



# CAFR 2015

City of Auburn, Alabama  
Comprehensive Annual Financial Report  
Fiscal Year Ending September 30, 2015



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

For the Fiscal Year Ended  
September 30, 2015

**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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**Allison Edge, CPA, *Assistant Director/Treasurer***

**Erika Sprouse, *Principal Financial Analyst***

**Thomas Prouhet, *Finance Information Officer***



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 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended September 30, 2015

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## City of Auburn

Home of Auburn University

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### Letter of Transmittal

March 27, 2016

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, 2015 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 in fiscal 2014 with GASB Statement 61. As a result, the City's Board of Education, Water Works Board, Industrial Development Board, Commercial Development Authority, Downtown Redevelopment Authority, Public Park and Recreation Board, and Housing Authority have been included as separately presented component units of the City's reporting entity in the CAFR. Please see note 1.A for details of the reporting entity.

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

The City implemented GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB 27" during this fiscal year. This statement improves accounting and financial reporting by state and local governments for pensions. Under this new statement, the City is now required to recognize its long-term obligation for pension benefits on the government-wide Statement of Net Position.

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 became effective during the fiscal 2015 reporting period and does not currently affect the City.

GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement 68" is effective for this fiscal year. The City implemented this statement in conjunction with GASB 68.

GASB Statement 72, "Fair Value Measurement and Application," addresses accounting and financial reporting issues related to fair value measurements. Management is aware of these requirements and will implement this statement in fiscal year 2016.

### ***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.

In May, Auburn was named the third "Best Town to Raise a Family" in Alabama by Niche.com, a website using feedback from local residents to help people make informed choices on choosing places to live and go to school. Auburn is ranked at number three, just behind Hoover and Oneonta for Alabama towns (including cities under 100,000 in population) to raise a family. Auburn ranks at number one on their overall list of "Best Towns in Alabama."

During 2015, Forbes ranked the Auburn-Opelika metro area number 7 nationally on their list of the best small cities for jobs. Forbes ranked 258 metropolitan statistical areas with less than 150,000 jobs, considering employment growth over short-, medium- and long-terms, growth trends and momentum. The report sites diversification of the economy as potentially "the best guide to future smaller city growth." Auburn's economic development strategy for industrial jobs has long been diversification by recruiting and maintaining a variety of small- to mid-size technology based industries.

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 60,258 residents per the census-estimate released in May 2015. As the population has grown and the economic base diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multicultural citizenry.

Auburn has a Council-Manager form of municipal government. The City Council consists of nine members: eight elected from eight single-member wards, and the Mayor, who is elected at large. This legislative body establishes policy to guide the various City departments in providing services to its citizens. The City Manager is the chief executive officer of the City, directing and managing the daily activities of the city government. Charles M. Duggan, Jr., 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 458 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

### ***Major Initiatives***

In fiscal year 2015, the City continued to prioritize school funding. The City contributed \$11.5 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

During fiscal year 2015, the City issued debt to take advantage of favorable interest rates and to construct a new high school.

- On October 28, 2014, the City issued \$31.9 million in debt. \$19.2 million in Sewer warrants and \$2.5 million in capital improvement bonds were refunded. Also, \$10.2 million in general obligation refunding and capital improvement warrants were issued for Auburn City Schools.
- On June 23, 2015 the City issued \$78.1 million in General Obligation Bonds for construction of a new high school.

The historic Toomer's Corner intersection, located at College Street and Magnolia Avenue, was upgraded during fiscal 2015. The intersection was raised to meet the top of the curb to create an event space for downtown functions. Also, inlay brick pavers were used in the center of the intersection to create a permanent iconic Auburn University tiger paw. Pavers were added along the sidewalk and seat walls with decorative lighting were also installed.

Downtown parking improvements made during the year upgraded existing surfaces connecting the new municipal parking lot along Gay Street through the existing alleys to downtown. Improvements included converting the area to a decorative outdoor dining surface with brick seat walls, replacing existing water, sewer and storm drain systems, and installing lighting and electrical facilities. Also, a total of 19 automated parking payment kiosks and vehicle sensors were installed in the downtown area.

Phase 1 of the Renew Opelika Road project revitalized and redeveloped the Opelika Road Corridor, from Gay Street to Ross Street. Work involved the addition of center lane islands, decorative crosswalks, new sidewalks, traffic signals and decorative pedestrian and overhead lighting.

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

The Fire Division includes 43 regular, full-time firefighters and an average of 55 student firefighters, operating five fire stations. The City currently has a 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 114 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 hosts an annual household hazardous waste collection event and an annual comprehensive neighborhood clean-up event. The clean-up event involves several other City departments and addresses public works infrastructure and codes related items along the rights of way. Environmental Services is also responsible for animal control and maintenance of the City's vehicle fleet.

**Leisure Services** In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and Library provide many leisure time choices to residents. The Library has 40 internet-connected computer workstations available to the public. During fiscal 2015, there were 84,418 logins on these computers. Additionally, the Library offers wireless internet access for patrons bringing their own laptops, tablets, and other portable devices. During fiscal 2015, library patrons checked out 338,127 books, audiobooks, ebooks, and movies. In addition, 22,262 patrons attended the many programs offered for children, teens, and adults. The Summer Reading Program had 1,579 young participants, who together read 20,135 books, making 2015 the most successful Summer Reading Program in the library's history. In addition, other programs during 2015 included One Book One Village, a Fairy Tale Ball, and a Halloween Family Festival, all sponsored by the Friends of the Auburn Public Library. With the use of federal LSTA (Library Services and Technology Act) grant funds, the Library expanded its selection of audiobooks, adding 251 books-on-CD and more than 3,000 downloadable audiobooks 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 8,000 students. It is the fastest growing school system in Alabama over the past five years, averaging 300-400 new students each year. Auburn City Schools consistently experiences record enrollment growth each year as parents are drawn to the excellent teachers, facilities and programming it has to offer.

Currently, students are housed on eleven separate campuses. These campuses include eight elementary schools, one middle school, one junior high school, and one high school. Excellent choral, drama, art, band, academic teams, sports, and other extracurricular programs are offered. All schools have a media center, art teacher, music teacher, and one or more full-time counselors. A new high school is under construction and is projected to be completed by April 2017.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. It is ranked in the top 100 school districts in the United States by *Parenting Magazine* and named the best educational value in the Southeast by *The Wall Street Journal*. Auburn High School consistently produces an average of five National Merit finalists/semi-finalists each year from the senior class. Upon graduation, approximately 93% of the graduates move on to higher education. The 2015 graduation rate for Auburn High School was 90% and seniors were awarded more than \$14 million in scholarships. Concurrent college enrollment, through Auburn University and Southern Union State Community College, is available for students who wish to take courses not taught at Auburn High School.

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

Auburn University, in Auburn	Columbus State University, Columbus, GA
Tuskegee University, Tuskegee	LaGrange College, LaGrange, GA
Huntingdon College, Montgomery	Southern Union State Community College, Opelika
Faulkner University, Montgomery	Chattahoochee Valley Community College, Phenix City
Auburn University, Montgomery	Central Alabama Community College, Alexander City
Troy University at Montgomery	Alabama State University, Montgomery

Auburn University is ranked as a top 50 public institution by *US News and World Report*. This is the 23<sup>rd</sup> consecutive year that Auburn has been recognized. Auburn's undergraduate program in business was ranked 50<sup>th</sup> among all business programs, and 30<sup>th</sup> among those at public colleges and universities. Auburn's undergraduate program in engineering landed on the 56<sup>th</sup> spot among all engineering programs nationwide at institutions that award the doctorate in engineering. It is ranked 31<sup>st</sup> among public schools.

Auburn University's student body is taught by approximately 1,200 full-time faculty members, and the student to faculty ratio is 18 to 1. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates. Auburn offers degrees in 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 with over 5,400 employees, Auburn University is a major contributor to the local economy. Enrollment was 27,287 for fall semester of the 2015/2016 academic year, an increase of 1,375 students over the previous year. Included in the total enrollment are 5,501 graduate students, which is 218 more students than last year.

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

**Utilities** The Water Works Board of the City of Auburn, drawing from Lake Ogletree as its main source, with secondary sources from a groundwater well located on Highway 29 South and Opelika Utilities, provides potable water services. The City's Water Resource Management (WRM) Department also 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.” For the eighth straight year, EAMC ranked among the top 10% of the nation in overall orthopedic services, according to Healthgrades.com, the leading online consumer resource for researching hospitals and physicians. In May 2015, EAMC ranked among the top 10 percent nationally for the fourth straight year for outstanding patient experience and among the top 10 percent nationwide for patient safety.

EAMC has been named twice as one of *Fortune’s* “100 best companies to work for in America”. The hospital has over 2,600 employees, making it the second largest employer in Lee County. EAMC facilities in Auburn include Health Plus Fitness Center, 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 6,000 jobs in the last 20 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the first phase of the newest park, Auburn Technology Park West, was completed in 2008. Construction of Phase II of this park is substantially complete and additional property was acquired in 2014 with development underway in 2015 with anticipated completion in 2016.

The industrial sector showed strong growth in 2015. German manufacturer Schmidt Maschinenbau GmbH selected Auburn as the location for its first U.S. manufacturing operation and construction is currently underway for their new facility in the Auburn Technology Park West. Beginning in the fall of 2016, Schmidt USA will commence production of engine components including balance shafts and gear wheels for Mercedes-Benz and other German car manufacturers. In addition, several other existing industries expanded their operations in

Auburn during 2015. Touchstone Precision, Inc., a Japanese plastic injection molder for the automotive sector, completed its 67,000 square foot expansion in the Auburn Technology Park South. Also, Arkal Automotive USA, Inc., an Israeli-based company producing durable, life-long plastic parts by utilizing advanced thermoplastic technologies is currently expanding their existing facility in order to double their footprint in the Auburn Technology Park West. Many of these 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, Auburn continues to maintain a presence in other key sectors and has had recent success in the aerospace realm with GE Aviation as well as in information technology, with Equifax opening a new information technology talent center in Auburn in concert with Auburn University to help address the company's growing global information technology needs.

In addition to the new locations and expansions described above, several other existing manufacturers also increased their capital investment in 2015, including SCA, Inc., Kemmerich USA, LP and Donghee Alabama, LLC. The new industry announcements and expansions that occurred in 2015 will produce a combined total of approximately 300 new jobs for Auburn and a planned capital investment in excess of \$83 million.



***Construction of Schmidt Automotive 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 Lotte Chemical Alabama Corporation.

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, a 3-D printing company, an indoor urban farming research

and development company, a logistics company, an IT consulting and installation company, a machining company, a government industrial and engineering services 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 Café, and new to the development in 2015, a Newk's Eatery; renovation and expansion of the Corner Village shopping center, anchored by Kroger; and the complete teardown and redevelopment of a vacant commercial center into a new Walmart Neighborhood Market. In addition, in 2015 the City, in conjunction with several other boards and agencies, used this program and others to facilitate the redevelopment of the historic Auburn Train Depot into a high-end restaurant and eatery. 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.



***Renovated historic Auburn Train Depot***

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 is interdisciplinary and is 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 summer 2015, the Edward Via College of Osteopathic Medicine, also known as VCOM, welcomed 162 students as the inaugural class of 2019. Construction of the more than 90,000 sq. ft., four story, state-of-the-art building, situated on 15 acres within the Auburn Research Park and adjacent to Auburn University, began in early 2014 and

finished almost a year later. The school hosts collaborative research programs with Auburn University and also provides programs for current VCOM students training in hospitals within Alabama as well as holding continuing medical education programs for the clinical faculty from Alabama and surrounding states.



***Edward Via College of Osteopathic Medicine at Auburn***

The City of Auburn and Auburn University continue to work together to recruit prospects for the research park. The 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.

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





***Housing Reconstruction Project - Before and After***

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



***Gellato Equipment financed through Section 108 Loan***

In fiscal 2015, building permits were issued for 477 new single-family residences valued at \$144.1 million. The average valuation for single-family homes was \$302,012. Also, twenty new commercial and industrial facilities valued at \$34.2 million were permitted during fiscal 2015.

### ***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 \$97.3 million in identified projects. Transportation improvements, including road reconstruction, resurfacing, streets, bridges, and intersections will require an estimated \$52.3 million. This outlay will be funded through identified sources including shared funding, state and federal grant funds, and the General Fund.

City facility improvements are planned with a projected cost of \$10.3 million. The Auburn Technology Park West Annex project is estimated at \$2.1 million and \$9.9 million is projected for a future technology park. 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 \$22.7 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 conducts 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, a comprehensive Revenue Review is completed periodically to evaluate the City's revenue structure.

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

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

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

During fiscal year 2015, idle cash was invested in a certificate of deposit with a 24 month term and a rate of 0.36%. Idle cash was also invested in U.S. treasury notes with 12-24 month terms and rates ranging from .23% to .65%. The City's demand deposit operating account is currently earning .50%.

During fiscal year 2015, the City invested school debt proceeds into a portfolio consisting of certificates of deposit and U.S. treasury notes. Debt proceeds were invested in certificates of deposit with 6-30 month terms and rates ranging from .35% to 1.15%. Debt proceeds were also invested in U.S. treasury notes with 15 day-29.5 month terms and rates ranging from .25% to 4.5%.

**General Fund Reserves** The City Council has adopted a policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses. Management has an informal goal of 20-25%. The ending fund balance as a percentage of expenditures and other financing uses for the fiscal 2015 period was 57.8%, exceeding management's informal goal. There is a planned reduction of fund balance in fiscal 2016.

### **Other Information**

**Independent Audit** The government is required by State law to undergo an annual audit by independent public accountants. To meet federal requirements of the Single Audit Act Amendments of 1996, and the resultant issuance of OMB Circular No. A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*), the City's audit report must be signed by a certified public accountant. The accounting firm of Machen McChesney completed the City's fiscal year 20a15 audit. The auditor's report on the basic financial statements and the combining and individual fund statements and schedules is included in the *financial* section of this report.

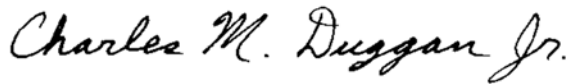
Information related to this Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are generally meaningful only to oversight agencies and therefore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

**Awards** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2014. This was the twenty-eighth 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, 2016. 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

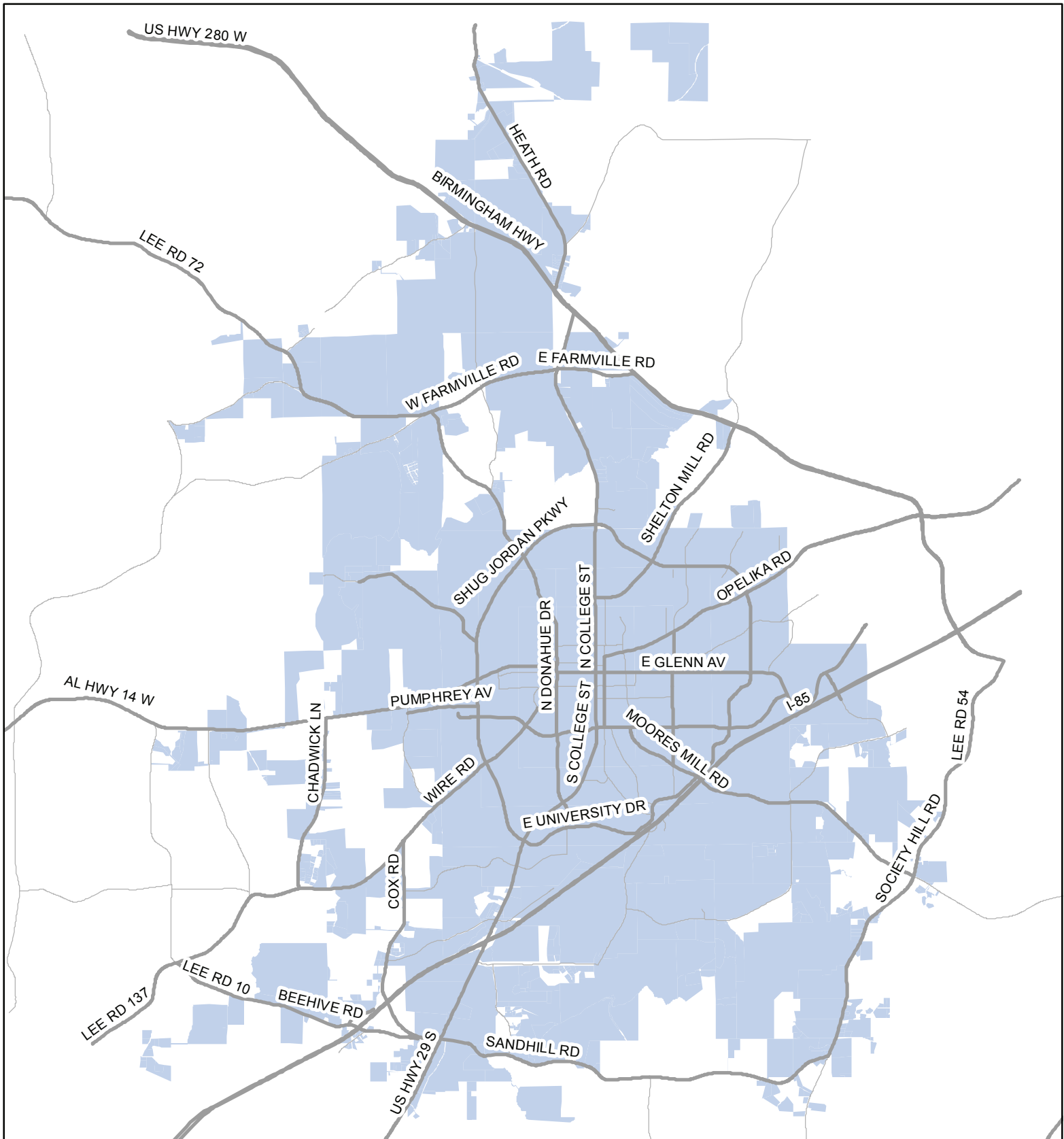
**City of Auburn  
Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

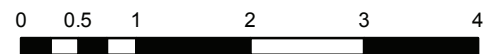
**September 30, 2014**

Executive Director/CEO

# City of Auburn as of September 30, 2015



The City of Auburn 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.

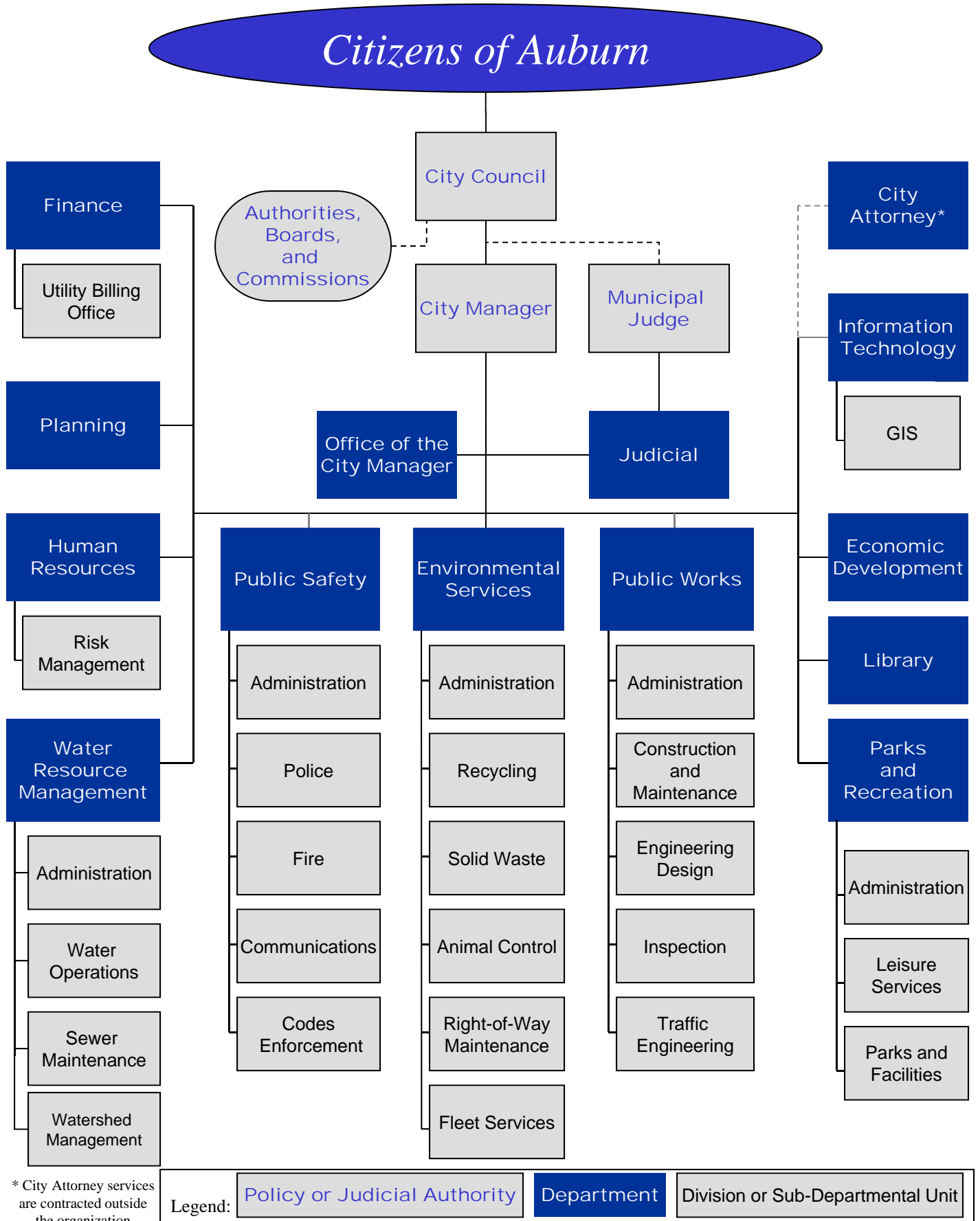


Miles

Produced by COA  
 Planning Department:  
 3/16/2016



# Organization Chart





City of Auburn



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Auburn, Alabama's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Auburn discretely presented component unit, which represents nine percent of the assets, fifteen percent of the net position, and five 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special School Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 23 through 47) and pension information (pages 144 through 146) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, and the capital asset schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, and the capital asset schedules, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of the City of Auburn, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburn, Alabama's internal control over financial reporting and compliance.

*Machen McChesney, LLP*

Auburn, Alabama  
March 14, 2016



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, 2015. 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 \$98.8 million (net position). Of this amount, the City had a deficit unrestricted net position of \$151.3 million offset by \$94.7 million in restricted net position and \$155.4 million in net investment in capital assets.
- The primary government experienced a 7.1% decrease in net position from \$106.5 million at September 30, 2014 to \$98.8 million at September 30, 2015.
- At the close of fiscal 2015, the City's governmental funds reported a *combined* fund balance of \$134.5 million. This was an increase of \$82.5 million (158.7%) from the prior year.
- At the end of fiscal 2015, total fund balance for the General Fund was \$44.3 million or 57.8% of total General Fund expenditures and other financing uses; total fund balance increased by \$1.8 million (4.3%) from fiscal year 2014. Total ending fund balance in the General Fund comprised 57.0% of total revenues in 2015 and 57.6% in 2014.
- The unassigned fund balance for the General Fund was \$22.3 million, or 29.1% of total General Fund expenditures and other financing uses; this was a decrease of \$3.2 million from fiscal 2014.
- Sales and use tax, the City's single largest revenue source, increased 9.1% (\$3.1 million) during the 2015 fiscal year, reflecting continued growth in Auburn's economy. This also reflects revenue of approximately \$804,605 associated with "piggy-back" audits completed and reviewed by the Finance department that started at the State level.
- Other significant changes in revenue during 2015 include: contributions from the public decreased by 67.1% (\$1.2 million); occupational license fees increased by 6.7% (\$674,133); licenses and permits increased by 6.2% (\$664,182); and lodging taxes increased by 13.2% (\$211,520).

### 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.

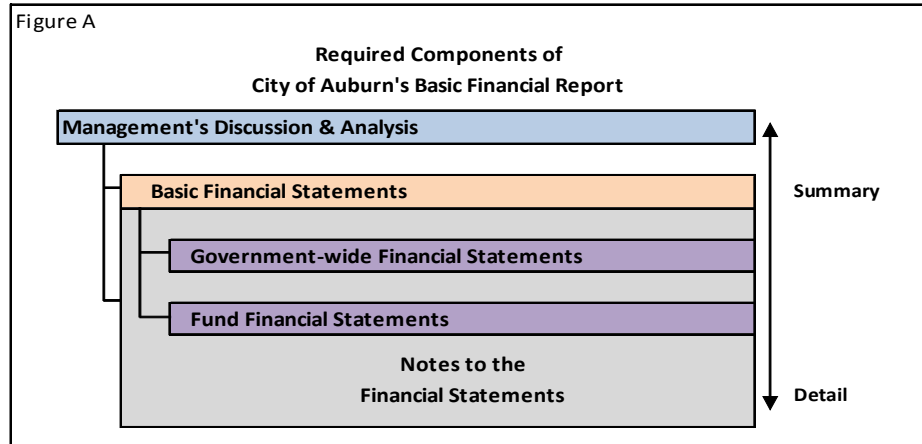


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

### 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 and expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when it is received or paid.	All revenues and expenses during the year regardless of when it is received or paid.

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

- **Governmental activities.** Most of the City's basic services are included in this category, such as the services provided by the Public Safety, Public Works, Parks and Recreation, Human Resources, and Finance departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities.** The City charges fees to customers to help cover the costs of certain services it provides to the 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 seven 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, the Housing Authority of the City of Auburn, and the Auburn Downtown Redevelopment Authority. The Auburn Downtown Redevelopment Authority, a new component unit of the City in fiscal 2015, was established in 1985 to aid in the revitalization and improvement of the central downtown business district. During fiscal 2015, the City invested funds into the Authority to facilitate further downtown redevelopment. The Authority must repay the City, thus creating a financial benefit/burden relationship that requires classification as a discretely presented component unit in accordance with Governmental Accounting Standards Board's (GASB) Statement 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 are an integral and essential part of the basic financial statements. They provide additional information that is important if the reader is to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.



## FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

### Net position

The City's *combined* net position at September 30, 2015 totaled \$98.8 million (see Table 1). Governmental Activities' net position decreased by \$10.7 million, while Business-type Activities' net position increased \$3.1 million during fiscal 2015.

The primary government's total net position decrease of \$7.6 million (7.1%) in fiscal 2015 includes the following major changes: 1) an increase in the deficit in unrestricted net position of \$102.9 million, 2) an increase in restricted net position of \$83.4 million, and 3) an increase in net investment in capital assets, of \$12.0 million.

Table 1

**City of Auburn's Net Position  
September 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 147,260,433	\$ 65,445,051	\$ 11,311,874	\$ 10,493,574	\$ 158,572,307	\$ 75,938,625
Capital assets	141,374,272	136,969,993	80,459,165	78,533,432	221,833,437	215,503,425
Total assets	288,634,705	202,415,044	91,771,039	89,027,006	380,405,744	291,442,050
Deferred outflows of resources	6,340,048	3,774,553	3,685,979	602,237	10,026,027	4,376,790
Current liabilities	19,947,185	20,821,796	4,367,169	4,469,567	24,314,354	25,291,363
Long-Term debt and other liabilities	219,076,807	120,161,297	46,553,896	43,913,802	265,630,703	164,075,099
Total liabilities	239,023,992	140,983,093	50,921,065	48,383,369	289,945,057	189,366,462
Deferred inflows of resources	1,464,079	-	176,548	-	1,640,627	-
Net position:						
Net investment in capital assets	118,307,151	110,178,706	37,097,393	33,236,208	155,404,544	143,414,914
Restricted	92,735,176	10,706,845	1,970,849	648,195	94,706,025	11,355,040
Unrestricted	(156,555,646)	(55,679,045)	5,291,163	7,361,470	(151,264,483)	(48,317,575)
Total net position	\$ 54,486,681	\$ 65,206,506	\$ 44,359,405	\$ 41,245,873	\$ 98,846,086	\$ 106,452,379

Net position for Governmental Activities is primarily invested in capital assets (buildings, equipment, roads, etc.). The net investment in capital assets at September 30, 2015 was \$118.3 million. Debt outstanding related to the capital assets was \$23.1 million. The large negative unrestricted net position in FY 2014 (\$55.7 million) and FY 2015 (\$156.6 million) is primarily 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 typically does not have a legal right (title) to the assets associated with the debt (which are owned by the School Board); hence, the large negative unrestricted net position balances. During fiscal 2015, the City issued \$78.1 million in General Obligation Bonds to be used by Auburn City Schools to construct a new high school. The bond proceeds are being held and invested by the City and transferred to the School Board as needed to pay for construction. The balance of these unused proceeds are held in restricted net position, thus further increasing the deficit in unrestricted net position. Additionally, the City implemented GASB Statement 68 – *Accounting and Financial Reporting for Pensions* in fiscal 2015. The City and its employees contribute to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for participants. The net pension liability of governmental activities required to be included in the long-term liabilities section of the Statement of Net Position as of September 30, 2015 was \$27.2 million, contributing to the increase in the deficit in unrestricted net position.

Similar to the school funding situation, the City entered into an agreement with Auburn University to issue general obligation debt, enabling Auburn University to finance an expansion of the City's tennis complex.

The City leases a portion of the complex to Auburn University. These lease payments 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 \$2.4 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, 2015, was \$149.6 million, an increase of \$75.3 million (101.5%) from the prior year. Debt outstanding in respect to agreements made with Auburn University was \$2.4 million, a decrease from the prior year of \$442,710 (15.6%). As described above, the increase in debt for the benefit of Auburn City Schools is the result of a new debt issuance of \$78.1 million for construction of a new high school. The decrease in debt issued for the benefit Auburn University is attributable to the City's principal repayments.

Governmental Activities' other unrestricted net position decreased to a deficit of \$4.6 million from a positive unrestricted net position of \$21.4 million (eliminating the effect of other entities' debt) at the end of fiscal 2015. This decrease can be primarily attributed to the net pension liability of \$27.2 million recorded for the first time in fiscal 2015.

The City's governmental activities' had an overall positive net position of \$54.5 million at the end of the 2015 fiscal year, a decrease of \$10.7 million (16.4%).

Table 2

**Governmental Activities**

<b>Net Position</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b>\$</b>	<b>\$</b>
Net investment in capital assets	118,307,151	110,178,706
Restricted		
Capital Projects	2,272,196	359,040
Debt Service	2,531,934	1,530,379
Federal and State Grants	4,768,196	3,384,246
Other projects	2,860,701	1,573,439
Special Revenue, non-grant	80,302,149	3,859,741
Unrestricted (deficit)		
Governmental Activities	(4,581,478)	21,411,503
<i>City School Debt</i>	<i>(149,569,890)</i>	<i>(74,243,560)</i>
<i>AU Debt</i>	<i>(2,404,278)</i>	<i>(2,846,988)</i>
Total Net Position-Governmental	<u>54,486,681</u>	<u>65,206,506</u>

Net position of the City's business-type activities increased by \$3.1 million to \$44.4 million in fiscal year 2015, from \$41.2 million in fiscal year 2014. The majority of this increase can be attributed to a positive change in net position from combined business-type operations revenues over expenses of \$5.4 million. The restricted for capital projects category of net position increased by \$1.3 million; 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.

The primary government's net position decreased by \$7.6 million (7.1%) in fiscal year 2015. Total assets increased by \$89.0 million (30.5%), while total liabilities increased by \$100.6 million (53.1%). The increase in assets resulted primarily from an increase in cash and investments related to borrowing proceeds for debt issued on behalf of Auburn City Schools. Also contributing to the change in total assets was an

increase in capital assets of \$6.3 million. More information on the increase in capital assets can be found in the *Capital Assets* section. The large increase in liabilities is a result of two major changes. As mentioned above, the City issued \$78.1 million in General Obligation Bonds on behalf of Auburn City Schools. In addition, as a requirement of GASB Statement 68 – *Accounting and Financial Reporting for Pensions*, the City recorded a \$29.1 million net pension liability in the long-term debt section of the Statement of Net Position.

