

## AUBURN, ALABAMA



City of Auburn

The City of Auburn  
Comprehensive Annual Financial Report  
Fiscal Year Ended September 30, 2013



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

For the Fiscal Year Ended  
September 30, 2013

**City Council**

**Bill Ham, Jr., Mayor**

**Dick Phelan, Mayor Pro Tem**

**Ron Anders, Jr.**

**Arthur Dowdell**

**Tom Worden**

**Brent Beard**

**Robin Kelley**

**Gene Dulaney**

**Bob Norman**

**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**

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 For the Fiscal Year Ended September 30, 2013

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## City of Auburn

Home of Auburn University

### Letter of Transmittal

March 27, 2014

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, 2013 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. As a result, in previous years the City's Board of Education, Water Works Board, Industrial Development Board, Commercial Development Authority, and Public Park and Recreation Board have been included as separately presented component units of the City's reporting entity in the CAFR. During this fiscal year, GASB Statement 61 became effective which amends the criteria of the reporting entity. As a result of the entity review conducted this year, the City added the Housing Authority of the City of Auburn as a component unit. Previously, the Housing Authority was considered a related organization.

***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 document.

GASB Statement 61, "The Financial Reporting Entity: Omnibus (an amendment of GASB statements 14 and 34)" changes certain requirements for the inclusion of component units in the financial reporting entity. It also amends

the criteria for blending component units. This statement became effective for the fiscal 2013 reporting period. As mentioned above, the Housing Authority of the City of Auburn was added as a discretely presented component unit. Also, additional related organizations were identified during the review process. Please see note 1.A for details of the reporting entity.

The City implemented GASB 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" during this fiscal year. This statement reclassified some items as deferred outflows or inflows of resources that were previously reported as assets and liabilities. The City also implemented GASB 65, "Items Previously Reported as Assets and Liabilities." With the implementation of these two GASB statements, the Statement of Net Position replaces the Statement of Net Assets in the basic financial statements.

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

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

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

GASB Statement 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees," improves accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. The requirements of this statement are effective for fiscal periods beginning after June 15, 2013. The City will implement this statement in fiscal year 2014.

## **City Profile**

The City of Auburn, located in east central Alabama, is a thriving and diverse university-based community. The City was incorporated in Lee County in February of 1839. The establishment of Auburn University in 1856 marked the beginning of a mutually beneficial partnership producing what *Demographics Daily* recognized as a small city "dream town," offering a high quality of life to all its citizens.

*Forbes.com* named the Auburn/Opelika metropolitan statistical area (MSA) number ten on its 2013 list of America's best small cities for jobs. *Forbes* ranked 398 MSAs, including 241 with less than 150,000 jobs. Rankings were based on employment data over more than a decade, growth trends and "the region's momentum." Factors cited as key to job creation were economic diversity, affordability and quality of life..

In August 2013, *CNNMoney.com* ranked Lee County, Alabama #22 on its nationwide list of "Where the Jobs Are." The magazine notes Lee County's job growth of 9% between 2010 and 2012 and proximity to Atlanta as factors in placing Lee County on the list. The article explains that Auburn University's ability to educate and graduate "homegrown engineers" make the area an attractive place to do business. Auburn Technology Park West was also a factor and was noted as a site for growing manufacturers, including GE Aviation's new state-of-the-art facility.

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. Over the past four decades, the City has seen tremendous growth from 22,767 residents in 1970 to 57,051 residents in 2013. 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 460 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

### ***Major Initiatives***

In fiscal year 2013, the City continued to prioritize school funding. The City contributed \$9.6 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

In November 2012, the City issued \$5.5 million in General Obligation Capital Improvement Warrants for the construction of Auburn Technology Parkway located in the West Technology Park. Infrastructure for Phase II of the Auburn Technology Park West is substantially complete.

The Frank Brown Recreation Center was renovated this year. Improvements include additional classroom space, facade improvements, construction of a new racquetball court, and parking improvements. This project was completed in conjunction with the construction of the Harris Center. The new 8,454 square foot facility will allow for expanded senior programming as well as administrative offices for Parks and Recreation. The Harris Center is located on the same campus as the Frank Brown Recreation Center and Jan Dempsey Community Arts Center.

Approximately 1.4 miles of sidewalk was installed on North College Street between Drake Avenue and North Cedarbrook Avenue. This is used for foot traffic to the new Pick Elementary School located on North College Street and East University Drive.

The first phase of downtown parking improvements began during the summer of 2013. Three existing parking areas off of Gay Street were consolidated into one parking lot. Also, a parking payment system that utilizes kiosk technology was installed in the new lot, allowing customers to pay with cash or credit card. By using kiosks rather than parking meters, the new lot can be used as a multi-use space for downtown events.

## **Government Services**

**Public Safety Services** The Public Safety Department is comprised of five divisions: Police, Fire, Communications, Codes Enforcement, and Administration. The Police Division includes 106 sworn officer positions, providing an average emergency call response time of 2-3 minutes. The Auburn University Police Department merged with the City of Auburn Public Safety Department effective July 1, 2004. All law enforcement and public safety services for the campus are now handled by the City. In 2001, the City and Lee County, Alabama initiated an agreement for the County to provide jail services for the City. The City pays the County a charge per inmate. The City also pays for medical care for prisoners who must be given care outside of the jail. In September 2004, an agreement between the City of Auburn, Lee County and the City of Opelika was executed for the expansion of the joint jail facility. The County's modern jail provides a better facility for inmates and a more efficient solution to the provision of jail services.

The Fire Division includes 43 regular, full-time firefighters and 64 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 2.2 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 60 traffic signalized intersections, along with over 250 City-owned street lights and 30 LED edge lit signs.

**Environmental Services** Given Auburn University's origins as an agricultural and mechanical college, it is not surprising that Auburn's residents give a high priority to its environmental quality of life. The City's Environmental Services Department maintains the cleanliness of the City's rights of way to a standard considered remarkable for a university town. Environmental Services collects household waste, recyclables, and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. Environmental Services is also responsible for animal control and maintenance of the City's vehicle fleet.

**Leisure Services** In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and Library provide many leisure time choices to residents. The Library has 44 internet-connected computer workstations available to the public. During fiscal 2013, there were 91,880 logins on these computers. Additionally, the Library offers wireless internet access for patrons bringing their own laptops, tablets, and other portable devices. During fiscal 2013, the Library checked out 237,148 items and had a total of 14,022 attendees at the many programs offered for children, teens, and adults. In fiscal 2013, the Library continued to expand its catalog of e-books and downloadable audiobooks. With the use of grant funds, the Library expanded its selection of DVDs, adding 773 critically acclaimed movies, television series, and instructional films to its collection.

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

**Education Services** Auburn City Schools provide services to more than 7,300 students. The school system consistently experiences record enrollment growth each year as parents are drawn to the excellent teachers, facilities and programming it has to offer. According to their website, to accommodate the continued growth in student enrollment, the Auburn City Schools Board of Education constructed a new elementary school on North College Street. The facility, Pick Elementary School, opened in August 2013. With eight elementary schools serving the students in kindergarten through grade five, system administrators proposed and approved a new map for school zones. Rather than creating eight elementary school zones, Auburn City Schools implemented four school zones, with each zone having two schools. The pair of schools serve students in a primary and intermediate grade range, with the first hosting students in grades K-2 and the second hosting students in grades 3-5.

Currently, the Auburn City School system houses its students on eleven separate campuses. These campuses include eight elementary schools, one middle school, one junior high school, and one high school. Excellent choral, drama, art, band, academic teams, sports, and other extracurricular programs are offered. All schools have a media center, art teacher, music teacher, and one or more full-time counselors.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. It has been rated among the top 100 school systems in the nation by *Offspring Parenting* magazine (a subsidiary of *The Wall Street Journal*). Auburn High School consistently produces an average of seven National Merit finalists/semi-finalists each year from the senior class. Upon graduation, approximately 84% of the graduates move on to higher education. The graduation rate for Auburn High School is approximately 97% and each year seniors are awarded an average of \$6 million in scholarships. Concurrent college enrollment, through Auburn University and Southern Union State Community College, is available for students who wish to take courses not taught at Auburn High School.

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

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

In 2013, Auburn University was ranked 9<sup>th</sup> in the nation for the best quality of life by *Princeton Review*. Also, Auburn University was ranked 91<sup>st</sup> in the nation for providing a quality education at an exceptional value by *US News and World Report*. This is the 21<sup>st</sup> consecutive year that Auburn has been recognized in the top 100.

Auburn University's student body is taught by approximately 1,180 full-time faculty members, and the student to faculty ratio is 18 to 1. Approximately 96% of Auburn students receiving their degrees are employed full-time after graduation. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates. Auburn offers degrees in 13 schools and colleges with over 140 majors at the undergraduate, graduate, and professional levels. Auburn has awarded more than 250,000 academic degrees since it opened in 1856.



***Auburn University's Historic Samford Hall***

As the City's largest employer, Auburn University is a major contributor to the local economy. The University has over 4,600 full-time employees. Enrollment, which has remained steady over the past ten years, was 24,864 for fall semester of the 2013/2014 academic year. Included in the total enrollment are 3,912 graduate students.

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

**Utilities** The Water Works Board of the City of Auburn, drawing from Lake Ogletree as its main source, provides potable water services. The City's Water Resource Management (WRM) Department also manages a wastewater treatment plant with a total treatment capacity of 11.25 million gallons per day. The City's stormwater program is also managed by WRM. The Watershed Management Division coordinates and implements the Phase II Stormwater Regulations published by the federal government in 1999, while offering educational opportunities about stormwater issues and enforcing the City's erosion and sediment control ordinance.

**Healthcare** The Auburn area is served by the East Alabama Medical Center (EAMC). Among the many services that EAMC provides are open-heart surgery and cancer treatment, both of which are highly acclaimed specialties at the hospital. EAMC has been recognized three times for having a "Top 100 heart program." In April 2013, EAMC was recognized by the Premier Healthcare Alliance for a second year in a year as a high performing hospital. Also, EAMC has been named twice as one of *Fortune's* "100 best companies to work for in America". The hospital has over 2,700 employees, making it the second largest employer in Lee County. Of these employees, more than 500 work at facilities in Auburn such as HealthPlus Fitness Center, Bethany House Hospice, and several assisted living communities. EAMC's main building is licensed for 384 beds, and the center provides emergency medical transport services to the City of Auburn. In addition, EAMC operates the Auburn University Medical Clinic on the Auburn University campus.

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

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

## **Factors Affecting Financial Conditions**

### ***Local Economy***

From the founding of Auburn University in 1856, the City's economy has been dominated by the University's presence. The University's students and faculty were attracted to the quality of life in Auburn and wanted to

remain in the City on a long-term basis. Consequently, many were overqualified for the available jobs, but chose to accept under-employment in order to remain in Auburn.

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

The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having assisted in the recruitment of more than forty companies, resulting in the creation of over 5,000 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 with plans for additional property acquisition to occur in 2014.

The industrial sector showed strong growth in 2013 with a new high-precision automobile parts manufacturer selecting Auburn as the location for its first U.S. operation as well as a Korean-German joint venture selecting Auburn to manufacture fuel tanks to serve the nearby automotive industry. In addition, several other exiting industries expanded their operations in Auburn during 2013. Rausch & Pausch, L.P. (Rapa) began construction of its Auburn facility in 2013 with plans for operations to commence in early 2014. The new Rapa plant will supply high-precision automobile parts, including an engine stop/start system designed to reduce fuel consumption by reducing vehicle idling time. Stop/start technology is increasingly being employed throughout the automotive industry and locating this type of project in Auburn provides additional cutting edge technology to an already rapidly growing value-added manufacturing base. Additionally, Donghee America has partnered with Kautex Textron GmbH to support a joint venture location in Auburn to manufacture fuel tanks for the automotive industry. CNJ, Inc., a Korean brake disc manufacturer for the automotive industry, expanded its operation in the Auburn Industrial Park in 2013 and SCA, Inc., a Korean automotive supplier, also expanded its operation in the Auburn Technology Park North in 2013. Both expansions are scheduled to be completed in late 2013/early 2014. The new locations and expansions all relative to the automotive industry speak to the large volume of industrial activity occurring along the Interstate 85 corridor, most of which is attributable to the continued ramp up of the Kia and Hyundai OEMs residing therein.

In addition to the new industrial location and expansions described above, other existing manufacturers from the automotive supply industry also increased their capital investment in 2013, specifically Borbet Alabama, Inc. and Daewon America, Inc. The new industry announcements and expansions that occurred in 2013, including the Rapa and Donghee projects, will produce a combined total of over 250 new manufacturing jobs for Auburn and a planned capital investment in excess of \$101 million.



***Construction of Rausch & Pausch, 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: Aluminum Technology Schmid North America, Inc.; Briggs & Stratton Corporation; CV Holdings, LLC; Donaldson Company; EPOS Corporation; GE Aviation.; MasterBrand Cabinets, Inc.; Nikki America Fuel Systems; Northrop Grumman Corporation; Seohan Auto USA Corporation; Straehle + Hess USA, Inc.; Touchstone Precision, Inc.; and Weidmann Plastics.

The Auburn Center for Developing Industries (ACDI), a small business incubator facility, opened in 1989 to enable new business ventures to become established in a cost-controlled environment while adding jobs to the community. This project has been highly successful, graduating several of its tenants to the City's industrial parks and expanding its facilities three times. Current tenants located in the incubator include a military systems engineering and technology development company, an industrial crane installation company, a 3-D printing company, a small business consultant, two logistics companies, an IT consulting and installation company, a machining company, a government industrial and engineering services company, a news media company, an automotive tube bending company, 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: Trabresco, LLC, a commercial retail and professional development along Exit 57 to I-85 anchored by Bob's Victory Grill; Orange-Auburn, LLC, a new commercial retail shopping center across from the Auburn University Campus along College Street anchored by CVS pharmacy; and ACRE Properties, LLC, opened a small commercial development downtown with a new high-end restaurant as the anchor, as well as many others. KIA of Auburn, Aliant Bank and ACE Hardware are some other stand-alone commercial enterprises opening in the last fiscal year along with an influx of fast-casual dining venues locating along the South College Street corridor. We expect all this activity to lead to an expansion of the City's tax base and continue the growth in Auburn's business development.



***New KIA Dealership on South College Street***

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

Engineering, Architecture, Sciences and Mathematics and Forestry and Wildlife Sciences to offer programs in the research areas of standards and measurements, and marine and forecast sciences.

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



***Rendering of the future VCOM facility at Auburn***

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

In addition to its business recruitment programs and initiatives, the City's Economic Development Department has worked to improve housing opportunities within the Auburn city limits in several ways, including: an Affordable Housing Program; collaboration with Habitat for Humanity and Auburn Housing Authority; and administering numerous housing rehabilitation and other public service programs funded by the federal Community Development Block Grant Program. The North Auburn Housing Development Corporation (NAHDC), a non-profit organization dedicated to affordable housing in Auburn, and the City of Auburn are currently completing the development of the Northwest Village Subdivision. As Auburn's newest affordable housing subdivision, the Northwest Village Subdivision was created to give Auburn residents the opportunity to purchase a home. Twenty-nine homes make up the completed project.



***Houses in the Northwest Village Subdivision***

In an effort to leverage funds to finance economic development activities to create and retain jobs, the City of Auburn was approved for a Section 108 Loan sponsored by the U.S. Department of Housing and Urban Development (HUD). The City loaned \$1.5 million to the Auburn Housing Authority to redevelop the Moton public housing complex. Section 108 funds are also used to fund business loans to provide financing for commercial and industrial loans for undertaking special economic development activities and to offer short-term loans for active small businesses and small business start-ups. Currently, two small businesses have benefited from this program and another is through the approval process and awaiting funds.

In fiscal 2013, building permits were issued for 412 new single-family residences valued at \$132.9 million. The average valuation for single-family homes was \$322,653. Also, sixteen new commercial and industrial facilities valued at \$28.5 million were permitted during fiscal 2013.

### ***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 FY13 through FY18 contains over \$74.5 million in identified projects. Infrastructure improvements, including road reconstruction, sidewalks, bikeways, streets, bridges, and intersections will require an estimated \$37.4 million. This outlay will be funded through identified sources including shared funding, state and federal grant funds, and debt.

Renovations and expansion of existing city buildings are planned with a projected cost of \$1 million will be funded by the General Fund. The Auburn Technology Park West project is estimated at \$5.5 million. Other projects, including leisure facilities renovations and expansion, downtown redevelopment, utility mapping, and public safety service improvements are included in the capital improvements program at an approximate cost of \$30.6 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 conducted a Mid-Year Budget Review process each April that was nearly as rigorous as the budget development each summer. With a Biennial Budget, the Mid-Year Review is streamlined and there is an in-depth Mid-Biennium Review. Also, every four years a comprehensive Revenue Review is completed to evaluate the City's revenue structure.

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

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

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

During fiscal 2013, idle cash was invested in certificates of deposit with 12-24 month terms and rates ranging from .28% to .47%. The City's demand deposit operating account is currently earning .50%.

**General Fund Reserves** The City Council has adopted a policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses. Management has

an informal goal of 20-25%. The ending fund balance as a percentage of expenditures and other financing uses for the fiscal 2013 period was 58.5%, exceeding management's informal goal. There is a planned reduction of this percentage in fiscal 2014.

### **Other Information**

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

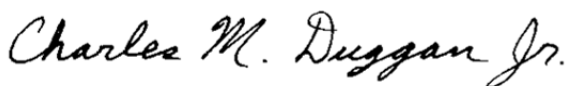
Information related to this Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are generally meaningful only to oversight agencies and therefore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

**Awards** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2012. This was the twenty-sixth 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, 2012. 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

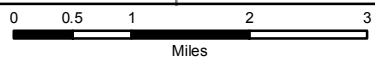
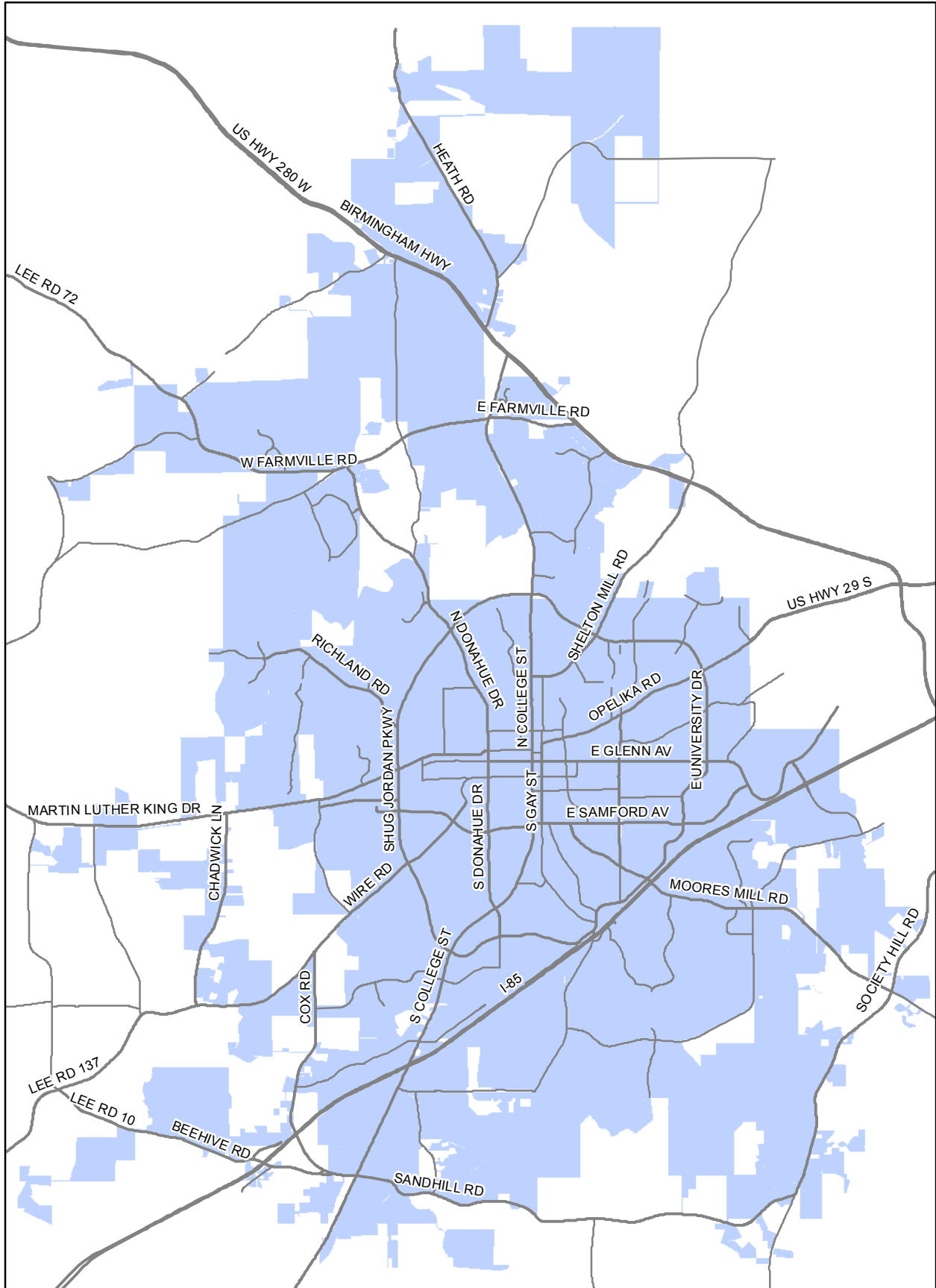
**City of Auburn  
Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

