 3,730,139	\$ 2,175,060	\$ 7,005,611				
Receivables, net	13,842	11,197	26,292	-	90,614	15,663	157,608	46,115	-	203,723				
Due from other funds	-	-	-	-	-	2,027	2,027	-	-	2,027				
Prepaid items	-	-	-	-	-	400	400	-	-	400				
Total assets	45,802	51,069	730,892	206,680	207,768	18,236	1,260,447	3,776,254	2,175,060	7,211,761				
LIABILITIES														
Accounts payable and accrued liabilities	-	-	25,559	1,075	1,290	5,232	33,156	-	-	33,156				
Due to component units	-	-	-	-	-	287	287	-	726,703	726,990				
Due to other funds	-	-	-	-	-	12,717	12,717	-	-	12,717				
Unearned revenue	-	-	-	56,117	15,483	-	71,600	-	-	71,600				
Total liabilities	-	-	25,559	57,192	16,773	18,236	117,760	-	726,703	844,463				
Restricted														
Roads, bridges and streets	45,802	51,069	-	-	-	-	96,871	-	-	96,871				
Law enforcement	-	-	705,333	149,488	-	-	854,821	-	-	854,821				
General grants	-	-	-	-	190,995	-	190,995	-	-	190,995				
Capital projects	-	-	-	-	-	-	-	-	1,448,357	1,448,357				
Debt service	-	-	-	-	-	-	-	3,776,254	-	3,776,254				
Total fund balances	45,802	51,069	705,333	149,488	190,995	-	1,142,687	3,776,254	1,448,357	6,367,298				
Total liabilities and fund balances	45,802	51,069	730,892	206,680	207,768	18,236	1,260,447	3,776,254	2,175,060	7,211,761				

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Total			
Revenues										
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,222,083	\$ -	\$ 4,222,083
State shared taxes	157,092	123,166	-	-	-	-	280,258	-	-	280,258
Fines and forfeitures	-	-	157,850	-	-	-	157,850	-	-	157,850
Contributions from the public	-	-	-	79,338	-	-	79,338	-	-	79,338
Grants	-	-	-	-	516,858	303,400	820,258	-	-	820,258
Interest	322	353	3,315	1,173	-	-	5,163	18,974	10,119	34,256
Total revenues	157,414	123,519	161,165	80,511	516,858	303,400	1,342,867	4,241,057	10,119	5,594,043
Expenditures										
General government and administration	-	-	9,320	-	-	-	9,320	-	-	9,320
Public works	-	-	-	-	511	-	511	-	-	511
Public safety	-	-	-	68,696	48,061	-	116,757	-	-	116,757
Library	-	-	-	-	7,463	-	7,463	-	-	7,463
Parks and recreation	-	-	-	-	22,990	-	22,990	-	-	22,990
Planning	-	-	-	-	507	-	507	-	-	507
Economic development	-	-	-	-	-	413,367	413,367	-	-	413,367
Total departmental	-	-	9,320	68,696	79,532	413,367	570,915	-	-	570,915
Non-departmental	-	-	-	-	-	-	-	136,404	-	136,404
Debt service:										
Interest	-	-	-	-	-	-	-	2,859,527	-	2,859,527
Administrative charges	-	-	-	-	-	-	-	806	-	806
Capital outlay	-	-	-	12,400	404,400	-	416,800	-	-	416,800
Payments to component units	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	9,320	81,096	483,932	413,367	987,715	2,996,737	2,133,958	2,133,958
Excess (deficiency) of revenues over expenditures	157,414	123,519	151,845	(585)	32,926	(109,967)	355,152	1,244,320	(2,123,839)	(524,367)
Other financing sources (uses)										
Sale of surplus assets	-	-	-	6,815	-	-	6,815	-	-	6,815
Transfers in	(200,000)	(165,000)	-	-	-	109,967	109,967	-	1,300,000	1,409,967
Transfers out	(200,000)	(165,000)	-	6,815	-	(109,967)	(248,218)	-	1,300,000	(365,000)
Total other financing sources (uses)	(42,586)	(41,481)	151,845	6,230	32,926	-	106,934	1,244,320	(823,839)	527,415
Net changes in fund balances	88,388	92,550	553,488	143,258	158,069	-	1,035,753	2,531,934	2,272,196	5,839,883
Fund balances, beginning of year	45,802	51,069	705,333	149,488	190,995	-	1,142,687	3,776,254	1,448,357	6,367,298
Fund balances, end of year										

CITY OF AUBURN, ALABAMA
SEVEN CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
State shared taxes	146,000	146,000	157,092	11,092
Interest	500	500	322	(178)
Total revenues	146,500	146,500	157,414	10,914
Other financing uses				
Transfers out	(200,000)	(200,000)	(200,000)	-
Net changes in fund balances	(53,500)	(53,500)	(42,586)	10,914
Fund balances, beginning of year	88,388	88,388	88,388	-
Fund balances, end of year	34,888	34,888	45,802	10,914

CITY OF AUBURN, ALABAMA
FOUR AND FIVE CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
State shared taxes	113,500	113,500	123,166	9,666
Interest	500	500	353	(147)
Total revenues	114,000	114,000	123,519	9,519
Other financing uses				
Transfers out	(165,000)	(165,000)	(165,000)	-
Net changes in fund balances	(51,000)	(51,000)	(41,481)	9,519
Fund balances, beginning of year	92,550	92,550	92,550	-
Fund balances, end of year	41,550	41,550	51,069	9,519

CITY OF AUBURN, ALABAMA
PUBLIC SAFETY SUBSTANCE ABUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
Contributions from the public	104,000	108,450	79,338	(29,112)
Interest	750	750	1,173	423
Total revenues	104,750	109,200	80,511	(28,689)
Expenditures				
Public safety	63,085	63,085	68,696	(5,611)
Capital outlay	59,500	59,500	12,400	47,100
Total expenditures	122,585	122,585	81,096	41,489
Excess (deficiency) of revenues over expenditures	(17,835)	(13,385)	(585)	12,800
Other financing sources				
Sale of surplus assets	-	3,650	6,815	3,165
Net changes in fund balances	(17,835)	(9,735)	6,230	15,965
Fund balances, beginning of year	143,258	143,258	143,258	-
Fund balances, end of year	125,423	133,523	149,488	15,965

CITY OF AUBURN, ALABAMA
SPECIAL 5-MILL TAX DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
General property tax	4,045,570	4,095,570	4,222,083	126,513
Interest	16,000	16,000	18,974	2,974
Total revenues	4,061,570	4,111,570	4,241,057	129,487
Expenditures				
Non-departmental	150,529	150,529	136,404	14,125
Debt service:				
Interest	2,859,529	2,859,529	2,859,527	2
Administrative charges	3,473	3,473	806	2,667
Total expenditures	3,013,531	3,013,531	2,996,737	16,794
Net changes in fund balances	1,048,039	1,098,039	1,244,320	146,281
Fund balances, beginning of year	2,531,934	2,531,934	2,531,934	-
Fund balances, end of year	3,579,973	3,629,973	3,776,254	146,281



City of Auburn

Nonmajor Component Units

Public Park & Recreation Board

In October of 1990, the Auburn City Council authorized the establishment of a park and recreation board, primarily to act as an advisor to the Council concerning proposed recreation projects and to acquire such recreation facilities as may be deemed to be in the public interest.

