



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2014



***The City of Auburn, Alabama***  
**Comprehensive Annual Financial Report**

For the Fiscal Year Ended  
September 30, 2014

**City Council**

**Bill Ham, Jr., Mayor**

**Ron Anders, Jr., Mayor Pro Tem**

**Clemon Byrd**

**Beth Witten**

**Brent Beard**

**Lynda Tremaine**

**Dick Phelan**

**Gene Dulaney**

**Tommy Dawson**

**Management**

**Charles M. Duggan, Jr., City Manager**

Kevin Cowper	<i>Assistant City Manager</i>	Steven A. Reeves	<i>Human Resources Director</i>
James C. Buston, III	<i>Assistant City Manager/CIO</i>	Christopher Warren	<i>Library Director</i>
Rick Davidson	<i>City Attorney</i>	Rebecca O. Richardson	<i>Parks and Recreation Director</i>
James McLaughlin	<i>Municipal Judge</i>	Forrest Cotten	<i>Planning Director</i>
Phillip Dunlap	<i>Economic Development Director</i>	William H. James	<i>Public Safety Director</i>
Timothy Woody	<i>Environmental Services Director</i>	Jeffery Ramsey	<i>Public Works Dir./City Engineer</i>
Penny L. Smith	<i>Finance Director/Treasurer</i>	Eric A. Carson	<i>Water Resource Mgt. Director</i>

**Prepared by**

***Finance Department***

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## City of Auburn

Home of Auburn University

### Letter of Transmittal

March 27, 2015

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, 2014 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.

During fiscal 1994, the City of Auburn implemented the Governmental Accounting Standards Board's (GASB) statement on defining the reporting entity, which was amended last year with GASB Statement 61. As a result, the City's Board of Education, Water Works Board, Industrial Development Board, Commercial Development Authority, Public Park and Recreation Board, and Housing Authority 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.

GASB Statement 65, "Items Previously Reported as Assets and Liabilities" classifies items previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, outflows of resources

(expenditures), or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement Number 4, Elements of Financial Statements. The City early implemented this statement during fiscal year 2013.

GASB Statement 67, "Financial Reporting for Pension Plans – an Amendment of GASB 25" improves financial reporting by state and local governmental pension plans. This statement became effective during the fiscal 2014 reporting period and applies to the Retirement Systems of Alabama, which is the agent that administers the City's pension plan.

GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB 27" improves accounting and financial reporting by state and local governments for pensions. The requirements of this statement are effective for fiscal periods beginning after June 15, 2014. Management is aware of these requirements and will implement this statement in fiscal year 2015.

GASB Statement 69, "Government Combinations and Disposals of Government Operations," addresses accounting and financial reporting for government combinations and disposals of government operations. This statement becomes effective for the fiscal 2015 reporting period and does not currently affect the City. The City is aware of this pronouncement and will evaluate its implications.

GASB Statement 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees," improves accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. The requirements of this statement became effective during the fiscal 2014 reporting period. This statement does not apply at this time because the City has not guaranteed the debt of other organizations outside of its reporting entity.

GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement 68" is effective for fiscal periods beginning after June 15, 2014. The City will implement this statement in fiscal year 2015, in conjunction with the implementation of GASB 68.

### **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.

*Forbes.com* ranked Auburn on its list of Top 25 Best Places to Retire in 2014. *Forbes* cited a cost of living that is 11% below the national average as a factor in the ranking. Other quality of life factors considered by *Forbes* include a strong economy, warm climate, housing prices, and a low crime rate.

Movoto.com, a real estate website, recently placed Auburn at number one on its list of Top Ten Best Places in Alabama. The firm pointed to Auburn's short commute time, low student-to-teacher ratio, and high median household value as factors that launched Auburn to the top of the list.

Standard & Poor's (S&P) affirmed the City of Auburn's bond rating as AA+. In their 2014 report, S&P cites strong management, as well as Auburn's "consistently strong financial profile, indicated by its very strong budgetary flexibility and liquidity" as factors that were considered in the rating. Another factor considered by S&P was Auburn's status as the "key participant in the Auburn-Opelika metropolitan statistical area, indicating its presence as a regional economic center." The City also holds a Aa2 rating from Moody's Investors Service, issued in fiscal 2012.

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 60,164 residents in 2014. 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., a graduate of Auburn University, has served as City Manager since October 2006. The City departments include:

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

### ***Major Initiatives***

In fiscal year 2014, the City continued to prioritize school funding. The City contributed \$9.6 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.

Thistle Lane, a new roadway completed this year, connects Auburn Technology Park West to Cox Road. Along with the completion of the Auburn Technology Parkway Interchange, the roadway offers a more direct route to Auburn Technology Park West from I-85. The roadway also provides more efficient connectivity to Auburn Technology Park North and Auburn Technology Park South.

Improvements at the intersection of South College Street and Shug Jordan Parkway were also completed this fiscal year. The project widened the roadway to improve the right turn lane and provided double left turn lanes from College Street to Shug Jordan Parkway and East University Drive. Since completion of the project, the number of collisions at this intersection has decreased by 41%.

Renovations to the Development Services Building included installation of new customer service and reception counters, complete renovations of the restrooms and employee break area, replacement of the HVAC air handling units, and upgrade of the ductwork throughout the building.

The Water Resource Management Department contracted with a utility rate consultant during fiscal year 2014. The rate consultant evaluated the adequacy of existing rates for sewer services, and in conjunction with staff, determined existing rates are adequate based on the projected costs of operating, maintaining, repairing, and financing the departmental assets.

### ***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 106 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 41 regular, full-time firefighters and 66 student firefighters, operating five fire stations. The City currently has a 3/9 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 61 traffic signalized intersections, along with over 250 City-owned street lights and 57 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. 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 2014, there were 121,578 logins

on these computers. Additionally, the Library offers wireless internet access for patrons bringing their own laptops, tablets, and other portable devices. During fiscal 2014, library patrons checked out 241,769 books, audiobooks, ebooks, and movies. In addition, 13,378 patrons attended the many programs offered for children, teens, and adults. The Summer Reading Program had 667 young participants, who together read 10,369 books, making 2014 the most successful Summer Reading Program in the library's history. In addition, 2014 saw the launch of One Book, One Village, a community reading program 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 materials for patrons with limited vision, adding 498 large print titles to its collection.

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 7,700 students. The school system consistently experiences record enrollment growth each year as parents are drawn to the excellent teachers, facilities and programming it has to offer. Currently, the Auburn City School system houses its students 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.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. It has been rated among the top 100 school systems in the nation by *Offspring Parenting* magazine (a subsidiary of *The Wall Street Journal*). Auburn High School consistently produces an average of seven National Merit finalists/semi-finalists each year from the senior class. Upon graduation, approximately 84% of the graduates move on to higher education. The graduation rate for Auburn High School is approximately 97% and each year seniors are awarded an average of \$6 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

In 2014, Auburn University was ranked 19<sup>th</sup> in the nation for the best quality of life by *Princeton Review*. Also, Auburn University was ranked 91<sup>st</sup> in the nation for providing a quality education at an exceptional value by *US News and World Report*. This is the 21<sup>st</sup> consecutive year that Auburn has been recognized in the top 100.

Auburn University's student body is taught by approximately 1,180 full-time faculty members, and the student to faculty ratio is 18 to 1. Approximately 96% of Auburn students receiving their degrees are employed full-time

after graduation. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates. Auburn offers degrees in 13 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, Auburn University is a major contributor to the local economy. The University has over 4,600 full-time employees. Enrollment, which has remained steady over the past ten years, was 25,912 for fall semester of the 2014/2015 academic year. Included in the total enrollment are 4,071 graduate students.

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, provides potable water services. The City's Water Resource Management (WRM) Department also manages a wastewater treatment plant with a total treatment capacity of 11.25 million gallons per day. The City's stormwater program is also managed by WRM. 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 is listed in Becker's Hospital Review 2014 edition of "100 Great Community Hospitals." Also, EAMC has been named twice as one of *Fortune's* "100 best companies to work for in America". The hospital has over 2,700 employees, making it the second largest employer in Lee County. Of these employees, more than 500 work at facilities in Auburn such as HealthPlus Fitness Center, Bethany House Hospice, 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 5,800 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 plans scheduled to commence in early 2015.

The industrial sector showed strong growth in 2014. GE Aviation, a global leader in jet engine and aircraft system production and an existing tenant in the Auburn Technology Park West, announced plans to bring high volume additive manufacturing to its Auburn facility. This operation will be the first of its kind to mass produce additive components for the jet propulsion industry. Additive technology, also known as 3D printing, is a highly innovative manufacturing process and locating this type of project in Auburn provides excellent job opportunities for citizens. Also in 2014, Kemmerich USA, L.P. began construction of its Auburn facility with plans for operations to commence in early 2015. Kemmerich USA LP is a part of the Kemmerich Group, located in the Sauerland region of Germany. Kemmerich is a first-tier supplier to the automotive industry with a large corporate family that has manufacturing operations in Germany, Spain and the Czech Republic. In addition, several other existing industries expanded their operations in Auburn during 2014. Seohan Automotive USA, Inc., a Korean drive shaft manufacturer for the automotive industry, expanded its operations with a new, second facility in the Auburn Technology Park West. Also, Touchstone Precision, Inc., a Japanese plastic injection molder for the automotive sector, is currently expanding its operation in the Auburn Technology Park South. Many of the new locations and expansions are related to the strong growth of the automotive industry in the US and the success of the car plants in the southeastern states in particular. However, the GE project indicates continued success in the diversification of Auburn's manufacturing base.

In addition to the new industrial location and expansions described above, several other existing manufacturers also increased their capital investment in 2014, including Cumberland Plastic Solutions, LLC and Briggs and Stratton Corporation. The new industry announcements and expansions that occurred in 2014 will produce a combined total of approximately 500 new manufacturing jobs for Auburn and a planned capital investment in excess of \$140 million.



***Construction of Kemmerich USA, L.P. Facility in Auburn***

The City's innovative economic development tools include a Revolving Loan program funded by a loan repayment stream that was the product of certain federal grant programs, facilitating public-private technology partnerships with Auburn University, a small-business incubator facility, a workforce development initiative, and property tax abatements. The focused and creative use of these tools resulted in the location of the following companies, among others, in the City's industrial parks and the Auburn Center for Developing Industries: SiO2 Medical Products, Inc.; Briggs & Stratton Corporation; CV Holdings, LLC; Donaldson Company; GE Aviation.; MasterBrand Cabinets, Inc.; Nikki America Fuel Systems; Northrop Grumman Corporation; Seohan Auto USA Corporation; Straehle + Hess USA, Inc.; Touchstone Precision, Inc.; and Donghee America, Inc.

The Auburn Center for Developing Industries (ACDI), a small business incubator facility, opened in 1989 to enable new business ventures to become established in a cost-controlled environment while adding jobs to the community. This project has been highly successful, graduating several of its tenants to the City's industrial parks and expanding its facilities three times. Current tenants located in the incubator include a military systems engineering and technology development company, an industrial crane installation company, a 3-D printing company, an indoor urban farming research and development company, two logistics companies, an IT consulting and installation company, a machining company, a government industrial and engineering services company, a news media company, an automotive tube bending company, a frozen dessert manufacturing company, and a full motion flight training simulator.

The City's Commercial Development Incentive Program has brought numerous new and redeveloped commercial enterprises to our area including the following: Orange-Auburn, LLC, a new commercial retail shopping center, known as the Heart of Auburn, across from the Auburn University Campus along College Street anchored by CVS pharmacy and including national tenants such as Burger Fi and Taziki's Mediterranean Cafe; Trabresco, LLC, a commercial retail and professional development along Exit 57 to I-85 anchored by Bob's Victory Grill; and Silver Eagle LTD, Inc. which renovated a small commercial development downtown with Papa John's restaurant as the anchor, as well as many others. Hyundai of Auburn, Mugshots Bar and Grill, and Carmike Cinemas are some other stand-alone commercial enterprises opening and/or renovating in the last fiscal year. We expect all this activity to lead to an expansion of the City's tax base and continue the growth in Auburn's business development.



***New Heart of Auburn Development on South College Street***

In addition, the City has partnered with Auburn University and the State of Alabama to construct a University-based research park. Construction of the first building in the Auburn Research Park was completed in 2008, with Northrop Grumman Corporation becoming the first official tenant. The second building to locate in Phase I of the Auburn Research Park was the Auburn University MRI Research Center, a 45,000 square foot building that is the location of both a 3T and 7T scanner operated under contract by the East Alabama Medical Center (EAMC). In addition to the University's research activities, the Auburn Spine and Neurosurgery Center is located in the building. In late 2011, construction of the third building commenced via the University's receipt of a competitive grant from the U.S. National Institute for Standards and Testing (NIST) to build a Center for Advanced Science, Innovation and Commerce (CASIC). The 68,000 square foot center opened in 2013 and houses 20 research laboratories, multiple conference rooms, two five-ton cranes, and the most powerful computer in Alabama. CASIC will be interdisciplinary and will be used by the Colleges and Schools of Design and Construction, Engineering, Architecture, Sciences and Mathematics and Forestry and Wildlife Sciences to offer programs in the research areas of standards and measurements, and marine and forecast sciences.

In fall 2012, the Edward Via College of Osteopathic Medicine, also known as VCOM, confirmed that it will open a branch campus at Auburn as part of the Auburn Research Park. Construction began in early 2014. The more than 90,000 sq. ft., four story, state-of-the-art building is situated on 15 acres within the Auburn Research Park and is adjacent to Auburn University. VCOM is building the campus, which will hold collaborative research programs with Auburn University and programs for the current VCOM students training in hospitals within Alabama, until the branch campus is accredited. In addition, the facility will hold continuing medical education programs for the clinical faculty from Alabama and surrounding states. VCOM's new academic facility in Auburn will have classrooms, small-group learning rooms, laboratories, and a technology center. The first class of 150 students is proposed for fall 2015.



***Construction of the VCOM facility at Auburn***

The City of Auburn and Auburn University continue to work together to recruit prospects for the research park. The new technology-focused research park has prompted partnerships with East Alabama Medical Center, the University Of Alabama at Birmingham School of Medicine, and China's Central South University. Recruitment efforts for research park projects are ongoing. The partnership with Auburn University, the City of Auburn, and the Auburn Research and Technology Foundation for a full-service, mixed-use business incubator has been a successful effort. All groups work towards the overall mission of facilitating the commercialization of university and community derived technologies and promoting economic development by the establishment of small businesses, creating jobs, fostering entrepreneurialism, generating tax revenues, and attracting investment dollars.

In addition to its business recruitment programs and initiatives, the City's Economic Development Department has worked to improve housing opportunities within the Auburn city limits in several ways, including: an Affordable Housing Program; collaboration with Habitat for Humanity and Auburn Housing Authority; and administering numerous housing rehabilitation and other public service programs funded by the federal Community Development Block Grant Program. The North Auburn Housing Development Corporation (NAHDC), a non-profit organization dedicated to affordable housing in Auburn, and the City of Auburn have completed the 29 home development of the Northwest Village Subdivision for 100% low-to-moderate income buyers. As Auburn's newest affordable housing subdivision, the Northwest Village Subdivision was created to give Auburn residents the opportunity to purchase a home valued at between \$80,000 to \$100,000.



***House in the 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, three small businesses have benefited from this program and two more are in the pipe line.

In fiscal 2014, building permits were issued for 394 new single-family residences valued at \$115.1 million. The average valuation for single-family homes was \$292,072. Also, seven new commercial and industrial facilities valued at \$18.1 million were permitted during fiscal 2014.

### ***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 program for FY15 through FY20 contains over \$68.2 million in identified projects. Transportation improvements, including road reconstruction, resurfacing, bikeways, streets, bridges,

and intersections will require an estimated \$25.5 million. This outlay will be funded through identified sources including shared funding, state and federal grant funds, and debt.

City facility improvements are planned with a projected cost of \$7.5 million will be funded by the General Fund. The Auburn Technology Park West Annex project is estimated at \$11.7 million. Other projects, including leisure facilities renovations and expansion, downtown redevelopment, utility mapping, and technology investments are included in the capital improvements program at an approximate cost of \$23.5 million. Various funding options, including debt and grants, will be identified at the appropriate time.

### ***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 conduct a Mid-Year Budget Review process each April that is 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, once every four years a comprehensive Revenue Review is completed 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 2014, idle cash was invested in certificates of deposit with 12-24 month terms and rates ranging from .28% to .47%. Idle cash was also invested in U.S. treasury notes with 18-24 month terms and rates ranging from .23% to .38%. The City’s demand deposit operating account is currently earning .50%.

**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 2014 period was 60.26%, exceeding management’s informal goal. There is a planned reduction of this percentage in fiscal 2015.

### **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 and Chastain, LLP was selected through a competitive proposal process. 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.

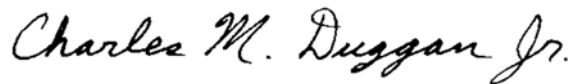
**Awards** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2013. This was the twenty-seventh consecutive year 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.



Charles M. Duggan, Jr.  
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**

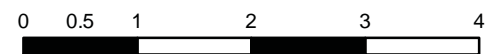
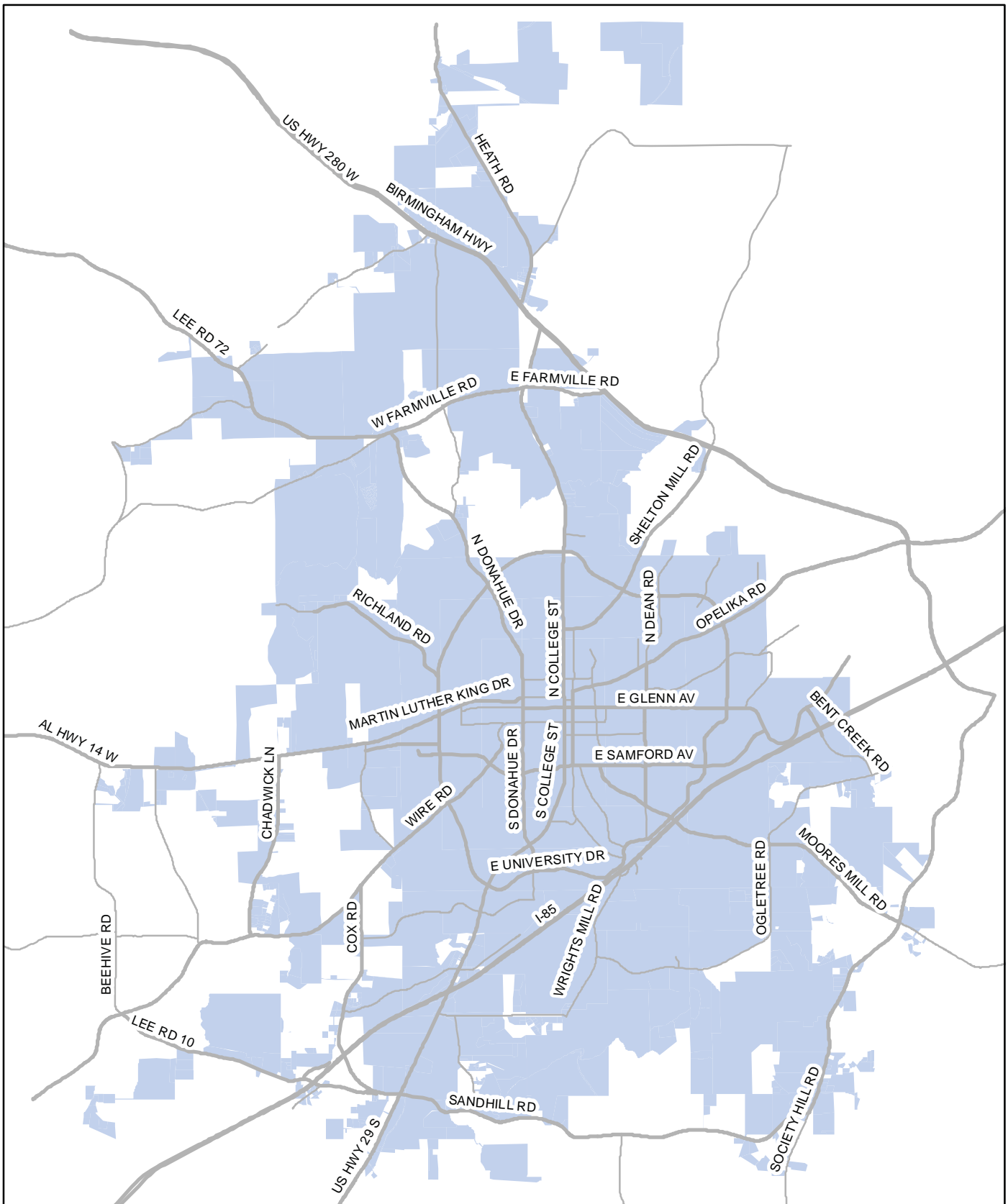
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

# City of Auburn as of September 30, 2014



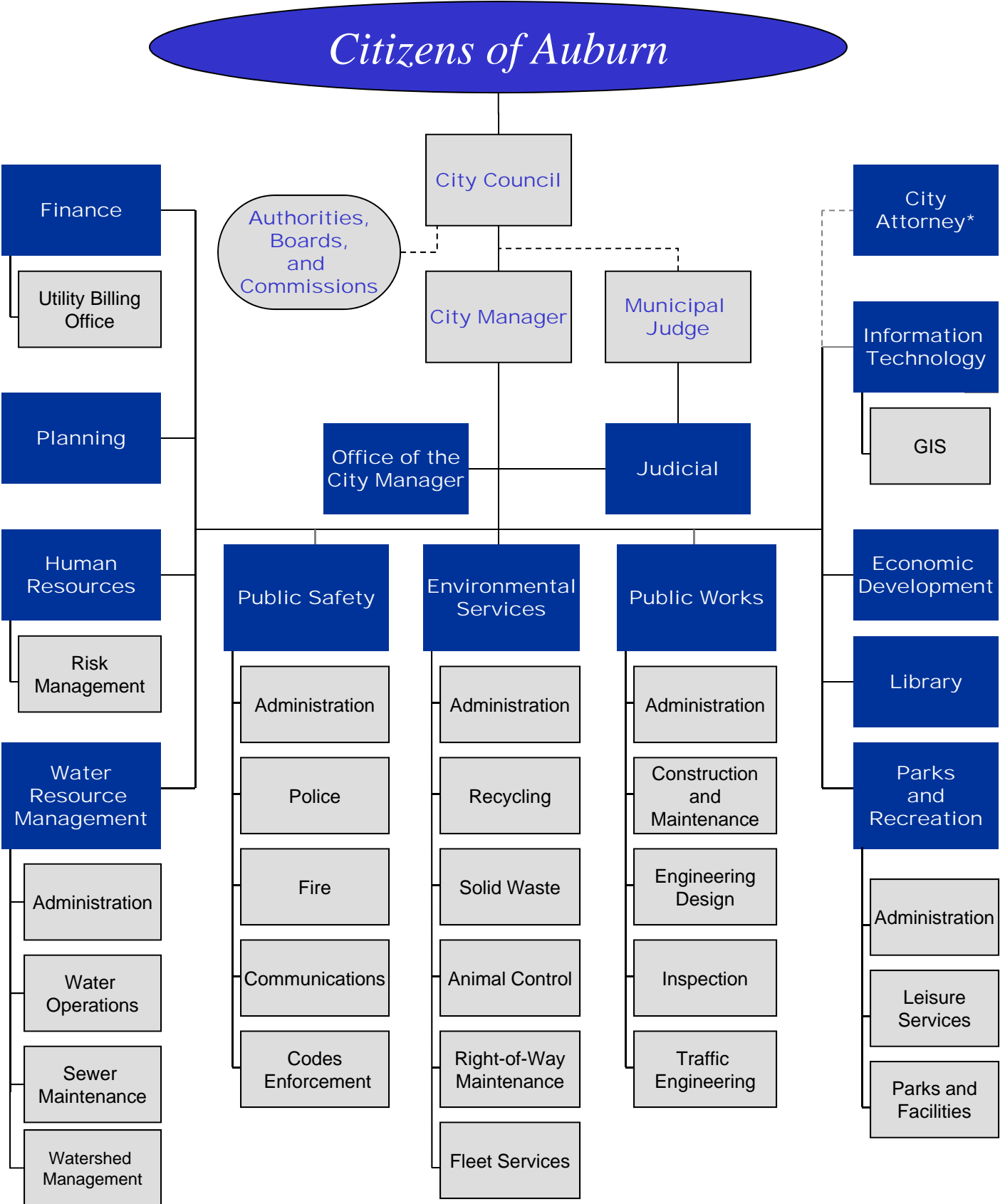
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Produced by COA  
Planning Department:  
3/23/2015



The City of Auburn, Alabama does not guarantee this map to be free from errors or inaccuracies. The City of Auburn, Alabama disclaims any responsibility or liability for interpretations from this map or decisions based thereon. The information contained on this map is a general representation only and is not to be used without verification by an independent professional qualified to verify such information.

# Organization Chart



\* City Attorney services are contracted outside the organization

Legend:	Policy or Judicial Authority	Department	Division or Sub-Departmental Unit
---------	------------------------------	------------	-----------------------------------



City of Auburn



Donald G. Chastain, CPA  
Michael D. Machen, CPA, CVA  
Anne McChesney May, CPA  
Melissa W. Motley, CPA  
Aaron K. Waller, CPA  
Martin D. Williams, CPA  
Don L. Machen, CPA

Members  
American Institute of  
Certified Public Accountants  
  
Alabama Society of  
Certified Public Accountants  
  
An Independent Member of  
BDO Seidman Alliance

## INDEPENDENT AUDITOR'S REPORT

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

### **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, 2014, and the related notes to the financial statements, which collectively comprise the City'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 six percent of the assets, eight percent of the net position, and four 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 solely 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, 2014, 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 through 47 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 27, 2015, 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 + Chastain, LLP*

Auburn, Alabama  
March 27, 2015



City of Auburn

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2014. 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, which can be found 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 \$106.5 million (net position). Of this amount, the City had a deficit unrestricted net position of \$48.3 million offset by \$11.3 million in restricted net position and \$143.4 million in net investment in capital assets.
- The primary government experienced a 26.2% increase in net position from \$84.3 million at September 30, 2013 to \$106.5 million at September 30, 2014.
- At the close of the current fiscal year, the City's governmental funds reported a *combined* fund balance of \$52.0 million. This was a decrease of \$94,126 (0.2%) from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$42.5 million or 60.2% of total General Fund expenditures and other financing uses; total fund balance increased by \$3.6 million (9.2%) from fiscal year 2013. Total ending fund balance in the General Fund comprised 57.6% of total revenues in 2014 and 55.5% in 2013.
- The unassigned fund balance for the General Fund was \$25.6 million, or 36.2% of total General Fund expenditures; this was a decrease of \$3.5 million (11.9%) from fiscal 2013.
- Sales and use tax, the City's single largest revenue source, increased 7.8% (\$2.5 million) during the 2014 fiscal year, reflecting a slight improvement in the economy.
- Other significant changes in revenue during 2014: state shared taxes decreased by 36.6% (\$737,303); contribution from the public increased by 80.0% (\$811,392); licenses and permits increased by 4.2% (\$428,044); and occupational license fees increased by 4.6% (\$446,177).

### 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 system.

- 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 detailed data. Figure A shows how the required parts of this annual report are arranged and relate to one another.

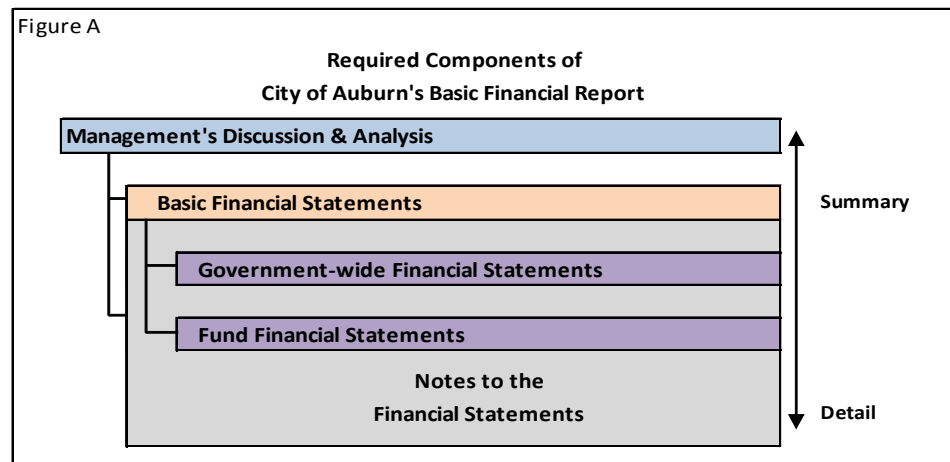


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

### 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 be considered.

Figure B

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

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	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
<b>Required financial statements</b>	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
<b>Accounting basis &amp; measurement focus</b>	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
<b>Type of asset/liability</b>	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
<b>Type of inflow/outflow</b>	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, 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 general public. The City's Sewer Fund and Solid Waste Management Fund are included in this category as enterprise funds.
- **Discretely Presented Component Units.** The City includes six other entities in this report: 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, and the Housing Authority of the City of Auburn. The Housing Authority, previously a related organization, became a component unit of the City in fiscal 2013. The City loaned Section 108 funds from the Department of Housing and Urban Development to the Authority. This loan established a financial benefit/burden relationship that requires classification as a discretely presented component unit in accordance with Governmental Accounting Standards Board 61 – *The Financial Reporting Entity: Omnibus*, implemented by the City in 2013. 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, not the City as a whole. 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 general public for which customers are charged 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 provide additional information that is essential to 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, 2014 totaled \$106.5 million (see Table 1). Governmental Activities' net position increased by \$17.9 million, while Business-type Activities' net position increased \$4.3 million during fiscal 2014.

Table 1

**City of Auburn's Net Position  
September 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 65,445,051	\$ 66,379,575	\$ 10,493,574	\$ 10,108,060	\$ 75,938,625	\$ 76,487,635
Capital assets	136,969,993	130,241,904	78,533,432	77,225,742	215,503,425	207,467,646
Total assets	<u>202,415,044</u>	<u>196,621,479</u>	<u>89,027,006</u>	<u>87,333,802</u>	<u>291,442,050</u>	<u>283,955,281</u>
Deferred outflows of resources	3,774,553	4,068,252	602,237	702,279	4,376,790	4,770,531
Current liabilities	20,821,796	22,924,028	4,469,567	4,852,687	25,291,363	27,776,715
Long-Term debt and other liabilities	120,161,297	130,412,614	43,913,802	46,190,497	164,075,099	176,603,111
Total liabilities	<u>140,983,093</u>	<u>153,336,642</u>	<u>48,383,369</u>	<u>51,043,184</u>	<u>189,366,462</u>	<u>204,379,826</u>
Net position:						
Net investment in capital assets	110,178,706	100,145,164	33,236,208	29,798,149	143,414,914	129,943,313
Restricted	10,706,845	12,142,108	648,195	-	11,355,040	12,142,108
Unrestricted	(55,679,045)	(64,934,181)	7,361,470	7,194,747	(48,317,575)	(57,739,434)
Total net position	<u>\$ 65,206,506</u>	<u>\$ 47,353,091</u>	<u>\$ 41,245,873</u>	<u>\$ 36,992,896</u>	<u>\$ 106,452,379</u>	<u>\$ 84,345,987</u>

Net position for Governmental Activities is primarily invested in capital assets (buildings, equipment, roads, etc.). The net investment in capital assets at September 30, 2014 was \$110.2 million. Debt outstanding related to the capital assets was \$132.3 million. The large negative unrestricted net position in FY 2013 (\$64.9 million) and FY 2014 (\$55.7 million) is the result of a common financing circumstance in Alabama. The City of Auburn issues debt 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 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.