# City of Auburn as of September 30, 2013



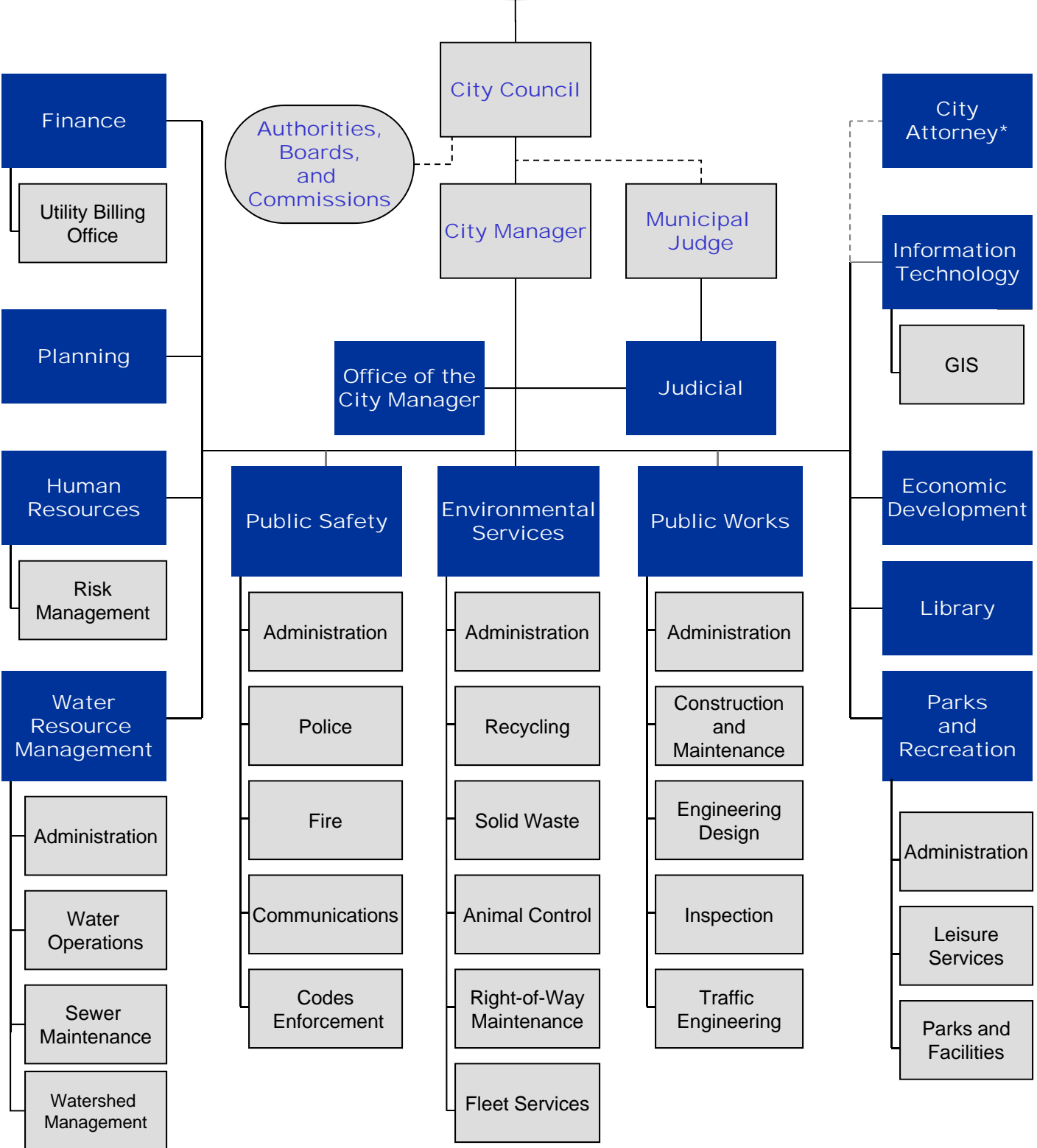
Produced by COA  
 Planning Department:  
 3/4/2013



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

# Organization Chart

*Citizens of Auburn*



\* City Attorney services are contracted outside the organization

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



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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Auburn discretely presented component unit, which represents six percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Auburn discretely presented component unit, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2013, 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.

## **Emphasis of Matter**

As described in Note 1.T. to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statements No. 61, *The Financial Reporting Entity: Omnibus*; No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 44 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, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of the City of Auburn, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburn, Alabama's internal control over financial reporting and compliance.

*Machen, McChesney + Chastain, LLP*

Auburn, Alabama  
March 27, 2014



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, 2013. 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 \$84.3 million (net position). Of this amount, the City had a deficit unrestricted net position of \$57.7 million offset by \$12.1 million in restricted net position and \$129.9 million in net investment in capital assets.
- The primary government experienced a 33.6% increase in net position from \$63.1 million at September 30, 2012 to \$84.3 million at September 30, 2013.
- At the close of the current fiscal year, the City's governmental funds reported a *combined* fund balance of \$52.1 million. This was an increase of \$5.8 million (12.4%) from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$38.9 million or 58.5% of total General Fund expenditures and other financing uses; total fund balance increased by \$5.9 million (17.8%) from fiscal year 2012. Total ending fund balance in the General Fund comprised 55.5% of total revenues in 2013 and 49.4% in 2012.
- The unassigned fund balance for the General Fund was \$29.0 million, or 43.6% of total General Fund expenditures; this was an increase of \$8.1 million (38.4%) from fiscal 2012.
- Sales and use tax, the City's single largest revenue source, increased 3.0% (\$940,780) during the 2013 fiscal year, reflecting a slight improvement in the economy.
- Other significant changes in revenue during 2013: state shared taxes increased by 57.8% (\$738,766); lodging decreased by 18.6% (\$355,429); charges for services increased by 17.2% (\$944,297); and occupational license fees increased by 5.0% (\$461,911).

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

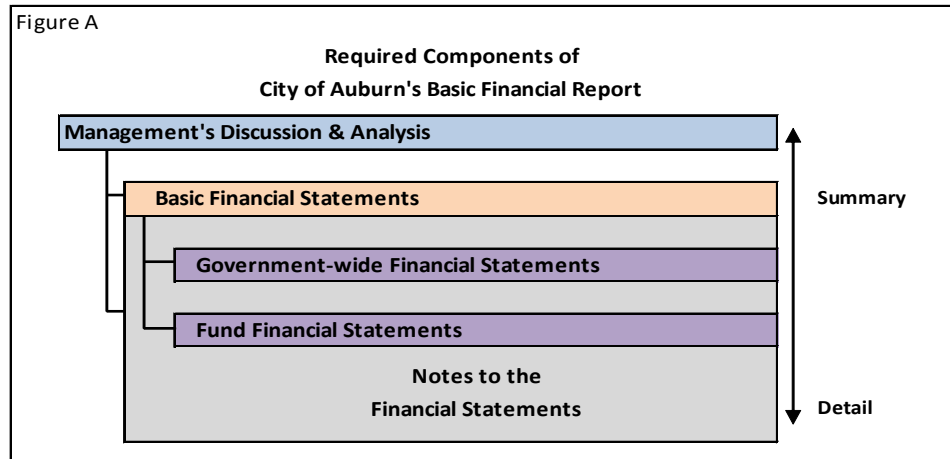


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

### Government-wide Statements

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

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

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

Figure B

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

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

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

- *Governmental activities.* Most of the City's basic services are included in this category, such as the services provided by the Public Safety, Public Works, Parks and Recreation, Human Resources, and Finance departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities.* The City charges fees to customers to help cover the costs of certain services it provides to the general public. The City's Sewer Fund and Solid Waste Management Fund are included in this category as enterprise funds.
- *Discretely Presented Component Units.* The City includes six other entities in this report: the City of Auburn Board of Education, Water Works Board of the City of Auburn, City of Auburn Industrial Development Board, City of Auburn Public Park and Recreation Board, the Commercial Development Authority of the City of Auburn, and the Housing Authority of the City of Auburn. The Housing Authority, previously a related organization, is a new component unit of the City in fiscal 2013. The City loaned Section 108 funds from the Department of Housing and Urban Development to the Authority. This loan established a financial benefit/burden relationship that requires classification as a discretely presented component unit in accordance with Governmental Accounting Standards Board 61 – *The Financial Reporting Entity: Omnibus*, implemented by the City in 2013. Although legally separate entities, these component units are important because the City is financially accountable for them. Please refer to Note 1.A. within the Notes to the Financial Statements regarding the availability of separately issued component unit financial statements.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are groupings of related accounts that the City uses to keep track of specific revenues and spending for particular activities or objectives.

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

The City has three kinds of funds:

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

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

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

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

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

### FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

**Net position** The City's *combined* net position at September 30, 2013 totaled \$84.3 million (see Table 1). Governmental Activities' net position increased by \$17.0 million, while Business-type Activities' net position increased \$4.2 million during fiscal 2013.

Table 1

**City of Auburn's Net Position  
September 30, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 66,379,575	\$ 58,792,624	\$ 10,108,060	\$ 9,721,563	\$ 76,487,635	\$ 68,514,187
Capital assets	130,241,904	125,098,958	77,225,742	74,715,791	207,467,646	199,814,749
Total assets	<u>196,621,479</u>	<u>183,891,582</u>	<u>87,333,802</u>	<u>84,437,354</u>	<u>283,955,281</u>	<u>268,328,936</u>
Deferred outflows of resources	<u>4,068,252</u>	<u>5,534,134</u>	<u>702,279</u>	<u>1,292,330</u>	<u>4,770,531</u>	<u>6,826,464</u>
Current liabilities	22,924,028	21,025,695	4,852,687	4,302,302	27,776,715	25,327,997
Long-Term debt and other liabilities	130,412,614	138,089,245	46,190,497	48,614,442	176,603,111	186,703,687
Total liabilities	<u>153,336,642</u>	<u>159,114,940</u>	<u>51,043,184</u>	<u>52,916,744</u>	<u>204,379,826</u>	<u>212,031,684</u>
Net position:						
Net investment in capital assets	100,145,164	91,886,384	29,798,149	26,690,464	129,943,313	118,576,848
Restricted	12,142,108	12,643,443	-	1,070,064	12,142,108	13,713,507
Unrestricted	<u>(64,934,181)</u>	<u>(74,219,051)</u>	<u>7,194,747</u>	<u>5,052,411</u>	<u>(57,739,434)</u>	<u>(69,166,640)</u>
Total net position	<u>\$ 47,353,091</u>	<u>\$ 30,310,776</u>	<u>\$ 36,992,896</u>	<u>\$ 32,812,939</u>	<u>\$ 84,345,987</u>	<u>\$ 63,123,715</u>

Net position for Governmental Activities is primarily invested in capital assets (buildings, equipment, roads, etc.). The net investment in capital assets at September 30, 2013 was \$100.1 million. Debt outstanding related to the capital assets was \$143.7 million. The large negative unrestricted net position in FY 2012 (\$74.2 million) and FY 2013 (\$64.9 million) is the result of a common financing circumstance in Alabama. The City of Auburn issues debt in the City's name for the benefit of the Board of Education, a component unit under the City of Auburn's oversight. Therefore, the City must report the debt in its financial statements. However, the City does not have a legal right (title) to the assets associated with the debt (which are owned by the School Board); hence, the large negative unrestricted net position balances.

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

Similarly, the City entered into an agreement with Auburn University to issue general obligation debt, enabling Auburn University to finance an expansion of the City's tennis complex. The City leases a portion of the complex to Auburn University. These lease payments are used to pay principal and interest on the City's debt. The joint tennis facility is owned and operated by the City's Public Park and Recreation Board, a component unit of the City. With respect to the Tennis Center, the debt principal of \$2.7 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, 2013, was \$77.5 million, a decrease of \$2.7 million (3.3%) from the prior year. Debt outstanding in respect to agreements made with Auburn University was \$3.7 million, a decrease from the prior year of \$768,810 (17.4%). Decreases in debt issued for the benefit of Auburn City Schools and Auburn University are attributable to the City's principal repayments.

Governmental Activities' other unrestricted net position increased to \$16.2 million from \$10.3 million (eliminating the effect of other entities' debt) at the end of fiscal 2013. This increase has a number of components including: 1) An increase in cash and cash equivalents of \$7.6 million, 2) An increase in capital assets of \$5.1 million, and 3) An increase in net position resulting from revenue exceeding expenses for fiscal 2013.

The City's governmental activities' had an overall positive net position of \$47.4 million at the end of the 2013 fiscal year, an increase of \$17.0 million (56.2%).

Table 2

**Governmental Activities**

<b>Net Position</b>	<b>2013</b>	<b>2012</b>
Net investment in capital assets	\$ 100,145,164	\$ 91,886,384
Restricted		
Capital Projects	653,504	1,357,984
Debt Service	1,928,226	3,540,271
Federal and State Grants	3,712,093	2,898,029
Other projects	1,718,232	-
Special Revenue, non-grant	4,130,053	4,847,159
Unrestricted (deficit)		
Governmental Activities	16,183,852	10,343,525
<b>City School Debt</b>	<b>(77,470,095)</b>	<b>(80,145,828)</b>
<b>AU Debt</b>	<b>(3,647,938)</b>	<b>(4,416,748)</b>
Total Net Position-Governmental	<u>\$ 47,353,091</u>	<u>\$ 30,310,776</u>

Net position of the City's business-type activities increased by \$4.2 million to \$37.0 million in fiscal year 2013, from \$32.8 million in fiscal year 2012. The majority of this increase can be attributed to a positive change in net position from combined business-type operations revenues over expenses of \$4.7 million. The restricted for capital projects category of net position decreased by \$1.1 million; this decrease comes from the spending of bond proceeds for capital projects in the Sewer business-type activity. All bond proceeds for this activity were expended in fiscal 2013. Additionally, a prior period adjustment decreasing net position by \$490,010 was recorded to expense bond issue costs previously capitalized in accordance with Governmental Accounting Standards Board's (GASB) Statement 65 – *Items Previously Reported as Assets and Liabilities*. More details on this adjustment are included in the *Proprietary Funds* section of this report.

**Changes in net position** The primary government's net position increased by \$21.2 million (33.6%) in fiscal year 2013. Total assets increased by \$15.6 million (5.8%), while total liabilities decreased by \$7.5 million (3.6%). The large increase in assets resulted primarily from an increase in cash and cash equivalents in the General Fund of \$7.8 million and an increase in capital assets of \$7.7 million. More information on the cash and cash equivalents increase can be found in the *Analysis of Changes in Major*



*Funds – The General Fund* section of this MD&A. More information on the increase in capital assets can be found in the *Capital Assets* section.

The primary government’s total net position increase of \$21.2 million (33.6%) in fiscal 2013 includes the following major changes: 1) a decrease in the deficit in unrestricted net position of \$11.4 million, 2) a decrease in restricted net position of \$1.6 million, and 3) an increase in net investment in capital assets, of \$11.4 million.

## Governmental Activities

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

Table 3

<b>Excerpt of Governmental Activities</b>						
<i>from the</i>						
<b>City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2013 and 2012</b>						
<b>Governmental Activities</b>	<b>Expenses</b>		<b>Program Revenues*</b>		<b>Net (Expense) Revenue</b>	
	2013	2012	2013	2012	2013	2012
<b>Functions and programs</b>	\$	\$	\$	\$	\$	\$
General government	7,292,682	6,882,510	14,364,505	13,364,376	7,071,823	6,481,866
Public works	7,212,310	7,087,489	3,830,830	3,959,254	(3,381,480)	(3,128,235)
Environmental services	2,097,261	1,903,429	6,125	-	(2,091,136)	(1,903,429)
Public safety	18,470,037	17,966,335	4,334,360	3,506,894	(14,135,677)	(14,459,441)
Library	1,708,144	1,686,566	58,982	48,799	(1,649,162)	(1,637,767)
Parks and recreation	5,520,692	5,607,803	881,812	1,021,068	(4,638,880)	(4,586,735)
Social and economic development	7,206,018	5,235,985	1,090,642	1,918,592	(6,115,376)	(3,317,393)
Other functions	2,236,425	2,846,696	870,298	843,485	(1,366,127)	(2,003,211)
Education (payments to Board of Ed)	15,850,759	35,412,033	-	-	(15,850,759)	(35,412,033)
Interest on long-term debt	5,420,673	5,753,942	-	-	(5,420,673)	(5,753,942)
<b>Total governmental activities</b>	<b>73,015,001</b>	<b>90,382,788</b>	<b>25,437,554</b>	<b>24,662,468</b>	<b>(47,577,447)</b>	<b>(65,720,320)</b>

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

The cost of governmental activities this year was \$73.0 million. Program revenues provided \$25.4 million to finance the costs 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 \$47.6 million.

There are three items of note in the change in net expense of governmental activities. During fiscal 2012, the City issued debt on behalf of Auburn City Schools for construction of a new elementary school and purchase of future school land. The \$18.5 million borrowing was appropriated to the school board and is included in expenses in the Education function in 2012. Transfers to the school board returned to planned appropriations of \$15.9 million in fiscal 2013.

Another significant change in net expense occurred in the social and economic development function. During 2013, the City decided to forgive an advance that was due from the Industrial Development Board, a component unit of the City. The advance was made to the Board for the purchase of industrial property and to finance improvements to the property and to purchase and improve a speculative building. The forgiveness of this advance increased the City’s transfers to the Industrial Development Board by \$2.4 million, thus increasing the expenses of the social and economic development function.

In addition to these two major changes, the City received \$1.2 million from the State of Alabama Trust Fund during 2013, a 168% (\$754,343) increase over 2012. This fund captures future revenues from sales

of offshore drilling rights and royalties on the resulting gas production. 10% of these revenues are distributed to cities and counties in Alabama. This revenue varies greatly from year to year and affects the program revenue of the general government function.

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>2013</b>	<b>2012</b>
<b>Net expense of the total governmental activities</b>	<b>(47,577,447)</b>	<b>(65,720,320)</b>
<b>General revenues:</b>		
Sales taxes	31,831,180	30,890,400
Property taxes	20,971,590	21,424,164
Occupational license fees	9,683,892	9,221,981
Rental and leasing taxes	571,248	515,164
Lodging taxes	1,559,012	1,914,441
Motor fuel taxes	311,022	311,846
Other taxes	236,605	219,655
Appropriations from component units	333,591	-
Interest and investment earnings	287,977	241,936
Gain (loss) on asset disposals	-	64,005
Miscellaneous	34,558	29,967
<i>Total general revenues</i>	<u>65,820,675</u>	<u>64,833,559</u>
Transfers	<u>(464,859)</u>	<u>(626,769)</u>
<b>Change in net position</b>		
General revenues and transfers less net expenses	17,778,369	(1,513,530)
Beginning net position	30,310,776	31,824,306
Prior period adjustment	<u>(736,054)</u>	-
Ending net position	<u>\$ 47,353,091</u>	<u>\$ 30,310,776</u>

Total City program income exceeded expenses for only one function: general government produced an excess of \$7.1 million. General government program revenue includes business licenses fees, construction permits and court fines, among other charges for services rendered administratively by the City of Auburn. In past years, the general government function has typically produced net revenue.

As detailed below, Table 5 divides total governmental program revenue by source for 2013 and 2012 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative below provide insight into the changes in program revenue.

Table 5

<b>Program revenue by source:</b>	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Charges for services	18,293,788	17,144,125
Operating grants and contributions	3,590,979	3,831,256
Capital grants and contributions	<u>3,552,787</u>	<u>3,687,087</u>
<i>Total Program Rev - Governmental Activities</i>	<u>25,437,554</u>	<u>24,662,468</u>

Some of the program costs of governmental activities in 2013 were paid by revenues collected from those who directly benefited from the programs (\$18.3 million). These revenue sources include:

- General business license fees, which generated \$6.0 million to pay the costs of providing general government services.

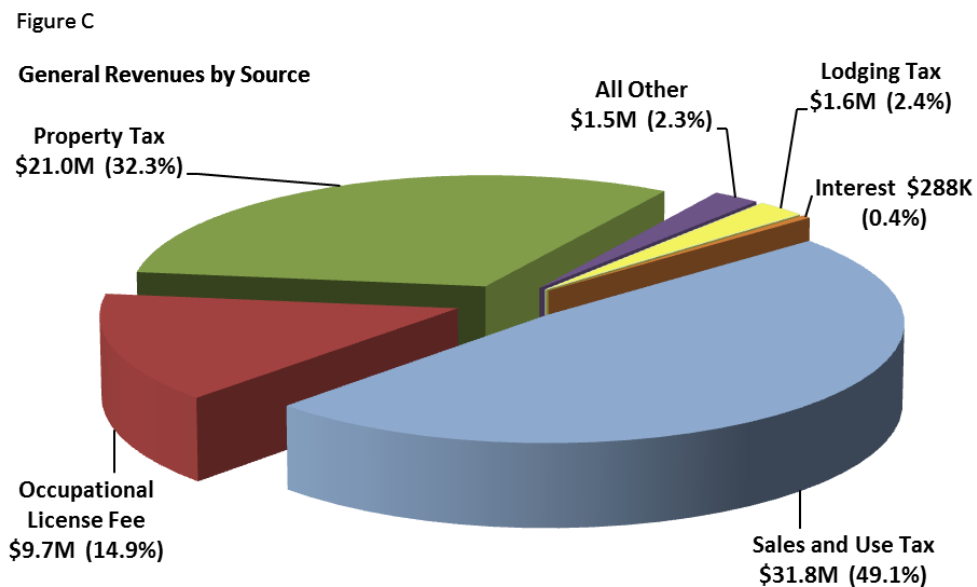
- Collection of court fines and tickets in the amount of \$1.2 million supports essential public safety and judicial services within the City.
- Auburn University pays for fire and police services on campus. This revenue of \$2.6 million offsets public safety expenses for the year ending 2013.