## 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, 2015 and 2014**

Governmental Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2015	2014	2015	2014	2015	2014
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
General government	8,880,442	7,986,358	14,787,754	13,949,963	5,907,312	5,963,605
Public works	7,600,358	7,253,198	2,524,934	3,060,960	(5,075,424)	(4,192,238)
Environmental services	2,201,278	2,180,362	-	-	(2,201,278)	(2,180,362)
Public safety	19,363,905	19,036,443	4,479,061	4,438,663	(14,884,844)	(14,597,780)
Library	1,770,379	1,684,288	41,295	49,744	(1,729,084)	(1,634,544)
Parks and recreation	6,207,847	5,861,786	983,594	1,433,490	(5,224,253)	(4,428,296)
Social and economic development	4,624,506	6,056,184	387,564	745,143	(4,236,942)	(5,311,041)
Other functions	2,902,802	2,715,612	825,004	813,576	(2,077,798)	(1,902,036)
Education (payments to Board of Ed)	24,505,586	16,350,759	-	-	(24,505,586)	(16,350,759)
Interest on long-term debt	4,772,926	4,968,931	-	-	(4,772,926)	(4,968,931)
<b>Total governmental activities</b>	<b>82,830,029</b>	<b>74,093,921</b>	<b>24,029,206</b>	<b>24,491,539</b>	<b>(58,800,823)</b>	<b>(49,602,382)</b>

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

The cost of governmental activities this year was \$82.8 million. Program revenues provided \$24.0 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 \$58.8 million. This net expense is a \$9.2 million (18.5%) increase over fiscal 2014.

There are three items of note in the change in net expense of governmental activities. Payments for education increased by \$8.2 million (49.9%) over fiscal 2014. During fiscal 2015, the City issued \$78.1 million in general obligation bonds on behalf of Auburn City Schools for construction of a new high school. The City is holding and investing these funds, and as they are expended on construction, funds are transferred to the school board to pay contractors. The total amount transferred for this project as of September 30, 2015 was \$8.0 million.

Another significant change in net expense occurred in the social and economic development function. During 2015, net expense in this function decreased by \$1.1 million 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 public works function increased by \$883,186 (21.1%). This function includes expenses and program revenue related to construction and maintenance of the City’s infrastructure. One component of the program revenue for this function is 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 bond funds to complete the construction. As construction is completed, the forfeited performance bonds are recorded as revenue. Forfeited performance bonds in fiscal 2015 was \$93,078, as compared to \$1.3 million in fiscal 2014. This large decrease in program revenue was the major component of the increase in net expense for this function.

Total City program income exceeded expenses for only one function: general government produced an excess of \$5.9 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>		
<b>Governmental Activities</b>	<b><i>Net (Expense) Revenue</i></b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Net expense of the total governmental activities</b>	<u>(58,800,823)</u>	<u>(49,602,382)</u>
<b><i>General revenues:</i></b>		
Sales taxes	37,418,331	34,303,569
Property taxes	22,486,529	21,645,465
Occupational license fees	10,804,202	10,130,069
Rental and leasing taxes	768,245	612,457
Lodging taxes	1,816,370	1,604,851
Motor fuel taxes	365,345	340,415
Other taxes	253,910	241,419
Interest and investment earnings	488,820	327,499
Gain on asset disposals	-	68,237
Miscellaneous	40,790	63,801
<i>Total general revenues</i>	<u>74,442,542</u>	<u>69,337,782</u>
Transfers	<u>130,979</u>	<u>(309,019)</u>
<i>Change in net position</i>		
General revenues and transfers less net expenses	15,772,698	19,426,381
Beginning net position	65,206,506	47,353,091
Prior period adjustment	<u>(26,492,523)</u>	<u>(1,572,966)</u>
Ending net position	<u>54,486,681</u>	<u>65,206,506</u>

Table 5 divides total governmental program revenue by source for 2015 and 2014 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative following the table provide insight into the changes in program revenue.

Table 5

	<u>Governmental Activities</u>	
<b>Program revenue by source:</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
	<u>\$</u>	<u>\$</u>
Charges for services	19,492,613	18,637,415
Operating grants and contributions	2,354,400	2,531,117
Capital grants and contributions	<u>2,182,193</u>	<u>3,323,007</u>
<i>Total Program Rev - Governmental Activities</i>	<u>24,029,206</u>	<u>24,491,539</u>

Some of the program costs of governmental activities in 2015 were paid by revenues collected from those who directly benefited from the programs (\$19.5 million). These revenue sources include the following:

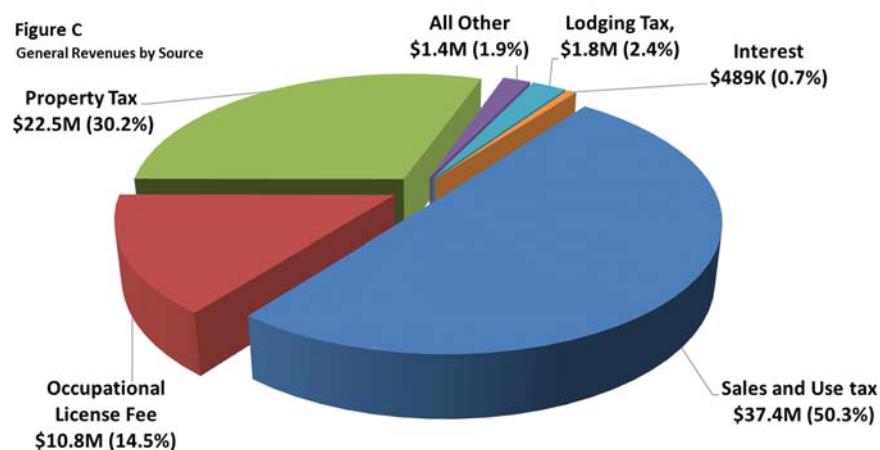
- General business license fees of \$6.4 million that support general government services.

- Residential rental license fees of \$1.6 million fund a portion of general government services. These fees are charged to owners whose property is used primarily for rental purposes.
- Court fines and tickets in the amount of \$959,679 that support 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.

Program costs were also defrayed by operating and capital grants and contributions of \$4.5 million. These revenues were down by \$1.3 million or 22.5% from fiscal year 2014. Components of this change are listed below.

- Donations are included in operating and capital grants and contributions, including asset donations. During fiscal 2014, the City received property donated by a citizen that resulted in a \$500,000 increase in capital contributions. There were no large donations in fiscal 2015, thus decreasing capital grants and contributions.
- A portion of this funding comes from the Community Development Block Grant (CDBG) program of the federal Department of Housing and Urban Development. Fiscal 2015 CDBG revenues of \$226,965 were used to rehabilitate inadequate housing, improve public facilities and provide utility assistance, temporary housing and food assistance programs to eligible citizens. This is a \$210,744 (48.2%) decrease from fiscal 2014.
- 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. As mentioned on the previous page, some developers are unable to complete the infrastructure in the subdivision. When that happens, 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, while forfeited bonds in fiscal 2015 were only \$93,078.

The City financed net expenses of \$58.8 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 2015:



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 50.3% 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 (30.2%). 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 (14.5%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn made payments of \$26.9 million to component units of the primary government during fiscal 2015. Of this amount, \$24.5 million (91.2%) was paid to the Board of Education, including \$5.0 million paid from education property taxes. An additional \$8.0 million paid to the Board in fiscal 2015 represented the use of borrowing proceeds used to pay for construction of a new high school. The \$11.5 million appropriated to Schools from the City’s General Fund represents the continued commitment by the City of Auburn in response to the Citizen Survey results, which show that educational funding is the citizens’ highest priority, consistently year after year.

### Business-type Activities

The City has two business-type activities. The largest is its sewer system, which includes two, active discharge permitted wastewater treatment plants operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. Of the two plants, in 2013 the City decided to shut down the treatment portion of the Northside Water Pollution Control Facility (NSWPCF), and made improvements to the south side facility, the H. C. Morgan Water Pollution Control Facility, that allows this plant to handle treatment of sewage for the entire city. Flow 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. City management will continue to evaluate rates internally and will engage a rate consultant in the future to re-evaluate the need for additional increases.

Table 6

**Excerpt of Business Type Activities (Condensed)**  
*from the*  
**City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2015 and 2014**

Business-Type Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2015	2014	2015	2014	2015	2014
<b>Functions and programs</b>	\$	\$	\$	\$	\$	\$
Sewer Fund	8,639,882	7,960,070	13,270,346	11,747,239	4,630,464	3,787,169
Solid Waste Management Fund	4,112,900	4,145,364	4,482,532	4,240,022	369,632	94,658
<b>Total business-type activities</b>	<b>12,752,782</b>	<b>12,105,434</b>	<b>17,752,878</b>	<b>15,987,261</b>	<b>5,000,096</b>	<b>3,881,827</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 from the prior year by \$1.5 million (13.0%). The most notable component of this increase is a \$1.3 million increase in lines contributed by developers. Sewer lines contributed by developers during fiscal 2015 totaled \$1.7 million, as compared to \$411,000 in fiscal 2014. This type of contribution, driven by development, can vary greatly from year to year. Another component of this increase in sewer related program revenue includes an increase in sewer service revenue of \$188,419 (1.9%), which is less than expected due to rainy weather patterns in fiscal 2015. Sewer service fees are charged based on water use. Water use is lower when the City experiences wetter than average conditions, causing revenue to increase at a lower than expected growth rate. Sewer access fees, fees paid by customers for new access to the sewer system, also increased by \$308,700 (26.9%). Two large multi-family developments added \$448,200 in access fee revenue this year.

Sewer Fund expenses (operating plus interest expense) increased by \$679,812 (8.5%) to \$8.6 million. This change is explained by an increase in depreciation expense of \$151,816 (7.3%), an increase in management professional services (wastewater treatment plant management) of \$119,355 (8.5%), and an increase in debt issue expense of \$232,534. During fiscal 2015, the City refunded long-term debt that included debt repaid by the Sewer Fund. In accordance with GASB Statement 65 – *Items Previously Reported as Assets and Liabilities*, these costs were expensed in fiscal 2015.

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 \$369,632 in fiscal 2015. 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%, 4.6%, and 4.4% on October 1 of 2011, 2012, 2013, and 2014 respectively, bringing the rate for curbside service to \$23.50. Residents who receive backdoor service currently pay \$10.00 per month more than the rate for curbside service.

As 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 \$242,510 (5.7%). This increase in program revenue primarily reflects an increase in solid waste collections fee revenue of \$272,101 (6.7%), attributed mainly to the 4.4% rate increase mentioned in the previous paragraph. Expenses of the SWMF decreased by \$32,464 (0.8%). This small decrease is primarily the result of lower equipment maintenance costs. As old equipment used in the solid waste and recycling function is replaced, equipment maintenance costs decrease. In addition, fuel costs have continued to decrease over the past year.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### **Governmental Funds**

As the City completed the 2015 fiscal year, its governmental funds reported a *combined* fund balance of \$134.5 million, an \$82.5 million (158.7%) increase from the prior year. The total increase in fund balance is comprised of a \$1.8 million increase in General Fund balance; a \$79.9 million increase in special revenue funds' fund balances; the debt service fund's fund balance increased by \$54,149 and capital projects funds' fund balances increased by \$677,509. 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 \$6.5 million (6.9%) over the prior year.
- Sales and use, the General Fund's single largest revenue source, increased by \$3.1 million (9.1%) during the 2015 fiscal year. Approximately a third of this amount is one-time revenue associated with 'piggy-back' audits concluded in fiscal year 2015. When the State performs audits of sales and use tax, the City has an opportunity to review the State audit and make appropriate assessments for City sales and use taxes. The remainder of this increase (\$2.3 million) reflects steady growth in the local economy, as well as the addition of several new commercial businesses.
- General property tax revenues increased by \$841,063 (3.9%). 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 2015. 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 \$664,182 (6.2%). This increase is the result of an increase of \$336,954 (5.5%) in general business license fees and an increase of \$292,659 (16.7%) in construction related permits.
- Contributions from the public decreased by \$1.2 million (63.4%). This is the result of a decrease of \$1.2 million (92.7%) in forfeited performance bonds. 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. During fiscal 2014, the City completed \$1.3 million in performance bond work, compared to only \$93,078 in fiscal 2015.
- Grant revenue increased by \$1.5 million (83.6%). This increase has two major components. In September 2011, the City was approved for a guaranteed loan under Section 108 of Title 1 of the Housing and Community Development Act of 1974. The original loan amount was \$3.3 million. Since 2012, the City has loaned these funds to qualifying businesses in the amount of \$2.2 million. The U.S. Department of Housing and Urban Development (HUD) periodically converts these interim loans to fixed rate loans and allows the entity to draw any remaining funds approved into the fixed rate note. The City chose to draw the remaining loan funds and include them in the fixed rate public offering, thus creating a grant revenue of \$1.0 million (net of any fees) in fiscal 2015. Also during fiscal 2015, the City received grant funds for public works projects totaling \$1.6 million as compared to \$1.0 million in fiscal 2014. Grant funded projects in fiscal 2015 include two intersection improvement projects at College Street and Longleaf Drive and Opelika Road at East University Drive and two smaller resurfacing projects.



- Other financing sources, excluding transfers between governmental funds, increased by \$94.7 million in fiscal 2015 over fiscal 2014. The major component of this large increase is related to debt issuance in fiscal 2015. During fiscal 2015, there were two major debt issuances that affected governmental funds. In October, the City refunded various debt issues to take advantage of favorable interest rates, creating proceeds from refunding that are offset by payments to bond escrow agents. Also in fiscal 2015, the City issued \$78.1 million in General Obligation Bonds on behalf of Auburn City Schools for construction of a new high school. More information on debt issuances and/or refunding can be found in the *Long-term Debt* section of this MD&A.

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

Total governmental expenditures increased by \$6.3 million (6.7%) in fiscal 2015 over fiscal 2014. The major components of this increase in governmental expenditures were an increase in payments to component units of \$7.2 million (36.5%), and a decrease in capital outlay of \$1.2 million (10.4%). In addition, departmental expenditures increased marginally by \$705,853 (1.7%). To summarize the changes in governmental funds' expenditures:

- The City's payments to its component units in 2015 increased by \$7.2 million (36.5%) from fiscal year 2014, as shown in Table 7. This net increase has two key components. In fiscal 2015, the City issued \$78.1 million in General Obligation Bonds to be used by Auburn City Schools to finance the construction of a new high school. The proceeds of this debt are being held and invested by the City, with transfers being made to the Schools when needed to pay for construction costs. These transfers of debt proceeds totaled \$8.0 million. Also affecting payments to component units is transfers to the IDB of \$1.3 million (proceeds from borrowing and contributions from the General Fund) for construction of infrastructure at the Auburn Technology Park West. This is a \$1.2 million (48.6%) decrease from 2014.
- Capital outlay decreased in fiscal 2015 by \$1.2 million (10.4%). Capital outlay expenditures can vary greatly from year to year based on the timing of capital projects and the necessity of replacing vehicles and equipment. For example, in fiscal 2014, the City completed several resurfacing projects using borrowing proceeds, totaling \$1.4 million. This project was completed with no additional spending in fiscal 2015, thus causing total capital outlay for governmental funds to decrease.
- Departmental expenditures experienced a small change, increasing by \$705,853 (1.7%). The most significant changes were seen in risk management (increase of \$303,197 or 22.3%), planning (decrease of \$88,521 or 13.2%), and public safety (increase of \$454,177 or 2.5%). The risk management function of the City includes workers' compensation related expenses, general liability expenses, and health insurance related expenses. In November of 2014, the City opened an employee wellness resource center, City Care. City Care operates as a health clinic and wellness resource several days a week and is available to employees and dependents that are enrolled in the City's health insurance plan. The expenses for operating the clinic are included in the risk management function and totaled \$226,798 in fiscal 2015.

The change in planning function expenditures can be attributed to a decrease in professional services costs of \$92,721 in fiscal 2015. During fiscal 2014, the City engaged a consultant to perform planning services and urban design, and to facilitate public meetings for the Auburn Downtown Master Plan. The public safety function increase can be attributed to normal fluctuations in employee related costs, including overtime and benefits.

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 2015</u>	<u>FY 2014</u>	<u>FY 15 &gt; FY 14</u>
Auburn City Schools	\$	\$	\$
General revenues	11,500,000	9,550,759	1,949,241
Education property taxes	5,003,023	6,800,000	(1,796,977)
Debt issuance - Schools	8,002,563	-	8,002,563
Subtotal to Schools	24,505,586	16,350,759	8,154,827
Industrial Development Board			
Operating Costs	680,000	625,000	55,000
West Tech Park Improvements	1,291,469	2,513,796	(1,222,327)
Subtotal to IDB	1,971,469	3,138,796	(1,167,327)
Water Board	103,000	-	103,000
Public Park & Rec Board	278,292	190,127	88,165
Total - Component Units	26,858,347	19,679,682	7,178,665

- The City appropriated \$11.5 million out of its general revenue to the Auburn City Schools in fiscal year 2015. The City has committed to providing one penny of its four pennies of sales tax to the Schools. This commitment includes a floor of \$11.5 million, meaning that when one penny of total sales tax collected is less than \$11.5 million, the City will not lower the amount appropriated to the Schools. As sales tax collections increase, the amount appropriated to the Schools will also increase.
- In addition to the City's General Fund providing support to the schools, the School Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for principal and interest on school debt issued by the City of Auburn on behalf of the Auburn Board of Education and provides additional funds for operating expenses of the school system. This payment of additional operating funds of \$5.0 million in fiscal 2015 is a \$1.8 million (26.4%) decrease from 2014.
- Transfers for the operating costs of the Industrial Development Board increased by \$55,000, or 8.8%, during fiscal 2015. 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 transferred \$1.3 million to the Industrial Development Board in fiscal 2015 for construction of infrastructure in the Auburn Technology Park West, which is a \$1.2 million (48.6%) decrease. This coupled with the \$55,000 increase in transfers for operations mentioned above resulted in a net decrease of \$1.2 million in payments to the Industrial Development Board.
- The Water Works Board of the City of Auburn (Water Board) provides water for the citizens of Auburn. In fiscal 2015, the City's Parks and Recreation Department inquired about purchasing land owned by the Water Board that was historically used for a water tower that had been removed. The Water Board sold the land to the City and agreed to extend an interest-free loan of \$115,000 to the City to be repaid over 12 years. Based on GASB Statement 48 – *Sales and Pledges of Receivables and Future Revenue and Intra-Entity Transfers of Assets and Future Revenues*, this transaction resulted in a capital outlay expenditure of \$12,000, the carrying value of the land on the Water Board's books, and a payment to component unit expenditure of \$103,000.
- 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 2015, the transfer increased by \$88,165 (46.4%) to \$278,292. Participation in leagues dropped significantly during 2015, causing court fees to decrease. Management of the center plans to allocate more resources toward recruiting and managing leagues in the future.

### ***Proprietary Funds***

The City of Auburn has two proprietary funds, which account for its business-type activities. The Sewer Revenue Fund, an enterprise fund, accounts for sewer collection, treatment and disposal services provided to residents and businesses within the City limits. The Solid Waste Management Fund, also an enterprise fund, accounts for services to collect and dispose of solid waste and recycling materials provided to the same customers. Net position of these proprietary funds combined increased by \$3.1 million (7.5%) from fiscal 2014 to fiscal 2015.

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

Sewer Revenue Fund operating revenues increased by \$463,044 (4.2%) in 2015 as compared to 2014. This increase in operating revenue is composed of two things. First, sewer service fees increased by \$188,419 (1.9%), 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, access fee revenue increased by \$308,700 (29.6%). Two large multi-family developments paid access fees in 2015 causing a variation in access fee revenue above normal growth. In addition to changes in operating revenue, the Sewer Fund's net position was increased by \$1.7 million from developers' contributions (sewer lines) in fiscal 2015, which is a \$1.1 million (155.7%) increase from contributions (both sewer lines and cash) in 2014. 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 \$243,896 (5.7%) in 2015. In addition to operating revenue, this fund's net position was increased by \$65,191 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 fourth rate increase (\$1 or 4.4%) of a four-year phased schedule became effective on October 1, 2014, bringing the rate to \$23.50 for curbside service while customers receiving backdoor service began paying \$33.50 per month. 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 2015 increased by \$606,563 (10.3%). The largest component of this change was management fees, which increased by \$181,905 (13.6%). Management fees are paid to Veolia Water North America Operating Services, LLC for operations of the sewer plant and lift stations. This increase resulted primarily because of staffing issues during fiscal 2014. Several employees were terminated during 2014, which decreased expenses for salaries and benefits. The plant became fully staffed again during 2015, which brought employee related expenses back to a more normal level. Also contributing to the overall increase in expenses in the Sewer Fund were increases in repair parts and maintenance (\$78,397 or 92.6%), due to increased repairs to pump stations, heavy equipment, and transmission lines; an increase in depreciation expense (\$151,816 or 7.3%), resulting from the capitalization of several sewer projects and lines contributed by developers, including the Southside

Sewer Basin 17 rehabilitation project costing \$461,898; and an increase in salaries and benefits for sewer function employees. There was a vacant engineering position for most of the fiscal 2014 period. This position was filled in September 2014, returning employee expenses for the fiscal 2015 period to typical amounts.

In the Solid Waste Management Fund, operating expenses decreased slightly by \$32,465 (0.8%). The main component of the decrease can be attributed to lower gas prices. Total fuel expenses decreased by 32.9% over 2014. Controlling costs has been a priority of the solid waste and recycling division. This effort is evident in the results for fiscal 2015.

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 2015 fiscal year. The Sewer Revenue Fund, a proprietary fund, has been a major fund since fiscal 2003. This major fund classification is the same as the classification in fiscal 2014.

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

At the end of fiscal 2015, the total fund balance of the City's General Fund increased \$1.8 million (4.3%) 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 2015 total ending fund balance was \$44.3 million, compared to \$42.5 million at the end of 2014.

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 \$6.0 million (60.0%) from 2014. These balances represent investments, inventories, prepaid items, advances, and land held for resale. The City has increased its investment portfolio over the past year, thus increasing nonspendable fund balance. The restricted and assigned categories decreased by \$914,403 (13.2%), primarily the result of a lower estimated drawdown in the adopted fiscal 2015 budget as compared to 2014. Unassigned fund balance decreased by \$3.2 million (12.7%).

The General Fund's total assets increased by \$852,156 (1.6%) during 2015. Several significant items contributed to this small, net increase.

- Cash and cash equivalents (including certificates of deposit) decreased by \$5.5 million (17.4%), while investments increased by \$5.2 million (92.9%). This shift in asset classification resulted when the City purchased U.S. Treasury investments with idle cash. Another component of the change in investments is a result of a development incentive transaction that occurred between the City of Auburn, the Auburn Downtown Redevelopment Authority, and a private developer. During fiscal 2015, the City invested funds into the Authority to facilitate further downtown redevelopment. The Authority must repay the City, creating an investment receivable on the City's balance sheet.
- Accounts receivable increased by \$981,379 (10.4%) over 2014. The major component of this change was an increase of \$1.1 million in revenues receivable, partly attributable to revenue due to the City as a result of piggy-back audits. As discussed in the *Governmental Funds* section, when

the State performs audits of sales and use tax, the City has an opportunity to review the State audit and make appropriate assessments for City sales and use taxes. In addition, the City has experienced continued growth in the economy. Economic development efforts have brought several new commercial businesses to the area, and the City continues to see an increase in population. This growth resulted in additional sales tax being accrued at the end of the fiscal year.

- Prepaid items increased by \$757,192 (2,667.0%). In fiscal 2015, the City purchased a 2015 Pierce Velocity pumper fire truck. In order to take advantage of a prepayment discount, the City prepaid \$744,889 to the vendor, causing the large increase in prepaid expenditures as compared to 2014.

Total liabilities of the General Fund decreased by \$982,056 (10.2%) in 2015. 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 \$609,171 (14.1%). 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 of 9 subdivisions totaled \$1.2 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 \$5.0 million from this fund for operations in 2015. This is a \$1.8 million (26.4%) decrease from 2014. This amount varies from year to year depending on property tax revenue collections, fund balance levels of this fund, and needs of the school system. In addition to the operating transfer, the City transferred \$8.0 million of borrowing proceeds to the Schools for construction of a new high school. The City issued \$78.1 million in general obligation bonds for construction of a new high school. These funds are held and invested by the City, and as construction invoices are paid by the Schools, the City transfers borrowing proceeds necessary to cover those cash outlays. Revenues increased by \$718,246 (5.4%) in this fund, and expenditures, including the transfers mentioned above and debt service on borrowings, increased by \$7.0 million (50.9%). Also in 2015, \$10.2 million in general obligation refunding and capital improvement warrants were issued for the Schools. This debt refunding combined with the large issue mentioned above increased other financing sources by a net amount of \$82.0 million over 2014; there were no debt issuances in fiscal 2014.

#### ***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.

Total revenue in this fund increased by \$1.2 million (138.6%). This increase is primarily the result of drawing funds from the City's approved Section 108 loan with the Department of Housing and Urban Development (HUD). In September 2011, the City was approved for a guaranteed loan under Section 108 of Title 1 of the Housing and Community Development Act of 1974. HUD periodically converts these interim loans to fixed rate loans and allows the entity to draw any remaining funds approved into the fixed

rate note. The City chose to draw the remaining loan funds and include them in the fixed rate public offering, thus creating a grant revenue of \$1.0 million (net of any fees) in fiscal 2015. Expenditures in this fund increased by \$425,155 (96.9%), a result of Section 108 loans made to businesses during the year. 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 lift stations.

The Sewer Fund's net position increased by \$3.7 million (9.6%) in fiscal year 2015. The largest change in the components of net position is an increase of \$3.6 million (11.2%) in net investment in capital assets. In addition, net position restricted for capital projects increased by \$1.3 million. This increase is a result of access fees collected during fiscal 2015. 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. The access fee balance at September 30 was \$2.0 million.

Assets of the Sewer Fund increased by \$2.3 million (2.6%). Factors attributing to this increase are assets capitalized and depreciation. Assets capitalized included a decrease of \$282,912 (26.4%) in capital assets not being depreciated, such as land and construction in progress, and a \$1.9 million (2.5%) increase in capital assets being depreciated, such as buildings, vehicles, and sewer lines. During 2015, the City capitalized the Southside Sewer Basin 17 rehabilitation project. This project, costing \$461,898, rehabilitated sanitary sewer infrastructure in the vicinity of Woodfield Drive, Reese Avenue, South Gay Street, and South College Street. Other assets capitalized included three bypass pumps for lift stations in Shadow Wood, Wimberly Station, and Solamere subdivisions (\$234,779) and Scada system improvements in 12 remote sites (\$325,735). The SCADA system improvements allows for remote monitoring of the City's sewer lift stations, using graphic trending and alarms. In addition, sewer lines contributed by developers (\$1.7 million) were capitalized during fiscal 2015. Depreciation, which offsets capital assets balances, totaled \$2.2 million this year.

Sewer Fund liabilities increased by \$1.4 million (2.9%), primarily the result of the addition of a net pension liability. The City implemented Governmental Accounting Standards Board Statement 68 – *Accounting and Financial Reporting for Pensions* in fiscal 2015. The City and its employees contribute to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for participants. The net pension liability of the Sewer Revenue Fund required to be included in the long-term liabilities section of the Statement of Net Position as of September 30, 2015 was \$827,146.

Operating revenues of the Sewer Fund increased by \$463,044 (4.2%). This change is composed of a \$188,419 (1.9%) increase in sewer service charges, which is primarily the result of normal growth and an increase in sewer access fee revenue of \$308,700 (26.9%). This increase in access fees is the result of two large multi-family developments that added \$448,200 this year.

Operating expenses increased by \$606,563 (10.3%); major components of this increase were an increase in facility management fees of \$181,905 (13.6%) and an increase in depreciation expense of \$151,816 (7.3%). Management fees are paid to Veolia Water North America Operating Services, LLC for operation of the City's two wastewater treatment plants.

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

### **General Fund Budgetary Highlights**

The City of Auburn adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. Auburn's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. The budget 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 2015 *final* General Fund budget projected \$74.1 million in revenue and \$697,500 in other financing sources; appropriations were approved for \$78.6 million in expenditures and \$6.1 million in other financing uses, producing a planned reduction of \$9.9 million in the General Fund's fund balance. Actual amounts for revenues (\$77.8 million), other financing sources (\$646,084), expenditures (\$70.6 million), and other financing uses (\$6.0 million) netted to a positive change in fund balance. As a result, the General Fund's fund balance increased by \$1.8 million in 2015.

The original revenue projections in the General Fund were \$4.5 million under the *final* budget. Budget adjustments resulted from varied growth/decline in revenue sources, with the largest increase found in sales and use tax (\$3.2 million or 9.7%). Other increases from budget adjustments were seen in licenses and permits (\$716,950 or 7.2%), state shared taxes (\$311,508 or 44.7%), and rental and leasing taxes (\$140,000 or 24.3%). 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 \$2.5 million in fiscal 2015. All individual departments kept expenditures under final budget. The Public Safety function was significantly under budget by \$535,535. The majority of this savings can be attributed to various position vacancies throughout the year, as well as reclassifications of health insurance claims. Other expenses, such as payments to other agencies for police and fire assistance on Auburn University game days were also slightly under budget. The General Government and Administration function was under budget by \$431,821. General government expenditures include sales and use tax rebates made to businesses participating in the City's Commercial Development Incentive Program, created pursuant to Amendment 772 to the Alabama Constitution of 1901. The number of businesses participating in the program that have met the requirements to begin receiving rebates has grown over the past two years. Given the highly variable nature of this rebate program, the budget for the rebate payments is very conservative, causing this expenditure to be \$137,173 under budget for fiscal 2015. The Risk Management function was also under budget. This function finished the year with \$376,116 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.

Non-departmental expenditures were slightly over budget by \$50,267. There were several non-capital items, including \$113,000 for illuminated street signs, which were expended from capital outlay accounts during the year. These items were reclassified to the non-departmental function during the year-end process, causing the non-departmental expenditures to be over budget. Capital outlay expenditures were under budget by \$4.4 million. Certain capital outlay expenditures planned for fiscal 2015, such as the Moore's Mill Bridge replacement project and the fiscal 2015 annual resurfacing project, were not completed and carried over to future years.

The total operating budget for all departments increased slightly by \$269,198 (0.6%). The two largest increases (\$177,644 and \$148,148) were in the amounts appropriated for the Planning and Public Safety functions, respectively. The adjustment of the Planning budget reflected an increase in the amount of professional services that resulted from engaging a consultant to perform planning services and urban design and to facilitate public meetings for the Auburn Downtown Master Plan. The Public Safety budget reflects small increases in employee salaries and benefits and increases for payouts related to employee retirements.

## 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, 2015, the City owned \$221.8 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 \$6.3 million (2.9%) 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 2015. Some of these additions were multi-year projects that were completed in 2015 and reclassified from construction in progress.

<b>Table 8</b>		<b>Largest Capital Asset Additions</b>	
		<b>Fiscal Year 2015</b>	
		Total Cost	
<i>Wastewater system expansion and improvements</i>		\$	
	Southside sewer basin 17 rehabilitation	461,898	
	Bypass pumps for 3 sewer lift stations	234,779	
<i>Equipment</i>			
	Bucket truck	162,218	
	Sewer vacuum truck	361,335	
<i>Parking Improvements</i>			
	Downtown Parking Improvements	875,511	
<i>Roadway improvements</i>			
	Street resurfacing	2,406,520	
	Subdivision completion resurfacing	510,756	
<b>Total</b>		<b>5,013,017</b>	

The City has committed, through general fund funding and potential future borrowings, to continue or complete some major construction projects in fiscal years 2016 and 2017. These major projects include: transportation improvements (bridge construction and resurfacing) totaling approximately \$12.3 million, redevelopment and neighborhood enhancement projects totaling approximately \$9.4 million, and City facilities improvements totaling approximately \$3.8 million. Note 9 of the narrative notes to the financial statements provide additional detail on capital assets.

### Long-term Liabilities

At 2015 fiscal year-end, the City owed \$279.3 million in long-term liabilities outstanding, of which \$13.6 million will mature during fiscal 2016. Long-term liabilities include bonds, warrants, and notes payable,



accumulated annual leave, claims payable, landfill closure liability, other post-employment benefits liability, advances from component units, and pension liability. The fiscal 2015 net increase in long-term liabilities, including the current portion, from the previous year was \$100.9 million or 56.5%.