All three Board members are appointed by the City Council, which maintains a significant degree of control over the Board's officials. The City exercises total control over budgetary adoption requests and revisions and has responsibility for funding deficits and operating deficiencies of the Board. The Public Park and Recreation Board is a proprietary fund type or business-type activity.

This component unit currently accounts for the operation of the Yarbrough Tennis Center, which opened in July 2007.

Auburn Downtown Redevelopment Authority

The Auburn Downtown Redevelopment Authority was incorporated in February of 1985 and all members are appointed by the City. It was established in order to aid in the revitalization and improvement of the central downtown business district. The Authority is charged with promoting the public good and general welfare, trade, commerce, industry, and employment opportunities by creating a climate favorable to the location of a new industry, trade and commerce, and the development of existing industry, trade and commerce.

The City invested funds into the Authority to facilitate the redevelopment of downtown property. The Authority must repay the City, which indicates a financial benefit burden relationship, as the City is legally entitled to the Authority's resources. The Auburn Downtown Redevelopment Authority is presented as a proprietary fund type or business-type activity.

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF NET POSITION
SEPTEMBER, 30 2016

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	150	-	150
Receivables, net	36,952	-	36,952
Current portion of net investment in capital leases	-	46,171	46,171
Other current assets	1,299	-	1,299
Total current assets	<u>38,401</u>	<u>46,171</u>	<u>84,572</u>
Noncurrent assets			
Net investment in capital leases, net of current portion	-	1,368,587	1,368,587
Capital assets, net of accumulated depreciation	4,710,454	-	4,710,454
Total noncurrent assets	<u>4,710,454</u>	<u>1,368,587</u>	<u>6,079,041</u>
Total assets	<u>4,748,855</u>	<u>1,414,758</u>	<u>6,163,613</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	20,248	-	20,248
Total deferred outflows of resources	<u>20,248</u>	<u>-</u>	<u>20,248</u>
LIABILITIES			
Current liabilities			
Accounts payable and other accrued liabilities	14,063	-	14,063
Current portion of long-term debt	-	46,171	46,171
Total current liabilities	<u>14,063</u>	<u>46,171</u>	<u>60,234</u>
Noncurrent liabilities			
Long-term debt and other liabilities	-	1,368,587	1,368,587
Net pension liability	133,392	-	133,392
Total noncurrent liabilities	<u>133,392</u>	<u>1,368,587</u>	<u>1,501,979</u>
Total liabilities	<u>147,455</u>	<u>1,414,758</u>	<u>1,562,213</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	3,164	-	3,164
Total deferred inflows of resources	<u>3,164</u>	<u>-</u>	<u>3,164</u>
NET POSITION			
Net investment in capital assets	4,710,454	-	4,710,454
Unrestricted (deficit)	(91,970)	-	(91,970)
Total net position	<u><u>4,618,484</u></u>	<u><u>-</u></u>	<u><u>4,618,484</u></u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER, 30 2016

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	83,139	-	83,139
Grants	893	-	893
Miscellaneous	93,924	-	93,924
Total operating revenues	<u>177,956</u>	<u>-</u>	<u>177,956</u>
Operating expenses			
Salaries and wages	138,078	-	138,078
Employee benefits	34,089	-	34,089
Repairs and maintenance	51,049	-	51,049
Utilities	101,210	-	101,210
Rentals and leasing	1,531	-	1,531
Insurance	2,416	-	2,416
Office supplies	3,632	-	3,632
Professional services	604	-	604
Agricultural and chemical supplies	550	-	550
Depreciation/amortization	303,601	-	303,601
Minor equipment and tools	9,477	-	9,477
Travel and training	358	-	358
Miscellaneous	895	-	895
Total operating expenses	<u>647,490</u>	<u>-</u>	<u>647,490</u>
Operating income (loss)	<u>(469,534)</u>	<u>-</u>	<u>(469,534)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	35	26,019	26,054
Appropriations from the City of Auburn	131,132	-	131,132
Interest and fiscal charges	(6)	(26,019)	(26,025)
Total non-operating revenues (expenses)	<u>131,161</u>	<u>-</u>	<u>131,161</u>
Change in net position	(338,373)	-	(338,373)
Net position--beginning of year	<u>4,956,857</u>	<u>-</u>	<u>4,956,857</u>
Net position--end of year	<u><u>4,618,484</u></u>	<u><u>-</u></u>	<u><u>4,618,484</u></u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER, 30 2016

	Public Park and Recreation Board \$	Downtown Redevelopment Authority \$	Total \$
Cash flows from operating activities			
Cash collected from customers	219,746	-	219,746
Other cash collected (misc income)	893	-	893
Payments to suppliers for goods and services	(171,995)	-	(171,995)
Payments to employees for services	(173,031)	-	(173,031)
Net cash provided (consumed) by operating activities (A)	<u>(124,387)</u>	<u>-</u>	<u>(124,387)</u>
Cash flows from noncapital financing activities			
Operating transfers in	131,132	-	131,132
Net cash provided (consumed) by noncapital financing activities	<u>131,132</u>	<u>-</u>	<u>131,132</u>
Cash flows from capital and related financing activities			
Interest and fiscal fees paid	(6)	(26,019)	(26,025)
Acquisition and construction of capital assets	(6,988)	-	(6,988)
Net cash provided (consumed) by capital and related financing activities	<u>(6,994)</u>	<u>(26,019)</u>	<u>(33,013)</u>
Cash flows from investing activities			
Interest on investments	35	26,019	26,054
Net cash provided (consumed) by investing activities	<u>35</u>	<u>26,019</u>	<u>26,054</u>
Net increase (decrease) in cash	(214)	-	(214)
Cash and cash equivalents, beginning of year	364	-	364
Cash and cash equivalents, end of year	<u>150</u>	<u>-</u>	<u>150</u>

Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):

Operating income (loss)	(469,534)	-	(469,534)
Add:			
Depreciation/amortization expense	303,601	-	303,601
Decrease in accounts receivable	42,683	-	42,683
Increase in pension related liabilities	11,641	-	11,641
Less:			
Increase in prepaid expenses	(182)	-	(182)
Decrease in accounts payable/accrued liabilities	(90)	-	(90)
Increase in deferred pension contributions	(7,836)	-	(7,836)
Decrease in pension related liabilities/deferred inflows	<u>(4,670)</u>	<u>-</u>	<u>(4,670)</u>
Net cash provided (consumed) by operating activities	<u>(124,387)</u>	<u>-</u>	<u>(124,387)</u>

Capital Assets Used in the Operation of Governmental Funds

These schedules present supplementary information on capital assets by source and by function and activity. In addition, the changes in capital assets from the prior fiscal year are presented by function and activity.