Program costs were also defrayed by operating and capital grants and contributions of \$7.1 million. These revenues were down by \$374,577 or 5.0% from fiscal year 2012.

- A portion of this funding comes from the Community Development Block Grant (CDBG) program of the federal Department of Housing and Urban Development. Fiscal 2013 CDBG revenues of \$660,561 were used to rehabilitate inadequate housing, improve public facilities and provide utility assistance, temporary housing and food assistance programs to eligible citizens.
- Another significant component of capital grants and contributions includes various easements, either sold or donated to the City, which are recognized as intangible assets. The total value of donated easements in fiscal 2013 was \$866,673. This amount is included as program revenue in the Public Works function.

The City financed net expenses of \$47.6 million for governmental activities from taxes, license fees and other general revenues, such as interest earnings.

Figure C shows the various sources of general revenues for fiscal year 2013:



- General revenues are defined as all revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues. All other non-tax revenues (including license fees, interest, gains and losses, and contributions) that do not meet the criteria for program revenues are reported as general revenues.
- The largest of the City's general revenues is sales and use tax, comprising 49.1% of total general revenues. In August 2011, the City increased its sales tax rate. The sales tax rate increased from 3% to 4%.
- The second largest source of general revenues is property taxes (32.3%). Of the total 26 mills the City receives in property taxes, 16 mills are legally dedicated to the City Board of Education.

- The third largest general revenue source is occupational license fees (14.9%). This fee is levied at 1% of gross wages earned within the City limits.

The City of Auburn made payments of \$20.4 million to component units of the primary government during fiscal 2013. Of this amount, \$15.9 million (77.7%) was paid to the Board of Education, including \$6.3 million paid from education property taxes. The \$9.6 million appropriated to Schools from the City's General Fund represents the continued commitment by the City of Auburn in response to the Citizen Survey results, which show that educational funding is the citizens' highest priority, consistently year after year.

### **Business-type Activities**

The City has two business-type activities. The largest is its sewer system, which includes two wastewater treatment plants operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. During fiscal 2013, the City closed one of the wastewater plants, the Northside Water Pollution Control Facility (NSWPCF), and made improvements to the south side facility, the H. C. Morgan Water Pollution Control Facility, that allows this plant to handle treatment of sewage for the entire city. Flow typically treated by the NSWPCF is now diverted to the facility in the south. The NSWPCF will continue to act as a pumping station for this diverted flow. If additional treatment capacity is needed in the future, this plant will be reopened.

In October 2010, the City engaged a utility rate consultant to review and update a rate study that was originally conducted in late fiscal 2008. 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, in conjunction with staff, provided a recommendation of necessary sewer rate levels to meet revenue requirements for the next five consecutive fiscal years ending September 30, 2015. After reviewing the recommendations, the City Council adopted a three-year phased rate increase. This plan included a 6.9% rate increase for three fiscal years with the first beginning on October 1, 2011, the second effective on October 1, 2012, and the last effective on October 1, 2013. The first two planned increases were implemented as scheduled. During fiscal 2013, staff completed a financial analysis that evaluated actual results of fiscal years 2011 through 2013 as compared to projected results included in the rate study. This analysis showed that stable, steady growth of the customer base along with controlled operating expenses and an economical capital improvement plan resulted in better than projected results of operations. As a result, the rate increase scheduled for October 1, 2013 was postponed pending a new rate study. As of the date of this report, the rate study was in progress with recommendations expected in the early third quarter of fiscal 2014.

The chart below (Table 6) shows that program revenue of the Sewer Revenue Fund business-type activity, including charges for services (sewer treatment and disposal) and capital grants and contributions, increased from the prior year by \$506,864 (4.5%). This increase in sewer related program revenue reflects an increase in sewer service revenue of \$583,219 (6.6%), resulting from the 6.9% rate increase mentioned above. In addition, sewer line contributions from developers increased by \$883,602 (429.7%) while sewer access fee revenue decreased by \$748,948 (49.4%). Two large multi-family developments added \$714,600 in access fee revenue in 2012. Sewer Fund expenses (operating plus interest expense) decreased by \$567,347 (7.1%) to \$7.5 million. This decrease is explained by lower interest expense, savings from vacant full-time positions, and a decrease in professional services expenses related to operation of the sewer plants.

Table 6

**Excerpt of Business Type Activities (Condensed)**  
*from the*  
**City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2013 and 2012**

Business-Type Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2013	2012	2013	2012	2013	2012
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
Sewer Fund	7,470,780	8,038,127	11,653,903	11,147,039	4,183,123	3,108,912
Solid Waste Management Fund	3,948,022	3,757,884	3,914,454	3,646,046	(33,568)	(111,838)
<b>Total business-type activities</b>	<b>11,418,802</b>	<b>11,796,011</b>	<b>15,568,357</b>	<b>14,793,085</b>	<b>4,149,555</b>	<b>2,997,074</b>

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

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, the deficit of revenues under expenses for fiscal 2013 is \$33,568. Although the fund is improving, it remains evident that the costs of providing services such as garbage collection and recycling activities are not covered by the current charges for services. 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 includes rate increases that are phased in over a four-year period. Residential customers began paying \$20.00 per month for curbside service effective October 1, 2011. This was a 17.0% increase over the previous rate of \$17.00 per month. On October 1, 2012, an additional rate increase of 7.5% brought the rate for curbside service to \$21.50. An additional rate increase of 4.6% (\$1.00) became effective October 1, 2013, which will further improve the adequacy of revenue for providing these services. One additional increase of 4.4% is scheduled for October 1, 2014. Residents who receive backdoor service currently pay \$10.00 per month more than the rate for curbside service.

As shown in Table 6, program revenue of the SWMF business-type activity, including charges for services (garbage and recycling collection), operating contributions and grants, and capital contributions and grants, increased from the prior year by \$268,408 (7.4%). This increase in program revenue primarily reflects an increase in solid waste collections fee revenue of \$320,429 (9.2%), attributed primarily to the 7.5% rate increase mentioned in the previous paragraph. Expenses of the SWMF increased by \$190,137 (5.1%). The majority of this change can be attributed to a budgeted increase of \$133,000 in the administrative costs paid by the SWMF to the General Fund for administrative services. Other changes in expenses include an increase in depreciation expense and small increases in fuel and vehicle parts.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

As the City completed the 2013 fiscal year, its governmental funds reported a *combined* fund balance of \$52.1 million, a \$5.8 million (12.4%) increase from the prior year. The total increase in fund balance is comprised of a \$5.9 million increase in General Fund balance; a \$548,931 increase in special revenue funds' fund balances; the debt service fund's fund balance decreased by \$520,311 and capital projects funds' fund balances decreased by \$159,826. The following narrative discusses the financial activities that comprise the major changes in governmental fund balances.

### ***Governmental revenues and other financing sources***

- Total revenues of the governmental funds showed growth of 3.5% or \$3.0 million over the prior year.
- Sales and use, the General Fund's single largest revenue source, increased 3.0% (\$940,780) during the 2013 fiscal year. This increase reflects a steady growth in the local economy.
- General property tax revenues decreased by \$452,575 (2.1%). Property taxes have had a slow, stable growth over the past 3 years, but decreased slightly this year. Property taxes are a lagging economic indicator and as such showed a slowed growth in 2013. 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 decreased slightly by \$12,327 (0.1%). This net decrease is mainly due to an increase of \$207,180 (3.6%) in general business license fees and a decrease of \$282,642 (14.9%) in construction related permits. The valuation for construction permits of single family, detached homes increased by \$21.6 million (19.4%), while the valuation for permits of multi-family developments decreased by \$60.1 million (97.2%). In fiscal 2012, there were five permits with a valuation of \$62.8 million issued for multi-family dwellings while in fiscal 2013 there were only two permits valued at \$1.8 million.
- Lodging tax decreased by \$355,429 (18.6%). During fiscal 2012, State audits produced lodging tax revenue of over \$470,000. Eliminating the effects of this atypical collection, lodging tax in fiscal 2013 increased by \$115,269 (8.0%) over 2012.
- State shared taxes increased by \$738,766 (57.8%). This increase can be primarily attributed to an increase in revenue from the Alabama Trust Fund of \$754,343. These revenues are received from the State of Alabama and are future revenues from sales of offshore drilling rights and royalties on the resulting gas production. Cities and counties receive 10% of the revenue, and it can vary greatly from year to year.
- Contributions from the public increased by \$414,306 (69.0%). There is one major factor that contributed to this increase. Forfeited performance bonds by developers increased by \$342,564. 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.
- Program income increased by \$304,516 (99.7%) in fiscal 2013. The North Auburn Housing Development Corporation (NAHDC), a non-profit organization dedicated to affordable housing in Auburn, and the City of Auburn are currently completing the development of the Northwest Village Subdivision. As Auburn's newest affordable housing subdivision, the Northwest Village Subdivision was created to give Auburn residents the opportunity to purchase a home. New sales of homes and payments on existing mortgages increased program income in 2013 by \$122,740. In addition, in 2012, the City began a program with the Department of Housing and Urban Development (HUD) pursuant to Section 108 of Title 1 of the Housing and Urban Development Act of 1974. Funding approval from HUD totaled \$3.3 million. As new loans are made and payments are made on existing loans through this program, program income will increase. During 2013, program income for the Section 108 program increased by \$155,353 over 2012.

- Other financing sources decreased by \$48.9 million (85.8%) in 2013 over 2012. The major components of this large decrease are related to debt issuance and refunding in fiscal 2012. The City issued \$24.3 million in General Obligation Warrants for the purpose of acquiring land and constructing a new elementary school, constructing a new senior center and improving an existing recreation center, improving downtown parking, and constructing a new road. Also during 2012, the City refunded debt that increased other financing sources by \$32.0 million. During fiscal 2013, there was only one debt issuance of \$5.5 million for additional infrastructure to expand a technology park. 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 decreased by \$15.6 million (14.5%) in fiscal 2013 from fiscal 2012. The major components of this decrease in governmental expenditures were a decrease in payments to component units of \$18.1 million (47.1%), an increase in capital outlay expenditures of \$3.6 million (49.2%), and a decrease in economic development expenditures of \$847,224 (28.2%). To summarize the changes in governmental funds' expenditures:

- The City's payments to its component units in 2013 decreased by \$18.1 million (47.1%) from fiscal year 2012, as shown in Table 7. This decrease has three key components. In fiscal 2012, the City borrowed \$18.5 million on behalf of Auburn City Schools. The proceeds from this borrowing were transferred to the School Board, resulting in a large payment to component units. Also, the City decided to forgive an advance to the Industrial Development Board (IDB) during fiscal 2013. This advance was originally made to the IDB for the purchase of industrial property and to finance improvements to the property and to purchase and improve a speculative building. This advance forgiveness resulted in a transfer to the IDB of \$2.4 million. When coupled with the increase in payments to the IDB of \$1.5 million for paying off a line of credit in 2012, there is a net increase \$845,615 (55.8%) in transfers for debt related items during 2013. Also affecting payments to component units is transfers to the IDB of \$1.4 million (proceeds from borrowing) for construction of infrastructure at the Auburn Technology Park West. This is a \$675,715 (91.8%) increase over 2012.
- Departmental expenditures remained relatively stable during 2013, decreasing slightly by \$130,206 (0.3%). The most significant changes were seen in Economic Development (decrease of \$847,224 or 28.2%) and Public Safety (increase of \$588,985 or 3.4%). In 2012, a large expenditure in Economic Development, totaling \$1.5 million, was proceeds from a new loan program, the Section 108 Loan Program, administered by the Department of Housing and Urban Development (HUD). These funds were loaned to the Auburn Housing Authority to be used to improve low income housing. This large expenditure temporarily inflated expenses for this function in 2012. When this decrease in 2013 is combined with an increase in expenditures (\$495,202) for the Community Development Block Grant (CDBG), also administered by HUD, there is a net decrease to the Economic Development function. The increase in Public Safety expenditures is due primarily to a normal rise in personal services (salaries, overtime, and healthcare).
- Capital outlay expenditures of the governmental funds were up in 2013 by \$3.6 million (49.2%). This increase is the result of several capital projects. First, several major capital project expenditures, including downtown parking improvements (\$542,479) and renovations at the Frank Brown Recreation Center (\$2.7 million) occurred in 2013. In addition, the City expended \$1.4 million for construction of infrastructure in the Auburn Technology Park West.

Total other financing uses decreased by \$29.3 million in fiscal 2013. In August 2012, the City refunded debt in the General Fund, the Special School Tax Fund, and the Five Mill Tax Fund, all governmental

funds, resulting in a large increase to redemption and payment of refunded bonds. Other financing uses in 2013 consisted of transfers out of \$1.1 million.

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 2013</u>	<u>FY 2012</u>	<u>FY 13 &gt; FY 12</u>
Auburn City Schools	\$	\$	\$
General revenues	9,550,759	9,550,759	-
Education property taxes	6,300,000	7,361,274	(1,061,274)
Debt issuance - Schools	-	18,500,000	(18,500,000)
Subtotal to Schools	15,850,759	35,412,033	(19,561,274)
Industrial Development Board			
Operating Costs	590,000	681,000	(91,000)
Debt Service	2,361,853	1,516,238	845,615
West Tech Park Improvements	1,412,149	736,434	675,715
Subtotal to IDB	4,364,002	2,933,672	1,430,330
Public Park & Rec Board	189,683	201,174	(11,491)
<b>Total - Component Units</b>	<b>20,404,444</b>	<b>38,546,879</b>	<b>(18,142,435)</b>

- The City appropriated over \$9.6 million out of its general revenue to the Auburn City Schools in fiscal year 2013.
- In addition to the City's General Fund providing support to the schools, the School Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for principal and interest on school debt issued by the City of Auburn on behalf of the Auburn Board of Education and provides additional funds for operating expenses of the school system. This payment of additional operating funds of \$6.3 million in fiscal 2013 is a \$1.1 million (14.4%) decrease from 2012.
- Transfers for the operating costs of the Industrial Development Board decreased by \$91,000, or 13.4%, during fiscal 2013. The City Council continues to promote aggressive economic development as a long-term goal in providing jobs and expanding the City's revenue base.
- As described on the previous page, the City of Auburn forgave a \$2.4 million advance to the Industrial Development Board. This coupled with a decrease of \$1.5 million from extinguishing a short-term line of credit used to begin construction of the second phase of the Auburn Technology Park West in 2012 resulted in a net increase of \$845,615 in payments to the Industrial Development Board for debt related items.
- Phase II of the Auburn Technology Park West, the City's newest industrial park, continued during 2013. Debt issued in the amount of \$5.5 million is transferred to the Industrial Development Board as work on the project is completed. These transfers totaled \$1.4 million in 2013, an increase of \$675,715 over 2012. Work on this phase of the project is substantially complete. Additional land purchases for further expansion of the park are expected in 2014.
- 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 2013, the transfer decreased by \$11,491 (5.7%) to \$189,683.

### ***Proprietary Funds***

The City of Auburn has two proprietary funds, which account for its business-type activities. The Sewer Revenue Fund, an enterprise fund, accounts for sewer collection, treatment and disposal services provided to residents and businesses within the City limits. The Solid Waste Management Fund, also an enterprise fund, accounts for services to collect and dispose of solid waste and recycling materials provided to the same constituents. Net position of these proprietary funds combined increased by \$4.2 million (12.7%) from fiscal 2012 to fiscal 2013. This increase is after the effects of a prior period adjustment that decreased net position by \$490,010.

During fiscal 2013, the City implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. This statement requires that debt issuance costs be expensed in the period in which they were incurred. Previously, these costs were capitalized and amortized over the life of the associated debt. In accordance with the statement, a prior period adjustment in the amount of \$490,010 was recorded in the Sewer Revenue Fund to remove the unamortized portion of previously capitalized debt issuance costs as of October 1, 2012.

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

Sewer Revenue Fund operating revenues decreased by 4.3% (\$467,013) in 2013 as compared to 2012. This net change in operating revenue is composed of several notable variations. First, sewer service charges increased by \$583,219 (6.6%), which is primarily the result of a 6.9% rate increase on October 1, 2012. Sewer service fees are based on water usage; water usage of single family residences in excess of 18,000 gallons per month will not be charged sewer fees. Second, a \$748,948 (49.4%) decrease in sewer access fee revenue occurred when two large multi-family developments were added in 2012 causing an atypically high variation in access fee revenue. In addition to changes in operating revenue, the Sewer Fund's net position was increased by \$1.1 million from developers' contributions (both sewer line and cash contributions) in fiscal 2013, which is a 444.3% (\$913,602) increase from contributions in 2012. Sewer line contributions are contingent upon completion of subdivision developments in the City and can vary greatly from year to year.

Operating revenues in the Solid Waste Management Fund increased by 8.5% (\$305,891) in 2013. In addition to operating revenue, this fund's net position was increased by \$540,845 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 second increase of a four-year phased rate increase schedule became effective on October 1, 2012. Residential customers began paying \$21.50 per month for curbside service while customers receiving backdoor service began paying \$31.50 per month. This increase represented a 7.5% increase for residential garbage services. Additional rate increases will be phased in for the next two fiscal years. 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 2013 decreased by \$375,950 (6.2%). The largest component of this change was salaries and benefits, which decreased by \$310,768 (22.8%). During fiscal 2013, there were several vacant positions for extended periods of time, resulting in less than expected expenses for salaries and benefits. In addition, management fees paid to Veolia Water

North America Operating Services, LLC decreased by \$148,213. At the end of each fiscal year, a true-up is conducted to ensure that the City has only paid for actual expenses related to operating the sewer plants and pump stations. As mentioned in the *Business-type Activities* section, the City closed the Northside sewer plant in 2013. Veolia staff was reduced by one position in late spring, contributing to lower salaries and benefits. In addition, there were several operational efficiencies gained when the Northside plant was closed and the H.C. Morgan facility became the only sewage treatment facility.

In the Solid Waste Management Fund, operating expenses increased by \$190,137 (5.1%) to \$3.9 million. Increases in management fees paid to the City's General Fund for administrative services (\$133,000) and depreciation (\$61,458) contributed to this change. Salaries and benefits remained relatively stable, increasing only slightly by \$4,946. Other significant expenses include professional services (tipping fees for landfills) of \$586,384 and fuel of \$272,138.

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 was determined by testing to be the only other major governmental fund in the 2013 fiscal year. The Sewer Revenue Fund has been a major fund since fiscal 2003.

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

At the end of fiscal 2013, the total fund balance of the City's General Fund increased \$5.9 million (17.8%) 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 2013 total ending fund balance was \$38.9 million, compared to \$33.0 million at the end of 2012.

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 decreased by \$284,263 from 2012. These balances represent investments, inventories, prepaid items, advances, and land held for resale. The restricted and assigned categories decreased by \$1.9 million (37.4%). Unassigned fund balance increased by \$8.1 million (38.4%).

The General Fund's total assets increased by \$7.0 million (16.8%) during 2013. Several significant items contributed to this increase in assets.

- Cash and cash equivalents (including certificates of deposit) increased by \$7.9 million (32.9%), mainly as a result of revenue over expenditures of \$4.2 million.
- Advances to component units decreased by \$2.4 million. During 2013, the City decided to forgive an advance to the Industrial Development Board, originally made for the purchase and improvement of industrial property and to purchase and improve a speculative building. This forgiveness reduced the asset on the City's balance sheet and increased transfers to component units.
- Investments increased by \$1.7 million. During 2013, the City sold a building to the Industrial Development Board for \$1.8 million. The Board will pay the City monthly payments based on a ten-year note with a 3.03% interest rate. The City recognized an investment that is reduced by

the amount of the payments as they are received from the Board. The balance of the City's investment at the end of fiscal 2013 was \$1.7 million.