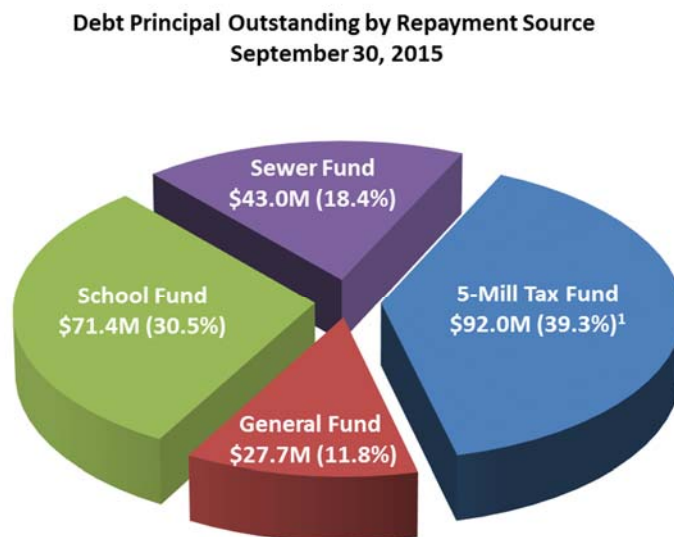
**Bonds and warrants payable**

Bonds and warrants payable outstanding at September 30, 2015 total \$234.1 million. As mentioned in the *Net Position* section, the City issues debt for Auburn City Schools and for projects that result from partnerships with Auburn University or component units of the City. Of the \$234.1 million in debt outstanding, \$149.6 million is debt issued for assets that belong to Auburn City Schools and \$2.4 million is debt issued for assets that are owned by the City’s Public Park and Recreation Board.

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

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

Figure D



<sup>1</sup> \$71.4 million of debt outstanding in the 5-Mill Tax Fund was issued for education purposes.

At the end of fiscal 2015, long-term debt with \$92.0 million in principal outstanding will be paid from the Special Five-Mill Tax Fund. In April 2015, the City of Auburn held a special municipal bond election allowing the citizens of Auburn to vote on using the Special Five-Mill Tax fund for projects for educational purposes. The debt related to this referendum was issued in June 2015 in the principal amount of \$78.1 million. In the future, the City intends to move existing Special Five-Mill Tax fund debt to the General Fund, leaving this new education related debt as the only debt being repaid by the this fund. Also in fiscal 2015, the City issued \$31.9 million in refunding debt that included \$2.5 million in debt for this fund.

The City also repays debt issued for Auburn City Schools from the Special School Tax Fund, which is a fund that accounts for 16 mills of ad valorem taxes that are legally designated for education purposes. The

principal amount of currently outstanding school debt stands at \$71.4 million, which will be repaid from these dedicated taxes. During fiscal 2015, the City issued \$31.9 million in refunding debt, of which \$10.2 million was for this fund.

The Sewer Revenue Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$43.0 million. This fund was also included in the 2015 refunding debt, with \$19.2 million being refunded. The City did not issue new debt for the Sewer Revenue Fund during fiscal 2015.

The remaining \$27.7 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 2015.

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

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, and water and sewer purposes are exempt from the legal debt limit. The City's outstanding debt applicable to this limit is \$38.4 million, resulting in a legal debt margin (additional legal debt capacity) of \$129.2 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 2015 is 17.5%; the ratio for 2014 was 19.6%.

### **Bond Ratings**

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

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

### **ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES**

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

#### **City of Auburn Mission Statement**

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

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

- Recruiting and maintaining a highly motivated work force committed to excellence; and
- Facilitating citizen involvement.

The City's robust budgetary processes, proactive financial management efforts, aggressive (yet selective) industrial and commercial recruitment strategies, the presence of Auburn University, a diversified revenue base and the exceptional City public school system, all combine to position Auburn as a strong municipal economy. As the economy within the State of Alabama and the nation as a whole continues to improve, Auburn has remained a relatively stable and growing economy. The City's unemployment rates typically compare favorably with the State's and national rates. The most recent data available from the Alabama Department of Labor show that for September 2015, Auburn's unemployment rate was 4.9%. The State's unemployment rate in September 2015 was 5.9%; the national rate was 4.9% (US Bureau of Labor Statistics).

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

The City's Commercial Development Incentive Program (CDIP) has brought numerous new and redeveloped commercial enterprises to the Auburn area. Two examples of this are the renovation and expansion of the Corner Village shopping center, which is anchored by Kroger, and the complete teardown and redevelopment of a vacant commercial center into a new Walmart Neighborhood Market. In addition, the Auburn Downtown Redevelopment Authority used the CDIP to facilitate the redevelopment of the historic Auburn Train Depot into an up-scale restaurant. 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 building was completed in summer 2015. 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 inaugural class (162 students) of 2019 started in the fall of 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 had dropped back to more typical levels for the area, fiscal 2001 (254 permits) to fiscal 2014 (388 permits), after a period of significant growth from 2004 – 2007, during which an average of 445 single family homes were permitted each year. Single family detached permits again spiked in 2015, with 455 permits issued, an increase of 67 (17.3%) as compared to 2014. Commercial/industrial/institutional building activity (including new construction and additions/renovations) decreased in fiscal year 2015 compared to the activity of 2014 in terms of valuation (\$8.8 million or 13.9%). A major component of this decrease resulted from permitting of two hotels in 2014, while only one hotel was permitted in 2015. The City's size has grown from 45.5 square miles in 2001 to 59.4 square miles in 2015. Population growth has continue to average about 3% per year.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2015 and 2016. For the original 2015 and 2016 biennium budget, revenues were projected conservatively, but realistically. Management's strategy has 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. During the summer of 2015, the City budget staff compiled and proposed a mid-biennium budget adjustment to present to the City Council that included adjustments to fiscal 2015 prior to year-end and revisions to 2016 based on more up-to-date projections and spending priorities. In conjunction with this review, staff reviewed the sufficiency of current revenues by evaluating the City's overall revenue structure within the context of the City's long-term financial projections. No changes were made to the revenue structure during this 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, 2015 stood at 57.8% of expenditures compared to 60.2% in 2014. 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 52.5% 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 57.0% and 57.6% at the end of fiscal 2015 and 2014, 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, a consultant evaluated the sufficiency of water rates to meet the capital needs and system requirements of the Board for fiscal years 2014-2019. Since many of the large projects looming for the Board were still in the design phase, the Board did not increase rates at this time. As more information about the projects became available, the staff used this rate study information to prepare a new projection model based on the amount of debt needed for the projects and the capacity of the Board to handle additional debt service and meet coverage requirements. This analysis resulted in a recommendation to the Board of raising rates by 5% in January 2016 and an additional 5% in October 2016. The Board issued \$16.7 million in water revenue bonds in November 2015 to cover the costs of replacement of the spillway at the Board's main water source, Lake Ogletree.

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 citizens of Auburn also supported the Council's desire to use revenue from the Special Five Mill Tax Fund for educational purposes. This fund accounts for five mills of ad valorem taxes legally restricted to pay for debt service on capital projects approved by voters. In April 2015, a referendum was held asking Auburn citizens to vote on using the revenue in this fund to pay for debt used to construct a new high school, allowing the City to continue their priority of supporting the local school system.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Auburn's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. 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, 2015**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	46,077,913	9,265,865	55,343,778	30,887,871
Certificates of deposit	1,142,896	-	1,142,896	59,288
Receivables, net	9,569,686	1,800,424	11,370,110	1,453,246
Due from component units	451,810	197,271	649,081	-
Inventories	49,396	19,480	68,876	537,848
Current portion of assessments receivable	182,910	-	182,910	-
Current portion of mortgages and notes receivable	125,897	-	125,897	63,351
Current portion of net investment in capital leases	-	-	-	354,337
Property tax receivable	-	-	-	5,941,800
Due from other governments	-	-	-	1,570,982
Due from primary government	-	-	-	164,552
Other current assets	856,577	28,834	885,411	204,026
Restricted cash	526,776	-	526,776	112,886
<b>Total current assets</b>	<b>58,983,861</b>	<b>11,311,874</b>	<b>70,295,735</b>	<b>41,350,187</b>
<b>Noncurrent assets:</b>				
<b>Restricted assets</b>				
Cash and cash equivalents	-	-	-	5,320,209
Investments	-	-	-	2,791,192
Assessments receivable, net of current portion	1,097,460	-	1,097,460	-
Mortgages and notes receivable, net of current portion	2,496,108	-	2,496,108	166,022
Investments	79,216,563	-	79,216,563	-
Net investment in capital leases, net of current portion	-	-	-	4,505,873
Prepaid bond issue insurance	983	-	983	-
Advances to component units	1,200,000	-	1,200,000	-
Advances to primary government	-	-	-	115,000
Advances to other agencies	134,331	-	134,331	-
Property for resale	4,131,127	-	4,131,127	10,018,269
Capital assets not being depreciated	25,465,723	826,624	26,292,347	34,035,632
Capital assets net of accumulated depreciation	115,908,549	79,632,541	195,541,090	204,422,443
Net pension asset	-	-	-	10,067,681
<b>Total noncurrent assets</b>	<b>229,650,844</b>	<b>80,459,165</b>	<b>310,110,009</b>	<b>271,442,321</b>
<b>Total assets</b>	<b>288,634,705</b>	<b>91,771,039</b>	<b>380,405,744</b>	<b>312,792,508</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	-	-	1,010,035
Deferred amount on refunding	3,927,794	3,393,458	7,321,252	1,136,166
Pension related	2,412,254	292,521	2,704,775	6,814,183
<b>Total deferred outflows of resources</b>	<b>6,340,048</b>	<b>3,685,979</b>	<b>10,026,027</b>	<b>8,960,384</b>

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



**CITY OF AUBURN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**  
**CONTINUED**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
<b>LIABILITIES</b>				
Current liabilities:				
Liabilities payable from restricted assets:				
Current portion of long-term debt	-	-	-	735,000
Accrued interest payable	-	-	-	181,682
Accounts payable and other accrued liabilities	2,035,556	504,294	2,539,850	4,010,717
Payable to other governments	1,683,273	-	1,683,273	-
Due to component units	49,412	115,140	164,552	-
Accrued interest payable	1,665,503	534,929	2,200,432	-
Salaries and benefits payable	620,185	104,707	724,892	5,684,465
Claims payable	191,160	-	191,160	-
Customer deposits	300,422	713,099	1,013,521	2,118,439
Unearned revenue	2,148,791	-	2,148,791	364,798
Current portion of long-term debt	11,252,883	2,395,000	13,647,883	2,498,558
Short term notes payable	-	-	-	2,245,207
Due to primary government	-	-	-	649,081
Obligations under capital leases	-	-	-	582,187
Total current liabilities	<u>19,947,185</u>	<u>4,367,169</u>	<u>24,314,354</u>	<u>19,070,134</u>
Noncurrent liabilities:				
Advances from component unit	115,000	-	115,000	-
Advances from primary government	-	-	-	1,200,000
Derivative instrument liability	-	-	-	1,010,035
Long-term debt and other liabilities	191,806,737	44,598,274	236,405,011	63,338,429
Net pension liability	27,155,070	1,955,622	29,110,692	56,659,895
Total noncurrent liabilities	<u>219,076,807</u>	<u>46,553,896</u>	<u>265,630,703</u>	<u>122,208,359</u>
Total liabilities	<u>239,023,992</u>	<u>50,921,065</u>	<u>289,945,057</u>	<u>141,278,493</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Future property tax revenue	-	-	-	5,941,800
Pension related	1,464,079	176,548	1,640,627	4,639,013
Total deferred inflows of resources	<u>1,464,079</u>	<u>176,548</u>	<u>1,640,627</u>	<u>10,580,813</u>
<b>NET POSITION</b>				
Net investment in capital assets	118,307,151	37,097,393	155,404,544	174,817,498
Restricted for :				
Capital projects	2,272,196	1,970,849	4,243,045	2,015,016
Debt service	2,531,934	-	2,531,934	1,804,077
Federal and state grants	4,768,196	-	4,768,196	-
Restricted for other projects	2,860,701	-	2,860,701	2,127,543
Housing assistance payments	-	-	-	21,785
Special revenues (gas tax and road projects)	180,937	-	180,937	-
Special revenues (ad valorem tax for schools)	79,502,273	-	79,502,273	-
Special revenues (public safety)	618,939	-	618,939	-
Unrestricted (deficit)	<u>(156,555,646)</u>	<u>5,291,163</u>	<u>(151,264,483)</u>	<u>(10,892,333)</u>
Total net position	<u>54,486,681</u>	<u>44,359,405</u>	<u>98,846,086</u>	<u>169,893,586</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, 2015**

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		Total	
					Governmental Activities	Business-type Activities		
	\$	\$	\$	\$	\$	\$	\$	
<b>Primary government:</b>								
Governmental activities:								
General government and administration	8,880,442	13,617,202	1,170,552	-	5,907,312	-	5,907,312	
Public works	7,600,358	1,400	626,268	1,897,266	(5,075,424)	-	(5,075,424)	
Environmental services	2,201,278	-	-	-	(2,201,278)	-	(2,201,278)	
Public safety	19,363,905	4,318,581	151,166	9,314	(14,884,844)	-	(14,884,844)	
Library	1,770,379	32,445	8,850	-	(1,729,084)	-	(1,729,084)	
Parks and recreation	6,207,847	697,981	10,000	275,613	(5,224,253)	-	(5,224,253)	
Planning	583,137	55,663	-	-	(527,474)	-	(527,474)	
Social and economic development	4,624,506	-	387,564	-	(4,236,942)	-	(4,236,942)	
Human resources	742,752	-	-	-	(742,752)	-	(742,752)	
Risk management	1,576,913	769,341	-	-	(807,572)	-	(807,572)	
Education (payments to Board of Education)	24,505,586	-	-	-	(24,505,586)	-	(24,505,586)	
Interest on long-term debt	4,772,926	-	-	-	(4,772,926)	-	(4,772,926)	
Total governmental activities	82,830,029	19,492,613	2,354,400	2,182,193	(58,800,823)	-	(58,800,823)	
Business-type activities:								
Sewer Fund	8,639,882	11,528,965	-	1,741,381	-	4,630,464	4,630,464	
Solid Waste Management Fund	4,112,900	4,482,532	-	-	-	369,632	369,632	
Total business-type activities	12,752,782	16,011,497	-	1,741,381	-	5,000,096	5,000,096	
Total primary government	95,582,811	35,504,110	2,354,400	3,923,574	(58,800,823)	5,000,096	(53,800,727)	
<b>Component units:</b>								
Board of Education	77,642,397	5,905,513	40,435,006	2,206,611	-	-	-	(29,095,267)
Water Works Board	9,533,456	9,734,624	-	1,234,463	-	-	-	1,435,631
Industrial Development Board	4,341,105	4,072,909	-	1,489,228	-	-	-	1,221,032
Housing Authority	3,907,133	273,402	2,929,370	113,695	-	-	-	(590,666)
Public Park & Recreation Board	681,309	77,229	-	-	-	-	-	(604,080)
Total Component Units	96,105,400	20,063,677	43,364,376	5,043,997	-	-	-	(27,633,350)
General revenues								
Taxes:								
Sales taxes					37,418,331	-	37,418,331	6,352,119
Occupational license fees					10,804,202	-	10,804,202	-
Property taxes					22,486,529	-	22,486,529	5,505,902
Motor fuel taxes					365,345	-	365,345	-
Lodging taxes					1,816,370	-	1,816,370	-
Rental and leasing taxes					768,245	-	768,245	-
Cigarette taxes					73,306	-	73,306	-
Alcoholic beverage taxes					180,604	-	180,604	544,288
Other taxes					-	-	-	54,095
Appropriations from the City of Auburn					-	-	-	25,463,878
Federal and state aid not restricted					-	-	-	4,180
Interest and investment earnings					488,820	34,395	523,215	549,929
Estimated pension earnings					-	-	-	793,264
Gain on disposal of assets					-	78,422	78,422	-
Miscellaneous					40,790	7,326	48,116	892,778
Transfers					130,979	(130,979)	-	-
Total general revenues and transfers					74,573,521	(10,836)	74,562,685	40,160,433
Change in net position					15,772,698	4,989,260	20,761,958	12,527,083
Net position - beginning					65,206,506	41,245,874	106,452,380	202,308,700
Prior period adjustment					(26,492,523)	(1,875,729)	(28,368,252)	(44,942,197)
Net position - beginning, as restated					38,713,983	39,370,145	78,084,128	157,366,503
Net position - ending					54,486,681	44,359,405	98,846,086	169,893,586

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

**CITY OF AUBURN, ALABAMA**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2015**

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
Cash and cash equivalents	25,703,232	14,275,852	212,144	5,886,684	46,077,912
Certificates of deposit	79,896	1,063,000	-	-	1,142,896
Investments	10,892,259	67,449,299	875,005	-	79,216,563
Receivables, net	10,378,661	276,732	6,412	188,252	10,850,057
Due from other funds	11,326	-	-	10,802	22,128
Due from component units	451,810	-	-	-	451,810
Inventories	49,396	-	-	-	49,396
Prepaid items	785,583	-	-	-	785,583
Mortgages receivable	-	-	2,622,005	-	2,622,005
Advances to component units	-	-	1,200,000	-	1,200,000
Advances to other agencies	134,331	-	-	-	134,331
Restricted cash	343,988	-	182,787	-	526,775
Property for resale	4,131,127	-	-	-	4,131,127
<b>Total assets</b>	<b>52,961,609</b>	<b>83,064,883</b>	<b>5,098,353</b>	<b>6,085,738</b>	<b>147,210,583</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	2,655,103	1,430	29	85,312	2,741,874
Payables to other governments	1,683,273	-	-	-	1,683,273
Due to component units	14,451	-	-	34,961	49,412
Customer deposits	267,145	-	-	-	267,145
Claims payable	191,160	-	-	-	191,160
Due to other funds	-	-	10,802	11,326	22,128
Unearned revenue	3,720,720	-	3,822,054	114,257	7,657,031
Advance from component unit	115,000	-	-	-	115,000
<b>Total liabilities</b>	<b>8,646,852</b>	<b>1,430</b>	<b>3,832,885</b>	<b>245,856</b>	<b>12,727,023</b>
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Investments	10,892,261	-	-	-	10,892,261
Inventories	49,396	-	-	-	49,396
Prepaid items	785,583	-	-	-	785,583
Advances	134,331	-	-	-	134,331
Property for resale	4,131,127	-	-	-	4,131,127
<b>Restricted</b>					
Roads, bridges and streets	-	-	-	180,938	180,938
Law enforcement	343,988	-	-	696,746	1,040,734
Education	-	83,063,453	-	-	83,063,453
General grants	-	-	-	158,069	158,069
Social and economic	-	-	1,265,468	-	1,265,468
Capital projects	-	-	-	2,272,196	2,272,196
Debt service	-	-	-	2,531,934	2,531,934
<b>Assigned</b>					
Social and economic	240,026	-	-	-	240,026
General	5,409,075	-	-	-	5,409,075
Unassigned	22,328,970	-	-	-	22,328,970
<b>Total fund balances</b>	<b>44,314,757</b>	<b>83,063,453</b>	<b>1,265,468</b>	<b>5,839,883</b>	<b>134,483,561</b>
<b>Total liabilities and fund balances</b>	<b>52,961,609</b>	<b>83,064,883</b>	<b>5,098,353</b>	<b>6,085,739</b>	

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.	141,374,272
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(225,337,738)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	5,508,240
Prepaid items accounted for using the purchases method are not reported in the funds.	70,994
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(1,612,648)
<b>Net position of governmental activities</b>	<b>54,486,681</b>

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, 2015**

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
<b>Revenues</b>					
Sales and use taxes	37,418,331	-	-	-	37,418,331
Occupational license fees	10,804,202	-	-	-	10,804,202
Motor fuel taxes	719,367	-	-	-	719,367
Lodging taxes	1,816,370	-	-	-	1,816,370
Rental and leasing taxes	768,245	-	-	-	768,245
Other taxes	253,910	-	-	-	253,910
Licenses and permits	11,302,434	-	-	-	11,302,434
General property taxes	4,746,592	13,740,703	-	3,999,234	22,486,529
Charges for services	6,743,621	-	-	-	6,743,621
Fines and forfeitures	1,218,554	-	-	202,258	1,420,812
State shared taxes	1,152,212	-	-	272,246	1,424,458
Contributions from the public	579,941	-	-	89,033	668,974
Grants	-	-	1,447,000	1,871,443	3,318,443
Program income	-	-	474,915	-	474,915
Interest	221,162	177,150	68,261	22,248	488,821
Miscellaneous	64,682	-	232	-	64,914
<b>Total revenues</b>	<u>77,809,623</u>	<u>13,917,853</u>	<u>1,990,408</u>	<u>6,456,462</u>	<u>100,174,346</u>
<b>Expenditures</b>					
General government and administration	5,684,278	-	-	2,905	5,687,183
Public works	3,577,600	-	-	-	3,577,600
Environmental services	1,999,822	-	-	-	1,999,822
Public safety	18,387,890	-	-	133,644	18,521,534
Library	1,610,852	-	-	8,850	1,619,702
Parks and recreation	4,975,692	-	-	-	4,975,692
Planning	582,693	-	-	-	582,693
Economic development	1,154,871	-	757,275	439,264	2,351,410
Employee services	692,462	-	-	-	692,462
Risk management	1,660,020	-	-	-	1,660,020
<b>Total departmental</b>	<u>40,326,180</u>	<u>-</u>	<u>757,275</u>	<u>584,663</u>	<u>41,668,118</u>
Non-Departmental	1,971,445	456,764	-	133,410	2,561,619
<b>Debt service</b>					
Administrative charges	33	834,113	-	39,273	873,419
Interest	1,066,433	2,939,306	20,793	648,529	4,675,061
Principal retirement	5,208,886	3,483,670	86,000	3,175,000	11,953,556
Capital outlay	8,458,684	-	-	1,787,973	10,246,657
Intergovernmental	1,054,420	-	-	14,846	1,069,266
Payments to component units	12,561,292	13,005,586	-	1,291,469	26,858,347
<b>Total expenditures</b>	<u>70,647,373</u>	<u>20,719,439</u>	<u>864,068</u>	<u>7,675,163</u>	<u>99,906,043</u>
Excess (deficiency) of revenues over expenditures	<u>7,162,250</u>	<u>(6,801,586)</u>	<u>1,126,340</u>	<u>(1,218,701)</u>	<u>268,303</u>
<b>Other financing sources (uses)</b>					
Debt issuance	-	91,911,203	-	2,726,966	94,638,169
Payment to refunded bond escrow agent	-	(9,990,196)	-	(2,690,594)	(12,680,790)
Sale of surplus assets	124,834	-	-	25,409	150,243
Transfers in	521,250	3,823,533	-	2,362,679	6,707,462
Transfers out	(5,974,122)	(61)	(212,300)	(390,000)	(6,576,483)
<b>Total other financing sources (uses)</b>	<u>(5,328,038)</u>	<u>85,744,479</u>	<u>(212,300)</u>	<u>2,034,460</u>	<u>82,238,601</u>
Net changes in fund balances	1,834,212	78,942,893	914,040	815,759	82,506,904
Fund balances, beginning 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>
Fund balances, end of year	<u>44,314,757</u>	<u>83,063,453</u>	<u>1,265,468</u>	<u>5,839,883</u>	<u>134,483,561</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, 2015**

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

Net change in fund balances - total governmental funds	\$	82,506,904
<p>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.</p>		
		4,458,467
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.</p>		
		(54,189)
<p>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.</p>		
		(71,450,824)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		30,540
<p>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.</p>		
		<u>281,800</u>
Change in net position - statement of activities	\$	<u><u>15,772,698</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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Sales and use taxes	33,188,901	36,400,000	37,418,331	1,018,331
Occupational license fees	10,189,500	10,177,000	10,804,202	627,202
Motor fuel taxes	591,600	640,000	719,367	79,367
Lodging taxes	1,603,802	1,604,302	1,816,370	212,068
Rental and leasing taxes	575,650	715,650	768,245	52,595
Other taxes	246,150	243,250	253,910	10,660
Licenses and permits	9,902,725	10,619,675	11,302,434	682,759
General property taxes	4,583,965	4,658,970	4,746,592	87,622
Charges for services	6,243,077	6,254,581	6,743,621	489,040
Fines and forfeitures	1,296,037	1,297,037	1,218,554	(78,483)
State shared taxes	697,195	1,008,703	1,152,212	143,509
Contributions from the public	275,714	307,244	579,941	272,697
Interest	180,173	168,854	221,162	52,308
Miscellaneous	48,800	28,000	64,682	36,682
Total revenues	69,623,289	74,123,266	77,809,623	3,686,357
Expenditures				
General government and administration	6,138,789	6,116,099	5,684,278	431,821
Public works	3,826,405	3,854,593	3,577,600	276,993
Environmental services	2,120,835	2,152,340	1,999,822	152,518
Public safety	18,775,277	18,923,425	18,387,890	535,535
Library	1,634,889	1,626,074	1,610,852	15,222
Parks and recreation	5,374,008	5,370,812	4,975,692	395,120
Planning	676,583	854,227	582,693	271,534
Economic development	1,188,491	1,170,787	1,154,871	15,916
Employee services	736,409	735,924	692,462	43,462
Risk management	2,099,533	2,036,136	1,660,020	376,116
Total departmental	42,571,219	42,840,417	40,326,180	2,514,237
Non-departmental	1,561,259	1,921,178	1,971,445	(50,267)
Debt service:				
Administrative charges	65,965	65,965	33	65,932
Interest	1,038,415	1,038,415	1,066,433	(28,018)
Principal retirement	5,025,976	5,025,976	5,208,886	(182,910)
Capital outlay	6,411,590	12,862,712	8,458,684	4,404,028
Intergovernmental	1,016,623	1,066,623	1,054,420	12,203
Payments to component units	13,990,500	13,795,500	12,561,292	1,234,208
Total expenditures	71,681,547	78,616,786	70,647,373	7,969,413
Excess (deficiency) of revenues over expenditures	(2,058,258)	(4,493,520)	7,162,250	11,655,770
Other financing sources (uses)				
Sale of surplus assets	26,250	26,250	124,834	98,584
Transfers in	921,250	671,250	521,250	(150,000)
Transfers out	(4,351,183)	(6,128,991)	(5,974,122)	154,869
Total other financing sources (uses)	(3,403,683)	(5,431,491)	(5,328,038)	103,453
Net changes in fund balances	(5,461,941)	(9,925,011)	1,834,212	11,759,223
Fund balances, beginning of year	42,480,545	42,480,545	42,480,545	-
Fund balances, end of year	37,018,604	32,555,534	44,314,757	11,759,223

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
	\$	\$	\$	\$
Revenues				
General property taxes	13,147,955	13,400,830	13,740,703	339,873
Interest	30,000	102,500	177,150	74,650
Total revenues	<u>13,177,955</u>	<u>13,503,330</u>	<u>13,917,853</u>	<u>414,523</u>
Expenditures				
Non-Departmental	502,000	442,000	456,764	(14,764)
Debt service				
Administrative charges	-	836,300	834,113	2,187
Interest	3,060,887	2,918,559	2,939,306	(20,747)
Principal retirement	3,363,670	3,483,670	3,483,670	-
Payments to component units	5,003,023	16,253,023	13,005,586	3,247,437
Total expenditures	<u>11,929,580</u>	<u>23,933,552</u>	<u>20,719,439</u>	<u>3,214,113</u>
Excess (deficiency) of revenues over expenditures	<u>1,248,375</u>	<u>(10,430,222)</u>	<u>(6,801,586)</u>	<u>3,628,636</u>
Other financing sources (uses)				
Debt issuance	-	91,911,204	91,911,203	(1)
Payment to refunded bond escrow agent	-	(9,990,196)	(9,990,196)	-
Transfers in	3,851,183	3,851,183	3,823,533	(27,650)
Transfers out	-	-	(61)	(61)
Total other financing sources (uses)	<u>3,851,183</u>	<u>85,772,191</u>	<u>85,744,479</u>	<u>(27,712)</u>
Net changes in fund balances	5,099,558	75,341,969	78,942,893	3,600,924
Fund balances, beginning of year	<u>4,120,560</u>	<u>4,120,560</u>	<u>4,120,560</u>	<u>-</u>
Fund balances, end of year	<u><u>9,220,118</u></u>	<u><u>79,462,529</u></u>	<u><u>83,063,453</u></u>	<u><u>3,600,924</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, 2015**

	<b>Major Fund</b>	<b>Solid Waste Management</b>	<b>Total</b>
	<b>Sewer Revenue Fund</b>	<b>Fund</b>	
	\$	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8,293,917	971,948	9,265,865
Receivables, net	1,277,817	522,607	1,800,424
Due from component units	197,271	-	197,271
Inventories	19,480	-	19,480
Other current assets	12,464	16,370	28,834
<b>Total current assets</b>	<b>9,800,949</b>	<b>1,510,925</b>	<b>11,311,874</b>
<b>Noncurrent assets</b>			
Capital assets not being depreciated	789,137	37,487	826,624
Capital assets net of accumulated depreciation	77,983,692	1,648,849	79,632,541
<b>Total noncurrent assets</b>	<b>78,772,829</b>	<b>1,686,336</b>	<b>80,459,165</b>
<b>Total assets</b>	<b>88,573,778</b>	<b>3,197,261</b>	<b>91,771,039</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	3,393,458	-	3,393,458
Pension related	122,439	170,082	292,521
<b>Total deferred outflows of resources</b>	<b>3,515,897</b>	<b>170,082</b>	<b>3,685,979</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	253,743	250,551	504,294
Salaries and benefits payable	26,637	78,070	104,707
Due to component units	89,351	25,789	115,140
Accrued interest payable	534,929	-	534,929
Customer deposits	574,768	138,330	713,098
Current portion of long-term debt	2,395,000	-	2,395,000
<b>Total current liabilities</b>	<b>3,874,428</b>	<b>492,740</b>	<b>4,367,168</b>
<b>Noncurrent liabilities</b>			
Long-term debt and other liabilities	44,460,546	137,728	44,598,274
Net pension liability	827,146	1,128,476	1,955,622
<b>Total noncurrent liabilities</b>	<b>45,287,692</b>	<b>1,266,204</b>	<b>46,553,896</b>
<b>Total liabilities</b>	<b>49,162,120</b>	<b>1,758,944</b>	<b>50,921,064</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	68,849	107,699	176,548
<b>Total deferred inflows of resources</b>	<b>68,849</b>	<b>107,699</b>	<b>176,548</b>
<b>NET POSITION</b>			
Net investment in capital assets	35,411,057	1,686,336	37,097,393
Restricted for capital projects	1,970,849	-	1,970,849
Unrestricted (deficit)	5,476,799	(185,636)	5,291,163
<b>Total net position</b>	<b>42,858,705</b>	<b>1,500,700</b>	<b>44,359,405</b>

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, 2015**

	<u>Major Fund</u>		
	<u>Sewer Revenue Fund</u>	<u>Solid Waste Management Fund</u>	<u>Total</u>
Operating revenues	\$	\$	\$
Charges for services	11,521,331	4,482,532	16,003,863
Sewer tapping fees	7,634	-	7,634
Miscellaneous	742	6,584	7,326
Total operating revenues	<u>11,529,707</u>	<u>4,489,116</u>	<u>16,018,823</u>
Operating expenses			
Salaries and wages	896,879	1,642,407	2,539,286
Employee benefits	214,839	460,707	675,546
Repairs and maintenance	19,154	39,177	58,331
Utilities	666,032	386	666,418
Professional services	155,720	627,662	783,382
Rentals and leasing	74,543	-	74,543
Insurance	20,460	31,435	51,895
Office supplies	70,693	6,198	76,891
Fuels and lubricants	38,942	173,815	212,757
Agricultural and chemical supplies	56,590	2,524	59,114
Minor equipment and tools	98,733	47,481	146,214
Repair parts and materials	163,031	263,271	426,302
Clothing and linens	13,918	6,690	20,608
Sewer service fees	215,711	-	215,711
Management fees	1,517,410	334,000	1,851,410
Depreciation/amortization	2,245,105	456,648	2,701,753
Travel and training	23,921	13,698	37,619
Miscellaneous	743	6,801	7,544
Total operating expenses	<u>6,492,424</u>	<u>4,112,900</u>	<u>10,605,324</u>
Operating income (loss)	<u>5,037,283</u>	<u>376,216</u>	<u>5,413,499</u>
Nonoperating revenues (expenses)			
Interest earned	30,351	4,044	34,395
Interest and fiscal charges	(2,147,458)	-	(2,147,458)
Gain (loss) on disposal of capital assets	71,142	7,280	78,422
Total nonoperating revenues (expenses)	<u>(2,045,965)</u>	<u>11,324</u>	<u>(2,034,641)</u>
Income (loss) before transfers and capital contributions	2,991,318	387,540	3,378,858
Transfers	(196,170)	65,191	(130,979)
Capital contributions - developers	1,741,381	-	1,741,381
Change in net position	4,536,529	452,731	4,989,260
Net position - beginning	39,118,166	2,127,708	41,245,874
Prior period adjustment	(795,990)	(1,079,739)	(1,875,729)
Net position - beginning, as restated	<u>38,322,176</u>	<u>1,047,969</u>	<u>39,370,145</u>
Net position - ending	<u>42,858,705</u>	<u>1,500,700</u>	<u>44,359,405</u>