In fiscal 2006, the City formed a partnership with Auburn University and the State of Alabama to build a research park on the University campus. This innovative arrangement produced a similar result to the City's net position. The City of Auburn committed \$5.0 million for project infrastructure and borrowed these funds in February of 2006. This research park infrastructure, however, is owned by Auburn University (a component unit of the State of Alabama). The debt issued by the City is included in the City's liabilities, while the related assets are included on the University's balance sheet. As of September 30, 2014, principal outstanding on this debt was \$274,163.

Similarly, 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 are used to pay principal and interest on the City's debt. The joint tennis facility is owned and operated by the City's Public Park and Recreation Board, a component unit of the City. With respect to the Tennis Center, the debt principal of \$2.6 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, 2014, was \$74.2 million, a decrease of \$3.2 million (4.2%) from the prior year. Debt outstanding in respect to agreements made with Auburn University was \$2.8 million, a decrease from the prior year of \$800,950 (22.0%). Decreases in debt issued for the benefit of Auburn City Schools and Auburn University are attributable to the City's principal repayments.

Governmental Activities' other unrestricted net position increased to \$21.4 million from \$16.2 million (eliminating the effect of other entities' debt) at the end of fiscal 2014. This increase has a couple of components including: 1) An increase in capital assets of \$6.7 million, and 2) An increase in net position resulting from revenue exceeding expenses for fiscal 2014.

The City's governmental activities' had an overall positive net position of \$65.2 million at the end of the 2014 fiscal year, an increase of \$17.9 million (37.7%).

Table 2

**Governmental Activities**

<b>Net Position</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>\$</b>	<b>\$</b>
Net investment in capital assets	110,178,706	100,145,164
Restricted		
Capital Projects	359,040	653,504
Debt Service	1,530,379	1,928,226
Federal and State Grants	3,384,246	3,712,093
Other projects	1,573,439	1,718,232
Special Revenue, non-grant	3,859,741	4,130,053
Unrestricted (deficit)		
Governmental Activities	21,411,503	16,183,852
<i>City School Debt</i>	<i>(74,243,560)</i>	<i>(77,470,095)</i>
<i>AU Debt</i>	<i>(2,846,988)</i>	<i>(3,647,938)</i>
Total Net Position-Governmental	<u>65,206,506</u>	<u>47,353,091</u>

Net position of the City's business-type activities increased by \$4.3 million to \$41.2 million in fiscal year 2014, from \$37.0 million in fiscal year 2013. The majority of this increase can be attributed to a positive change in net position from combined business-type operations revenues over expenses of \$5.3 million. The restricted for capital projects category of net position increased by \$648,195; this increase comes from access fee revenue earned but not used for expansion capital projects in the sewer system during the year. This revenue will be available for projects that increase the capacity of the sewer system in future years.

**Changes in net position** The primary government's net position increased by \$22.1 million (26.2%) in fiscal year 2014. Total assets increased by \$7.4 million (2.6%), while total liabilities decreased by \$15.0 million (7.3%). The increase in assets resulted primarily from an increase in capital assets of \$8.0 million. More information on the increase in capital assets can be found in the *Capital Assets* section. The large decrease in liabilities is a result of a \$13.6 million decrease in long-term debt. More information on this decrease can be found in the *Long-Term Debt* section of this MD&A.

The primary government's total net position increase of \$22.1 million (26.2%) in fiscal 2014 includes the following major changes: 1) a decrease in the deficit in unrestricted net position of \$9.4 million, 2) a decrease in restricted net position of \$787,068, and 3) an increase in net investment in capital assets, of \$13.5 million.

## Governmental Activities

Table 3 presents the cost of each of the City's functions/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 that was placed on the City's general revenues by each of these functions.

Table 3

**Excerpt of Governmental Activities**  
from the  
**City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2014 and 2013**

Governmental Activities	<i>Expenses</i>		<i>Program Revenues*</i>		<i>Net (Expense) Revenue</i>	
	2014	2013	2014	2013	2014	2013
<b>Functions and programs</b>	\$	\$	\$	\$	\$	\$
General government	7,986,358	7,292,682	13,949,963	14,364,505	5,963,605	7,071,823
Public works	7,253,198	7,212,310	3,060,960	3,830,830	(4,192,238)	(3,381,480)
Environmental services	2,180,362	2,097,261	-	6,125	(2,180,362)	(2,091,136)
Public safety	19,036,443	18,470,037	4,438,663	4,334,360	(14,597,780)	(14,135,677)
Library	1,684,288	1,708,144	49,744	58,982	(1,634,544)	(1,649,162)
Parks and recreation	5,861,786	5,520,692	1,433,490	881,812	(4,428,296)	(4,638,880)
Social and economic development	6,056,184	7,206,018	745,143	1,090,642	(5,311,041)	(6,115,376)
Other functions	2,715,612	2,236,425	813,576	870,298	(1,902,036)	(1,366,127)
Education (payments to Board of Ed)	16,350,759	15,850,759	-	-	(16,350,759)	(15,850,759)
Interest on long-term debt	4,968,931	5,420,673	-	-	(4,968,931)	(5,420,673)
<b>Total governmental activities</b>	<b>74,093,921</b>	<b>73,015,001</b>	<b>24,491,539</b>	<b>25,437,554</b>	<b>(49,602,382)</b>	<b>(47,577,447)</b>

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

The cost of governmental activities this year was \$74.1 million. Program revenues provided \$24.5 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 \$49.6 million. This net expense is a \$2.0 million (4.3%) increase over fiscal 2013.

There are three items of note in the change in net expense of governmental activities. During fiscal 2014, revenues from the State of Alabama Trust Fund were \$455,275, a 62.2% decrease. During fiscal 2013, the City received \$1.2 million from the State of Alabama Trust Fund. This fund captures future revenues from sales of offshore drilling rights and royalties on the resulting gas production. 10% of these revenues are distributed to cities and counties in Alabama. This revenue varies greatly from year to year and affects the program revenue of the general government function.

Another significant change in net expense occurred in the social and economic development function. During 2014, net expense in this function decreased by \$804,335 resulting primarily from a decrease in expenditures for the Community Development Block Grant (CDBG) program coupled with a decrease in revenue for the same program. The CDBG program operates on a May 31 fiscal year. The timing of expenses for each CDBG year can vary because of the fiscal year difference.

In addition to these two changes, net expense for the City's risk management function, included in other functions, increased by \$445,979 (670.4%). This function includes expenses related to worker's compensation insurance and health insurance. Insurance claims and administrative expenses can vary greatly from year to year.

Total City program income exceeded expenses for only one function: general government produced an excess of \$6.0 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

<b>Excerpt of Governmental Activities</b> <i>from the</i> <b>Statement of Activities</b>		
Governmental Activities	<i>Net (Expense) Revenue</i>	
	2014	2013
	\$	\$
<b>Net expense of the total governmental activities</b>	<u>(49,602,382)</u>	<u>(47,577,447)</u>
<b>General revenues:</b>		
Sales taxes	34,303,569	31,831,180
Property taxes	21,645,465	20,971,590
Occupational license fees	10,130,069	9,683,892
Rental and leasing taxes	612,457	571,248
Lodging taxes	1,604,851	1,559,012
Motor fuel taxes	340,415	311,022
Other taxes	241,419	236,605
Appropriations from component units	-	333,591
Interest and investment earnings	327,499	287,977
Gain (loss) on asset disposals	68,237	-
Miscellaneous	63,801	34,558
<i>Total general revenues</i>	<u>69,337,782</u>	<u>65,820,675</u>
Transfers	<u>(309,019)</u>	<u>(464,859)</u>
<i>Change in net position</i>		
General revenues and transfers less net expenses	19,426,381	17,778,369
Beginning net position	47,353,091	30,310,776
Prior period adjustment	<u>(1,572,966)</u>	<u>(736,054)</u>
Ending net position	<u>65,206,506</u>	<u>47,353,091</u>

Table 5 divides total governmental program revenue by source for 2014 and 2013 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative below provide insight into the changes in program revenue.

Program revenue by source:	Governmental Activities	
	2014	2013
	\$	\$
Charges for services	18,637,415	18,293,788
Operating grants and contributions	2,531,117	3,590,979
Capital grants and contributions	<u>3,323,007</u>	<u>3,552,787</u>
<i>Total Program Rev - Governmental Activities</i>	<u>24,491,539</u>	<u>25,437,554</u>

Some of the program costs of governmental activities in 2014 were paid by revenues collected from those who directly benefited from the programs (\$18.6 million). These revenue sources include:

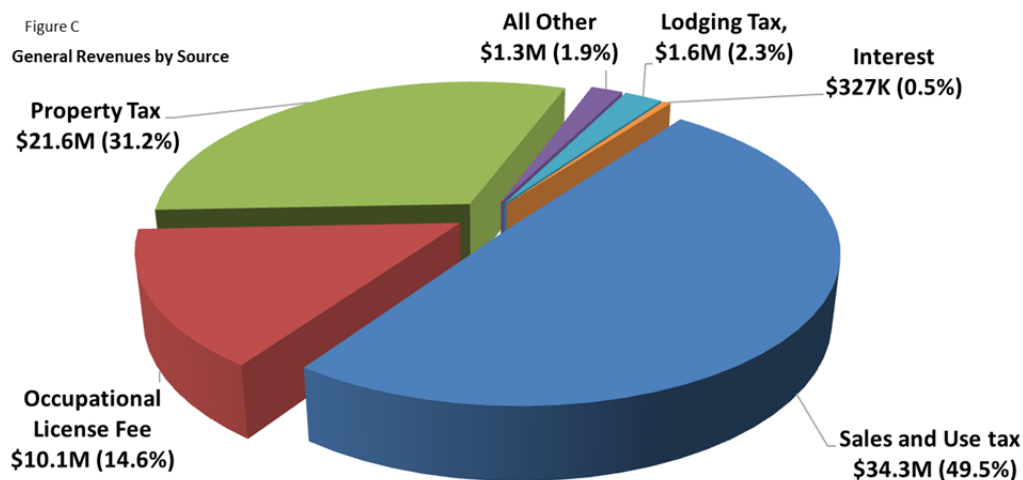
- General business license fees, which generated \$6.1 million to pay the costs of providing general government services.
- Collection of court fines and tickets in the amount of \$1.0 million supports essential public safety and judicial services within the City.
- Auburn University pays for fire and police services on campus. This revenue of \$2.5 million offsets public safety expenses for the year ending 2014.

Program costs were also defrayed by operating and capital grants and contributions of \$5.9 million. These revenues were down by \$1.3 million or 18.1% from fiscal year 2013. Components of this change are listed below.

- Revenue from the Alabama Trust Fund of \$455,275 was a 62.2% decrease from fiscal 2013. This fund captures future revenues from sales of offshore drilling rights and royalties on the resulting gas production. 10% of these revenues are distributed to cities and counties in Alabama. This revenue fluctuates greatly from year to year, affecting operating grants and contributions for the general government function.
- A portion of this funding comes from the Community Development Block Grant (CDBG) program of the federal Department of Housing and Urban Development. Fiscal 2014 CDBG revenues of \$437,709 were used to rehabilitate inadequate housing, improve public facilities and provide utility assistance, temporary housing and food assistance programs to eligible citizens.
- Another significant component of capital grants and contributions includes forfeited performance bonds. These bonds are obtained by the City to ensure that developers perform as required when constructing new subdivisions. If the developer does not complete the infrastructure in the subdivision, such as drainage and roads, the City collects the performance bonds to complete the construction. As construction is completed, the forfeited performance bonds are recorded as revenue. Forfeited performance bonds used by the City to complete construction was \$1.3 million in fiscal 2014.

The City financed net expenses of \$49.6 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 2014:



- General revenues are defined as all revenues that are not required to be reported as program revenues. All taxes, even those that are 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 reported as general revenues.
- The largest of the City's general revenues is sales and use tax, comprising 49.5% 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 (31.2%). 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 (14.6%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn made payments of \$19.7 million to component units of the primary government during fiscal 2014. Of this amount, \$16.4 million (83.2%) was paid to the Board of Education, including \$6.8 million paid from education property taxes. The \$9.6 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 wastewater treatment plants operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. During fiscal 2013, the City closed one of the wastewater plants, 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 typically treated by the NSWPCF is now diverted to the facility in the south. The NSWPCF will continue to act as a pumping station for this diverted flow. If additional treatment capacity is needed in the future, this plant will be reopened.

In November 2013, the City engaged a utility rate consultant to review and update a rate study that was conducted in fiscal 2011. This study evaluated the City's ability to meet the current and projected operating and capital expenditure demands with existing revenues. The rate study consultant, with assistance from City of Auburn staff, concluded that the City's existing rates for sewer service are projected to be sufficient to meet revenue requirements through the end of fiscal 2019. This conclusion was based on identified capital expenditures and no unexpected, significant changes in operating expenses, sewer sales, regulatory requirements, or the economy. Based on this conclusion, no rate increases are expected in the next few fiscal years. The last sewer rate change was a 6.9% increase effective on October 1, 2012.

Table 6

**Excerpt of Business Type Activities (Condensed)**  
*from the*  
**City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2014 and 2013**

Business-Type Activities	<i>Expenses</i>		<i>Program Revenues*</i>		<i>Net (Expense) Revenue</i>	
	2014	2013	2014	2013	2014	2013
<b>Functions and programs</b>	\$	\$	\$	\$	\$	\$
Sewer Fund	7,960,070	7,470,780	11,747,239	11,653,903	3,787,169	4,183,123
Solid Waste Management Fund	4,145,364	3,948,022	4,240,022	3,914,454	94,658	(33,568)
<b>Total business-type activities</b>	<b>12,105,434</b>	<b>11,418,802</b>	<b>15,987,261</b>	<b>15,568,357</b>	<b>3,881,827</b>	<b>4,149,555</b>

\*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, increased slightly from the prior year by \$93,336 (0.8%). This increase in sewer related program revenue reflects an increase in sewer service revenue of \$233,993 (2.5%), indicative of normal growth in sewer services. Sewer access fees, fees paid by customers for new access to the sewer system, also increased by \$380,522 (49.6%). Two large multi-family developments added \$389,700 in access fee revenue this year. Offsetting these increases is a net decrease in contributions from developers of \$438,230 (39.2%), including a \$678,230 (62.3%) decrease in sewer lines contributed and a \$240,000 (800.0%) increase in cash contributions for sewer projects. Cash contributions were made for the Northeast Outfall Phase II sewer project. This was a \$1.5 million project that increased

sewer capacity for development in the area. A commercial developer contributed \$270,000 to this project, which was completed during fiscal 2014.

Sewer Fund expenses (operating plus interest expense) increased by \$489,290 (6.5%) to \$8.0 million. This change is explained by an increase in depreciation expense of \$413,792 (24.6%), a decrease in management professional services (wastewater treatment plant management) of \$194,409 (12.7%), and an increase in interest on long-term debt. During fiscal 2013, interest on long-term debt that qualified for capitalization totaled \$405,458, while qualifying interest reclassified to assets during fiscal 2014 only totaled \$64,629. When interest costs are incurred in connection with the acquisition, construction, development, or improvement of a capital asset, interest costs are included in the cost of the asset. When interest is capitalized, interest expense is reduced on the operating statement.

The City's only other business-type activity, solid waste management, receives revenue from garbage charges to customers, special trash pick-up fees, sales of recyclables and white goods tags (for pick-up of household appliances). 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 \$94,658 in fiscal 2014. After several years of operational deficits, the cost of providing services such as garbage collection and recycling activities are being covered by the current charges for services. This improvement happened over time and is the result of a thorough analysis of the solid waste function. In October 2010, the City contracted with a utility rate consultant to evaluate the adequacy of the existing rates for funding current and future needs of the solid waste management system. Results from this study provided management with the necessary information to make decisions on rate increases. The rate study consultant worked with staff to propose a recommendation to the City Council that included several rate increases, phased in over a four-year period. The rate that customers pay for garbage collection increased by 17.0%, 7.5%, and 4.6% on October 1 of 2011, 2012, and 2013, respectively, bringing the rate for curbside service to \$22.50. An additional rate increase of 4.4% became effective October 1, 2014. Residents who receive backdoor service currently pay \$10.00 per month more than the rate for curbside service.

As 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 \$325,568 (8.3%). This increase in program revenue primarily reflects an increase in solid waste collections fee revenue of \$283,835 (7.5%), attributed mainly to the 4.6% rate increase mentioned in the previous paragraph. Expenses of the SWMF increased by \$197,342 (5.0%). There are two factors that contributed to this increase. Depreciation expense increased by \$78,271 (24.0%), which is a result of three large truck and equipment purchases totaling \$453,381. In addition, health insurance claims increased by \$66,101 (76.6%).

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### ***Governmental Funds***

As the City completed the 2014 fiscal year, its governmental funds reported a *combined* fund balance of \$52.0 million, a \$94,126 (0.2%) decrease from the prior year. The total decrease in fund balance is comprised of a \$3.6 million increase in General Fund balance; a \$345,951 decrease in special revenue funds' fund balances; the debt service fund's fund balance decreased by \$542,174 and capital projects funds' fund balances decreased by \$2.8 million. 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 3.6% or \$3.3 million over the prior year.
- Sales and use, the General Fund's single largest revenue source, increased 7.8% (\$2.5 million) during the 2014 fiscal year. This increase reflects steady growth in the local economy, as well as the addition of several new commercial businesses. In addition, the City realizes an increase in sales tax revenue when the Auburn University football team has a good season. The team experienced an 11-1 win/loss record during the regular season in the fall of 2013, won the Southeastern Conference Championship game, and played in the National Championship game in January 2014.
- General property tax revenues increased by \$673,876 (3.2%). Property taxes have had a slow, stable growth over the past 3 years, with a slight decrease in 2013. Property taxes are a lagging economic indicator and as such showed a more normal growth rate in 2014. Assessed values remain stable 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).
- Licenses and permits revenues increased by \$428,044 (4.2%). This increase is the result of an increase of \$123,005 (2.1%) in general business license fees, an increase of \$107,977 (7.6%) in residential and commercial rental licenses, and an increase of \$134,473 (8.3%) in construction related permits. The valuation for construction permits of single family, detached homes decreased by \$20.1 million (15.8%), while the valuation for permits of multi-family developments increased by \$42.0 million (3,059.4%). In fiscal 2014, there were four permits with a valuation of \$44.1 million issued for multi-family dwellings while in fiscal 2013 there were only two permits valued at \$1.8 million.
- State shared taxes decreased by \$737,303 (36.6%). This change can be primarily attributed to a decrease in revenue from the Alabama Trust Fund of \$748,577 (62.2%). These revenues are received from the State of Alabama and are future revenues from sales of offshore drilling rights and royalties on the resulting gas production. Cities and counties receive 10% of the revenue, and it can vary greatly from year to year.
- Contributions from the public increased by \$811,392 (80.0%). There is one major factor that contributed to this increase. Revenue from forfeited performance bonds by developers increased by \$800,213 (168.2%). Many subdivision developers have been unable to complete their projects due to economic conditions since 2009. Performance bonds that secured certain infrastructure improvement requirements of the subdivision development agreements were called by the City. The City holds these funds in unearned revenue until such time that the work can be completed. As the City finishes the construction of infrastructure for these subdivisions, the called performance bonds are recorded as revenue.
- Grant revenue decreased by \$903,797 (33.3%). This decrease can be attributed to a large change in two grants. The City received \$1.5 million in fiscal 2013 for an industrial access road grant and a road resurfacing grant, while only receiving \$482,390 for the same projects in fiscal 2014.
- Other financing sources decreased by \$6.6 million (82.0%) in 2014 from 2013. The major component of this large decrease is related to debt issuance in fiscal 2013. During fiscal 2013, there was one debt issuance of \$5.5 million for additional infrastructure to expand a technology park. The City did not issue debt during 2014. More information on debt issuances and/or refunding can be found in the *Long-term Debt* section of this MD&A.

### ***Governmental expenditures and other financing uses***

Total governmental expenditures increased by \$2.0 million (2.2%) in fiscal 2014 over fiscal 2013. The major components of this increase in governmental expenditures were an increase in departmental expenditures of \$1.9 million (4.8%), and a decrease in payments to component units of \$724,761 (3.6%). To summarize the changes in governmental funds' expenditures:

- Departmental expenditures experienced a moderate change, increasing by \$1.9 million (4.8%). The most significant changes were seen in general government (increase of \$885,798 or 17.8%), risk management (increase of \$308,296 or 29.4%), and economic development (increase of \$222,722 or 10.3%). 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 participating businesses that have met the requirements to begin receiving rebates has grown during 2014, creating an increase in rebate payments of \$423,613, a 157.0% increase over 2013. Also contributing to the increase in general government expenditures was forgiveness of a loan to the Indian Pines Recreation Authority (the 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. In fiscal 2006, the City loaned the Authority \$400,000 to finance a portion of the construction of a new clubhouse at the golf course. The old clubhouse was destroyed by fire in July 2005. During fiscal 2014, the City Council approved in the budget ordinance to forgive the outstanding balance of the loan. This forgiveness resulted in a \$245,860 expenditure in the general government function. The risk management function increase can be attributed to increases in insurance claims and a decrease in insurance reimbursements.

The increase in economic development expenditures is primarily the result of loans made by the City utilizing the Section 108 Loan Program, administered by the Department of Housing and Urban Development (HUD). Funds are loaned to qualifying businesses to construct or improve facilities and purchase equipment. There was one Section 108 loan made during fiscal 2014 for \$280,000. This loan bears an interest rate of 4.5% with a 5 year balloon term.

- The City's payments to its component units in 2014 decreased by \$724,762 (3.6%) from fiscal year 2013, as shown in Table 7. This net decrease has two key components. In fiscal 2013, the City decided to forgive an advance to the Industrial Development Board (IDB). This advance was originally made to the IDB for the purchase of industrial property and to finance improvements to the property and to purchase and improve a speculative building. This advance forgiveness resulted in a transfer to the IDB of \$2.4 million. There were no transfers to the IDB for debt service in fiscal 2014. Also affecting payments to component units is transfers to the IDB of \$2.5 million (proceeds from borrowing) for construction of infrastructure at the Auburn Technology Park West. This is a \$1.1 million (78.0%) increase over 2013.

Table 7 summarizes the payments to each component unit; more information follows the table.

Table 7

**Governmental Funds - Expenditures Comparison**

<u>Paid to component units:</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 14 &gt; FY 13</u>
Auburn City Schools	\$	\$	\$
General revenues	9,550,759	9,550,759	-
Education property taxes	6,800,000	6,300,000	500,000
Subtotal to Schools	16,350,759	15,850,759	500,000
Industrial Development Board			
Operating Costs	625,000	590,000	35,000
Debt Service	-	2,361,853	(2,361,853)
West Tech Park Improvements	2,513,796	1,412,149	1,101,647
Subtotal to IDB	3,138,796	4,364,002	(1,225,206)
Public Park & Rec Board	190,127	189,683	444
Total - Component Units	19,679,682	20,404,444	(724,762)

- The City appropriated \$9.6 million out of its general revenue to the Auburn City Schools in fiscal year 2014.
- 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 \$6.8 million in fiscal 2014 is a \$500,000 (7.9%) increase from 2013.
- Transfers for the operating costs of the Industrial Development Board increased by \$35,000, or 5.9%, during fiscal 2014. The City Council continues to promote aggressive economic development as a long-term goal in providing jobs and expanding the City's revenue base.
- As described on the previous page, the City of Auburn forgave a \$2.4 million advance to the Industrial Development Board in fiscal 2013. This coupled with an increase of \$1.1 million in transfers to the Board for construction of infrastructure in the Auburn Technology Park West and the \$35,000 increase in transfers for operations mentioned above resulted in a net decrease of \$1.2 million in payments to the Industrial Development Board.
- 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 2014, the transfer increased by \$444 (0.2%) to \$190,127.

**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 constituents. Net position of these proprietary funds combined increased by \$4.3 million (11.5%) from fiscal 2013 to fiscal 2014.

#### ***Proprietary funds' revenues, other resources***

Sewer Revenue Fund operating revenues increased by \$588,075 (5.6%) in 2014 as compared to 2013. This increase in operating revenue is composed of two notable changes. First, sewer service fees increased by \$233,993 (2.5%), which can be attributed to normal growth in customers and usage. Sewer service fees are based on water usage; water usage of single family residences in excess of 18,000 gallons per month will not be charged sewer fees. Second, a \$380,522 (49.6%) increase in sewer access fee revenue occurred when two large multi-family developments were added in 2014 causing an atypically high variation in access fee revenue. In addition to changes in operating revenue, the Sewer Fund's net position was increased by \$681,000 from developers' contributions (both sewer line and cash contributions) in fiscal 2014, which is a \$438,230 (39.2%) decrease from contributions in 2013. Sewer line contributions are contingent upon completion of subdivision developments in the City and can vary greatly from year to year.

Operating revenues in the Solid Waste Management Fund increased by 8.4% (\$330,413) in 2014. In addition to operating revenue, this fund's net position was increased by \$385,269 from a budgeted operating transfer from the General Fund. As mentioned in the *Business-type Activities* section above, the City contracted with a rate consultant in late 2010 to evaluate the adequacy of rates for funding current and future needs of the solid waste management system. The third rate increase (4.6%) of a four-year phased schedule became effective on October 1, 2013, bringing the rate to \$22.50 for curbside service while customers receiving backdoor service began paying \$32.50 per month. The last rate increase of 4.4% became effective on October 1, 2014. Staff reviews the rate study projections and compares these figures with actual results to evaluate the need for future rate increases.

#### ***Proprietary funds' expenses***

In the Sewer Revenue Fund, operating expenses for fiscal 2014 increased by \$207,636 (3.7%). The largest component of this change was depreciation expense, which increased by \$413,792 (24.6%). During 2013, the City capitalized phase two improvements to the H.C. Morgan Water Pollution Control Facility (WPCF). This \$7.6 million improvements project includes improvements required by the Saugahatchee Watershed Total Maximum Daily Load (TMDL) Implementation Plan approved by the Alabama Department of Environmental Management. Depreciation on this large project increased expenses by \$304,795 in fiscal 2014. In addition, management fees paid to Veolia Water North America Operating Services, LLC decreased by \$194,409 (12.7%). At the end of each fiscal year, a true-up is conducted to ensure that the City has only paid for actual expenses related to operating the sewer plants and pump stations. As mentioned in the *Business-type Activities* section, the City closed the Northside sewer plant in 2013. In addition, there were several operational efficiencies gained when the Northside plant was closed and the H.C. Morgan facility became the only sewage treatment facility.

In the Solid Waste Management Fund, operating expenses increased by \$197,343 (5.0%) to \$4.1 million. Increases in salaries and benefits (\$132,060 or 6.5%) and depreciation (\$78,271 or 24.0%) contributed to this change. Health insurance claims increased by \$66,101 (76.6%). The increase in depreciation expense is a result of three large truck and equipment purchases totaling \$453,381.

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 always considered a major fund. The major funds presented are considered to be of particular importance to financial statement users. 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 the 2014 fiscal year. The Sewer Revenue Fund, a proprietary fund, has been a major fund since fiscal 2003.

### ***The General Fund (Governmental)***

At the end of fiscal 2014, the total fund balance of the City's General Fund increased \$3.6 million (9.2%) from the prior year's ending balance. Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. The 2014 total ending fund balance was \$42.5 million, compared to \$38.9 million at the end of 2013.

In accordance with GASB Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, implemented in fiscal 2011, fund balance categories include the following: nonspendable, restricted, committed, assigned, and unassigned. Total nonspendable fund balance increased by \$3.2 million from 2013. These balances represent investments, inventories, prepaid items, advances, and land held for resale. The restricted and assigned categories increased by \$3.8 million (120.1%), primarily the result of an estimated drawdown in the adopted fiscal 2015 budget. Unassigned fund balance decreased by \$3.5 million (11.9%).

The General Fund's total assets increased by \$3.3 million (6.8%) during 2014. Several significant items contributed to this increase in assets.

- Cash and cash equivalents (including certificates of deposit) decreased by \$624,762 (1.9%). Purchases of investments are the primary reason for this decrease in cash.
- Investments increased by \$3.9 million (228.6%). During 2013, the City sold a building to the Industrial Development Board for \$1.8 million. The Board will pay the City monthly payments based on a ten-year note with a 3.03% interest rate. The City recognized an investment that is reduced by the amount of the payments as they are received from the Board. The balance of the City's investment at the end of fiscal 2014 was \$1.6 million. In addition, the City purchased \$4.1 million in United States Treasury Bills using excess cash during 2014.
- Accounts receivable increased by \$507,272 (5.7%) over 2013. The major component of this change was an increase of \$611,785 in revenues receivable, primarily due to additional sales tax being accrued at the end of the fiscal year. As discussed in the *Governmental Funds* section, the City experiences an increase in sales tax when Auburn University has a winning football season in the prior calendar year.
- Prepaid items decreased by \$438,683 (93.9%). In fiscal 2013, the City contracted with Emergency Equipment for the purchase of a 2013 Pierce Saber SLT pumper fire truck. In order to take advantage of a prepayment discount, the City prepaid \$422,109 to the vendor. Prepaid items returned to a more typical level in fiscal 2014.

Total liabilities of the General Fund decreased by \$265,424 million (2.7%) in 2014. 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. Unearned revenue decreased by \$1.1 million (19.8%). Many subdivision developers have been unable to complete their projects due to economic conditions since 2009. Performance bonds that secured

certain infrastructure improvement requirements of the subdivision development agreements were called by the City. The City holds these funds in unearned revenue until such time that the work can be completed. As the City finishes the construction of infrastructure for these subdivisions, the called performance bonds are recorded as revenue. Remaining funds held for subdivision completion totaled \$1.7 million at fiscal year-end.

### ***Special School Tax Fund (Governmental)***

The Special School Tax Fund, a special revenue fund, accounts for sixteen mills of education ad valorem tax revenue that is 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 \$6.8 million from this fund for operations in 2014. This is a \$500,000 (7.9%) increase from 2013. 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. Revenues increased by \$408,040 (3.2%) in this fund, and expenses, including the transfer mentioned above and debt service on borrowings, increased by \$1.1 million (8.4%). Principal on the 2010 General Obligation Warrants – Series A increased by \$480,000 in fiscal 2014, increasing debt service expenditures.

### ***Federal Grant Loan Repayment Fund (Governmental)***

The Federal Grant 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 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 revenue from grants provided by the U.S. Department of Housing and Urban Development used to fund Title 1 projects within the city. This fund is a new major fund based on the size of the fund's liabilities in fiscal 2014.

Total revenue in this fund increased by \$102,659 (14.2%). This increase is primarily the result of a Section 108 loan made by the City utilizing the Section 108 Loan Program, administered by the Department of Housing and Urban Development (HUD). Funds are loaned to qualifying businesses to construct or improve facilities and purchase equipment. Expenditures in this fund increased by \$273,057, also a result of the Section 108 loan. 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.

### ***Sewer 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 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 pump stations.

The Sewer Fund's net position increased by \$3.8 million (10.6%) in fiscal year 2014. The largest change in the components of net position is an increase of \$3.3 million (11.6%) in net investment in capital assets. In addition, net position restricted for capital projects increased by \$648,195. This increase is a result of access fees collected during fiscal 2014. Access fees can only be used to fund capital projects that expand the sewer system. If there are no projects that qualify to be funded by access fees during the year, the access fees are accumulated to be used in future years.

Total assets of the Sewer Fund increased by \$992,699 (1.2%). Factors attributing to this increase are assets capitalized and depreciation. Assets capitalized included an increase of \$617,148 in capital assets

not being depreciated, such as land and construction in progress, and a \$554,821 increase in capital assets being depreciated, such as buildings, vehicles, and sewer lines. During 2014, the City capitalized the Northeast Outfall project which increased capacity in an area near a new commercial development. This project cost \$1.5 million. Other asset capitalized included two clarifier drives and a thickener drive (totaling \$126,973), installed at the H.C. Morgan Water Pollution Control Facility. Also capitalized were two bypass pumps (\$169,147) installed at the Woodland Park II and Hamilton Hills lift station. In addition, sewer lines contributed by developers (\$411,000) were capitalized during fiscal 2014. Depreciation, which offsets capital assets balances, totaled \$2.1 million this year.