- Accounts receivable decreased by \$958,011 (9.7%) over 2012. The major component of this change was a decrease of \$639,319 in miscellaneous receivables. During fiscal 2012, an audit of tax revenue resulted in a billing for additional taxes in excess of \$380,000. This receivable was paid in fiscal 2013. In addition, two large billings for Public Safety charges included in receivables at the end of fiscal 2012 were paid in 2013, reducing the receivable by ~\$250,000.
- Prepaid items increased by \$436,263 (1,415.9%). In fiscal 2013, the City contracted with Emergency Equipment for the purchase of a 2013 Pierce Saber SLT pumper fire truck. In order to take advantage of a prepayment discount, the City prepaid \$422,109 to the vendor.
- Total liabilities of the General Fund increased by \$1.1 million (13.1%) in 2013. This is a result of typical fluctuations in accounts payable and other accrued liabilities, as well as increases to unearned revenue from assessments and developer performance bonds. The City implemented GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during this fiscal year. This statement reclassified some items as deferred outflows or inflows of resources that were previously reported as assets and liabilities. After thorough research of the requirements of this statement, it was determined that the unearned revenue on the City's balance sheet is comprised of items that do not classify as deferred inflows. Deferred revenue, now called unearned revenue, is classified as a liability on the balance sheet. Unearned revenue increased by \$1.3 million (31.5%), primarily as a result of forfeited performance bonds by developers. 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.

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

The Special School Tax Fund, a special revenue fund, accounts for sixteen mills of education ad valorem tax revenue that is used to pay principal and interest on City bonds issued for Auburn City Schools. In addition to debt service payments, this fund provides additional funding for school operations. The school system drew \$6.3 million from this fund for operations in 2013. This is a \$1.1 million (14.4%) decrease from 2012. This amount varies from year to year depending on property tax revenue collections, fund balance levels of this fund, and needs of the school system. Revenues decreased slightly by \$120,020 (0.9%) in this fund, and expenses, including the transfer mentioned above and debt service on borrowings, decreased by \$19.3 million (60.4%). In fiscal 2012, this fund transferred \$18.5 million in borrowing proceeds to Auburn City Schools to be used to build a new elementary school and secure land for a future school site, causing transfers to be temporarily inflated.

#### ***Sewer Fund (Business-type activity)***

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

The Sewer Fund's net position increased by \$3.7 million (11.6%) in fiscal year 2013. The largest change in the components of net position is an increase of \$3.1 million (12.0%) in net investment in capital

assets. In addition, net position restricted for capital projects decreased by \$1.1 million. This decrease is a result of spending of the remaining bond funds from a debt issuance of \$6.1 million in 2012. These funds were used to complete phase two improvements to the H.C. Morgan Water Pollution Control Facility.

Total assets of the Sewer Fund increased by \$2.0 million (2.4%). Two major factors in this increase are a \$7.7 million decrease in capital assets not being depreciated and a \$10.1 million increase in capital assets being depreciated. During 2013, the City capitalized phase two improvements to the H.C. Morgan Water Pollution Control Facility (WPCF). This \$7.6 million improvements project includes improvements required by the Saugahatchee Watershed Total Maximum Daily Load (TMDL) Implementation Plan approved by the Alabama Department of Environmental Management. Completion of the project allows for the timely diversion of flow from the City's Northside WPCF to the H.C. Morgan WPCF facility. The Northside WPCF has become a pumping facility and no longer treats sewage. Also capitalized were the Southside CIPP sewer project (\$1.8 million) and sewer lines contributed by developers (\$1.1 million).

As mentioned in the General Fund section on the previous page, the City implemented GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during this fiscal year. This statement reclassified some items as deferred outflows or inflows of resources that were previously reported as assets and liabilities. Deferred amounts on refunding of \$702,279 were previously netted with long-term liabilities on the statement of net position for proprietary funds. This is now reported as a deferred outflow of resources presented after the assets section on the statement of net position.

There was a \$1.7 million (3.3%) decrease in Sewer Revenue Fund liabilities; the majority of this change is a \$2.2 million decrease in long term debt resulting from principal payments of debt during the year. More details on Sewer Fund debt are included in the *Long-Term Debt* section.

The Sewer Fund generated operating income of \$4.8 million in 2013, a decrease of \$91,061 (1.9%) from 2012. Operating revenues decreased by \$467,013 (4.3%). This change is composed of a \$583,219 (6.6%) increase in sewer service charges, which is primarily the result of a 6.9% rate increase on October 1, 2012 and a decrease in sewer access fee revenue of \$748,948 (49.4%). This decrease in access fees was the result of two large multi-family developments that added \$714,600 in the prior year. Operating expenses decreased by \$375,950 (6.2%); major components of this decrease were savings in salaries and benefits of \$310,768 (22.8%) due to vacant positions during the year and a decrease in facility management fees of \$148,213 (8.8%). Management fees are paid to Veolia Water North America Operating Services, LLC for operation of the City's two wastewater treatment plants.

### **General Fund Budgetary Highlights**

The City of Auburn adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. Auburn's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. The budget is integrated with the financial management system, enabling management at all levels to determine budgetary status on a line-item basis each day. Annual budgets are reviewed following the completion of the first half of each fiscal year. Revenue projections are updated and budgeted expenditures are adjusted via Council ordinance to reflect changing conditions.

The fiscal year 2013 *final* General Fund budget projected \$66.6 million in revenue and \$796,250 in other financing sources; appropriations were approved for \$71.1 million in expenditures and \$750,000 in other financing uses, producing a planned reduction of \$4.5 million in the General Fund's fund balance. Actual amounts for revenues (\$70.1 million), other financing sources (\$2.3 million), expenditures (\$65.9 million), and other financing uses (\$595,845) netted to a positive change in fund balance. As a result, the General Fund's fund balance increased by \$5.9 million in 2013.

The original revenue projections in the General Fund were \$2.5 million under the *final* budget. Budget adjustments resulted from varied growth/decline in many revenue sources, with the largest increase found in sales and use tax (\$1.2 million or 3.9%). Other increases from budget adjustments were seen in licenses and permits (\$300,000 or 3.3%), state shared taxes (\$923,000 or 138.8%), and fines and forfeitures (\$175,000 or 14.4%). These changes indicate a continued improvement in General Fund revenue after several years of more challenging budgeting times. 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 \$2.9 million in fiscal 2013. All individual departments kept expenditures under final budget, with the exception of Environmental Services Development. This department is greatly impacted by the rising fuel costs and the costs of maintaining a large vehicle fleet. These expenditures caused the department to be over budget by \$24,223. As more vehicles and equipment are replaced, the impact of these maintenance expenditures should be reduced over the next few years. Non-departmental expenditures were slightly under budget by \$27,646 and capital outlay expenditures were under budget by \$4.7 million. Capital outlay expenditures planned for fiscal 2013, such as various resurfacing projects, the Opelika Road revitalization plan, and the Moore's Mill Bridge replacement project, were not completed and carried over to future years. Other financing sources and uses actual amounts compared favorably with the budget by \$1.6 million. The sale of a building to the Industrial Development Board resulted in an increase to sales of surplus assets of \$1.8 million.

The total operating budget for all departments was increased by \$688,467 (1.7%). The two largest increases (\$371,298 and \$196,729) were in the amounts appropriated for the Public Safety and General Government departments, respectively. The adjustment of the Public Safety budget reflected an increase in the amount of police overtime that resulted from various organizations requesting security for events. The City is reimbursed for this security work. The increase to the General Government budget reflects an increase in personal services for leave payouts and an increase in planned software consulting.

## **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, 2013, the City owned \$207.5 million invested in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, wastewater infrastructure, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$7.7 million (3.8%) over last year. The majority of the increase is made up of wastewater system improvements, buildings and facilities construction and improvements, and roadway improvements.

Table 8 lists the largest capital asset additions to the City for fiscal year 2013. Some of these additions were multi-year projects that were completed in 2013 and reclassified from construction in progress.

**Table 8** **Largest Capital Asset Additions**  
**Fiscal Year 2013**

	<u>Total Cost</u>
<i>Wastewater system expansion and improvements</i>	\$
H.C. Morgan Water Pollution Control Facility improvements	7,619,873
Southside Cured-In-Place Pipe project	1,868,287
<i>Equipment</i>	
Street sweeper	190,015
Pothole patcher	144,197
<i>Buildings and facilities</i>	
Harris Center	2,499,771
Frank Brown Recreation Center improvements	1,251,982
<i>Roadway improvements</i>	
Hamilton Road resurfacing	707,415
Hamilton Road bike lanes	444,222
<b>Total</b>	<b><u>14,725,762</u></b>

The City has committed, through existing and future borrowings and referendums, to continue or complete some major projects in fiscal year 2014 and 2015. These major projects include: Moore’s Mill Bridge replacement totaling approximately \$6.0 million, Opelika Road revitalization totaling approximately \$3.4 million, recreation and athletic field improvements totaling approximately \$1.4 million, and road resurfacing and reconstruction totaling approximately \$5.9 million. Note 10 of the narrative notes to the financial statements provide additional detail on capital assets.

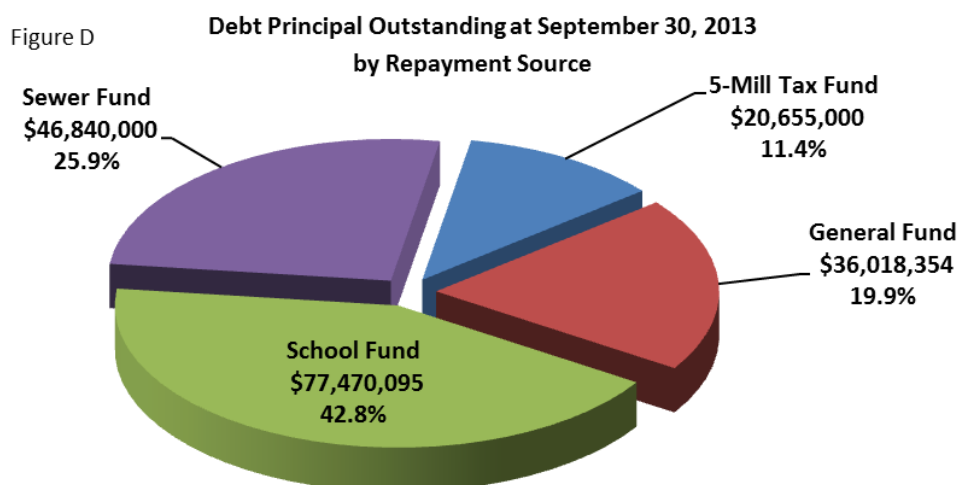
#### **Long-term Debt**

At 2013 fiscal year-end, the City owed \$181.0 million in long-term debt outstanding, of which \$15.1 million will mature during fiscal 2014. The fiscal 2013 net decrease in long-term debt from the previous year was \$9.8 million or 4.9%. The City’s long-term debt is comprised of bonds and warrants.

As mentioned in the *Net Position* section, the City issues debt for Auburn City Schools and for projects that result from partnerships with Auburn University. Of the \$181.0 million in debt outstanding, \$77.5 million is debt issued for assets that belong to Auburn City Schools, \$2.7 million is debt issued for assets that are owned by the City’s Public Park and Recreation Board, and \$913,477 is debt issued for assets owned by Auburn University.

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

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



Long-term debt with \$20.7 million in principal outstanding at fiscal year-end will be paid from the Special Five-Mill Tax Fund. The most recent Special Five-Mill Tax Fund referendum was held in January of 2012 and related General Obligation Bonds of \$4.0 million were issued in May of 2012. These bonds bear interest rates ranging from 2.0% to 5.0%. The approval rate for the referendum projects, which included expansion of the Frank Brown Recreation Center, construction of The Harris Center, and public parking improvements within the City, was 86.7%.

The City issues debt for the Auburn City Board of Education. The principal amount of currently outstanding school debt stands at \$77.5 million, which will be repaid from dedicated school ad valorem taxes. No debt was issued on behalf of Auburn City Schools in 2013.

The Sewer Revenue Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$46.8 million. The City did not issue debt for the Sewer Revenue Fund during fiscal 2013.

The remaining \$36.0 million in outstanding principal will be repaid solely from the General Fund. In November 2012, the City issued a \$5.5 million General Obligation Warrant to finance the costs of public roadway, public utility, and other public capital improvements to be developed, constructed and installed in the Auburn Technology Park West. This debt was issued through private placement at an interest rate of 1.72%.

The reader may refer to Note 11 of the narrative notes to the financial statements for more detail concerning the debt issuances and debt outstanding of the City and its component units.

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, and water and sewer purposes are exempt from the legal debt limit. The City's outstanding debt applicable to this limit is \$56.7 million, including short-term accounts payable and other accrued liabilities, resulting in a legal debt margin (additional legal debt capacity) of \$102.8 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 2013 is 19.9%; the ratio for 2012 was 18.0%.

## Bond Ratings

In January 2014, Standard and Poor's (S&P) affirmed the City of Auburn's bond rating as AA+. In their report, S&P cites strong management, as well as Auburn's "consistently strong financial profile, indicated by its very strong budgetary flexibility and liquidity" as factors that were considered in the rating. According to S&P, an AA+ rating indicates a "strong capacity to meet financial commitments."

In addition, the City holds a rating of Aa2 from Moody's Investors Service, issued in August 2012. The Moody's rating report cited the City's "continued diversification and growth of the city's sizable tax base" and the City's "solid financial position, strong management team, and manageable debt burden" as among the factors considered in rating the City's credit.

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

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

### City of Auburn Mission Statement

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

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

The City's robust budgetary processes, proactive financial management efforts, aggressive (yet selective) industrial and commercial recruitment strategies, the presence of Auburn University, a diversified revenue base and the exceptional City public school system, all combine to position Auburn as a strong municipal economy. As the economy within the State of Alabama and the nation as a whole continues to improve marginally, Auburn has remained a relatively stable and growing economy, although the rate of growth has slowed. 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 2013, Auburn's unemployment rate was 4.9%. The State's unemployment rate in September 2013 was 6.4%; the national rate was 7.2% (US Bureau of Labor Statistics).

The Auburn City Council is committed to the development of a diversified economic base, with Auburn University as the cornerstone. The City's Economic Development Department, in partnership with the City's Industrial Development Board (IDB), has achieved an outstanding level of success in this effort, bringing more than 5,000 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, business



license fees, and sales tax revenues, which enable the City to provide the high levels of services and facilities expected by its citizens. Auburn University, the State's largest land-grant university, is a stabilizing force in the local economy. The University has consciously controlled the growth of the student body to around 1% per year. The proximity of the University to the City's downtown area contributes significantly to a vibrant atmosphere and vigorous business activity.

The City of Auburn, Auburn University and the State of Alabama have 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 Highway 85. The park's infrastructure and first two 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. 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). This 68,000 square-foot facility opened in 2013, 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.

The City's public schools have received consistently high ratings for the qualifications of its faculty and staff and the achievements of its students, as well as strong local funding levels. The excellence of the City School system has proved a major factor in the City's residential growth and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family detached homes has dropped back to more typical levels for the area, fiscal 2001 (254 permits) to fiscal 2012 (344 permits), after a period of significant growth from 2004 – 2007, during which an average of 445 single family homes were permitted each year. Single family permits were up in 2013 to 412 (20.1%) as compared to 2012. Commercial/industrial/institutional building activity (including new construction and additions/renovations) decreased significantly in fiscal year 2013 compared to the activity of 2012 in terms of valuation (\$58.4 million or 60.8%). In 2012, permits included a school and five industrial buildings, temporarily inflating the valuation of new construction. The City's size has grown from 45.5 square miles in 2001 to 59.2 square miles in 2013. Population growth has averaged about 3% per year.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2013 and 2014. For the original 2013 and 2014 biennium budget, revenues were projected conservatively, but realistically given the challenges in the economy that the City has faced in the past two biennial budget periods. A key component of management's strategy has been to rely on reserves to absorb any impacts of the recession in an effort to reduce any potential decreases in the level of City services enjoyed by citizens. Management's strategy has also been to continue to contain operating costs in the new biennium while maintaining this high level of service and investing in capital asset maintenance and replacement. Another component of management's strategy has been to shift capital expenditures out of the General Fund to be financed by the Special Five Mill Tax Fund's resources. The City Council conducted a comprehensive Revenue Review in the spring of 2011. The Revenue Review is conducted once every four years with the goal of evaluating the City's overall revenue structure within the context of the City's long-term financial projections, to facilitate the Council's consideration of tax or fee increases. Additionally, tax and fee increases are studied during the development of the biennial budget and during each mid-biennium budget review. As part of the City's budget processes, projected revenues and proposed expenditures are input into the long-term forecasting model to determine the effects on fund balances of various scenarios. Use of the long-term forecasting model is helpful for

determining the effects of tax or fee increases that may be considered, as well as the need for borrowing, within the context of proposed expenditure scenarios.

The Council has established a goal of maintaining the fund balance in the General Fund at not less than 20% of expenditures plus other financing uses. The City has consistently exceeded this goal; the total fund balance in the General Fund at September 30, 2013 stood at 58.5% of expenditures compared to 47.9% in 2012. 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 52.4% of expenditures. 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 55.5% and 49.3% at the end of fiscal 2013 and 2012, respectively, another indication of the stability of fund balance.

The primary government provides wastewater treatment and disposal and solid waste management utility services. In fiscal 2011, the City engaged a rate consultant to update a study of the Sewer Fund's rate and fee structure that was conducted in 2008. Sewer rates increased by 6.9% on October 1, 2012. During fiscal 2013, staff completed a financial analysis that evaluated actual results of fiscal years 2011 through 2013 as compared to projected results included in the rate study. The analysis showed that results were better than projected; therefore, the scheduled rate increase of 6.9% for October 1, 2013 was postponed pending an updated rate study. 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. On October 1, 2012, a rate increase of 7.5% brought the rate for curbside service to \$21.50. An additional rate increase of 4.6% (\$1.00) became effective October 1, 2013, which will further improve the adequacy of revenue for providing these services. One additional increase of 4.4% is scheduled for October 1, 2014.

Water services are provided by the City's component unit, the Water Works Board of the City of Auburn. During fiscal year 2011, the Board also conducted a rate study. Based on the results of the study, a rate increase of 8% was effective October 1, 2012. The same analysis of actual results was done, and the rate increase scheduled for October 1, 2013 was postponed until the rate study can be updated.

An expanding populace translates into additional needs for public services and facilities. Auburn citizens have enjoyed and continue to expect a high quality of life from their City government. In the past, Auburn citizens have demonstrated their willingness to pay for these services and facilities by supporting the Council's decision to increase the sales tax rate. This support continued in fiscal 2011 when the Council made a decision to increase the sales tax rate from 3% to 4%. This rate became effective in August 2011. Revenue from this increase aids in supporting the school system and enables the City to improve its infrastructure. This public support is attributable, at least in part, to the open government policies of the City Council, as well as the public's confidence that the City's finances are carefully managed, and their knowledge that taxes and license fee increases are imposed infrequently and proposed only after deliberate study and debate. The slowing global economy and the unpredictability of the future impart an even higher importance to administering the City's revenue ordinances equitably, monitoring the City's financial status continuously, and budgeting for the prudent expenditures of public resources. City management is committed to all of these efforts.

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

This financial report is designed to provide Auburn's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. Please contact the City of Auburn Finance Department, 144 Tichenor Avenue, Suite 5, Auburn, Alabama 36830, with any questions or to request additional information. Updated financial information about the City can also be obtained by accessing the City's web site at [www.auburnalabama.org](http://www.auburnalabama.org).