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

**CITY OF AUBURN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Major Fund</u>		<u>Total</u>
	<u>Sewer Revenue Fund</u>	<u>Solid Waste Management Fund</u>	
	\$	\$	\$
<b>Cash flows from operating activities</b>			
Cash collected from customers	11,462,666	4,579,518	16,042,184
Other cash collected	742	6,584	7,326
Customer deposits collected (paid)	(6,303)	22,194	15,891
Payments to suppliers for goods and services	(3,396,757)	(1,534,612)	(4,931,369)
Payments to employees for services	(1,121,922)	(2,120,114)	(3,242,036)
Net cash provided (consumed) by operating activities (A)	<u>6,938,426</u>	<u>953,570</u>	<u>7,891,996</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	2,590	120,191	122,781
Transfers out	(198,760)	(55,000)	(253,760)
Net cash provided (consumed) by noncapital financing activities	<u>(196,170)</u>	<u>65,191</u>	<u>(130,979)</u>
<b>Cash flows from capital and related financing activities</b>			
Principal repayments on borrowing	(20,935,000)	-	(20,935,000)
Proceeds from borrowing	19,240,000	-	19,240,000
Proceeds from sale of assets	71,373	7,280	78,653
Acquisition and construction of capital assets	(2,074,453)	(765,312)	(2,839,765)
Interest and fiscal fees paid	(2,499,207)	-	(2,499,207)
Net cash provided (consumed) by capital and related financing activities	<u>(6,197,287)</u>	<u>(758,032)</u>	<u>(6,955,319)</u>
<b>Cash flows from investing activities</b>			
Interest on investments	30,351	4,044	34,395
Net cash provided (consumed) by investing activities	<u>30,351</u>	<u>4,044</u>	<u>34,395</u>
Net increase (decrease) in cash	575,320	264,773	840,093
Cash and cash equivalents, beginning of year	7,718,597	707,175	8,425,772
Cash and cash equivalents, end of year	<u>8,293,917</u>	<u>971,948</u>	<u>9,265,865</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities (A):</b>			
Operating income (loss)	5,037,283	376,216	5,413,499
Add: Depreciation	2,245,105	456,648	2,701,753
Increase in accounts payable	-	20,976	20,976
Decrease in accounts receivable	87,119	91,579	178,698
Decrease in prepaid items	2,467	-	2,467
Increase in customer deposits	-	22,193	22,193
Increase in accrued leave	4,151	-	4,151
Increase in OPEB liability	8,079	5,369	13,448
Increase in amounts due to component units	-	4,013	4,013
Deduct: Decrease in amounts due to component units	(2,034)	-	(2,034)
Decrease in accounts payable	(256,691)	-	(256,691)
Decrease in accrued leave	-	(8,723)	(8,723)
Decrease in customer deposits	(6,303)	-	(6,303)
Increase in amounts due from component units	(158,316)	-	(158,316)
Increase in prepaid items	-	(1,055)	(1,055)
Increase in deferred pension contributions	(13,731)	(32)	(13,763)
Decrease in pension related deferred inflows/liabilities	(8,703)	(13,614)	(22,317)
Net cash provided by operating activities	<u>6,938,426</u>	<u>953,570</u>	<u>7,891,996</u>
<b>Noncash transactions:</b>			
Estimated cost of sewer lines installed by and contributed to the City by developers	1,741,381	-	1,741,381
	<u>1,741,381</u>	<u>-</u>	<u>1,741,381</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, 2015**

	<b>Youth Athletic Associations' Private-purpose Trust Fund</b>
	\$
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	596,656
Total assets	596,656
<b>NET POSITION</b>	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	148,778
Auburn Soccer Organization	383,410
Auburn Youth Football	18,446
Auburn Community Tennis Association	22,487
Auburn Cemetery Trust	23,535
Total net position	596,656

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, 2015**

	<b>Youth Athletic Associations' Private-purpose Trust Fund</b>
ADDITIONS	\$
Program revenues:	
Baseball/Softball	129,609
Soccer	240,227
Football	25,829
Tennis	4,522
Cemetery Trust	12,216
Total program revenues	412,403
Investment earnings:	
Baseball/Softball interest	432
Soccer interest	1,180
Football interest	45
Tennis interest	23
Cemetery Trust interest	67
Total investment earnings	1,747
Total additions	414,150
DEDUCTIONS	
Program expenses:	
Baseball/Softball	111,968
Soccer	239,185
Football	28,622
Tennis	6,251
Total deductions	386,026
Change in net position	28,124
Net position - beginning	568,532
Net position - ending	596,656

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, 2015**

	Major Component Units				Nonmajor Component Units	Total
	Board of Education	Water Works Board	Industrial Development Board	Housing Authority		
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	22,673,727	3,783,947	1,505,436	2,924,397	364	30,887,871
Certificates of deposit	-	-	59,288	-	-	59,288
Receivables, net	7,551	1,236,858	53,671	75,531	79,635	1,453,246
Inventories	120,377	383,965	-	33,506	-	537,848
Current portion of mortgages and notes receivable	-	-	63,351	-	-	63,351
Current portion of net investment in capital leases	-	-	354,337	-	-	354,337
Property tax receivable	5,941,800	-	-	-	-	5,941,800
Due from other governments	1,570,982	-	-	-	-	1,570,982
Due from primary government	-	129,591	34,961	-	-	164,552
Other current assets	-	46,227	145,035	11,647	1,117	204,026
Restricted cash	-	-	112,886	-	-	112,886
<b>Total current assets</b>	<b>30,314,437</b>	<b>5,580,588</b>	<b>2,328,965</b>	<b>3,045,081</b>	<b>81,116</b>	<b>41,350,187</b>
<b>Noncurrent assets</b>						
<b>Restricted assets</b>						
Cash and cash equivalents	2,101,482	1,920,700	-	1,298,027	-	5,320,209
Investments	-	1,691,192	-	1,100,000	-	2,791,192
Mortgages and notes receivable, net of current portion	-	-	166,022	-	-	166,022
Advance to primary government	-	115,000	-	-	-	115,000
Net investment in capital leases, net of current portion	-	-	4,505,873	-	-	4,505,873
Property for resale	-	-	10,018,269	-	-	10,018,269
Capital assets not being depreciated	18,400,238	2,288,151	10,622,807	1,274,436	1,450,000	34,035,632
Capital assets, net of accumulated depreciation	81,561,947	57,307,340	50,703,627	9,842,462	5,007,067	204,422,443
Net pension asset	-	-	-	10,067,681	-	10,067,681
<b>Total noncurrent assets</b>	<b>102,063,667</b>	<b>63,322,383</b>	<b>76,016,598</b>	<b>23,582,606</b>	<b>6,457,067</b>	<b>271,442,321</b>
<b>Total assets</b>	<b>132,378,104</b>	<b>68,902,971</b>	<b>78,345,563</b>	<b>26,627,687</b>	<b>6,538,183</b>	<b>312,792,508</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Accumulated decrease in fair value of hedging derivatives	-	-	1,010,035	-	-	1,010,035
Deferred amounts on refunding, net	-	1,136,166	-	-	-	1,136,166
Pension related	6,727,398	72,750	-	1,623	12,412	6,814,183
<b>Total deferred outflows of resources</b>	<b>6,727,398</b>	<b>1,208,916</b>	<b>1,010,035</b>	<b>1,623</b>	<b>12,412</b>	<b>8,960,384</b>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
<b>Liabilities payable from restricted assets:</b>						
Current portion of long-term debt	-	735,000	-	-	-	735,000
Accrued interest payable	-	68,253	113,429	-	-	181,682
Accounts payable and other accrued liabilities	2,171,587	812,099	926,163	35,680	14,153	3,959,682
Salaries and benefits payable	5,684,465	-	-	51,035	-	5,735,500
Customer deposits	-	638,659	1,450,000	29,780	-	2,118,439
Unearned revenue	269,775	-	95,023	-	-	364,798
Current portion of long-term debt	-	-	2,423,558	75,000	-	2,498,558
Short term notes payable	-	-	2,245,207	-	-	2,245,207
Due to primary government	-	649,081	-	-	-	649,081
Obligations under capital leases	582,187	-	-	-	-	582,187
<b>Total current liabilities</b>	<b>8,708,014</b>	<b>2,903,092</b>	<b>7,253,380</b>	<b>191,495</b>	<b>14,153</b>	<b>19,070,134</b>
<b>Noncurrent liabilities:</b>						
Advances from primary government	-	-	-	1,200,000	-	1,200,000
Derivative instrument liability	-	-	1,010,035	-	-	1,010,035
Long-term debt and other liabilities	78,097	18,548,535	43,212,669	49,128	1,450,000	63,338,429
Net pension liability	55,675,000	863,144	-	-	121,751	56,659,895
<b>Total noncurrent liabilities</b>	<b>55,753,097</b>	<b>19,411,679</b>	<b>44,222,704</b>	<b>1,249,128</b>	<b>1,571,751</b>	<b>122,208,359</b>
<b>Total liabilities</b>	<b>64,461,111</b>	<b>22,314,771</b>	<b>51,476,084</b>	<b>1,440,623</b>	<b>1,585,904</b>	<b>141,278,493</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Future property tax revenue	5,941,800	-	-	-	-	5,941,800
Pension related	4,174,000	77,950	-	379,229	7,834	4,639,013
<b>Total deferred inflows of resources</b>	<b>10,115,800</b>	<b>77,950</b>	<b>-</b>	<b>379,229</b>	<b>7,834</b>	<b>10,580,813</b>
<b>NET POSITION</b>						
Net investment in capital assets	99,301,901	41,573,449	17,818,183	11,116,898	5,007,067	174,817,498
<b>Restricted for:</b>						
Capital projects	94,316	1,920,700	-	-	-	2,015,016
Debt service	-	1,691,191	112,886	-	-	1,804,077
Other projects	2,127,543	-	-	-	-	2,127,543
Housing assistance payments	-	-	-	21,785	-	21,785
Unrestricted	(36,995,169)	2,533,826	9,948,445	13,670,775	(50,210)	(10,892,333)
<b>Total net position</b>	<b>64,528,591</b>	<b>47,719,166</b>	<b>27,879,514</b>	<b>24,809,458</b>	<b>4,956,857</b>	<b>169,893,586</b>

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, 2015**

	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	45,721,942	1,228,055	28,740,808	343,138	(15,409,941)	-	(15,409,941)
Instructional support	13,804,485	585,436	7,024,677	332,485	(5,861,887)	-	(5,861,887)
Operation and maintenance	6,591,212	139,866	1,321,285	1,140,988	(3,989,073)	-	(3,989,073)
Auxiliary services							
Student transportation services	3,789,256	139,272	2,549,815	390,000	(710,169)	-	(710,169)
Food services	3,771,080	2,940,605	167,505	-	(662,970)	-	(662,970)
General administrative services	2,907,787	2,256	405,468	-	(2,500,063)	-	(2,500,063)
Other	1,020,728	870,023	225,448	-	74,743	-	74,743
Interest and fiscal charges	35,907	-	-	-	(35,907)	-	(35,907)
Total governmental activities	<u>77,642,397</u>	<u>5,905,513</u>	<u>40,435,006</u>	<u>2,206,611</u>	<u>(29,095,267)</u>	<u>-</u>	<u>(29,095,267)</u>
Business-type activities:							
Water Works Board	9,533,456	9,734,624	-	1,234,463	-	1,435,631	1,435,631
Industrial Development Board	4,341,105	4,072,909	-	1,489,228	-	1,221,032	1,221,032
Housing Authority	3,907,133	273,402	2,929,370	113,695	-	(590,666)	(590,666)
Public Park & Recreation Board	681,309	77,229	-	-	-	(604,080)	(604,080)
Total business-type activities	<u>18,463,003</u>	<u>14,158,164</u>	<u>2,929,370</u>	<u>2,837,386</u>	<u>-</u>	<u>1,461,917</u>	<u>1,461,917</u>
Total component units	<u>96,105,400</u>	<u>20,063,677</u>	<u>43,364,376</u>	<u>5,043,997</u>	<u>(29,095,267)</u>	<u>1,461,917</u>	<u>(27,633,350)</u>
General revenues:							
Taxes:							
Sales taxes					6,352,119	-	6,352,119
Property taxes					5,505,902	-	5,505,902
Alcoholic beverage taxes					544,288	-	544,288
Other taxes					54,095	-	54,095
Unrestricted appropriations from the City of Auburn					24,505,586	958,292	25,463,878
Federal/state aid not restricted					4,180	-	4,180
Interest and investment earnings					148,018	401,911	549,929
Estimated pension earnings					-	793,264	793,264
Miscellaneous					278,212	614,566	892,778
Total general revenues					<u>37,392,400</u>	<u>2,768,033</u>	<u>40,160,433</u>
Change in net position					<u>8,297,133</u>	<u>4,229,950</u>	<u>12,527,083</u>
Net position - beginning					109,325,458	92,983,242	202,308,700
Prior period adjustment					(53,094,000)	8,151,803	(44,942,197)
Net position - beginning, as restated					<u>56,231,458</u>	<u>101,135,045</u>	<u>157,366,503</u>
Net position - ending					<u>64,528,591</u>	<u>105,364,995</u>	<u>169,893,586</u>

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, 2015**

	Major Business-type Component Units			Nonmajor Business-type Component Units	Total
	Water Works Board	Industrial Development Board	Housing Authority		
	\$	\$	\$		
Operating revenues					
Lease income	-	4,072,909	-	-	4,072,909
Water sales and service	9,734,624	-	-	-	9,734,624
Tennis center revenue	-	-	-	77,229	77,229
Dwelling Rent	-	-	273,402	-	273,402
Operating Grants	-	-	2,929,370	-	2,929,370
Miscellaneous	170,747	89,297	247,324	107,198	614,566
Total operating revenues	<u>9,905,371</u>	<u>4,162,206</u>	<u>3,450,096</u>	<u>184,427</u>	<u>17,702,100</u>
Operating expenses					
Water treatment and pumping expense	2,751,115	-	-	-	2,751,115
Water distribution expense	1,004,424	-	-	-	1,004,424
Meter reading expense	555,400	-	-	-	555,400
Operations administration expense	382,720	-	734,698	-	1,117,418
Utility billing office expense	984,109	-	-	-	984,109
Tenant services	-	-	29,920	-	29,920
General operations expense	918,754	-	147,880	-	1,066,634
Salaries and wages	-	-	-	174,941	174,941
Employee benefits	-	-	-	33,021	33,021
Repairs and maintenance	-	116,636	467,096	20,631	604,363
Housing assistance payments	-	-	1,693,918	-	1,693,918
Advertising	-	48,168	-	-	48,168
Utilities	-	109,781	167,817	96,733	374,331
Rentals and leasing	-	-	-	1,855	1,855
Insurance	-	-	-	3,203	3,203
Professional services	-	147,412	-	1,449	148,861
Office supplies	-	16,287	-	2,252	18,539
Recreational supplies	-	-	-	13,189	13,189
Depreciation/amortization	2,079,211	1,115,015	660,008	299,874	4,154,108
Industrial recruitment	-	354,762	-	-	354,762
Industrial incentives granted	-	72,264	-	-	72,264
Travel and training	-	6,073	-	1,480	7,553
Special events	-	55,636	-	-	55,636
Workforce development	-	10,295	-	-	10,295
Miscellaneous	-	4,952	-	-	4,952
Total operating expenses	<u>8,675,733</u>	<u>2,057,281</u>	<u>3,901,337</u>	<u>648,628</u>	<u>15,282,979</u>
Operating income (loss)	<u>1,229,638</u>	<u>2,104,925</u>	<u>(451,241)</u>	<u>(464,201)</u>	<u>2,419,121</u>
Non-operating revenues (expenses)					
Interest and investment earnings	57,669	338,472	5,764	6	401,911
Estimated pension earnings	-	-	793,264	-	793,264
Appropriations from the City of Auburn	-	680,000	-	278,292	958,292
Interest and fiscal charges	(538,391)	(2,283,824)	(5,796)	-	(2,828,011)
Gain/(loss) on disposal of assets	(319,332)	-	-	(32,681)	(352,013)
Total non-operating revenues (expenses)	<u>(800,054)</u>	<u>(1,265,352)</u>	<u>793,232</u>	<u>245,617</u>	<u>(1,026,557)</u>
Income (loss) before capital contributions	<u>429,584</u>	<u>839,573</u>	<u>341,991</u>	<u>(218,584)</u>	<u>1,392,564</u>
Capital contributions					
From other governments	-	1,489,228	113,695	-	1,602,923
From primary government	2,943	-	-	-	2,943
From developers	468,320	-	-	-	468,320
From access fees	763,200	-	-	-	763,200
Total capital contributions	<u>1,234,463</u>	<u>1,489,228</u>	<u>113,695</u>	<u>-</u>	<u>2,837,386</u>
Change in net position	<u>1,664,047</u>	<u>2,328,801</u>	<u>455,686</u>	<u>(218,584)</u>	<u>4,229,950</u>
Net position - beginning	46,680,298	25,550,713	15,458,584	5,293,647	92,983,242
Prior period adjustment	(625,179)	-	8,895,188	(118,206)	8,151,803
Net position, beginning, as restated	<u>46,055,119</u>	<u>25,550,713</u>	<u>24,353,772</u>	<u>5,175,441</u>	<u>101,135,045</u>
Net position - ending	<u>47,719,166</u>	<u>27,879,514</u>	<u>24,809,458</u>	<u>4,956,857</u>	<u>105,364,995</u>

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, 2015**

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**City of Auburn, Alabama**  
**Guide to Notes to the Financial Statements**  
**September 30, 2015**

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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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

**City of Auburn Public Park and Recreation Board (PPRB)**

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

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

**Commercial Development Authority of the City of Auburn (CDA)**

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

The City is the CDA's primary source of operating funds. The City has responsibility for funding deficits and operating deficiencies of the CDA and City Council exercises significant influence over the CDA's actions. The Commercial Development Authority of the City of Auburn is presented as a proprietary fund type or business-type activity. The Commercial Development Authority had no activity for the year ending September 30, 2015, and no assets or liabilities as of September 30, 2015.

**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, 2015, is included in this report. See Note 21 for the effect of the different year end on these financial statements.

**Auburn Downtown Redevelopment Authority (ADRA)**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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

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

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

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

**RELATED ORGANIZATIONS**

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

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

**JOINT VENTURE**

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

**Indian Pines Golf Course Venture**

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July, 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2015, the City's remaining net investment in the Indian Pines Golf Course is \$503,300, which represents the initial cost of the land capitalized by the City.

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

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

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**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 2015 the City 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, 2015, is as follows:

Total assets and deferred outflows of resources	\$ 1,534,820
Total liabilities and deferred inflows of resources	<u>(157,606)</u>
Total net position	<u>\$ 1,377,214</u>
Total operating revenues	\$ 981,122
Total operating expenses	(995,187)
Other revenues	275,859
Other expenses	<u>-</u>
Net increase in net position	<u>\$ 261,794</u>

**Lee-Russell Council of Governments**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

**East Alabama Mental Health - Mental Retardation Board**

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

**Lee County Youth Development Center**

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

**East Alabama Medical Center**

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

**Auburn-Opelika Tourism Bureau**

The Mayor appoints one of the five board members of the Bureau. The City appropriates 1/7<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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

**MAJOR FUNDS**

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

The City reports the following major governmental funds:

The General Fund (See note above).

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

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

The City reports the following major proprietary fund:

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

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

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property, 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.

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

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



## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

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

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

The governmental balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the current period." The details of this \$225,337,738 difference are as follows:

Bonds and warrants payable	\$ 187,956,883
Less: Deferred amount on refunding	(3,927,794)
Less: Prepaid bond issue insurance	(983)
Add: Issuance premium	8,472,079
Notes payable	3,143,000
Compensated absences	2,589,999
Claims and judgments	146,885
Landfill closure and post-closure care	140,000
Other postemployment benefits	610,774
Net pension liability	27,155,070
Less: Deferred outflow pension related	(2,412,254)
Add: Deferred inflow pension related	<u>1,464,079</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 225,337,738</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this \$4,458,467 difference are as follows:

Capital outlay	\$ 10,246,657
Depreciation expense	<u>(5,788,190)</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>\$ 4,458,467</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**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 \$54,189 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	\$ 240,006
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In the statement of activities, only the gain or loss on the disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed of:

Remaining cost basis of disposed assets	<u>(294,195)</u>
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Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

	<u>\$ (54,189)</u>
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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 \$71,450,824 difference are as follows:

Debt issued or incurred:

General obligation bonds	\$ (80,655,000)
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General obligation warrants	(10,240,000)
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Notes payable (see Note 10)	(1,447,000)
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Issue premiums on new debt	(3,743,170)
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Principal repayments	<u>24,634,346</u>
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Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

	<u>\$ (71,450,824)</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$30,540 difference are as follows:

Compensated absences	\$ (38,558)
Accrued interest	(947,120)
Claims and judgments	103,448
Landfill closure and post-closure care	7,000
Other post employment benefits	(149,427)
Net pension liability	285,628
Amortization of deferred amount on refunding	(317,549)
Amortization of prepaid bond issue insurance	(81,612)
Amortization of bond premiums	1,166,803
Amortization of prepaid expenses	<u>1,927</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 30,540</u>

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

1. The City Manager submits to the City Council a proposed budget (operating and capital) prior to the beginning of each biennial period. The proposed budget is for two one-year periods, each beginning on October 1 and ending on the following September 30.
2. Prior to September 30, the budget is legally enacted through passage of an ordinance. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Annual budgets were legally adopted for the 2015 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, non-departmental expenditures of \$1,971,445 exceeded appropriations of \$1,921,178; debt service interest charges of \$1,066,433 exceeded appropriations of \$1,038,415; and debt service principal retirement of \$5,208,886 exceeded appropriations of \$5,025,976. In the Special School Tax Fund, non-departmental expenditures of \$456,764 exceeded appropriations of \$442,000 and debt service interest charges of \$2,939,306 exceeded appropriations of \$2,918,559.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories of the Water Works Board are stated at cost. 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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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

(or estimated historical cost if actual cost is not available) if purchased or constructed. Easements are valued at 50% of the average value for commercial and residential property within the City as obtained from the Lee County Appraisers Office on an annual basis, multiplied by the square footage of the easement. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

	<u>Years</u>
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 were only minimal changes to insurance coverage from coverage in the prior year. Also, no settlements have exceeded insurance coverage in the past three fiscal years.

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, 2015

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

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

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

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

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

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

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

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

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

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. The Industrial Development Board is covered by this insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The IDB had no liability for unpaid claims at September 30, 2015.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**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, 2015. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

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

**M. Long-Term Obligations**

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

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

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

**N. Compensated Absences**

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

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

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

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

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

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

- O. Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 14.
- P. Pensions** - The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.
- Q. Fund Balance** - The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
  - Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
  - Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution, which are equally binding. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The City has no amount classified as committed fund balance as of September 30, 2015.



NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**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.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

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

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

- T. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- U. Recently Implemented Accounting Pronouncements - GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the fiscal year ended September 30, 2015. GASB 68 improves accounting and financial reporting by state and local governments for pensions through reporting and informing the readers of the financial statements about the long-term commitments/liabilities of the primary government and its component units on pension liabilities. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

**NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS**

As of September 30, 2015, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, the Public Park and Recreation Board, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority are held in a certified qualified public depository, and as such, are deemed fully insured. As of September 30, 2015, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority did not have any deposits.

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 3. DEPOSITS AND INVESTMENTS**

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

A summary of the City's certificates of deposits and investments held as of September 30, 2015, is as follows:

	Carrying Value	Fair Value	Maturities
<b><u>Governmental Activities</u></b>			
Certificates of deposit			
General Fund	\$ 79,896	\$ 79,896	2016
Special School Tax Fund	1,063,000	1,063,000	2016-2017
Total certificates of deposit	<u>\$ 1,142,896</u>	<u>\$ 1,142,896</u>	
Investments			
U.S. Treasury Notes			
General Fund	\$ 8,031,558	\$ 8,031,558	2016-2017
Special School Tax Fund	67,449,299	67,449,299	2016-2018
Federal Grant Loan Repayment Fund	875,005	875,005	2015
Industrial Development Revenue Bond	1,410,701	1,410,701	2023
Limited Obligation Revenue Bond	1,450,000	1,450,000	2035
Total investments	<u>\$ 79,216,563</u>	<u>\$ 79,216,563</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, 2015, was \$1,410,701.

During fiscal year 2015 the City invested \$1,450,000 into the Auburn Downtown Redevelopment Authority to facilitate the redevelopment of downtown property. The City recognized an investment that will be reduced as payments of \$6,121 are received from ADRA on a monthly basis that commenced on October 1, 2015, and will continue through August 1, 2035, at an interest rate of 2.50% per annum. Also due on August 1, 2035, is a balloon payment of \$300,000 that bears no interest. The balance of the City's investment at September 30, 2015, was \$1,450,000.

*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, 2015, 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	\$ 94,316	\$ 94,316
Cash - Other Governmental Funds		
Child Nutrition Program	1,819,018	1,819,018
Dental Clinic	188,148	188,148
	<u>\$ 2,101,482</u>	<u>\$ 2,101,482</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED**

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

**Water Works Board**

At September 30, 2015, the Water Works Board’s restricted cash, cash equivalents, and investments were comprised of the following:

	Carrying Value	Fair Value
Cash (Access Fee Account)	\$ 1,920,700	\$ 1,920,700
Bank of New York Mellon U.S. Treasury Securities Money Market Fund	<u>1,691,192</u>	<u>1,691,192</u>
Total restricted cash and investments	<u>\$ 3,611,892</u>	<u>\$ 3,611,892</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.

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

*Interest Rate Risk* – The investment policy of the AWWB does limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Industrial Development Board**

At September 30, 2015, the Industrial Development Board’s investments were comprised of the following:

<u>Restricted cash and investments</u>	Carrying Value	Fair Value
Cash (SAFE deposit) Restricted for debt service	<u>\$ 112,886</u>	<u>\$ 112,886</u>

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

<u>Unrestricted investments</u>	Carrying Value	Fair Value	Maturity
Certificate of deposit	<u>\$ 59,288</u>	<u>\$ 59,288</u>	2016

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED**

**Auburn Housing Authority**

The Authority's restricted assets consist of the following as of June 30, 2015:

<u>Restricted cash and investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Restricted funds for debt service	\$ 1,275,000	\$ 1,275,000
FSS Escrows	1,242	1,242
Restricted for HAP payments	<u>21,785</u>	<u>21,785</u>
Total restricted cash	<u>\$ 1,298,027</u>	<u>\$ 1,298,027</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 4. DERIVATIVE INSTRUMENTS**

**COMPONENT UNIT**

**Industrial Development Board**

The fair value balance and notional amount of the IDB's derivative instrument outstanding at September 30, 2015, and the change in its fair value for the year then ended as reported in the 2015 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at 9/30/15</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>\$ (6,613)</u>	Long term liability	<u>\$ (1,010,035)</u>	<u>\$ 4,350,000</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, 2015

**NOTE 4. DERIVATIVE INSTRUMENTS - CONTINUED**

*Objective and Terms of Hedging Derivative Instrument* – The following summarizes the objective and terms of the IDB's hedging derivative instrument outstanding at September 30, 2015, 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, 2015, was \$4,350,000.
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+/Stable/B; Ba 1

*Credit Risk* – As of September 30, 2015, 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, 2015, the interest rate on the IDB's hedged variable-rate debt was 0.17% and LIBOR was 0.1939%.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 5. ACCOUNTS RECEIVABLE**

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

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Nonmajor Proprietary Fund	Component Units	Total
Receivables:								
Revenues receivable	\$ 11,903,752	\$ 137,627	\$ -	\$ 210,248	\$ 1,299,229	\$ 558,510	\$ 1,442,331	\$ 15,551,697
Grants receivable	-	-	-	98,651	-	-	-	98,651
Receivable from other governmental units	869,250	-	-	-	-	-	-	869,250
Other receivables	1,032,870	139,105	6,412	-	35,795	100	81,302	1,295,584
Gross receivables	13,805,872	276,732	6,412	308,899	1,335,024	558,610	1,523,633	17,815,182
Less: allowance for uncollectibles	(3,427,211)	-	-	(120,647)	(57,207)	(36,003)	(70,387)	(3,711,455)
Net receivables	\$ 10,378,661	\$ 276,732	\$ 6,412	\$ 188,252	\$ 1,277,817	\$ 522,607	\$ 1,453,246	\$ 14,103,727

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

**NOTE 6. MORTGAGES AND NOTES RECEIVABLE**

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

The balance of the notes receivable at September 30, 2015 was \$134,331 and is presented in the financial statements as advances to other agencies. Future payments due under the loans are as follows:

Fiscal Year	Principal	Interest	Total
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>\$ 134,331</u>	<u>\$ 18,166</u>	<u>\$ 152,497</u>

**COMPONENT UNITS**

**Industrial Development Board**

Mortgages and notes receivable consist of the following as of September 30, 2015:

	Balance 10/01/2014	Additions	Reductions	Balance 09/30/2015	Due Within One Year
Mortgages receivable	\$ 119,568	\$ -	\$ (12,000)	\$ 107,568	\$ 12,000
Short-term notes receivable	5,500,000	-	(5,500,000)	-	-
Notes receivable - other	101,873	87,417	(67,485)	121,805	51,351
Total	<u>\$ 5,721,441</u>	<u>\$ 87,417</u>	<u>\$ (5,579,485)</u>	<u>\$ 229,373</u>	<u>\$ 63,351</u>

**Mortgages Receivable**

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

Fiscal Year	Principal
2016	\$ 12,000
2017	12,000
2018	83,568
	<u>\$ 107,568</u>



**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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

**Notes Receivable**

In March 2013, the IDB made a loan to a new company locating in Auburn. The principal amount 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 September 2015, the IDB made a loan to a new company locating in Auburn. The loan bears interest at 1.50%. Monthly payments of principal and interest are due beginning October 1, 2015, and continuing until September 1, 2020, at which time the loan matures. The loan is secured by a personal guaranty from each owner of the business.