There was a \$2.9 million (5.6%) decrease in Sewer Revenue Fund liabilities; the majority of this change is a \$2.3 million decrease in long-term debt resulting in principal payments of debt during the year. More details on Sewer Fund debt are included in the *Long-Term Debt* section.

The Sewer Fund generated operating income of \$5.2 million in 2014, an increase of \$380,439 (7.9%) from 2013. Operating revenues increased by \$588,075 (5.6%). This change is composed of a \$233,993 (2.5%) increase in sewer service charges, which is primarily the result of normal growth and an increase in sewer access fee revenue of \$380,522 (49.6%). This increase in access fees is the result of two large multi-family developments that added \$389,700 this year. Operating expenses increased by \$207,636 (3.7%); major components of this increase were an increase in depreciation of \$413,792 (24.6%) and a decrease in facility management fees of \$194,409 (12.7%). Management fees are paid to Veolia Water North America Operating Services, LLC for operation of the City's two wastewater treatment plants.

### 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 is integrated with the financial management system, enabling management at all levels to determine budgetary status on a line-item basis each day. Annual budgets are reviewed following the completion of the first half of each fiscal year. Revenue projections are updated and budgeted expenditures are adjusted via Council ordinance to reflect changing conditions.

The fiscal year 2014 *final* General Fund budget projected \$70.1 million in revenue and \$781,250 in other financing sources; appropriations were approved for \$76.1 million in expenditures and \$1,250,000 in other financing uses, producing a planned reduction of \$6.5 million in the General Fund's fund balance. Actual amounts for revenues (\$73.7 million), other financing sources (\$416,768), expenditures (\$69.6 million), and other financing uses (\$940,269) netted to a positive change in fund balance. As a result, the General Fund's fund balance increased by \$3.6 million in 2014.

The original revenue projections in the General Fund were \$4.3 million under the *final* budget. Budget adjustments resulted from varied growth/decline in many revenue sources, with the largest increase found in sales and use tax (\$2.6 million or 8.5%). Other increases from budget adjustments were seen in licenses and permits (\$994,300 or 10.7%), state shared taxes (\$194,000 or 29.1%), and fines and forfeitures (\$150,000 or 12.3%). Should Auburn experience financial difficulty, alteration of spending can be made as a result of management's assessment of revenue changes during the year, with 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 \$3.1 million in fiscal 2014. All individual departments kept expenditures under final budget, with the exception of General Government and Administration. As discussed in the *Governmental Funds - Governmental expenditures and other financing uses* section, 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 participating

businesses that have met the requirements to begin receiving rebates has grown during 2014, creating an increase in rebate payments of \$423,613 (157.0%). This increase in rebates caused the function to exceed its budget by \$32,313.

The Public Safety function was significantly under budget by \$956,895. The majority of this savings can be attributed to various position vacancies throughout the year, as well as reclassifications of health insurance claims. The Risk Management function was also under budget. This function finished the year with \$940,359 less expenditures than expected. 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. Capital outlay expenditures were under budget by \$3.2 million. Capital outlay expenditures planned for fiscal 2014, such as the Renew Opelika Road – Phase 1 project, the Downtown Parking Phase 2 project, and the Moore's Mill Bridge replacement project, were not completed and carried over to future years.

The total operating budget for all departments was increased by \$2.0 million (4.9%). The two largest increases (\$729,005 and \$366,902) were in the amounts appropriated for the Public Safety and General Government departments, respectively. The adjustment of the Public Safety budget reflected an increase in the amount of police overtime that resulted from various organizations requesting security for events. The City is reimbursed for this security work. The increase to the General Government budget reflects an increase for forgiveness of a loan to the Indian Pines Recreation Authority. In fiscal 2006, the City loaned the Authority \$400,000 to finance a portion of the construction of a new clubhouse at the golf course. The old clubhouse was destroyed by fire in July 2005. During fiscal 2014, the City Council approved in the budget ordinance to forgive the outstanding balance of the loan.

## **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, 2014, the City owned \$215.5 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 \$8.0 million (3.9%) over last year. The majority of the increase is made up of sewer system capacity upgrades, buildings and facilities construction and improvements, and roadway improvements.

Table 8 lists the largest capital asset additions to the City for fiscal year 2014. Some of these additions were multi-year projects that were completed in 2014 and reclassified from construction in progress.

**Table 8** **Largest Capital Asset Additions**  
**Fiscal Year 2014**

	Total Cost
<i>Wastewater system expansion and improvements</i>	\$
Northeast outfall sewer capacity upgrade, phase II	1,544,099
Bypass pumps (Hamilton Hills and Woodland Park II)	169,147
<i>Equipment</i>	
Pumper fire truck	422,585
Garbage truck	179,437
<i>Buildings and facilities</i>	
DSB renovations	1,297,267
Frank Brown Recreation Center racquetball courts	502,180
<i>Roadway improvements</i>	
Resurfacing	1,992,232
Thistle Lane	1,777,226
South College/Shug Jordan intersection	1,014,046
Moore's Mill Road resurfacing	948,551
<b>Total</b>	<b>9,846,770</b>

The City has committed, through existing and future borrowings and referendums, to continue or complete some major projects in fiscal year 2015 and 2016. These major projects include: downtown improvements totaling approximately \$2.0 million, Opelika Road revitalization totaling approximately \$2.0 million, city facilities improvements totaling approximately \$2.3 million, and road resurfacing and reconstruction totaling approximately \$5.9 million. Note 10 of the narrative notes to the financial statements provide additional detail on capital assets.

### **Long-term Liabilities**

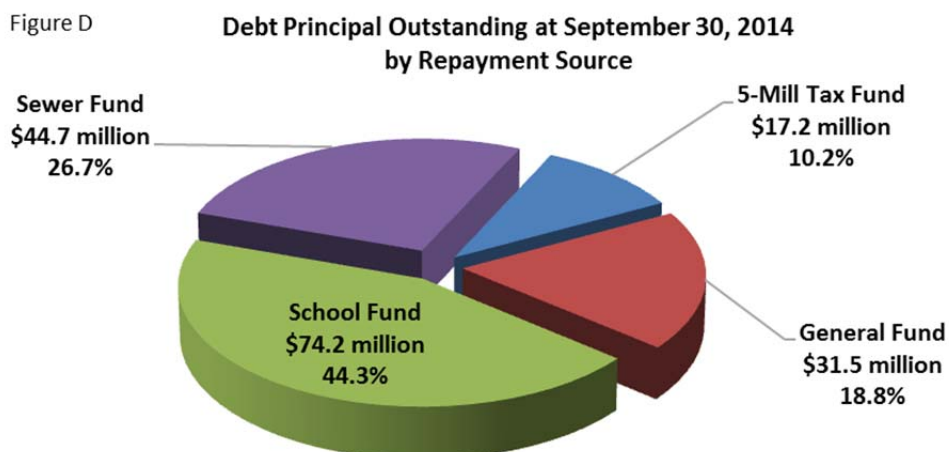
At 2014 fiscal year-end, the City owed \$178.4 million in long-term liabilities outstanding, of which \$14.3 million will mature during fiscal 2015. Long-term liabilities include bonds, warrants, and notes payable, accumulated annual leave, claims payable, landfill closure liability, and other post-employment benefits liability. The fiscal 2014 net decrease in long-term liabilities from the previous year was \$13.6 million or 7.1%.

#### **Bonds and warrants payable**

Bonds and warrants payable outstanding at September 30, 2014 total \$167.6 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. Of the \$167.6 million in debt outstanding, \$74.2 million is debt issued for assets that belong to Auburn City Schools, \$2.6 million is debt issued for assets that are owned by the City's Public Park and Recreation Board, and \$274,163 is debt issued for assets owned by Auburn University.

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 the City 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 that have been approved by the voters. The City issues general obligation debt for sewer purposes, which is intended to be repaid from the Sewer Fund. The City also issues debt for capital improvements related to development agreements. This debt 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.



Long-term debt with \$17.2 million in principal outstanding at fiscal year-end will be paid from the Special Five-Mill Tax Fund. The most recent Special Five-Mill Tax Fund referendum was held in January of 2012 and related General Obligation Bonds of \$4.0 million were issued in May of 2012. These bonds bear interest rates ranging from 2.0% to 5.0%. The approval rate for the referendum projects, which included expansion of the Frank Brown Recreation Center, construction of The Harris Center, and public parking improvements within the City, was 86.7%. In the future, the City intends to seek voter approval to use the 5-Mill Tax Fund revenue for projects related to education.

The City issues debt for the Auburn City Board of Education. The principal amount of currently outstanding school debt stands at \$74.2 million, which will be repaid from dedicated school ad valorem taxes. No debt was issued on behalf of Auburn City Schools in 2014.

The Sewer Revenue Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$44.7 million. The City did not issue debt for the Sewer Revenue Fund during fiscal 2014.

The remaining \$31.5 million in outstanding principal will be repaid solely from the General Fund. The last debt issuance for the General Fund was in November 2012. There was no debt issued for the General Fund in fiscal 2014.

The reader may refer to Note 11 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 \$46.9 million, resulting in a legal debt margin (additional legal debt capacity) of \$108.4 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 2014 is 19.6%; the ratio for 2013 was 19.9%.

### Bond Ratings

In January 2014, Standard and Poor's (S&P) affirmed the City of Auburn's bond rating as AA+. In their report, S&P cites strong management, as well as Auburn's "consistently strong financial profile,

indicated by its very strong budgetary flexibility and 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 August 2012. 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 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 marginally, 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 2014, Auburn’s unemployment rate was 4.9%. The State’s unemployment rate in September 2014 was 6.2%; the national rate was 5.7% (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 5,800 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, business 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 University has consciously controlled the growth of the

student body to around 1% per year. 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. An example of this is Orange-Auburn, LLC, a new commercial retail shopping center, anchored by CVS pharmacy and includes national tenants such as Burger Fi and Taziki's Mediterranean Café. Hyundai of Auburn, Mugshots Bar and Grill, and Carmike Cinemas are some other stand-alone commercial enterprises opening and/or renovating during fiscal 2014. This activity will lead to an expansion of the City's tax base and continue the growth in Auburn's business development.

The City of Auburn, Auburn University and the State of Alabama entered into a partnership to contribute a combined \$20 million to construct and build a state-of-the-art, 156-acre research park to advance the evolving technology corridor extending from Atlanta to Montgomery along Interstate 85. The park's infrastructure and first three buildings are complete. The first tenant located in the research park is Northrup Grumman. The second building to locate in Phase I of the Auburn Research Park was built for a Magnetic Resonance Imaging (MRI) research center. This 45,000 square-foot facility houses both a 3T and 7T MRI scanner operated under contract by the East Alabama Medical Center. In addition to the University's research activities, the Auburn Spine and Neurosurgery Center is located in this building. The third building, a Center for Advanced Science, Innovation and Commerce (CASIC), opened in 2013. This building is a 68,000 square-foot facility, complete with 20 research laboratories, multiple conference rooms, two five-ton cranes, and the most powerful computer in Alabama. In addition, to further the partnership with Auburn University and the City of Auburn, the Auburn Research and Technology Foundation has established a full-service, mixed-use business incubator with the overall mission of facilitating the commercialization of university and community derived technologies.

Construction began in early 2014 on a building that will be used as a branch campus of the Edward Via College of Osteopathic Medicine (VCOM). The more than 90,000 sq. ft., four-story, state-of-the-art building is situated on 15 acres within the Auburn Research Park and is adjacent to Auburn University. VCOM is building the campus, which will hold collaborative research programs with Auburn University and programs for the current VCOM students training in hospitals within Alabama, until the branch campus is accredited. In addition, the facility will hold continuing medical education programs for the clinical faculty from Alabama and surrounding states. VCOM's new academic facility in Auburn will have classrooms, small-group learning rooms, laboratories, and a technology center. The first class of 150 students is proposed for fall 2015.

The City's public schools have 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 excellence of the City School system has proved 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 has dropped back to more typical levels for the area, fiscal 2001 (254 permits) to fiscal 2013 (413 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 permits were down in 2014 to 394 (4.6%) as compared to 2013. Commercial/industrial/institutional building activity (including new construction and additions/renovations) increased significantly in fiscal year 2014 compared to the activity of 2013 in terms of valuation (\$26.0 million or 69.0%). In 2014, permits included two hotels and three industrial buildings. The City's size has grown from 45.5 square miles in 2001 to 59.4 square miles in 2014. Population growth has averaged about 3% per year.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2015 and 2016. For the original 2015 and 2016 biennium budget, revenues were projected conservatively, but realistically. A key component of management's strategy has been to rely on reserves to absorb any impacts of recession periods in an effort to reduce any potential decreases in the

level of City services enjoyed by citizens. Management's strategy has also been to continue to contain operating costs in the new biennium while maintaining this high level of service and investing in capital asset maintenance and replacement. The City Council conducted a comprehensive Revenue Review in the spring of 2011. The Revenue Review is conducted once every four years, or at management's discretion, with the goal of evaluating the City's overall revenue structure within the context of the City's long-term financial projections, to facilitate the Council's consideration of tax or fee increases. Additionally, tax and fee increases are studied during the development of the biennial budget and during each mid-biennium budget review. As part of the City's budget processes, 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, 2014 stood at 60.2% of expenditures compared to 58.5% in 2013. 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 54.4% 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 57.6% and 55.5% at the end of fiscal 2014 and 2013, respectively, another indication of the stability of fund balance.

The primary government provides wastewater treatment and disposal and solid waste management utility services. In November 2013, the City engaged a utility rate consultant to review and update a rate study that was conducted in fiscal 2011. This study evaluated the City's ability to meet the current and projected operating and capital expenditure demands with existing revenues. The rate study consultant, with assistance from City of Auburn staff, concluded that the City's existing rates for sewer service are projected to be sufficient to meet revenue requirements through the end of fiscal 2019. This conclusion was based on identified capital expenditures and no unexpected, significant changes in operating expenses, sewer sales, regulatory requirements, or the economy. Based on this conclusion, no rate increases are expected in the next few fiscal years. The last sewer rate change was a 6.9% increase effective on October 1, 2012.

Water services are provided by the City's component unit, the Water Works Board of the City of Auburn. During fiscal year 2014, the Board also conducted a rate study. At the time of the study, the Board did not make a decision on rate increases. The information provided in the study is being analyzed by management and a rate change proposal will be brought to the Board in fiscal 2015.

An expanding populace translates into additional needs for public services and facilities. Auburn citizens have enjoyed 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 aids in supporting 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 slowing global economy and the unpredictability of the future impart an even higher importance to administering the City's revenue ordinances equitably, monitoring the City's financial status continuously, and budgeting for the prudent expenditures of public resources. City management is committed to all of these efforts.

## **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. Please contact the City of Auburn Finance Department, 144 Tichenor Avenue, Suite 5, Auburn, Alabama 36830, with any questions or to request additional information. Updated financial information about the City can also be obtained by accessing the City's web site at [www.auburnalabama.org](http://www.auburnalabama.org).



City of Auburn

## **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, 2014**

	<b>Primary Government</b>			<b>Component</b>
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Units</b>
	<b>Activities</b>	<b>Activities</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	35,211,101	8,425,772	43,636,873	27,625,659
Certificates of deposit	5,324,012	-	5,324,012	59,258
Receivables, net	8,332,173	1,979,122	10,311,295	1,884,884
Due from component units	1,015,254	38,955	1,054,209	-
Internal balances	65,193	-	65,193	-
Inventories	42,162	24,013	66,175	587,775
Current portion of assessments receivable	182,910	-	182,910	-
Current portion of mortgages and notes receivable	129,666	-	129,666	79,485
Current portion of net investment in capital leases	-	-	-	382,612
Property tax receivable	-	-	-	5,652,695
Short term note receivable	-	-	-	5,500,000
Due from other governments	-	-	-	971,074
Due from primary government	-	-	-	196,056
Other current assets	97,458	25,712	123,170	267,165
Restricted cash	524,863	-	524,863	130,977
<b>Total current assets</b>	<b>50,924,792</b>	<b>10,493,574</b>	<b>61,418,366</b>	<b>43,337,640</b>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	-	-	4,703,774
Investments	-	-	-	2,650,337
Assessments receivable, net of current portion	1,280,370	-	1,280,370	-
Mortgages and notes receivable, net of current portion	2,029,482	-	2,029,482	141,956
Investments	5,646,561	-	5,646,561	-
Net investment in capital leases, net of current portion	-	-	-	4,860,210
Prepaid bond issue insurance	82,595	-	82,595	-
Advances to component units	1,200,000	-	1,200,000	-
Advances to other agencies	150,124	-	150,124	-
Property for resale	4,131,127	-	4,131,127	9,987,304
Capital assets not being depreciated	21,987,129	1,109,536	23,096,665	32,591,329
Capital assets net of accumulated depreciation	114,982,864	77,423,896	192,406,760	194,156,899
<b>Total noncurrent assets</b>	<b>151,490,252</b>	<b>78,533,432</b>	<b>230,023,684</b>	<b>249,091,809</b>
<b>Total assets</b>	<b>202,415,044</b>	<b>89,027,006</b>	<b>291,442,050</b>	<b>292,429,449</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	-	-	1,003,422
Deferred amount on refunding	3,774,553	602,237	4,376,790	1,302,434
<b>Total deferred outflows of resources</b>	<b>3,774,553</b>	<b>602,237</b>	<b>4,376,790</b>	<b>2,305,856</b>

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

**CITY OF AUBURN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**  
**CONTINUED**

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
	\$	\$	\$	\$
<b>LIABILITIES</b>				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	131,901
Current portion of long-term debt	-	-	-	710,000
Accrued interest payable	-	-	-	265,485
Accounts payable and other accrued liabilities	2,519,664	748,095	3,267,759	2,615,334
Internal balances	65,193	-	65,193	-
Payable to other governments	1,683,273	-	1,683,273	-
Due to component units	82,896	113,160	196,056	-
Accrued interest payable	718,383	599,655	1,318,038	-
Salaries and benefits payable	551,187	96,621	647,808	5,176,422
Claims payable	162,718	-	162,718	-
Customer deposits	320,528	697,208	1,017,736	674,307
Unearned revenue	2,610,603	-	2,610,603	934,819
Current portion of long-term debt	12,107,351	2,214,828	14,322,179	2,824,062
Short term notes payable	-	-	-	12,060,773
Due to primary government	-	-	-	373,433
Obligations under capital leases	-	-	-	634,093
Total current liabilities	<u>20,821,796</u>	<u>4,469,567</u>	<u>25,291,363</u>	<u>26,400,629</u>
Noncurrent liabilities:				
Advances from primary government	-	-	-	1,275,000
Derivative instrument liability	-	-	-	1,003,422
Long-term debt and other liabilities	120,161,297	43,913,802	164,075,099	58,094,859
Total noncurrent liabilities	<u>120,161,297</u>	<u>43,913,802</u>	<u>164,075,099</u>	<u>60,373,281</u>
Total liabilities	<u>140,983,093</u>	<u>48,383,369</u>	<u>189,366,462</u>	<u>86,773,910</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Future property tax revenue	-	-	-	5,652,695
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,652,695</u>
<b>NET POSITION</b>				
Net investment in capital assets	110,178,706	33,236,208	143,414,914	165,855,605
Restricted for :				
Capital projects	359,040	648,195	1,007,235	1,365,253
Debt service	1,530,379	-	1,530,379	1,810,603
Federal and state grants	3,384,246	-	3,384,246	-
Restricted for other projects	1,573,439	-	1,573,439	1,958,159
Housing assistance payments	-	-	-	51,213
Special revenues (gas tax and road projects)	297,507	-	297,507	-
Special revenues (ad valorem tax for schools)	3,135,032	-	3,135,032	-
Special revenues (public safety)	427,202	-	427,202	-
Unrestricted (deficit)	<u>(55,679,045)</u>	<u>7,361,470</u>	<u>(48,317,575)</u>	<u>31,267,867</u>
Total net position	<u>65,206,506</u>	<u>41,245,873</u>	<u>106,452,379</u>	<u>202,308,700</u>

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, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities:								
General government and administration	7,986,358	12,915,500	1,034,463	-	5,963,605	-	5,963,605	
Public works	7,253,198	875	591,100	2,468,985	(4,192,238)	-	(4,192,238)	
Environmental services	2,180,362	-	-	-	(2,180,362)	-	(2,180,362)	
Public safety	19,036,443	4,220,666	139,588	78,409	(14,597,780)	-	(14,597,780)	
Library	1,684,288	40,388	9,356	-	(1,634,544)	-	(1,634,544)	
Parks and recreation	5,861,786	647,827	10,050	775,613	(4,428,296)	-	(4,428,296)	
Planning	669,831	46,301	1,417	-	(622,113)	-	(622,113)	
Social and economic development	6,056,184	-	745,143	-	(5,311,041)	-	(5,311,041)	
Human resources	755,927	-	-	-	(755,927)	-	(755,927)	
Risk management	1,289,854	765,858	-	-	(523,996)	-	(523,996)	
Education (payments to Board of Education)	16,350,759	-	-	-	(16,350,759)	-	(16,350,759)	
Interest on long-term debt	4,968,931	-	-	-	(4,968,931)	-	(4,968,931)	
Total governmental activities	74,093,921	18,637,415	2,531,117	3,323,007	(49,602,382)	-	(49,602,382)	
Business-type activities:								
Sewer Fund	7,960,070	11,063,939	2,300	681,000		3,787,169	3,787,169	
Solid Waste Management Fund	4,145,364	4,198,990	41,032	-		94,658	94,658	
Total business-type activities	12,105,434	15,262,929	43,332	681,000		3,881,827	3,881,827	
Total primary government	86,199,355	33,900,344	2,574,449	4,004,007	(49,602,382)	3,881,827	(45,720,555)	
Component units:								
Board of Education	73,967,032	5,689,974	37,326,455	1,949,023				(29,001,580)
Water Works Board	9,034,209	9,420,228	-	1,238,020				1,624,039
Industrial Development Board	7,434,739	3,870,259	-	2,800,076				(764,404)
Housing Authority	3,489,517	300,414	2,687,035	217,157				(284,911)
Public Park & Recreation Board	615,450	67,595	-	-				(547,855)
Total Component Units	94,540,947	19,348,470	40,013,490	6,204,276				(28,974,711)
General revenues								
Taxes:								
Sales taxes					34,303,569	-	34,303,569	5,804,138
Occupational license fees					10,130,069	-	10,130,069	-
Property taxes					21,645,465	-	21,645,465	12,015,048
Motor fuel taxes					340,415	-	340,415	-
Lodging taxes					1,604,851	-	1,604,851	-
Rental and leasing taxes					612,457	-	612,457	-
Cigarette taxes					70,860	-	70,860	-
Alcoholic beverage taxes					170,559	-	170,559	535,777
Other taxes					-	-	-	53,965
Appropriations from the City of Auburn					-	-	-	10,365,886
Federal and state aid not restricted					-	-	-	2,320
Interest and investment earnings					327,499	33,809	361,308	523,297
Gain/(loss) on disposal of assets					68,237	22,700	90,937	(481,988)
Miscellaneous					63,801	5,622	69,423	1,045,650
Transfers					(309,019)	309,019	-	-
Total general revenues and transfers					69,028,763	371,150	69,399,913	29,864,093
Change in net position					19,426,381	4,252,977	23,679,358	889,382
Net position - beginning								
Prior period adjustment					47,353,091	36,992,896	84,345,987	201,393,936
Net position - beginning, as restated					(1,572,966)	-	(1,572,966)	25,382
Net position - ending					45,780,125	36,992,896	82,773,021	201,419,318
					65,206,506	41,245,873	106,452,379	202,308,700

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

**CITY OF AUBURN, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2014**

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
Cash and cash equivalents	27,977,675	3,985,488	171,336	3,076,601	35,211,100
Certificates of deposit	3,316,799	-	-	2,007,213	5,324,012
Investments	5,646,561	-	-	-	5,646,561
Receivables, net	9,397,282	135,072	1,122	261,977	9,795,453
Due from other funds	62,373	-	-	2,821	65,194
Due from component units	1,015,254	-	-	-	1,015,254
Inventories	42,162	-	-	-	42,162
Prepaid items	28,391	-	-	-	28,391
Mortgages receivable	-	-	2,084,148	-	2,084,148
Advances to component units	-	-	1,275,000	-	1,275,000
Advances to other agencies	150,124	-	-	-	150,124
Restricted cash	341,705	-	183,158	-	524,863
Property for resale	4,131,127	-	-	-	4,131,127
Total assets	<u>52,109,453</u>	<u>4,120,560</u>	<u>3,714,764</u>	<u>5,348,612</u>	<u>65,293,389</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	3,164,706	-	1,318	66,375	3,232,399
Payables to other governments	1,683,273	-	-	-	1,683,273
Due to component units	35,110	-	-	47,786	82,896
Customer deposits	253,210	-	-	-	253,210
Claims payable	162,718	-	-	-	162,718
Due to other funds	-	-	2,821	62,373	65,194
Unearned revenue	4,329,891	-	3,359,197	147,954	7,837,042
Total liabilities	<u>9,628,908</u>	<u>-</u>	<u>3,363,336</u>	<u>324,488</u>	<u>13,316,732</u>
<b>FUND BALANCES</b>					
Nonspendable					
Investments	5,646,561	-	-	-	5,646,561
Inventories	42,162	-	-	-	42,162
Prepaid items	28,391	-	-	-	28,391
Advances	150,124	-	-	-	150,124
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Roads, bridges and streets	-	-	-	297,507	297,507
Law enforcement	341,705	-	-	496,081	837,786
Education	-	4,120,560	-	-	4,120,560
General grants	-	-	-	158,064	158,064
Social and economic	-	-	351,428	-	351,428
Capital projects	-	-	-	1,594,687	1,594,687
Debt service	-	-	-	2,477,785	2,477,785
Assigned					
Social and economic	218,731	-	-	-	218,731
General	6,347,056	-	-	-	6,347,056
Unassigned	25,574,688	-	-	-	25,574,688
Total fund balances	<u>42,480,545</u>	<u>4,120,560</u>	<u>351,428</u>	<u>5,024,124</u>	<u>51,976,657</u>
Total liabilities and fund balances	<u>52,109,453</u>	<u>4,120,560</u>	<u>3,714,764</u>	<u>5,348,612</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.	136,969,994
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(128,411,502)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	5,226,440
Prepaid items accounted for using the purchases method are not reported in the funds.	69,068
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(624,151)
Net position of governmental activities	<u>65,206,506</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, 2014**

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
<b>Revenues</b>					
Sales and use taxes	34,303,571	-	-	-	34,303,571
Occupational license fees	10,130,069	-	-	-	10,130,069
Motor fuel taxes	669,550	-	-	-	669,550
Lodging taxes	1,604,850	-	-	-	1,604,850
Rental and leasing taxes	612,457	-	-	-	612,457
Other taxes	241,419	-	-	-	241,419
Licenses and permits	10,638,252	-	-	-	10,638,252
General property taxes	4,617,113	13,165,963	-	3,862,390	21,645,466
Charges for services	6,439,547	-	-	-	6,439,547
Fines and forfeitures	1,363,656	-	-	216,146	1,579,802
State shared taxes	1,017,538	-	-	261,965	1,279,503
Contributions from the public	1,761,377	-	-	64,865	1,826,242
Grants	-	-	280,000	1,527,224	1,807,224
Program income	-	-	517,638	-	517,638
Interest	222,989	33,645	36,315	34,549	327,498
Miscellaneous	97,732	-	225	-	97,957
Total revenues	<u>73,720,120</u>	<u>13,199,608</u>	<u>834,178</u>	<u>5,967,139</u>	<u>93,721,045</u>
<b>Expenditures</b>					
General government and administration	5,806,655	-	-	50,741	5,857,396
Public works	3,459,664	-	-	37,991	3,497,655
Environmental services	2,031,430	-	-	-	2,031,430
Public safety	17,977,727	-	-	89,630	18,067,357
Library	1,530,506	-	-	9,356	1,539,862
Parks and recreation	4,862,432	-	-	-	4,862,432
Planning	669,797	-	-	1,417	671,214
Economic development	1,151,407	-	348,504	881,445	2,381,356
Employee services	696,740	-	-	-	696,740
Risk management	1,356,823	-	-	-	1,356,823
Total departmental	<u>39,543,181</u>	<u>-</u>	<u>348,504</u>	<u>1,070,580</u>	<u>40,962,265</u>
Non-Departmental	1,547,844	512,044	-	150,674	2,210,562
Debt service					
Administrative charges	30	1,550	-	3,150	4,730
Interest	1,294,652	3,193,771	7,409	772,235	5,268,067
Principal retirement	6,290,025	3,226,536	83,000	3,495,000	13,094,561
Capital outlay	8,212,308	-	-	3,220,203	11,432,511
Intergovernmental	932,957	-	-	18,471	951,428
Payments to component units	11,813,079	6,800,000	-	1,066,604	19,679,683
Total expenditures	<u>69,634,076</u>	<u>13,733,901</u>	<u>438,913</u>	<u>9,796,917</u>	<u>93,603,807</u>
Excess (deficiency) of revenues over expenditures	<u>4,086,044</u>	<u>(534,293)</u>	<u>395,265</u>	<u>(3,829,778)</u>	<u>117,238</u>
<b>Other financing sources (uses)</b>					
Sale of surplus assets	60,518	-	-	37,138	97,656
Transfers in	356,250	-	54,450	943,736	1,354,436
Transfers out	(940,269)	-	(498,186)	(225,000)	(1,663,455)
Total other financing sources (uses)	<u>(523,501)</u>	<u>-</u>	<u>(443,736)</u>	<u>755,874</u>	<u>(211,363)</u>
Net changes in fund balances	3,562,543	(534,293)	(48,471)	(3,073,904)	(94,125)
Fund balances, beginning of year	<u>38,918,002</u>	<u>4,654,853</u>	<u>399,899</u>	<u>8,098,028</u>	<u>52,070,782</u>
Fund balances, end of year	<u>42,480,545</u>	<u>4,120,560</u>	<u>351,428</u>	<u>5,024,124</u>	<u>51,976,657</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, 2014**

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

Net change in fund balances - total governmental funds	\$ (94,125)
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.	5,970,429
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.	738,078
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.	12,814,560
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.	(16,943)
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>14,382</u>
Change in net position - statement of activities	<u><u>\$ 19,426,381</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, 2014**

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
	\$	\$	\$	\$
Revenues				
Sales and use taxes	30,625,875	33,225,875	34,303,569	1,077,694
Occupational license fees	9,990,000	10,140,000	10,130,069	(9,931)
Motor fuel taxes	580,000	580,000	669,550	89,550
Lodging taxes	1,463,802	1,603,802	1,604,850	1,048
Rental and leasing taxes	450,000	570,000	612,457	42,457
Other taxes	206,855	241,855	241,419	(436)
Licenses and permits	9,283,125	10,277,425	10,638,252	360,827
General property taxes	4,570,654	4,491,600	4,617,113	125,513
Charges for services	6,204,737	6,164,679	6,439,547	274,868
Fines and forfeitures	1,224,120	1,374,120	1,363,656	(10,464)
State shared taxes	667,580	861,580	1,017,538	155,958
Contributions from the public	275,714	275,714	1,761,377	1,485,663
Interest	132,800	203,721	222,989	19,268
Miscellaneous	48,000	48,000	97,734	49,734
Total revenues	65,723,262	70,058,371	73,720,120	3,661,749
Expenditures				
General government and administration	5,407,440	5,774,342	5,806,655	(32,313)
Public works	3,704,509	3,732,649	3,459,664	272,985
Environmental services	1,895,950	2,092,019	2,031,430	60,589
Public safety	18,205,617	18,934,622	17,977,727	956,895
Library	1,548,299	1,561,525	1,530,506	31,019
Parks and recreation	5,294,614	5,339,152	4,862,432	476,720
Planning	658,499	980,130	669,797	310,333
Economic development	1,148,714	1,176,290	1,151,407	24,883
Employee services	750,064	752,111	696,740	55,371
Risk management	2,016,295	2,297,182	1,356,823	940,359
Total departmental	40,630,001	42,640,022	39,543,181	3,096,841
Non-departmental	1,505,567	1,895,489	1,547,844	347,645
Debt service:				
Administrative charges	-	-	30	(30)
Interest	1,558,763	1,240,172	1,294,652	(54,480)
Principal retirement	6,244,645	6,099,566	6,290,025	(190,459)
Capital outlay	5,047,159	11,368,366	8,212,308	3,156,058
Intergovernmental	928,789	928,789	932,957	(4,168)
Payments to component units	10,482,759	11,901,259	11,813,079	88,180
Total expenditures	66,397,683	76,073,663	69,634,076	6,439,587
Excess (deficiency) of revenues over expenditures	(674,421)	(6,015,292)	4,086,044	10,101,336
Other financing sources (uses)				
Sale of surplus assets	25,000	25,000	60,518	35,518
Transfers in	756,250	756,250	356,250	(400,000)
Transfers out	(750,000)	(1,250,000)	(940,269)	309,731
Total other financing sources (uses)	31,250	(468,750)	(523,501)	(54,751)
Net changes in fund balances	(643,171)	(6,484,042)	3,562,543	10,046,585
Fund balances, beginning of year	38,918,002	38,918,002	38,918,002	-
Fund balances, end of year	38,274,831	32,433,960	42,480,545	10,046,585