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2016

Governmental funds capital assets	\$
Land, buildings and improvements	65,029,936
Construction in progress	8,431,055
Communication equipment	381,849
Heavy equipment	3,291,694
Office equipment	3,618,962
Small tools and equipment	1,438,773
Vehicles	8,934,693
Infrastructure	176,524,649
Total governmental funds capital assets	<u>267,651,611</u>
Investment in governmental funds capital assets by source	
General fund revenues	163,717,507
Capital projects funds	56,710,214
Federal grants	11,993,123
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	24,450,295
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	6,681,098
Total investment in governmental funds capital assets	<u>267,651,611</u>

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2016

	Governmental Funds Capital Assets September 30, 2015	Prior Period Adjustment	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2016
	\$	\$	\$	\$	\$
General government and administration					
Information technology	2,381,969	-	418,534	(43,180)	2,757,324
Geographical information systems	289,423	-	-	(13,596)	275,827
Judicial	28,212	-	-	-	28,212
Administrative	662,027	-	-	-	662,027
Finance	864,350	-	-	(6,095)	858,255
Total general government and administration	4,225,981	-	418,534	(62,871)	4,581,645
Public works administration	158,773,480	22,059,421	16,734,001	(7,497,403)	190,069,497
Environmental services	2,547,286	-	51,401	-	2,598,686
Public safety administration	5,597,006	-	561,018	-	6,158,023
Fire	3,797,662	-	788,026	(267,379)	4,318,308
Police	3,171,575	-	355,710	(206,157)	3,321,128
Codes enforcement	79,533	-	57,159	(25,344)	111,348
Library	5,237,520	-	-	-	5,237,520
Parks and recreation	29,037,194	-	2,158,951	(792,075)	30,404,070
Planning	47,269	-	-	-	47,269
Human resources	1,212,728	-	358,619	(356,934)	1,214,413
Economic development	163,494	-	-	-	163,494
Total departmental	213,890,728	22,059,421	21,483,419	(9,208,163)	248,225,401
Nondepartmental	19,295,038	-	131,172	-	19,426,210
Total governmental funds capital assets	233,185,766	22,059,421	21,614,591	(9,208,163)	267,651,611

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2016

Function and Activity	Total \$	Land Buildings & Improvements \$	Easements \$	Construction in Progress \$	Heavy Equipment \$	Office Equipment \$	Software \$	Small Tools and Equipment \$	Vehicles \$	Infrastructure \$
General government and administration										
Information technology	2,757,324	27,021	-	743,528	-	1,169,280	241,350	71,229	67,120	437,796
Geographical information systems	275,827	14,835	-	-	-	224,383	36,609	-	-	-
Judicial	28,212	28,212	-	-	-	-	-	-	-	-
Administrative	662,027	662,027	-	-	-	-	-	-	-	-
Finance	858,255	6,272	-	-	-	21,835	806,202	-	23,946	-
Total general government and administration	4,581,645	738,367	-	743,528	-	1,415,498	1,084,161	71,229	91,066	437,796
Public works administration	190,069,497	3,823,119	4,308,044	6,586,111	1,443,569	72,952	13,437	118,193	1,346,571	172,357,501
Environmental services	2,598,686	938,606	-	-	313,758	6,659	-	213,977	1,125,686	-
Public safety administration	6,158,023	4,813,671	-	581,075	-	234,232	365,956	-	21,763	141,326
Fire	4,318,308	232,980	-	-	1,003,192	-	-	284,799	2,797,337	-
Police	3,321,128	130,593	-	-	-	227,700	75,748	362,996	2,524,091	-
Codes enforcement	111,348	-	-	-	-	7,421	-	-	103,927	-
Library	5,237,520	5,050,907	-	-	-	180,983	-	-	-	5,630
Parks and recreation	30,404,070	24,516,535	-	520,341	531,175	15,775	-	387,579	850,269	3,582,396
Planning	47,269	4,500	-	-	-	5,583	-	-	37,186	-
Human resources	1,214,413	900,266	-	-	-	100,130	194,576	-	19,441	-
Economic development	163,494	146,138	-	-	-	-	-	-	17,356	-
Total departmental	248,225,401	41,295,682	4,308,044	8,431,055	3,291,694	2,266,933	1,733,878	1,438,773	8,934,693	176,524,649
Nondepartmental	19,426,210	19,426,210	-	-	-	-	-	-	-	-
Total governmental funds capital assets	267,651,611	60,721,892	4,308,044	8,431,055	3,291,694	2,266,933	1,733,878	1,438,773	8,934,693	176,524,649

STATISTICAL SECTION

This part of the City of Auburn’s comprehensive annual financial report presents detailed information about the government’s economic condition. This section aids in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends – Tables 1-5	162
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
Revenue Capacity – Tables 6-8	169
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, sales tax.</i>	
Debt Capacity – Tables 9-13	171
<i>These schedules contain information to help the reader assess the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information – Tables 14-15	175
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information – Tables 16-18	177
<i>These schedules contain information to help the reader understand the government’s operations and resources.</i>	

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Auburn
Net Position by Activity Type
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities										
Net investment in capital assets	57,850,766	74,502,152	75,764,472	81,866,977	87,677,067	91,886,384	100,145,164	110,178,706	118,307,151	149,544,640
Restricted	8,621,350	9,642,375	10,992,367	12,021,563	11,418,353	12,643,443	12,142,108	10,706,845	92,735,176	67,163,363
Unrestricted ⁽¹⁾	(52,786,017)	(56,231,481)	(63,639,574)	(74,342,301)	(67,271,114)	(74,219,051)	(64,934,181)	(55,679,045)	(156,555,646)	(160,132,588)
Total governmental activities net position	13,686,099	27,913,046	23,117,265	19,546,239	31,824,306	30,310,776	47,353,091	65,206,506	54,486,681	56,575,415
Primary government - business-type activities										
Net investment in capital assets	22,279,811	24,755,968	25,486,581	25,830,053	25,570,257	26,690,464	29,798,149	33,236,208	37,097,393	40,247,221
Restricted	-	-	20,739,857	3,876,709	1,956,004	1,070,064	-	648,195	1,970,849	509,425
Unrestricted	1,747,051	(574,995)	(20,859,392)	(2,025,635)	818,835	5,052,411	7,194,747	7,361,470	5,291,163	7,353,092
Total business-type activities net position	24,026,862	24,180,973	25,367,046	27,681,127	28,345,096	32,812,939	36,992,896	41,245,873	44,359,405	48,109,678
Total primary government										
Net investment in capital assets	80,130,577	99,258,120	101,251,053	107,697,030	113,247,324	118,576,848	129,943,313	143,414,914	155,404,544	189,791,861
Restricted	8,621,350	9,642,375	31,732,224	15,898,272	13,374,357	13,713,507	12,142,108	11,355,040	94,706,025	67,672,788
Unrestricted ⁽¹⁾	(51,038,966)	(56,806,476)	(84,498,966)	(76,367,936)	(66,452,279)	(69,166,640)	(57,739,434)	(48,317,575)	(151,264,483)	(152,779,556)
Total primary government net position	37,712,961	52,094,019	48,484,311	47,227,366	60,169,402	63,123,715	84,345,987	106,452,379	98,846,086	104,685,093