Future payments due under the notes are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 51,351	\$ 1,450	\$ 52,801
2017	17,220	938	18,158
2018	17,480	678	18,158
2019	17,743	415	18,158
2020	18,011	147	18,158
	<u>\$ 121,805</u>	<u>\$ 3,628</u>	<u>\$ 125,433</u>

**NOTE 7. PROPERTY FOR RESALE**

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

**COMPONENT UNITS**

**Industrial Development Board**

The following is a schedule of changes in property held for resale for the year ended September 30, 2015:

	Balance 10/1/2014	Additions	Reclassi- fications	Disposals	Balance 9/30/2015
Land and buildings	\$ 5,634,399	\$ 91,179	\$ (337,779)	\$ -	\$ 5,387,799
Improvements in progress	4,352,903	1,066,344	(788,777)	-	4,630,470
Total property held for resale	<u>\$ 9,987,302</u>	<u>\$ 1,157,523</u>	<u>\$ (1,126,556)</u>	<u>\$ -</u>	<u>\$ 10,018,269</u>

The net reclassification consists of: adjustments to land previously reclassified to land held for leasing by the Board in the amount of \$442,519 (caused by a change in estimated costs to complete certain improvements in progress and an adjustment to the size of the lot previously reclassified), and a reclassification of property previously held for resale to land held for leasing in the amount of \$684,037.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

**NOTE 8. PROPERTY TAXES**

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

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

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 9. CAPITAL ASSETS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Balance 10/1/2014</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,390,100	\$ 237,106	\$ -	\$ 17,627,206
Construction in progress	<u>4,597,029</u>	<u>8,732,904</u>	<u>(5,491,418)</u>	<u>7,838,515</u>
Total capital assets, not being depreciated	<u>21,987,129</u>	<u>8,970,010</u>	<u>(5,491,418)</u>	<u>25,465,721</u>
Capital assets, being depreciated:				
Buildings and improvements	43,827,140	1,204,508	(325)	45,031,323
Communication equipment	365,417	16,434	-	381,851
Heavy equipment	2,509,290	176,123	(183,327)	2,502,086
Office equipment	3,253,239	370,134	(63,681)	3,559,692
Small tools and equipment	1,203,058	203,277	(27,803)	1,378,532
Vehicles	8,636,690	791,730	(416,493)	9,011,927
Infrastructure	<u>141,904,892</u>	<u>4,245,865</u>	<u>(296,125)</u>	<u>145,854,632</u>
Total capital assets, being depreciated	<u>201,699,726</u>	<u>7,008,071</u>	<u>(987,754)</u>	<u>207,720,043</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,638,038)	(1,241,003)	325	(14,878,716)
Communication equipment	(314,449)	(20,795)	-	(335,244)
Heavy equipment	(1,857,502)	(161,247)	167,363	(1,851,386)
Office equipment	(2,855,662)	(215,401)	63,681	(3,007,382)
Small tools and equipment	(781,196)	(139,175)	14,393	(905,978)
Vehicles	(6,466,652)	(759,195)	406,340	(6,819,507)
Infrastructure	<u>(60,803,363)</u>	<u>(3,251,375)</u>	<u>41,457</u>	<u>(64,013,281)</u>
Total accumulated depreciation	<u>(86,716,862)</u>	<u>(5,788,191)</u>	<u>693,559</u>	<u>(91,811,494)</u>
Total capital assets, being depreciated, net	<u>114,982,864</u>	<u>1,219,880</u>	<u>(294,195)</u>	<u>115,908,549</u>
Governmental activities capital assets, net	<u>\$ 136,969,993</u>	<u>\$ 10,189,890</u>	<u>\$ (5,785,613)</u>	<u>\$ 141,374,270</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 9. CAPITAL ASSETS - CONTINUED**

Capital asset activity for the City's business-type activities for the year ended September 30, 2015, was as follows:

	Balance 10/1/2014	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2015
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>944,910</u>	<u>1,270,952</u>	<u>(1,553,864)</u>	<u>661,998</u>
Total capital assets, not being depreciated	<u>1,109,536</u>	<u>1,270,952</u>	<u>(1,553,864)</u>	<u>826,624</u>
Capital assets, being depreciated:				
Buildings and improvements	18,284,825	-	-	18,284,825
Sewage plants and lines	74,073,076	2,943,835	(68,466)	76,948,445
Machinery and equipment	1,966,532	802,964	(6,829)	2,762,667
Small tools and equipment	7,200	-	-	7,200
Vehicles	<u>4,088,490</u>	<u>1,163,829</u>	<u>(251,429)</u>	<u>5,000,890</u>
Total capital assets, being depreciated	<u>98,420,123</u>	<u>4,910,628</u>	<u>(326,724)</u>	<u>103,004,027</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,367,731)	-	-	(2,367,731)
Sewage plants and lines	(14,863,186)	(1,998,102)	68,466	(16,792,822)
Machinery and equipment	(865,663)	(215,702)	6,829	(1,074,536)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	<u>(2,892,447)</u>	<u>(487,949)</u>	<u>251,197</u>	<u>(3,129,199)</u>
Total accumulated depreciation	<u>(20,996,227)</u>	<u>(2,701,753)</u>	<u>326,492</u>	<u>(23,371,488)</u>
Total capital assets, being depreciated, net	<u>77,423,896</u>	<u>2,208,875</u>	<u>(232)</u>	<u>79,632,539</u>
Business-type activities capital assets, net	<u>\$ 78,533,432</u>	<u>\$ 3,479,827</u>	<u>\$ (1,554,096)</u>	<u>\$ 80,459,163</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, 2015, the City incurred interest costs of \$1,146,154; total interest expense was \$1,099,583, and interest cost of \$46,571 was capitalized in connection with the cost of construction in progress.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 9. CAPITAL ASSETS - CONTINUED**

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

Governmental activities:		
General government and administration		\$ 260,416
Public works		3,519,790
Environmental services		190,565
Public safety		839,803
Library		146,929
Parks and recreation		805,474
Economic development		6,119
Employee services		<u>18,929</u>
Total depreciation expense - governmental activities		<u>\$ 5,788,190</u>
Business-type activities:		
Sewer revenue fund		\$ 2,245,105
Solid waste management fund		<u>456,648</u>
Total depreciation expense - business-type activities		<u>\$ 2,701,753</u>

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

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Balance 10/1/2014</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,859,215	\$ 193,604	\$ -	\$ 9,052,819
Construction in progress	<u>680,776</u>	<u>8,666,643</u>	<u>-</u>	<u>9,347,419</u>
Total capital assets, not being depreciated	<u>9,539,991</u>	<u>8,860,247</u>	<u>-</u>	<u>18,400,238</u>
Capital assets, being depreciated:				
Land improvements	3,598,969	-	-	3,598,969
Buildings and improvements	105,399,486	-	(24,289)	105,375,197
Furniture, equipment and vehicles	11,160,552	1,096,142	(426,426)	11,830,268
Equipment under capital lease	<u>2,303,682</u>	<u>-</u>	<u>-</u>	<u>2,303,682</u>
Total capital assets, being depreciated	<u>122,462,689</u>	<u>1,096,142</u>	<u>(450,715)</u>	<u>123,108,116</u>
Less accumulated depreciation for:				
Land improvements	(2,699,533)	(111,927)	-	(2,811,460)
Buildings and improvements	(27,846,166)	(2,603,684)	612	(30,449,238)
Furniture, equipment and vehicles	<u>(7,385,088)</u>	<u>(1,283,629)</u>	<u>383,246</u>	<u>(8,285,471)</u>
Total accumulated depreciation	<u>(37,930,787)</u>	<u>(3,999,240)</u>	<u>383,858</u>	<u>(41,546,169)</u>
Total capital assets, being depreciated, net	<u>84,531,902</u>	<u>(2,903,098)</u>	<u>(66,857)</u>	<u>81,561,947</u>
Total governmental activities capital assets, net	<u>\$ 94,071,893</u>	<u>\$ 5,957,149</u>	<u>\$ (66,857)</u>	<u>\$ 99,962,185</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 9. CAPITAL ASSETS - CONTINUED**

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

Governmental activities:	
Instruction	\$ 3,269,865
Instructional support	28,950
Operation and maintenance	57,159
Auxiliary services	
Student transportation services	484,477
Food services	152,474
General administrative services	<u>6,315</u>
Total depreciation expense - governmental activities	<u>\$ 3,999,240</u>

**Water Works Board**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 10/1/2014	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2015
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,391,165	\$ 2,943	\$ (12,000)	\$ 1,382,108
Construction in progress	<u>5,747,763</u>	<u>2,326,119</u>	<u>(7,167,839)</u>	<u>906,043</u>
Total capital assets, not being depreciated	<u>7,138,928</u>	<u>2,329,062</u>	<u>(7,179,839)</u>	<u>2,288,151</u>
Capital assets, being depreciated:				
Utility system and plant	70,088,223	6,491,337	(1,146,182)	75,433,378
Buildings and improvements	5,690,903	738,056	-	6,428,959
Office equipment	533,826	40,646	-	574,472
Mobile equipment	981,406	225,596	(116,506)	1,090,496
Tools	<u>386,287</u>	<u>30,697</u>	<u>(31,597)</u>	<u>385,387</u>
Total capital assets, being depreciated	<u>77,680,645</u>	<u>7,526,332</u>	<u>(1,294,285)</u>	<u>83,912,692</u>
Less accumulated depreciation for:				
Utility system and plant	(22,299,840)	(1,505,035)	863,532	(22,941,343)
Buildings and improvements	(2,012,769)	(227,930)	-	(2,240,699)
Office equipment	(402,610)	(73,034)	-	(475,644)
Mobile equipment	(685,596)	(83,952)	116,507	(653,041)
Tools	<u>(303,230)</u>	<u>(22,992)</u>	<u>31,597</u>	<u>(294,625)</u>
Total accumulated depreciation	<u>(25,704,045)</u>	<u>(1,912,943)</u>	<u>1,011,636</u>	<u>(26,605,352)</u>
Total capital assets, being depreciated, net	<u>51,976,600</u>	<u>5,613,389</u>	<u>(282,649)</u>	<u>57,307,340</u>
Business-type activity capital assets, net	<u>\$ 59,115,528</u>	<u>\$ 7,942,451</u>	<u>\$ (7,462,488)</u>	<u>\$ 59,595,491</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, 2015, the AWWB incurred interest costs of \$784,370; total interest expense was \$536,059, and interest cost of \$248,311 was capitalized in connection with the cost of construction in progress.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 9. CAPITAL ASSETS - CONTINUED****Industrial Development Board**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 10/1/2014	Additions	Retirements/ Reclassifications	Balance 9/30/2015
Capital assets, not being depreciated:				
Land	\$ 5,998,384	\$ -	\$ 1,126,556	\$ 7,124,940
Construction in progress	7,537,106	4,507,891	(8,547,130)	3,497,867
Total capital assets, not being depreciated	<u>13,535,490</u>	<u>4,507,891</u>	<u>(7,420,574)</u>	<u>10,622,807</u>
Capital assets, being depreciated:				
Buildings	47,039,883	-	8,547,130	55,587,013
Building improvements	2,536,019	87,544	-	2,623,563
Land improvements	1,610,269	13,640	-	1,623,909
Equipment	522,785	-	-	522,785
Vehicles	124,213	75,198	-	199,411
Total capital assets, being depreciated	<u>51,833,169</u>	<u>176,382</u>	<u>8,547,130</u>	<u>60,556,681</u>
Accumulated depreciation				
Buildings	(7,082,152)	(972,108)	-	(8,054,260)
Building improvements	(464,621)	(62,297)	-	(526,918)
Land improvements	(592,822)	(55,585)	-	(648,407)
Equipment	(496,603)	(18,707)	-	(515,310)
Vehicles	(101,841)	(6,318)	-	(108,159)
Total accumulated depreciation	<u>(8,738,039)</u>	<u>(1,115,015)</u>	<u>-</u>	<u>(9,853,054)</u>
Total capital assets, being depreciated, net	<u>43,095,130</u>	<u>(938,633)</u>	<u>8,547,130</u>	<u>50,703,627</u>
Total capital assets, net	<u>\$ 56,630,620</u>	<u>\$ 3,569,258</u>	<u>\$ 1,126,556</u>	<u>\$ 61,326,434</u>

Details of the \$1,126,556 increase in land due to reclassification are described in Note 7.

It is the IDB's policy to capitalize net interest costs on funds borrowed to finance construction. For the year ended September 30, 2015, the IDB incurred interest costs of \$2,524,238; total interest expense was \$2,176,599, and interest costs of \$347,639 were capitalized in connection with construction of buildings owned by the IDB and held for leasing.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Balance 10/1/2014</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2015</u>
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,326,482	\$ 56,500	\$ (38,600)	\$ 7,344,382
Machinery and equipment	55,454	-	-	55,454
Vehicles	<u>46,103</u>	<u>-</u>	<u>-</u>	<u>46,103</u>
Total capital assets, being depreciated	<u>7,428,039</u>	<u>56,500</u>	<u>(38,600)</u>	<u>7,445,939</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,060,542)	(294,360)	5,919	(2,348,983)
Machinery and equipment	(38,272)	(5,514)	-	(43,786)
Vehicles	<u>(46,103)</u>	<u>-</u>	<u>-</u>	<u>(46,103)</u>
Total accumulated depreciation	<u>(2,144,917)</u>	<u>(299,874)</u>	<u>5,919</u>	<u>(2,438,872)</u>
Total capital assets, being depreciated, net	<u>5,283,122</u>	<u>(243,374)</u>	<u>(32,681)</u>	<u>5,007,067</u>
Business-type activity capital assets, net	<u>\$ 5,283,122</u>	<u>\$ (243,374)</u>	<u>\$ (32,681)</u>	<u>\$ 5,007,067</u>



## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance 7/1/2014</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 6/30/2015</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 1,125,094	\$ 8,279	\$ -	\$ 1,133,373
Construction in progress	<u>1,251,826</u>	<u>113,695</u>	<u>(1,224,458)</u>	<u>141,063</u>
Total capital assets, not being depreciated	<u>2,376,920</u>	<u>121,974</u>	<u>(1,224,458)</u>	<u>1,274,436</u>
Capital assets, being depreciated:				
Buildings and improvements	19,881,946	1,167,027	-	21,048,973
Furniture and equipment	<u>401,964</u>	<u>59,124</u>	<u>-</u>	<u>461,088</u>
Total capital assets, being depreciated	<u>20,283,910</u>	<u>1,226,151</u>	<u>-</u>	<u>21,510,061</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,737,442)	(618,656)	-	(11,356,098)
Furniture and equipment	<u>(276,323)</u>	<u>(41,352)</u>	<u>6,174</u>	<u>(311,501)</u>
Less accumulated depreciation	<u>(11,013,765)</u>	<u>(660,008)</u>	<u>6,174</u>	<u>(11,667,599)</u>
Total capital assets, being depreciated, net	<u>9,270,145</u>	<u>566,143</u>	<u>6,174</u>	<u>9,842,462</u>
Business-type activity capital assets, net	<u>\$ 11,647,065</u>	<u>\$ 688,117</u>	<u>\$ (1,218,284)</u>	<u>\$ 11,116,898</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Balance</u> <u>10/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2015</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 17,160,000	\$ 80,655,000	\$ (5,810,000)	\$ 92,005,000	\$ 3,060,000
General obligation warrants	103,979,440	10,240,000	(18,267,557)	95,951,883	7,785,833
Add: bond issue premiums	<u>5,895,714</u>	<u>3,743,170</u>	<u>(1,166,805)</u>	<u>8,472,079</u>	<u>-</u>
Total bonds and warrants payable	127,035,154	94,638,170	(25,244,362)	196,428,962	10,845,833
Notes payable	1,782,000	1,447,000	(86,000)	3,143,000	178,000
Accumulated annual leave	2,551,441	153,798	(115,240)	2,589,999	169,194
Claims payable	291,708	160,142	(304,965)	146,885	52,856
Landfill closure and postclosure care liability	147,000	-	(7,000)	140,000	7,000
Other postemployment benefits liability	461,347	149,427	-	610,774	-
Net pension liability	<u>28,804,220</u>	<u>-</u>	<u>(1,649,150)</u>	<u>27,155,070</u>	<u>-</u>
Governmental activity long-term liabilities	<u>161,072,870</u>	<u>96,548,537</u>	<u>(27,406,717)</u>	<u>230,214,690</u>	<u>11,252,883</u>
Business-type activities:					
General obligation warrants payable					
warrants payable	44,700,000	19,240,000	(20,935,000)	43,005,000	2,395,000
Add: warrant issue premiums	1,261,981	2,720,596	(224,357)	3,758,220	-
Less: warrant issue discounts	<u>(62,519)</u>	<u>-</u>	<u>54,531</u>	<u>(7,988)</u>	<u>-</u>
Total warrants payable	45,899,462	21,960,596	(21,104,826)	46,755,232	2,395,000
Accumulated annual leave	164,352	2,213	(6,785)	159,780	9,587
Other postemployment benefits liability	64,818	13,448	-	78,266	-
Net pension liability	<u>2,154,487</u>	<u>-</u>	<u>(198,865)</u>	<u>1,955,622</u>	<u>-</u>
Business-type activity long-term liabilities	<u>48,283,119</u>	<u>21,976,257</u>	<u>(21,310,476)</u>	<u>48,948,900</u>	<u>2,404,587</u>
Total primary government long-term liabilities	<u>\$ 209,355,989</u>	<u>\$ 118,524,794</u>	<u>\$ (48,717,193)</u>	<u>\$ 279,163,590</u>	<u>\$ 13,657,470</u>

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.

During the year ended September 30, 2015, the City received \$1,447,000 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, to be loaned out to local businesses 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 over a period of 20 years as it is received from loan recipients as program income.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 10. LONG-TERM LIABILITIES – CONTINUED**

Bonds, notes, and warrants payable of the City of Auburn at September 30, 2015, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2015	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
General obligation bonds, Dated 03/01/05 (Refund '97 bonds, and fund '05 projects) ('97 Bonds - Baseball, Arts Ctr., Pools, Kiesel) General obligation bonds,	2.2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 9,905,000	\$ 610,000	2016
Dated 7/1/09 ('09 Capital Projects) General obligation bonds,	2%-4%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	9,000,000	5,000,000	2021
Dated 5/1/12 ('12 Capital Projects) General obligation refunding bonds, Dated 8/1/12 (Refund '98, '99, '02, and '05 bonds) ( '98 bonds - S. College Imp.; '99 bonds - Library, Watson Complex; '02 bonds - Soccer, Town Creek; '05 bonds - '05 Projects) General obligation refunding bonds, Dated 10/28/14 (Partially refund '07 bonds) General obligation bonds,	2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	4,000,000	3,210,000	2024
Dated 6/23/15 (New High School and School Capital Improvements)	2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	6,180,000	2,530,000	2021
Total bonds payable	2%-4%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	2,510,000	2,510,000	2021
Notes Payable:	2.25%-5%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	78,145,000	78,145,000	2045
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	109,740,000	92,005,000	2034
				3,312,000	3,143,000	

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2015	Year of Final Principal Maturity
Warrants payable:						
General obligation warrants Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	2,404,278	2026
General obligation warrants Dated 5/29/08 (Refund '05 Mall Warrants)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,657,050	2,790,915	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	2,837,000	2018
General obligation warrants Dated 12/19/08 (Auburn HS renovations)	4.76%	Monthly	Special School Tax Fund ad valorem taxes	8,500,000	6,393,303	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	20,965,000	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	1,589,276	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	7,332,007	2024
General obligation warrants Dated 8/20/10 (Purch Bldg - 155 AL St.)	3.03%	Monthly	Full faith credit and taxing power of the City of Auburn	1,870,000	1,173,395	2022
General obligation school warrants Dated 2/22/12 (New elementary school and land)	2.78%	Monthly	Special School Tax Fund ad valorem taxes	18,500,000	15,866,587	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	1,280,370	2022
General obligation warrants Dated 8/1/12 (refund '99 warrants) ( '99 warrants - City Hall, streets, etc)	2% - 5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	1,790,000	1,065,000	2019

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 10. LONG-TERM LIABILITIES – CONTINUED**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2015	Year of Final Principal Maturity
General obligation refunding school warrants						
Dated 8/1/12 (partially refund '05 warrants - school expansion)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	18,080,000	18,080,000	2030
General obligation warrants						
Dated 11/9/12 (West Tech Park - Phase II)	1.72%	Monthly	Full faith credit and taxing power of the City of Auburn	5,525,000	4,054,752	2022
General obligation warrants						
Dated 10/28/14 (partially refund '05 warrants - school improvement)	1% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	10,240,000	10,120,000	2035
Total warrants payable				127,796,150	95,951,883	
Total governmental activity bonds, notes, and warrants payable				334,799,300	191,099,883	
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	3,020,000	2018
General obligation warrants						
Dated 9/1/09 (Partial refund '01 Warrants)	3.5%-5%	1/1-7/1	Sewer Fund	15,245,000	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	5,500,000	2032
General obligation warrants						
Dated 10/28/14 (Partial refund '08 warrants)	3%-5%	6/1-12/1	Sewer Fund	19,240,000	19,240,000	2033
Total business type activity warrants payable				69,885,000	43,005,000	
Total bonds, notes, and warrants payable				\$404,684,300	\$234,104,883	

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

The following schedule shows debt service to maturity for bonds, notes, and warrants payable of the City of Auburn at September 30, 2015:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity			Total Requirements
	Principal	Interest	Total	Payable from			Warrants Payable			
				General Governmental			Principal	Interest	Requirements	
				Principal	Interest	Requirements				
2016	\$ 13,418,833	\$ 9,085,429	\$ 22,504,262	\$ 11,023,833	\$ 7,238,241	\$ 18,262,074	\$ 2,395,000	\$ 1,847,188	\$ 4,242,188	\$ 4,242,188
2017	12,611,635	9,048,339	21,659,974	10,051,635	7,314,695	17,366,330	2,560,000	1,733,644	4,293,644	4,293,644
2018	12,570,063	8,523,015	21,093,078	9,890,063	6,912,240	16,802,303	2,680,000	1,610,775	4,290,775	4,290,775
2019	11,417,249	8,035,694	19,452,943	8,607,249	6,556,619	15,163,868	2,810,000	1,479,075	4,289,075	4,289,075
2020	11,519,695	7,554,419	19,074,114	8,619,695	6,214,044	14,833,739	2,900,000	1,340,375	4,240,375	4,240,375
2021	12,387,013	7,064,403	19,451,416	9,357,013	5,858,078	15,215,091	3,030,000	1,206,325	4,236,325	4,236,325
2022	10,853,044	6,585,870	17,438,914	7,698,044	5,505,407	13,203,451	3,155,000	1,080,463	4,235,463	4,235,463
2023	11,087,320	6,146,674	17,233,994	7,797,320	5,200,180	12,997,500	3,290,000	946,494	4,236,494	4,236,494
2024	11,322,828	5,660,514	16,983,342	7,897,828	4,857,436	12,755,264	3,425,000	803,078	4,228,078	4,228,078
2025	8,207,299	5,229,113	13,436,412	6,777,299	4,535,419	11,312,718	1,430,000	693,694	2,123,694	2,123,694
2026	9,855,089	4,854,450	14,709,539	8,355,089	4,233,756	12,588,845	1,500,000	620,694	2,120,694	2,120,694
2027	7,515,964	4,398,226	11,914,190	5,940,964	3,854,032	9,794,996	1,575,000	544,194	2,119,194	2,119,194
2028	7,648,050	4,049,199	11,697,249	5,988,050	3,585,380	9,573,430	1,660,000	463,819	2,123,819	2,123,819
2029	7,435,872	3,707,426	11,143,298	5,695,872	3,328,232	9,024,104	1,740,000	379,194	2,119,194	2,119,194
2030	7,672,123	3,415,187	11,087,310	5,867,123	3,102,868	8,969,991	1,805,000	312,319	2,117,319	2,117,319
2031	7,999,254	3,146,719	11,145,973	6,139,254	2,889,225	9,028,479	1,860,000	257,494	2,117,494	2,117,494
2032	7,465,552	2,927,534	10,393,086	5,545,552	2,728,018	8,273,570	1,920,000	199,516	2,119,516	2,119,516
2033	6,842,000	2,678,828	9,520,828	5,247,000	2,555,203	7,802,203	1,595,000	123,625	1,718,625	1,718,625
2034	7,096,000	2,341,700	9,437,700	5,421,000	2,299,825	7,720,825	1,675,000	41,875	1,716,875	1,716,875
2035	5,580,000	2,026,294	7,606,294	5,580,000	2,026,294	7,606,294				
2036	3,615,000	1,781,500	5,396,500	3,615,000	1,781,500	5,396,500				
2037	3,760,000	1,633,213	5,393,213	3,760,000	1,633,213	5,393,213				
2038	3,910,000	1,477,313	5,387,313	3,910,000	1,477,313	5,387,313				
2039	4,070,000	1,313,538	5,383,538	4,070,000	1,313,538	5,383,538				
2040	4,240,000	1,141,363	5,381,363	4,240,000	1,141,363	5,381,363				
2041	4,415,000	960,200	5,375,200	4,415,000	960,200	5,375,200				
2042	4,600,000	783,600	5,383,600	4,600,000	783,600	5,383,600				
2043	4,790,000	599,600	5,389,600	4,790,000	599,600	5,389,600				
2044	4,995,000	408,000	5,403,000	4,995,000	408,000	5,403,000				
2045	5,205,000	208,200	5,413,200	5,205,000	208,200	5,413,200				
<b>Total</b>	<b>\$ 234,104,883</b>	<b>\$ 116,785,560</b>	<b>\$ 350,890,443</b>	<b>\$ 191,099,883</b>	<b>\$ 101,101,719</b>	<b>\$ 292,201,602</b>	<b>\$ 43,005,000</b>	<b>\$ 15,683,841</b>	<b>\$ 58,688,841</b>	<b>\$ 58,688,841</b>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

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

On October 28, 2014, the City issued its \$2,510,000 General Obligation Refunding Bonds with an average interest rate of 3.46% to refund \$2,635,000 of outstanding 2007 General Obligation Bonds with an average interest rate of 3.94% maturing in 2016 through 2021. The net proceeds of \$2,690,594 (after payment of \$36,372 in issuance costs and realization of a \$216,966 original issue premium) were used to fully redeem the 2007 Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$55,594. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2021 using the straight-line method. The City completed the current refunding to reduce its total debt service payments over the next six years by \$201,492 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$178,726.

On October 28, 2014, the City issued its \$19,240,000 General Obligation Sewer Warrants with an average interest rate of 4.44% to refund \$18,730,000 of outstanding 2008 General Obligation Sewer Refunding and Capital Improvement Warrants with an average interest rate of 5.46% maturing in 2019 through 2033. The net proceeds of \$21,714,933 (after payment of \$245,663 in issuance costs and realization of a \$2,720,596 original issue premium) were used to fully redeem the 2008 Warrants. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,037,151. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2034 using the straight-line method. The City completed the current refunding to reduce its total debt service payments over the next 19 years by \$2,331,253 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,631,456.

On October 28, 2014, the City issued its \$10,240,000 General Obligation School Warrants with an average interest rate of 3.85% to refund \$9,575,000 of outstanding 2005 General Obligation Capital Improvement School Warrants with an average interest rate of 4.38% maturing in 2031 through 2035 and to pay approximately \$580,479 of certain public school capital improvements. The net proceeds of \$9,990,196 (after payment of \$126,861 in issuance costs, funding of \$580,479 of capital improvements, and realization of a \$457,536 original issue premium) were used to fully redeem the 2005 Warrants. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$415,196. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2035 using the straight-line method. The City completed the current refunding to reduce its total debt service payments over the next 20 years by \$1,103,507 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,661,171.

On June 23, 2015, the City issued its \$78,145,000 General Obligation Bonds for the purpose of acquiring real property for public school purposes; designing, acquiring, providing, equipping, constructing and financing a new public high school; renovating existing public school facilities and making site improvements for public school purposes; acquiring equipment and other assets for public school purposes; and paying the costs of various other public capital improvements, equipment and assets for public school and other public purposes. The Bonds bear interest at rates from 2.25% to 5.0%, payable semiannually beginning November 2015 and continuing through May of 2045. Principal payments are due annually beginning May 2021 and continuing through May 2045.

In the current year and prior years, the government defeased various general obligation bonds and warrants by placing the proceeds of the new bonds or warrants in an irrevocable trust account to provide for all future debt service payments on the old bonds and warrants. Accordingly, the trust account assets and the liabilities for the defeased bonds and warrants are not included in the government's financial statements. At September 30, 2015, \$69,715,000 of defeased bonds and warrants remain outstanding.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Balance</u> <u>10/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2015</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities:					
Bonds payable:					
Bonds payable - 2010 issue	\$ 18,965,000	\$ -	\$ (710,000)	\$ 18,255,000	\$ 735,000
Add: bond issue premiums	<u>957,401</u>	<u>-</u>	<u>(54,192)</u>	<u>903,209</u>	<u>-</u>
	<u>19,922,401</u>	<u>-</u>	<u>(764,192)</u>	<u>19,158,209</u>	<u>735,000</u>
Accumulated annual leave	89,617	1,228	(815)	90,030	-
Other postemployment					
benefits liability	29,231	6,065	-	35,296	-
Net pension liability	<u>699,300</u>	<u>163,844</u>	<u>-</u>	<u>863,144</u>	<u>-</u>
	<u>818,148</u>	<u>171,137</u>	<u>(815)</u>	<u>988,470</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>\$ 20,740,549</u>	<u>\$ 171,137</u>	<u>\$ (765,007)</u>	<u>\$ 20,146,679</u>	<u>\$ 735,000</u>

Bonds payable at September 30, 2015, 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, 2015, are comprised of the following individual issues:

	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Dates</u>	<u>Source</u> <u>of</u> <u>Payment</u>	<u>Principal</u> <u>Issued</u>	<u>Principal</u> <u>Outstanding</u> <u>September 30,</u> <u>2015</u>	<u>Year of</u> <u>Final</u> <u>Principal</u> <u>Maturity</u>
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>\$ 18,255,000</u>	2032



## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

The following schedule shows debt service to maturity for bonds payable of the Water Works Board of the City of Auburn at September 30, 2015:

Year ending September 30	Principal	Interest	Total
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	890,000	660,788	1,550,788
2021-2025	5,005,000	2,749,623	7,754,623
2026-2030	6,270,000	1,487,250	7,757,250
2031-2032	2,925,000	176,600	3,101,600
Total	<u>\$ 18,255,000</u>	<u>\$ 8,122,663</u>	<u>\$ 26,377,663</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, 2015.

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

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Balance 10/1/2014	Additions	Reductions	Balance 9/30/2015	Due Within One Year
Long-term notes payable	\$ 36,126,096	\$ 7,800,000	\$ (2,639,869)	\$ 41,286,227	\$ 2,153,558
Short term notes payable	12,060,773	3,484,434	(13,300,000)	2,245,207	2,245,207
Bonds payable	4,605,000	-	(255,000)	4,350,000	270,000
Total	<u>\$ 52,791,869</u>	<u>\$ 11,284,434</u>	<u>\$ (16,194,869)</u>	<u>\$ 47,881,434</u>	<u>\$ 4,668,765</u>

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

Bonds payable

Bonds payable at September 30, 2015 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, 2016. 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, 2015

**NOTE 10. 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 2015 was 0.159%. Interest incurred for the fiscal year amounted to \$265,750.

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, 2016. 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, 2017. 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>
2016	\$ 270,000
2017	<u>4,080,000</u>
	<u>\$ 4,350,000</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>
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>\$ 4,350,000</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 10. LONG-TERM LIABILITIES – CONTINUED**

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2015, using the variable interest rate in effect on the last day of the fiscal year (0.17%):

Fiscal Year	Series 2006-A		Total
	Principal	Interest	
2016	\$ 270,000	\$ 7,318	\$ 277,318
2017	290,000	6,853	296,853
2018	315,000	6,353	321,353
2019	335,000	5,812	340,812
2020	360,000	5,236	365,236
2021	385,000	4,617	389,617
2022	415,000	3,954	418,954
2023	445,000	3,240	448,240
2024	475,000	2,475	477,475
2025	510,000	1,657	511,657
2026	550,000	779	550,779
Total	<u>\$ 4,350,000</u>	<u>\$ 48,294</u>	<u>\$ 4,398,294</u>

*Swap payments and associated debt* – With respect to the Series 2006-A bonds, the IDB entered into an interest rate swap agreement with Allied Irish Bank to hedge the changes in cash flows on the variable-rate bonds (see Note 4). Using rates as of September 30, 2015, 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		
2016	\$ 270,000	\$ 7,318	\$ 244,349	\$ 521,667
2017	290,000	6,853	228,834	525,687
2018	315,000	6,353	212,136	533,489
2019	335,000	5,812	194,067	534,879
2020	360,000	5,236	174,815	540,051
2021	385,000	4,617	154,143	543,760
2022	415,000	3,954	102,050	521,004
2023	445,000	3,240	-	448,240
2024	475,000	2,475	-	477,475
2025	510,000	1,657	-	511,657
2026	550,000	779	-	550,779
Total	<u>\$ 4,350,000</u>	<u>\$ 48,294</u>	<u>\$ 1,310,394</u>	<u>\$ 5,708,688</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

Long-term notes payable

Notes payable of the IDB at September 30, 2015, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/15	Year of Final Principal Maturity
AuburnBank	6.470%	Monthly	\$ 300,000	\$ 239,595	2016
Compass Bank	6.250%	Monthly	644,692	84,436	2016
AuburnBank	6.000%	Monthly	2,146,000	1,912,934	2017
AuburnBank	6.000%	Monthly	1,290,000	958,383	2017
AuburnBank	4.500%	Monthly	2,274,000	1,990,465	2017
AuburnBank	6.470%	Monthly	1,025,000	763,904	2017
AuburnBank	6.000%	Monthly	1,955,000	1,746,686	2017
AuburnBank	6.470%	Monthly	491,000	412,593	2017
AuburnBank	4.500%	Monthly	3,026,000	2,607,681	2018
Aliant Bank	5.500%	Monthly	2,656,136	2,340,697	2018
AuburnBank	5.000%	Monthly	8,670,000	5,807,179	2019
AuburnBank	5.000%	Monthly	3,144,057	2,878,046	2019
AuburnBank	5.000%	Monthly	2,380,000	1,942,622	2019
AuburnBank	5.000%	Monthly	825,000	676,308	2019
AuburnBank	6.000%	Monthly	165,250	140,989	2019
AuburnBank	4.500%	Monthly	4,250,000	4,037,778	2019
AuburnBank	4.500%	Monthly	475,000	451,278	2019
AuburnBank	5.000%	Monthly	1,079,500	1,025,809	2019
AuburnBank	5.000%	Monthly	2,157,341	2,134,691	2020
AuburnBank	5.000%	Monthly	1,079,500	755,851	2020
AuburnBank	4.850%	Monthly	7,000,000	6,967,601	2020
City of Auburn	3.030%	Monthly	1,800,000	1,410,701	2023
Total notes payable			<u>\$ 48,833,476</u>	<u>\$ 41,286,227</u>	

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

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2015:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2016	\$ 2,153,558	\$ 2,025,735	\$ 4,179,293
2017	8,993,993	1,669,958	10,663,951
2018	5,860,145	1,188,867	7,049,012
2019	15,147,413	720,943	15,868,356
2020	8,612,523	343,715	8,956,238
2021	195,604	13,185	208,789
2022	201,698	7,090	208,788
2023	121,293	1,248	122,541
Total	<u>\$ 41,286,227</u>	<u>\$ 5,970,741</u>	<u>\$ 47,256,968</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

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

Beginning on July 20, 2012, the principal of this promissory note is paid in annual payments due on July 20, each succeeding year over a twenty (20) year period and repaid in twenty (20) equal installments in the amount of \$75,000. Interest is paid semi-annually on January 20, and July 20, of each succeeding year until the principal amount of this note is paid in full. The interest rate on the loan 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 21).