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, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
Revenues	\$	\$	\$	\$
General property taxes	13,024,000	12,860,000	13,165,963	305,963
Interest	37,000	30,000	33,645	3,645
Total revenues	<u>13,061,000</u>	<u>12,890,000</u>	<u>13,199,608</u>	<u>309,608</u>
Expenditures				
Non-Departmental	494,600	505,000	512,044	(7,044)
Debt service				
Administrative charges	500	500	1,550	(1,050)
Interest	3,283,946	3,193,771	3,193,771	-
Principal retirement	3,226,536	3,226,536	3,226,536	-
Payments to component units	6,800,000	6,800,000	6,800,000	-
Total expenditures	<u>13,805,582</u>	<u>13,725,807</u>	<u>13,733,901</u>	<u>(8,094)</u>
Excess (deficiency) of revenues over expenditures	<u>(744,582)</u>	<u>(835,807)</u>	<u>(534,293)</u>	<u>301,514</u>
Net changes in fund balances	(744,582)	(835,807)	(534,293)	301,514
Fund balances, beginning of year	<u>4,654,853</u>	<u>4,654,853</u>	<u>4,654,853</u>	<u>-</u>
Fund balances, end of year	<u><u>3,910,271</u></u>	<u><u>3,819,046</u></u>	<u><u>4,120,560</u></u>	<u><u>301,514</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, 2014**

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	7,718,596	707,176	8,425,772
Receivables, net	1,364,936	614,186	1,979,122
Due from component units	38,955	-	38,955
Inventories	24,013	-	24,013
Other current assets	10,398	15,314	25,712
Total current assets	<u>9,156,898</u>	<u>1,336,676</u>	<u>10,493,574</u>
Noncurrent assets			
Capital assets not being depreciated	1,072,049	37,487	1,109,536
Capital assets net of accumulated depreciation	76,083,712	1,340,184	77,423,896
Total noncurrent assets	<u>77,155,761</u>	<u>1,377,671</u>	<u>78,533,432</u>
 Total assets	 <u>86,312,659</u>	 <u>2,714,347</u>	 <u>89,027,006</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	602,237	-	602,237
Total deferred outflows of resources	<u>602,237</u>	<u>-</u>	<u>602,237</u>
 <b>LIABILITIES</b>			
Current liabilities			
Accounts payable	516,784	231,311	748,095
Salaries and benefits payable	20,287	76,334	96,621
Due to component units	91,385	21,775	113,160
Accrued interest payable	599,655	-	599,655
Customer deposits	581,072	116,136	697,208
Current portion of long-term debt	2,209,240	5,588	2,214,828
Total current liabilities	<u>4,018,423</u>	<u>451,144</u>	<u>4,469,567</u>
Noncurrent liabilities			
Long-term debt and other liabilities	43,778,307	135,495	43,913,802
Total noncurrent liabilities	<u>43,778,307</u>	<u>135,495</u>	<u>43,913,802</u>
Total liabilities	<u>47,796,730</u>	<u>586,639</u>	<u>48,383,369</u>
 <b>NET POSITION</b>			
Net investment in capital assets	31,858,537	1,377,671	33,236,208
Restricted for capital projects	648,195	-	648,195
Unrestricted (deficit)	6,611,436	750,034	7,361,470
Total net position	<u>39,118,168</u>	<u>2,127,705</u>	<u>41,245,873</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, 2014**

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
Operating revenues			
Charges for services	11,056,574	4,198,990	15,255,564
Sewer tapping fees	7,365	-	7,365
Grants	2,300	41,032	43,332
Miscellaneous	424	5,198	5,622
Total operating revenues	11,066,663	4,245,220	15,311,883
Operating expenses			
Salaries and wages	806,770	1,625,927	2,432,697
Employee benefits	209,544	551,045	760,589
Repairs and maintenance	17,650	21,094	38,744
Utilities	646,698	473	647,171
Professional services	97,734	598,805	696,539
Rentals and leasing	71,590	-	71,590
Insurance	14,618	32,310	46,928
Office supplies	83,302	5,761	89,063
Fuels and lubricants	49,227	258,870	308,097
Agricultural and chemical supplies	63,137	1,479	64,616
Minor equipment and tools	60,280	58,098	118,378
Repair parts and materials	84,634	243,439	328,073
Clothing and linens	8,856	5,775	14,631
Sewer service fees	215,711	-	215,711
Management fees	1,335,505	305,090	1,640,595
Bad Debt Expense	1,057	1,686	2,743
Depreciation/amortization	2,093,289	404,612	2,497,901
Travel and training	23,228	11,991	35,219
Miscellaneous	3,031	18,910	21,941
Total operating expenses	5,885,861	4,145,365	10,031,226
Operating income (loss)	5,180,802	99,855	5,280,657
Nonoperating revenues (expenses)			
Interest earned	31,326	2,483	33,809
Interest and fiscal charges	(2,074,208)	-	(2,074,208)
Gain (loss) on disposal of capital assets	8,949	13,751	22,700
Total nonoperating revenues (expenses)	(2,033,933)	16,234	(2,017,699)
Income (loss) before transfers and capital contributions	3,146,869	116,089	3,262,958
Transfers	(76,250)	385,269	309,019
Capital contributions - developers	681,000	-	681,000
Change in net position	3,751,619	501,358	4,252,977
Net position - beginning	35,366,549	1,626,347	36,992,896
Net position - ending	39,118,168	2,127,705	41,245,873

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, 2014**

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	10,897,496	4,030,286	14,927,782
Other cash collected	424	5,198	5,622
Customer deposits collected	1,147	31,631	32,778
Proceeds from operating grant	4,361	41,032	45,393
Payments to suppliers for goods and services	(3,114,111)	(1,411,321)	(4,525,432)
Payments to employees for services	(1,018,094)	(2,159,751)	(3,177,845)
Net cash provided (consumed) by operating activities (A)	<u>6,771,223</u>	<u>537,075</u>	<u>7,308,298</u>
Cash flows from noncapital financing activities			
Transfers in	-	440,269	440,269
Transfers out	(76,250)	(55,000)	(131,250)
Net cash provided (consumed) by noncapital financing activities	<u>(76,250)</u>	<u>385,269</u>	<u>309,019</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(2,140,000)	-	(2,140,000)
Proceeds from sale of assets	10,047	13,751	23,798
Acquisition and construction of capital assets	(2,790,725)	(540,333)	(3,331,058)
Interest and fiscal fees paid	(2,144,875)	-	(2,144,875)
Net cash provided (consumed) by capital and related financing activities	<u>(7,065,553)</u>	<u>(526,582)</u>	<u>(7,592,135)</u>
Cash flows from investing activities			
Interest on investments	35,515	2,483	37,998
Purchase of investments	2,000,312	-	2,000,312
Net cash provided (consumed) by investing activities	<u>2,035,827</u>	<u>2,483</u>	<u>2,038,310</u>
Net increase (decrease) in cash	1,665,247	398,245	2,063,492
Cash and cash equivalents, beginning of year	6,053,349	308,931	6,362,280
Cash and cash equivalents, end of year	<u>7,718,596</u>	<u>707,176</u>	<u>8,425,772</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities (A):</b>			
Operating income (loss)	5,180,802	99,855	5,280,657
Add: Depreciation	2,093,289	404,612	2,497,901
Increase in accounts payable	186,523	143,093	329,616
Decrease in prepaid items	4,398	2,166	6,564
Increase in customer deposits	1,147	31,631	32,778
Increase in accrued leave	-	7,274	7,274
Increase in OPEB liability	4,945	9,946	14,891
Decrease in amounts due from component units	46,761	47,403	94,164
Increase in amounts due to component units	-	7,201	7,201
Deduct: Increase in accounts receivable	(211,143)	(216,106)	(427,249)
Decrease in amounts due to component units	(528,773)	-	(528,773)
Decrease in accrued leave	(6,726)	-	(6,726)
Net cash provided by operating activities	<u>6,771,223</u>	<u>537,075</u>	<u>7,308,298</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	411,000	-	411,000
	<u>411,000</u>	<u>-</u>	<u>411,000</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, 2014**

	Youth Athletic Associations' Private-purpose Trust Fund
	<u>\$</u>
ASSETS	
Current assets:	
Cash and cash equivalents	<u>568,532</u>
Total assets	<u>568,532</u>
NET POSITION	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	130,707
Auburn Soccer Organization	381,187
Auburn Youth Football	21,194
Auburn Community Tennis Association	24,192
Auburn Cemetery Trust	<u>11,252</u>
Total net position	<u><u>568,532</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, 2014**

	Youth Athletic Associations' Private-purpose Trust Fund
	<u>\$</u>
ADDITIONS	
Program revenues:	
Baseball/Softball	128,384
Soccer	256,628
Football	28,589
Tennis	2,913
Cemetery Trust	11,252
Total program revenues	<u>427,766</u>
Investment earnings:	
Baseball/Softball interest	689
Soccer interest	1,774
Football interest	65
Tennis interest	48
Cemetery Trust interest	1
Total investment earnings	<u>2,577</u>
Total additions	<u>430,343</u>
DEDUCTIONS	
Program expenses:	
Baseball/Softball	116,921
Soccer	204,631
Football	21,144
Tennis	6,069
Total deductions	<u>348,765</u>
Change in net position	81,578
Net position - beginning	<u>486,954</u>
Net position - ending	<u>568,532</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, 2014**

	Major Component Units				Nonmajor Component Units	Total
	Board of Education	Water Works Board	Industrial Development Board	Housing Authority		
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	19,961,024	4,137,748	1,335,079	2,191,658	150	27,625,659
Certificates of deposit	-	-	59,258	-	-	59,258
Receivables, net	6,615	1,092,474	105,074	651,989	28,732	1,884,884
Inventories	150,140	407,356	-	30,279	-	587,775
Current portion of mortgages and notes receivable	-	-	79,485	-	-	79,485
Current portion of net investment in capital leases	-	-	382,612	-	-	382,612
Property tax receivable	5,652,695	-	-	-	-	5,652,695
Short term note receivable	-	-	5,500,000	-	-	5,500,000
Due from other governments	971,074	-	-	-	-	971,074
Due from primary government	-	113,270	82,786	-	-	196,056
Other current assets	-	45,754	180,522	38,803	2,086	267,165
Restricted cash	-	-	130,977	-	-	130,977
Total current assets	26,741,548	5,796,602	7,855,793	2,912,729	30,968	43,337,640
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	1,927,070	1,375,491	-	1,401,213	-	4,703,774
Investments	-	1,550,337	-	1,100,000	-	2,650,337
Mortgages and notes receivable, net of current portion	-	-	141,956	-	-	141,956
Net investment in capital leases, net of current portion	-	-	4,860,210	-	-	4,860,210
Property for resale	-	-	9,987,304	-	-	9,987,304
Capital assets not being depreciated	9,539,991	7,138,928	13,535,490	2,376,920	-	32,591,329
Capital assets, net of accumulated depreciation	84,531,902	51,976,600	43,095,130	9,270,145	5,283,122	194,156,899
Total noncurrent assets	95,998,963	62,041,356	71,620,090	14,148,278	5,283,122	249,091,809
Total assets	122,740,511	67,837,958	79,475,883	17,061,007	5,314,090	292,429,449
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Accumulated decrease in fair value of hedging derivatives	-	-	1,003,422	-	-	1,003,422
Deferred amounts on refunding, net	-	1,302,434	-	-	-	1,302,434
Total deferred outflows of resources	-	1,302,434	1,003,422	-	-	2,305,856
<b>LIABILITIES</b>						
Current liabilities:						
Liabilities payable from restricted assets:						
Accounts payable	-	131,901	-	-	-	131,901
Current portion of long-term debt	-	710,000	-	-	-	710,000
Accrued interest payable	-	70,028	195,457	-	-	265,485
Accounts payable and other accrued liabilities	358,434	1,198,240	936,150	102,066	20,444	2,615,334
Salaries and benefits payable	5,176,422	-	-	-	-	5,176,422
Customer deposits	-	645,242	-	29,065	-	674,307
Unearned revenue	933,125	-	1,694	-	-	934,819
Current portion of long-term debt	-	-	2,749,062	75,000	-	2,824,062
Short term notes payable	-	-	12,060,773	-	-	12,060,773
Due to primary government	-	373,433	-	-	-	373,433
Obligations under capital leases	634,093	-	-	-	-	634,093
Total current liabilities	7,102,074	3,128,844	15,943,136	206,131	20,444	26,400,629
Noncurrent liabilities:						
Advances from primary government	-	-	-	1,275,000	-	1,275,000
Derivative instrument liability	-	-	1,003,422	-	-	1,003,422
Long-term debt and other liabilities	660,284	19,331,249	37,982,034	121,292	-	58,094,859
Total noncurrent liabilities	660,284	19,331,249	38,985,456	1,396,292	-	60,373,281
Total liabilities	7,762,358	22,460,093	54,928,592	1,602,423	20,444	86,773,910
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Future property tax revenue	5,652,695	-	-	-	-	5,652,695
Total deferred inflows of resources	5,652,695	-	-	-	-	5,652,695
<b>NET POSITION</b>						
Net investment in capital assets	92,777,516	40,495,562	15,652,340	11,647,065	5,283,122	165,855,605
Restricted for:						
Capital projects	119,051	1,246,202	-	-	-	1,365,253
Debt service	-	1,679,626	130,977	-	-	1,810,603
Other projects	1,958,159	-	-	-	-	1,958,159
Housing assistance payments	-	-	-	51,213	-	51,213
Unrestricted	14,470,732	3,258,908	9,767,396	3,760,306	10,525	31,267,867
Total net position	109,325,458	46,680,298	25,550,713	15,458,584	5,293,647	202,308,700

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, 2014**

	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	44,172,887	1,185,593	26,360,107	407,388	(16,219,799)	-	(16,219,799)
Instructional support	12,771,471	520,538	6,642,460	18,860	(5,589,613)	-	(5,589,613)
Operation and maintenance	5,957,682	51,579	1,256,514	1,124,757	(3,524,832)	-	(3,524,832)
Auxiliary services							
Student transportation services	3,657,881	130,966	2,245,125	366,000	(915,790)	-	(915,790)
Food services	3,761,229	2,931,953	217,787	-	(611,489)	-	(611,489)
General administrative services	2,747,117	1,338	388,499	32,018	(2,325,262)	-	(2,325,262)
Other	841,925	868,007	215,963	-	242,045	-	242,045
Interest and fiscal charges	56,840	-	-	-	(56,840)	-	(56,840)
Total governmental activities	73,967,032	5,689,974	37,326,455	1,949,023	(29,001,580)	-	(29,001,580)
Business-type activities:							
Water Works Board	9,034,209	9,420,228	-	1,238,020	-	1,624,039	1,624,039
Industrial Development Board	7,434,739	3,870,259	-	2,800,076	-	(764,404)	(764,404)
Auburn Housing Authority	3,489,517	300,414	2,687,035	217,157	-	(284,911)	(284,911)
Public Park & Recreation Board	615,450	67,595	-	-	-	(547,855)	(547,855)
Total business-type activities	20,573,915	13,658,496	2,687,035	4,255,253	-	26,869	26,869
Total component units	94,540,947	19,348,470	40,013,490	6,204,276	(29,001,580)	26,869	(28,974,711)
General revenues:							
Taxes:							
Sales taxes					5,804,138	-	5,804,138
Property taxes					12,015,048	-	12,015,048
Alcoholic beverage taxes					535,777	-	535,777
Other taxes					53,965	-	53,965
Unrestricted appropriations from the City of Auburn					9,550,759	815,127	10,365,886
Federal/state aid not restricted					2,320	-	2,320
Interest and investment earnings					132,271	391,026	523,297
Gain/(loss) on disposal of assets					-	(481,988)	(481,988)
Miscellaneous					439,443	606,207	1,045,650
Total general revenues					28,533,721	1,330,372	29,864,093
Change in net position					(467,859)	1,357,241	889,382
Net position - beginning					109,793,317	91,600,619	201,393,936
Prior period adjustment					-	25,382	25,382
Net position - beginning, as restated					109,793,317	91,626,001	201,419,318
Net position - ending					109,325,458	92,983,242	202,308,700

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, 2014**

	Major Business-type Component Units			Nonmajor Business-type Component Units	Total
	Water Works Board	Industrial Development Board	Housing Authority		
	\$	\$	\$	\$	\$
Operating revenues					
Lease income	-	3,870,259	-	-	3,870,259
Water sales and service	9,420,228	-	-	-	9,420,228
Tennis center revenue	-	-	-	67,595	67,595
Dwelling Rent	-	-	300,414	-	300,414
Operating Grants	-	-	2,687,035	-	2,687,035
Miscellaneous	153,719	111,063	-	91,194	355,976
Total operating revenues	9,573,947	3,981,322	2,987,449	158,789	16,701,507
Operating expenses					
Water treatment and pumping expense	2,620,346	-	-	-	2,620,346
Water distribution expense	1,017,529	-	-	-	1,017,529
Meter reading expense	522,545	-	-	-	522,545
Operations administration expense	314,221	-	738,838	-	1,053,059
Utility billing office expense	896,441	-	-	-	896,441
Tenant services	-	-	24,012	-	24,012
General operations expense	878,465	-	59,963	-	938,428
Salaries and wages	-	-	-	141,299	141,299
Employee benefits	-	-	-	31,729	31,729
Repairs and maintenance	-	124,535	400,715	32,541	557,791
Housing assistance payments	-	-	1,494,814	-	1,494,814
Advertising	-	43,087	-	685	43,772
Utilities	-	101,608	165,812	91,557	358,977
Rentals and leasing	-	-	-	1,843	1,843
Insurance	-	-	78,339	3,247	81,586
Professional services	-	183,905	-	832	184,737
Office supplies	-	12,448	-	39	12,487
Recreational supplies	-	-	-	12,680	12,680
Depreciation/amortization	2,073,076	1,102,630	523,900	298,269	3,997,875
Industrial recruitment	-	345,380	-	-	345,380
Industrial incentives granted	-	2,996,055	-	-	2,996,055
Travel and training	-	19,845	-	530	20,375
Special events	-	16,078	-	-	16,078
Workforce development	-	14,286	-	-	14,286
Miscellaneous	-	5,221	-	199	5,420
Total operating expenses	8,322,623	4,965,078	3,486,393	615,450	17,389,544
Operating income (loss)	1,251,324	(983,756)	(498,944)	(456,661)	(688,037)
Non-operating revenues (expenses)					
Other non-operating revenues	-	-	250,231	-	250,231
Interest and investment earnings	33,998	351,246	5,781	1	391,026
Appropriations from the City of Auburn	-	625,000	-	190,127	815,127
Interest and fiscal charges	(711,586)	(2,469,661)	(3,124)	-	(3,184,371)
Gain/(loss) on disposal of assets	(4,378)	(478,767)	1,157	-	(481,988)
Total non-operating revenues (expenses)	(681,966)	(1,972,182)	254,045	190,128	(2,209,975)
Income (loss) before capital contributions	569,358	(2,955,938)	(244,899)	(266,533)	(2,898,012)
Capital contributions					
From other governments	-	2,800,076	217,157	-	3,017,233
From developers	469,720	-	-	-	469,720
From access fees	768,300	-	-	-	768,300
Total capital contributions	1,238,020	2,800,076	217,157	-	4,255,253
Change in net position	1,807,378	(155,862)	(27,742)	(266,533)	1,357,241
Net position - beginning	44,872,920	25,681,193	15,486,326	5,560,180	91,600,619
Prior period adjustment	-	25,382	-	-	25,382
Net position, beginning, as restated	44,872,920	25,706,575	15,486,326	5,560,180	91,626,001
Net position - ending	46,680,298	25,550,713	15,458,584	5,293,647	92,983,242

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, 2014**

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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**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 six 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

**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 Authority and has charged the Authority with conducting the City's commercial development efforts on behalf of the City Council. The Authority 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 Authority's primary source of operating funds. The City has responsibility for funding deficits and operating deficiencies of the Authority and City Council exercises significant influence over the Authority'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, 2014, and no assets or liabilities as of September 30, 2014.

**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, 2014, is included in this report. See Note 22 for the effect of the different year end on these financial statements.

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 and the Commercial Development Authority do not prepare separately issued financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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:

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

**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, 2014, the City's remaining net investment in the Indian Pines Golf Course is \$503,300.

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, 2014

**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, during fiscal year 2014 the City forgave \$245,860 in debt (see Note 7) and subsequent to year end approved a one time appropriation of \$50,000 for operations.

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2014, is as follows:

Total assets (net of accumulated depreciation on capital assets)	\$ 1,276,134
Total liabilities	(107,779)
Total net position	<u>\$ 1,168,355</u>
Total operating revenues	\$ 880,928
Total operating expenses	(1,004,903)
Other revenues	245,929
Other expenses	(2,522)
Net increase in net position	<u>\$ 119,432</u>

All liabilities are current liabilities consisting of accounts payable, accrued payroll and payroll taxes and deferred revenue. The financial statements of the Authority as of September 30, 2014, include disclosures about the Authority's ability to continue as a going concern due to a large operating loss for the year.

**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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

**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 1/7<sup>th</sup> 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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

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.

**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, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, and charges for services. 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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

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.

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 \$128,411,502 difference are as follows:

Bonds and warrants payable	\$ 121,139,440
Less: Deferred amount on refunding	(3,774,553)
Less: Prepaid bond issue insurance	(82,595)
Add: Issuance premium	5,895,714
Notes payable	1,782,000
Compensated absences	2,551,441
Claims and judgments	291,708
Landfill closure and post-closure care	147,000
Other postemployment benefits	<u>461,347</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 128,411,502</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 \$5,970,429 difference are as follows:

Capital outlay	\$ 11,432,511
Depreciation expense	<u>(5,462,082)</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>\$ 5,970,429</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**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 \$738,078 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	\$ 767,497
--------------------------------	------------

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>(29,419)</u>
---	-----------------

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

\$ 738,078
------------

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 \$12,814,560 difference are as follows:

Debt issued or incurred:

Notes payable (see Note 11)	\$ (280,000)
Principal repayments	<u>13,094,560</u>

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

\$ 12,814,560
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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 \$16,943 difference are as follows:

Compensated absences	\$ (236,119)
Accrued interest	67,716
Claims and judgments	49,330
Landfill closure and post-closure care	7,000
Other post employment benefits	(122,428)
Amortization of deferred amount on refunding	(293,700)
Amortization of prepaid bond issue insurance	(6,726)
Amortization of bond premiums	525,120
Amortization of prepaid expenses	<u>(7,136)</u>

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

\$ (16,943)
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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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

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 2014 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, and the Special 5-Mill Tax Debt Service 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.
8. Excess of expenditures over appropriations: In the General Fund, general government and administration expenditures of \$5,806,655 exceeded appropriations of \$5,774,342; debt service interest charges of \$1,294,652 exceeded appropriations of \$1,240,172; debt service principal retirement of \$6,290,025 exceeded appropriations of \$6,099,566; and intergovernmental expenditures of \$932,957 exceeded appropriations of \$928,789. In the Special School Tax Fund, nondepartmental expenditures of \$512,044 exceeded appropriations of \$505,000 and debt service administrative charges expenditures of \$1,550 exceeded appropriations of \$500.

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 of the Housing Authority includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and cash with a fiscal agent.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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

- 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 4).

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 100% 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 4).

- 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, which approximates market value, 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 the lower of cost or market value. Market is determined on the basis of replacement cost. Inventories consist 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.

- 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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

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

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

The City has chosen 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 \$350,000 (\$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.

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. 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.

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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**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 Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The 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 have been no significant reductions in insurance coverage from coverage in the prior year, and no settlements have exceeded insurance coverage in the past three fiscal years.

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 covered 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, 2014.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**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, 2014. 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.

**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, 2014

**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** – Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Authority. Sick leave accrues to full-time, permanent employees to specified maximums. Employees are entitled to vacation leave balances at termination. The estimated liabilities include required salary-related payments.

- 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 15.
- P. **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 or commitment of the fund. The City has no amount classified as committed fund balance as of September 30, 2014.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**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 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 uses.

**Q. 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.

**R. 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 20.
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, 2014

**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 21.

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.

- S. 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.

**NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS**

As of September 30, 2014, 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, and the Commercial Development Authority are held in a certified qualified public depository, and as such, are deemed fully insured.

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.

**NOTE 3. CASH AND CASH EQUIVALENTS**

Total cash and cash equivalents of the City contain restricted and unrestricted cash (nonpooled) as well as a cash pool that is available for use by all funds of the primary government. Interest earned from deposits made with pooled cash is allocated to each of the funds based on the fund's equity balance. The composition of cash and cash equivalents at September 30, 2014 (June 30, 2014, for the Housing Authority), is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 23,850,149	\$ 4,127,526	\$ 341,705	\$ 28,319,380
Special School Tax Fund	3,985,488	-	-	3,985,488
Federal Grant Loan Repayment Fund	171,336	-	183,158	354,494
Other Governmental Funds	3,076,601	-	-	3,076,601
Total governmental activities	<u>31,083,574</u>	<u>4,127,526</u>	<u>524,863</u>	<u>35,735,963</u>
Business-type activities:				
Sewer Revenue Fund	7,718,596	-	-	7,718,596
Solid Waste Management Fund	707,176	-	-	707,176
Total business-type activities	<u>8,425,772</u>	<u>-</u>	<u>-</u>	<u>8,425,772</u>
Total primary government	<u>39,509,346</u>	<u>4,127,526</u>	<u>524,863</u>	<u>44,161,735</u>
Component Units:				
Board of Education	-	19,961,024	1,927,070	21,888,094
Water Works Board	-	4,137,748	1,375,491	5,513,239
Industrial Development Board	228,543	1,106,536	130,977	1,466,056
Public Park and Recreation Board	-	150	-	150
Housing Authority	-	2,191,658	1,401,213	3,592,871
Total component units	<u>228,543</u>	<u>27,397,116</u>	<u>4,834,751</u>	<u>32,460,410</u>
Total reporting entity	<u>\$ 39,737,889</u>	<u>\$ 31,524,642</u>	<u>\$ 5,359,614</u>	<u>\$ 76,622,145</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 4. 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, 2014, is as follows:

	Carrying Value	Fair Value	Maturities
<b><u>Governmental Activities</u></b>			
Certificates of deposit			
General Fund	\$ 3,316,799	\$ 3,316,799	2014-2015
Debt Service Fund	2,007,213	2,007,213	2014
Total certificates of deposit	<u>\$ 5,324,012</u>	<u>\$ 5,324,012</u>	
Investments			
U.S. Treasury Notes	\$ 4,073,122	\$ 4,073,122	2015-2016
Other investments	1,573,439	1,573,439	2023
Total investments	<u>\$ 5,646,561</u>	<u>\$ 5,646,561</u>	

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, 2014, was \$1,573,439.

*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, 2014, 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 - Capital Projects Fund	\$ 119,051	\$ 119,051
Cash - Other Governmental Funds		
Child Nutrition Program	1,619,570	1,619,570
Dental Clinic	188,449	188,449
	<u>\$ 1,927,070</u>	<u>\$ 1,927,070</u>

*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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 4. DEPOSITS AND INVESTMENTS - CONTINUED****Water Works Board**

At September 30, 2014, the Water Works Board's restricted cash and investments were comprised of the following:

	Carrying Value	Fair Value
Cash (Access Fee Account)	\$ 1,246,202	\$ 1,246,202
Bank of New York Mellon U.S. Treasury Securities Money Market Fund	129,289	129,289
Total restricted cash	1,375,491	1,375,491
U.S. Treasury Bonds	1,550,337	1,550,337
Total restricted cash and investments	<u>\$ 2,925,828</u>	<u>\$ 2,925,828</u>

The Bank of New York Mellon U.S. Treasury Securities Money Market Fund listed above is an open-end mutual fund comprised of 100% U.S. Treasury securities. The fair value of the units in the fund equals the carrying value. The cost of the U.S. Treasury Bonds listed above is \$1,551,636.

Restricted investments are held by a trustee and are restricted by the terms of a bond indenture to retirement of the bonds.

*Interest Rate Risk* – The AWWB 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.

**Industrial Development Board**

At September 30, 2014, the Industrial Development Board's restricted cash and unrestricted certificates of deposit were comprised of the following:

<u>Restricted cash and investments</u>	Carrying Value	Fair Value
Cash (SAFE deposit)		
Restricted for debt service	<u>\$ 130,977</u>	<u>\$ 130,977</u>

The restricted cash and certificates of deposit is held by a certified qualified public depository under the SAFE program and are 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	Maturity
Certificate of deposit	<u>\$ 59,258</u>	<u>\$ 59,258</u>	2015

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 4. DEPOSITS AND INVESTMENTS - CONTINUED****Auburn Housing Authority**

The Authority's restricted assets consist of the following as of June 30, 2014:

<u>Restricted cash and investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Restricted funds for renovation	\$ 1,350,000	\$ 1,350,000
Restricted for HAP payments	51,213	51,213
Total restricted cash	<u>\$ 1,401,213</u>	<u>\$ 1,401,213</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 mean of managing its exposure to fair value losses arising from interest rate volatility.

**NOTE 5. DERIVATIVE INSTRUMENTS****COMPONENT UNIT****Industrial Development Board**

The fair value balance and notional amount of the IDB's derivative instrument outstanding at September 30, 2014, and the change in its fair value for the year then ended as reported in the 2014 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at 9/30/14</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Cash flow hedge:					
Pay fixed interest					
rate swap	Deferred outflow	<u>\$ 134,345</u>	Long term liability	<u>\$ (1,003,422)</u>	<u>\$ 4,605,000</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, 2014

**NOTE 5. 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, 2014, 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, 2014, was \$4,605,000.
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/Negative/B; Ba3

*Credit Risk* – As of September 30, 2014, 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, 2014, the interest rate on the IDB's hedged variable-rate debt was 0.14% and LIBOR was 0.1535%.