Table 2
City of Auburn
Changes in Net Position
Last Ten Fiscal Years

Expenses	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities:										
General government and administration	5,283,272	6,174,239	6,155,735	6,270,653	6,696,333	6,882,510	7,292,682	7,986,358	8,880,442	9,009,933
Public works	7,507,853	7,078,353	7,574,881	6,844,357	7,176,200	7,087,489	7,212,310	7,253,198	7,600,358	8,743,085
Environmental services ⁽¹⁾	4,066,793	4,604,401	1,770,911	1,670,173	1,759,158	1,903,429	2,097,261	2,180,362	2,201,278	2,272,010
Public safety	13,516,129	15,143,318	16,288,317	16,904,689	17,484,211	17,966,335	18,470,037	19,036,443	19,363,905	20,189,149
Library	1,370,600	1,550,700	1,678,410	1,613,894	1,641,371	1,686,566	1,708,144	1,684,288	1,770,379	1,845,480
Parks and recreation	11,055,017	5,287,171	6,207,871	5,377,218	5,611,356	5,607,803	5,520,692	5,861,786	6,207,847	6,389,142
Planning	604,603	648,516	614,034	665,283	573,462	562,555	635,202	669,831	583,137	594,714
Social and economic development	12,049,201	10,794,553	5,353,639	17,864,393	3,302,021	5,235,985	7,206,018	6,056,184	4,624,506	5,370,638
Human resources	536,067	584,270	697,585	704,963	702,065	698,236	725,083	755,927	742,752	2,244,797
Risk management	933,550	768,281	1,297,761	1,289,942	1,069,339	1,585,905	876,140	1,289,854	1,576,913	333,618
Education (payments to Board of Education)	12,625,643	11,995,523	21,544,112	13,530,795	14,624,398	35,412,033	15,850,759	16,350,759	24,505,586	60,918,952
Interest on long-term debt	5,688,402	5,954,377	5,860,550	5,346,829	5,914,822	5,753,942	5,420,673	4,968,931	4,772,926	7,253,215
Total governmental activities expenses	75,237,130	70,583,702	75,043,806	78,083,189	66,554,736	90,382,788	73,015,001	74,093,921	82,830,029	125,164,733
Business-type activities:										
Sewer Fund	6,305,910	6,903,856	7,825,230	7,804,203	8,173,912	8,038,127	7,470,780	7,960,070	8,639,882	8,387,444
Solid Waste Management Fund ⁽¹⁾	-	-	3,178,574	3,385,837	3,522,953	3,757,884	3,948,022	4,145,364	4,112,900	4,380,090
Industrial Parks ⁽²⁾	141,742	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	6,447,652	6,903,856	11,003,804	11,190,040	11,696,865	11,796,011	11,418,802	12,105,434	12,752,782	12,767,534
Total primary government expenses	81,684,782	77,487,558	86,047,610	89,273,229	78,251,601	102,178,799	84,433,803	86,199,355	95,582,811	137,932,267
Program Revenues										
Governmental activities:										
Charges for services:										
General government and administration	9,018,591	9,203,949	11,254,130	10,890,570	10,540,374	12,332,933	12,579,879	12,915,500	13,617,202	13,940,978
Public works	-	-	-	-	-	250	-	875	1,400	625
Environmental services ⁽¹⁾	2,686,555	2,789,426	-	-	-	-	-	-	-	-
Public safety	2,907,125	3,144,717	3,091,180	3,218,920	3,677,033	3,203,403	4,208,044	4,220,666	4,318,581	4,750,953
Library	29,236	32,435	37,558	42,893	34,621	35,799	39,368	40,388	32,445	27,519
Parks and recreation	715,521	670,682	807,267	785,095	791,821	729,455	596,199	647,827	697,981	684,363
Planning	61,459	43,379	30,002	38,322	40,872	59,489	62,175	46,301	55,663	64,665
Risk management	361,578	415,381	716,141	741,130	745,281	782,796	808,123	765,858	769,341	766,273
Operating grants and contributions	1,841,713	2,112,431	2,975,232	2,378,429	2,747,298	3,831,256	3,590,979	2,531,117	2,354,400	2,342,212
Capital grants and contributions	1,337,648	14,639,704	1,898,595	4,238,477	3,698,776	3,687,087	3,552,787	3,323,007	2,182,193	4,223,636
Total governmental activities program revenue	18,959,426	33,052,104	20,810,105	22,333,836	22,276,076	24,662,468	25,437,554	24,491,539	24,029,206	26,801,224
Business-type activities:										
Charges for services:										
Sewer Fund	6,736,899	6,486,904	7,758,337	8,722,591	9,493,840	10,938,292	10,448,380	11,063,939	11,528,965	11,526,093
Solid Waste Management Fund ⁽¹⁾	-	-	3,118,925	3,133,116	2,961,625	3,590,771	3,898,217	4,198,990	4,482,532	4,560,179
Operating grants and contributions	-	-	1,000	39,831	21,595	19,369	44,553	43,332	-	5,383
Capital grants and contributions	2,961,120	610,781	1,178,184	605,467	373,520	244,653	1,177,207	681,000	1,741,381	458,185
Total business-type activities program revenues	9,698,019	7,097,685	12,056,446	12,501,005	12,850,580	14,793,085	15,568,357	15,987,261	17,752,878	16,549,840
Total primary government program revenues	28,657,445	40,149,789	32,866,551	34,834,841	35,126,656	39,455,553	41,005,911	40,478,800	41,782,084	43,351,064
Net (expense)/revenue										
Governmental activities	(56,277,704)	(37,531,598)	(54,233,701)	(55,749,353)	(44,278,660)	(65,720,320)	(47,577,447)	(49,602,382)	(58,800,823)	(98,363,509)
Business-type activities	3,250,367	193,829	1,052,642	1,310,965	1,153,715	2,997,074	4,149,555	3,881,827	5,000,096	3,782,306
Total primary government net expense	(53,027,337)	(37,337,769)	(53,181,059)	(54,438,388)	(43,124,945)	(62,723,246)	(43,427,892)	(45,720,555)	(53,800,727)	(94,581,203)

⁽¹⁾ In FY09, the Solid Waste Management Fund was created to account for charges from Environmental Services - Solid Waste and Recycling, which had previously been accounted for in the General Fund under Environmental Services.

⁽²⁾ The Industrial Parks proprietary fund was dissolved in 2007.