## **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

**CITY OF AUBURN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	28,545,996	6,362,279	34,908,275	23,758,880
Certificates of deposit	16,315,406	2,000,312	18,315,718	3,532,746
Receivables, net	8,455,378	1,556,061	10,011,439	1,870,978
Due from component units	394,709	133,120	527,829	-
Internal balances	538,415	-	538,415	-
Inventories	16,055	31,732	47,787	550,361
Current portion of assessments receivable	182,910	-	182,910	-
Current portion of mortgages and notes receivable	148,230	-	148,230	5,577,798
Current portion of net investment in capital leases	-	-	-	269,135
Property tax receivable	-	-	-	5,401,793
Due from other governments	-	-	-	817,714
Due from primary government	-	-	-	635,038
Other current assets	543,896	24,556	568,452	57,612
Restricted cash	455,677	-	455,677	105,327
<b>Total current assets</b>	<b>55,596,672</b>	<b>10,108,060</b>	<b>65,704,732</b>	<b>42,577,382</b>
<b>Noncurrent assets:</b>				
<b>Restricted assets</b>				
Cash and cash equivalents	-	-	-	5,632,422
Investments	-	-	-	1,576,246
Assessments receivable, net of current portion	1,463,280	-	1,463,280	-
Mortgages and notes receivable, net of current portion	1,609,507	-	1,609,507	221,441
Investments	1,718,232	-	1,718,232	-
Net investment in capital leases, net of current portion	-	-	-	1,778,801
Prepaid bond issue insurance	89,321	-	89,321	-
Advances to component units	1,350,000	-	1,350,000	-
Advances to other agencies	421,436	-	421,436	-
Property for resale	4,131,127	-	4,131,127	9,776,313
Capital assets not being depreciated	21,744,004	492,388	22,236,392	27,169,188
Capital assets net of accumulated depreciation	108,497,900	76,733,354	185,231,254	194,919,585
<b>Total noncurrent assets</b>	<b>141,024,807</b>	<b>77,225,742</b>	<b>218,250,549</b>	<b>241,073,996</b>
<b>Total assets</b>	<b>196,621,479</b>	<b>87,333,802</b>	<b>283,955,281</b>	<b>283,651,378</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	-	-	1,137,767
Deferred amount on refunding	4,068,252	702,279	4,770,531	1,468,703
<b>Total deferred outflows of resources</b>	<b>4,068,252</b>	<b>702,279</b>	<b>4,770,531</b>	<b>2,606,470</b>

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

**CITY OF AUBURN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**  
**CONTINUED**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
<b>LIABILITIES</b>				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	14,765
Current portion of long-term debt	-	-	-	675,000
Accrued interest payable	-	-	-	160,973
Accounts payable and other accrued liabilities	2,434,391	426,289	2,860,680	3,519,084
Internal balances	538,415	-	538,415	-
Payable to other governments	1,683,273	-	1,683,273	-
Due to component units	308	634,730	635,038	-
Accrued interest payable	786,099	615,322	1,401,421	-
Salaries and benefits payable	512,287	88,812	601,099	3,746,414
Claims payable	166,980	-	166,980	-
Customer deposits	264,158	664,430	928,588	671,697
Unearned revenue	3,296,874	270,000	3,566,874	5,716,676
Current portion of long-term debt	13,241,243	2,153,104	15,394,347	235,000
Short term notes payable	-	-	-	11,465,345
Due to primary government	-	-	-	527,829
Obligations under capital leases	-	-	-	672,252
Total current liabilities	<u>22,924,028</u>	<u>4,852,687</u>	<u>27,776,715</u>	<u>27,405,035</u>
Noncurrent liabilities:				
Advances from primary government	-	-	-	1,425,000
Derivative instrument liability	-	-	-	1,137,767
Long-term debt and other liabilities	130,412,614	46,190,497	176,603,111	54,896,110
Total noncurrent liabilities	<u>130,412,614</u>	<u>46,190,497</u>	<u>176,603,111</u>	<u>57,458,877</u>
Total liabilities	<u>153,336,642</u>	<u>51,043,184</u>	<u>204,379,826</u>	<u>84,863,912</u>
<b>NET POSITION</b>				
Net investment in capital assets	100,145,164	29,798,149	129,943,313	163,634,808
Restricted for :				
Capital projects	653,504	-	653,504	2,171,142
Debt service	1,928,226	-	1,928,226	1,810,746
Federal and state grants	3,712,093	-	3,712,093	-
Restricted for other projects	1,718,232	-	1,718,232	1,891,565
HAP payments	-	-	-	136,903
Special revenues (gas tax and road projects)	259,146	-	259,146	-
Special revenues (ad valorem tax for schools)	3,610,812	-	3,610,812	-
Special revenues (public safety)	260,095	-	260,095	-
Unrestricted (deficit)	(64,934,181)	7,194,747	(57,739,434)	31,748,772
Total net position	<u>47,353,091</u>	<u>36,992,896</u>	<u>84,345,987</u>	<u>201,393,936</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, 2013**

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	7,292,682	12,579,879	1,784,626	-	7,071,823	-	7,071,823	
Public works	7,212,310	-	591,385	3,239,445	(3,381,480)	-	(3,381,480)	
Environmental services	2,097,261	-	-	6,125	(2,091,136)	-	(2,091,136)	
Public safety	18,470,037	4,208,044	94,712	31,604	(14,135,677)	-	(14,135,677)	
Library	1,708,144	39,368	19,614	-	(1,649,162)	-	(1,649,162)	
Parks and recreation	5,520,692	596,199	10,000	275,613	(4,638,880)	-	(4,638,880)	
Planning	635,202	62,175	-	-	(573,027)	-	(573,027)	
Social and economic development	7,206,018	-	1,090,642	-	(6,115,376)	-	(6,115,376)	
Human resources	725,083	-	-	-	(725,083)	-	(725,083)	
Risk management	876,140	808,123	-	-	(68,017)	-	(68,017)	
Education (payments to Board of Education)	15,850,759	-	-	-	(15,850,759)	-	(15,850,759)	
Interest on long-term debt	5,420,673	-	-	-	(5,420,673)	-	(5,420,673)	
Total governmental activities	<u>73,015,001</u>	<u>18,293,788</u>	<u>3,590,979</u>	<u>3,552,787</u>	<u>(47,577,447)</u>	<u>-</u>	<u>(47,577,447)</u>	
Business-type activities:								
Sewer Fund	7,470,780	10,448,380	28,316	1,177,207	-	4,183,123	4,183,123	
Solid Waste Management Fund	3,948,022	3,898,217	16,237	-	-	(33,568)	(33,568)	
Total business-type activities	<u>11,418,802</u>	<u>14,346,597</u>	<u>44,553</u>	<u>1,177,207</u>	<u>-</u>	<u>4,149,555</u>	<u>4,149,555</u>	
Total primary government	<u>84,433,803</u>	<u>32,640,385</u>	<u>3,635,532</u>	<u>4,729,994</u>	<u>(47,577,447)</u>	<u>4,149,555</u>	<u>(43,427,892)</u>	
<b>Component units:</b>								
Board of Education	70,312,267	5,353,456	34,263,020	1,695,980	-	-	-	(28,999,811)
Water Works Board	9,218,707	9,127,658	-	901,084	-	-	-	810,035
Industrial Development Board	4,065,878	3,527,827	-	-	-	-	-	(538,051)
Housing Authority	3,362,818	328,745	2,696,798	226,337	-	-	-	(110,938)
Public Park & Recreation Board	611,705	73,841	-	-	-	-	-	(537,864)
Total Component Units	<u>87,571,375</u>	<u>18,411,527</u>	<u>36,959,818</u>	<u>2,823,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,376,629)</u>
General revenues								
Taxes:								
Sales taxes					31,831,180	-	31,831,180	5,361,188
Occupational license fees					9,683,892	-	9,683,892	-
Property taxes					20,971,590	-	20,971,590	11,349,945
Motor fuel taxes					311,022	-	311,022	-
Lodging taxes					1,559,012	-	1,559,012	-
Rental and leasing taxes					571,248	-	571,248	-
Cigarette taxes					75,880	-	75,880	-
Alcoholic beverage taxes					160,725	-	160,725	523,749
Other taxes					-	-	-	55,015
Appropriations from the City of Auburn					-	-	-	14,104,444
Appropriations from component units					333,591	-	333,591	(333,591)
Federal and state aid not restricted					-	-	-	2,080
Interest and investment earnings					287,977	32,518	320,495	304,065
Gain on disposal of assets					-	20,789	20,789	397,319
Special item - gain on settlement					-	-	-	738,633
Miscellaneous					34,558	2,246	36,804	1,143,398
Transfers					(464,859)	464,859	-	-
Total general revenues and transfers					<u>65,355,816</u>	<u>520,412</u>	<u>65,876,228</u>	<u>33,646,245</u>
Change in net position					<u>17,778,369</u>	<u>4,669,967</u>	<u>22,448,336</u>	<u>4,269,616</u>
Net position - beginning					30,310,776	32,812,939	63,123,715	196,952,343
Prior period adjustment					(736,054)	(490,010)	(1,226,064)	171,977
Net position - beginning, as restated					<u>29,574,722</u>	<u>32,322,929</u>	<u>61,897,651</u>	<u>197,124,320</u>
Net position - ending					<u>47,353,091</u>	<u>36,992,896</u>	<u>84,345,987</u>	<u>201,393,936</u>

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

**CITY OF AUBURN, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2013**

	General Fund	Special School Tax Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
<b>ASSETS</b>				
Cash and cash equivalents	20,159,094	2,018,753	6,368,149	28,545,996
Certificates of deposit	11,803,656	2,511,750	2,000,000	16,315,406
Investments	1,718,232	-	-	1,718,232
Receivables, net	8,890,010	124,350	1,087,208	10,101,568
Due from other funds	512,750	-	25,665	538,415
Due from component units	394,709	-	-	394,709
Inventories	16,055	-	-	16,055
Prepaid items	467,074	-	620	467,694
Mortgages receivable	-	-	1,757,738	1,757,738
Advances to component units	-	-	1,350,000	1,350,000
Advances to other agencies	421,436	-	-	421,436
Restricted cash	298,191	-	157,485	455,676
Property for resale	4,131,127	-	-	4,131,127
<b>Total assets</b>	<u>48,812,334</u>	<u>4,654,853</u>	<u>12,746,865</u>	<u>66,214,052</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	2,425,752	-	602,708	3,028,460
Payables to other governments	1,683,273	-	-	1,683,273
Due to component units	280	-	28	308
Customer deposits	216,902	-	-	216,902
Claims payable	166,980	-	-	166,980
Due to other funds	-	-	538,415	538,415
Unearned revenue	5,401,145	-	3,107,787	8,508,932
<b>Total liabilities</b>	<u>9,894,332</u>	<u>-</u>	<u>4,248,938</u>	<u>14,143,270</u>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Investments	1,718,232	-	-	1,718,232
Inventories	16,055	-	-	16,055
Prepaid items	467,074	-	-	467,074
Advances	421,436	-	-	421,436
Property for resale	4,131,127	-	-	4,131,127
<b>Restricted</b>				
Roads, bridges and streets	-	-	259,146	259,146
Law enforcement	298,192	-	330,797	628,989
Education	-	4,654,853	-	4,654,853
General grants	-	-	124,896	124,896
Social and economic	-	-	399,898	399,898
Capital projects	-	-	4,363,231	4,363,231
Debt service	-	-	3,019,959	3,019,959
<b>Assigned</b>				
Social and economic	143,466	-	-	143,466
General	2,697,362	-	-	2,697,362
<b>Unassigned</b>	29,025,058	-	-	29,025,058
<b>Total fund balances</b>	<u>38,918,002</u>	<u>4,654,853</u>	<u>8,497,927</u>	<u>52,070,782</u>
<b>Total liabilities and fund balances</b>	<u>48,812,334</u>	<u>4,654,853</u>	<u>12,746,865</u>	

Total 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.	130,241,904
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(139,496,282)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	5,212,058
Prepaid items accounted for using the purchases method are not reported in the funds.	76,203
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	<u>(751,574)</u>
<b>Net position of governmental activities</b>	<u>47,353,091</u>

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



**CITY OF AUBURN, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	Special School Tax Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
<b>Revenues</b>				
Sales and use taxes	31,831,180	-	-	31,831,180
Occupational license fees	9,683,892	-	-	9,683,892
Motor fuel taxes	610,968	-	-	610,968
Lodging taxes	1,559,012	-	-	1,559,012
Rental and leasing taxes	571,248	-	-	571,248
Other taxes	236,605	-	-	236,605
Licenses and permits	10,210,208	-	-	10,210,208
General property taxes	4,459,732	12,759,367	3,752,491	20,971,590
Charges for services	6,428,631	-	-	6,428,631
Fines and forfeitures	1,450,501	-	186,015	1,636,516
State shared taxes	1,756,276	-	260,530	2,016,806
Contributions from the public	981,964	-	32,886	1,014,850
Grants	92,054	-	2,618,967	2,711,021
Program income	-	-	609,879	609,879
Interest	181,594	32,200	74,183	287,977
Miscellaneous	67,950	-	325	68,275
<b>Total revenues</b>	<b>70,121,815</b>	<b>12,791,567</b>	<b>7,535,276</b>	<b>90,448,658</b>
<b>Expenditures</b>				
General government and administration	4,964,444	-	7,154	4,971,598
Public works	3,505,062	-	63,240	3,568,302
Environmental services	1,956,168	-	-	1,956,168
Public safety	17,677,594	-	75,908	17,753,502
Library	1,602,868	-	19,614	1,622,482
Parks and recreation	4,684,929	-	-	4,684,929
Planning	635,402	-	-	635,402
Economic development	1,057,223	-	1,101,411	2,158,634
Employee services	675,100	-	-	675,100
Risk management	1,048,527	-	-	1,048,527
<b>Total departmental</b>	<b>37,807,317</b>	<b>-</b>	<b>1,267,327</b>	<b>39,074,644</b>
Non-Departmental	1,539,705	398,903	117,995	2,056,603
<b>Debt service</b>				
Administrative charges	15,620	6,007	18,275	39,902
Interest	1,512,231	3,293,235	881,205	5,686,671
Principal retirement	6,530,959	2,675,732	3,295,000	12,501,691
Capital outlay	4,783,598	-	6,047,164	10,830,762
Intergovernmental	1,027,795	-	6,524	1,034,319
Payments to component units	12,692,295	6,300,000	1,412,149	20,404,444
<b>Total expenditures</b>	<b>65,909,520</b>	<b>12,673,877</b>	<b>13,045,639</b>	<b>91,629,036</b>
Excess (deficiency) of revenues over expenditures	4,212,295	117,690	(5,510,363)	(1,180,378)
<b>Other financing sources (uses)</b>				
Debt issuance	-	-	5,525,000	5,525,000
Sale of surplus assets	1,874,819	-	3,898	1,878,717
Transfers in	398,416	-	282,629	681,045
Transfers out	(595,845)	-	(550,060)	(1,145,905)
<b>Total other financing sources (uses)</b>	<b>1,677,390</b>	<b>-</b>	<b>5,261,467</b>	<b>6,938,857</b>
Net changes in fund balances	5,889,685	117,690	(248,896)	5,758,479
Fund balances, beginning of year	33,028,317	4,537,163	8,746,823	46,312,303
Fund balances, end of year	38,918,002	4,654,853	8,497,927	52,070,782

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, 2013**

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

Net change in fund balances - total governmental funds	\$	5,758,479
<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>		
		5,744,056
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(941,193)
<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>		
		6,976,691
<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>		
		353,804
<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>(113,468)</u>
Change in net position - statement of activities	\$	<u>17,778,369</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
	\$	\$	\$	<u>Favorable</u>
				<u>(Unfavorable)</u>
	\$	\$	\$	\$
Revenues				
Sales and use taxes	29,737,500	30,887,500	31,831,180	943,680
Occupational license fees	9,515,000	9,505,000	9,683,892	178,892
Motor fuel taxes	580,000	580,000	610,968	30,968
Lodging taxes	1,435,120	1,435,120	1,559,012	123,892
Rental and leasing taxes	450,000	450,000	571,248	121,248
Other taxes	205,500	205,500	236,605	31,105
Licenses and permits	9,221,700	9,521,700	10,210,208	688,508
General property taxes	4,490,200	4,490,200	4,459,732	(30,468)
Charges for services	6,135,032	6,062,263	6,428,631	366,368
Fines and forfeitures	1,212,000	1,387,000	1,450,501	63,501
State shared taxes	665,000	1,588,000	1,756,276	168,276
Contributions from the public	275,714	275,714	981,964	706,250
Grants	-	-	92,054	92,054
Interest	132,700	132,700	181,594	48,894
Miscellaneous	48,000	48,000	67,950	19,950
Total revenues	<u>64,103,466</u>	<u>66,568,697</u>	<u>70,121,815</u>	<u>3,553,118</u>
Expenditures				
General government and administration	5,371,836	5,568,565	4,964,444	604,121
Public works	3,745,657	3,780,266	3,505,062	275,204
Environmental services	1,913,240	1,931,945	1,956,168	(24,223)
Public safety	17,669,442	18,040,740	17,677,594	363,146
Library	1,664,430	1,668,012	1,602,868	65,144
Parks and recreation	5,208,489	5,225,489	4,684,929	540,560
Planning	779,666	802,607	635,402	167,205
Economic development	1,073,427	1,088,530	1,057,223	31,307
Employee services	731,212	739,712	675,100	64,612
Risk management	1,864,557	1,864,557	1,048,527	816,030
Total departmental	<u>40,021,956</u>	<u>40,710,423</u>	<u>37,807,317</u>	<u>2,903,106</u>
Non-departmental	1,502,965	1,567,351	1,539,705	27,646
Debt service:				
Administrative charges	-	20,000	15,620	4,380
Interest	1,826,566	1,469,894	1,512,231	(42,337)
Principal retirement	6,547,849	6,348,050	6,530,959	(182,909)
Capital outlay	6,320,498	9,481,455	4,783,598	4,697,857
Intergovernmental	969,789	969,789	1,027,795	(58,006)
Payments to component units	10,520,759	10,520,759	12,692,295	(2,171,536)
Total expenditures	<u>67,710,382</u>	<u>71,087,721</u>	<u>65,909,520</u>	<u>5,178,201</u>
Excess (deficiency) of revenues over expenditures	<u>(3,606,916)</u>	<u>(4,519,024)</u>	<u>4,212,295</u>	<u>8,731,319</u>
Other financing sources (uses)				
Sale of surplus assets	25,000	40,000	1,874,819	1,834,819
Transfers in	756,250	756,250	398,416	(357,834)
Transfers out	(750,000)	(750,000)	(595,845)	154,155
Total other financing sources (uses)	<u>31,250</u>	<u>46,250</u>	<u>1,677,390</u>	<u>1,631,140</u>
Net changes in fund balances	(3,575,666)	(4,472,774)	5,889,685	10,362,459
Fund balances, beginning of year	<u>33,028,317</u>	<u>33,028,317</u>	<u>33,028,317</u>	<u>-</u>
Fund balances, end of year	<u>29,452,651</u>	<u>28,555,543</u>	<u>38,918,002</u>	<u>10,362,459</u>

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

**CITY OF AUBURN, ALABAMA**  
**SPECIAL SCHOOL TAX SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
General property taxes	12,894,266	12,894,266	12,759,367	(134,899)
Interest	37,000	37,000	32,200	(4,800)
Total revenues	<u>12,931,266</u>	<u>12,931,266</u>	<u>12,791,567</u>	<u>(139,699)</u>
Expenditures				
Non-Departmental	488,290	488,290	398,903	89,387
Debt service				
Administrative charges	500	500	6,007	(5,507)
Interest	3,384,250	3,294,075	3,293,235	840
Principal retirement	2,675,732	2,675,732	2,675,732	-
Payments to component units	6,300,000	6,300,000	6,300,000	-
Total expenditures	<u>12,848,772</u>	<u>12,758,597</u>	<u>12,673,877</u>	<u>84,720</u>
Excess (deficiency) of revenues over expenditures	<u>82,494</u>	<u>172,669</u>	<u>117,690</u>	<u>(54,979)</u>
Net changes in fund balances	82,494	172,669	117,690	(54,979)
Fund balances, beginning of year	<u>4,537,163</u>	<u>4,537,163</u>	<u>4,537,163</u>	<u>-</u>
Fund balances, end of year	<u><u>4,619,657</u></u>	<u><u>4,709,832</u></u>	<u><u>4,654,853</u></u>	<u><u>(54,979)</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, 2013**

	Major Fund <u>Sewer Revenue Fund</u>	Solid Waste Management <u>Fund</u>	<u>Total</u>
	\$	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6,053,349	308,931	6,362,280
Certificates of deposit	2,000,312	-	2,000,312
Receivables, net	1,157,982	398,078	1,556,060
Due from component units	85,716	47,403	133,119
Inventories	31,732	-	31,732
Other current assets	7,077	17,480	24,557
Total current assets	<u>9,336,168</u>	<u>771,892</u>	<u>10,108,060</u>
<b>Noncurrent assets</b>			
Capital assets not being depreciated	454,901	37,487	492,388
Capital assets net of accumulated depreciation	75,528,891	1,204,463	76,733,354
Total noncurrent assets	<u>75,983,792</u>	<u>1,241,950</u>	<u>77,225,742</u>
Total assets	<u>85,319,960</u>	<u>2,013,842</u>	<u>87,333,802</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	702,279	-	702,279
Total deferred outflows of resources	<u>702,279</u>	<u>-</u>	<u>702,279</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	350,549	164,552	515,101
Due to component units	620,156	14,574	634,730
Accrued interest payable	615,322	-	615,322
Customer deposits	579,924	84,506	664,430
Current portion of long-term debt	2,145,653	7,451	2,153,104
Unearned revenue	270,000	-	270,000
Total current liabilities	<u>4,581,604</u>	<u>271,083</u>	<u>4,852,687</u>
<b>Noncurrent liabilities</b>			
Long-term debt and other liabilities	46,074,086	116,411	46,190,497
Total noncurrent liabilities	<u>46,074,086</u>	<u>116,411</u>	<u>46,190,497</u>
Total liabilities	<u>50,655,690</u>	<u>387,494</u>	<u>51,043,184</u>
<b>NET POSITION</b>			
Net investment in capital assets	28,556,199	1,241,950	29,798,149
Unrestricted (deficit)	6,810,349	384,398	7,194,747
Total net position	<u>35,366,548</u>	<u>1,626,348</u>	<u>36,992,896</u>