*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 day's 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, 2014

**NOTE 6. 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	\$ 11,175,115	\$ 135,072	\$ -	\$ 178,198	\$ 1,202,771	\$ 502,637	\$ 2,003,360	\$ 15,197,153
Grants receivable	-	-	-	173,287	-	146,600	-	319,887
Receivable from other governmental units	835,347	-	-	-	-	-	-	835,347
Other receivables	551,569	-	1,122	-	224,493	948	31,328	809,460
Gross receivables	12,562,031	135,072	1,122	351,485	1,427,264	650,185	2,034,688	17,161,847
Less: allowance for uncollectibles	(3,164,749)	-	-	(89,508)	(62,328)	(35,999)	(149,804)	(3,502,388)
Net receivables	\$ 9,397,282	\$ 135,072	\$ 1,122	\$ 261,977	\$ 1,364,936	\$ 614,186	\$ 1,884,884	\$ 13,659,459

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 7. MORTGAGES AND NOTES RECEIVABLE****CITY OF AUBURN PRIMARY GOVERNMENT**

On September 5, 2006, the City entered into a loan agreement with The Indian Pines Recreation Authority, a jointly governed organization with the City of Opelika. The clubhouse at Indian Pines was destroyed by fire in July 2005. Insurance coverage provided \$510,000 for the loss and the City of Auburn provided an additional \$400,000 to finance a portion of the construction costs of the new clubhouse. The terms of the note included monthly payments payable for a period of fourteen years at a fixed interest rate of 5.25%. In March of 2012 the loan was refinanced at a fixed rate of 3.00%. Principal and interest payments totaling \$3,181 were due in 108 equal monthly installments beginning April 2012. The balance of the loan at February 18, 2014, totaling \$245,860 was forgiven by the City.

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, 2014 was \$150,124 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>
2015	\$ 15,793	\$ 5,003	\$ 20,796
2016	16,355	4,441	20,796
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>\$ 150,124</u>	<u>\$ 23,169</u>	<u>\$ 173,293</u>

**COMPONENT UNITS****Industrial Development Board**

Mortgages and notes receivable consist of the following as of September 30, 2014:

	<u>Balance 10/01/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/2014</u>	<u>Due Within One Year</u>
Mortgages receivable	\$ 131,568	\$ -	\$ (12,000)	\$ 119,568	\$ 12,000
Short-term notes receivable	5,500,000	-	-	5,500,000	5,500,000
Notes receivable - other	167,671	-	(65,798)	101,873	67,485
Total	<u>\$ 5,799,239</u>	<u>\$ -</u>	<u>\$ (77,798)</u>	<u>\$ 5,721,441</u>	<u>\$ 5,579,485</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 7. MORTGAGES AND NOTES RECEIVABLE - CONTINUED****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</u>
2015	\$ 12,000
2016	12,000
2017	12,000
2018	83,568
	<u>\$ 119,568</u>

**Notes Receivable**

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

In June 2013, the IDB borrowed \$5,500,000 from a local bank, and issued a short term loan to the owner of an industry locating in Auburn. The loan bears interest at AuburnBank's prime lending rate plus twenty-five basis points (4.75% at September 30, 2014), with interest due quarterly beginning October 1, 2013, and continuing until maturity. During 2014, the maturity date was extended from June 2014 to January 2015. The loan was repaid in January 2015.

Future payments due under the notes are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,567,485	\$ 83,803	\$5,651,288
2016	34,388	254	34,642
	<u>\$ 5,601,873</u>	<u>\$ 84,057</u>	<u>\$ 5,685,930</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 8. 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.

**COMPONENT UNITS****Industrial Development Board**

The following is a schedule of changes in property for resale for the year ended September 30, 2014:

	Balance 10/1/2013	Additions	Reclassi- fications	Disposals	Balance 9/30/2014
Land and buildings	\$ 4,087,491	\$ 2,297,973	\$ (195,826)	\$ (555,239)	\$ 5,634,399
Improvements in progress	5,688,822	1,440,063	(687,007)	(2,088,973)	4,352,905
Total property for resale	<u>\$ 9,776,313</u>	<u>\$ 3,738,036</u>	<u>\$ (882,833)</u>	<u>\$ (2,644,212)</u>	<u>\$ 9,987,304</u>

The net reclassification consists of: adjustments to land previously reclassified to land held for leasing by the Board in the amount of \$34,639 and a prior period adjustment to adjust the cost of land previously granted as an industrial incentive in the amount of \$(25,382) (caused by a change in estimated costs to complete certain improvements in progress), and a reclassification of property previously held for resale to land held for leasing in the amount of \$873,576. Disposals consist of: demolition of a building purchased during 2014 in the amount of \$21,585, and two lots that were granted as an incentive to new industries in the amount of \$2,622,627. The incentives are included in industrial incentives granted in the Statement of Revenues, Expenses and Changes in Net Position.

**NOTE 9. 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, 2014

**NOTE 10. CAPITAL ASSETS****CITY OF AUBURN PRIMARY GOVERNMENT**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 16,668,030	\$ 722,413	\$ (343)	\$ 17,390,100
Construction in progress	5,075,973	9,966,651	(10,445,595)	4,597,029
Total capital assets, not being depreciated	21,744,003	10,689,064	(10,445,938)	21,987,129
Capital assets, being depreciated:				
Buildings and improvements	41,697,403	2,148,562	(18,825)	43,827,140
Communication equipment	375,752	-	(10,335)	365,417
Heavy equipment	2,486,594	22,696	-	2,509,290
Office equipment	3,305,976	83,453	(136,190)	3,253,239
Small tools and equipment	1,029,754	221,044	(47,740)	1,203,058
Vehicles	8,242,007	1,005,619	(610,936)	8,636,690
Infrastructure	133,430,991	8,496,815	(22,914)	141,904,892
Total capital assets, being depreciated	190,568,477	11,978,189	(846,940)	201,699,726
Less accumulated depreciation for:				
Buildings and improvements	(12,487,652)	(1,156,397)	6,011	(13,638,038)
Communication equipment	(291,854)	(22,595)	-	(314,449)
Heavy equipment	(1,691,657)	(165,845)	-	(1,857,502)
Office equipment	(2,767,960)	(234,227)	146,525	(2,855,662)
Small tools and equipment	(726,441)	(102,495)	47,740	(781,196)
Vehicles	(6,348,226)	(731,360)	612,934	(6,466,652)
Infrastructure	(57,756,784)	(3,049,163)	2,584	(60,803,363)
Total accumulated depreciation	(82,070,574)	(5,462,082)	815,794	(86,716,862)
Total capital assets, being depreciated, net	108,497,903	6,516,107	(31,146)	114,982,864
Governmental activities capital assets, net	\$ 130,241,906	\$ 17,205,171	\$ (10,477,084)	\$ 136,969,993

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 10. CAPITAL ASSETS - CONTINUED**

Capital asset activity for the City's business-type activities for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2014
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>327,761</u>	<u>2,642,327</u>	<u>(2,025,178)</u>	<u>944,910</u>
Total capital assets, not being depreciated	<u>492,387</u>	<u>2,642,327</u>	<u>(2,025,178)</u>	<u>1,109,536</u>
Capital assets, being depreciated:				
Buildings and improvements	18,234,250	50,575	-	18,284,825
Sewage plants and lines	72,003,960	2,089,482	(20,366)	74,073,076
Machinery and equipment	1,543,327	448,797	(25,592)	1,966,532
Small tools and equipment	7,200	-	-	7,200
Vehicles	<u>3,591,589</u>	<u>600,687</u>	<u>(103,786)</u>	<u>4,088,490</u>
Total capital assets, being depreciated	<u>95,380,326</u>	<u>3,189,541</u>	<u>(149,744)</u>	<u>98,420,123</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,367,731)	-	-	(2,367,731)
Sewage plants and lines	(12,926,736)	(1,956,816)	20,366	(14,863,186)
Machinery and equipment	(733,470)	(157,785)	25,592	(865,663)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	<u>(2,611,835)</u>	<u>(383,300)</u>	<u>102,688</u>	<u>(2,892,447)</u>
Total accumulated depreciation	<u>(18,646,972)</u>	<u>(2,497,901)</u>	<u>148,646</u>	<u>(20,996,227)</u>
Total capital assets, being depreciated, net	<u>76,733,354</u>	<u>691,640</u>	<u>(1,098)</u>	<u>77,423,896</u>
Business-type activities capital assets, net	<u>\$ 77,225,741</u>	<u>\$ 3,333,967</u>	<u>\$ (2,026,276)</u>	<u>\$ 78,533,432</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, 2014, the City incurred interest costs of \$2,137,655; total interest expense was \$2,073,026, and interest cost of \$64,629 was capitalized in connection with the cost of construction in progress.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 10. CAPITAL ASSETS - CONTINUED**

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

Governmental activities:	
General government and administration	\$ 235,942
Public works	3,232,546
Environmental services	163,006
Public safety	872,000
Library	147,514
Parks and recreation	765,380
Economic development	6,119
Employee services	39,575
Total depreciation expense - governmental activities	<u>\$ 5,462,082</u>
Business-type activities:	
Sewer revenue fund	\$ 2,093,289
Solid waste management fund	404,612
Total depreciation expense - business-type activities	<u>\$ 2,497,901</u>

**COMPONENT UNITS****Board of Education**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,859,215	\$ -	\$ -	\$ 8,859,215
Construction in progress	<u>657,516</u>	<u>680,776</u>	<u>(657,516)</u>	<u>680,776</u>
Total capital assets, not being depreciated	<u>9,516,731</u>	<u>680,776</u>	<u>(657,516)</u>	<u>9,539,991</u>
Capital assets, being depreciated:				
Land improvements	3,598,969	-	-	3,598,969
Buildings and improvements	104,540,193	859,293	-	105,399,486
Furniture, equipment and vehicles	8,764,869	1,156,443	1,239,240	11,160,552
Equipment under capital lease	<u>3,781,209</u>	<u>-</u>	<u>(1,477,527)</u>	<u>2,303,682</u>
Total capital assets, being depreciated	<u>120,685,240</u>	<u>2,015,736</u>	<u>(238,287)</u>	<u>122,462,689</u>
Less accumulated depreciation for:				
Land improvements	(2,587,605)	(111,928)	-	(2,699,533)
Buildings and improvements	(25,256,621)	(2,589,545)	-	(27,846,166)
Furniture, equipment and vehicles	<u>(6,248,697)</u>	<u>(1,351,656)</u>	<u>215,265</u>	<u>(7,385,088)</u>
Total accumulated depreciation	<u>(34,092,923)</u>	<u>(4,053,129)</u>	<u>215,265</u>	<u>(37,930,787)</u>
Total capital assets, being depreciated, net	<u>86,592,317</u>	<u>(2,037,393)</u>	<u>(23,022)</u>	<u>84,531,902</u>
Total governmental activities capital assets, net	<u>\$ 96,109,048</u>	<u>\$ (1,356,617)</u>	<u>\$ (680,538)</u>	<u>\$ 94,071,893</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 10. CAPITAL ASSETS - CONTINUED**

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

Governmental activities:	
Instruction	\$ 3,409,566
Instructional support	9,508
Operation and maintenance	45,907
Auxiliary services	
Student transportation services	410,521
Food services	175,200
General administrative services	2,427
Total depreciation expense - governmental activities	<u>\$ 4,053,129</u>

**Water Works Board**

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Balance</u> <u>10/1/2013</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deductions</u>	<u>Balance</u> <u>9/30/2014</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,391,165	\$ -	\$ -	\$ 1,391,165
Construction in progress	<u>852,346</u>	<u>5,078,672</u>	<u>(183,255)</u>	<u>5,747,763</u>
Total capital assets, not being depreciated	<u>2,243,511</u>	<u>5,078,672</u>	<u>(183,255)</u>	<u>7,138,928</u>
Capital assets, being depreciated:				
Utility system and plant	69,611,011	592,714	(115,502)	70,088,223
Buildings and improvements	5,675,962	14,941	-	5,690,903
Office equipment	538,366	8,503	(13,043)	533,826
Mobile equipment	890,077	165,212	(73,883)	981,406
Tools	<u>326,025</u>	<u>60,262</u>	<u>-</u>	<u>386,287</u>
Total capital assets, being depreciated	<u>77,041,441</u>	<u>841,632</u>	<u>(202,428)</u>	<u>77,680,645</u>
Less accumulated depreciation for:				
Utility system and plant	(20,864,982)	(1,539,958)	105,100	(22,299,840)
Buildings and improvements	(1,785,081)	(227,688)	-	(2,012,769)
Office equipment	(343,906)	(71,746)	13,042	(402,610)
Mobile equipment	(692,569)	(56,920)	63,893	(685,596)
Tools	<u>(292,735)</u>	<u>(10,495)</u>	<u>-</u>	<u>(303,230)</u>
Total accumulated depreciation	<u>(23,979,273)</u>	<u>(1,906,807)</u>	<u>182,035</u>	<u>(25,704,045)</u>
Total capital assets, being depreciated, net	<u>53,062,168</u>	<u>(1,065,175)</u>	<u>(20,393)</u>	<u>51,976,600</u>
Business-type activity capital assets, net	<u>\$ 55,305,679</u>	<u>\$ 4,013,497</u>	<u>\$ (203,648)</u>	<u>\$ 59,115,528</u>

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, 2014, the AWWB incurred interest costs of \$817,082; total interest expense was \$709,254, and interest cost of \$107,828 was capitalized in connection with the cost of construction in progress.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 10. CAPITAL ASSETS - CONTINUED****Industrial Development Board**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Additions	Retirements/ Reclassifications	Balance 9/30/2014
Capital assets, not being depreciated:				
Land	\$ 5,701,182	\$ -	\$ 297,202	\$ 5,998,384
Construction in progress	5,154,566	7,538,309	(5,155,769)	7,537,106
Total capital assets, not being depreciated	10,855,748	7,538,309	(4,858,567)	13,535,490
Capital assets, being depreciated:				
Buildings	44,327,841	-	2,712,042	47,039,883
Building improvements	3,615,857	27,542	(1,107,380)	2,536,019
Land improvements	1,588,489	21,780	-	1,610,269
Equipment	527,077	-	-	527,077
Vehicles	124,213	-	-	124,213
Total capital assets, being depreciated	50,183,477	49,322	1,604,662	51,837,461
Accumulated depreciation				
Buildings	(6,282,068)	(942,635)	142,551	(7,082,152)
Building improvements	(458,630)	(80,812)	74,821	(464,621)
Land improvements	(538,664)	(54,158)	-	(592,822)
Equipment	(482,188)	(18,707)	-	(500,895)
Vehicles	(95,523)	(6,318)	-	(101,841)
Total accumulated depreciation	(7,857,073)	(1,102,630)	217,372	(8,742,331)
Total capital assets, being depreciated, net	42,326,404	(1,053,308)	1,822,034	43,095,130
Total capital assets, net	\$ 53,182,152	\$ 6,485,001	\$ (3,036,533)	\$ 56,630,620

It is the IDB's policy to capitalize net interest costs on funds borrowed to finance construction. For the year ended September 30, 2014, the IDB incurred interest costs of \$2,559,959; total interest expense was \$2,356,023, and interest costs of \$203,936 were capitalized in connection with construction of buildings owned by the IDB and held for leasing.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 10. CAPITAL ASSETS - CONTINUED****Public Park and Recreation Board**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2014
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,315,667	\$ 10,815	\$ -	\$ 7,326,482
Machinery and equipment	55,454	-	-	55,454
Vehicles	46,103	-	-	46,103
Total capital assets, being depreciated	7,417,224	10,815	-	7,428,039
Less accumulated depreciation for:				
Buildings and improvements	(1,767,787)	(292,755)	-	(2,060,542)
Machinery and equipment	(32,758)	(5,514)	-	(38,272)
Vehicles	(46,103)	-	-	(46,103)
Total accumulated depreciation	(1,846,648)	(298,269)	-	(2,144,917)
Total capital assets, being depreciated, net	5,570,576	(287,454)	-	5,283,122
Business-type activity capital assets, net	<u>\$ 5,570,576</u>	<u>\$ (287,454)</u>	<u>\$ -</u>	<u>\$ 5,283,122</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 10. CAPITAL ASSETS - CONTINUED****Housing Authority**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 7/1/2013	Transfers/ Additions	Transfers/ Deductions	Balance 6/30/2014
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 820,669	\$ 304,425	\$ -	\$ 1,125,094
Construction in progress	<u>3,732,529</u>	<u>217,157</u>	<u>(2,697,860)</u>	<u>1,251,826</u>
Total capital assets, not being depreciated	<u>4,553,198</u>	<u>521,582</u>	<u>(2,697,860)</u>	<u>2,376,920</u>
Capital assets, being depreciated:				
Buildings and improvements	17,489,811	2,392,135	-	19,881,946
Furniture and equipment	<u>390,392</u>	<u>33,790</u>	<u>(22,218)</u>	<u>401,964</u>
Total capital assets, being depreciated	<u>17,880,203</u>	<u>2,425,925</u>	<u>(22,218)</u>	<u>20,283,910</u>
Less accumulated depreciation	<u>(10,512,083)</u>	<u>(523,900)</u>	<u>22,218</u>	<u>(11,013,765)</u>
Total capital assets, being depreciated, net	<u>7,368,120</u>	<u>1,902,025</u>	<u>-</u>	<u>9,270,145</u>
Business-type activity capital assets, net	<u>\$ 11,921,318</u>	<u>\$ 2,423,607</u>	<u>\$ (2,697,860)</u>	<u>\$ 11,647,065</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES**

## CITY OF AUBURN PRIMARY GOVERNMENT

**Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Additions	Reductions	Balance 9/30/2014	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 20,655,000	\$ -	\$ (3,495,000)	\$ 17,160,000	\$ 3,175,000
General obligation warrants	113,488,448	7,552	(9,516,560)	103,979,440	8,572,556
Add: bond issue premiums	6,420,834	-	(525,120)	5,895,714	-
Total bonds and warrants payable	140,564,282	7,552	(13,536,680)	127,035,154	11,747,556
Notes payable	1,585,000	280,000	(83,000)	1,782,000	101,000
Accumulated annual leave	2,315,322	309,953	(73,834)	2,551,441	157,565
Claims payable	281,333	212,311	(201,936)	291,708	94,231
Landfill closure and postclosure care liability	154,000	-	(7,000)	147,000	7,000
Other postemployment benefits liability	338,919	122,428	-	461,347	-
Governmental activity long-term liabilities	145,238,856	932,244	(13,902,450)	132,268,650	12,107,352
Business-type activities:					
General obligation warrants payable	46,840,000	-	(2,140,000)	44,700,000	2,205,000
Add: warrant issue premiums	1,355,654	-	(93,673)	1,261,981	-
Less: warrant issue discounts	(65,781)	-	3,262	(62,519)	-
Total warrants payable	48,129,873	-	(2,230,411)	45,899,462	2,205,000
Accumulated annual leave	163,804	2,893	(2,345)	164,352	9,828
Other postemployment benefits liability	49,926	14,892	-	64,818	-
Business-type activity long-term liabilities	48,343,603	17,785	(2,232,756)	46,128,632	2,214,828
Total primary government long-term liabilities	\$ 193,582,459	\$ 950,029	\$ (16,135,206)	\$ 178,397,282	\$ 14,322,180

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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

Bonds, notes, and warrants payable of the City of Auburn at September 30, 2014, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2014	Year of Final Principal Maturity
<b>Governmental activities:</b>						
Bonds payable:						
General obligation bonds, Dated 03/01/05 (Refund '97 bonds, and fund '05 projects) ('97 Bonds - Baseball, Arts Ctr., Pools, Kiesel)	2.2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 9,905,000	\$ 1,175,000	2016
General obligation bonds, Dated 1/1/07 (Library, Tennis Center)	3.5%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	5,200,000	2,990,000	2021
General obligation bonds, Dated 7/1/09 ('09 Capital Projects)	2%-4%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	9,000,000	5,720,000	2021
General obligation bonds, Dated 5/1/12 ('12 Capital Projects)	2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	4,000,000	3,485,000	2024
General obligation refunding bonds, Dated 8/1/12						
Soccer, Town Creek; '05 bonds - '05 Projects)	2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	6,180,000	3,790,000	2021
Total bonds payable				<u>34,285,000</u>	<u>17,160,000</u>	
<b>Notes Payable:</b>						
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	<u>1,865,000</u>	<u>1,782,000</u>	2034

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2014	Year of Final Principal Maturity
<b>Warrants payable:</b>						
General obligation warrants						
Dated 08/01/05 (School expansion)	3.125%-5%	2/1-8/1	Special School Tax Fund ad valorem taxes	33,010,000	10,405,000	2035
General obligation warrants						
Dated 11/28/05 (West Tech Park)	3.66%	Monthly	Full faith credit and taxing power of the City of Auburn	6,000,000	194,612	2014
General obligation warrants						
Dated 02/09/06 (AU Research Park)	4.08%	Monthly	Full faith credit and taxing power of the City of Auburn	5,000,000	274,163	2015
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	2,572,825	2026
General obligation warrants Dated 5/27/08 (Refund '00 Wts, '02 Wts & LOC; Land)						
(2000 Wts - Salmon Prop; 2002 Wts - Drainage, streets, LOC - West Tech Park Improvements)	3.53%	Monthly	Full faith credit and taxing power of the City of Auburn	4,211,050	341,551	2015
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	3,721,193	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	3,782,640	2018
General obligation warrants						
Dated 10/10/08 (Samford Avenue extension)	4.10%	Monthly	Full faith credit and taxing power of the City of Auburn	2,031,270	314,211	2015
General obligation warrants						
Dated 12/19/08 (Auburn HS renovations)	4.76%	Monthly	Special School Tax Fund ad valorem taxes	8,500,000	6,749,587	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	22,390,000	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	1,885,734	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	7,972,173	2024

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2014	Year of Final Principal Maturity
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	1,321,640	2022
General obligation school warrants						
Dated 2/22/12			Special School Tax Fund			
(New elementary school and land)	2.78%	Monthly	ad valorem taxes	18,500,000	16,618,973	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	1,463,280	2022
General obligation warrants						
Dated 8/1/12 (refund '99 warrants)			Full faith credit and taxing power of the City of Auburn	1,790,000	1,310,000	2019
('99 warrants - City Hall, streets, etc)	2% - 5%	2/1-8/1				
General obligation refunding school warrants						
Dated 8/1/12 (partially refund '05 warrants	2% - 5%	2/1-8/1	Special School Tax Fund	18,080,000	18,080,000	2030
- school expansion)			ad valorem taxes			
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	4,581,858	2022
Total warrants payable				167,808,470	103,979,440	
Total governmental activity bonds, notes, and warrants payable				203,958,470	122,921,440	
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	22,425,000	2034
General obligation warrants						
Dated 9/1/09 (Partial refund '01 Warrants)	3.5%-5%	1/1-7/1	Sewer Fund	15,245,000	15,245,000	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	7,030,000	2032
Total business type activity warrants payable				50,645,000	44,700,000	
Total bonds, notes, and warrants payable				\$ 254,603,470	\$ 167,621,440	

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. 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, 2014:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity		
				Bonds, Notes, and Warrants Payable			Warrants Payable		
				Payable from					
	Principal	Interest	Total	Principal	Interest	Requirements	Principal	Interest	Requirements
2015	\$ 14,053,556	\$ 6,888,322	\$ 20,941,878	\$ 11,848,556	\$ 4,807,504	\$ 16,656,060	\$ 2,205,000	\$ 2,080,818	\$ 4,285,818
2016	13,237,832	6,336,018	19,573,850	10,922,832	4,350,950	15,273,782	2,315,000	1,985,068	4,300,068
2017	12,445,635	5,807,079	18,252,714	9,965,635	3,934,755	13,900,390	2,480,000	1,872,324	4,352,324
2018	12,413,063	5,276,060	17,689,123	9,813,063	3,525,805	13,338,868	2,600,000	1,750,255	4,350,255
2019	11,260,249	4,789,420	16,049,669	8,530,249	3,170,065	11,700,314	2,730,000	1,619,355	4,349,355
2020	11,407,695	4,312,204	15,719,899	8,542,695	2,830,274	11,372,969	2,865,000	1,481,930	4,346,930
2021	11,521,013	3,828,140	15,349,153	8,531,013	2,477,272	11,008,285	2,990,000	1,350,868	4,340,868
2022	10,207,044	3,373,800	13,580,844	7,092,044	2,145,682	9,237,726	3,115,000	1,228,118	4,343,118
2023	9,737,320	2,966,864	12,704,184	6,492,320	1,870,590	8,362,910	3,245,000	1,096,274	4,341,274
2024	9,971,828	2,548,716	12,520,544	6,591,828	1,593,608	8,185,436	3,380,000	955,108	4,335,108
2025	6,856,299	2,184,082	9,040,381	5,471,299	1,337,471	6,808,770	1,385,000	846,611	2,231,611
2026	7,159,089	1,874,929	9,034,018	5,704,089	1,101,868	6,805,957	1,455,000	773,061	2,228,061
2027	4,744,964	1,551,617	6,296,581	3,214,964	855,756	4,070,720	1,530,000	695,861	2,225,861
2028	4,787,050	1,339,335	6,126,385	3,172,050	724,705	3,896,755	1,615,000	614,630	2,229,630
2029	4,489,872	1,136,913	5,626,785	2,789,872	609,739	3,399,611	1,700,000	527,174	2,227,174
2030	4,651,123	972,435	5,623,558	2,866,123	531,239	3,397,362	1,785,000	441,196	2,226,196
2031	4,908,254	800,227	5,708,481	3,033,254	450,508	3,483,762	1,875,000	349,719	2,224,719
2032	4,324,554	596,688	4,921,242	2,349,554	345,594	2,695,148	1,975,000	251,094	2,226,094
2033	3,590,000	409,157	3,999,157	1,910,000	262,063	2,172,063	1,680,000	147,094	1,827,094
2034	3,770,000	228,422	3,998,422	1,995,000	178,500	2,173,500	1,775,000	49,922	1,824,922
2035	2,085,000	91,219	2,176,219	2,085,000	91,219	2,176,219	-	-	-
Total	\$ 167,621,440	\$ 57,311,647	\$ 224,933,087	\$ 122,921,440	\$ 37,195,167	\$ 160,116,607	\$ 44,700,000	\$ 20,116,480	\$ 64,816,480

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

On May 23, 2014, the City received \$280,000 from the Department of Housing and Urban Development for guaranteed loan assistance under the terms of Section 108 of Title I of the Housing and Community Development Act of 1974, as amended, to be loaned out to a local business as part of the City's Commercial and Industrial Loan Program. The proceeds are recognized as grant revenue in the statement of revenues, expenditures, and changes in fund balances - governmental funds, however, it is recognized as an increase in long-term liabilities in the statement of net position at the government-wide level since the City is obligated to repay these amounts to the Department of Housing and Urban Development.

In 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, 2014, \$40,780,000 of defeased bonds and warrants remain outstanding.

**COMPONENT UNITS****Water Works Board****Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Additions	Reductions	Balance 9/30/2014	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2010 issue	\$ 19,640,000	\$ -	\$ (675,000)	\$ 18,965,000	\$ 710,000
Add: bond issue premiums	1,011,594	-	(54,193)	957,401	-
	<u>20,651,594</u>	<u>-</u>	<u>(729,193)</u>	<u>19,922,401</u>	<u>710,000</u>
Accumulated annual leave	96,192	8,449	(15,024)	89,617	-
Other postemployment benefits					
liability	<u>27,843</u>	<u>1,388</u>	<u>-</u>	<u>29,231</u>	<u>-</u>
	<u>124,035</u>	<u>9,837</u>	<u>(15,024)</u>	<u>118,848</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>\$ 20,775,629</u>	<u>\$ 9,837</u>	<u>\$ (744,217)</u>	<u>\$ 20,041,249</u>	<u>\$ 710,000</u>

Bonds payable at September 30, 2014, are comprised of an original bond issue of \$21,595,000 dated June 1, 2010. 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 4.36%. The stated maturity dates of the 2010 bonds are September 1 beginning in 2011 and continuing through 2032.

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2014, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2014	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	<u>\$ 21,595,000</u>	<u>\$ 18,965,000</u>	2032

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. 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, 2014:

Year ending September 30	Principal	Interest	Total
2015	\$ 710,000	\$ 840,338	\$ 1,550,338
2016	735,000	819,038	1,554,038
2017	770,000	782,288	1,552,288
2018	810,000	743,788	1,553,788
2019	850,000	703,288	1,553,288
2020-2024	4,815,000	2,939,712	7,754,712
2025-2029	5,970,000	1,785,750	7,755,750
2030-2032	4,305,000	348,800	4,653,800
Total	<u>\$ 18,965,000</u>	<u>\$ 8,963,002</u>	<u>\$ 27,928,002</u>

Water Revenue Bonds issued in 2010 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, 2014.

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

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Balance 10/1/2013	Additions	Reductions	Balance 9/30/2014	Due Within One Year
Long-term notes payable	\$ 30,846,125	\$ 6,754,750	\$ (1,474,779)	\$ 36,126,096	\$ 2,494,062
Short term notes payable	9,396,938	7,388,835	(4,725,000)	12,060,773	12,060,773
Bonds payable	4,840,000	-	(235,000)	4,605,000	255,000
Total	<u>\$ 45,083,063</u>	<u>\$ 14,143,585</u>	<u>\$ (6,434,779)</u>	<u>\$ 52,791,869</u>	<u>\$ 14,809,835</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, and for short-term financing for a new industry locating in Auburn.

Bonds payable

Bonds payable at September 30, 2014 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, 2015. 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES – CONTINUED**

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 2014 was 0.149%. Interest incurred for the fiscal year amounted to \$280,191.

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, 2015. 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, 2016. 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>
2015	\$ 255,000
2016	<u>4,350,000</u>
	<u>\$ 4,605,000</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>
2015	\$ 255,000
2016	270,000
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	<u>550,000</u>
Total	<u>\$ 4,605,000</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2014, using the variable interest rate in effect on the last day of the fiscal year (0.14%):

Fiscal Year	Series 2006-A		Total
	Principal	Interest	
2015	\$ 255,000	\$ 6,387	\$ 261,387
2016	270,000	6,027	276,027
2017	290,000	5,644	295,644
2018	315,000	5,232	320,232
2019	335,000	4,787	339,787
2020	360,000	4,312	364,312
2021	385,000	3,802	388,802
2022	415,000	3,256	418,256
2023	445,000	2,668	447,668
2024	475,000	2,038	477,038
2025	510,000	1,365	511,365
2026	550,000	641	550,641
Total	<u>\$ 4,605,000</u>	<u>\$ 46,159</u>	<u>\$ 4,651,159</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 5). Using rates as of September 30, 2014, 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	Series 2006-A Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2015	\$ 255,000	\$ 6,387	\$ 260,809	\$ 522,196
2016	270,000	6,027	246,088	522,115
2017	290,000	5,644	230,463	526,107
2018	315,000	5,232	213,645	533,877
2019	335,000	4,787	195,448	535,235
2020	360,000	4,312	176,059	540,371
2021	385,000	3,802	155,241	544,043
2022	415,000	3,256	102,776	521,032
2023	445,000	2,668	-	447,668
2024	475,000	2,038	-	477,038
2025	510,000	1,365	-	511,365
2026	550,000	641	-	550,641
Total	<u>\$ 4,605,000</u>	<u>\$ 46,159</u>	<u>\$ 1,580,529</u>	<u>\$ 6,231,688</u>

## CITY OF AUBURN, ALABAMA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**Long-term notes payable

Notes payable of the IDB at September 30, 2014, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/14	Year of Final Principal Maturity
AuburnBank	5.000%	Monthly	\$ 8,670,000	\$ 6,119,175	2019
AuburnBank	6.000%	Monthly	1,556,795	1,400,441	2017
AuburnBank	6.470%	Monthly	300,000	247,984	2016
AuburnBank	6.000%	Monthly	1,079,500	804,599	2015
AuburnBank	5.000%	Monthly	3,144,057	2,975,112	2019
AuburnBank	6.000%	Monthly	2,146,000	1,979,701	2017
AuburnBank	6.000%	Monthly	1,290,000	1,013,286	2017
AuburnBank	4.500%	Monthly	3,026,000	2,702,242	2018
AuburnBank	4.500%	Monthly	2,274,000	2,070,969	2017
AuburnBank	6.470%	Monthly	1,025,000	805,572	2017
AuburnBank	6.000%	Monthly	1,955,000	1,809,250	2017
AuburnBank	5.000%	Monthly	2,380,000	2,037,099	2019
AuburnBank	6.470%	Monthly	491,000	436,187	2017
AuburnBank	5.000%	Monthly	825,000	710,489	2019
AuburnBank	6.000%	Monthly	165,250	154,332	2019
AuburnBank	4.500%	Monthly	4,250,000	4,175,130	2019
AuburnBank	4.500%	Monthly	475,000	466,632	2019
AuburnBank	3.500%	Monthly	950,000	914,366	2019
AuburnBank	5.000%	Monthly	1,079,500	1,058,837	2019
Aliant Bank	5.500%	Monthly	2,656,136	2,466,780	2018
Compass Bank	6.250%	Monthly	644,692	204,474	2016
City of Auburn	3.030%	Monthly	1,800,000	1,573,439	2023
Total notes payable			<u>\$ 42,182,930</u>	<u>\$ 36,126,096</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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 11. LONG-TERM LIABILITIES - CONTINUED**

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2014:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2015	\$ 2,494,860	\$ 1,759,857	\$ 4,254,717
2016	1,937,708	1,677,717	3,615,425
2017	9,969,528	1,259,022	11,228,550
2018	5,547,717	918,614	6,466,331
2019	15,467,945	298,926	15,766,871
2020	189,638	19,150	208,788
2021	195,601	13,188	208,789
2022	201,695	7,094	208,789
2023	121,404	1,253	122,657
Total	<u>\$ 36,126,096</u>	<u>\$ 5,954,821</u>	<u>\$ 42,080,917</u>

**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 payments began on July 20, 2012, and be 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 will be 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 22).