Table 2
(Continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Revenues and Other Changes in Net Position										
Government activities:										
Taxes:										
Sales taxes	21,784,157	21,044,830	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180	34,303,569	37,418,331	39,672,910
Occupational license fees	7,826,656	8,174,202	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202	11,561,046
Property taxes	15,057,103	16,953,172	19,053,631	20,169,135	20,966,105	21,424,164	20,971,590	21,645,465	22,486,529	23,782,006
Motor fuel taxes	504,228	502,460	260,447	278,467	293,425	311,846	311,022	340,415	365,345	383,488
Lodging taxes	1,369,273	1,425,637	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012	1,604,851	1,816,370	2,247,771
Rental and leasing taxes	1,501,112	538,541	451,563	420,201	473,732	515,164	571,248	612,457	768,245	799,550
Cigarette taxes	86,776	84,663	78,290	77,423	79,304	77,145	75,880	70,860	73,306	69,249
Alcoholic beverage taxes	34,984	83,521	119,781	121,710	131,668	142,503	160,725	170,559	180,604	202,213
Appropriations from component units	-	-	-	-	-	-	333,591	-	-	-
Interest and investment earnings	1,996,272	1,255,843	827,049	512,963	362,808	241,936	287,977	327,499	488,820	729,863
Gain (loss) on disposal of assets	(23,936)	31,509	(166,665)	-	33,639	64,005	-	68,237	-	-
Miscellaneous	31,970	30,927	10,277	38,073	31,441	29,967	34,558	63,801	40,790	81,981
Special items	(1,624,916)	1,727,516	-	-	-	-	-	-	-	-
Transfers	(5,110)	106,111	(631,870)	(232,893)	(248,354)	(626,769)	(464,859)	(309,019)	130,979	118,755
Total governmental activities	48,538,569	51,958,932	49,437,921	52,168,327	55,516,406	64,206,783	65,355,816	69,028,763	74,573,521	79,648,832
Business-type activities:										
Interest and investment earnings	370,249	43,263	139,237	45,538	48,728	33,440	32,518	33,809	34,395	41,216
Gain (loss) on disposal of assets	66,128	22,625	28,748	12,598	(754)	9,820	20,789	22,700	78,422	21,770
Miscellaneous	258	504	3,999	37,087	7,656	6,085	2,246	5,622	7,326	23,736
Special items ⁽¹⁾	-	-	-	675,000	-	-	-	-	-	-
Transfers	5,110	(106,111)	(38,553)	232,893	248,354	626,769	464,859	309,019	(130,979)	(118,755)
Total business-type activities	441,745	(39,719)	133,431	1,003,116	303,984	676,114	520,412	371,150	(10,836)	(32,033)
Total primary government	48,980,314	51,919,213	49,571,352	53,171,443	55,820,390	64,882,897	65,876,228	69,399,913	74,562,685	79,616,799
Changes in Net Position										
Governmental activities	(7,739,135)	14,427,334	(4,795,780)	(3,581,026)	11,237,746	(1,513,537)	17,778,369	19,426,381	15,772,698	(18,714,677)
Business-type activities	3,692,112	154,110	1,186,073	2,314,081	1,457,699	3,673,188	4,669,967	4,252,977	4,989,260	3,750,273
Total primary government	(4,047,023)	14,581,444	(3,609,707)	(1,266,945)	12,695,445	2,159,651	22,448,336	23,679,358	20,761,958	(14,964,404)

⁽¹⁾ Concession payment

Table 3
City of Auburn
General Government Tax Revenues by Source ⁽¹⁾
 Last Ten Fiscal Years

Fiscal Year	Sales & Use Tax	Cigarette & Alcohol Tax		Motor Fuel		Lodging and		Financial		Motor Vehicle		General		Totals
		Alcohol Tax	Tax	Tax	Rental Tax	Tax	Tax	Tax	Property Tax	Tax				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2007	21,784,157	159,104	724,202	1,857,539	269,083					112,779	14,650,666			39,557,530
2008	21,044,830	162,266	739,673	1,910,610	277,306					115,165	16,420,033			40,669,884
2009	20,143,854	164,539	749,811	1,612,284	245,537					138,276	18,696,415			41,750,715
2010	21,081,231	146,915	788,560	1,662,229	-					108,006	19,739,993			43,526,934
2011	22,987,405 ⁽²⁾	168,268	818,351	1,839,015	184,886					126,685	20,333,624			46,458,234
2012	30,890,400	173,478	876,592	1,958,908	173,972					129,888	20,503,864			54,707,103
2013	31,831,180	177,243	871,498	2,126,307	147,553					137,809	20,271,550			55,563,140
2014	34,303,571	163,247	931,515	2,217,307	159,641					143,293	20,900,546			58,819,120
2015	37,418,331	176,824	991,613	2,584,615	279,282					146,908	21,746,672			63,344,245
2016	39,672,910	169,867	1,035,475	3,045,852	237,816					199,691	22,987,066			67,348,677

⁽¹⁾ Includes state shared taxes.

⁽²⁾ Sales tax rate increased from 3.0% to 4.0% effective 8/1/11.

Table 4
City of Auburn
Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2007	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Reserved	8,701,444	12,967,664	8,844,309	7,451,985	-	-	-	-	-	-
Unreserved	19,436,335	15,882,269	19,983,950	19,649,481	-	-	-	-	-	-
Nonspendable	-	-	-	-	7,504,505	7,038,187	6,753,924	9,998,365	15,992,698	19,776,701
Restricted	-	-	-	-	176,679	237,639	298,192	341,705	343,988	343,769
Assigned	-	-	-	-	4,854,720	4,778,855	2,840,828	6,565,787	5,649,101	4,788,112
Unassigned	-	-	-	-	16,489,870	20,973,636	29,025,058	25,574,688	22,328,970	24,486,213
Total general fund	28,137,779	28,849,933	28,828,259	27,101,466	29,025,774	33,028,317	38,918,002	42,480,545	44,314,757	49,394,795
All other governmental funds										
Reserved	1,888,965	2,166,922	2,135,901	4,075,582	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	4,924,456	5,072,970	5,692,659	4,766,559	-	-	-	-	-	-
Debt service funds	2,748,975	3,163,736	3,898,630	3,831,043	-	-	-	-	-	-
Capital projects funds	8,362,129	1,667,086	6,402,424	1,297,837	-	-	-	-	-	-
Nonspendable	-	-	-	-	560,000	-	-	-	-	-
Restricted	-	-	-	-	10,015,439	13,631,350	13,152,780	9,496,112	90,168,804 ⁽²⁾	49,118,334
Unassigned	-	-	-	-	-	(347,364)	-	-	-	-
Total all other governmental funds	17,924,525	12,070,714	18,129,614	13,971,021	10,575,439	13,283,986	13,152,780	9,496,112	90,168,804	49,118,334

⁽¹⁾ For fiscal year 2011, GASB Statement No. 54 was implemented requiring changes in fund balance classifications.