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

**CITY OF AUBURN, ALABAMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Major Fund	Solid Waste Management	Total
	Sewer Revenue Fund	Fund	
	\$	\$	\$
Operating revenues			
Charges for services	10,440,885	3,898,217	14,339,102
Sewer tapping fees	7,495	-	7,495
Grants	28,316	16,237	44,553
Miscellaneous	1,892	353	2,245
Total operating revenues	<u>10,478,588</u>	<u>3,914,807</u>	<u>14,393,395</u>
Operating expenses			
Salaries and wages	833,777	1,581,924	2,415,701
Employee benefits	218,453	462,988	681,441
Repairs and maintenance	15,682	25,766	41,448
Utilities	616,332	409	616,741
Professional services	132,372	586,384	718,756
Rentals and leasing	71,615	-	71,615
Insurance	7,879	33,314	41,193
Office supplies	15,477	4,100	19,577
Fuels and lubricants	49,339	272,138	321,477
Agricultural and chemical supplies	71,979	2,266	74,245
Minor equipment and tools	53,851	49,936	103,787
Repair parts and materials	90,209	250,323	340,532
Clothing and linens	8,562	7,191	15,753
Sewer service fees	215,711	-	215,711
Management fees	1,529,914	305,090	1,835,004
Bad Debt Expense	28,894	9,265	38,159
Depreciation/amortization	1,679,496	326,341	2,005,837
Travel and training	9,399	8,304	17,703
Miscellaneous	29,284	22,283	51,567
Total operating expenses	<u>5,678,225</u>	<u>3,948,022</u>	<u>9,626,247</u>
Operating Income (Loss)	<u>4,800,363</u>	<u>(33,215)</u>	<u>4,767,148</u>
Nonoperating revenues (expenses)			
Interest earned	31,657	861	32,518
Interest and fiscal charges	(1,792,555)	-	(1,792,555)
Gain (loss) on disposal of capital assets	20,179	610	20,789
Total nonoperating revenues (expenses)	<u>(1,740,719)</u>	<u>1,471</u>	<u>(1,739,248)</u>
Income (loss) before transfers and capital contributions	3,059,644	(31,744)	3,027,900
Transfers	(75,985)	540,845	464,860
Capital contributions - grants	57,977	-	57,977
Capital contributions - developers	1,119,230	-	1,119,230
Change in net position	<u>4,160,866</u>	<u>509,101</u>	<u>4,669,967</u>
Net position - beginning	31,695,693	1,117,246	32,812,939
Prior period adjustment	(490,010)	-	(490,010)
Net position - beginning, as restated	<u>31,205,683</u>	<u>1,117,246</u>	<u>32,322,929</u>
Net position - ending	<u>35,366,549</u>	<u>1,626,347</u>	<u>36,992,896</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, 2013**

	Major Fund		Total
	Sewer Revenue Fund	Solid Waste Management Fund	
	\$	\$	\$
<b>Cash flows from operating activities</b>			
Cash collected from customers	10,314,733	3,849,392	14,164,125
Other cash collected	1,892	353	2,245
Customer deposits collected (paid)	(34,196)	33,536	(660)
Proceeds from operating grant	19,374	18,010	37,384
Payments to suppliers for goods and services	(2,717,110)	(1,551,369)	(4,268,479)
Payments to employees for services	(1,043,940)	(2,027,649)	(3,071,589)
Net cash provided (consumed) by operating activities (A)	<u>6,540,753</u>	<u>322,273</u>	<u>6,863,026</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	-	595,845	595,845
Transfers out	(75,985)	(55,000)	(130,985)
Net cash provided (consumed) by noncapital financing activities	<u>(75,985)</u>	<u>540,845</u>	<u>464,860</u>
<b>Cash flows from capital and related financing activities</b>			
Principal repayments on borrowing	(2,110,000)	-	(2,110,000)
Repayment of advances	-	(216,892)	(216,892)
Proceeds from sale of assets	20,179	610	20,789
Proceeds from capital grant	57,977	-	57,977
Acquisition and construction of capital assets	(2,627,177)	(363,924)	(2,991,101)
Cash contributions from developers	270,000	-	270,000
Interest and fiscal fees paid	(2,201,518)	-	(2,201,518)
Net cash provided (consumed) by capital and related financing activities	<u>(6,590,539)</u>	<u>(580,206)</u>	<u>(7,170,745)</u>
<b>Cash flows from investing activities</b>			
Interest on investments	27,468	861	28,329
Purchase of investments	(2,000,312)	-	(2,000,312)
Net cash provided (consumed) by investing activities	<u>(1,972,844)</u>	<u>861</u>	<u>(1,971,983)</u>
Net increase (decrease) in cash	(2,098,615)	283,773	(1,814,842)
Cash and cash equivalents, beginning of year	8,151,964	25,158	8,177,122
Cash and cash equivalents, end of year	<u>6,053,349</u>	<u>308,931</u>	<u>6,362,280</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities (A):</b>			
Operating income (loss)	4,800,363	(33,215)	4,767,148
Add: Depreciation	1,679,496	326,341	2,005,837
Increase in accounts payable	-	12,214	12,214
Increase in customer deposits	-	33,536	33,536
Increase in accrued leave	1,128	6,818	7,946
Increase in OPEB liability	7,162	10,446	17,608
Increase in amounts due to component units	620,156	14,465	634,621
Deduct: Increase in accounts receivable	(135,708)	(47,053)	(182,761)
Decrease in accounts payable	(377,969)	-	(377,969)
Increase in prepaid items	(12,798)	(1,279)	(14,077)
Decrease in unearned revenue - grants	(6,881)	-	(6,881)
Decrease in customer deposits	(34,196)	-	(34,196)
Net cash provided by operating activities	<u>6,540,753</u>	<u>322,273</u>	<u>6,863,026</u>
<b>Noncash transactions:</b>			
Estimated cost of sewer lines installed by and contributed to the City by developers	1,089,230	-	1,089,230
	<u>1,089,230</u>	<u>-</u>	<u>1,089,230</u>

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

**CITY OF AUBURN, ALABAMA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2013**

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	486,954
Total assets	486,954
<b>NET POSITION</b>	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	118,554
Auburn Soccer Organization	327,417
Auburn Youth Football	13,683
Auburn Community Tennis Association	27,300
Total net position	486,954

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



**CITY OF AUBURN, ALABAMA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
<b>ADDITIONS</b>	
Program revenues:	
Baseball/Softball	115,208
Soccer	237,751
Football	29,996
Tennis	17,363
Total program revenues	400,318
Investment earnings:	
Baseball/Softball interest	575
Soccer interest	1,449
Football interest	49
Tennis interest	51
Total investment earnings	2,124
Total additions	402,442
<b>DEDUCTIONS</b>	
Program expenses:	
Baseball/Softball	97,868
Soccer	196,824
Football	32,458
Tennis	17,462
Total deductions	344,612
Change in net position	57,830
Net position - beginning	429,124
Net position - ending	486,954

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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	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	16,991,327	3,703,660	1,110,939	1,952,800	154	23,758,880
Certificates of deposit	-	2,373,518	59,228	1,100,000	-	3,532,746
Receivables, net	40,586	1,117,682	135,472	577,238	-	1,870,978
Inventories	121,361	400,983	-	28,017	-	550,361
Current portion of mortgages and notes receivable	-	-	5,577,798	-	-	5,577,798
Current portion of net investment in capital leases	-	-	269,135	-	-	269,135
Property tax receivable	5,401,793	-	-	-	-	5,401,793
Due from other governments	817,714	-	-	-	-	817,714
Due from primary government	-	635,038	-	-	-	635,038
Other current assets	-	39,765	7,176	9,510	1,161	57,612
Restricted cash	-	-	105,327	-	-	105,327
<b>Total current assets</b>	<b>23,372,781</b>	<b>8,270,646</b>	<b>7,265,075</b>	<b>3,667,565</b>	<b>1,315</b>	<b>42,577,382</b>
<b>Noncurrent assets</b>						
<b>Restricted assets</b>						
Cash and cash equivalents	2,661,792	1,408,727	-	1,561,903	-	5,632,422
Investments	-	1,576,246	-	-	-	1,576,246
Mortgages and notes receivable, net of current portion	-	-	221,441	-	-	221,441
Net investment in capital leases, net of current portion	-	-	1,778,801	-	-	1,778,801
Property for resale	-	-	9,776,313	-	-	9,776,313
Capital assets not being depreciated	9,516,731	2,243,511	10,855,748	4,553,198	-	27,169,188
Capital assets, net of accumulated depreciation	86,592,317	53,062,168	42,326,404	7,368,120	5,570,576	194,919,585
<b>Total noncurrent assets</b>	<b>98,770,840</b>	<b>58,290,652</b>	<b>64,958,707</b>	<b>13,483,221</b>	<b>5,570,576</b>	<b>241,073,996</b>
<b>Total assets</b>	<b>122,143,621</b>	<b>66,561,298</b>	<b>72,223,782</b>	<b>17,150,786</b>	<b>5,571,891</b>	<b>283,651,378</b>
<b>Deferred outflows</b>						
Accumulated decrease in fair value of hedging derivatives	-	-	1,137,767	-	-	1,137,767
Deferred amounts on refunding, net	-	1,468,703	-	-	-	1,468,703
<b>Total deferred outflows</b>	<b>-</b>	<b>1,468,703</b>	<b>1,137,767</b>	<b>-</b>	<b>-</b>	<b>2,606,470</b>
<b>Total assets and deferred outflows</b>	<b>122,143,621</b>	<b>68,030,001</b>	<b>73,361,549</b>	<b>17,150,786</b>	<b>5,571,891</b>	<b>286,257,848</b>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
<b>Liabilities payable from restricted assets:</b>						
Accounts payable	-	14,765	-	-	-	14,765
Current portion of long-term debt	-	675,000	-	-	-	675,000
Accrued interest payable	-	72,841	88,132	-	-	160,973
Accounts payable and other accrued liabilities	921,985	1,124,922	1,368,413	92,053	11,711	3,519,084
Salaries and benefits payable	3,746,414	-	-	-	-	3,746,414
Customer deposits	-	642,676	-	29,021	-	671,697
Unearned revenue	5,715,276	-	1,400	-	-	5,716,676
Current maturities of bonds payable	-	-	235,000	-	-	235,000
Current maturities of notes payable	-	-	11,465,345	-	-	11,465,345
Due to primary government	-	526,248	1,581	-	-	527,829
Obligations under capital leases	672,252	-	-	-	-	672,252
<b>Total current liabilities</b>	<b>11,055,927</b>	<b>3,056,452</b>	<b>13,159,871</b>	<b>121,074</b>	<b>11,711</b>	<b>27,405,035</b>
<b>Noncurrent liabilities:</b>						
Advances from primary government	-	-	-	1,425,000	-	1,425,000
Derivative instrument liability	-	-	1,137,767	-	-	1,137,767
Long-term debt and other liabilities	1,294,377	20,100,629	33,382,718	118,386	-	54,896,110
<b>Total noncurrent liabilities</b>	<b>1,294,377</b>	<b>20,100,629</b>	<b>34,520,485</b>	<b>1,543,386</b>	<b>-</b>	<b>57,458,877</b>
<b>Total liabilities</b>	<b>12,350,304</b>	<b>23,157,081</b>	<b>47,680,356</b>	<b>1,664,460</b>	<b>11,711</b>	<b>84,863,912</b>
<b>NET POSITION</b>						
Net investment in capital assets	94,142,419	36,122,788	15,877,707	11,921,318	5,570,576	163,634,808
<b>Restricted for:</b>						
Capital projects	891,588	1,279,554	-	-	-	2,171,142
Debt service	-	1,705,419	105,327	-	-	1,810,746
Other projects	1,891,565	-	-	-	-	1,891,565
HAP payments	-	-	-	136,903	-	136,903
<b>Unrestricted</b>	<b>12,867,745</b>	<b>5,765,159</b>	<b>9,698,159</b>	<b>3,428,105</b>	<b>(10,396)</b>	<b>31,748,772</b>
<b>Total net position</b>	<b>109,793,317</b>	<b>44,872,920</b>	<b>25,681,193</b>	<b>15,486,326</b>	<b>5,560,180</b>	<b>201,393,936</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, 2013**

	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
	\$	\$	\$	\$	\$	\$	
<b>Governmental activities:</b>							
Auburn Board of Education							
Functions/Programs							
Instruction	41,907,026	1,141,985	24,433,670	501,124	(15,830,247)	-	(15,830,247)
Instructional support	12,273,077	422,223	5,729,013	113,887	(6,007,954)	-	(6,007,954)
Operation and maintenance	5,484,664	115,222	1,138,907	774,098	(3,456,437)	-	(3,456,437)
Auxiliary services							
Student transportation services	3,294,864	143,501	2,072,036	306,871	(772,456)	-	(772,456)
Food services	3,515,856	2,776,150	154,754	-	(584,952)	-	(584,952)
General administrative services	2,762,156	4,696	438,238	-	(2,319,222)	-	(2,319,222)
Other	1,047,261	749,679	296,402	-	(1,180)	-	(1,180)
Interest and fiscal charges	27,363	-	-	-	(27,363)	-	(27,363)
Total governmental activities	<u>70,312,267</u>	<u>5,353,456</u>	<u>34,263,020</u>	<u>1,695,980</u>	<u>(28,999,811)</u>	<u>-</u>	<u>(28,999,811)</u>
<b>Business-type activities:</b>							
Water Works Board	9,218,707	9,127,658	-	901,084	-	810,035	810,035
Industrial Development Board	4,065,878	3,527,827	-	-	-	(538,051)	(538,051)
Auburn Housing Authority	3,362,818	328,745	2,696,798	226,337	-	(110,938)	(110,938)
Public Park & Recreation Board	611,705	73,841	-	-	-	(537,864)	(537,864)
Total business-type activities	<u>17,259,108</u>	<u>13,058,071</u>	<u>2,696,798</u>	<u>1,127,421</u>	<u>-</u>	<u>(376,818)</u>	<u>(376,818)</u>
<b>Total component units</b>	<u><u>87,571,375</u></u>	<u><u>18,411,527</u></u>	<u><u>36,959,818</u></u>	<u><u>2,823,401</u></u>	<u><u>(28,999,811)</u></u>	<u><u>(376,818)</u></u>	<u><u>(29,376,629)</u></u>
<b>General revenues:</b>							
Taxes:							
Sales taxes					5,361,188	-	5,361,188
Property taxes					11,349,945	-	11,349,945
Alcoholic beverage taxes					523,749	-	523,749
Other taxes					55,015	-	55,015
Unrestricted appropriations from the City of Auburn					9,550,759	4,553,685	14,104,444
Appropriation to City of Auburn					-	(333,591)	(333,591)
Federal/state aid not restricted					2,080	-	2,080
Interest and investment earnings					127,803	176,262	304,065
Gain on disposal of assets					-	397,319	397,319
Special item - gain on settlement					-	738,633	738,633
Miscellaneous					423,701	719,697	1,143,398
Total general revenues, special items, and transfers					<u>27,394,240</u>	<u>6,252,005</u>	<u>33,646,245</u>
Change in net position					<u>(1,605,571)</u>	<u>5,875,187</u>	<u>4,269,616</u>
Net position - beginning					126,807,422	70,144,921	196,952,343
Prior period adjustment					-	171,977	171,977
Net position - beginning, as restated					<u>126,807,422</u>	<u>70,316,898</u>	<u>197,124,320</u>
Net position - ending					<u><u>125,201,851</u></u>	<u><u>76,192,085</u></u>	<u><u>201,393,936</u></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, 2013**

	Major Business-type Component Units			Nonmajor Business-type Component Units	Total
	Water Works Board	Industrial Development Board	Housing Authority		
	\$	\$	\$		
Operating revenues					
Lease income	-	3,527,827	-	-	3,527,827
Water sales and service	9,127,658	-	-	-	9,127,658
Tennis center revenue	-	-	-	73,841	73,841
Dwelling Rent	-	-	328,745	-	328,745
Operating Grants	-	-	2,696,798	-	2,696,798
Miscellaneous	369,228	111,491	177,852	61,126	719,697
Total operating revenues	<u>9,496,886</u>	<u>3,639,318</u>	<u>3,203,395</u>	<u>134,967</u>	<u>16,474,566</u>
Operating expenses					
Water treatment and pumping expense	2,928,236	-	-	-	2,928,236
Water distribution expense	973,960	-	-	-	973,960
Meter reading expense	439,811	-	-	-	439,811
Operations administration expense	155,566	-	659,513	-	815,079
Water revenue office expense	706,904	-	-	-	706,904
Tenant services	-	-	19,435	-	19,435
General operations expense	1,249,338	-	143,260	-	1,392,598
Salaries and wages	-	-	-	136,839	136,839
Employee benefits	-	-	-	30,729	30,729
Repairs and maintenance	-	111,492	313,543	23,133	448,168
HAP Payments	-	-	1,571,839	-	1,571,839
Advertising	-	40,803	-	340	41,143
Utilities	-	83,953	158,719	94,560	337,232
Rentals and leasing	-	-	-	1,846	1,846
Insurance	-	-	-	3,469	3,469
Professional services	-	197,683	-	742	198,425
Office supplies	-	17,220	-	-	17,220
Recreational supplies	-	-	-	11,510	11,510
Depreciation/amortization	2,009,427	996,095	486,385	307,350	3,799,257
Industrial recruitment	-	361,457	-	-	361,457
Industrial incentives granted	-	103,309	-	-	103,309
Travel and training	-	11,021	-	75	11,096
Special events	-	16,942	-	-	16,942
Workforce development	-	17,803	-	-	17,803
Miscellaneous	-	5,529	-	753	6,282
Total operating expenses	<u>8,463,242</u>	<u>1,963,307</u>	<u>3,352,694</u>	<u>611,346</u>	<u>14,390,589</u>
Operating income (loss)	<u>1,033,644</u>	<u>1,676,011</u>	<u>(149,299)</u>	<u>(476,379)</u>	<u>2,083,977</u>
Non-operating revenues (expenses)					
Interest and investment earnings	39,360	129,666	7,222	14	176,262
Appropriations from the City of Auburn	-	4,364,002	-	189,683	4,553,685
Interest and fiscal charges	(755,465)	(2,102,571)	(10,124)	(359)	(2,868,519)
Gain on disposal of assets	60,072	333,591	3,656	-	397,319
Total non-operating revenues (expenses)	<u>(656,033)</u>	<u>2,724,688</u>	<u>754</u>	<u>189,338</u>	<u>2,258,747</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	<u>377,611</u>	<u>4,400,699</u>	<u>(148,545)</u>	<u>(287,041)</u>	<u>4,342,724</u>
Capital contributions					
From the federal government	-	-	226,337	-	226,337
From developers	398,269	-	-	-	398,269
From access fees	502,815	-	-	-	502,815
Total capital contributions	<u>901,084</u>	<u>-</u>	<u>226,337</u>	<u>-</u>	<u>1,127,421</u>
Subsidy to City of Auburn	-	(333,591)	-	-	(333,591)
Special items					
Gain on settlement	738,633	-	-	-	738,633
Change in net position	<u>2,017,328</u>	<u>4,067,108</u>	<u>77,792</u>	<u>(287,041)</u>	<u>6,208,778</u>
Net position - beginning	42,469,235	21,828,465	15,408,534	5,847,221	85,553,455
Prior period adjustment	386,357	(214,380)	-	-	171,977
Net position, beginning, as restated	42,855,592	21,614,085	15,408,534	5,847,221	85,725,432
Net position - ending	<u>44,872,920</u>	<u>25,681,193</u>	<u>15,486,326</u>	<u>5,560,180</u>	<u>91,934,210</u>

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

City of Auburn, Alabama

Guide to Notes to the Financial Statements

September 30, 2013

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City of Auburn, Alabama

**Guide to Notes to the Financial Statements**

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CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
SEPTEMBER 30, 2013

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

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

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

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

**DISCRETELY PRESENTED COMPONENT UNITS**

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

**City of Auburn Board of Education (ABOE)**

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

**Water Works Board of the City of Auburn (AWWB)**

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

**City of Auburn Industrial Development Board (IDB)**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

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

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

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

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

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

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

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

The City is the Authority's primary source of operating funds. The City has responsibility for funding deficits and operating deficiencies of the Authority and City Council exercises significant influence over the Authority's actions. The Commercial Development Authority of the City of Auburn is presented as a proprietary fund type or business-type activity. The Commercial Development Authority had no activity for the year ending September 30, 2013, and no assets or liabilities as of September 30, 2013.

**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, 2013, is included in this report. See Note 22 for the effect of the different year end on these financial statements.

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

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

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



**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

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

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

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

**RELATED ORGANIZATIONS**

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

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

**JOINT VENTURE**

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

**Indian Pines Golf Course Venture**

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July, 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2013, the City's remaining net investment in the Indian Pines Golf Course is \$503,300.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**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 does not provide any funding to the Indian Pines Recreation Authority.

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2013, is as follows:

Total assets (net of accumulated depreciation on capital assets)	\$ 1,420,079
Total liabilities	<u>(371,156)</u>
Total net position	<u>\$ 1,048,923</u>
Total operating revenues	\$ 1,026,672
Total operating expenses	(1,034,246)
Other revenues	124
Other expenses	<u>(8,172)</u>
Net decrease in net position	<u>\$ (15,622)</u>

The Authority had a note payable to the City with a balance of \$256,061 as of September 30, 2013. This note was forgiven subsequent to year end, see Note 30. All other liabilities were current liabilities consisting of accounts payable, accrued payroll and payroll taxes, and deferred revenue and other accrued liabilities totaling \$115,095. The note has been included in the City's financial statements as an advance to other agency.

**Lee-Russell Council of Governments**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

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

**Lee County Youth Development Center**

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

**East Alabama Medical Center**

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

**Auburn-Opelika Tourism Bureau**

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

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

**GOVERNMENTAL FUNDS**

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

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

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

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

**PROPRIETARY FUNDS**

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

**FIDUCIARY FUNDS**

Fiduciary funds are used to report assets held in a trust capacity for others and therefore, cannot be used to support the City's programs.

The Youth Athletic Associations' Private-Purpose Trust Fund accounts for the revenues and costs of independent associations supporting youth athletic programs. These assets are held in a trust capacity for the various associations and cannot be used to support the City's programs.