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

Year ending June 30	Principal	Interest	Total
2015	\$ 75,000	\$ 2,835	\$ 77,835
2016	75,000	2,675	77,675
2017	75,000	2,520	77,520
2018	75,000	2,365	77,365
2019	75,000	2,205	77,205
2020-2024	375,000	10,225	385,225
2025-2029	375,000	6,000	381,000
2030-2032	225,000	1,800	226,800
Total	<u>\$1,350,000</u>	<u>\$ 30,625</u>	<u>\$1,380,625</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 12. 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, 2014, totaled \$314,380.

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, 2014, totaled \$1,440,041.

On March 27, 2012 the City entered into a \$1,500,000 Loan Guarantee Assistance contract with the Department of Housing and Urban Development (HUD) made pursuant to Section 108 of Title 1 of the Housing and Urban Development Act of 1974. This was the first contract under a funding approval with HUD totaling \$3,312,000 and signed on September 28, 2011. The remaining \$1,812,000 will be used for the following:

- \$300,000 for a Micro-Loan Program.
- \$1,220,000 for a Commercial and Industrial Loan Program.
- \$292,000 to fund a Debt Service Reserve fund that will be used to fund potential defaults on loans made and/or timing issues in regard to having enough cash on hand to make the City's payment to HUD.

Under the terms of the Loan Guarantee Assistance Contract, the monies received from HUD were loaned to the Auburn Housing Authority for the purpose of refurbishing a public housing complex. When the City made this loan, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loan made under this program is for a period of 20 years and the Auburn Housing Authority will make annual principal payments of \$75,000 beginning in July of 2013. At that time, 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, 2014, totaled \$1,604,776, of which \$1,200,000 is listed as advances to component units.

**NOTE 13. 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 eleven years and the capital leases expire over the next thirty 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, 2014, was \$5,998,384 and \$47,039,883, respectively; accumulated depreciation on the buildings was \$7,082,152. Rents received during 2014 were \$3,761,700. Of the sixteen leases in effect at September 30, 2014, 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 June 1, 2015, and annual minimum rentals of \$24,000 payable in advance.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 13. LEASE AGREEMENTS - CONTINUED**

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 11). Pursuant to the terms of an interest rate swap (see Note 5), 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, 2014.

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, 2014:

Fiscal Year	Future Minimum Rental Payments
2015	\$ 3,634,026
2016	3,558,263
2017	3,468,965
2018	3,339,645
2019	2,016,338
2020	1,692,789
2021	1,689,071
2022	1,205,522
2023	972,190
2024	856,570
2025	<u>426,924</u>
Total	<u>\$ 22,860,303</u>

Capital leases

- A. The IDB has leased, under capital leases, twelve 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 2015 to 2044, and several of the leases provide for renewal terms. No lease payments were received in fiscal year 2014, and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal.

During fiscal 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 2014. The leases expire in 2019 and 2024.

- B. The IDB has three sales-type capital leases. One involves manufacturing equipment with a lease term expiring in 2016. The other two involve land and buildings in the Auburn Industrial Park and the Auburn Technology Park with lease terms expiring in 2023 and 2024, respectively. The components of the net investment in sales-type capital leases at September 30, 2014 are as follows:

Total minimum lease payments to be received	\$ 7,656,924
Less: unearned income	<u>(2,414,102)</u>
Net investment in capital lease	<u>\$ 5,242,822</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 13. LEASE AGREEMENTS - CONTINUED**

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

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2015	\$ 624,433
2016	578,154
2017	494,017
2018	494,017
2019	494,017
2020	494,017
2021	494,017
2022	494,017
2023	405,899
2024	282,534
Thereafter	<u>2,801,802</u>
Total	<u>\$ 7,656,924</u>

- C. The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. Nine of the operating leases are non-cancelable and two are cancelable with 120 days notice. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during fiscal year 2014 were \$108,559. As of September 30, 2014, all nine of the non-cancelable leases expire within one year. One cancelable lease expires in 2016, and the other one expires in 2017. Future minimum rentals of \$13,712 are due under the non-cancelable leases in fiscal year 2015.

**NOTE 14. DEFINED BENEFIT PENSION PLANS****CITY OF AUBURN PRIMARY GOVERNMENT**

*Plan Description.* The City contributes to the Employees' Retirement System of Alabama ("the System"), an agent multiple-employer public employee retirement system (PERS) which acts as a common investment and administrative agent for all State agencies and departments as well as for cities and counties which elect to participate in the System. All regular full-time and certain regular part-time City employees are eligible to participate in the System. Benefits vest after ten years of service. Vested employees may choose a lump sum benefit, payments for a specified time period or for life. The benefit amount is based upon employee and employer contributions and accrued interest as of the retirement date and is established by State statute. The System also provides death and disability benefits. The Retirement System issues a publicly available report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150 or by calling (334) 517-7000.

*Funding Policy.* Covered employees hired prior to January 1, 2013, are required to by State statute to contribute 5.0% of their annual covered salary. Covered employees hired after January 1, 2013, are required to contribute 6.0% of their annual covered salary. The City is required by the same statute to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by the statute. The City's contribution rate for the year-ended September 30, 2014, was 11.11% of annual covered payroll for employees hired prior to January 1, 2013, and 8.81% for employees hired after January 1, 2013.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 14. DEFINED BENEFIT PENSION PLANS - CONTINUED**

*Annual Pension Cost.* The City's annual pension cost of \$2,668,213 was equal to the City's required and actual contributions. In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/11	\$ 2,328,028	100%	\$0
9/30/12	\$ 2,286,330	100%	\$0
9/30/13	\$ 2,387,958	100%	\$0

The required contribution was determined as part of the September 30, 2013, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 8.0%, b) projected annual rate of salary increases ranging from 3.75% to 7.25%, based on age, and c) no cost-of-living adjustments. Both a) and b) included an inflation component of 3.00%. The actuarial value of the plan's assets was determined using the 5-year smoothed market value of investments. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at September 30, 2013, was 28 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

*Funded Status and Funding Progress.* As of September 30, 2013, the most recent actuarial valuation date, the plan was 61.9% funded. The actuarial accrued liability for benefits was \$79,317,441, and the actuarial value of assets was \$49,132,645, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,184,796. The covered payroll (annual payroll of active employees covered by the plan) was \$23,650,538, and the ratio of the UAAL to the covered payroll was 127.6%.

The plan's schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability (AAL) - Entry Age (b)**	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ( (b - a)/c )
9/30/11 <sup>a</sup>	\$ 44,730,894	\$ 74,290,173	\$ 29,559,279	60.2%	\$ 23,034,488	128.3%
9/30/12 <sup>b</sup>	\$ 45,277,566	\$ 72,317,578	\$ 27,040,012	62.6%	\$ 22,074,093	122.5%
9/30/13 <sup>c</sup>	\$ 49,132,645	\$ 79,317,441	\$ 30,184,796	61.9%	\$ 23,650,538	127.6%

\* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

\*\* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

<sup>a</sup> Reflects changes in actuarial assumptions.

<sup>b</sup> Reflects changes to interest smoothing methodology.

<sup>c</sup> Reflects implementation of Board Funding Policy

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 14. DEFINED BENEFIT PENSION PLANS – CONTINUED****COMPONENT UNITS****Board of Education**

*Plan Description.* The ABOE contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the ABOE are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the ABOE. Those employees hired on or before January 1, 2013, are classified as Tier 1 participants, and those hired after January 1, 2013, are classified as Tier 2 participants.

Benefits for Tier 1 participants vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under the formula method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

Benefits for Tier 2 participants vest after 10 years of creditable service. A member is eligible to retire at age 62 with 10 years of creditable service. Under the retirement benefit formula, retirees are allowed 1.65% of their average final salary (best five of the last ten years) for each year of service. The retirement benefit cannot exceed 80% of the average final salary. Disability retirement benefits and pre-retirement death benefits are calculated in the same manner as Tier 1 participants.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150 or by calling (334) 517-7000.

*Funding Policy.* Tier I and Tier II employees are required by statute to contribute 7.50 and 6.00 percent of their respective salaries to the Teachers' Retirement System. The ABOE is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the ABOE and its employees equal the required contributions for each year as follows:

Fiscal year ended September 30,	2014	2013	2012
Contributions:			
Tier 1			
Percentage contributed by the Board	11.71%	10.08%	10.00%
Percentage contributed by the employees	7.50%	7.50%	7.25%
Total percentage of covered payroll	19.21%	17.58%	17.25%
Tier 2			
Percentage contributed by the Board	11.08%	9.44%	
Percentage contributed by the employees	6.00%	6.00%	
Total percentage of covered payroll	17.08%	15.44%	
Contributed by the Board	\$ 4,542,285	\$ 3,703,009	\$ 3,547,315
Contributed by the employees	2,879,767	2,751,618	2,571,824
Total contributions	\$ 7,422,052	\$ 6,454,627	\$ 6,119,139

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 14. DEFINED BENEFIT PENSION PLANS – CONTINUED****Water Works Board**

The AWWB also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City. The AWWB's contribution rate for the year-ended September 30, 2014, was 7.04% of annual covered payroll for employees hired prior to January 1, 2013, and 4.74% for employees hired after January 1, 2013; and the AWWB's annual pension cost of \$84,419 was equal to its required and actual contributions. The remaining amortization period at September 30, 2013, was 19 years.

In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/11	\$ 75,672	100%	\$0
9/30/12	\$ 83,754	100%	\$0
9/30/13	\$ 91,417	100%	\$0

The plan's schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL) - Entry Age (b)**	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ( (b - a)/c )
9/30/11 <sup>a</sup>	\$ 2,371,888	\$ 3,166,667	\$ 794,779	74.9%	\$ 1,561,583	50.9%
9/30/12 <sup>b</sup>	\$ 2,423,406	\$ 3,049,038	\$ 625,632	79.5%	\$ 1,483,749	42.2%
9/30/13 <sup>c</sup>	\$ 2,426,971	\$ 3,107,105	\$ 680,134	78.1%	\$ 1,360,338	50.0%

\* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

\*\* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

<sup>a</sup> Reflects changes in actuarial assumptions.

<sup>b</sup> Reflects changes to interest smoothing methodology.

<sup>c</sup> Reflects implementation of Board Funding Policy.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 14. DEFINED BENEFIT PENSION PLANS – CONTINUED****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. The Housing Authority's annual pension cost of \$40,446 was equal to its required and actual contributions.

In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/11	\$ 2,176	100%	\$0
9/30/12	\$ 2,325	100%	\$0
9/30/13	\$ 2,698	100%	\$0

The plan's schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets *</u> (a)	<u>Accrued Liability (AAL) - Entry Age (b)**</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered P/R ( (b - a)/c )</u>
9/30/2011 <sup>a</sup>	\$ 10,445,003	\$ 2,799,542	\$ (7,645,461)	373.1%	\$ 574,595	-1330.6%
9/30/2012 <sup>b</sup>	\$ 10,395,727	\$ 2,743,457	\$ (7,652,270)	378.9%	\$ 691,216	-1107.1%
9/30/2013 <sup>c</sup>	\$ 11,359,062	\$ 2,909,619	\$ (8,449,443)	390.4%	\$ 808,844	-1044.6%
9/30/2013 <sup>c,d</sup>	\$ 11,359,062	\$ 2,915,467	\$ (8,443,595)	389.6%	\$ 808,844	-1043.9%

\* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

\*\* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

<sup>a</sup> Reflects changes in actuarial assumptions.

<sup>b</sup> Reflects changes to interest smoothing methodology.

<sup>c</sup> Reflects implementation of Board Funding Policy.

<sup>d</sup> Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011, and by an additional 0.25% beginning October 1, 2012.

**NOTE 15. 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 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 15. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**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. 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. The actuarial assumption used in these financial statements is 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 year ending September 30, 2014 is as follows:

	2014	2013	2012
Normal cost as of beginning of year	\$ 97,465	\$ 95,184	\$ 108,750
Amortization of the unfunded AAL (UAAL) for 30 years	<u>120,449</u>	<u>117,416</u>	<u>132,934</u>
Total normal cost and amortization payment	217,914	212,600	241,684
Interest to end of year	<u>8,717</u>	<u>8,504</u>	<u>9,667</u>
Annual required contribution (ARC)	<u>\$ 226,631</u>	<u>\$ 221,104</u>	<u>\$ 251,351</u>
Percent of Annual Covered Payroll	0.98%	0.96%	1.12%

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 15. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**Net postemployment benefit obligation

The table below shows the City's net other postemployment benefit (OPEB) obligation at September 30, 2014:

	2014	2013	2012
Annual required contribution (ARC)	\$ 226,631	\$ 221,104	\$ 251,351
Interest on net OPEB obligation (NOO) to end of year	16,668	11,001	7,492
NOO amortization adjustment to the ARC	<u>(24,097)</u>	<u>(15,905)</u>	<u>(10,832)</u>
Annual OPEB cost	219,202	216,200	248,011
Actual annual employer contribution - pay-go cost	<u>(80,494)</u>	<u>(74,531)</u>	<u>(160,290)</u>
Change in net OPEB obligation	138,708	141,669	87,721
Beginning net OPEB obligation	<u>416,688</u>	<u>275,019</u>	<u>187,298</u>
Ending net OPEB obligation	<u><u>\$ 555,396</u></u>	<u><u>\$ 416,688</u></u>	<u><u>\$ 275,019</u></u>
Percentage of annual OPEB cost contributed	36.7%	34.5%	64.6%
Ending net OPEB obligation by employer			
City of Auburn General Fund	\$ 461,347	\$ 338,919	\$ 222,424
Sewer Revenue Fund of City of Auburn	24,148	19,202	12,040
Solid Waste Management Fund of City of Auburn	40,670	30,724	20,278
Water Works Board of City of Auburn	<u>29,231</u>	<u>27,843</u>	<u>20,278</u>
Total	<u><u>\$ 555,396</u></u>	<u><u>\$ 416,688</u></u>	<u><u>\$ 275,020</u></u>

Funded status and funding progress

In the fiscal year ending September 30, 2014, the City contributed \$80,494 to its postemployment benefits plan. This represents 36.7% of the annual OPEB cost. The plan has no assets and therefore has a funded ratio of zero. As of September 30, 2013, the most recent actuarial valuation, the actuarial accrued liability was \$2,166,123 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 is not funded, 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 o Covered P/R ( (b - a)/c )
9/30/2011	\$ -	\$ 2,390,640	\$ 2,390,640	0%	\$ 23,668,496	10.1%
9/30/2012	-	2,111,571	2,111,571	0%	22,357,728	9.4%
9/30/2013	-	2,166,123	2,166,123	0%	23,028,460	9.4%

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. 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 15. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

Turnover rates are based on a standard actuarial termination table adjusted for the City's historical turnover experience. These rates approximate to an 8% 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, 2013, 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 2015, graded down to an ultimate annual rate of 5% for 2020 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 includes financial statements and required supplementary information for the Trust. That report may be obtained at the Public Education Employees' Health Insurance Plan website <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Statements tab.

*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 2014 rate paid by the ABOE was \$714 per active participant per month; \$220.09, or approximately 30.83% 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, 2014 and 2013 were approximately \$2,467,174 and \$2,310,126, 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, 2014 and 2013 were approximately \$299,033 and \$218,451, 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, 2014

**NOTE 16. 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	
	2014	2013
Unpaid claims, beginning of year	<u>\$ 69,711</u>	<u>\$ 230,235</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	108,056	37,068
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>(17,177)</u>	<u>(51,464)</u>
Total incurred claims	<u>90,879</u>	<u>(14,396)</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(65,986)	(30,509)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(12,522)</u>	<u>(115,619)</u>
Total payments	<u>(78,508)</u>	<u>(146,128)</u>
Unpaid claims, end of year	<u><u>\$ 82,082</u></u>	<u><u>\$ 69,711</u></u>

Total liability for uninsured workmen's compensation claims at September 30, 2014, is recorded as follows: \$19,606 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$62,476, along with the estimated liability for insured risks of \$209,625, 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, 2014

**NOTE 17. 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	
	2014	2013
Unpaid claims, beginning of year	<u>\$ 166,980</u>	<u>\$ 141,406</u>
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	2,769,983	2,640,322
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>29,561</u>	<u>163,223</u>
Total incurred claims	<u>2,799,544</u>	<u>2,803,545</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(2,607,265)	(2,625,657)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(196,541)</u>	<u>(152,314)</u>
Total payments	<u>(2,803,806)</u>	<u>(2,777,971)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 162,718</u>	<u>\$ 166,980</u>

The unpaid claims as of September 30, 2014, are reported in the General Fund.

**NOTE 18. 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, 2014, by the State (\$24,199) to individuals is reflected as an expense of the General Fund.

**NOTE 19. 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, 2014:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 3,872,194 *	\$ 91,618	\$ 59,054	\$ 3,721,522
Special 5-Mill Tax Fund	5	3,862,390 **	91,620	59,054	3,711,716
Special School Tax Fund	16	13,165,962	310,010	202,014	12,653,938
Property tax totals	26	<u>\$ 20,900,546</u>	<u>\$ 493,248</u>	<u>\$ 320,122</u>	<u>\$ 20,087,176</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, 2014

**NOTE 20. INTERFUND RECEIVABLES AND PAYABLES**

Primary Government interfund receivables and payables for the year ended September 30, 2014 consist of the following:

Amount	Due From Other Funds	Due To Other Funds	Purpose
\$ 62,373	General Fund	Nonmajor Governmental Funds	Provide cash flow for grants program
<u>2,821</u>	Nonmajor Governmental Funds	Federal Grant Loan Repayment Fund	Provide cash flow for grants program
<u>\$ 65,194</u>			

**NOTE 21. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers for the year ended September 30, 2014:

	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 356,250	\$ 940,269
Federal Grant Loan Repayment Fund	54,450	498,186
Nonmajor Governmental Funds	<u>943,736</u>	<u>225,000</u>
Total governmental activities	<u>1,354,436</u>	<u>1,663,455</u>
Major Proprietary Fund		
Sewer Revenue Fund	-	76,250
Nonmajor proprietary fund	<u>440,269</u>	<u>55,000</u>
Total business-type activities	<u>440,269</u>	<u>131,250</u>
Total primary government	<u>\$ 1,794,705</u>	<u>\$ 1,794,705</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, 2014

**NOTE 22. 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	\$ 680,776	\$ -
Industrial Development Board	-	82,786
Water Works Board	373,433	113,270
Primary Government		
General Fund	35,110	1,015,254
Nonmajor governmental funds	47,786	-
Sewer Revenue Fund	91,385	38,955
Nonmajor proprietary fund	21,775	-
Total	<u>\$ 1,250,265</u>	<u>\$ 1,250,265</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.

During fiscal year 2014, the Auburn City Board of Education incurred expenses related to the construction of a new high school amounting to \$680,776, which have been paid by the City. The City will be issuing bonds on behalf of the Board of Education during fiscal year 2015, at which time these funds will be reimbursed from the bond proceeds. The Board of Education has recorded these funds as expenditures and deferred revenue, while the City has recorded the funds as Due from Component Unit.

**B. Long-term advances**

	<u>Advances To</u>	<u>Advances From</u>
Primary Government		
Nonmajor governmental funds	\$ 1,275,000	\$ -
Component Units		
Housing Authority	-	1,350,000
Total	<u>\$ 1,275,000</u>	<u>\$ 1,350,000</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 11 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.

Current portions of the amounts above are separately stated on the statement of net position. The primary governments' current receivable of \$75,000 is included in the "Current portion of mortgages and notes receivable", leaving a balance of \$1,200,000 in "Advances to component units." The Housing Authority's current amount payable of \$75,000 is included in "Current portion of long term debt", leaving a balance of \$1,275,000 in "Advances from primary government."

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 22. INTRA-ENTITY TRANSACTIONS - CONTINUED**C. Payments between the City and Component Units

	Appropriations To	Payments From
Primary Government		
General Fund	\$ -	\$ 11,813,078
Special School Tax Fund	-	6,800,000
Nonmajor governmental funds	-	1,066,604
Component Units		
Auburn City Board of Education	16,350,759	-
Industrial Development Board	3,138,796	-
Public Parks and Recreation Board	190,127	-
Total	<u>\$ 19,679,682</u>	<u>\$ 19,679,682</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 of Auburn appropriated \$625,000 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 \$2,513,796 for improvements to property for resale. 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 \$6,420,307. The City also makes debt service payments on behalf of the Commercial Development Authority that are not included in the schedule above. The debt payments (including bond trustee fees) paid on behalf of the Commercial Development Authority are reflected on the City's books as debt service expenditures and amounted to \$1,100,540.

**NOTE 23. 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, 2014

**NOTE 23. 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
<b>Assets</b>							
Cash and cash equivalents	\$ 13,584	\$ 144,323	\$ 12,203	\$ 518	\$ 708	\$ -	\$ 171,336
Receivables, net	-	-	-	-	-	1,122	1,122
Mortgages receivable	102,750	-	211,581	878,306	561,734	329,777	2,084,148
Advance to component units	-	-	-	-	-	1,275,000	1,275,000
Restricted cash	-	-	-	-	-	183,158	183,158
Total assets	<u>\$ 116,334</u>	<u>\$ 144,323</u>	<u>\$ 223,784</u>	<u>\$ 878,824</u>	<u>\$ 562,442</u>	<u>\$ 1,789,057</u>	<u>\$ 3,714,764</u>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,318	\$ 1,318
Due to other funds	-	-	-	1,149	1,672	-	2,821
Unearned revenues	102,750	-	211,630	878,306	561,734	1,604,777	3,359,197
Total liabilities	<u>102,750</u>	<u>-</u>	<u>211,630</u>	<u>879,455</u>	<u>563,406</u>	<u>1,606,095</u>	<u>3,363,336</u>
<b>Fund balance:</b>							
Restricted - social & economic	13,584	144,323	12,154	(631)	(964)	182,962	351,428
Total fund balance	<u>13,584</u>	<u>144,323</u>	<u>12,154</u>	<u>(631)</u>	<u>(964)</u>	<u>182,962</u>	<u>351,428</u>
Total liabilities and fund balance	<u>\$ 116,334</u>	<u>\$ 144,323</u>	<u>\$ 223,784</u>	<u>\$ 878,824</u>	<u>\$ 562,442</u>	<u>\$ 1,789,057</u>	<u>\$ 3,714,764</u>
<b>Revenues</b>							
Program income	\$ -	\$ 59,518	\$ 7,443	\$ 31,280	\$ 316,071	\$ 103,326	\$ 517,638
Grant income	-	-	-	-	-	280,000	280,000
Miscellaneous	-	-	51	6	168	-	225
Interest	72	1,013	8,533	1,380	13,362	11,955	36,315
Total revenues	<u>72</u>	<u>60,531</u>	<u>16,027</u>	<u>32,666</u>	<u>329,601</u>	<u>395,281</u>	<u>834,178</u>
<b>Expenditures</b>							
Economic development	-	-	69,234	-	-	279,270	348,504
Debt service - interest	-	-	-	-	-	7,409	7,409
Debt service - principal	-	-	-	-	-	83,000	83,000
Total expenditures	<u>-</u>	<u>-</u>	<u>69,234</u>	<u>-</u>	<u>-</u>	<u>369,679</u>	<u>438,913</u>
Excess (deficiency) of revenues over expenditures	72	60,531	(53,207)	32,666	329,601	25,602	395,265
<b>Other financing sources (uses)</b>							
Transfers in	-	-	54,450	-	-	-	54,450
Transfers out	-	(54,450)	-	(40,663)	(403,073)	-	(498,186)
Total other financing sources (uses)	<u>-</u>	<u>(54,450)</u>	<u>54,450</u>	<u>(40,663)</u>	<u>(403,073)</u>	<u>-</u>	<u>(443,736)</u>
Net changes in fund balance	72	6,081	1,243	(7,997)	(73,472)	25,602	(48,471)
Fund balance, beginning of year	13,512	138,242	10,911	7,366	72,508	157,360	399,899
Fund balance, end of year	<u>\$ 13,584</u>	<u>\$ 144,323</u>	<u>\$ 12,154</u>	<u>\$ (631)</u>	<u>\$ (964)</u>	<u>\$ 182,962</u>	<u>\$ 351,428</u>

\*Net of interfund eliminations.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 24. 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
<b>Assets</b>			
Cash and cash equivalents	<u>\$ 70,224</u>	<u>\$ 214,196</u>	<u>\$ 284,420</u>
<b>Liabilities and fund balance</b>			
Accounts payable and accrued liabilities	\$ 1,345	\$ 791	\$ 2,136
Unearned revenue	<u>-</u>	<u>147,954</u>	<u>147,954</u>
Total liabilities	<u>1,345</u>	<u>148,745</u>	<u>150,090</u>
<b>Fund balance</b>			
Restricted - law enforcement	<u>68,879</u>	<u>65,451</u>	<u>134,330</u>
Total liabilities and fund balance	<u>\$ 70,224</u>	<u>\$ 214,196</u>	<u>\$ 284,420</u>
<b>Revenues</b>			
Contributions from the public	\$ 11,248	53,617	\$ 64,865
Interest	<u>380</u>	<u>629</u>	<u>1,009</u>
Total revenues	<u>11,628</u>	<u>54,246</u>	<u>65,874</u>
<b>Expenditures</b>			
Public safety	21,460	11,922	33,382
Capital outlay	<u>29,129</u>	<u>42,324</u>	<u>71,453</u>
Total expenditures	<u>50,589</u>	<u>54,246</u>	<u>104,835</u>
Excess (deficiency) of revenues over expenditures	<u>(38,961)</u>	<u>-</u>	<u>(38,961)</u>
<b>Other financing sources (uses)</b>			
Sale of surplus assets	<u>37,138</u>	<u>-</u>	<u>37,138</u>
Total other financing sources (uses)	<u>37,138</u>	<u>-</u>	<u>37,138</u>
Net changes in fund balances	(1,823)	-	(1,823)
Fund balance, beginning of year	<u>70,702</u>	<u>65,451</u>	<u>136,153</u>
Fund balance, end of year	<u>\$ 68,879</u>	<u>\$ 65,451</u>	<u>\$ 134,330</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 25. 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)
<b>Assets</b>					
Cash and cash equivalents	\$ 23,746,645	\$ 1,234,787	\$ 2,128,095	\$ 868,148	\$ 27,977,675
Certificates of deposit	1,003,607	305,980	1,003,606	1,003,606	3,316,799
Investments	5,646,561	-	-	-	5,646,561
Receivables, net	7,908,366	1,465,870	20,344	2,702	9,397,282
Due from other funds	62,373	-	-	-	62,373
Due from component units	1,003,340	-	11,914	-	1,015,254
Inventories	42,162	-	-	-	42,162
Prepaid items	28,391	-	-	-	28,391
Advances to other agencies	150,124	-	-	-	150,124
Restricted cash	341,705	-	-	-	341,705
Property for resale	4,131,127	-	-	-	4,131,127
<b>Total assets</b>	<b>\$ 44,064,401</b>	<b>\$ 3,006,637</b>	<b>\$ 3,163,959</b>	<b>\$ 1,874,456</b>	<b>\$ 52,109,453</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 2,968,168	\$ 96,770	\$ 5,537	\$ 94,231	\$ 3,164,706
Payables to other governments	1,718,273	-	-	-	1,718,273
Due to component units	110	-	-	-	110
Customer deposits	253,210	-	-	-	253,210
Claims payable	-	-	162,718	-	162,718
Unearned revenue	800,534	3,529,357	-	-	4,329,891
<b>Total liabilities</b>	<b>5,740,295</b>	<b>3,626,127</b>	<b>168,255</b>	<b>94,231</b>	<b>9,628,908</b>
<b>Fund balances</b>					
<b>Nonspendable</b>					
Investments	5,646,561	-	-	-	5,646,561
Inventories	42,162	-	-	-	42,162
Prepaid items	28,391	-	-	-	28,391
Advances	150,124	-	-	-	150,124
Property for resale	4,131,127	-	-	-	4,131,127
<b>Restricted</b>					
Law enforcement	341,705	-	-	-	341,705
<b>Assigned</b>					
Social and economic	218,731	-	-	-	218,731
General	6,289,876	-	57,180	-	6,347,056
Unassigned	21,852,860	(619,490)	2,859,183	1,482,135	25,574,688
<b>Total fund balances</b>	<b>38,701,537</b>	<b>(619,490)</b>	<b>2,916,363</b>	<b>1,482,135</b>	<b>42,480,545</b>
<b>Total liabilities and fund balances</b>	<b>\$ 44,441,832</b>	<b>\$ 3,006,637</b>	<b>\$ 3,084,618</b>	<b>\$ 1,576,366</b>	<b>\$ 52,109,453</b>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 25. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED**

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
<b>Revenues</b>					
Sales and use taxes	\$ 34,303,571	\$ -	\$ -	\$ -	\$ 34,303,571
Occupational license fees	10,130,069	-	-	-	10,130,069
Motor fuel taxes	669,550	-	-	-	669,550
Lodging taxes	1,604,850	-	-	-	1,604,850
Rental and leasing taxes	612,457	-	-	-	612,457
Other taxes	241,419	-	-	-	241,419
Licenses and permits	10,638,252	-	-	-	10,638,252
General property tax	4,617,113	-	-	-	4,617,113
Charges for services	5,673,689	-	765,858	-	6,439,547
Fines and forfeitures	1,363,656	-	-	-	1,363,656
State shared taxes	1,017,538	-	-	-	1,017,538
Contributions from the public	302,588	1,458,789	-	-	1,761,377
Interest	169,626	30,345	15,622	7,396	222,989
Miscellaneous	97,732	-	-	-	97,732
Total revenues	<u>71,442,110</u>	<u>1,489,134</u>	<u>781,480</u>	<u>7,396</u>	<u>73,720,120</u>
<b>Expenditures</b>					
General government and administration	5,806,655	-	-	-	5,806,655
Public works	3,459,664	-	-	-	3,459,664
Environmental services	2,031,430	-	-	-	2,031,430
Public safety	17,977,727	-	-	-	17,977,727
Library	1,530,506	-	-	-	1,530,506
Parks and recreation	4,862,432	-	-	-	4,862,432
Planning	669,797	-	-	-	669,797
Economic development	1,151,407	-	-	-	1,151,407
Employee services	696,740	-	-	-	696,740
Risk management	201,899	-	974,911	180,013	1,356,823
Total departmental	38,388,257	-	974,911	180,013	39,543,181
Non-departmental	1,547,844	-	-	-	1,547,844
Debt service:					
Administrative charges	30	-	-	-	30
Interest	1,264,033	30,619	-	-	1,294,652
Principal retirement	6,107,115	182,910	-	-	6,290,025
Capital outlay	6,569,304	1,638,475	4,529	-	8,212,308
Intergovernmental	932,957	-	-	-	932,957
Payments to component units	11,813,079	-	-	-	11,813,079
Total expenditures	<u>66,622,619</u>	<u>1,852,004</u>	<u>979,440</u>	<u>180,013</u>	<u>69,634,076</u>
Excess (deficiency) of revenues over expenditures	<u>4,819,491</u>	<u>(362,870)</u>	<u>(197,960)</u>	<u>(172,617)</u>	<u>4,086,044</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 25. 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	60,518	-	-	-	60,518
Transfers in	296,250	-	-	60,000	356,250
Transfers out	<u>(940,269)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(940,269)</u>
Total other financing sources (uses)	<u>(583,501)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>(523,501)</u>
Net changes in fund balances	4,235,990	(362,870)	(197,960)	(112,617)	3,562,543
Fund balances, beginning of year	<u>34,465,547</u>	<u>(256,620)</u>	<u>3,114,323</u>	<u>1,594,752</u>	<u>38,918,002</u>
Fund balances, end of year	<u>\$ 38,701,537</u>	<u>\$ (619,490)</u>	<u>\$ 2,916,363</u>	<u>\$ 1,482,135</u>	<u>\$ 42,480,545</u>

**NOTE 26. 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 \$1,346,991 as of September 30, 2014.

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 2014, the City paid Veolia \$1,398,055 to operate the wastewater facilities. This contract was amended again after year end, which included a one time concession payment from Veolia to the City of \$62,550.