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

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2016	\$ 75,000	\$ 19,400	\$ 94,400
2017	75,000	29,876	104,876
2018	75,000	29,216	104,216
2019	75,000	28,369	103,369
2020	75,000	27,165	102,165
2021-2025	375,000	110,636	485,636
2026-2030	375,000	56,775	431,775
2031-2032	<u>150,000</u>	<u>5,306</u>	<u>155,306</u>
Total	<u>\$1,275,000</u>	<u>\$ 306,743</u>	<u>\$1,581,743</u>

**NOTE 11. UNEARNED PROGRAM REVENUE**

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2015, totaled \$276,237.

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, 2015, totaled \$1,453,874.

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) under a Loan Guarantee Assistance contract pursuant to Section 108 of Title 1 of the Housing and Urban Development Act of 1974. Under the terms of the loans, the monies received from HUD are loaned to qualified borrowers as micro-loans or as part of a Commercial and Industrial Loan Program. When the City made these loans, unearned revenue equal to the principal amount of the loan was recorded in the governmental fund financial statements. The loans made under this program are repaid according to the terms of each individual loan

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 11. UNEARNED PROGRAM REVENUE - CONTINUED**

agreement. As the City receives amortized payments of principal and interest, unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The loans outstanding at September 30, 2015, totaled \$2,091,944, of which \$1,200,000 is listed as advances to component units.

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

Description of leasing arrangements - The IDB's leasing activities consist of the leasing of industrial space in facilities owned by the IDB (operating leases) and sales-type capital leases to various industries for land, buildings and/or equipment located in the IDB's industrial parks. The operating leases expire over the next fifteen 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, 2015, was \$7,124,940, and \$55,587,013, respectively; accumulated depreciation on the buildings was \$8,054,260. Rents received during 2015 were \$3,887,828. Of the sixteen leases in effect at September 30, 2015, fifteen were noncancelable. One lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term; the lease provides for automatic one-year renewal terms ending on May 31, 2025, and annual minimum rentals of \$35,000 payable in advance.

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. In September 2011, the lease was further amended to conform to the terms of the amended trust agreement related to the Series 2006-A bonds (see Note 10). Pursuant to the terms of an interest rate swap (see Note 4), rentals due under the lease were changed in 2009 to variable amounts equal to the total debt service on the Series 2006-A bonds, including certain fees related to the debt, and payments due under the rate swap agreement. The lease was further amended in 2013 to incorporate an additional expansion. Because the debt service payments are based on variable rates and include payments due under the swap, rental amounts included in the following schedule are calculated using rates in effect as of September 30, 2015.

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, 2015:

<u>Fiscal Year</u>	<u>Future Minimum Rental Payments</u>
2016	\$ 4,430,644
2017	4,292,119
2018	4,181,792
2019	2,992,451
2020	2,667,117
2021	2,668,563
2022	2,292,733
2023	2,136,343
2024	2,020,723
2025	1,489,834
2026	556,892
2027	556,892
2028	556,892
2029	556,892
2030	464,077
Total	<u>\$ 31,863,964</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 12. LEASE AGREEMENTS - CONTINUED**

Capital leases

- A. The IDB has leased, under capital leases, nine parcels of land located in its Industrial Parks. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2017 to 2044, and several of the leases provide for renewal terms. No lease payments were received in fiscal year 2015, and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal.

During fiscal year 2014, two existing industries conveyed property to the IDB, and the Board leased the property back to the industries under prepaid capital leases. Remaining payments under the leases consist solely of payments due under the bargain-purchase options, which are minimal, and no payments were received in fiscal year 2015. 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 West with lease terms expiring in 2023 and 2034, respectively. The components of the net investment in sales-type capital leases at September 30, 2015 are as follows:

Total minimum lease payments to be received	\$ 7,032,491
Less: unearned income	<u>(2,172,281)</u>
Net investment in capital lease	<u>\$ 4,860,210</u>

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

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
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
2025	282,534
Thereafter	<u>2,519,268</u>
Total	<u>\$ 7,032,491</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 one is cancelable with 120 days notice. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rentals received during fiscal year 2015 were \$185,081. As of September 30, 2015, seven of the non-cancelable leases expire within one year and two expire in 2017. Future minimum rentals of \$21,099 and \$3,191 are due under the non-cancelable leases in fiscal year 2016 and 2017, respectively.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 13. DEFINED BENEFIT PENSION PLANS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

*General Information about the Pension Plan*

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

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

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

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

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

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	21,691
Terminated employees entitled to	
but not yet receiving benefits	1,252
Terminated employees not	
entitled to a benefit	5,048
Active members	55,883
	<u>83,874</u>



NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

*Contributions.* Tier 1 employees (excluding law enforcement and firefighters) contribute 5% of earnable compensation. Tier 1 employees that are certified law enforcement and firefighters contribute 6%.

Tier 2 employees (excluding law enforcement and firefighters) contribute 6% of earnable compensation. Tier 2 employees that are certified law enforcement and firefighters contribute 7%.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City’s active employee contribution rate was 5.40 percent of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 10.27 percent of covered employee payroll.

City’s contractually required contribution rate for the year ended September 30, 2015 was 11.11 percent of pensionable pay for Tier 1 employees, and 8.81 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$2,704,775 for the year ended September 30, 2015.

*Total Pension Liability*

The City’s net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

(a) TPL as of September 30, 2013	\$ 82,673,795
(b) Entry Age Normal Cost for the period October 1, 2013 - September 30, 2014	\$ 2,020,170
(c) Actual Benefit Payments and Refunds for the period October 1, 2013 - September 30, 2014	\$ (4,242,336)
(d) TPL as of September 30, 2014 [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 86,895,839

*Actuarial assumptions.* The total pension liability in the September 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%-7.25%
Investment rate of return*	8.00%

\*Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

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

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

\*Includes assumed rate of inflation of 2.50%

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

*Changes in Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2013	\$ 82,673,795	\$ 51,584,513	\$ 31,089,282
Changes for the year:			
Service cost	2,020,170	-	2,020,170
Interest	6,444,210	-	6,444,210
Contributions - employer	-	2,602,824	(2,602,824)
Contributions - employee	-	1,341,496	(1,341,496)
Net investment income	-	6,183,165	(6,183,165)
Benefit payments, including refunds of employee contributions	(4,242,336)	(4,242,336)	-
Transfers among employers	-	193,733	(193,733)
Net changes	<u>4,222,044</u>	<u>6,078,882</u>	<u>(1,856,838)</u>
Balances at September 30, 2014	<u>\$ 86,895,839</u>	<u>\$ 57,663,395</u>	<u>\$ 29,232,444</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

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

	1% Decrease <u>(7.00%)</u>	Current Discount Rate (8.00%)	1% Increase <u>(9.00%)</u>
City's net pension liability	\$ 40,413,764	\$ 29,232,444	\$ 19,906,656

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2015, the City recognized pension income of \$321,708. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,640,627
Employer contributions subsequent to the measurement date	<u>2,704,775</u>	<u>-</u>
	<u>\$ 2,704,775</u>	<u>\$ 1,640,627</u>

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

Year ended September 30:	
2016	\$ 410,157
2017	410,157
2018	410,157
2019	<u>410,156</u>
	<u>\$ 1,640,627</u>

**COMPONENT UNITS**

**Board of Education**

*Plan Description*

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED***Benefits Provided*

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

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

*Contributions*

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

Participating employers' contractually required contribution rate for the year ended September 30, 2015, was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$4,662,398 for the year ended September 30, 2015.

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

At September 30, 2015, the Board reported a liability of \$55,675,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the Board's proportion was 0.612854%, which was an increase of 0.025876% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Board recognized pension expense of \$4,690,000. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,174,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,065,000	-
Employer contributions subsequent to the measurement date	<u>4,662,398</u>	<u>-</u>
	<u>\$ 6,727,398</u>	<u>\$ 4,174,000</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

\$4,662,398 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2016	\$	(564,000)
2017		(564,000)
2018		(564,000)
2019		(564,000)
2020		<u>147,000</u>
	\$	<u><u>(2,109,000)</u></u>

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of September 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

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

\*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

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

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

\*Includes assumed rate of inflation of 2.50%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

*Discount Rate*

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

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

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

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current Discount</u> <u>Rate (8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
Board's proportionate share of collective net pension liability	\$ 75,847,000	\$ 55,675,000	\$ 38,578,000

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor’s report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Water Works Board**

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

For the year ended September 30, 2015, AWWB’s active employee contribution rate was 2.98 percent of covered employee payroll, and AWWB’s average contribution rate to fund the normal and accrued liability costs was 3.88 percent of covered employee payroll.

The AWWB’s contractually required contribution rate for the year ended September 30, 2015 was 7.04 percent of pensionable pay for Tier 1 employees, and 4.74 percent of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the AWWB were \$72,750 for the year ended September 30, 2015.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

The AWWB's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

(a) TPL as of September 30, 2013	\$	3,246,770
(b) Entry Age Normal Cost for the period October 1, 2013 - September 30, 2014	\$	120,498
(c) Actual Benefit Payments and Refunds for the period October 1, 2013 - September 30, 2014	\$	(139,669)
(d) TPL as of September 30, 2014 [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$	3,481,754

*Changes in Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2013	\$ 3,246,770	\$ 2,547,470	\$ 699,300
Changes for the year:			
Service cost	120,498	-	120,498
Interest	254,155	-	254,155
Contributions - employer	-	74,121	(74,121)
Contributions - employee	-	55,397	(55,397)
Net investment income	-	292,386	(292,386)
Benefit payments, including refunds of employee contributions	(139,669)	(139,669)	-
Transfers among employers	-	(211,095)	211,095
Net changes	234,984	71,140	163,844
Balances at September 30, 2014	\$ 3,481,754	\$ 2,618,610	\$ 863,144

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Board's net pension liability	\$ 1,325,090	\$ 863,144	\$ 475,014

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2015, the AWWB recognized pension expense of \$72,750. At September 30, 2015, AWWB reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 77,950
Employer contributions subsequent to the measurement date	72,750	-
	<u>\$ 72,750</u>	<u>\$ 77,950</u>

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

Year ended September 30:		
2016	\$	19,488
2017		19,488
2018		19,488
2019		19,486
	<u>\$</u>	<u>77,950</u>

**Housing Authority**

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

For the year ended June 30, 2015, AHA's active employee contribution rate was 0.36 percent of covered employee payroll, and AHA's average contribution rate to fund the normal and accrued liability costs was 0.28 percent of covered employee payroll.

The AHA's contractually required contribution rate for the year ended June 30, 2015 was 0.35 percent of pensionable pay for Tier 1 employees, and 0.35 percent of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from AHA were \$2,236 for the year ended June 30, 2015.

**Total Pension Liability**

The AHA's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

(a) TPL as of September 30, 2013	\$	3,005,332
(b) Entry Age Normal Cost for the period October 1, 2013 - September 30, 2014	\$	69,023
(c) Actual Benefit Payments and Refunds for the period October 1, 2013 - September 30, 2014	\$	(142,671)
(d) TPL as of September 30, 2014 [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$	3,165,324



NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

*Changes in Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2013	\$ 3,004,332	\$ 11,899,520	\$ (8,895,188)
Changes for the year:			
Service cost	69,023	-	69,023
Interest	234,640	-	234,640
Contributions - employee	-	53,717	(53,717)
Net investment income	-	1,422,439	(1,422,439)
Benefit payments, including refunds of employee contributions	(142,671)	(142,671)	-
Net changes	160,992	1,333,485	(1,172,493)
Balances at September 30, 2014	\$ 3,165,324	\$ 13,233,005	\$ (10,067,681)

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's net pension liability (asset)	\$ (9,776,882)	\$ (10,067,681)	\$ (10,315,683)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2015, the Authority recognized pension income of \$635,856. At June 30, 2015, the AHA reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 379,229
Employer contributions subsequent to the measurement date	1,623	-
	\$ 1,623	\$ 379,229

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

Year ended June 30:	
2016	\$ 94,807
2017	94,807
2018	94,808
2019	94,808
	\$ 379,230

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

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

Plan description

The City provides medical benefits to employees upon retirement according to the retirement eligibility provisions as follows: 25 years of service at any age; or, age 60 and 10 years of service for employees who began eligible employment prior to January 1, 2013. Employees who first began eligible employment on or after January 1, 2013 require age 62 with 10 years of service to become eligible for retiree health benefits. The retirees pay 100% of the premium costs and specific deductibles. Employees do not contribute to their postemployment benefits costs until they retire and begin receiving those benefits. The City pays for all costs in excess of premiums and deductibles. Benefits and contribution requirements (both employee and employer) for the General employees OPEB Plan are established by City ordinance and can only be amended by City Council. OPEB benefits are administered by City personnel. No separate financial statements are issued.

Funding policy

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

Annual required contribution

The City’s annual required contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 45) has been used for the postemployment benefits. The total ARC for the year ending September 30, 2015 is as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Normal cost as of beginning of year	\$ 112,575	\$ 97,465	\$ 95,184
Amortization of the unfunded AAL (UAAL) for 30 years	<u>134,309</u>	<u>120,449</u>	<u>117,416</u>
Total normal cost and amortization payment	246,884	217,914	212,600
Interest to end of year	<u>9,875</u>	<u>8,717</u>	<u>8,504</u>
Annual required contribution (ARC)	<u>\$ 256,759</u>	<u>\$ 226,631</u>	<u>\$ 221,104</u>
Percent of Annual Covered Payroll	1.05%	0.98%	0.96%

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**Net postemployment benefit obligation

The table below shows the City's net other postemployment benefit (OPEB) obligation at September 30, 2015:

	2015	2014	2013
Annual required contribution (ARC)	\$ 256,759	\$ 226,631	\$ 221,104
Interest on net OPEB obligation (NOO) to end of year	22,216	16,668	11,001
NOO amortization adjustment to the ARC	<u>(32,118)</u>	<u>(24,097)</u>	<u>(15,905)</u>
Annual OPEB cost	246,857	219,202	216,200
Actual annual employer contribution - pay-go cost	<u>(77,918)</u>	<u>(80,494)</u>	<u>(74,531)</u>
Change in net OPEB obligation	168,939	138,708	141,669
Beginning net OPEB obligation	<u>555,396</u>	<u>416,688</u>	<u>275,019</u>
Ending net OPEB obligation	<u>\$ 724,335</u>	<u>\$ 555,396</u>	<u>\$ 416,688</u>
Percentage of annual OPEB cost contributed	31.6%	36.7%	34.5%
Ending net OPEB obligation by employer			
City of Auburn General Fund	\$ 610,774	\$ 461,347	\$ 338,919
Sewer Revenue Fund of City of Auburn	32,227	24,148	19,202
Solid Waste Management Fund of City of Auburn	46,038	40,670	30,724
Water Works Board of City of Auburn	<u>35,296</u>	<u>29,231</u>	<u>27,843</u>
Total	<u>\$ 724,335</u>	<u>\$ 555,396</u>	<u>\$ 416,688</u>

Funded status and funding progress

In the fiscal year ending September 30, 2015, the City contributed \$77,918 to its postemployment benefits plan. This represents 31.6% of the annual OPEB cost. The plan has no assets and therefore has a funded ratio of zero. As of September 30, 2014, the most recent actuarial valuation, the actuarial accrued liability was \$2,415,369 which is defined as that portion, as determined by a particular actuarial cost method, of the actuarial present value of postemployment plan benefits and expenses which is not provided for by the future normal cost. Since the plan has no assets, the entire actuarial accrued liability was unfunded. The schedule of funding progress is included in the table below.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage o Covered P/R ( (b - a)/c )
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%
9/30/2014	-	2,415,369	2,415,369	0%	24,400,268	9.9%

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,

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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

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

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

In the September 30, 2014, 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 8% healthcare cost trend increase for fiscal year 2016, graded down to an ultimate annual rate of 5% for 2022 and later.

**COMPONENT UNITS**

Board of Education

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

*Code of Alabama 1975*, Section 16-25A-8 provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. Retirees eligible for Medicare benefits must pay \$10 per month for coverage while those not eligible for Medicare must pay \$151 per month for coverage. The employer's share of premiums for retired ABOE employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. The fiscal year 2015 rate paid by the ABOE was \$780 per active participant per month; \$180.76, or approximately 23.17% 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, 2015 and 2014 were approximately \$2,007,491 and \$2,467,174, 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, 2015 and 2014 were

approximately \$449,415 and \$299,033, 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, 2015

**NOTE 15. WORKMEN'S COMPENSATION SELF-INSURANCE**

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

	<u>Fiscal Year</u>	
	<u>2015</u>	<u>2014</u>
Unpaid claims, beginning of year	\$ 82,082	\$ 69,711
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	62,055	108,056
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>(16,698)</u>	<u>(17,177)</u>
Total incurred claims	<u>45,357</u>	<u>90,879</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(43,231)	(65,986)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(42,885)</u>	<u>(12,522)</u>
Total payments	<u>(86,116)</u>	<u>(78,508)</u>
Unpaid claims, end of year	<u>\$ 41,323</u>	<u>\$ 82,082</u>

Total liability for uninsured workmen's compensation claims at September 30, 2015, is recorded as follows: \$7,295 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$34,028, along with the estimated liability for insured risks of \$105,561, 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, 2015

**NOTE 16. MEDICAL SELF-INSURANCE**

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

	Fiscal Year	
	2015	2014
Unpaid claims, beginning of year	<u>\$ 162,718</u>	<u>\$ 166,980</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	2,844,293	2,769,983
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>43,342</u>	<u>29,561</u>
Total incurred claims	<u>2,887,635</u>	<u>2,799,544</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(2,653,133)	(2,607,265)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(206,060)</u>	<u>(196,541)</u>
Total payments	<u>(2,859,193)</u>	<u>(2,803,806)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 191,160</u>	<u>\$ 162,718</u>

The unpaid claims as of September 30, 2015, are reported in the General Fund.

**NOTE 17. UNEMPLOYMENT COMPENSATION**

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2015, by the State (\$13,933) to individuals is reflected as an expense of the General Fund.

**NOTE 18. AD VALOREM TAX COLLECTION EXPENSE**

The City is charged a collection fee by the County Revenue Commissioner for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year-ended September 30, 2015:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 4,006,735 *	\$ 91,589	\$ 41,792	\$ 3,873,354
Special 5-Mill Tax Fund	5	3,999,234 **	91,589	41,792	3,865,853
Special School Tax Fund	<u>16</u>	<u>13,740,703</u>	<u>311,906</u>	<u>143,392</u>	<u>13,285,405</u>
Property tax totals	<u>26</u>	<u>\$ 21,746,672</u>	<u>\$ 495,084</u>	<u>\$ 226,976</u>	<u>\$ 21,024,612</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, 2015

**NOTE 19. INTERFUND RECEIVABLES AND PAYABLES**

Primary Government interfund receivables and payables for the year ended September 30, 2015 consist of the following:

<u>Amount</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Purpose</u>
\$ 11,326	General Fund	Nonmajor Governmental Funds	Provide cash flow for grants program
<u>10,802</u>	Nonmajor Governmental Funds	Federal Grant Loan Repayment Fund	Provide cash flow for grants program
<u>\$ 22,128</u>			

**NOTE 20. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers for the year ended September 30, 2015:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 521,250	\$ 5,974,122
Special School Tax Fund	3,823,533	61
Federal Grant Loan Repayment Fund	-	212,300
Nonmajor Governmental Funds	<u>2,362,679</u>	<u>390,000</u>
Total governmental activities	<u>6,707,462</u>	<u>6,576,483</u>
Major Proprietary Fund		
Sewer Revenue Fund	2,590	198,760
Nonmajor proprietary fund	<u>120,191</u>	<u>55,000</u>
Total business-type activities	<u>122,781</u>	<u>253,760</u>
Total primary government	<u>\$ 6,830,243</u>	<u>\$ 6,830,243</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, 2015

**NOTE 21. INTRA-ENTITY TRANSACTIONS**

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

A. Short-term receivables and payables

	<u>Due To</u>	<u>Due From</u>
Component Units		
Industrial Development Board	\$ -	\$ 34,961
Water Works Board	649,081	129,591
Primary Government		
General Fund	14,451	451,810
Nonmajor governmental funds	34,961	-
Sewer Revenue Fund	89,351	197,271
Nonmajor proprietary fund	25,789	-
Total	<u>\$ 813,633</u>	<u>\$ 813,633</u>

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

B. Long-term advances

	<u>Advances To</u>	<u>Advances From</u>
Primary Government		
General Fund	\$ -	\$ 115,000
Nonmajor governmental funds	1,200,000	-
Component Units		
Water Works Board	115,000	-
Housing Authority	-	1,275,000
Total	<u>\$ 1,315,000</u>	<u>\$ 1,390,000</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 10 for detail of the repayment terms.

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



NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 21. INTRA-ENTITY TRANSACTIONS - CONTINUED**

C. Payments between the City and Component Units

	Appropriations <u>To</u>	Payments <u>From</u>
Primary Government		
General Fund	\$ -	\$ 12,561,292
Special School Tax Fund	-	13,005,586
Nonmajor governmental funds	-	1,291,469
Component Units		
Auburn City Board of Education	24,505,586	-
Water Works Board	103,000	-
Industrial Development Board	1,971,469	-
Public Parks and Recreation Board	<u>278,292</u>	<u>-</u>
Total	<u>\$ 26,858,347</u>	<u>\$ 26,858,347</u>

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

The City appropriated \$103,000 to the Water Works Board, which represents the difference between the City's purchase of the Armstrong Street Property from AWWB of \$115,000 and the AWWB's basis in that property of \$12,000. The \$103,000 is included in gain (loss) on disposal of assets in the statement of revenues, expenses, and changes in net position.

The City appropriated \$680,000 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 \$1,291,469 for improvements to the Auburn Technology Park West. That amount is included in capital contributions in the statement of revenues, expenses and changes in net position.

In addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education that are not recorded as payments to the ABOE. The debt payments (including bond trustee fees) paid on behalf of the Board of Education are reflected on the City's books as debt service expenditures and amounted to \$6,422,979.

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

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

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

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

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Section 108 Loan Program*	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 40,235	\$ 126,453	\$ 34,521	\$ 2,338	\$ 8,598	\$ -	\$ 212,145
Investments	-	-	-	-	-	875,005	875,005
Receivables, net	-	-	-	-	-	6,412	6,412
Mortgages receivable	76,986	-	199,201	863,922	589,950	891,945	2,622,004
Advance to component units	-	-	-	-	-	1,200,000	1,200,000
Restricted cash	-	-	-	-	-	182,788	182,788
<b>Total assets</b>	<b>\$ 117,221</b>	<b>\$ 126,453</b>	<b>\$ 233,722</b>	<b>\$ 866,260</b>	<b>\$ 598,548</b>	<b>\$ 3,156,150</b>	<b>\$ 5,098,354</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 29
Due to other funds	-	-	-	2,338	8,464	-	10,802
Unearned revenues	76,986	-	199,251	863,922	589,950	2,091,945	3,822,054
<b>Total liabilities</b>	<b>76,986</b>	<b>-</b>	<b>199,251</b>	<b>866,260</b>	<b>598,414</b>	<b>2,091,974</b>	<b>3,832,885</b>
<b>Fund balance:</b>							
Restricted - social & economic	40,235	126,453	34,471	-	134	1,064,176	1,265,469
<b>Total fund balance</b>	<b>40,235</b>	<b>126,453</b>	<b>34,471</b>	<b>-</b>	<b>134</b>	<b>1,064,176</b>	<b>1,265,469</b>
<b>Total liabilities and fund balance</b>	<b>\$ 117,221</b>	<b>\$ 126,453</b>	<b>\$ 233,722</b>	<b>\$ 866,260</b>	<b>\$ 598,548</b>	<b>\$ 3,156,150</b>	<b>\$ 5,098,354</b>
<b>Revenues</b>							
Program income	\$ 25,764	\$ 88,000	\$ 12,908	\$ 29,716	\$ 169,091	\$ 149,436	\$ 474,915
Grant income	-	-	-	-	-	1,447,000	1,447,000
Miscellaneous	-	-	67	6	159	-	232
Interest	887	585	9,342	1,024	14,032	42,390	68,260
<b>Total revenues</b>	<b>26,651</b>	<b>88,585</b>	<b>22,317</b>	<b>30,746</b>	<b>183,282</b>	<b>1,638,826</b>	<b>1,990,407</b>
<b>Expenditures</b>							
Economic development	-	106,455	-	-	-	650,819	757,274
Debt service - interest	-	-	-	-	-	20,793	20,793
Debt service - principal	-	-	-	-	-	86,000	86,000
<b>Total expenditures</b>	<b>-</b>	<b>106,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>757,612</b>	<b>864,067</b>
Excess (deficiency) of revenues over expenditures	26,651	(17,870)	22,317	30,746	183,282	881,214	1,126,340
<b>Other financing sources (uses)</b>							
Transfers out	-	-	-	(30,115)	(182,184)	-	(212,299)
<b>Net changes in fund balance</b>	<b>26,651</b>	<b>(17,870)</b>	<b>22,317</b>	<b>631</b>	<b>1,098</b>	<b>881,214</b>	<b>914,041</b>
Fund balance, beginning of year	13,584	144,323	12,154	(631)	(964)	182,962	351,428
<b>Fund balance, end of year</b>	<b>\$ 40,235</b>	<b>\$ 126,453</b>	<b>\$ 34,471</b>	<b>\$ -</b>	<b>\$ 134</b>	<b>\$ 1,064,176</b>	<b>\$ 1,265,469</b>

\*Net of interfund eliminations.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 23. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE REVENUE FUND**

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

	State Funded Seizures	Public Safety Substance Abuse (other seizures)	Total
<b>Assets</b>			
Cash and cash equivalents	<u>\$ 82,226</u>	<u>\$ 180,473</u>	<u>\$ 262,699</u>
<b>Liabilities and fund balance</b>			
Accounts payable and accrued liabilities	\$ 4,420	\$ 765	\$ 5,185
Unearned revenue	<u>-</u>	<u>114,257</u>	<u>114,257</u>
Total liabilities	<u>4,420</u>	<u>115,022</u>	<u>119,442</u>
<b>Fund balance</b>			
Restricted - law enforcement	<u>77,806</u>	<u>65,451</u>	<u>143,257</u>
Total liabilities and fund balance	<u>\$ 82,226</u>	<u>\$ 180,473</u>	<u>\$ 262,699</u>
<b>Revenues</b>			
Contributions from the public	\$ 27,980	\$ 61,052	\$ 89,032
Interest	<u>277</u>	<u>1,045</u>	<u>1,322</u>
Total revenues	<u>28,257</u>	<u>62,097</u>	<u>90,354</u>
<b>Expenditures</b>			
Public safety	23,853	62,507	86,360
Capital outlay	<u>20,476</u>	<u>-</u>	<u>20,476</u>
Total expenditures	<u>44,329</u>	<u>62,507</u>	<u>106,836</u>
Excess (deficiency) of revenues over expenditures	<u>(16,072)</u>	<u>(410)</u>	<u>(16,482)</u>
<b>Other financing sources (uses)</b>			
Sale of surplus assets	<u>24,999</u>	<u>410</u>	<u>25,409</u>
Total other financing sources (uses)	<u>24,999</u>	<u>410</u>	<u>25,409</u>
Net changes in fund balances	8,927	-	8,927
Fund balance, beginning of year	<u>68,879</u>	<u>65,451</u>	<u>134,330</u>
Fund balance, end of year	<u>\$ 77,806</u>	<u>\$ 65,451</u>	<u>\$ 143,257</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES**

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

	General Government <u>Operations</u>	Special Improvement <u>Projects</u>	Employee Benefit <u>Risk Financing</u>	General Liability <u>Risk Financing</u>	Total (Net of <u>Eliminations)</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 20,192,227	\$ 955,944	\$ 2,741,169	\$ 1,813,892	\$ 25,703,232
Certificates of deposit	-	79,896	-	-	79,896
Investments	10,892,259	-	-	-	10,892,259
Receivables, net	9,076,082	1,282,662	19,917	-	10,378,661
Due from other funds	11,326	-	-	-	11,326
Due from component units	440,530	-	11,280	-	451,810
Inventories	49,396	-	-	-	49,396
Prepaid items	785,583	-	-	-	785,583
Advances to other agencies	134,331	-	-	-	134,331
Restricted cash	343,988	-	-	-	343,988
Property for resale	4,131,127	-	-	-	4,131,127
<b>Total assets</b>	<b><u>\$ 46,056,849</u></b>	<b><u>\$ 2,318,502</u></b>	<b><u>\$ 2,772,366</u></b>	<b><u>\$ 1,813,892</u></b>	<b><u>\$ 52,961,609</u></b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 2,577,764	\$ 5,158	\$ 19,325	\$ 52,856	\$ 2,655,103
Payables to other governments	1,683,273	-	-	-	1,683,273
Due to component units	14,451	-	-	-	14,451
Customer deposits	267,145	-	-	-	267,145
Claims payable	-	-	191,160	-	191,160
Unearned revenue	791,975	2,928,745	-	-	3,720,720
Advance from component unit	115,000	-	-	-	115,000
<b>Total liabilities</b>	<b><u>5,449,608</u></b>	<b><u>2,933,903</u></b>	<b><u>210,485</u></b>	<b><u>52,856</u></b>	<b><u>8,646,852</u></b>
<b>Fund balances</b>					
<b>Nonspendable</b>					
Investments	10,892,261	-	-	-	10,892,261
Inventories	49,396	-	-	-	49,396
Prepaid items	785,583	-	-	-	785,583
Advances	134,331	-	-	-	134,331
Property for resale	4,131,127	-	-	-	4,131,127
<b>Restricted</b>					
Law enforcement	343,988	-	-	-	343,988
<b>Assigned</b>					
Social and economic	240,026	-	-	-	240,026
General	5,128,742	280,333	-	-	5,409,075
Unassigned	19,140,701	(895,733)	2,411,472	1,672,530	22,328,970
<b>Total fund balances</b>	<b><u>40,846,155</u></b>	<b><u>(615,400)</u></b>	<b><u>2,411,472</u></b>	<b><u>1,672,530</u></b>	<b><u>44,314,757</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 46,295,763</u></b>	<b><u>\$ 2,318,503</u></b>	<b><u>\$ 2,621,957</u></b>	<b><u>\$ 1,725,386</u></b>	<b><u>\$ 52,961,609</u></b>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED**

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
<b>Revenues</b>					
Sales and use taxes	\$ 37,418,331	\$ -	\$ -	\$ -	\$ 37,418,331
Occupational license fees	10,804,202	-	-	-	10,804,202
Motor fuel taxes	719,367	-	-	-	719,367
Lodging taxes	1,816,370	-	-	-	1,816,370
Rental and leasing taxes	768,245	-	-	-	768,245
Other taxes	253,910	-	-	-	253,910
Licenses and permits	11,302,434	-	-	-	11,302,434
General property tax	4,746,592	-	-	-	4,746,592
Charges for services	5,974,280	-	769,341	-	6,743,621
Fines and forfeitures	1,218,554	-	-	-	1,218,554
State shared taxes	1,152,212	-	-	-	1,152,212
Contributions from the public	303,953	275,988	-	-	579,941
Interest	174,717	26,943	12,574	6,928	221,162
Miscellaneous	64,682	-	-	-	64,682
Total revenues	<u>76,717,849</u>	<u>302,931</u>	<u>781,915</u>	<u>6,928</u>	<u>77,809,623</u>
<b>Expenditures</b>					
General government and administration	5,684,278	-	-	-	5,684,278
Public works	3,577,600	-	-	-	3,577,600
Environmental services	1,999,822	-	-	-	1,999,822
Public safety	18,387,890	-	-	-	18,387,890
Library	1,610,852	-	-	-	1,610,852
Parks and recreation	4,975,692	-	-	-	4,975,692
Planning	582,693	-	-	-	582,693
Economic development	1,154,871	-	-	-	1,154,871
Employee services	692,462	-	-	-	692,462
Risk management	184,849	-	1,300,547	174,624	1,660,020
Total departmental	38,851,009	-	1,300,547	174,624	40,326,180
Non-departmental	1,971,445	-	-	-	1,971,445
Debt service:					
Administrative charges	33	-	-	-	33
Interest	1,039,216	27,217	-	-	1,066,433
Principal retirement	5,025,976	182,910	-	-	5,208,886
Capital outlay	8,304,369	88,714	65,601	-	8,458,684
Intergovernmental	1,054,420	-	-	-	1,054,420
Payments to component units	12,561,292	-	-	-	12,561,292
Total expenditures	<u>68,807,760</u>	<u>298,841</u>	<u>1,366,148</u>	<u>174,624</u>	<u>70,647,373</u>
Excess (deficiency) of revenues over expenditures	<u>7,910,089</u>	<u>4,090</u>	<u>(584,233)</u>	<u>(167,696)</u>	<u>7,162,250</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED**

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Other financing sources (uses)					
Sale of surplus assets	124,834	-	-	-	124,834
Transfers in	461,250	-	-	60,000	521,250
Transfers out	<u>(5,974,122)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,974,122)</u>
Total other financing sources (uses)	<u>(5,388,038)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>(5,328,038)</u>
Net changes in fund balances	2,522,051	4,090	(584,233)	(107,696)	1,834,212
Fund balances, beginning of year	<u>38,324,104</u>	<u>(619,490)</u>	<u>2,995,705</u>	<u>1,780,226</u>	<u>42,480,545</u>
Fund balances, end of year	<u>\$ 40,846,155</u>	<u>\$ (615,400)</u>	<u>\$ 2,411,472</u>	<u>\$ 1,672,530</u>	<u>\$ 44,314,757</u>

**NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES**

**CITY OF AUBURN PRIMARY GOVERNMENT**

**Commitments** - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was \$5,008,898 as of September 30, 2015.

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 2015, the City paid Veolia \$1,517,410 to operate the wastewater facilities.