**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 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. See Note 1.T. regarding GASB Statement 62 implemented during the current fiscal year.

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 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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.

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 \$139,496,282 difference are as follows:

Bonds and warrants payable	\$ 134,143,447
Less: Deferred amount on refunding	(4,068,252)
Less: Prepaid bond issue insurance	(89,321)
Add: Issuance premium	6,420,834
Compensated absences	2,315,322
Claims and judgments	281,333
Landfill closure and post-closure care	154,000
Other postemployment benefits	<u>338,919</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 139,496,282</u></u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this \$5,744,056 difference are as follows:

Capital outlay	\$ 10,830,762
Depreciation expense	<u>(5,086,706)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 5,744,056</u>

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 \$941,193 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	\$ 938,973
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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>(1,880,166)</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>\$ (941,193)</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 \$6,976,691 difference are as follows:

Debt issued or incurred:

General obligation warrants	\$ (5,525,000)
Principal repayments	<u>12,501,691</u>

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

	<u>\$ 6,976,691</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**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 \$353,804 difference are as follows:

Compensated absences	\$ 185,059
Accrued interest	34,579
Claims and judgments	21,602
Landfill closure and post-closure care	7,000
Other post employment benefits	(116,495)
Amortization of deferred amount on refunding	(293,700)
Amortization of prepaid bond issue insurance	(6,726)
Amortization of bond premiums	525,120
Amortization of prepaid expenses	<u>(2,635)</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>\$ 353,804</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 2013 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 his 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, environmental services expenditures of \$1,956,168 exceeded appropriations of \$1,931,945; debt service interest charges of \$1,512,231 exceeded appropriations of \$1,469,894; debt service principal retirement of \$6,530,959 exceeded appropriations of \$6,348,050; intergovernmental expenditures of \$1,027,795 exceeded appropriations of \$969,789; and payments to component units of \$12,692,295 exceeded appropriations of \$10,520,759.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**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 include cash on hand and cash in checking.

- G. **Deposits and Investments** - Deposits and investments of the City of Auburn and its component units are stated at fair value, except for nonnegotiable certificates of deposit with redemption terms that do not consider market rates and money market investments which include short-term, highly liquid debt instruments, which are reported at cost or amortized cost (See Note 4).

State statutes authorize the City and its component units to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; U.S. dollar denominated deposit accounts and certificates of deposit; pre-funded public obligations as defined by state law; and interests in any common trust fund or other collective investment bank, trust company or savings and loan association. The City of Auburn has invested in interest-bearing demand deposits and certificates of deposit. The Board of Education usually only invests in certificates of deposit. The Water Works Board is invested in interest-bearing demand deposits, certificates of deposit and mutual funds comprised of 100% U.S. Treasury securities. The Industrial Development Board has invested in certificates of deposit and interest-bearing demand deposits. The Housing Authority has invested in certificates of deposit (see Note 4).

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

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

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

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

Inventories of the Water Works Board are stated at the lower of cost or market value. Market is determined on the basis of replacement cost. Inventories consist of expendable supplies held for future consumption or capitalization.

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



NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

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

L. **Risk Financing**

**CITY OF AUBURN PRIMARY GOVERNMENT**

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, and torts related to municipal operations. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage from coverage in the prior year. Also, no settlements have exceeded insurance coverage in the past three fiscal years.

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

The City is a self-insurer under the Alabama Workmen's Compensation Law for its workers' compensation exposure. Workers' compensation claims exceeding \$350,000 (\$450,000 for certified police officers and firefighters) in an accident period are covered through a private insurance carrier. Stop loss coverage is purchased through the General Fund. Liabilities include an amount for claims within the coverage deductible that have been incurred but not reported and are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. These risks are accounted for in the City's General Fund. The total liability for unpaid claims within the coverage deductible consists of claims reported at the balance sheet date, plus estimated claims incurred but not reported for both insured and uninsured risks. These estimates are based primarily upon historical trends.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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.

**COMPONENT UNITS**

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

Employee health insurance is provided through the Alabama Retired Education Employees' Health Care Trust, 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 state appropriated funds at no cost to the ABOE.

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

The Water Works Board employees are covered under the City's health insurance plan. Premiums are charged to the AWWB and are calculated using trends in actual claims experience, along with overall program costs, including third-party administration and reinsurance. Employees may also be charged for additional benefits through supplemental insurance programs. Medical claims exceeding \$65,000 per covered individual, per year, are covered through a private insurance carrier after satisfaction of a \$25,000 aggregating specific deductible.

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

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

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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, 2013.

**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, 2013. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

**Housing Authority** - The Housing Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance.

**M. Long-Term Obligations**

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

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

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

**N. Compensated Absences****CITY OF AUBURN PRIMARY GOVERNMENT**

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

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**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 Authority's policy to allow full time permanent employees to accumulate vacation and sick leave benefits up to certain limits for use in subsequent periods. Employees are entitled to vacation leave balances at termination. Leave accrued but not yet paid as of June 30, 2013, is shown as a liability allocated between current and non-current.

**O. Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 15.

**P. Fund Balance** - The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution, which are equally binding. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The City has no amount classified as committed fund balance as of September 30, 2013.
- 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 other).

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

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

The City Council has adopted a fund balance policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses.

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

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

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

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

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

1. Interfund receivables and payables - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 20.
2. Interfund advances - consist of longer term loans between funds, which are not expected to be repaid within one year. These longer term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources. There were no interfund advances outstanding at year end.
3. Interfund transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or payments between the City and component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 21.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

- S. **Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

T. **Recently implemented accounting pronouncements**

GASB Statement 61, *The Financial Reporting Entity: Omnibus* (GASB 61), was implemented during the fiscal year ended September 30, 2013. GASB 61 amends GASB 14 and GASB 34 to modify certain requirements for inclusion of component units in the financial reporting entity, to amend the criteria for reporting component units as if they were part of the primary government (i.e. blending) in certain circumstances, and clarifies the reporting of entity interests in legally separate organizations. The City added the Housing Authority of the City of Auburn as a component unit as a result of the adoption of GASB 61. See Note 1.A.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62) was implemented during the fiscal year ended September 30, 2013. GASB 62 incorporates into GASB's authoritative literature, certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB 62 did not have a material impact on the City's financial statements.

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63) establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. The City implemented this Statement effective for fiscal year ending September 30, 2013.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) was early implemented during the fiscal year ended September 30, 2013. GASB 65 was issued to establish accounting and financial reporting standards that 1) reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities or 2) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 resulted in the write-off of bond issuance costs. See Note 31 for details on the adjustment to beginning net position.

**NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS**

As of September 30, 2013, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, the Public Park and Recreation Board, and the Commercial Development Authority are held in a certified qualified public depository, and as such, are deemed fully insured.

The Auburn Housing Authority deposits are insured up to \$250,000 by the FDIC and excess deposits are insured by specific HUD pledges that banks are required to pledge as part of their depository agreement with the Housing Authority.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 3. CASH AND CASH EQUIVALENTS**

Total cash and cash equivalents of the City contain restricted and unrestricted cash (nonpooled) as well as a cash pool that is available for use by all funds of the primary government. Interest earned from deposits made with pooled cash is allocated to each of the funds based on the fund's equity balance. The composition of cash and cash equivalents at September 30, 2013 (June 30, 2013, for the Housing Authority), is as follows:

	Equity in Pooled Funds	Nonpooled Funds		Total Cash and Cash Equivalents
		Unrestricted	Restricted	
Primary Government:				
Governmental activities:				
General Fund	\$ 14,777,484	\$ 5,381,609	\$ 298,192	\$ 20,457,285
Special School Tax Fund	2,018,753	-	-	2,018,753
Other Governmental Funds	6,368,149	-	157,485	6,525,634
Total governmental activities	<u>23,164,386</u>	<u>5,381,609</u>	<u>455,677</u>	<u>29,001,672</u>
Business-type activities:				
Sewer Revenue Fund	6,053,349	-	-	6,053,349
Solid Waste Management Fund	308,931	-	-	308,931
Total business-type activities	<u>6,362,280</u>	<u>-</u>	<u>-</u>	<u>6,362,280</u>
Total primary government	<u>29,526,666</u>	<u>5,381,609</u>	<u>455,677</u>	<u>35,363,952</u>
Component Units:				
Board of Education	-	16,991,327	2,661,792	19,653,119
Water Works Board	-	3,703,660	1,408,727	5,112,387
Industrial Development Board	206,577	904,362	105,327	1,216,266
Public Park and Recreation Board	-	154	-	154
Housing Authority	-	1,952,800	1,561,903	3,514,703
Total component units	<u>206,577</u>	<u>23,552,303</u>	<u>5,737,749</u>	<u>29,496,629</u>
Total reporting entity	<u>\$ 29,733,243</u>	<u>\$ 28,933,912</u>	<u>\$ 6,193,426</u>	<u>\$ 64,860,581</u>

**NOTE 4. DEPOSITS AND INVESTMENTS**

The cash and cash equivalents consist solely of cash, not securities or other investments; therefore, the City has no "credit risk" or "concentration risk" associated with these deposits as described in *GASB Statement No. 40 – Deposit and Investment Risk Disclosures*. Also, since 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 held as of September 30, 2013, is as follows:

	Carrying Value	Fair Value	Maturities
Governmental Activities			
General Fund	\$ 11,803,656	\$ 11,803,656	2013-2014
Special School Tax Fund	2,511,750	2,511,750	2014
Debt Service Fund	2,000,000	2,000,000	2014
Total governmental activities	<u>16,315,406</u>	<u>16,315,406</u>	
Business Type Activities			
Sewer Revenue Fund	2,000,312	2,000,312	2014
Total certificates of deposit	<u>\$ 18,315,718</u>	<u>\$ 18,315,718</u>	

During the year 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, 2013 was \$1,718,232. See Note 22.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 4. DEPOSITS AND INVESTMENTS - CONTINUED****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, 2013, the Board of Education's restricted cash and investments were composed of the following, all of which are insured by the SAFE Program:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash - Capital Projects Fund	\$ 891,588	\$ 891,588
Cash - Other Governmental Funds		
Child Nutrition Program	1,590,509	1,590,509
Dental Clinic	<u>179,695</u>	<u>179,695</u>
	<u>\$ 2,661,792</u>	<u>\$ 2,661,792</u>

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

**Water Works Board**

At September 30, 2013, the Water Works Board's restricted cash and investments were comprised of the following:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (Access Fee Account)	\$ 1,279,554	\$ 1,279,554
JP Morgan U.S. Treasury Securities		
Money Market Fund	<u>129,173</u>	<u>129,173</u>
Total restricted cash	1,408,727	1,408,727
U.S. Treasury Bonds	<u>1,576,246</u>	<u>1,576,246</u>
Total restricted cash and investments	<u>\$ 2,984,973</u>	<u>\$ 2,984,973</u>

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

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

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

**Industrial Development Board**

At September 30, 2013, the Industrial Development Board's investments were comprised of the following:

<u>Restricted cash and investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (SAFE deposit)		
Restricted for debt service	<u>\$ 105,327</u>	<u>\$ 105,327</u>

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



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

**NOTE 4. DEPOSITS AND INVESTMENTS - CONTINUED**

<u>Unrestricted investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificate of deposit	\$ 59,228	\$ 59,228	2014

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

**Auburn Housing Authority**

The Authority's restricted assets consist of the following as of June 30, 2013:

<u>Restricted cash and investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Restricted funds for renovation	\$ 1,425,000	\$ 1,425,000
Restricted for HAP payments	<u>136,903</u>	<u>136,903</u>
Total restricted cash	<u>\$ 1,561,903</u>	<u>\$ 1,561,903</u>

<u>Unrestricted investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificate of deposit	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

**NOTE 5. DERIVATIVE INSTRUMENTS**

**COMPONENT UNIT**

**Industrial Development Board**

The fair value balance and notional amount of the IDB's derivative instrument outstanding at September 30, 2013, and the change in its fair value for the year then ended as reported in the 2013 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at 9/30/13</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>\$ 497,610</u>	Long term liability	<u>\$ (1,137,767)</u>	<u>\$ 4,840,000</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, 2013

**NOTE 5. DERIVATIVE INSTRUMENTS - CONTINUED**

*Objective and Terms of Hedging Derivative Instrument* – The following summarizes the objective and terms of the IDB's hedging derivative instrument outstanding at September 30, 2013, 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, 2013, was \$4,840,000.
Effective Date of Derivative:	8/1/2006
Maturity Date of Derivative:	7/1/2022
Terms:	The Board pays the counterparty a fixed payment of 5.87% on the notional amount, and receives a variable payment in return based on the one-month U.S. dollar London Interbank Rate (LIBOR). The variable rate on the bonds is reset weekly by auction.
Counterparty Credit Rating:	BB/Negative/B; Ba2

*Credit Risk* – As of September 30, 2013, 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, 2013, the interest rate on the IDB's hedged variable-rate debt was 0.18% and LIBOR was 0.17905%.

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

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 6. ACCOUNTS RECEIVABLE**

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

	General Fund	Special School Tax Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Nonmajor Proprietary Fund	Component Units	Total
Receivables:							
Revenues receivable	\$ 8,999,135	\$ 121,763	\$ 67,225	\$ 1,121,740	\$ 432,310	\$ 1,929,293	\$ 12,671,466
Grants receivable	-	-	1,018,865	2,061	6,437	54,339	1,081,702
Receivable from other governmental units	811,966	-	-	-	-	-	811,966
Other receivables	416,969	2,587	1,118	111,174	913	14,209	546,970
Gross receivables	10,228,070	124,350	1,087,208	1,234,975	439,660	1,997,841	15,112,104
Less: allowance for uncollectibles	(2,984,250)	-	-	(76,993)	(41,581)	(126,863)	(3,229,687)
Net receivables	<u>\$ 7,243,820</u>	<u>\$ 124,350</u>	<u>\$ 1,087,208</u>	<u>\$ 1,157,982</u>	<u>\$ 398,079</u>	<u>\$ 1,870,978</u>	<u>\$ 11,882,417</u>

**NOTE 7. MORTGAGES AND NOTES RECEIVABLE**

**CITY OF AUBURN PRIMARY GOVERNMENT**

On September 5, 2006, the City entered into a loan agreement with The Indian Pines Recreation Authority, a jointly governed organization with the City of Opelika. The clubhouse at Indian Pines was destroyed by fire in July 2005. Insurance coverage provided \$510,000 for the loss and the City of Auburn provided an additional \$400,000 to finance a portion of the construction costs of the new clubhouse. The terms of the note include monthly payments payable for a period of fourteen years at a fixed interest rate of 5.25%. In March of 2012 the loan was refinanced at a fixed rate of 3.00%. Principal and interest payments totaling \$3,181 are due in 108 equal monthly installments beginning April 2012. This loan was forgiven subsequent to year end, see Note 30.

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, 2013 was \$421,436 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
2014	\$ 46,161	\$ 12,804	\$ 58,965
2015	47,643	11,322	58,965
2016	49,174	9,791	58,965
2017	50,754	8,211	58,965
2018	52,384	6,581	58,965
2019	54,068	4,897	58,965
2020	55,806	3,159	58,965
2021	38,396	1,484	39,880
2022	20,170	625	20,796
2023	6,882	45	6,927
	<u>\$ 421,436</u>	<u>\$ 58,919</u>	<u>\$ 480,355</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 7. MORTGAGES AND NOTES RECEIVABLE - CONTINUED****COMPONENT UNITS****Industrial Development Board**

Mortgages and notes receivable consist of the following as of September 30, 2013:

	Balance 10/01/2012	Additions	Reductions	Balance 09/30/2013	Due Within One Year
Mortgages receivable	\$ 143,568	\$ -	\$ (12,000)	\$ 131,568	\$ 12,000
Short-term notes receivable	\$ -	\$ 5,500,000	\$ -	\$ 5,500,000	\$ 5,500,000
Notes receivable - other	<u>200,000</u>	<u>200,000</u>	<u>(232,329)</u>	<u>167,671</u>	<u>65,798</u>
Total	<u>\$ 343,568</u>	<u>\$ 5,700,000</u>	<u>\$ (244,329)</u>	<u>\$ 5,799,239</u>	<u>\$ 5,577,798</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
2014	\$ 12,000
2015	12,000
2016	12,000
2017	12,000
2018	<u>83,568</u>
	<u>\$ 131,568</u>

**Notes Receivable**

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

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

Future payments due under the notes are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 5,565,798	\$ 263,286	\$5,829,084
2015	67,485	1,800	69,285
2016	<u>34,388</u>	<u>254</u>	<u>34,642</u>
	<u>\$ 5,667,671</u>	<u>\$ 265,340</u>	<u>\$ 5,933,011</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 8. PROPERTY FOR RESALE**

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

**COMPONENT UNITS**

**Industrial Development Board**

The following is a schedule of changes in property for resale for the year ended September 30, 2013:

	Balance <u>10/1/2012</u>	Additions	Reclassi- fications	Disposals	Balance <u>9/30/2013</u>
Land and buildings	\$ 4,087,491	\$ 1,466,409	\$ -	\$ (1,466,409)	\$ 4,087,491
Improvements in progress	<u>3,874,381</u>	<u>1,814,441</u>	-	-	<u>5,688,822</u>
Total property for resale	<u>\$ 7,961,872</u>	<u>\$ 3,280,850</u>	<u>\$ -</u>	<u>\$ (1,466,409)</u>	<u>\$ 9,776,313</u>

During fiscal year 2013, the IDB purchased property consisting of land and buildings from the City of Auburn, and subsequently sold the property under capital lease to an industry locating in Auburn.

**NOTE 9. PROPERTY TAXES**

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

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

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 10. CAPITAL ASSETS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 10/1/2012	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,467,333	\$ 1,317,523	\$ (116,826)	\$ 16,668,030
Construction in progress	<u>2,572,494</u>	<u>9,390,066</u>	<u>(6,886,587)</u>	<u>5,075,973</u>
Total capital assets, not being depreciated	<u>18,039,827</u>	<u>10,707,589</u>	<u>(7,003,413)</u>	<u>21,744,003</u>
Capital assets, being depreciated:				
Buildings and improvements	39,052,672	4,350,262	(1,705,531)	41,697,403
Communication equipment	370,078	5,674	-	375,752
Heavy equipment	2,509,635	100,435	(123,476)	2,486,594
Office equipment	3,192,396	145,545	(31,965)	3,305,976
Small tools and equipment	1,025,023	224,074	(219,343)	1,029,754
Vehicles	7,625,639	854,349	(237,981)	8,242,007
Infrastructure	<u>131,265,689</u>	<u>2,677,797</u>	<u>(512,495)</u>	<u>133,430,991</u>
Total capital assets, being depreciated	<u>185,041,132</u>	<u>8,358,136</u>	<u>(2,830,791)</u>	<u>190,568,477</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,715,599)	(1,012,575)	240,522	(12,487,652)
Communication equipment	(253,248)	(38,606)	-	(291,854)
Heavy equipment	(1,651,259)	(158,732)	118,334	(1,691,657)
Office equipment	(2,506,420)	(292,803)	31,263	(2,767,960)
Small tools and equipment	(835,489)	(92,430)	201,478	(726,441)
Vehicles	(6,040,598)	(533,648)	226,020	(6,348,226)
Infrastructure	<u>(54,979,388)</u>	<u>(2,957,912)</u>	<u>180,516</u>	<u>(57,756,784)</u>
Total accumulated depreciation	<u>(77,982,001)</u>	<u>(5,086,706)</u>	<u>998,133</u>	<u>(82,070,574)</u>
Total capital assets, being depreciated, net	<u>107,059,131</u>	<u>3,271,430</u>	<u>(1,832,658)</u>	<u>108,497,903</u>
Governmental activities capital assets, net	<u>\$ 125,098,958</u>	<u>\$ 13,979,019</u>	<u>\$ (8,836,071)</u>	<u>\$ 130,241,906</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 10. CAPITAL ASSETS - CONTINUED**

Capital asset activity for the City's business-type activities for the year ended September 30, 2013, was as follows:

	Balance 10/1/2012	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2013
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>8,020,334</u>	<u>2,907,955</u>	<u>(10,600,528)</u>	<u>327,761</u>
Total capital assets, not being depreciated	<u>8,184,960</u>	<u>2,907,955</u>	<u>(10,600,528)</u>	<u>492,387</u>
Capital assets, being depreciated:				
Buildings and improvements	10,570,589	7,663,661	-	18,234,250
Sewage plants and lines	68,113,311	3,926,815	(36,166)	72,003,960
Machinery and equipment	1,508,350	344,477	(309,500)	1,543,327
Small tools and equipment	7,200	-	-	7,200
Vehicles	<u>3,338,083</u>	<u>273,409</u>	<u>(19,903)</u>	<u>3,591,589</u>
Total capital assets, being depreciated	<u>83,537,533</u>	<u>12,208,362</u>	<u>(365,569)</u>	<u>95,380,326</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,366,610)	(1,121)	-	(2,367,731)
Sewage plants and lines	(11,390,979)	(1,571,923)	36,166	(12,926,736)
Machinery and equipment	(931,979)	(110,991)	309,500	(733,470)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	<u>(2,309,935)</u>	<u>(321,803)</u>	<u>19,903</u>	<u>(2,611,835)</u>
Total accumulated depreciation	<u>(17,006,703)</u>	<u>(2,005,838)</u>	<u>365,569</u>	<u>(18,646,972)</u>
Total capital assets, being depreciated, net	<u>66,530,830</u>	<u>10,202,524</u>	<u>-</u>	<u>76,733,354</u>
Business-type activities capital assets, net	<u>\$ 74,715,790</u>	<u>\$ 13,110,479</u>	<u>\$ (10,600,528)</u>	<u>\$ 77,225,741</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, 2013, the City incurred interest costs of \$2,198,388; total interest expense was \$1,792,930, and interest cost of \$405,458 was capitalized in connection with the cost of construction in progress.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 10. CAPITAL ASSETS - CONTINUED**