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:

<u>Fiscal Year</u>	<u>Appropriation</u>
2015	\$ 359,039
2016	360,706
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	<u>358,818</u>
Total	<u>\$ 3,949,767</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 26. 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 \$869,918. 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 \$1,142,354.

Claims and Litigation - As of September 30, 2014, the City had been named defendant in six pending lawsuits. None of the suits specify a dollar amount of damages claimed. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$150,000.

In fiscal year 2014, the City expended \$182,088 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	\$ 4,928,850	\$ 664,116	\$ 4,264,734

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 \$95,779 for the fiscal year ended September 30, 2014.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 26. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED**

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 81,750
2016	54,474
2017	26,182
2018	2,892
2019	2,169
Total	<u>\$ 167,467</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, 2014, was \$56,840.

The following is a summary of changes in obligations under capital leases of the ABOE for the year ended September 30, 2014:

	<u>Capital Lease Payable</u>
Balance, September 30, 2013	\$ 1,966,629
Retirement of debt	(672,252)
Issuance of new debt	-
Balance, September 30, 2014	<u>\$ 1,294,377</u>

The approximate remaining annual minimum lease payments under the capital leases existing as of September 30, 2014, are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 634,093	\$ 35,907	\$ 670,000
2016	582,187	15,598	597,785
2017	78,097	1,714	79,811
	<u>\$ 1,294,377</u>	<u>\$ 53,219</u>	<u>\$ 1,347,596</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.

**Claims and litigation** - As of September 30, 2014, The ABOE was defending the appeal of the termination of an employee under the Students First Act. The appeal is being vigorously defended, and the Board is likely to prevail. However, if the appeal results in an unfavorable outcome, the Board estimates that the potential loss would not exceed \$60,000.

**Water Works Board**

**Commitments** - The Water Works Board has commitments for construction projects in connection with system improvements. The cost to complete the projects as of September 30, 2014 is approximately \$1,306,122.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 26. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED**

The AWWB entered into an agreement with the City of Opelika Water Board effective on June 1, 1983, for the right to purchase water from Opelika. The agreement provides that the AWWB shall pay its proportionate share of the debt service on Opelika's Series 1983 bonds plus its share of the bond issue costs and an initial capital contribution. This debt service requirement was fulfilled in fiscal year 2011. In return for its payment of these amounts, the AWWB received the right to purchase not greater than 3.6 million gallons of water per day. Under the agreement Auburn would pay Opelika for the water it purchased based on its share of the production and transmission costs in relation to total production. The agreement is for a term of 30 years beginning June 1, 1983, and there is a 20-year renewal clause at no additional cost to Auburn. The original agreement expired in March of 2013, and the AWWB approved the 20-year renewal in October of 2012.

The Water Works Board also entered into an agreement in May 2011 to purchase water from Sandy Springs Farm II, LLC. 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 \$.53 per 1,000 gallons (\$111,252) for the year ended September 30, 2014. The term of the agreement is twenty years, with six five year extension options.

**Industrial Development Board**

Commitments - As of September 30, 2014, the IDB was committed under certain construction contracts in the amount of \$1,007,000. Additionally, various incentive packages were committed to eleven companies as incentives to locate in Auburn or to expand existing operations. The incentives include property acquisition at discounted values and cash assistance for site preparation, relocation and training. As of the date of these financial statements, cash incentives of \$30,477 had been paid.

Prior to September 30, 2014, the IDB had committed three parcels of property as industrial incentives to industries that will locate in Auburn. Two of the parcels totaling approximately 31 +/- acres will be conveyed upon completion of construction during fiscal year 2015. The third parcel is approximately 13 +/- acres and was committed to an industry in a prior year for future expansion, if needed. The commitment expires in November, 2023.

At September 30, 2014, the IDB was committed to purchase property with a sales price of \$100,000 from a related party (see Note 28). Earnest money in the amount of \$10,000 was paid prior to year end, and the remaining commitment was approximately \$90,000 at September 30, 2014.

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 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 material.

**NOTE 27. 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 2014. The \$147,000 reported as landfill post closure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2014, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 28. RELATED PARTY TRANSACTIONS**

**COMPONENT UNIT**

**Industrial Development Board**

During fiscal year 2014, the IDB signed a contract to purchase a parcel of land from an entity that is owned, in part, by one of its Board members. The purchase price for the property was \$100,000.

**NOTE 29. SUBSEQUENT EVENTS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

The City has evaluated subsequent events through March 27, 2014, the date these financial statements were available to be issued.

Subsequent to September 30, 2014, the City Council approved various design and construction contracts totaling approximately \$3,230,000, professional services type contracts totaling approximately \$140,000, equipment and computer software purchases totaling approximately \$3,320,000, and \$75,000 in appropriations to local entities.

On October 28, 2014, the City issued its \$19,240,000 General Obligation Sewer Warrants (Series 2014-A), \$10,240,000 General Obligation School Warrants (Series 2014-B) and \$2,510,000 General Obligation Refunding Bonds (Series 2014) to refund 2007 Refunded Bonds, 2005 Refunded Warrants, and 2008-H Warrants.

**COMPONENT UNITS**

**Board of Education**

On January 13, 2015, the ABOE approved bids in the amount of \$252,732, \$91,967, and \$66,548 for the purchase of three 78-passenger buses, one 54-passenger special needs bus, and vehicle fleet insurance, respectively. The ABOE also approved an amendment to the architecture contract for the new high school in the amount of \$250,230 associated with the process of commissioning and documenting a LEED certified building project.

On January 20, 2015, the ABOE purchased a 1.7 acre tract of land for access to the new high school. The total purchase price was \$122,455.

Management of ABOE evaluated subsequent events through February 9, 2015, which was the date the ABOE financial statements were available to be issued.

**Water Works Board**

Subsequent to September 30, 2014, the AWWB approved various design professional services type contracts totaling approximately \$1,503,000, and equipment purchases totaling approximately \$115,000.

Management of AWWB evaluated subsequent events through March 11, 2015, which was the date the AWWB financial statements were available to be issued.

**Industrial Development Board**

The IDB signed three construction contracts subsequent to September 30, 2014, totaling approximately \$3.71 million. The contracts were for a building expansion project and related site work, improvements to a second building owned by the IDB and held for leasing, and renovation of a building held for resale. Upon completion of the renovation, the cost of renovation will be recovered by the IDB upon sale of the building. Short-term construction financing in the approximate amount of \$2.80 million was obtained by the IDB to finance the construction cost of the building expansion. Additionally, a new construction loan in the principal amount of \$800,000 was obtained to finance a construction contract that was signed prior to September 30, 2014. Loan closing costs in the amount of \$31,354 were paid in connection with these loans. Upon completion, existing operating leases in connection with the buildings will be amended to adjust the rents to reflect the increased capacity of the buildings.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 29. SUBSEQUENT EVENTS - CONTINUED**

In addition to the new construction loans, an existing loan with a principal balance of \$2,941,218 was refinanced subsequent to year end. Loan closing costs in the amount of \$14,705 were paid in connection with the refinancing.

Subsequent to year end, the Board collected a note receivable in the amount of \$5,500,000 and repaid a short term bank loan for the same amount that was previously obtained to provide short term financing to an industry locating in Auburn.

Management of the IDB evaluated subsequent events through March 27, 2015, which was the date the IDB financial statements were available to be issued.

**NOTE 30. PRIOR PERIOD ADJUSTMENTS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

During fiscal year 2014, a prior period adjustment of \$(1,585,000) was recorded to book debt proceeds received by the Section 108 loan program fund that had previously been booked as grant revenue. Also during fiscal year 2014, a prior period adjustment of \$(7,549) was recorded to book additional principal due as part of the payoff balance for the 2003 GO Warrants paid off in the current year.

In addition, a prior period adjustment of \$19,583 was recorded to book a fixed asset expenditure that was incorrectly recorded to a project not owned by the City in the prior year.

**COMPONENT UNITS**

**Industrial Development Board**

During fiscal year 2014, the Board decreased its estimate of costs required to complete construction of infrastructure at Auburn Technology Park West. The change resulted in a prior period adjustment to reduce the cost of property previously granted as industrial incentives in the amount of \$25,382. The change also resulted in an increase in the cost of property previously reclassified to land held for leasing by the Board in the amount of \$34,639; since that reclassification is between asset accounts, there is no corresponding prior period adjustment to net position.



City of Auburn

# 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.

**2012 Capital Projects Fund** accounts for the revenue and expenditure of bonds issued by the City on May 1, 2012, for the construction of a senior center, recreational facility improvements, and downtown parking improvements.

**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

**CITY OF AUBURN, ALABAMA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2014**

		Special Revenue Funds						
		Public						
		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	\$	\$	\$	\$	\$	\$	\$	\$
Certificates of deposit	161,941	112,435	399,111	284,420	53,263	-	-	1,011,170
Receivables, net	-	-	-	-	-	-	-	-
Due from other funds	12,768	10,363	17,945	-	104,881	68,406	-	214,363
Total assets	-	-	-	-	-	-	2,821	2,821
	174,709	122,798	417,056	284,420	158,144	71,227	-	1,228,354
LIABILITIES								
Accounts payable and accrued liabilities	-	-	55,305	2,136	80	8,854	-	66,375
Due to component unit:	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	62,373	-	62,373
Unearned revenue	-	-	-	147,954	-	-	-	147,954
Total liabilities	-	-	55,305	150,090	80	71,227	-	276,702
FUND BALANCES:								
Restricted								
Roads, bridges and streets	174,709	122,798	-	-	-	-	-	297,507
Law enforcement	-	-	361,751	134,330	-	-	-	496,081
General grants	-	-	-	-	158,064	-	-	158,064
Capital projects	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total fund balances	174,709	122,798	361,751	134,330	158,064	-	-	951,652
Total liabilities and fund balances	174,709	122,798	417,056	284,420	158,144	71,227	-	1,228,354

	Debt		Capital Projects Funds				Total Nonmajor Governmenta Funds
	Service Fund		2012 Capital Projects Fund		West Tech Park Phase II Fund	Total	
	Special 5-Mill Tax Fund	Total					
ASSETS	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	422,958	422,958	183,474	1,458,999	1,642,473	3,076,601	
Certificates of deposit	2,007,213	2,007,213	-	-	-	2,007,213	
Receivables, net	47,614	47,614	-	-	-	261,977	
Due from other funds	-	-	-	-	-	2,821	
Total assets	2,477,785	2,477,785	183,474	1,458,999	1,642,473	5,348,612	
LIABILITIES							
Accounts payable and accrued liabilities	-	-	-	-	-	66,375	
Due to component units	-	-	-	47,786	47,786	47,786	
Due to other funds	-	-	-	-	-	62,373	
Unearned revenue	-	-	-	-	-	147,954	
Total liabilities	-	-	-	47,786	47,786	324,488	
FUND BALANCES:							
Restricted							
Roads, bridges and streets	-	-	-	-	-	297,507	
Law enforcement	-	-	-	-	-	496,081	
General grants	-	-	-	-	-	158,064	
Capital projects	-	-	183,474	1,411,213	1,594,687	1,594,687	
Debt service	2,477,785	2,477,785	-	-	-	2,477,785	
Total fund balances	2,477,785	2,477,785	183,474	1,411,213	1,594,687	5,024,124	
Total liabilities and fund balances	2,477,785	2,477,785	183,474	1,458,999	1,642,473	5,348,612	

**CITY OF AUBURN, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Special Revenue Funds						
	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
<b>Revenues</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
General property taxes	-	-	-	-	-	-	-
State shared taxes	146,912	115,053	-	-	-	-	261,965
Fines and forfeitures	-	-	216,146	-	-	-	216,146
Contributions from the public	-	-	-	64,865	-	-	64,865
Grants	-	-	-	-	1,089,515	437,709	1,527,224
Interest	822	574	1,702	1,009	-	-	4,107
Miscellaneous	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>147,734</b>	<b>115,627</b>	<b>217,848</b>	<b>65,874</b>	<b>1,089,515</b>	<b>437,709</b>	<b>2,074,307</b>
<b>Expenditures</b>							
General government and administration	-	-	50,741	-	-	-	50,741
Public works	-	-	-	-	15,195	-	15,195
Public safety	-	-	-	33,382	56,248	-	89,630
Library	-	-	-	-	9,356	-	9,356
Planning	-	-	-	-	1,417	-	1,417
Economic development	-	-	-	-	-	881,445	881,445
<b>Total departmental</b>	<b>-</b>	<b>-</b>	<b>50,741</b>	<b>33,382</b>	<b>82,216</b>	<b>881,445</b>	<b>1,047,784</b>
Non-departmental	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Administrative charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	71,453	955,660	-	1,027,113
Intergovernmental	-	-	-	-	18,471	-	18,471
Payments to component units	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>50,741</b>	<b>104,835</b>	<b>1,056,347</b>	<b>881,445</b>	<b>2,093,368</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>147,734</b>	<b>115,627</b>	<b>167,107</b>	<b>(38,961)</b>	<b>33,168</b>	<b>(443,736)</b>	<b>(19,061)</b>
<b>Other financing sources (uses)</b>							
Sale of surplus assets	-	-	-	37,138	-	-	37,138
Transfers in	-	-	-	-	-	443,736	443,736
Transfers out	(125,000)	(100,000)	-	-	-	-	(225,000)
<b>Total other financing sources (uses)</b>	<b>(125,000)</b>	<b>(100,000)</b>	<b>-</b>	<b>37,138</b>	<b>-</b>	<b>443,736</b>	<b>255,874</b>
<b>Net changes in fund balances</b>	<b>22,734</b>	<b>15,627</b>	<b>167,107</b>	<b>(1,823)</b>	<b>33,168</b>	<b>-</b>	<b>236,813</b>
<b>Fund balances, beginning of year</b>	<b>151,975</b>	<b>107,171</b>	<b>194,644</b>	<b>136,153</b>	<b>124,896</b>	<b>-</b>	<b>714,839</b>
<b>Fund balances, end of year</b>	<b>174,709</b>	<b>122,798</b>	<b>361,751</b>	<b>134,330</b>	<b>158,064</b>	<b>-</b>	<b>951,652</b>

	Debt Service Fund		Capital Projects Funds			
			2012 Capital Projects Fund		West Tech Park Phase II Fund	Total
	Special 5-Mill Tax Fund	Total				
Revenues	\$	\$	\$	\$	\$	\$
General property taxes	3,862,390	3,862,390	-	-	-	3,862,390
State shared taxes	-	-	-	-	-	261,965
Fines and forfeitures	-	-	-	-	-	216,146
Contributions from the public	-	-	-	-	-	64,865
Grants	-	-	-	-	-	1,527,224
Interest	16,495	16,495	2,638	11,309	13,947	34,549
Miscellaneous	-	-	-	-	-	-
Total revenues	3,878,885	3,878,885	2,638	11,309	13,947	5,967,139
Expenditures						
General government and administration	-	-	-	-	-	50,741
Public works	-	-	22,796	-	22,796	37,991
Public safety	-	-	-	-	-	89,630
Library	-	-	-	-	-	9,356
Planning	-	-	-	-	-	1,417
Economic development	-	-	-	-	-	881,445
Total departmental	-	-	22,796	-	22,796	1,070,580
Non-departmental	150,674	150,674	-	-	-	150,674
Debt service:						
Principal retirement	3,495,000	3,495,000	-	-	-	3,495,000
Interest	772,235	772,235	-	-	-	772,235
Administrative charges	3,150	3,150	-	-	-	3,150
Capital outlay	-	-	815,699	1,377,391	2,193,090	3,220,203
Intergovernmental	-	-	-	-	-	18,471
Payments to component units	-	-	-	1,066,604	1,066,604	1,066,604
Total expenditures	4,421,059	4,421,059	838,495	2,443,995	3,282,490	9,796,917
Excess (deficiency) of revenues over expenditures	(542,174)	(542,174)	(835,857)	(2,432,686)	(3,268,543)	(3,829,778)
Other financing sources (uses)						
Sale of surplus assets	-	-	-	-	-	37,138
Transfers in	-	-	-	500,000	500,000	943,736
Transfers out	-	-	-	-	-	(225,000)
Total other financing sources (uses)	-	-	-	500,000	500,000	755,874
Net changes in fund balances	(542,174)	(542,174)	(835,857)	(1,932,686)	(2,768,543)	(3,073,904)
Fund balances, beginning of year	3,019,959	3,019,959	1,019,331	3,343,899	4,363,230	8,098,028
Fund balances, end of year	2,477,785	2,477,785	183,474	1,411,213	1,594,687	5,024,124

**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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	118,500	145,000	146,912	1,912
Interest	500	500	822	322
Total revenues	119,000	145,500	147,734	2,234
Other financing uses				
Transfers out	(125,000)	(125,000)	(125,000)	-
Net changes in fund balances	(6,000)	20,500	22,734	2,234
Fund balances, beginning of year	151,975	151,975	151,975	-
Fund balances, end of year	145,975	172,475	174,709	2,234

**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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	95,000	108,000	115,053	7,053
Interest	500	500	574	74
Total revenues	95,500	108,500	115,627	7,127
Other financing uses				
Transfers out	(100,000)	(100,000)	(100,000)	-
Net changes in fund balances	(4,500)	8,500	15,627	7,127
Fund balances, beginning of year	107,171	107,171	107,171	-
Fund balances, end of year	102,671	115,671	122,798	7,127

**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, 2014**

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
Contributions from the public	1,500	212,500	64,865	(147,635)
Interest	875	750	1,009	259
Total revenues	2,375	213,250	65,874	(147,376)
Expenditures				
Public safety	3,000	44,550	33,382	11,168
Capital outlay	15,000	70,700	71,453	(753)
Total expenditures	18,000	115,250	104,835	10,415
Excess (deficiency) of revenues over expenditures	(15,625)	98,000	(38,961)	(136,961)
Other financing sources				
Sale of surplus assets	-	38,000	37,138	(862)
Net changes in fund balances	(15,625)	136,000	(1,823)	(137,823)
Fund balances, beginning of year	136,153	136,153	136,153	-
Fund balances, end of year	120,528	272,153	134,330	(137,823)

**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, 2014**

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
General property tax	3,857,000	3,780,000	3,862,390	82,390
Interest	30,000	20,000	16,495	(3,505)
Total revenues	3,887,000	3,800,000	3,878,885	78,885
Expenditures				
Non-departmental	153,000	153,000	150,674	2,326
Debt service:				
Principal retirement	3,495,000	3,495,000	3,495,000	-
Interest	859,736	772,236	772,235	1
Administrative charges	10,000	10,000	3,150	6,850
Total expenditures	4,517,736	4,430,236	4,421,059	9,177
Net changes in fund balances	(630,736)	(630,236)	(542,174)	88,062
Fund balances, beginning of year	3,019,959	3,019,959	3,019,959	-
Fund balances, end of year	2,389,223	2,389,723	2,477,785	88,062

## 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.

**CITY OF AUBURN, ALABAMA**  
**DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	Public Park and Recreation Board
	<u>\$</u>
ASSETS	
Current assets:	
Cash and cash equivalents	150
Receivables, net	28,732
Other current assets	<u>2,086</u>
Total current assets	30,968
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>5,283,122</u>
Total assets	<u>5,314,090</u>
LIABILITIES	
Current liabilities:	
Accounts payable and other accrued liabilities	<u>20,444</u>
NET POSITION	
Net investment in capital assets	5,283,122
Unrestricted	<u>10,525</u>
Total net position	<u><u>5,293,647</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 2014**

	Public Park and Recreation Board
	<u>\$</u>
Operating revenues	
Tennis center revenue	67,595
Miscellaneous	<u>91,194</u>
Total operating revenues	<u>158,789</u>
Operating expenses	
Salaries and wages	141,299
Employee benefits	31,729
Repairs and maintenance	32,541
Advertising	685
Utilities	91,557
Rentals and leasing	1,843
Insurance	3,247
Professional services	832
Office supplies	39
Recreational supplies	12,680
Depreciation/amortization	298,269
Travel and training	530
Miscellaneous	<u>199</u>
Total operating expenses	<u>615,450</u>
Operating income (loss)	<u>(456,661)</u>
Non-operating revenues (expenses)	
Interest and investment earnings	1
Appropriations from the City of Auburn	<u>190,127</u>
Total non-operating revenues (expenses)	<u>190,128</u>
Change in net position	(266,533)
Net position--beginning of year	<u>5,560,180</u>
Net position--end of year	<u><u>5,293,647</u></u>

**CITY OF AUBURN, ALABAMA**  
**DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER, 30 2014**

	Public Park and Recreation Board
	<u>\$</u>
Cash flows from operating activities	
Cash collected from customers	130,057
Payments to suppliers for goods and services	(136,346)
Payments to employees for services	<u>(173,028)</u>
Net cash provided (consumed) by operating activities (A)	 (179,317)
Cash flows from noncapital financing activities	
Operating transfers in	190,127
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(10,815)
Cash flows from investing activities	
Interest on investments	<u>1</u>
Net increase (decrease) in cash	(4)
Cash and cash equivalents, beginning of year	<u>154</u>
Cash and cash equivalents, end of year	<u><u>150</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):</b>	
Operating income (loss)	(456,661)
Add:	
Depreciation/amortization expense	298,269
Increase in accounts payable	8,733
Less:	
Increase in accounts receivable	(28,732)
Increase in prepaid expenses	<u>(926)</u>
Net cash provided (consumed) by operating activities:	<u><u>(179,317)</u></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

**CITY OF AUBURN, ALABAMA**  
**CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**SEPTEMBER 30, 2014**

Governmental funds capital assets	\$
Land, buildings and improvements	61,217,241
Construction in progress	4,597,030
Communication equipment	365,416
Heavy equipment	2,509,290
Office equipment	3,253,240
Small tools and equipment	1,203,058
Vehicles	8,636,690
Infrastructure	141,904,893
Total governmental funds capital assets	<u>223,686,858</u>

Investment in governmental funds capital assets by source	
General fund revenues	146,681,767
Capital projects funds	56,526,203
Federal grants	10,024,542
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	2,331,435
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	4,023,537
Total investment in governmental funds capital assets	<u>223,686,858</u>

**CITY OF AUBURN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2014**

Function and Activity	Total	Land Buildings & Improvements	Construction in Progress	Communication Equipment	Heavy Equipment	Office Equipment	Small Tools and Equipment	Vehicles	Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
General government and administration									
Information technology	2,047,699	27,021	235,883	36,262	-	1,199,807	71,229	67,120	410,377
Geographical information systems	275,997	14,835	-	-	-	261,162	-	-	-
Judicial	18,222	18,222	-	-	-	-	-	-	-
Administrative	577,872	570,251	7,621	-	-	-	-	-	-
Finance	864,077	6,272	-	-	-	834,132	-	23,673	-
Total general government and administration	3,783,867	636,601	243,504	36,262	-	2,295,101	71,229	90,793	410,377
Public works administration									
Environmental services	151,206,172	6,303,043	4,239,097	-	1,476,819	93,888	111,251	1,137,126	137,844,948
Public safety administration	2,345,722	921,443	-	-	319,597	6,659	145,351	952,672	-
Fire	5,432,246	4,610,799	89,145	209,807	-	379,406	-	21,763	141,326
Police	3,719,735	219,034	-	-	256,073	-	239,331	3,005,297	-
Police	3,138,690	130,593	-	119,347	-	178,644	290,402	2,419,70	-
Codes enforcement	79,533	-	-	-	-	7,421	-	72,112	-
Library	5,209,853	5,028,870	-	-	-	180,983	-	-	-
Parks and recreation	28,512,525	23,333,323	-	-	456,801	5,425	345,494	863,240	3,508,242
Planning	42,769	-	-	-	-	5,583	-	37,186	-
Human resource management	618,057	473,202	25,284	-	-	100,130	-	19,441	-
Economic development	314,496	297,140	-	-	-	-	-	17,356	-
Total departmental	204,423,665	41,954,048	4,597,030	365,416	2,509,290	3,253,240	1,203,058	8,636,690	141,904,893
Nondepartmental	19,263,193	19,263,193	-	-	-	-	-	-	-
Total governmental funds capital assets	223,686,858	61,217,241	4,597,030	365,416	2,509,290	3,253,240	1,203,058	8,636,690	141,904,893

**CITY OF AUBURN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2014**

	Governmental Funds Capital Assets September 30, 2013	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2014
	\$	\$	\$	\$
General government and administration				
Information technology	1,980,766	154,494	(87,561)	2,047,699
Geographical information systems	236,641	39,356	-	275,997
Judicial	18,222	-	-	18,222
Administrative	593,924	7,621	(23,673)	577,872
Finance	846,461	35,796	(18,180)	864,077
Total general government and administration	3,676,014	237,267	(129,414)	3,783,867
Public works administration	141,675,135	19,506,240	(9,975,203)	151,206,172
Environmental services	2,373,711	131,710	(159,699)	2,345,722
Public safety administration	5,356,172	98,944	(2,870)	5,452,246
Fire	3,479,460	434,179	(193,904)	3,719,735
Police	2,924,705	484,441	(270,456)	3,138,690
Codes enforcement	95,327	-	(15,794)	79,533
Library	5,200,422	9,431	-	5,209,853
Parks and recreation	27,334,974	1,715,389	(537,838)	28,512,525
Planning	42,769	-	-	42,769
Human resource management	592,773	25,284	-	618,057
Economic developmen	314,496	-	-	314,496
Total departmental	193,065,958	22,642,885	(11,285,178)	204,423,665
Nondepartmental	19,246,521	17,015	(343)	19,263,193
Total governmental funds capital assets	212,312,479	22,659,900	(11,285,521)	223,686,858



City of Auburn

# 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.

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<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
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<b>Demographic and Economic Information – Tables 14-15.....</b>	<b>169</b>
<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>	
<b>Operating Information – Tables 16-18 .....</b>	<b>171</b>
<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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities										
Net investment in capital assets										
Restricted	28,158,145	27,697,793	57,850,766	74,502,152	75,764,472	81,866,977	87,677,067	91,886,384	100,145,164	110,178,706
Unrestricted	6,983,053	8,295,236	8,621,350	9,642,375	10,992,367	12,021,563	11,418,353	12,643,443	12,142,108	10,706,845
Total governmental activities net position	(47,533,915)	(45,338,108)	(52,786,017)	(56,231,481)	(63,639,574)	(74,342,301)	(67,271,114)	(74,219,051)	(64,934,181)	(55,679,045)
	(12,392,717)	(9,345,079)	13,686,099	27,913,046	23,117,265	19,546,239	31,824,306	30,310,776	47,353,091	65,206,506
Primary government - business-type activities										
Net investment in capital assets										
Restricted	12,376,420	14,868,116	22,279,811	24,755,968	25,486,581	25,830,053	25,570,257	26,690,464	25,798,149	33,236,208
Unrestricted	1,460,163	1,931,130	-	-	20,739,857	3,876,709	1,956,004	1,070,064	-	648,195
Total business-type activities net position	4,510,401	3,535,503	1,747,051	(574,995)	(20,859,392)	(2,025,635)	818,835	5,052,411	7,194,747	7,361,470
	18,346,984	20,334,749	24,026,862	24,180,973	25,367,046	27,681,127	28,345,096	32,812,939	36,992,896	41,245,873
Total primary government										
Net investment in capital assets										
Restricted	34,830,697	42,565,909	80,130,577	99,258,120	101,251,053	107,697,030	113,247,324	118,576,848	129,943,313	143,414,914
Unrestricted	8,443,216	10,226,366	8,621,350	9,642,375	31,732,224	15,898,272	13,374,357	13,713,507	12,142,108	11,355,040
Total primary government net position	(37,319,646)	(41,802,605)	(51,038,966)	(56,806,476)	(84,498,966)	(76,367,936)	(66,452,279)	(69,166,640)	(57,739,434)	(48,317,575)
	5,954,267	10,989,670	37,712,961	52,094,019	48,484,311	47,227,366	60,169,402	63,123,715	84,345,987	106,452,379

Table 2  
City of Auburn  
Changes in Net Position  
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Expenses</b>										
Governmental activities:										
General government and administration	4,789,687	4,660,538	5,283,272	6,174,239	6,155,735	6,270,653	6,696,333	6,882,510	7,292,682	7,986,358
Public works	2,960,817	9,169,765	7,507,853	7,078,353	7,574,881	6,844,357	7,176,200	7,087,489	7,212,310	7,253,198
Environmental services*	4,038,158	4,008,405	4,066,793	4,604,401	1,770,911	1,670,173	1,759,158	1,903,429	2,097,261	2,180,362
Public safety	12,634,612	12,887,286	13,516,129	15,143,318	16,288,317	16,904,689	17,484,211	17,966,335	18,470,037	19,036,443
Library	1,146,947	1,292,363	1,370,600	1,550,700	1,678,410	1,613,894	1,641,371	1,686,566	1,708,144	1,684,288
Parks and recreation	4,247,362	4,962,677	11,055,017	5,287,171	6,207,871	5,377,218	5,611,356	5,607,803	5,520,692	5,861,786
Planning	502,342	492,700	604,603	648,516	614,034	665,283	573,462	562,555	635,202	669,831
Social and economic development	3,894,096	5,765,202	12,049,201	10,794,553	5,353,639	17,864,393	3,302,021	5,235,985	7,206,018	6,056,184
Human resources	472,238	483,065	536,067	584,270	697,585	704,963	702,065	698,236	725,083	755,927
Risk management	506,603	1,018,109	933,550	768,281	1,297,761	1,289,942	1,069,339	1,585,905	876,140	1,289,854
Education (payments to Board of Education)	42,322,984	10,001,243	12,625,643	11,995,523	21,544,112	13,530,795	14,624,398	35,412,033	15,850,759	16,350,759
Interest on long-term debt	3,929,464	5,519,505	5,688,402	5,954,377	5,860,550	5,346,829	5,914,822	5,753,942	5,420,673	4,968,931
Total governmental activities expenses	81,445,310	60,260,858	75,237,130	70,583,702	75,043,806	78,083,189	66,554,736	90,382,788	73,015,001	74,093,921
Business-type activities:										
Sewer Fund	4,753,076	6,221,067	6,305,910	6,903,856	7,825,230	7,804,203	8,173,912	8,038,127	7,470,780	7,960,070
Solid Waste Management Fund*	-	-	-	-	3,178,574	3,385,837	3,522,953	3,757,884	3,948,022	4,145,364
Industrial Parks	213	284	141,742	-	-	-	-	-	-	-
Total business-type activities expenses	4,753,289	6,221,351	6,447,652	6,903,856	11,003,804	11,190,040	11,696,865	11,796,011	11,418,802	12,105,434
Total primary government expenses	86,198,599	66,482,209	81,684,782	77,487,558	86,047,610	89,273,229	78,251,601	102,178,799	84,433,803	86,199,355
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government and administration	7,455,522	8,109,059	9,018,591	9,203,949	11,254,130	10,890,570	10,540,374	12,332,933	12,579,879	12,915,500
Public works	-	-	-	-	-	-	-	250	-	875
Environmental services	2,459,025	2,571,865	2,686,555	2,789,426	-	-	-	-	-	-
Public safety	2,620,202	2,611,876	2,907,125	3,144,717	3,091,180	3,218,920	3,677,033	3,203,403	4,208,044	4,220,666
Library	16,125	30,226	29,236	32,435	37,558	42,893	34,621	35,799	39,368	40,388
Parks and recreation	413,535	690,660	715,521	670,682	807,267	785,095	791,821	729,455	596,199	647,827
Planning	60,323	59,962	61,459	43,379	30,002	38,322	40,872	59,489	62,175	46,301
Risk management	187,407	457,318	361,578	415,381	716,141	741,130	745,281	782,796	808,123	765,858
Operating grants and contributions	1,678,375	2,051,801	1,841,713	2,112,431	2,975,232	2,378,429	2,747,298	3,831,256	3,590,979	2,531,117
Capital grants and contributions	306,081	861,585	1,337,648	14,639,704	1,898,595	4,238,477	3,698,776	3,687,087	3,552,787	3,323,007
Total governmental activities program revenue	15,196,595	17,444,352	18,959,426	33,052,104	20,810,105	22,333,836	22,276,076	24,662,468	25,437,554	24,491,539
Business-type activities:										
Charges for services:										
Sewer Fund	5,271,475	6,098,422	6,736,899	6,486,904	7,758,337	8,722,591	9,493,840	10,938,292	10,448,380	11,063,939
Solid Waste Management Fund*	-	-	-	-	3,118,925	3,133,116	2,961,625	3,590,771	3,898,217	4,198,990
Operating grants and contributions	-	-	-	-	1,000	39,831	21,595	19,369	44,553	43,332
Capital grants and contributions	979,578	1,524,865	2,961,120	610,781	1,178,184	605,467	373,520	244,653	1,177,207	681,000
Total business-type activities program revenues	6,251,053	7,623,287	9,698,019	7,097,685	12,056,446	12,501,005	12,850,580	14,793,085	15,568,357	15,987,261
Total primary government program revenues	21,447,648	25,067,639	28,657,445	40,149,789	32,866,551	34,834,841	35,126,656	39,455,553	41,005,911	40,478,800
 Total primary government net expense	 4 (64,750,951)	 1,401,936 (41,414,570)	 3,250,367 (53,027,337)	 193,829 (37,337,769)	 1,052,642 (53,181,059)	 1,310,965 (54,438,388)	 1,153,715 (43,124,945)	 2,997,074 (62,723,246)	 4,149,555 (43,427,892)	 3,881,827 (45,720,555)

\*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.