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

Fiscal Year	Appropriation
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>\$ 3,590,728</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

**NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED**

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

In fiscal year 2009, the City entered into an agreement with a commercial developer to provide for the use of future taxes to support the issuance of bonds for the purpose of constructing qualified public improvements as outlined in State of Alabama enabling legislation Chapter 99A and 99B, Title 11, Code of Alabama 1975. A portion of sales and lodging taxes (derived taxes) generated in this development is rebated to the developer to pay for debt service on the infrastructure improvements. Total derived taxes rebated on this agreement are \$1,127,041. 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 \$1,883,343.

Claims and Litigation - As of September 30, 2015, the City had been named defendant in one pending lawsuit. The suit did not specify a dollar amount of damages claimed. City management intends to vigorously defend this suit, and estimates that the City's potential loss in these actions will not exceed \$25,000.

In fiscal year 2015, the City expended \$123,962 in payment of claims and judgments and legal costs associated therewith. These expenditures are included in the General Fund as current expenditures for Risk Management.

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

**COMPONENT UNITS**

**Board of Education**

Commitments

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

	Project <u>Authorization</u>	Expended To <u>Date</u>	Remaining <u>Commitment</u>
New High School	\$ 73,277,850	\$ 8,635,364	\$ 64,642,486

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 \$89,496 for the fiscal year ended September 30, 2015.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED**

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2015 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 94,279
2017	62,885
2018	<u>21,678</u>
Total	<u>\$ 178,842</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, 2015, was \$35,907.

The following is a summary of changes in obligations under capital leases of the ABOE for the year ended September 30, 2015:

	<u>Capital Lease Payable</u>
Balance, September 30, 2014	\$ 1,294,377
Retirement of debt	(634,093)
Issuance of new debt	<u>-</u>
Balance, September 30, 2015	<u>\$ 660,284</u>

The approximate remaining annual minimum lease payments under the capital leases existing as of September 30, 2015, are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 582,187	\$ 15,598	\$ 597,785
2017	<u>78,097</u>	<u>1,714</u>	<u>79,811</u>
	<u>\$ 660,284</u>	<u>\$ 17,312</u>	<u>\$ 677,596</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.

**Water Works Board**

**Commitments** - The Water Works Board has commitments for construction projects in connection with system improvements. On August 20, 2015, the Board approved a construction contract with ASI Constructors, Inc. for \$13,446,470 for the Lake Ogletree Spillway project. The majority of the contract was unfulfilled at year-end. This amount along with commitments to complete other construction projects as of September 30, 2015, totaled \$14,293,527.

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



**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

**NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED**

The Water Board also entered into an agreement in May 2011 to purchase water from Sandy Springs Farm II, LLC. The agreement included a land lease and permission to build and operate a well on property located on the farm. Construction was completed and Well No. 3 was placed in service May of 2012. The agreement includes a minimum annual purchase of 210,240,000 gallons per year at an initial rate of \$.50 per 1,000 gallons (\$105,120 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and increased to \$.54 per 1,000 gallons (\$113,530) for the year ended September 30, 2015. The term of the agreement is twenty years, with six five-year extension options. Total water pumped in the 2015 fiscal year was 418,559 thousand gallons with a total annual payment of \$225,320.16.

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

**Industrial Development Board**

Commitments - As of September 30, 2015, the IDB was committed under certain construction contracts in the amount of \$3,400,000. 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; cash assistance for site preparation, relocation and training; and tax abatements. Subsequent to year end, but prior to the date of these financial statements, incentives of \$200,000 had been paid.

Prior to September 30, 2015, the IDB had committed two parcels of property as industrial incentives to industries that will locate in Auburn. One of the parcels totaling approximately 10 +/- acres was conveyed upon completion of construction subsequent to the date of these financial statements. The other 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.

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

**Auburn Housing Authority**

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

**NOTE 26. LANDFILL CLOSURE AND POSTCLOSURE CARE**

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City’s landfill closed in fiscal year 2000. Post closure care costs are paid only after the date that the landfill stops accepting waste; the City reports these post closure care costs in governmental activities’ long-term debt and other liabilities. There were no expenditures for landfill closure and post closure care during fiscal year 2015. The \$140,000 reported as landfill post closure care liability in the governmental activities’ long-term debt and other liabilities at September 30, 2015, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 27. 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, and the sale was finalized during 2015.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

**NOTE 28. SUBSEQUENT EVENTS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

The City has evaluated subsequent events through March 14, 2016, the date these financial statements were available to be issued.

Subsequent to September 30, 2015, the City Council approved various design and construction contracts totaling approximately \$2,600,000, professional services type contracts totaling approximately \$820,000, equipment and computer software purchases totaling approximately \$1,450,000 and \$30,000 in appropriations to local entities.

**COMPONENT UNITS**

**Board of Education**

On October 7, 2015, the ABOE sold a .71 acre tract of land at the boundary of the new high school property for \$33,746.

On December 8, 2015, the ABOE approved bids in the amount of \$671,408 and \$92,527 for the purchase of eight 78-passenger buses and one special needs bus, respectively.

On January 12, 2016, the ABOE approved a bid in the amount of \$78,002 for vehicle fleet insurance.

Management of ABOE evaluated subsequent events through February 8, 2016, which was the date the ABOE financial statements were available to be issued.

**Water Works Board**

Subsequent to September 30, 2015, the AWWB approved construction contracts totaling approximately \$152,000, and equipment purchases totaling approximately \$246,000.

On November 19, 2015 the Board approved a bond issue of \$16,695,000 so as to fund the construction of dam and spillway improvements, construction of a new pump station and various other capital improvements to the system. The bonds were sold at a premium with net proceeds of \$18,107,113.

Management of AWWB evaluated subsequent events through February 24, 2016, which was the date the AWWB financial statements were available to be issued.

**Industrial Development Board**

The Board signed two construction contracts subsequent to September 30, 2015, totaling approximately \$1.87 million. The contracts were for improvements to the Auburn Technology Park West Annex, and parking lot improvements to a building owned by the Board and held for leasing. Two additional construction contracts totaling approximately \$5.7 million were approved by the Board subsequent to year end, but as of the date of these financial statements, the contracts had not been executed. Financing in the approximate amount of \$4.2 million was authorized to finance the two contracts, but the loans were also not obtained prior to the date of these financial statements.

A new construction loan in the principal amount of \$3.125 million was obtained to finance a construction contract that was signed prior to September 30, 2015. Additionally, permanent financing of approximately \$4.5 million was obtained to combine a short term construction loan and an existing mortgage on a building that is held by the Board for leasing. The purpose of the construction loan was to finance an expansion to the building that was completed subsequent to year end; total outstanding debt related to the project at September 30, 2015 was approximately \$4 million.

Subsequent to September 30, 2015, the Board signed a prepaid capital lease with an existing industry for an industrial property that was previously held by the Board for leasing. The proceeds of the lease were \$1,200,000, and related debt of approximately \$1.02 million was retired at closing. Additionally, the Board signed a prepaid capital lease for the sale of a lot in Auburn Technology Park West. The only payments due under the lease are for the bargain purchase option, which is minimal.

Management of the IDB evaluated subsequent events through March 18, 2016, which was the date the IDB financial statements were available to be issued.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NOTE 29. PRIOR PERIOD ADJUSTMENTS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

As described in Note 1, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the current year. As a result, beginning Net Position was reduced by \$26,492,523 for governmental activities and \$1,875,729 for business type activities in order to record the City's net pension liability.

**COMPONENT UNITS**

**Board of Education**

During 2015, the Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, beginning Net Position was reduced by \$53,094,000 in order to record the Board's proportionate share of collective net pension liability.

**Water Works Board**

During 2015, the Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, beginning Net Position was reduced by \$625,179 in order to record the Board's net pension liability.

**Auburn Housing Authority**

During 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, beginning Net Position was increased by \$8,895,188 in order to record the Authority's net pension asset.



City of Auburn

## **Required Supplementary Information**

**CITY OF AUBURN, ALABAMA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**MEASUREMENT PERIOD ENDING SEPTEMBER 30**

	<b>2014</b>
	\$
Total pension liability	
Service cost	2,020,170
Interest	6,444,210
Benefit payments, including refunds of employee contributions	(4,242,336)
Net change in total pension liability	4,222,044
Total pension liability - beginning	82,673,795
Total pension liability - ending (a)	86,895,839
Plan fiduciary net position	
Contributions - employer	2,602,824
Contributions - member	1,341,496
Net investment income	6,183,165
Benefit payments, including refunds of employee contributions	(4,242,336)
Transfers among employers	193,733
Net change in plan fiduciary net position	6,078,882
Plan net position - beginning	51,584,513
Plan net position - ending (b)	57,663,395
Net pension liability - ending a - b	29,232,444
Plan fiduciary net position as a percentage of the total pension liability	66.36%
Covered-employee payroll <sup>(1)</sup>	25,477,122
Net pension liability as a percentage of covered-employee payroll	114.74%

<sup>(1)</sup> Employer's covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY2014 the measurement period is October 1, 2013 to September 30, 2014.

See independent auditor's report and notes to required supplementary information.

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

	<b>2015</b>
	\$
Actuarially determined contributions	2,704,775
Actual employer contributions	2,704,775
Contribution deficiency (excess)	-
Covered-employee payroll	26,348,170
Contributions as a percentage of covered-employee payroll	10.27%

See independent auditor's report and notes to required supplementary information.

**CITY OF AUBURN, ALABAMA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2015**

**Schedule of Employer Contributions:**

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

The following methods and assumptions used to determine contribution rates:

Actuarial cost method: entry age

Amortization method: level percent closed

Remaining amortization period: 28 years

Asset valuation method: five year smoothed market

Inflation: 3.00%

Salary increases: 3.75 - 7.25%, including inflation

Investment rate of return: 8.00%, net of pension plan investment expense, including inflation



# Nonmajor Governmental Funds

## Special Revenue Funds

Special Revenue Funds are operating funds used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes other than special assessments or major capital projects.

**Seven Cent Gas Tax Fund** accounts for funds received from the State of Alabama and expended for street related projects.

**Four and Five Cent Gas Tax Fund** accounts for Auburn's share of the State of Alabama four and five cent gas tax revenues and expenditures for the resurfacing, restoration and rehabilitation of roads, bridges and streets.

**Municipal Court Judicial Administration Fund** accounts for funds received from specific fines collected that are to be used for municipal court administration purposes.

**Public Safety - Substance Abuse Fund** accounts for funds received from the U.S. Marshal and the State of Alabama to be used for enforcement of laws against drug trafficking.

**Grants – General Activities Fund** accounts for state and federal grants.

**Community Development Block Grant Fund** accounts for those funds received from federal Community Development Block Grants and expended for approved community development projects.

## Debt Service Funds

Debt Service Funds are used to account for the payment of principal and interest on long-term debt. Debt Service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

**Special 5-Mill Tax Fund** accounts for general property tax receipts used to pay principal and interest on voted bonds issued to finance projects approved by the voters.

## Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**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, ALABAMA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2015**

	Special Revenue Funds								Total
	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			
<b>ASSETS</b>									
Cash and cash equivalents	\$ 74,252	\$ 81,468	\$ 562,201	\$ 262,700	\$ 109,313	\$ 200		\$ 1,090,134	
Receivables, net	14,136	11,082	21,374	-	48,861	49,790		145,243	
Due from other funds	-	-	-	-	-	10,802		10,802	
Total assets	<u>88,388</u>	<u>92,550</u>	<u>583,575</u>	<u>262,700</u>	<u>158,174</u>	<u>60,792</u>		<u>1,246,179</u>	
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	-	-	30,087	5,185	105	49,466		84,843	
Due to component units	-	-	-	-	-	-		-	
Due to other funds	-	-	-	-	-	11,326		11,326	
Unearned revenue	-	-	-	114,257	-	-		114,257	
Total liabilities	<u>-</u>	<u>-</u>	<u>30,087</u>	<u>119,442</u>	<u>105</u>	<u>60,792</u>		<u>210,426</u>	
<b>FUND BALANCES:</b>									
Restricted									
Roads, bridges and streets	88,388	92,550	-	-	-	-		180,938	
Law enforcement	-	-	553,488	143,258	-	-		696,746	
General grants	-	-	-	-	158,069	-		158,069	
Capital projects	-	-	-	-	-	-		-	
Debt service	-	-	-	-	-	-		-	
Total fund balances	<u>88,388</u>	<u>92,550</u>	<u>553,488</u>	<u>143,258</u>	<u>158,069</u>	<u>-</u>		<u>1,035,753</u>	
Total liabilities and fund balances	<u>88,388</u>	<u>92,550</u>	<u>583,575</u>	<u>262,700</u>	<u>158,174</u>	<u>60,792</u>		<u>1,246,179</u>	

	Capital Projects Funds					Total Nonmajor Governmenta Funds
	Debt Service Fund	2012 Capital Projects Fund	West Tech Park Phase II Fund	Total	Total	
ASSETS						
Cash and cash equivalents	\$ 2,489,393	\$ -	\$ 2,307,156	\$ 2,307,156	\$ 5,886,683	
Receivables, net	43,009	-	-	-	188,252	
Due from other funds	-	-	-	-	10,802	
Total assets	2,532,402	-	2,307,156	2,307,156	6,085,737	
LIABILITIES						
Accounts payable and accrued liabilities	468	-	-	-	85,311	
Due to component unit:	-	-	34,960	34,960	34,960	
Due to other funds	-	-	-	-	11,326	
Unearned revenue	-	-	-	-	114,257	
Total liabilities	468	-	34,960	34,960	245,854	
FUND BALANCES:						
Restricted						
Roads, bridges and streets	-	-	-	-	180,938	
Law enforcement	-	-	-	-	696,746	
General grants	-	-	-	-	158,069	
Capital projects	-	-	2,272,196	2,272,196	2,272,196	
Debt service	2,531,934	-	-	-	2,531,934	
Total fund balances	2,531,934	-	2,272,196	2,272,196	5,839,883	
Total liabilities and fund balances	2,532,402	-	2,307,156	2,307,156	6,085,737	

**CITY OF AUBURN, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue Funds							Total
	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	
Revenues	\$	\$	\$	\$	\$	\$	\$	
General property taxes	-	-	-	-	-	-	-	
State shared taxes	153,024	119,222	-	-	-	-	272,246	
Fines and forfeitures	-	-	202,258	-	-	-	202,258	
Contributions from the public	-	-	-	89,033	-	-	89,033	
Grants	-	-	-	-	1,644,478	226,965	1,871,443	
Interest	655	529	2,374	1,323	-	-	4,881	
Total revenues	153,679	119,751	204,632	90,356	1,644,478	226,965	2,439,861	
Expenditures								
General government and administration	-	-	2,905	-	-	-	2,905	
Public safety	-	-	-	86,362	47,282	-	133,644	
Library	-	-	-	-	8,850	-	8,850	
Economic development	-	-	-	-	-	439,265	439,265	
Total departmental	-	-	2,905	86,362	56,132	439,265	584,664	
Non-departmental	-	-	-	-	-	-	-	
Debt service:								
Principal retirement	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	
Administrative charges	-	-	-	-	-	-	-	
Capital outlay	-	-	9,990	20,476	1,573,495	-	1,603,961	
Intergovernmental	-	-	-	-	14,846	-	14,846	
Payments to component units	-	-	-	-	-	-	-	
Total expenditures	-	-	12,895	106,838	1,644,473	439,265	2,203,471	
Excess (deficiency) of revenues over expenditures	153,679	119,751	191,737	(16,482)	5	(212,300)	236,390	
Other financing sources (uses)								
Debt issuance	-	-	-	-	-	-	-	
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	
Sale of surplus assets	-	-	-	25,410	-	-	25,410	
Transfers in	-	-	-	-	-	212,300	212,300	
Transfers out	(240,000)	(150,000)	-	-	-	-	(390,000)	
Total other financing sources (uses)	(240,000)	(150,000)	-	25,410	-	212,300	(152,290)	
Net changes in fund balances	(86,321)	(30,249)	191,737	8,928	5	-	84,100	
Fund balances, beginning of year	174,709	122,799	361,751	134,330	158,064	-	951,653	
Fund balances, end of year	88,388	92,550	553,488	143,258	158,069	-	1,035,753	

	Debt Service Fund		Capital Projects Funds				Total Nonmajor Governmental Funds
	Special 5-Mill Tax Fund	Total	2012 Capital Projects Fund	West Tech Park Phase II Fund	Total		
Revenues	\$	\$	\$	\$	\$	\$	
General property taxes	3,999,234	3,999,234	-	-	-	3,999,234	
State shared taxes	-	-	-	-	-	272,246	
Fines and forfeitures	-	-	-	-	-	202,258	
Contributions from the public	-	-	-	-	-	89,033	
Grants	-	-	-	-	-	1,871,443	
Interest	14,695	14,695	538	2,134	2,672	22,248	
Total revenues	4,013,929	4,013,929	538	2,134	2,672	6,456,462	
Expenditures							
General government and administration	-	-	-	-	-	2,905	
Public safety	-	-	-	-	-	133,644	
Library	-	-	-	-	-	8,850	
Economic development	-	-	-	-	-	439,265	
Total departmental	-	-	-	-	-	584,664	
Non-departmental	133,411	133,411	-	-	-	133,411	
Debt service:							
Principal retirement	3,175,000	3,175,000	-	-	-	3,175,000	
Interest	648,529	648,529	-	-	-	648,529	
Administrative charges	39,273	39,273	-	-	-	39,273	
Capital outlay	-	-	184,011	-	184,011	1,787,972	
Intergovernmental	-	-	-	-	-	14,846	
Payments to component units	-	-	-	1,291,469	1,291,469	1,291,469	
Total expenditures	3,996,213	3,996,213	184,011	1,291,469	1,475,480	7,675,164	
Excess (deficiency) of revenues over expenditures	17,716	17,716	(183,473)	(1,289,335)	(1,472,808)	(1,218,702)	
Other financing sources (uses)							
Debt issuance	2,726,966	2,726,966	-	-	-	2,726,966	
Payment to refunded bond escrow agent	(2,690,594)	(2,690,594)	-	-	-	(2,690,594)	
Sale of surplus assets	-	-	-	-	-	25,410	
Transfers in	61	61	-	2,150,318	2,150,318	2,362,679	
Transfers out	-	-	-	-	-	(390,000)	
Total other financing sources (uses)	36,433	36,433	-	2,150,318	2,150,318	2,034,461	
Net changes in fund balances	54,149	54,149	(183,473)	860,983	677,510	815,759	
Fund balances, beginning of year	2,477,785	2,477,785	183,473	1,411,213	1,594,686	5,024,124	
Fund balances, end of year	2,531,934	2,531,934	-	2,272,196	2,272,196	5,839,883	

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	145,500	145,500	153,024	7,524
Interest	<u>500</u>	<u>500</u>	<u>655</u>	<u>155</u>
Total revenues	146,000	146,000	153,679	7,679
Other financing uses				
Transfers out	<u>(240,000)</u>	<u>(240,000)</u>	<u>(240,000)</u>	<u>-</u>
Net changes in fund balances	(94,000)	(94,000)	(86,321)	7,679
Fund balances, beginning of year	<u>174,709</u>	<u>174,709</u>	<u>174,709</u>	<u>-</u>
Fund balances, end of year	<u><u>80,709</u></u>	<u><u>80,709</u></u>	<u><u>88,388</u></u>	<u><u>7,679</u></u>

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	112,500	112,500	119,222	6,722
Interest	<u>500</u>	<u>500</u>	<u>529</u>	<u>29</u>
Total revenues	113,000	113,000	119,751	6,751
Other financing uses				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net changes in fund balances	(37,000)	(37,000)	(30,249)	6,751
Fund balances, beginning of year	<u>122,799</u>	<u>122,799</u>	<u>122,799</u>	<u>-</u>
Fund balances, end of year	<u><u>85,799</u></u>	<u><u>85,799</u></u>	<u><u>92,550</u></u>	<u><u>6,751</u></u>

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Contributions from the public	2,000	72,100	89,033	16,933
Interest	750	1,350	1,323	(27)
Total revenues	<u>2,750</u>	<u>73,450</u>	<u>90,356</u>	<u>16,906</u>
Expenditures				
Public safety	5,000	75,932	86,362	(10,430)
Capital outlay	24,500	45,500	20,476	25,024
Total expenditures	<u>29,500</u>	<u>121,432</u>	<u>106,838</u>	<u>14,594</u>
Excess (deficiency) of revenues over expenditures	(26,750)	(47,982)	(16,482)	31,500
Other financing sources				
Sale of surplus assets	-	1,600	25,410	23,810
Net changes in fund balances	(26,750)	(46,382)	8,928	55,310
Fund balances, beginning of year	<u>134,330</u>	<u>134,330</u>	<u>134,330</u>	<u>-</u>
Fund balances, end of year	<u><u>107,580</u></u>	<u><u>87,948</u></u>	<u><u>143,258</u></u>	<u><u>55,310</u></u>

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	3,865,144	3,938,890	3,999,234	60,344
Interest	16,000	16,000	14,695	(1,305)
Total revenues	<u>3,881,144</u>	<u>3,954,890</u>	<u>4,013,929</u>	<u>59,039</u>
Expenditures				
Non-departmental	146,875	146,875	133,411	13,464
Debt service:				
Principal retirement	3,175,000	3,175,000	3,175,000	-
Interest	672,965	587,032	648,529	(61,497)
Administrative charges	3,308	3,308	39,273	(35,965)
Total expenditures	<u>3,998,148</u>	<u>3,912,215</u>	<u>3,996,213</u>	<u>(83,998)</u>
Excess (deficiency) of revenues over expenditures	(117,004)	42,675	17,716	(24,959)
Other financing sources (uses)				
Debt issuance	-	2,726,966	2,726,966	-
Payment to refunded bond escrow agent	-	(2,690,594)	(2,690,594)	-
Transfers in	-	-	61	61
Total other financing sources (uses)	<u>-</u>	<u>36,372</u>	<u>36,433</u>	<u>61</u>
Net changes in fund balances	(117,004)	79,047	54,149	(24,898)
Fund balances, beginning of year	<u>2,477,785</u>	<u>2,477,785</u>	<u>2,477,785</u>	<u>-</u>
Fund balances, end of year	<u><u>2,360,781</u></u>	<u><u>2,556,832</u></u>	<u><u>2,531,934</u></u>	<u><u>(24,898)</u></u>



City of Auburn



## Nonmajor Component Units

### **Public Park & Recreation Board**

In October of 1990, the Auburn City Council authorized the establishment of a park and recreation board, primarily to act as an advisor to the Council concerning proposed recreation projects and to acquire such recreation facilities as may be deemed to be in the public interest.

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

This component unit currently accounts for the operation of the Yarbrough Tennis Center, which opened in July 2007.

### **Auburn Downtown Redevelopment Authority**

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

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

**CITY OF AUBURN, ALABAMA**  
**DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER, 30 2015**

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	364	-	364
Receivables, net	79,635	-	79,635
Other current assets	1,117	-	1,117
Total current assets	<u>81,116</u>	<u>-</u>	<u>81,116</u>
<b>Noncurrent assets</b>			
Capital assets not being depreciated	-	1,450,000	1,450,000
Capital assets, net of accumulated depreciation	5,007,067	-	5,007,067
Total noncurrent assets	<u>5,007,067</u>	<u>1,450,000</u>	<u>6,457,067</u>
Total assets	<u>5,088,183</u>	<u>1,450,000</u>	<u>6,538,183</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	12,412	-	12,412
Total deferred outflows of resources	<u>12,412</u>	<u>-</u>	<u>12,412</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other accrued liabilities	14,153	-	14,153
Total current liabilities	<u>14,153</u>	<u>-</u>	<u>14,153</u>
<b>Noncurrent liabilities</b>			
Long-term debt and other liabilities	-	1,450,000	1,450,000
Net pension liability	121,751	-	121,751
Total noncurrent liabilities	<u>121,751</u>	<u>1,450,000</u>	<u>1,571,751</u>
Total liabilities	<u>135,904</u>	<u>1,450,000</u>	<u>1,585,904</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	7,834	-	7,834
Total deferred inflows of resources	<u>7,834</u>	<u>-</u>	<u>7,834</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,007,067	-	5,007,067
Unrestricted (deficit)	(50,210)	-	(50,210)
Total net position	<u>4,956,857</u>	<u>-</u>	<u>4,956,857</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 2015**

	Public Park and Recreation Board \$	Downtown Redevelopment Authority \$	Total \$
Operating revenues			
Tennis center revenue	77,229	-	77,229
Miscellaneous	107,198	-	107,198
Total operating revenues	<u>184,427</u>	<u>-</u>	<u>184,427</u>
Operating expenses			
Salaries and wages	174,941	-	174,941
Employee benefits	33,021	-	33,021
Repairs and maintenance	20,631	-	20,631
Utilities	96,733	-	96,733
Rentals and leasing	1,855	-	1,855
Insurance	3,203	-	3,203
Professional services	1,449	-	1,449
Office supplies	2,252	-	2,252
Recreational supplies	13,189	-	13,189
Depreciation/amortization	299,874	-	299,874
Travel and training	1,480	-	1,480
Total operating expenses	<u>648,628</u>	<u>-</u>	<u>648,628</u>
Operating income (loss)	<u>(464,201)</u>	<u>-</u>	<u>(464,201)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	6	-	6
Appropriations from the City of Auburn	278,292	-	278,292
Loss on disposal of assets	(32,681)	-	(32,681)
Total non-operating revenues (expenses)	<u>245,617</u>	<u>-</u>	<u>245,617</u>
Change in net position	(218,584)	-	(218,584)
Net position--beginning of year	5,293,647	-	5,293,647
Prior period adjustment	(118,206)	-	(118,206)
Net position - beginning, as restated	<u>5,175,441</u>	<u>-</u>	<u>5,175,441</u>
Net position--end of year	<u><u>4,956,857</u></u>	<u><u>-</u></u>	<u><u>4,956,857</u></u>

**CITY OF AUBURN, ALABAMA**  
**DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER, 30 2015**

	Public Park and Recreation Board \$	Downtown Redevelopment Authority \$	Total \$
Cash flows from operating activities			
Cash collected from customers	133,524	-	133,524
Payments to suppliers for goods and services	(146,112)	-	(146,112)
Payments to employees for services	(208,996)	-	(208,996)
Net cash provided (consumed) by operating activities (A)	<u>(221,584)</u>	<u>-</u>	<u>(221,584)</u>
Cash flows from noncapital financing activities			
Operating transfers in	278,292	-	278,292
Net cash provided (consumed) by noncapital financing activities	<u>278,292</u>	<u>-</u>	<u>278,292</u>
Cash flows from capital and related financing activities			
Proceeds from borrowing	-	1,450,000	1,450,000
Acquisition and construction of capital assets	(56,500)	(1,450,000)	(1,506,500)
Net cash provided (consumed) by capital and related financing activities	<u>(56,500)</u>	<u>-</u>	<u>(56,500)</u>
Cash flows from investing activities			
Interest on investments	6	-	6
Net cash provided (consumed) by investing activities	<u>6</u>	<u>-</u>	<u>6</u>
Net increase (decrease) in cash	214	-	214
Cash and cash equivalents, beginning of year	<u>150</u>	<u>-</u>	<u>150</u>
Cash and cash equivalents, end of year	<u><u>364</u></u>	<u><u>-</u></u>	<u><u>364</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):</b>			
Operating income (loss)	(464,201)	-	(464,201)
Add: Depreciation/amortization expense	299,874	-	299,874
Decrease in prepaid items	970	-	970
Less: Increase in accounts receivable	(50,903)	-	(50,903)
Decrease in accounts payable/accrued liabilities	(6,291)	-	(6,291)
Increase in deferred pension contributions	(43)	-	(43)
Decrease in pension related liabilities/deferred inflows	<u>(990)</u>	<u>-</u>	<u>(990)</u>
Net cash provided (consumed) by operating activities	<u><u>(221,584)</u></u>	<u><u>-</u></u>	<u><u>(221,584)</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, ALABAMA**  
**CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**SEPTEMBER 30, 2015**

Governmental funds capital assets	\$
Land, buildings and improvements	62,658,530
Construction in progress	7,838,515
Communication equipment	381,849
Heavy equipment	2,502,086
Office equipment	3,559,693
Small tools and equipment	1,378,532
Vehicles	9,011,928
Infrastructure	145,854,633
Total governmental funds capital assets	<u>233,185,766</u>
Investment in governmental funds capital assets by source	
General fund revenues	154,207,377
Capital projects funds	56,710,214
Federal grants	11,588,723
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	4,248,643
Total investment in governmental funds capital assets	<u>233,185,766</u>