⁽²⁾ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

Table 5
City of Auburn
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales and use taxes	21,784,157	21,044,830	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180	34,303,571	37,418,331	39,672,910
Occupational license fees	7,826,656	8,174,202	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202	11,561,047
Motor fuel taxes	498,404	496,966	511,874	547,407	576,855	612,720	610,968	669,550	719,367	755,217
Lodging taxes	1,369,273	1,425,637	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012	1,604,850	1,816,370	2,247,771
Rental and leasing taxes	1,473,112	538,541	451,563	420,201	473,732	515,164	571,248	612,457	768,245	799,550
Other taxes	121,760	168,183	198,072	199,133	210,972	219,648	236,605	241,419	253,910	271,462
Licenses and permits	7,311,513	8,266,168	9,350,937	9,002,598	8,860,187	10,222,535	10,210,208	10,638,252	11,302,434	11,856,992
General property tax	15,057,103	16,953,172	19,053,632	20,169,134	20,966,105	21,424,165	20,971,590	21,645,466	22,486,529	23,782,005
Charges for services	7,087,603	7,440,776	5,231,625	5,286,945	5,777,642	5,544,334	6,428,631	6,439,547	6,743,621	7,086,335
Fines and forfeitures	1,335,798	1,267,362	1,201,777	1,323,548	1,247,137	1,452,953	1,636,516	1,579,802	1,420,812	1,241,661
State shared taxes	1,165,920	1,178,766	1,390,567	881,140	1,057,737	1,278,040	2,016,806	1,279,503	1,424,458	1,455,324
Contributions from the public	494,010	606,144	2,329,064	868,428	1,624,491	600,544	1,014,850	1,826,242	668,974	1,611,684
Grants	1,475,458	1,699,127	2,125,631	2,555,213	2,205,074	2,959,710	2,711,021	1,807,224	3,318,443	820,258
Program income	1,206,632	350,544	836,384	521,164	385,822	305,363	609,879	517,638	474,915	287,464
Interest	2,011,961	1,240,177	851,855	512,963	362,808	241,936	287,977	327,498	488,821	729,862
Miscellaneous	122,150	117,144	60,020	89,280	71,438	61,489	68,275	97,957	64,914	85,438
Total revenues	70,341,510	70,967,739	73,028,419	73,160,402	77,212,638	87,465,423	90,448,658	93,721,045	100,174,346	104,264,980
Expenditures										
General government and administration										
Public works	3,893,452	4,017,923	4,127,351	4,417,596	4,821,147	4,900,632	4,971,598	5,857,396	5,687,183	6,089,761
Environmental services	3,008,617	2,981,356	4,343,137	3,530,072	3,751,109	3,528,928	3,568,302	3,497,655	3,577,600	4,101,467
Public safety	3,963,063	4,298,499	1,636,517	1,609,168	1,665,499	1,806,656	1,956,168	2,031,430	1,999,822	2,085,786
Library	12,860,510	14,366,534	15,318,545	15,953,686	16,692,869	17,164,517	17,753,502	18,067,357	18,521,534	19,322,321
Parks and recreation	1,254,012	1,416,673	1,450,815	1,425,399	1,455,630	1,503,734	1,622,482	1,539,862	1,619,702	1,705,483
Planning	4,252,011	4,575,572	4,358,992	4,580,462	4,714,322	4,788,245	4,684,929	4,862,432	4,975,692	5,501,434
Economic development	600,553	643,259	609,721	664,088	573,465	562,214	635,402	671,214	582,693	592,471
Employee services	1,433,446	1,674,592	2,126,883	2,187,721	2,035,324	3,005,858	2,158,634	2,381,356	2,351,410	1,551,178
Risk management	504,822	550,107	637,204	656,148	655,029	642,122	675,100	696,740	692,462	2,186,194
Non-departmental	929,627	941,221	1,231,524	1,313,917	1,269,056	1,301,944	1,048,527	1,356,823	1,660,020	360,932
Debt service	1,495,410	2,213,532	1,906,387	1,937,902	1,915,070	1,978,998	2,056,603	2,210,562	2,561,619	2,845,963
Principal	6,836,554	28,354,631	10,060,309	9,989,029	10,464,788	13,013,380	12,501,691	13,094,561	11,953,556	11,023,833
Interest	5,840,756	6,042,452	6,018,665	5,622,881	6,049,543	6,256,774	5,726,573	5,272,797	5,548,480	7,243,523
Capital Outlay	8,359,823	6,939,861	5,702,327	10,521,541	5,774,421	7,261,516	10,830,762	11,432,511	10,246,657	10,844,770
Intergovernmental	3,141,812	2,515,343	2,198,727	1,022,118	876,083	921,568	1,034,319	951,428	1,069,266	1,037,158
Payments to component units	27,895,701	19,939,274	24,919,475	28,818,541	15,755,842	38,546,879	20,404,444	19,679,683	26,858,347	64,065,542
Total expenditures	86,270,169	101,470,829	86,646,579	94,250,269	78,469,197	107,183,965	91,629,036	93,603,807	99,906,043	140,557,816
Excess of revenues over (under) expenditures	(15,928,659)	(30,503,090)	(13,618,160)	(21,089,867)	(1,256,559)	(19,718,542)	(1,180,378)	117,238	268,303	(36,292,836)

⁽¹⁾This increase was due to the refunding of various warrants and permanently financing a line of credit

⁽²⁾This increase was due to the issuance of \$18.5 million in warrants for the Board of Education

⁽³⁾This increase was due to transfers of debt proceeds issued in fiscal 2015 for the Board of Education and held by the City. Transfers of the proceeds are made as construction progresses on the construction of a new high school

Table 5
(Continued)

Other financing sources (uses)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt issuance	12,200,000	13,927,516	19,590,794	15,155,000	-	24,325,835	5,525,000	-	94,638,169 ⁽²⁾	-
Refunding	-	11,268,100	-	27,020,000	-	27,879,100	-	-	-	-
Sale of surplus assets	61,597	50,134	16,919	33,355	33,639	64,006	1,878,717	97,656	150,243	64,678
Transfers in	6,761,798	6,960,429	8,707,117	725,271	565,234	509,453	681,045	1,354,436	6,707,462	1,906,217
Transfers out	(6,762,544)	(6,844,749)	(8,659,444)	(958,164)	(813,589)	(1,196,222)	(1,145,905)	(1,663,455)	(6,576,483)	(1,787,462)
Premium on debt issued	105,076	-	-	2,313,257	-	4,147,158	-	-	-	-
Payment to refunded bond escrow	-	-	-	(29,084,241)	-	(29,299,697)	-	-	(12,680,790)	-
Total other financing sources (uses)	12,365,927	25,361,430	19,655,386	15,204,478	(214,716)	26,429,633	6,938,857	(211,363)	82,238,601	183,433
Net changes in fund balances	(3,562,732)	(5,141,660)	6,037,226	(5,885,389)	(1,471,275)	6,711,091	5,758,479	(94,125)	82,506,904	(36,109,403)
Debt service as a percentage of non-capital expenditures ⁽¹⁾	16.4%	36.4%	19.9%	18.6%	22.7%	19.3%	22.6%	22.4%	19.5%	14.1%

⁽¹⁾ Non-capital expenditures equals total expenditures less capital outlay

⁽²⁾ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school

Table 6

City of Auburn

Components of Sales Tax Base

Last Ten Fiscal Years

(amounts expressed in thousands)

Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	71,846	66,699	57,276	60,201	68,169	66,354	67,768	51,655	56,558	53,115
Grocery Stores	60,280	51,372	51,435	55,799	70,663	77,901	88,493	122,960 ⁽¹⁾	130,561	146,793
Eating & Drinking Establishments	111,409	120,987	120,462	127,753	148,302	131,813	144,085	153,152	166,863	184,695
Mass General Merchandise Stores	88,571	110,116	115,686	114,644	122,437	116,691	111,335	81,345 ⁽¹⁾	85,900	87,640
Auto Dealers & Supplies	116,070	40,203	33,484	39,021	42,278	38,291	39,471	48,882	52,936	53,992
Building Materials	55,721	34,454	32,257	31,794	26,698	36,185	45,462	46,000	51,865	55,841
Home Furnishing & Appliances	15,468	14,823	11,085	9,733	11,126	12,477	17,343	18,209	20,302	24,702
All Other Retail Sales	271,889	258,296	244,863	254,509	273,606	289,079	281,822	313,376	335,521	368,646
Totals	791,254	696,950	666,548	693,454	763,279	768,791	795,780	835,579	900,507	975,424

⁽¹⁾ Beginning in FY14 the total sales of big box retailers are split between "Grocery Stores" and "Mass General Merchandise Stores".