Table 2 Continued

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>General Revenues and Other Changes in Net Position</b>										
Government activities:										
Taxes:										
Sales taxes	18,429,013	20,773,724	21,784,157	21,044,830	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180	34,303,569
Occupational license fees	6,785,103	7,402,470	7,826,656	8,174,202	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069
Property taxes	11,791,602	12,658,858	15,057,103	16,953,172	19,053,631	20,169,135	20,966,105	21,424,164	20,971,590	21,645,465
Motor fuel taxes	461,800	491,778	504,228	502,460	260,447	278,467	293,425	311,846	311,022	340,415
Lodging taxes	668,094	1,085,063	1,369,273	1,425,637	0	1,253,511	1,371,789	1,914,441	1,559,012	1,604,851
Rental and leasing taxes	1,456,463	1,591,682	1,501,112	538,541	451,563	420,201	473,732	515,164	571,248	612,457
Cigarette taxes	91,188	93,177	86,776	84,663	78,290	77,423	79,304	77,145	75,880	70,860
Alcoholic beverage taxes	29,473	30,551	34,984	83,521	119,781	121,710	131,668	142,503	160,725	170,559
Appropriations from component units	-	-	-	-	-	-	-	-	333,591	-
Interest and investment earnings	981,502	1,884,183	1,996,272	1,255,843	827,049	512,963	362,808	241,936	287,977	327,499
Gain (loss) on disposal of assets	18,245	139,743	(23,936)	31,509	(166,665)	-	33,639	64,005	-	68,237
Miscellaneous	6,655	38,151	31,970	30,927	10,277	38,073	31,441	29,967	34,558	63,801
Special items	173,492	(453,119)	(1,624,916)	1,727,516	-	-	-	-	-	-
Extraordinary items	221,070	-	-	-	-	-	-	-	-	-
Transfers	(95,349)	127,883	(5,110)	106,111	(631,870)	(232,893)	(248,354)	(626,769)	(464,859)	(309,019)
Total governmental activities	<u>41,018,351</u>	<u>45,864,144</u>	<u>48,538,569</u>	<u>51,958,932</u>	<u>49,437,921</u>	<u>52,168,327</u>	<u>55,516,406</u>	<u>64,206,783</u>	<u>65,355,816</u>	<u>69,028,763</u>
Business-type activities:										
Interest and investment earnings	245,029	416,657	370,249	43,263	139,237	45,538	48,728	33,440	32,518	33,809
Gain (loss) on disposal of assets	-	18,895	66,128	22,625	28,748	12,598	(754)	9,820	20,789	22,700
Miscellaneous	-	278,160	258	504	3,999	37,087	7,656	6,085	2,246	5,622
Special items	-	-	-	-	-	675,000	-	-	-	-
Transfers	95,349	(127,883)	5,110	(106,111)	(38,553)	232,893	248,354	626,769	464,859	309,019
Total business-type activities	<u>340,378</u>	<u>585,829</u>	<u>441,745</u>	<u>(39,719)</u>	<u>133,431</u>	<u>1,003,116</u>	<u>303,984</u>	<u>676,114</u>	<u>520,412</u>	<u>371,150</u>
Total primary government	<u>41,358,729</u>	<u>46,449,973</u>	<u>48,980,314</u>	<u>51,919,213</u>	<u>49,571,352</u>	<u>53,171,443</u>	<u>55,820,390</u>	<u>64,882,897</u>	<u>65,876,228</u>	<u>69,399,913</u>
<b>Changes in Net Position</b>										
Governmental activities	(25,230,364)	3,047,638	(7,739,135)	14,427,334	(4,795,780)	(3,581,026)	11,237,746	(1,513,537)	17,778,369	19,426,381
Business-type activities	1,838,142	1,987,765	3,692,112	154,110	1,186,073	2,314,081	1,457,699	3,673,188	4,669,967	4,252,977
Total primary government	<u>(23,392,222)</u>	<u>5,035,403</u>	<u>(4,047,023)</u>	<u>14,581,444</u>	<u>(3,609,707)</u>	<u>(1,266,945)</u>	<u>12,695,445</u>	<u>2,159,651</u>	<u>22,448,336</u>	<u>23,679,358</u>

Table 3

**City of Auburn ~ Primary Government**  
**General Government Tax Revenues by Source <sup>(1)</sup>**

Last Ten Fiscal Years

Unaudited

Fiscal Year	Sales & Use Tax		Cigarette & ABC* Tax		Lodging and Rental Tax		Financial			Totals
	\$		\$		\$					
							Institution Tax	Motor Vehicle Tax	General Property Tax	
2005	18,429,013		159,533	695,734	1,091,843		193,876	110,811	11,342,765	\$ 32,023,575
2006	20,773,724		170,340	717,911	1,584,378 <sup>(2)</sup>		450,412	87,880	12,699,720	36,484,365
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 <sup>(3)</sup>		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	2,216,487		159,641	143,293	20,900,546	58,818,300

\* State Alcoholic Beverage Control Board

<sup>(1)</sup> Includes state shared taxes.<sup>(2)</sup> Lodging tax increased from 4% to 7% in FY2006.<sup>(3)</sup> 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

	2005	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Reserved	7,820,742	9,305,314	8,701,444	12,967,664	8,844,309	7,451,985	-	-	-	-
Unreserved	19,488,460	18,451,274	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
Restricted	-	-	-	-	-	-	176,679	237,639	298,192	341,705
Assigned	-	-	-	-	-	-	4,854,720	4,778,855	2,840,828	6,565,787
Unassigned	-	-	-	-	-	-	16,489,870	20,973,636	29,025,058	25,574,688
Total general fund	27,309,202	27,756,588	28,137,779	28,849,933	28,828,259	27,101,466	29,025,774	33,028,317	38,918,002	42,480,545
All other governmental funds										
Reserved	2,991,480	4,190,300	1,888,965	2,166,922	2,135,901	4,075,582	-	-	-	-
Unreserved, reported in:										
Special revenue funds	4,634,413	3,898,499	4,924,456	5,072,970	5,692,659	4,766,559	-	-	-	-
Debt service funds	2,116,996	2,499,525	2,748,975	3,163,736	3,898,630	3,831,043	-	-	-	-
Capital projects funds	6,405,416	11,280,128	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
Unassigned	-	-	-	-	-	-	-	(347,364)	-	-
Total all other governmental funds	16,148,305	21,868,452	17,924,525	12,070,714	18,129,614	13,971,021	10,575,439	13,283,986	13,152,780	9,496,112

<sup>(1)</sup> For fiscal year 2011, GASB Statement No. 54 was implemented requiring additional classifications of fund balance.

**Table 5**  
**City of Auburn**  
**Changes in Fund Balances of Governmental Funds**  
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales and use taxes	18,429,013	20,773,724	21,784,157	21,044,830	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180	34,303,571
Occupational license fees	6,785,103	7,402,470	7,826,656	8,174,202	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069
Motor fuel taxes	456,302	485,810	498,404	496,966	511,874	547,407	576,855	612,720	610,968	669,550
Lodging taxes	668,094	1,085,063	1,369,273	1,425,637	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012	1,604,850
Rental and leasing taxes	1,456,463	819,682	1,473,112	538,541	451,563	420,201	473,732	515,164	571,248	612,457
Other taxes	120,661	123,728	121,760	168,183	198,072	199,133	210,972	219,648	236,605	241,419
Licenses and permits	6,001,452	6,518,522	7,311,513	8,266,168	9,350,937	9,002,598	8,860,187	10,222,535	10,210,208	10,638,252
General property tax	12,111,245	13,088,499	15,057,103	16,953,172	19,053,632	20,169,134	20,966,105	21,424,165	20,971,590	21,645,466
Charges for services	6,371,963	6,901,624	7,087,603	7,440,776	5,231,625	5,286,945	5,777,642	5,544,334	6,428,631	6,439,547
Fines and forfeitures	1,013,374	1,083,225	1,335,798	1,267,362	1,201,777	1,323,548	1,247,137	1,452,953	1,636,516	1,579,802
State shared taxes	1,021,092	1,285,313	1,165,920	1,178,766	1,390,567	881,140	1,057,737	1,278,040	2,016,806	1,279,503
Contributions from the public	194,769	320,747	494,010	606,144	2,329,064	868,428	1,624,491	600,544	1,014,850	1,826,242
Grants	793,940	1,284,695	1,475,458	1,699,127	2,125,631	2,555,213	2,205,074	2,959,710	2,711,021	1,807,224
Program income	549,327	127,229	1,206,632	350,544	836,384	521,164	385,822	305,363	609,879	517,638
Interest	985,974	1,883,720	2,011,961	1,240,177	851,855	512,963	362,808	241,936	287,977	327,498
Miscellaneous	75,695	95,972	122,150	117,144	60,020	89,280	71,438	61,489	68,275	97,957
Total revenues	57,034,467	63,280,023	70,341,510	70,967,739	73,028,419	73,160,402	77,212,638	87,465,423	90,448,658	93,721,045
Expenditures										
General government and administration										
Public works	3,594,853	3,940,430	3,893,452	4,017,923	4,127,351	4,417,596	4,821,147	4,900,632	4,971,598	5,857,396
Environmental services	2,433,580	2,849,130	3,008,617	2,981,356	4,343,137	3,530,072	3,751,109	3,528,928	3,568,302	3,497,655
Public safety	3,630,390	3,870,974	3,963,063	4,298,499	1,636,517	1,609,168	1,665,499	1,806,656	1,956,168	2,031,430
Library	11,757,986	12,527,380	12,860,510	14,366,534	15,318,545	15,953,686	16,692,869	17,164,517	17,753,502	18,067,357
Parks and recreation	1,049,762	1,180,137	1,254,012	1,416,673	1,450,815	1,425,399	1,455,630	1,503,734	1,622,482	1,539,862
Planning	3,799,044	4,190,163	4,252,011	4,575,572	4,358,992	4,580,462	4,714,322	4,788,245	4,684,929	4,862,432
Economic development	507,098	486,927	600,553	643,259	609,721	664,088	573,465	562,214	635,402	671,214
Employee services	757,920	1,639,314	1,433,446	1,674,592	2,126,883	2,187,721	2,035,324	3,005,858	2,158,634	2,381,356
Risk management	459,278	472,691	504,822	550,107	637,204	656,148	655,029	642,122	675,100	696,740
Non-departmental	511,523	246,881	929,627	941,221	1,231,524	1,313,917	1,269,056	1,301,944	1,048,527	1,356,823
Debt service	1,422,240	1,867,443	1,495,410	2,213,532	1,906,387	1,937,902	1,915,070	1,978,998	2,056,603	2,210,562
Principal	19,570,595 *	6,183,601	6,836,554	28,354,631 ^	10,060,309	9,989,029	10,464,788	13,013,380	12,501,691	13,094,561
Interest	4,318,811	5,519,505	5,840,756	6,042,452	6,018,665	5,622,881	6,049,543	6,256,774	5,726,573	5,272,797
Capital Outlay	12,983,719	7,328,307	8,359,823	6,939,861	5,702,327	10,521,541	5,774,421	7,261,516	10,830,762	11,432,511
Intergovernmental	1,177,306	6,742,832	3,141,812	2,515,343	2,198,727	1,022,118	876,083	921,568	1,034,319	951,428
Payments to component units	44,097,771	13,098,738	27,895,701	19,939,274	24,919,475	28,818,541	15,755,842	38,546,879 °	20,404,444	19,679,683
Total expenditures	112,071,876	72,144,453	86,270,169	101,470,829	86,646,579	94,250,269	78,469,197	107,183,965	91,629,036	93,603,807
Excess of revenues over (under) expenditures	(55,037,409)	(8,864,430)	(15,928,659)	(30,503,090)	(13,618,160)	(21,089,867)	(1,256,559)	(19,718,542)	(1,180,378)	117,238

Table 5 Continued

Other financing sources (uses)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt issuance	58,835,646	14,740,290	12,200,000	13,927,516	19,590,794	15,155,000	-	24,325,835	5,525,000	-
Refunding	-	-	-	11,268,100	-	27,020,000	-	27,879,100	-	-
Sale of surplus assets	-	177,942	61,597	50,134	16,919	33,355	33,639	64,006	1,878,717	97,656
Transfers in	9,148,733	7,071,256	6,761,798	6,960,429	8,707,117	725,271	565,234	509,453	681,045	1,354,436
Transfers out	(9,252,339)	(6,957,522)	(6,762,544)	(6,844,749)	(8,659,444)	(958,164)	(813,589)	(1,196,222)	(1,145,905)	(1,663,455)
Premium on debt issued	1,120,859	-	105,076	-	-	2,313,257	-	4,147,158	-	-
Payment to refunded bond escrow	(5,026,414)	-	-	-	-	(29,084,241)	-	(29,299,697)	-	-
Total other financing sources (uses)	54,826,485	15,031,966	12,365,927	25,361,430	19,655,386	15,204,478	(214,716)	26,429,633	6,938,857	(211,363)
Extraordinary item										
Insurance proceeds - fire in building	255,000	-	-	-	-	-	-	-	-	-
Net changes in fund balances	44,076	6,167,536	(3,562,732)	(5,141,660)	6,037,226	(5,885,389)	(1,471,275)	6,711,091	5,758,479	(94,125)
Debt service as a percentage of non-capital expenditures <sup>(1)</sup>	25.0%	18.7%	16.4%	36.4%	19.9%	18.6%	22.7%	19.3%	22.6%	22.4%

\*This increase was due to the payoff of two lines of credit and permanently refinancing one.

^This increase was due to the refunding of various warrants and permanently financing a line of credit.

ØThis increase was due to the issuance of \$18.5 million in warrants for the Board of Education.

<sup>(1)</sup> Non-capital expenditures equals total expenditures less capital outlay.

Table 6

**City of Auburn ~ Primary Government**  
**Components of Sales Tax Base**

Last Ten Fiscal Years

(amounts expressed in thousands)

*Unaudited*

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	30,979	38,138	74,473	71,846	66,699	57,276	60,201	68,169	66,354	67,768	66,240
Grocery Stores	57,269	59,929	53,307	60,280	51,372	51,435	55,799	70,663	77,901	88,493	122,960
Eating & Drinking Establishments	70,983	75,052	101,287	111,409	120,987	120,462	127,753	148,302	131,813	144,085	153,152
Mass General Merchandise Stores	98,680	97,799	86,922	88,571	110,116	115,686	114,644	122,437	116,691	111,335	81,345
Auto Dealers & Supplies	151,290	160,833	103,690	116,070	40,203	33,484	39,021	42,278	38,291	39,471	48,882
Building Materials	28,674	32,569	49,464	55,721	34,454	32,257	31,794	26,698	36,185	45,462	46,000
Home Furnishing & Appliances	4,503	2,471	9,240	15,468	14,823	11,085	9,733	11,126	12,477	17,343	18,209
All Other Retail Sales	155,255	146,209	211,555	271,889	258,296	244,863	254,509	273,606	289,079	281,822	411,290
Totals	597,633	613,000	689,938	791,254	696,950	666,548	693,454	763,279	768,791	795,780	948,079

**Table 7**  
**City of Auburn ~ Primary Government**  
**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
2005	3.0%	1.0%	4.0%	8.0%	8.0%		
2006	3.0%	1.0%	4.0%	8.0%	8.0%		
2007	3.0%	1.0%	4.0%	8.0%	8.0%		
2008	3.0%	1.0%	4.0%	8.0%	8.0%		
2009	3.0%	1.0%	4.0%	8.0%	8.0%		
2010	3.0%	1.0%	4.0%	8.0%	8.0%		
2011	4.0%	1.0%	4.0%	9.0%	9.0%		
2012	4.0%	1.0%	4.0%	9.0%	9.0%		
2013	4.0%	1.0%	4.0%	9.0%	9.0%		
<b>2014</b>	<b>4.0%</b>	<b>1.0%</b>	<b>4.0%</b>	<b>9.0%</b>	<b>9.0%</b>		

Source: State of Alabama Department of Revenue

^ City sales tax rate increased from 3.0% to 4.0% effective August 1, 2011.

**Table 8**  
**City of Auburn ~ Primary Government**  
**Principal Revenue Remitters of Sales and Use Tax<sup>1</sup>**

Current Year and Nine Years Ago

Unaudited

Employer	2005		2014	
	Rank		Rank	
Wal-Mart	1		1	
Auburn University Financial Reporting			2	
Sam's	2		3	
Kroger	3		4	
Publix #1355			5	
Academy Sports			6	
Publix #1294			7	
Chartwell's			8	
Builders First Source SE (formerly Waid True Value)	4		9	
Dillard's	5		10	

<sup>1</sup> 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

**Table 9**  
**City of Auburn ~ Primary Government**  
**Ratios of Outstanding Debt by Type <sup>(1)</sup>**

Last Ten Fiscal Years  
(dollar amounts expressed in thousands, except per capita amount)  
*Unaudited*

Fiscal Year	Governmental Activities			Business-Type Activities			Total Debt as Percentage of Personal Income	Total Debt Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	General Obligation Bonds <sup>(2)</sup>	Total Debt Primary Government			
2005	113,591	-	68	30,111	143,770		12.79%	3,022
2006	122,272	-	-	30,054	152,326		13.25%	3,131
2007	127,635	-	-	28,263	155,898		12.64%	3,136
2008	124,476	-	-	34,220	158,696		12.34%	3,133
2009	133,947	-	-	62,240	196,187		14.34%	3,720
2010	139,143	-	-	45,880	185,023		13.28%	3,460
2011	128,679	-	-	44,775	173,454		12.97%	3,179
2012	141,120	1,500	-	48,950	191,570		14.52%	3,462
2013	134,143	1,585	-	46,840	182,568		12.66%	3,229
2014	121,139	1,782	-	44,700	167,621		11.98%	2,900

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>(1)</sup> The City does not have any special assessment bonds.

<sup>(2)</sup> 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 ~ Primary Government**  
**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 <sup>(1)</sup>	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
	\$	\$	\$		\$
2005	113,590,812 <sup>(2)</sup>	2,116,996	111,473,816	22.94%	2,343
2006	122,272,012	2,499,525	119,772,487	21.92%	2,462
2007	127,635,458	2,748,975	124,886,483	19.68%	2,513
2008	124,476,443	3,163,736	121,312,707	17.12%	2,395
2009	133,947,403	3,898,630	130,048,773	17.66%	2,466
2010	139,143,374 <sup>(3)</sup>	3,831,044	135,312,330	18.01%	2,516
2011	128,678,587	3,723,922	124,954,665	15.66%	2,275
2012	141,120,142 <sup>(4)</sup>	3,540,270	137,579,872	17.17%	2,411
2013	134,143,451	3,019,959	131,123,492	16.44%	2,238
<b>2014</b>	<b>122,921,440</b>	<b>2,477,786</b>	<b>120,443,654</b>	<b>15.52%</b>	<b>2,002</b>

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>(1)</sup> Net bonded debt equals: G.O. bonds, notes, and warrants outstanding, less Debt Service funds' equity. Calculations exclude the G.O. debt intended to be repaid from sewer fund revenues.

<sup>(2)</sup> City issued \$33 million of G.O. Warrants to pay the costs of major additions to current schools and new school construction under the jurisdiction of the Board of Education

<sup>(3)</sup> City issued \$27 million of G.O. Warrants to refund outstanding debt.

<sup>(4)</sup> 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.

Table 11  
**City of Auburn ~ Primary Government**  
**Direct and Overlapping Governmental Activities Debt**  
 Fiscal Year 2014  
*Unaudited*

	Debt Outstanding	Estimated Percentage Applicable <sup>(1)</sup>	Estimated Share of Overlapping Debt
<b>City of Auburn Direct Debt</b>			
General Bonded Debt and Warrants	\$ 122,921,440		
Less: Debt Service Funds Equity	<u>2,477,786</u>		
Net Direct Debt	120,443,654	100%	\$ 120,443,654
<b>Overlapping Debt</b>			
Lee County General Bonded Debt			
and Warrants	\$ 26,720,000	38%	<u>10,170,011</u>
Total Direct and Overlapping Debt			<u><u>\$ 130,613,665</u></u>

Sources: General bonded debt and warrants provided by the Lee County Administrator.

<sup>(1)</sup>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 ~ Primary Government**  
**Legal Debt Margin Information**

Last Ten Fiscal Years  
(amounts expressed in thousands)  
*Unaudited*

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	98,146	98,974	110,789	141,724	147,267	150,282	159,565	160,252	159,516	155,255
Total net debt applicable to limit	45,617	55,364	54,764	62,451	65,355	73,116	64,479	60,974	56,673	46,895
Legal debt margin	52,529	43,610	56,025	79,273	81,912	77,166	95,086	99,278	102,843	108,360
Total net debt applicable to limit as a percentage of debt limit	46.48%	55.94%	49.43%	44.07%	44.38%	48.65%	40.41%	38.05%	35.53%	30.21%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed value	\$ 776,279,200
Debt limit (20% of total assessed value)	\$ 155,255,840
Debt applicable to limit:	
General obligation bonds	\$ 165,839,440
Less: Exempt Debt	118,943,560
Total net debt applicable to limit	46,895,880
Legal debt margin	\$ 108,359,960

**Table 13**  
**City of Auburn ~ Primary Government**  
**Pledged Revenue Coverage <sup>(1)</sup>**

Last Ten Fiscal Years

*Unaudited*

Fiscal Year	Sewer G.O. Warrants <sup>(2)</sup>				
	Sewer Charges and Other <sup>(3)</sup>	Less: Operating Expenses <sup>(4)</sup>	Net Available Revenue	Principal	Interest Coverage
	\$	\$	\$	\$	\$
2004	5,543,200	2,312,004	3,231,196	415,000	2,524,900 1.10
2005	5,514,085	2,721,465	2,792,620	430,000	1,261,288 1.65
2006	6,601,081	3,823,649	2,777,432	440,000	1,121,013 1.78
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
<b>2014</b>	<b>11,097,989</b>	<b>3,868,822</b>	<b>7,229,167</b>	<b>2,140,000</b>	<b>2,074,208 1.72</b>

<sup>(1)</sup> The City does not have any Special Assessment Bonds.

<sup>(2)</sup> General Obligation warrants issued but paid by Sewer Service Fee revenue.

<sup>(3)</sup> Includes sewer service charges, tapping fees, sewer access fees, gains on property disposals and other non-operating revenues.

<sup>(4)</sup> Includes operating expenses and operating transfers out less depreciation expense.

**Table 14**  
**City of Auburn ~ Primary Government**  
**Demographic and Economic Statistics**

Last Ten Fiscal Years

*Unaudited*

Fiscal Year	Population <sup>(1)</sup>	Personal Income		Per Capita Personal Income <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>
		(expressed in thousands) <sup>(2)</sup>	\$		
2005	53,004	1,357,114	\$	25,604	3.0%
2006	54,505	1,464,004		26,860	2.8%
2007	55,652	1,551,244		27,874	2.9%
2008	56,287	1,633,055		29,013	4.5%
2009	57,828	1,638,788		28,339	7.6%
2010	53,780	1,550,908		28,838	7.3%
2011	54,927	1,636,825		29,800	7.0%
2012	57,058	1,730,683		30,332	5.7%
2013	58,582	1,786,692		30,499	4.9%
<b>2014</b>	*	*		*	<b>4.9%</b>

<sup>(1)</sup> U. S. Census Bureau

<sup>(2)</sup> Product of *Population* and *Per Capita Personal Income* for given year

<sup>(3)</sup> U. S. Department of Commerce, Bureau of Economic Analysis (*Data reported for Auburn-Opelika MSA*)

<sup>(4)</sup> U.S. Bureau of Labor Statistics

\* Data not available at time of publication

**Table 15**  
**City of Auburn ~ Primary Government**  
**Principal Employers**  
 Current Year and Nine Years Ago  
*Unaudited*

<b>Employer</b>	<b>2005</b>			<b>2014</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Auburn University	6,871 *	1	36.02%	5,400	1	20.65%
Auburn City Schools	552	3	2.89%	950	2	3.63%
City of Auburn and Auburn Water Works Board	450	5	2.36%	650	3	2.49%
Briggs & Stratton Corporation	1,100	2	5.77%	470	4	1.80%
SCA, Inc.	-	-	-	410	5	1.57%
Borbet Alabama, Inc. (former ATS Wheels)	155	9	0.81%	390	6	1.49%
Masterbrand Cabinets, Inc.	496	4	2.60%	380	7	1.45%
Wal-Mart Supercenter	-	-	-	335	8	1.28%
CSP Technologies North America, LLC (former CV Holdings)	150	10	0.79%	330	9	1.26%
Weidplas North America, LLC	-	-	-	300	10	1.15%
<b>Total</b>	<b>9,774</b>		<b>51.24%</b>	<b>9,820</b>		<b>37.55%</b>

\* Includes temporary and seasonal employees.

Source: City of Auburn Economic Development Department, Alabama Department of Labor

Table 16

**City of Auburn ~ Primary Government**  
**Regular Full-Time Employees by Function/Program**

Last Ten Fiscal Years

Unaudited

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	73	73	74	76	77	77	81	81	77	76
Economic Development	13	14	14	13	13	13	13	12	12	12
Public Safety										
Police	110	109	112	113	115	113	113	113	115	116
Fire	30	43	43	43	43	43	43	43	43	43
Communications	6	7	9	11	11	11	11	11	11	11
Codes	8	9	9	9	9	9	9	8	8	8
Public Works										
Engineering	10	11	11	11	11	11	11	11	11	11
Construction & Maintenance	18	18	18	18	18	18	18	18	18	18
Inspection	4	6	6	6	6	6	6	6	6	6
Traffic Engineering	3	3	3	3	3	3	3	3	3	3
Environmental Services										
Recycling	16	16	16	16	16	16	16	16	16	16
Solid Waste	15	16	16	16	16	16	16	16	16	16
Animal Control	2	2	2	2	2	2	2	2	2	2
ROW	6	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	14	14	15	15	15	15	15	15	15	15
Parks & Facilities	26	26	26	27	26	26	26	26	26	26
Library	14	15	15	16	16	16	17	17	17	18
Sewer	13	19	15	15	16	16	16	17	17	17
<b>Total</b>	<b>391</b>	<b>418</b>	<b>421</b>	<b>427</b>	<b>430</b>	<b>428</b>	<b>433</b>	<b>432</b>	<b>430</b>	<b>431</b>

Source: City of Auburn Human Resources Department

**Table 17**  
**City of Auburn ~ Primary Government**  
**Operating Indicators by Function/Program**  
 Last Ten Fiscal Years  
*Unaudited*

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical arrests	2,921	2,574	2,978	3,143	2,480	2,643	2,712	3,096	3,053	3,102
Traffic violations	9,490	10,435	14,077	14,516	19,556	20,618	23,736	25,016	21,510	18,557
Fire										
Number of calls answered	1,147	1,342	2,258	2,330	2,523	4,025	4,065	4,303	4,367	4,948
Inspections^	6,324	1,860	1,857	1,792	1,752	1,575	1,391	1,559	1,760	1,879
Public Works										
Potholes repaired	414	347	230	210	273	750	625	454	70	87
Environmental Services										
Refuse collected (tons/day)*	85	85	86	86	88	91	104	103	102	101
Recyclable collected (tons/day)*	3.52	3.89	3.38	4.21	4.39	4.36	4.40	5.82	5.60	4.96
Parks and Recreation										
Athletic participants	4,956	4,623	5,154	5,648	5,031	4,959	2,964	4,540	4,478	6,069
Recreation center admissions	83,374	114,484	96,106	92,291	111,960	138,751	150,690	164,888	241,042	292,933
Sewer										
Average daily sewage treatment (millions of gallons)	6.86	6.10	5.90	5.60	6.70	6.69	6.02	6.28	6.70	7.54

^A change in software lowered the number of inspections performed in 2006.

\*Each year consists of 251 work days.

Source: City departments

**Table 18**  
**City of Auburn ~ Primary Government**  
**Capital Asset Statistics by Function/Program**  
 Last Ten Fiscal Years  
*Unaudited*

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety											
Police:											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol units	77	86	88	89	91	91	98	94	96	96	94
Fire stations	4	4	4	4	5	5	5	5	5	5	5
Environmental Services											
Collection trucks	8	8	8	8	8	8	8	8	8	8	8
Public Works											
Streets (lane miles)	565	597	650	658	696	693	693	693	700	739	742
Signaled Intersections	49	50	50	55	56	58	59	60	60	60	61
Parks and Recreation											
Parks acreage	1,914	1,914	1,914	1,914	1,944	1,944	1,944	1,944	1,944	1,944	1,944
Swimming pools	2	2	2	2	2	2	2	2	2	2	2
Tennis courts	14	10	10	44	44	44	44	44	44	44	44
Community centers	3	3	3	3	3	3	4	4	4	5	5
Sewer											
Sanitary sewers (miles)	195	201	210	235	240	245	248	300	300	330	350
Maximum daily treatment capacity (millions of gallons)	7	7	7	8	8	11	11	11	13	13	11

Source: City departments