**CITY OF AUBURN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2015**

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	2,381,969	27,021	447,134	36,262	-	1,295,407	71,229	67,120	437,796
Information technology	289,423	14,835	-	-	-	274,588	-	-	-
Geographical information systems	28,212	28,212	-	-	-	-	-	-	-
Judicial	662,027	662,027	-	-	-	-	-	-	-
Administrative	864,350	6,272	-	-	-	834,132	-	23,946	-
Finance									
<b>Total general government and administration</b>	<b>4,225,981</b>	<b>738,367</b>	<b>447,134</b>	<b>36,262</b>	<b>-</b>	<b>2,404,127</b>	<b>71,229</b>	<b>91,066</b>	<b>437,796</b>
Public works administration	158,773,480	7,114,177	6,958,866	-	1,422,178	86,389	100,893	1,377,610	141,713,367
Environmental services	2,547,286	938,606	-	-	313,758	6,659	213,977	1,074,286	-
Public safety administration	5,597,006	4,813,671	20,057	220,783	-	379,406	-	21,763	141,326
Fire	3,797,662	232,980	-	-	256,073	-	274,047	3,034,562	-
Police	3,171,575	130,593	-	124,804	-	178,644	338,440	2,399,094	-
Codes enforcement	79,533	-	-	-	-	7,421	-	72,112	-
Library	5,237,520	5,050,907	-	-	-	180,983	-	-	5,630
Parks and recreation	29,037,194	23,650,221	57,209	-	510,077	15,775	379,946	867,452	3,556,514
Planning	47,269	4,500	-	-	-	5,583	-	37,186	-
Human resource management	1,212,728	543,332	355,249	-	-	294,706	-	19,441	-
Economic development	163,494	146,138	-	-	-	-	-	17,356	-
<b>Total departmental</b>	<b>213,890,728</b>	<b>43,363,492</b>	<b>7,838,515</b>	<b>381,849</b>	<b>2,502,086</b>	<b>3,559,693</b>	<b>1,378,532</b>	<b>9,011,928</b>	<b>145,854,633</b>
Nondepartmental	19,295,038	19,295,038	-	-	-	-	-	-	-
<b>Total governmental funds capital assets</b>	<b>233,185,766</b>	<b>62,658,530</b>	<b>7,838,515</b>	<b>381,849</b>	<b>2,502,086</b>	<b>3,559,693</b>	<b>1,378,532</b>	<b>9,011,928</b>	<b>145,854,633</b>

**CITY OF AUBURN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2015**

	Governmental Funds Capital Assets September 30, 2014	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2015
	\$	\$	\$	\$
General government and administration				
Information technology	2,047,700	479,852	(145,583)	2,381,969
Geographical information systems	275,998	13,425	-	289,423
Judicial	18,222	9,990	-	28,212
Administrative	577,871	199,605	(115,449)	662,027
Finance	864,077	23,946	(23,673)	864,350
Total general government and administration	3,783,868	726,818	(284,705)	4,225,981
Public works administration	151,206,172	12,814,208	(5,246,900)	158,773,480
Environmental services	2,345,722	224,565	(23,001)	2,547,286
Public safety administration	5,452,246	353,380	(208,620)	5,597,006
Fire	3,719,735	77,927	-	3,797,662
Police	3,138,690	396,717	(363,832)	3,171,575
Codes enforcement	79,533	-	-	79,533
Library	5,209,853	27,667	-	5,237,520
Parks and recreation	28,512,525	667,103	(142,434)	29,037,194
Planning	42,769	4,500	-	47,269
Human resource management	618,056	859,377	(264,705)	1,212,728
Economic development	314,496	-	(151,002)	163,494
Total departmental	204,423,665	16,152,262	(6,685,199)	213,890,728
Nondepartmental	19,263,193	31,845	-	19,295,038
Total governmental funds capital assets	223,686,858	16,184,107	(6,685,199)	233,185,766



# 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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends – Tables 1-5 .....</b>	<b>164</b>
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
<b>Revenue Capacity – Tables 6-8 .....</b>	<b>171</b>
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, sales tax.</i>	
<b>Debt Capacity – Tables 9-13 .....</b>	<b>173</b>
<i>These schedules contain information to help the reader assess the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information – Tables 14-15.....</b>	<b>177</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>179</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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities										
Net investment in capital assets										
Restricted	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	118,307,151
Unrestricted	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	92,735,176
Total governmental activities net position	(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	54,486,681
Primary government - business-type activities										
Net investment in capital assets										
Restricted	14,868,116	22,279,811	24,755,968	25,486,581	25,830,053	25,570,257	26,690,464	29,798,149	33,236,208	37,097,393
Unrestricted	1,931,130	-	-	20,739,857	3,876,709	1,956,004	1,070,064	-	648,195	1,970,849
Total business-type activities net position	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	5,291,163
Total primary government	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	44,359,405
Total primary government										
Net investment in capital assets										
Restricted	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	155,404,544
Unrestricted	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	94,706,025
Total primary government net position	(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)	(151,264,483)
Total primary government net position	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	98,846,086

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Expenses</b>										
Governmental activities:										
General government and administration	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	8,880,442
Public works	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	7,600,358
Environmental services <sup>(1)</sup>	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	2,201,278
Public safety	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	19,363,905
Library	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	1,770,379
Parks and recreation	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	6,207,847
Planning	492,700	604,603	648,516	614,034	665,283	573,462	562,555	635,202	669,831	583,137
Social and economic development	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	4,624,506
Human resources	483,065	536,067	584,270	697,585	704,963	702,065	698,236	725,083	755,927	742,752
Risk management	1,018,109	933,550	768,281	1,297,761	1,289,942	1,069,339	1,585,905	876,140	1,289,854	1,576,913
Education (payments to Board of Education)	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	24,505,586
Interest on long-term debt	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	4,772,926
Total governmental activities expenses	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	82,830,029
Business-type activities:										
Sewer Fund	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	8,639,882
Solid Waste Management Fund <sup>(2)</sup>	-	-	-	3,178,574	3,385,837	3,522,953	3,757,884	3,948,022	4,145,364	4,112,900
Industrial Parks <sup>(2)</sup>	284	141,742	-	-	-	-	-	-	-	-
Total business-type activities expenses	6,221,351	6,447,652	6,903,856	11,003,804	11,190,004	11,696,865	11,796,011	11,418,802	12,105,434	12,752,782
Total primary government expenses	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	95,582,811
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government and administration	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	13,617,202
Public works	-	-	-	-	-	-	250	-	875	1,400
Environmental services <sup>(1)</sup>	2,571,865	2,686,555	2,789,426	-	-	-	-	-	-	-
Public safety	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	4,318,581
Library	30,226	29,236	32,435	37,558	42,893	34,621	35,799	39,368	40,388	32,445
Parks and recreation	690,660	715,521	670,682	807,267	785,095	791,821	729,455	596,199	647,827	697,981
Planning	59,962	61,459	43,379	30,002	38,322	40,872	59,489	62,175	46,301	55,663
Risk management	457,318	361,578	415,381	716,141	741,130	745,281	782,796	808,123	765,858	769,341
Operating grants and contributions	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	2,354,400
Capital grants and contributions	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	2,182,193
Total governmental activities program revenue	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	24,029,206
Business-type activities:										
Charges for services:										
Sewer Fund	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	11,528,965
Solid Waste Management Fund <sup>(2)</sup>	-	-	-	3,118,925	3,133,116	2,961,625	3,590,771	3,898,217	4,198,990	4,482,532
Operating grants and contributions	-	-	-	1,000	39,831	21,595	19,369	44,553	43,332	-
Capital grants and contributions	1,524,865	2,961,120	610,781	1,178,184	605,467	373,520	244,653	1,177,207	681,000	1,741,381
Total business-type activities program revenues	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	17,752,878
Total primary government program revenues	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	41,782,084
Net (expense)/revenue										
Governmental activities	(42,816,506)	(56,277,704)	(37,531,598)	(54,233,701)	(55,749,353)	(44,278,660)	(65,720,320)	(47,577,447)	(49,602,382)	(58,800,823)
Business-type activities	1,401,936	3,250,367	193,829	1,052,642	1,310,965	1,153,715	2,997,074	4,149,555	3,881,827	5,000,096
Total primary government net expense	(41,414,570)	(53,027,337)	(37,337,769)	(53,181,059)	(54,438,388)	(43,124,945)	(62,723,246)	(43,427,892)	(45,720,555)	(53,800,727)

<sup>(1)</sup> 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.

<sup>(2)</sup> The Industrial Parks proprietary fund was dissolved in 2007.

**Table 2**  
**(Continued)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>General Revenues and Other Changes in Net Position</b>										
<b>Government activities:</b>										
Taxes:										
Sales taxes	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	37,418,331
Occupational license fees	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	10,804,202
Property taxes	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	22,486,529
Motor fuel taxes	491,778	504,228	502,460	260,447	278,467	293,425	311,846	311,022	340,415	365,345
Lodging taxes	1,085,063	1,369,273	1,425,637	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012	1,604,851	1,816,370
Rental and leasing taxes	1,591,682	1,501,112	538,541	451,563	420,201	473,732	515,164	571,248	612,457	768,245
Cigarette taxes	93,177	86,776	84,663	78,290	77,423	79,304	77,145	75,880	70,860	73,306
Alcoholic beverage taxes	30,551	34,984	83,521	119,781	121,710	131,668	142,503	160,725	170,559	180,604
Appropriations from component units	-	-	-	-	-	-	-	333,591	-	-
Interest and investment earnings	1,884,183	1,996,272	1,255,843	827,049	512,963	362,808	241,936	287,977	327,499	488,820
Gain (loss) on disposal of assets	139,743	(23,936)	31,509	(166,665)	-	33,639	64,005	-	68,237	-
Miscellaneous	38,151	31,970	30,927	10,277	38,073	31,441	29,967	34,558	63,801	40,790
Special items	(453,119)	(1,624,916)	1,727,516	-	-	-	-	-	-	-
Transfers	127,883	(5,110)	106,111	(631,870)	(232,893)	(248,354)	(626,769)	(464,859)	(309,019)	130,979
<b>Total governmental activities</b>	<b>45,864,144</b>	<b>48,538,569</b>	<b>51,958,932</b>	<b>49,437,921</b>	<b>52,168,327</b>	<b>55,516,406</b>	<b>64,206,783</b>	<b>65,355,816</b>	<b>69,028,763</b>	<b>74,573,521</b>
<b>Business-type activities:</b>										
Interest and investment earnings	416,657	370,249	43,263	139,237	45,538	48,728	33,440	32,518	33,809	34,395
Gain (loss) on disposal of assets	18,895	66,128	22,625	28,748	12,598	(754)	9,820	20,789	22,700	78,422
Miscellaneous	278,160	258	504	3,999	37,087	7,656	6,085	2,246	5,622	7,326
Special items <sup>(1)</sup>	-	-	-	-	675,000	-	-	-	-	-
Transfers	(127,883)	5,110	(106,111)	(38,553)	232,893	248,354	626,769	464,859	309,019	(130,979)
<b>Total business-type activities</b>	<b>585,829</b>	<b>441,745</b>	<b>(39,719)</b>	<b>133,431</b>	<b>1,003,116</b>	<b>303,984</b>	<b>676,114</b>	<b>520,412</b>	<b>371,150</b>	<b>(10,836)</b>
<b>Total primary government</b>	<b>46,449,973</b>	<b>48,980,314</b>	<b>51,919,213</b>	<b>49,571,352</b>	<b>53,171,443</b>	<b>55,820,390</b>	<b>64,882,897</b>	<b>65,876,228</b>	<b>69,399,913</b>	<b>74,562,685</b>
<b>Changes in Net Position</b>										
Governmental activities	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	15,772,698
Business-type activities	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	4,989,260
<b>Total primary government</b>	<b>5,035,403</b>	<b>(4,047,023)</b>	<b>14,581,444</b>	<b>(3,609,707)</b>	<b>(1,266,945)</b>	<b>12,695,445</b>	<b>2,159,651</b>	<b>22,448,336</b>	<b>23,679,358</b>	<b>20,761,958</b>

<sup>(1)</sup> Concession payment

**Table 3**  
**City of Auburn**  
**General Government Tax Revenues by Source** <sup>(1)</sup>  
 Last Ten Fiscal Years

Fiscal Year	Sales & Use Tax		Cigarette & Alcohol Tax		Motor Fuel Tax	Lodging and Rental Tax		Financial			Totals
	\$	\$	\$	\$		Institution Tax	Motor Vehicle Tax	General Property Tax	\$	\$	
2006	20,773,724	170,340	717,911	1,584,378	717,911	450,412	87,880	12,699,720	\$	\$	36,484,365
2007	21,784,157	159,104	724,202	1,857,539	724,202	269,083	112,779	14,650,666	450,412	112,779	39,557,530
2008	21,044,830	162,266	739,673	1,910,610	739,673	277,306	115,165	16,420,033	277,306	115,165	40,669,884
2009	20,143,854	164,539	749,811	1,612,284	749,811	245,537	138,276	18,696,415	245,537	138,276	41,750,715
2010	21,081,231	146,915	788,560	1,662,229	788,560	-	108,006	19,739,993	-	108,006	43,526,934
2011	22,987,405	168,268	818,351	1,839,015	818,351	184,886	126,685	20,333,624	184,886	126,685	46,458,234
2012	30,890,400	173,478	876,592	1,958,908	876,592	173,972	129,888	20,503,864	173,972	129,888	54,707,103
2013	31,831,180	177,243	871,498	2,126,307	871,498	147,553	137,809	20,271,550	147,553	137,809	55,563,140
2014	34,303,571	163,247	931,515	2,217,307	931,515	159,641	143,293	20,900,546	159,641	143,293	58,819,120
<b>2015</b>	<b>37,418,331</b>	<b>176,824</b>	<b>991,613</b>	<b>2,584,615</b>	<b>991,613</b>	<b>279,282</b>	<b>146,908</b>	<b>21,746,672</b>	<b>279,282</b>	<b>146,908</b>	<b>63,344,245</b>

<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**

	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015
General Fund										
Reserved	9,305,314	8,701,444	12,967,664	8,844,309	7,451,985	-	-	-	-	-
Unreserved	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	15,992,698
Restricted	-	-	-	-	-	176,679	237,639	298,192	341,705	343,988
Assigned	-	-	-	-	-	4,854,720	4,778,855	2,840,828	6,565,787	5,649,101
Unassigned	-	-	-	-	-	16,489,870	20,973,636	29,025,058	25,574,688	22,328,970
Total general fund	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	44,314,757
All other governmental funds										
Reserved	4,190,300	1,888,965	2,166,922	2,135,901	4,075,582	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	3,898,499	4,924,456	5,072,970	5,692,659	4,766,559	-	-	-	-	-
Debt service funds	2,499,525	2,748,975	3,163,736	3,898,630	3,831,043	-	-	-	-	-
Capital projects funds	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	90,168,804 <sup>(2)</sup>
Unassigned	-	-	-	-	-	-	(347,364)	-	-	-
Total all other governmental funds	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	90,168,804

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

<sup>(2)</sup> This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales and use taxes	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	37,418,331
Occupational license fees	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	10,804,202
Motor fuel taxes	485,810	498,404	496,966	511,874	547,407	576,855	612,720	610,968	669,550	719,367
Lodging taxes	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	1,816,370
Rental and leasing taxes	819,682	1,473,112	538,541	451,563	420,201	473,732	515,164	571,248	612,457	768,245
Other taxes	123,728	121,760	168,183	198,072	199,133	210,972	219,648	236,605	241,419	253,910
Licenses and permits	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	11,302,434
General property tax	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	22,486,529
Charges for services	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	6,743,621
Fines and forfeitures	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	1,420,812
State shared taxes	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	1,424,458
Contributions from the public	320,747	494,010	606,144	2,329,064	868,428	1,624,491	600,544	1,014,850	1,826,242	668,974
Grants	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	3,318,443
Program income	127,229	1,206,632	350,544	836,384	521,164	385,822	305,363	609,879	517,638	474,915
Interest	1,883,720	2,011,961	1,240,177	851,855	512,963	362,808	241,936	287,977	327,498	488,821
Miscellaneous	95,972	122,150	117,144	60,020	89,280	71,438	61,489	68,275	97,957	64,914
Total revenues	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	100,174,346
<b>Expenditures</b>										
General government and administration	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	5,687,183
Public works	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	3,577,600
Environmental services	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	1,999,822
Public safety	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	18,521,534
Library	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	1,619,702
Parks and recreation	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	4,975,692
Planning	486,927	600,553	643,259	609,721	664,088	573,465	562,214	635,402	671,214	582,693
Economic development	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	2,351,410
Employee services	472,691	504,822	550,107	637,204	656,148	655,029	642,122	675,100	696,740	692,462
Risk management	246,881	929,627	941,221	1,231,524	1,313,917	1,269,056	1,301,944	1,048,527	1,356,823	1,660,020
Non-departmental	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	2,561,619
Debt service										
Principal	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	11,953,556
Interest	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	5,548,480
Capital Outlay	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	10,246,657
Intergovernmental	6,742,832	3,141,812	2,515,343	2,198,727	1,022,118	876,083	921,568	1,034,319	951,428	1,069,266
Payments to component units	13,098,738	27,895,701	19,939,274	24,919,475	28,818,541	15,755,842	38,546,879 <sup>(2)</sup>	20,404,444	19,679,683	26,858,347
Total expenditures	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	99,906,043
Excess of revenues over (under) expenditures	(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	268,303

<sup>(1)</sup> This increase was due to the refunding of various warrants and permanently financing a line of credit.

<sup>(2)</sup> This increase was due to the issuance of \$18.5 million in warrants for the Board of Education.

**Table 5**  
**(Continued)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Other financing sources (uses)</b>										
Debt issuance	14,740,290	12,200,000	13,927,516	19,590,794	15,155,000	-	24,325,835	5,525,000	-	94,638,169 <sup>(2)</sup>
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	150,243
Transfers in	7,071,256	6,761,798	6,960,429	8,707,117	725,271	565,234	509,453	681,045	1,354,436	6,707,462
Transfers out	(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)	(6,576,483)
Premium on debt issued	-	105,076	-	-	2,313,257	-	4,147,158	-	-	-
Payment to refunded bond escrow	-	-	-	-	(29,084,241)	-	(29,299,697)	-	-	(12,680,790)
Total other financing sources (uses)	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)	82,238,601
Net changes in fund balances	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)	82,506,904
Debt service as a percentage of non-capital expenditures <sup>(1)</sup>	18.7%	16.4%	36.4%	19.9%	18.6%	22.7%	19.3%	22.6%	22.4%	19.5%

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

<sup>(2)</sup> This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.



**Table 6**  
**City of Auburn**  
**Components of Sales Tax Base**  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)  
*Unaudited*

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	38,138	74,473	71,846	66,699	57,276	60,201	68,169	66,354	67,768	51,655	56,558
Grocery Stores	59,929	53,307	60,280	51,372	51,435	55,799	70,663	77,901	88,493	122,960 <sup>(1)</sup>	130,561
Eating & Drinking Establishments	75,052	101,287	111,409	120,987	120,462	127,753	148,302	131,813	144,085	153,152	166,863
Mass General Merchandise Stores	97,799	86,922	88,571	110,116	115,686	114,644	122,437	116,691	111,335	81,345 <sup>(1)</sup>	85,900
Auto Dealers & Supplies	160,833	103,690	116,070	40,203	33,484	39,021	42,278	38,291	39,471	48,882	52,936
Building Materials	32,569	49,464	55,721	34,454	32,257	31,794	26,698	36,185	45,462	46,000	51,865
Home Furnishing & Appliances	2,471	9,240	15,468	14,823	11,085	9,733	11,126	12,477	17,343	18,209	20,302
All Other Retail Sales	146,209	211,555	271,889	258,296	244,863	254,509	273,606	289,079	281,822	313,376	335,521
Totals	613,000	689,938	791,254	696,950	666,548	693,454	763,279	768,791	795,780	835,579	900,507

<sup>(1)</sup> Beginning in FY14 the total sales of big box retailers are split between "Grocery Stores" and "Mass General Merchandise Stores".

**Table 7**  
**City of Auburn**  
**Revenue Rates for General Sales Tax**  
 Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	City Sales Tax		County Sales Tax		State Sales Tax		Total Sales Tax	
	Tax Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
2006	3.0%	1.0%	4.0%	8.0%				
2007	3.0%	1.0%	4.0%	8.0%				
2008	3.0%	1.0%	4.0%	8.0%				
2009	3.0%	1.0%	4.0%	8.0%				
2010	3.0%	1.0%	4.0%	8.0%				
2011	4.0%	1.0%	4.0%	9.0%				
2012	4.0%	1.0%	4.0%	9.0%				
2013	4.0%	1.0%	4.0%	9.0%				
2014	4.0%	1.0%	4.0%	9.0%				
<b>2015</b>	<b>4.0%</b>	<b>1.0%</b>	<b>4.0%</b>	<b>9.0%</b>				

Source: State of Alabama Department of Revenue

<sup>(1)</sup> City sales tax rate increased from 3.0% to 4.0% effective August 1, 2011.

**Table 8**  
**City of Auburn**  
**Principal Revenue Remitters of Sales and Use Tax <sup>(1)</sup>**  
 Current Year and Nine Years Ago  
*Unaudited*

Employer	2006		2015	
	Rank	Rank	Rank	Rank
Wal-Mart	1	1		1
Sam's (Opened 2008)				2
Auburn University Financial Reporting	2	2		3
Kroger	3	3		4
Publix - Cary Creek (Opened 2012)				5
Publix - Moore's Mill (Opened 2010)				6
Chartwell's (Opened 2007) <sup>(2)</sup>				7
Academy Sports (Opened 2008)				8
Dillard's		6		9
Builders First Source SE (formerly Waid True Value)		4		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.

<sup>(2)</sup> Auburn University Dining Services

**Table 9**  
**City of Auburn**  
**Ratios of Outstanding Debt by Type**  
 Last Ten Fiscal Years

(dollar amounts expressed in thousands, except per capita amount)  
*Unaudited*

Fiscal Year	Governmental Activities		Notes Payable	Business-Type Activities		Total Debt Primary Government	Total Government	
	General Obligation Bonds	General Obligation Bonds <sup>(2)</sup>		General Obligation Bonds <sup>(2)</sup>	Percentage of Personal Income		Total Debt Per Capita	
	\$	\$	\$	\$	\$	\$		\$
2006	123,191	-	-	29,866	153,057	13.31%	3,146	
2007	128,622	-	-	28,086	156,708	12.71%	3,153	
2008	125,425	-	-	34,054	159,479	12.40%	3,149	
2009	134,915	-	-	62,776	197,691	14.45%	3,749	
2010	140,282	-	-	45,694	185,976	13.34%	3,478	
2011	129,760	-	-	44,608	174,368	13.04%	3,196	
2012	143,704	1,500	1,500	49,528	194,732	14.76%	3,519	
2013	140,564	1,585	1,585	48,130	190,279	13.19%	3,365	
2014	127,035	1,782	1,782	45,899	174,716	12.48%	3,023	
<b>2015</b> <sup>(1)</sup>	<b>196,429</b>	<b>3,143</b>	<b>3,143</b>	<b>46,755</b>	<b>246,327</b>	<b>15.91%</b>	<b>3,961</b>	

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

<sup>(1)</sup> This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

<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**  
**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
	\$	\$	\$		\$
2006	123,190,702	2,499,525	120,691,177	22.09%	2,481
2007	128,622,328	2,748,975	125,873,353	19.83%	2,532
2008	125,424,618	3,163,736	122,260,882	17.25%	2,414
2009	134,915,117	3,898,630	131,016,487	17.79%	2,485
2010	140,281,829 <sup>(2)</sup>	3,831,044	136,450,785	18.16%	2,537
2011	129,759,735	3,723,922	126,035,813	15.80%	2,295
2012	143,704,141 <sup>(3)</sup>	3,540,270	140,163,871	17.49%	2,457
2013	140,564,282	3,019,959	137,544,323	17.25%	2,348
2014	128,817,154	2,477,786	126,339,368	16.27%	2,100
<b>2015</b>	<b>199,571,962 <sup>(4,5)</sup></b>	<b>2,531,934</b>	<b>197,040,028</b>	<b>23.51%</b>	<b>3,169</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 (net of related premiums, discounts, and adjustments), less Debt Service funds' equity. Calculations exclude the G.O. debt intended to be repaid from sewer fund revenues.

<sup>(2)</sup> City issued \$27 million of G.O. Warrants to refund outstanding debt.

<sup>(3)</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.

<sup>(4)</sup> City issued \$31.99 million of G.O. Warrants to refund outstanding debt and provide for school improvements.

<sup>(5)</sup> City issued \$78.145 million of G.O. Bonds to pay the costs of new school construction, capital improvements to existing schools and land purchases, under the jurisdiction of the Board of Education.

**Table 11**  
**City of Auburn**  
**Direct and Overlapping Governmental Activities Debt**  
 Fiscal Year 2015  
*Unaudited*

	Debt Outstanding	Estimated Percentage Applicable <sup>(1)</sup>	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 199,571,962	100%	\$ 199,571,962
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 26,099,626	38%	9,933,888
<b>Total Direct and Overlapping Debt</b>			<b>\$ 209,505,850</b>

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  
Legal Debt Margin Information**

Last Ten Fiscal Years

(amounts expressed in thousands)

*Unaudited*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 98,974	\$ 110,789	\$ 141,724	\$ 147,267	\$ 150,282	\$ 159,565	\$ 160,252	\$ 159,516	\$ 155,255	\$ 167,626
Total net debt applicable to limit	55,364	54,764	62,451	65,355	73,116	64,479	60,974	56,673	46,895	38,387
Legal debt margin	43,610	56,025	79,273	81,912	77,166	95,086	99,278	102,843	108,360	129,239
Total net debt applicable to limit as a percentage of debt limit	55.94%	49.43%	44.07%	44.38%	48.65%	40.41%	38.05%	35.53%	30.21%	22.90%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Assessed value	\$ 838,132,140
Debt limit (20% of total assessed value)	\$ 167,626,428
Debt applicable to limit:	
General obligation bonds	\$ 230,961,883
Less: Exempt Debt	192,574,889
Total net debt applicable to limit	38,386,994
Legal debt margin	\$ 129,239,434

**Table 13**  
**City of Auburn**  
**Pledged Revenue Coverage**  
 Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Sewer Charges and Other <sup>(2)</sup>	Less: Operating Expenses <sup>(3)</sup>	Net Available Revenue	Principal	Interest	Coverage
	\$	\$	\$	\$	\$	
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
2014	11,106,938	3,868,822	7,238,116	2,140,000	2,074,208	1.72
<b>2015</b>	<b>11,631,200</b>	<b>4,443,489</b>	<b>7,187,711</b>	<b>2,205,000</b>	<b>2,147,458</b>	<b>1.65</b>

<sup>(1)</sup> General Obligation warrants issued but paid by Sewer Service Fee revenue.

<sup>(2)</sup> Includes sewer service charges, tapping fees, sewer access fees, gains on property disposals and other non-operating revenues.

<sup>(3)</sup> Includes operating expenses and operating transfers out less depreciation expense.

**Table 14**  
**City of Auburn**  
**Demographic and Economic Statistics**  
 Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Population <sup>(1)</sup>	Per Capita Personal Income <sup>(2)</sup>	Personal Income (expressed in thousands) <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>
		\$	\$	
2006	54,505	26,860	1,464,004	2.8%
2007	55,652	27,874	1,551,244	2.9%
2008	56,287	29,013	1,633,055	4.5%
2009	57,828	28,339	1,638,788	7.6%
2010	53,780	28,838	1,550,908	7.3%
2011	54,927	29,800	1,636,825	7.0%
2012	57,058	30,332	1,730,683	5.7%
2013	58,582	30,499	1,786,692	4.9%
2014	60,258	33,064	1,992,371	4.9%
<b>2015</b>	*	*	*	<b>4.9%</b>

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

<sup>(2)</sup> U. S. Department of Commerce, Bureau of Economic Analysis (Data reported for Auburn-Opelika MSA)

<sup>(3)</sup> "Population" multiplied by "Per Capita Personal Income"

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

\* Data not available at time of publication

**Table 15**  
**City of Auburn**  
**Principal Employers**

Current Year and Nine Years Ago

Employer	2006			2015		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University <sup>(1)</sup>	7,047	1	27.62%	7,958	1	29.75%
Auburn City Schools	685	3	2.68%	975	2	3.64%
City of Auburn and Auburn Water Works Board	570	5	2.23%	650	3	2.43%
Briggs & Stratton Corporation	750	2	2.94%	445	4	1.66%
Borbet Alabama, Inc. (Former ATS Wheels)	150	9	0.59%	415	5	1.55%
CSP Technologies North America, LLC (Former CV Holdings)	150	10	0.59%	395	6	1.48%
SCA, Inc.	-	-	-	385	7	1.44%
Masterbrand Cabinets, Inc.	450	4	1.76%	375	8	1.40%
Wal-Mart Supercenter	340	6	1.33%	345	9	1.29%
Seohan Auto USA Corporation	-	-	-	260	10	0.97%
<b>Total</b>	<b>10,142</b>		<b>39.75%</b>	<b>12,408</b>		<b>46.39%</b>

<sup>(1)</sup> Includes temporary and seasonal employees.

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



**Table 16**  
**City of Auburn**  
**Regular Full-Time Employees by Function/Program**  
 Last Ten Fiscal Years  
*Unaudited*

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	73	74	76	77	77	81	81	77	76	76
Economic Development	14	14	13	13	13	13	12	12	12	12
Public Safety	109	112	113	115	113	113	113	115	116	116
Police	43	43	43	43	43	43	43	43	43	43
Fire	7	9	11	11	11	11	11	11	11	11
Communications	9	9	9	9	9	9	8	8	8	8
Codes										
Public Works	11	11	11	11	11	11	11	11	11	11
Engineering	18	18	18	18	18	18	18	18	18	18
Construction & Maintenance	6	6	6	6	6	6	6	6	6	6
Inspection	3	3	3	3	3	3	3	3	3	4
Traffic Engineering										
Environmental Services	16	16	16	16	16	16	16	16	16	16
Recycling	16	16	16	16	16	16	16	16	16	16
Solid Waste	2	2	2	2	2	2	2	2	2	2
Animal Control	7	7	7	7	7	7	7	7	7	7
ROW	10	10	10	10	10	10	10	10	10	10
Fleet Services										
Parks and Recreation	14	15	15	15	15	15	15	15	15	16
Leisure Services	26	26	27	26	26	26	26	26	26	26
Parks & Facilities	15	15	16	16	16	17	17	17	18	19
Library	19	15	15	16	16	16	17	17	17	19
Sewer										
<b>Total</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>	<b>436</b>

Source: City of Auburn Human Resources Department

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical arrests	2,574	2,978	3,143	2,480	2,643	2,712	3,096	3,053	3,102	3,679
Traffic violations	10,435	14,077	14,516	19,556	20,618	23,736	25,016	21,510	18,557	21,805
Fire										
Number of calls answered	1,342	2,258	2,330	2,523	4,025	4,065	4,303	4,367	4,948	4,950
Inspections	1,860	1,857	1,792	1,752	1,575	1,391	1,559	1,760	1,879	1,946
Public Works										
Potholes repaired	347	230	210	273	750	625	454	70	87	*
Environmental Services										
Refuse collected (tons/day) <sup>(1)</sup>	85	86	86	88	91	104	103	102	101	104
Recyclable collected (tons/day) <sup>(1)</sup>	3.89	3.38	4.21	4.39	4.36	4.40	5.82	5.60	4.96	5.03
Parks and Recreation										
Athletic participants	4,623	5,154	5,648	5,031	4,959	2,964	4,540	4,478	6,069	6,846
Recreation center admissions	114,484	96,106	92,291	111,960	138,751	150,690	164,888	241,042	292,933	216,416
Sewer										
Average daily sewage treatment (millions of gallons)	6.10	5.90	5.60	6.70	6.69	6.02	6.28	6.70	7.54	7.50

Source: City departments

<sup>(1)</sup> Each year consists of 251 work days.

\* Data not available at time of publication

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	88	89	91	91	98	94	96	96	94	96
Fire stations	4	4	5	5	5	5	5	5	5	5
Environmental Services										
Collection trucks	8	8	8	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)	650	658	696	693	693	693	700	739	742	*
Signaled Intersections	50	55	56	58	59	60	60	60	61	61
Parks and Recreation										
Parks acreage	1,914	1,914	1,944	1,944	1,944	1,944	1,944	1,944	1,944	1,956
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	10	44	44	44	44	44	44	44	44	44
Community centers	3	3	3	3	4	4	4	5	5	5
Sewer										
Sanitary sewers (miles)	210	235	240	245	248	300	300	330	350	350
Maximum daily treatment capacity (millions of gallons)	7	8	8	11	11	11	13	13	13	13

Source: City departments  
 \* Data not available at time of publication