Table 7

City of Auburn
Revenue Rates for General Sales Tax

Last Ten Fiscal Years

Unaudited

Fiscal Year	City Sales Tax Rate	County		State		Total	
		Sales Tax Rate	Sales Tax Rate	Sales Tax Rate	Sales Tax Rate	Sales Tax Rate	Sales Tax Rate
2007	3.0%	1.0%	4.0%	4.0%	4.0%	8.0%	8.0%
2008	3.0%	1.0%	4.0%	4.0%	4.0%	8.0%	8.0%
2009	3.0%	1.0%	4.0%	4.0%	4.0%	8.0%	8.0%
2010	3.0%	1.0%	4.0%	4.0%	4.0%	8.0%	8.0%
2011	4.0%	1.0%	4.0%	4.0%	4.0%	9.0%	9.0%
2012	4.0%	1.0%	4.0%	4.0%	4.0%	9.0%	9.0%
2013	4.0%	1.0%	4.0%	4.0%	4.0%	9.0%	9.0%
2014	4.0%	1.0%	4.0%	4.0%	4.0%	9.0%	9.0%
2015	4.0%	1.0%	4.0%	4.0%	4.0%	9.0%	9.0%
2016	4.0%	1.0%	4.0%	4.0%	4.0%	9.0%	9.0%

Source: State of Alabama Department of Revenue

⁽¹⁾ City sales tax rate increased from 3.0% to 4.0% effective August 1, 2011.

Table 8

City of Auburn
Principal Revenue Remitters of Sales and Use Tax⁽¹⁾

Current Year and Nine Years Ago

Unaudited

Employer	2007		2016	
	Rank	Rank	Rank	Rank
Wal-Mart	1	-	1	1
Sam's (Opened 2008)	-	-	2	2
Auburn University Financial Reporting	2	2	3	3
Kroger	3	3	4	4
Publix - Cary Creek (Opened 2012)	-	-	5	5
Publix - Moore's Mill (Opened 2010)	-	-	6	6
Chartwell's (Opened 2007) ⁽²⁾	-	-	7	7
Academy Sports (Opened 2008)	-	-	8	8
Builders First Source SE (formerly Waid True Value)	5	5	9	9
Dillard's	4	4	10	10

⁽¹⁾ State law prohibits the disclosure of the amount of sales tax remitted and any information that could enable the disclosure or calculation of confidential taxpayer information.

⁽²⁾ Auburn University Dining Services

Table 9
City of Auburn
Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 (dollar amounts expressed in thousands, except per capita amount)
Unaudited

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	
	General Obligation Bonds	Notes Payable	General Obligation Bonds ⁽²⁾	Total Debt Primary Government	Percentage of Personal Income	Total Debt Per Capita
	\$	\$	\$	\$		\$
2007	128,622	-	28,086	156,708	12.71%	3,153
2008	125,425	-	34,054	159,479	12.40%	3,149
2009	134,915	-	62,776	197,691	14.45%	3,749
2010	140,282	-	45,694	185,976	13.34%	3,478
2011	129,760	-	44,608	174,368	13.04%	3,196
2012	143,704	1,500	49,528	194,732	14.76%	3,519
2013	140,564	1,585	48,130	190,279	13.19%	3,365
2014	127,035	1,782	45,899	174,716	12.48%	3,023
2015 ⁽¹⁾	196,429	3,143	46,755	246,327	15.91%	3,961
2016	184,967	2,965	44,127	232,059	14.81%	3,739

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

⁽²⁾ The City has issued General Obligation Bonds/Warrants for the Sewer Revenue Fund. It is the intention of the Council that the Bonds/Warrants be repaid from Sewer Fund revenue.

Table 10
City of Auburn
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt ⁽¹⁾	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
	\$	\$	\$		\$
2007	128,622,328	2,748,975	125,873,353	19.83%	2,532
2008	125,424,618	3,163,736	122,260,882	17.25%	2,414
2009	134,915,117	3,898,630	131,016,487	17.79%	2,485
2010	140,281,829 ⁽²⁾	3,831,044	136,450,785	18.16%	2,537
2011	129,759,735	3,723,922	126,035,813	15.80%	2,295
2012	143,704,141 ⁽³⁾	3,540,270	140,163,871	17.49%	2,457
2013	140,564,282	3,019,959	137,544,323	17.25%	2,348
2014	128,817,154	2,477,786	126,339,368	16.27%	2,100
2015	199,571,962 ^(4,5)	2,531,934	197,040,028	24.47%	3,169
2016	187,931,805	3,776,254	184,155,551	21.74%	2,967

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ Net bonded debt equals: G.O. bonds, notes, and warrants outstanding (net of related premiums, discounts, and adjustments), less Debt Service funds' equity. Calculations exclude the G.O. debt intended to be repaid from sewer fund revenues.

⁽²⁾ City issued \$27 million of G.O. Warrants to refund outstanding debt.

⁽³⁾ City issued \$18.5 million of G.O. Warrants to pay the costs of new school construction under the jurisdiction of the Board of Education.

⁽⁴⁾ City issued \$31.99 million of G.O. Warrants to refund outstanding debt and provide for school improvements.

⁽⁵⁾ City issued \$78.145 million of G.O. Bonds to pay the costs of new school construction, capital improvements to existing schools and land purchases, under the jurisdiction of the Board of Education.

Table 11
City of Auburn
Direct and Overlapping Governmental Activities Debt
Fiscal Year 2016
Unaudited

	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 187,931,805	100%	\$ 187,931,805
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 24,441,693	38%	9,302,855
Total Direct and Overlapping Debt			<u>\$ 197,234,660</u>

Sources: General bonded debt and warrants provided by the Lee County Administrator.

⁽¹⁾The percentage of overlapping debt applicable is estimated based on population of the City of Auburn as compared to overall population in Lee County. Census Bureau Year 2010.

Table 12

City of Auburn

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	110,789	141,724	147,267	150,282	159,565	160,252	159,516	155,255	167,626	169,409
Total net debt applicable to limit	54,764	62,451	65,355	73,116	64,479	60,974	56,673	46,895	38,387	31,083
Legal debt margin	56,025	79,273	81,912	77,166	95,086	99,278	102,843	108,360	129,239	138,326
Total net debt applicable to limit as a percentage of debt limit	49.43%	44.07%	44.38%	48.65%	40.41%	38.05%	35.53%	30.21%	22.90%	18.35%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 847,046,020
Debt limit (20% of total assessed value)	\$ 169,409,204
Debt applicable to limit:	
General obligation bonds	\$ 217,721,051
Less: Exempt Debt	186,637,701
Total net debt applicable to limit	31,083,350
Legal debt margin	\$ 138,325,854

Table 13
City of Auburn
Pledged Revenue Coverage
 Last Ten Fiscal Years
Unaudited

Sewer G.O. Warrants ⁽¹⁾						
Fiscal Year	Sewer Charges and Other⁽²⁾	Less: Operating Expenses⁽³⁾	Net Available Revenue (A)	Principal (B)	Interest (C)	Coverage⁽⁴⁾ A/(B+C)
	\$	\$	\$	\$	\$	
2007	7,169,367	3,993,778	3,175,589	460,000	1,432,052	1.68
2008	6,553,296	4,569,543	1,983,753	475,000	1,236,928	1.16
2009	7,912,095	4,641,814	3,270,281	495,000	1,890,914	1.37
2010	8,803,453	4,548,588	4,254,865	1,060,000	1,788,254	1.49
2011	9,549,042	4,570,730	4,978,312	1,105,000	2,089,603	1.56
2012	10,978,794	4,465,603	6,513,191	1,155,000	1,983,951	2.07
2013	10,510,245	4,074,714	6,435,531	2,110,000	1,792,555	1.65
2014	11,106,938	3,868,822	7,238,116	2,140,000	2,074,208	1.72
2015	11,631,200	4,443,489	7,187,711	2,205,000	2,147,458	1.65
2016	11,587,751	4,270,841	7,316,910	2,395,000	1,765,887	1.76

⁽¹⁾ General Obligation warrants issued but paid by Sewer Service Fee revenue.

⁽²⁾ Includes sewer service charges, tapping fees, sewer access fees, gains on property disposals and other non-operating revenues.

⁽³⁾ Includes operating expenses and operating transfers out less depreciation expense.

⁽⁴⁾ Coverage illustrates the Sewer Revenue Fund's ability to pay its debt service. A ratio of one or greater indicates sufficient earnings to cover the debt payments.

Table 14
City of Auburn
Demographic and Economic Statistics
 Last Ten Fiscal Years
Unaudited

Fiscal Year	Population⁽¹⁾	Per Capita Personal Income⁽²⁾	Personal Income (expressed in thousands)⁽³⁾	Unemployment Rate⁽⁴⁾
		\$	\$	
2007	55,652	27,874	1,551,244	2.9%
2008	56,287	29,013	1,633,055	4.5%
2009	57,828	28,339	1,638,788	7.6%
2010	53,780	28,838	1,550,908	7.3%
2011	54,927	29,800	1,636,825	7.0%
2012	57,058	30,332	1,730,683	5.7%
2013	58,582	30,499	1,786,692	4.9%
2014	60,258	33,064	1,992,371	4.9%
2015	62,059	33,622	2,086,548	4.9%
2016	*	*	*	4.9%

⁽¹⁾ U. S. Census Bureau

⁽²⁾ U. S. Department of Commerce, Bureau of Economic Analysis (Data reported for Auburn-Opelika MSA)

⁽³⁾ "Population" multiplied by "Per Capita Personal Income"

⁽⁴⁾ U.S. Bureau of Labor Statistics

* Data not available at time of publication

Table 15
City of Auburn
Principal Employers

Current Year and Nine Years Ago

	2007			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University ⁽¹⁾	7,026	1	28.06%	8,233	1	30.00%
Auburn City Schools	758	3	3.03%	1,025	2	3.73%
City of Auburn and Auburn Water Works Board ⁽²⁾	782	2	3.12%	667	3	2.43%
Masterbrand Cabinets, Inc.	355	5	1.42%	535	4	1.95%
Briggs & Stratton Corporation	550	4	2.20%	445	5	1.62%
SCA, Inc.	-		-	355	6	1.29%
Wal-Mart Supercenter	345	6	1.26%	345	7	1.26%
Borbet Alabama, Inc. (Formerly ATS Wheels)	256	8	1.02%	315	8	1.15%
CSP Technologies North America, LLC (Formerly CV Holdings)	290	7	1.16%	315	9	1.15%
Seohan Auto USA Corporation	-		-	265	10	0.97%
Total	10,362		41.39%	12,500		45.54%

⁽¹⁾ Includes temporary and seasonal employees.

⁽²⁾ There was a change in methodology from 2007 to 2016. In 2007, part-time positions were included in total. For 2016, part-time positions are converted to full-time equivalents.
Source: City of Auburn Economic Development Department, Alabama Department of Labor

Table 16
City of Auburn
Regular Full-Time Employees by Function/Program
 Last Ten Fiscal Years
Unaudited

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	74	76	77	77	81	81	77	76	76	76
Economic Development	14	13	13	13	13	12	12	12	12	12
Public Safety										
Police	112	113	115	113	113	113	115	116	116	117
Fire	43	43	43	43	43	43	43	43	43	43
Communications	9	11	11	11	11	11	11	11	11	13
Codes	9	9	9	9	9	8	8	8	8	9
Public Works										
Engineering	11	11	11	11	11	11	11	11	11	11
Construction & Maintenance	18	18	18	18	18	18	18	18	18	18
Inspection	6	6	6	6	6	6	6	6	6	6
Traffic Engineering	3	3	3	3	3	3	3	3	4	4
Environmental Services										
Recycling	16	16	16	16	16	16	16	16	16	16
Solid Waste	16	16	16	16	16	16	16	16	16	16
Animal Control	2	2	2	2	2	2	2	2	2	2
ROW	7	7	7	7	7	7	7	7	7	7
Fleet Services	10	10	10	10	10	10	10	10	10	10
Parks and Recreation										
Leisure Services	15	15	15	15	15	15	15	15	16	17
Parks & Facilities	26	27	26	26	26	26	26	26	26	26
Library	15	16	16	16	17	17	17	18	19	19
Sewer	15	15	16	16	16	17	17	17	19	21
Total	421	427	430	428	433	432	430	431	436	443

Source: City of Auburn Human Resources Department

Table 17
City of Auburn
Operating Indicators by Function/Program
 Last Ten Fiscal Years
Unaudited

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	2,978	3,143	2,480	2,643	2,712	3,096	3,053	3,102	3,679	2,957
Traffic violations	14,077	14,516	19,556	20,618	23,736	25,016	21,510	18,557	21,805	16,518
Calls for service	*	*	*	*	*	*	*	*	*	184,429
Fire										
Number of calls answered	2,258	2,330	2,523	4,025	4,065	4,303	4,367	4,948	4,950	5,532
Inspections	1,857	1,792	1,752	1,575	1,391	1,559	1,760	1,879	1,946	1,750
Public Works										
Potholes repaired	230	210	273	750	625	454	70	87	18	23
Environmental Services										
Refuse collected (tons/day) ⁽¹⁾	86	86	88	91	104	103	102	101	104	108
Recyclable collected (tons/day) ⁽¹⁾	3.38	4.21	4.39	4.36	4.40	5.82	5.60	4.96	5.03	5.09
Parks and Recreation										
Athletic participants	5,154	5,648	5,031	4,959	2,964	4,540	4,478	6,069	6,846	15,002
Recreation center admissions	96,106	92,291	111,960	138,751	150,690	164,888	241,042	292,933	216,416	379,704 **
Sewer										
Average daily sewage treatment (millions of gallons)	5.90	5.60	6.70	6.69	6.02	6.28	6.70	7.54	7.50	7.56

Source: City departments

⁽¹⁾ Each year consists of 251 work days.

* New operating indicator for 2016

** Represents a change in methodology

Table 18
City of Auburn
Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years
Unaudited

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	89	91	91	98	94	96	96	94	96	100
Fire stations	4	5	5	5	5	5	5	5	5	5
Environmental Services										
Collection trucks	8	8	8	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)	658	696	693	693	693	700	739	742	(1) 624	(1) 627
Signaled Intersections	55	56	58	59	60	60	60	61	61	63
Parks and Recreation										
Parks acreage	1,914	1,944	1,944	1,944	1,944	1,944	1,944	1,944	1,956	2,022
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	44	44	44	44	44	44	44	44	44	44
Community centers	3	3	3	4	4	4	5	5	5	5
Sewer										
Sanitary sewers (miles)	235	240	245	248	300	300	330	350	350	350
Maximum daily treatment capacity (millions of gallons)	8	8	11	11	11	13	13	13	13	13

Source: City departments

(1) Represents a change in methodology