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

Governmental activities:	
General government and administration	\$ 279,505
Public works	3,142,258
Environmental services	109,489
Public safety	737,378
Library	158,858
Parks and recreation	613,524
Economic development	6,119
Employee services	<u>39,575</u>
Total depreciation expense - governmental activities	<u>\$ 5,086,706</u>
Business-type activities:	
Sewer revenue fund	\$ 1,679,497
Solid waste management fund	<u>326,341</u>
Total depreciation expense - business-type activities	<u>\$ 2,005,838</u>

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

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 10/1/2012	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,859,215	\$ -	\$ -	\$ 8,859,215
Construction in progress	<u>7,181,230</u>	<u>657,516</u>	<u>(7,181,230)</u>	<u>657,516</u>
Total capital assets, not being depreciated	<u>16,040,445</u>	<u>657,516</u>	<u>(7,181,230)</u>	<u>9,516,731</u>
Capital assets, being depreciated:				
Land improvements	3,521,335	77,634	-	3,598,969
Buildings and improvements	92,288,027	12,252,166	-	104,540,193
Furniture, equipment and vehicles	7,986,501	1,031,677	(253,309)	8,764,869
Equipment under capital lease	<u>1,876,579</u>	<u>1,904,630</u>	<u>-</u>	<u>3,781,209</u>
Total capital assets, being depreciated	<u>105,672,442</u>	<u>15,266,107</u>	<u>(253,309)</u>	<u>120,685,240</u>
Less accumulated depreciation for:				
Land improvements	(2,477,618)	(109,987)	-	(2,587,605)
Buildings and improvements	(22,817,503)	(2,439,118)	-	(25,256,621)
Furniture, equipment and vehicles	<u>(5,247,460)</u>	<u>(1,241,006)</u>	<u>239,769</u>	<u>(6,248,697)</u>
Total accumulated depreciation	<u>(30,542,581)</u>	<u>(3,790,111)</u>	<u>239,769</u>	<u>(34,092,923)</u>
Total capital assets, being depreciated, net	<u>75,129,861</u>	<u>11,475,996</u>	<u>(13,540)</u>	<u>86,592,317</u>
Total governmental activities capital assets, net	<u>\$ 91,170,306</u>	<u>\$ 12,133,512</u>	<u>\$ (7,194,770)</u>	<u>\$ 96,109,048</u>



## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 10. CAPITAL ASSETS - CONTINUED**

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

Governmental activities:	
Instruction	\$ 3,221,210
Instructional support	5,889
Operation and maintenance	40,886
Auxiliary services	
Student transportation services	332,019
Food services	189,849
General administrative services	258
Total depreciation expense - governmental activities	<u>\$ 3,790,111</u>

**Water Works Board**

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Balance</u> <u>10/1/2012</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance</u> <u>9/30/2013</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,401,875	\$ -	\$ (10,710)	\$ 1,391,165
Construction in progress	<u>721,779</u>	<u>4,274,681</u>	<u>(4,144,114)</u>	<u>852,346</u>
Total capital assets, not being depreciated	<u>2,123,654</u>	<u>4,274,681</u>	<u>(4,154,824)</u>	<u>2,243,511</u>
Capital assets, being depreciated:				
Utility system and plant	65,476,782	5,407,171	(1,272,942)	69,611,011
Buildings and improvements	5,665,589	10,373	-	5,675,962
Office equipment	610,013	73,121	(144,768)	538,366
Mobile equipment	907,750	21,902	(39,575)	890,077
Tools	319,594	11,908	(5,477)	326,025
Water rights	<u>4,504,701</u>	<u>-</u>	<u>(4,504,701)</u>	<u>-</u>
Total capital assets, being depreciated	<u>77,484,429</u>	<u>5,524,475</u>	<u>(5,967,463)</u>	<u>77,041,441</u>
Less accumulated depreciation for:				
Utility system and plant	(20,565,571)	(1,360,313)	1,060,902	(20,864,982)
Buildings and improvements	(1,557,929)	(227,152)	-	(1,785,081)
Office equipment	(414,153)	(73,036)	143,283	(343,906)
Mobile equipment	(675,377)	(54,319)	37,127	(692,569)
Tools	(279,495)	(15,372)	2,132	(292,735)
Water rights	<u>(4,391,733)</u>	<u>(112,968)</u>	<u>4,504,701</u>	<u>-</u>
Total accumulated depreciation	<u>(27,884,258)</u>	<u>(1,843,160)</u>	<u>5,748,145</u>	<u>(23,979,273)</u>
Total capital assets, being depreciated, net	<u>49,600,171</u>	<u>3,681,315</u>	<u>(219,318)</u>	<u>53,062,168</u>
Business-type activity capital assets, net	<u>\$ 51,723,825</u>	<u>\$ 7,955,996</u>	<u>\$ (4,374,142)</u>	<u>\$ 55,305,679</u>

It is the AWWB's policy to capitalize net interest costs on funds borrowed to finance the construction of fixed assets. For the year ended September 30, 2013, the AWWB incurred interest costs of \$838,046; total interest expense was \$753,345, and interest cost of \$84,701 was capitalized in connection with the cost of construction in progress.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Balance</u> <u>10/1/2012</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance</u> <u>9/30/2013</u>
Capital assets, not being depreciated:				
Land	\$ 5,681,885	\$ 19,297	\$ -	\$ 5,701,182
Construction in progress	<u>3,432,180</u>	<u>6,671,112</u>	<u>(4,948,726)</u>	<u>5,154,566</u>
Total capital assets, not being depreciated	<u>9,114,065</u>	<u>6,690,409</u>	<u>(4,948,726)</u>	<u>10,855,748</u>
Capital assets, being depreciated:				
Buildings	39,444,298	-	4,883,543	44,327,841
Building improvements	3,487,063	128,794	-	3,615,857
Land improvements	1,582,164	6,325	-	1,588,489
Equipment	519,779	7,298	-	527,077
Vehicles	<u>92,623</u>	<u>31,590</u>	<u>-</u>	<u>124,213</u>
Total capital assets, being depreciated	<u>45,125,927</u>	<u>174,007</u>	<u>4,883,543</u>	<u>50,183,477</u>
Accumulated depreciation				
Buildings	(5,445,957)	(836,111)	-	(6,282,068)
Building improvements	(378,100)	(80,530)	-	(458,630)
Land improvements	(485,217)	(53,447)	-	(538,664)
Equipment	(459,076)	(23,112)	-	(482,188)
Vehicles	<u>(92,627)</u>	<u>(2,896)</u>	<u>-</u>	<u>(95,523)</u>
Total accumulated depreciation	<u>(6,860,977)</u>	<u>(996,096)</u>	<u>-</u>	<u>(7,857,073)</u>
Total capital assets, being depreciated, net	<u>38,264,950</u>	<u>(822,089)</u>	<u>4,883,543</u>	<u>42,326,404</u>
Total capital assets, net	<u>\$ 47,379,015</u>	<u>\$ 5,868,320</u>	<u>\$ (65,183)</u>	<u>\$ 53,182,152</u>

It is the IDB's policy to capitalize net interest costs on funds borrowed to finance construction. For the year ended September 30, 2013, the IDB incurred interest costs of \$2,044,762; total interest expense was \$1,939,432, and interest costs of \$105,330 were capitalized in connection with construction of buildings owned by the IDB and held for leasing.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Balance 10/1/2012</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2013</u>
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,255,822	\$ 59,845	\$ -	\$ 7,315,667
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>7,357,379</u>	<u>59,845</u>	<u>-</u>	<u>7,417,224</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,477,100)	(290,687)	-	(1,767,787)
Machinery and equipment	(25,316)	(7,442)	-	(32,758)
Vehicles	<u>(36,882)</u>	<u>(9,221)</u>	<u>-</u>	<u>(46,103)</u>
Total accumulated depreciation	<u>(1,539,298)</u>	<u>(307,350)</u>	<u>-</u>	<u>(1,846,648)</u>
Total capital assets, being depreciated, net	<u>5,818,081</u>	<u>(247,505)</u>	<u>-</u>	<u>5,570,576</u>
Business-type activity capital assets, net	<u>\$ 5,818,081</u>	<u>\$ (247,505)</u>	<u>\$ -</u>	<u>\$ 5,570,576</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

**NOTE 10. CAPITAL ASSETS - CONTINUED**

**Housing Authority**

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance 7/1/2012</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 6/30/2013</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 715,546	\$ -	\$ 105,123	\$ 820,669
Construction in progress	<u>4,056,365</u>	<u>310,579</u>	<u>(634,415)</u>	<u>3,732,529</u>
Total capital assets, not being depreciated	<u>4,771,911</u>	<u>310,579</u>	<u>(529,292)</u>	<u>4,553,198</u>
Capital assets, being depreciated:				
Buildings and improvements	16,950,436	-	539,375	17,489,811
Furniture and equipment	<u>418,895</u>	<u>58,058</u>	<u>(86,561)</u>	<u>390,392</u>
Total capital assets, being depreciated	<u>17,369,331</u>	<u>58,058</u>	<u>452,814</u>	<u>17,880,203</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,811,502)	(464,187)	-	(10,275,689)
Furniture and equipment	<u>(290,029)</u>	<u>(22,198)</u>	<u>75,833</u>	<u>(236,394)</u>
Total accumulated depreciation	<u>(10,101,531)</u>	<u>(486,385)</u>	<u>75,833</u>	<u>(10,512,083)</u>
Total capital assets, being depreciated, net	<u>7,267,800</u>	<u>(428,327)</u>	<u>528,647</u>	<u>7,368,120</u>
Business-type activity capital assets, net	<u>\$ 12,039,711</u>	<u>\$ (117,748)</u>	<u>\$ (645)</u>	<u>\$ 11,921,318</u>

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

**NOTE 11. LONG-TERM LIABILITIES**

**CITY OF AUBURN PRIMARY GOVERNMENT**

**Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2013, was as follows:

	<u>Balance</u> <u>10/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 23,950,000	\$ -	\$ (3,295,000)	\$ 20,655,000	\$ 3,495,000
General obligation warrants	117,170,139	5,525,000	(9,206,691)	113,488,448	9,509,011
Add: bond issue premiums	<u>6,945,954</u>	<u>-</u>	<u>(525,120)</u>	<u>6,420,834</u>	<u>-</u>
Total bonds and warrants payable	148,066,093	5,525,000	(13,026,811)	140,564,282	13,004,011
Accumulated annual leave	2,500,381	223,064	(408,123)	2,315,322	195,706
Claims payable	338,135	199,591	(256,393)	281,333	34,526
Landfill closure and postclosure care liability	161,000	-	(7,000)	154,000	7,000
Other postemployment benefits liability	<u>222,424</u>	<u>116,495</u>	<u>-</u>	<u>338,919</u>	<u>-</u>
Governmental activity long-term liabilities	<u>151,288,033</u>	<u>6,064,150</u>	<u>(13,698,327)</u>	<u>143,653,856</u>	<u>13,241,243</u>
Business-type activities:					
General obligation warrants payable					
	48,950,000	-	(2,110,000)	46,840,000	2,140,000
Add: warrant issue premiums	1,449,327	-	(93,673)	1,355,654	-
Less: warrant issue discounts	<u>(69,043)</u>	<u>-</u>	<u>3,262</u>	<u>(65,781)</u>	<u>-</u>
Total warrants payable	50,330,284	-	(2,200,411)	48,129,873	2,140,000
Accumulated annual leave	155,858	10,291	(2,345)	163,804	13,104
Other postemployment benefits liability	<u>32,318</u>	<u>17,608</u>	<u>-</u>	<u>49,926</u>	<u>-</u>
Business-type activity long-term liabilities	<u>50,518,460</u>	<u>27,899</u>	<u>(2,202,756)</u>	<u>48,343,603</u>	<u>2,153,104</u>
Total primary government long-term liabilities	<u>\$ 201,806,493</u>	<u>\$ 6,092,049</u>	<u>\$ (15,901,083)</u>	<u>\$ 191,997,459</u>	<u>\$ 15,394,347</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.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

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

Bonds and warrants payable of the City of Auburn at September 30, 2013, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2013	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)	2.2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 9,905,000	\$ 2,140,000	2016
General obligation bonds, Dated 1/1/07 (Library, Tennis Center)	3.5%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	5,200,000	3,325,000	2021
General obligation bonds, Dated 7/1/09 ('09 Capital Projects)	2%-4%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	9,000,000	6,415,000	2021
General obligation bonds, Dated 5/1/12 ('12 Capital Projects)	2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	4,000,000	3,750,000	2024
General obligation refunding bonds, Dated 8/1/12 (Refund '98, '99, '02, and '05 bonds) ( '98 bonds - S. College Imp.; '99 bonds - Library, Watson Complex; '02 bonds - Soccer, Town Creek; '05 bonds - '05 Projects)	2%-5%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	6,180,000	5,025,000	2021
Total bonds payable				<u>34,285,000</u>	<u>20,655,000</u>	

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

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

Warrants payable:	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2013	Year of Final Principal Maturity
General obligation warrants						
Dated 12/23/03 (Infrastructure improvements)	3.93%	Monthly	Full faith credit and taxing power of the City of Auburn	6,300,000	189,960	2013
General obligation warrants						
Dated 08/01/05 (School expansion)	3.125%-5%	2/1-8/1	Special School Tax Fund ad valorem taxes	33,010,000	11,205,000	2035
General obligation warrants						
Dated 11/28/05 (West Tech Park)	3.66%	Monthly	Full faith credit and taxing power of the City of Auburn	6,000,000	955,527	2014
General obligation warrants						
Dated 02/09/06 (AU Research Park)	4.08%	Monthly	Full faith credit and taxing power of the City of Auburn	5,000,000	913,477	2015
General obligation warrants						
Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	2,734,461	2026
General obligation warrants Dated 5/27/08 (Refund 2000 Wts, 2002 Wts & LOC; Land)						
(2000 Wts - Salmon Prop; 2002 Wts - Drainage, streets, LOC - West Tech Park Improvements)	3.53%	Monthly	Full faith credit and taxing power of the City of Auburn	4,211,050	783,149	2015
General obligation warrants						
Dated 5/29/08 (Refund 2005 Mall Warrants)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,657,050	4,609,549	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	4,685,665	2018
General obligation warrants						
Dated 10/10/08 (Samford Avenue extension)	4.10%	Monthly	Full faith credit and taxing power of the City of Auburn	2,031,270	629,456	2015
General obligation warrants						
Dated 12/19/08 (Auburn HS renovations)	4.76%	Monthly	Special School Tax Fund ad valorem taxes	8,500,000	7,089,340	2028
General obligation refunding school warrants, Dated 6/1/10 (Refund 2002 School Warrants)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,020,000	23,745,000	2026
General obligation warrants						
Dated 7/27/10 (Refund IDB 2000-A Bonds)	2.90%	Monthly	Full faith credit and taxing power of the City of Auburn	3,010,000	2,173,728	2020
General obligation warrants						
Dated 7/27/10 (Refund IDB 2004-A Bonds)	4.84%	Monthly	Full faith credit and taxing power of the City of Auburn	10,275,000	8,581,744	2024

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

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

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2013	Year of Final Principal Maturity
General obligation warrants Dated 8/20/10 (Purch Bldg - 155 AL St.)	3.03%	Monthly	Full faith credit and taxing power of the City of Auburn	1,870,000	1,465,467	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	17,350,755	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	1,646,190	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	1,550,000	2019
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	5,099,981	2022
Total warrants payable				<u>174,108,470</u>	<u>113,488,449</u>	
Total governmental activity bonds and warrants payable				<u>208,393,470</u>	<u>134,143,449</u>	
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	23,065,000	2034
General obligation warrants Dated 9/1/09 (Partial refund 2001 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	8,530,000	2032
Total business type activity warrants payable				<u>50,645,000</u>	<u>46,840,000</u>	
Total bonds and warrants payable				<u>\$ 259,038,470</u>	<u>\$ 180,983,449</u>	



CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

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

The following schedule shows debt service to maturity for bonds and warrants payable of the City of Auburn at September 30, 2013:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity					
	Principal	Interest	Total	Bonds and Warrants Payable			Warrants Payable					
				Payable from			Principal			Interest		
				General Governmental	Issues	Total	Principal	Interest	Requirements	Principal	Interest	Requirements
2014	\$ 15,144,011	\$ 7,403,451	\$ 22,547,462	\$ 13,004,011	\$ 5,259,758	\$ 18,263,769	\$ 2,140,000	\$ 2,143,693	\$ 4,283,693			
2015	13,952,556	6,880,211	20,832,767	11,747,556	4,799,393	16,546,949	2,205,000	2,080,818	4,285,818			
2016	13,135,833	6,336,018	19,471,851	10,820,833	4,350,950	15,171,783	2,315,000	1,985,068	4,300,068			
2017	12,343,635	5,807,079	18,150,714	9,863,635	3,934,755	13,798,390	2,480,000	1,872,324	4,352,324			
2018	12,311,063	5,276,060	17,587,123	9,711,063	3,525,805	13,236,868	2,600,000	1,750,255	4,350,255			
2019	11,157,249	4,789,420	15,946,669	8,427,249	3,170,065	11,597,314	2,730,000	1,619,355	4,349,355			
2020	11,304,695	4,312,204	15,616,899	8,439,695	2,830,274	11,269,969	2,865,000	1,481,930	4,346,930			
2021	11,418,013	3,828,140	15,246,153	8,428,013	2,477,272	10,905,285	2,990,000	1,350,868	4,340,868			
2022	10,104,044	3,373,800	13,477,844	6,989,044	2,145,682	9,134,726	3,115,000	1,228,118	4,343,118			
2023	9,633,320	2,966,864	12,600,184	6,388,320	1,870,590	8,258,910	3,245,000	1,096,274	4,341,274			
2024	9,867,828	2,548,716	12,416,544	6,487,828	1,593,608	8,081,436	3,380,000	955,108	4,335,108			
2025	6,752,299	2,184,082	8,936,381	5,367,299	1,337,471	6,704,770	1,385,000	846,611	2,231,611			
2026	7,054,089	1,874,929	8,929,018	5,599,089	1,101,868	6,700,957	1,455,000	773,061	2,228,061			
2027	4,639,964	1,551,617	6,191,581	3,109,964	855,756	3,965,720	1,530,000	695,861	2,225,861			
2028	4,682,050	1,339,335	6,021,385	3,067,050	724,705	3,791,755	1,615,000	614,630	2,229,630			
2029	4,384,872	1,136,913	5,521,785	2,684,872	609,739	3,294,611	1,700,000	527,174	2,227,174			
2030	4,546,123	972,435	5,518,558	2,761,123	531,239	3,292,362	1,785,000	441,196	2,226,196			
2031	4,803,254	800,227	5,603,481	2,928,254	450,508	3,378,762	1,875,000	349,719	2,224,719			
2032	4,303,551	596,688	4,900,239	2,328,551	345,594	2,674,145	1,975,000	251,094	2,226,094			
2033	3,590,000	409,157	3,999,157	1,910,000	262,063	2,172,063	1,680,000	147,094	1,827,094			
2034	3,770,000	228,422	3,998,422	1,995,000	178,500	2,173,500	1,775,000	49,922	1,824,922			
2035	2,085,000	91,219	2,176,219	2,085,000	91,219	2,176,219	-	-	-			
<b>Total</b>	<b>\$ 180,983,449</b>	<b>\$ 64,706,987</b>	<b>\$ 245,690,436</b>	<b>\$ 134,143,449</b>	<b>\$ 42,446,814</b>	<b>\$ 176,590,263</b>	<b>\$ 46,840,000</b>	<b>\$ 22,260,173</b>	<b>\$ 69,100,173</b>			

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

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

On November 9, 2012, the City issued its \$5,525,000 General Obligation Capital Improvement Warrant to finance infrastructure development in the Auburn Technology Park West.

In prior years, the government defeased various general obligation bonds and warrants by placing the proceeds of the new bonds or warrants in an irrevocable trust account to provide for all future debt service payments on the old bonds and warrants. Accordingly, the trust account assets and the liabilities for the defeased bonds and warrants are not included in the government's financial statements. At September 30, 2013, \$42,680,000 of defeased bonds and warrants remain outstanding.

**COMPONENT UNITS**

**Water Works Board**

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Balance 10/1/2012	Additions	Reductions	Balance 9/30/2013	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2010 issue	\$ 20,300,000	\$ -	\$ (660,000)	\$ 19,640,000	\$ 675,000
Add: bond issue premiums	1,065,787	-	(54,193)	1,011,594	-
	<u>21,365,787</u>	<u>-</u>	<u>(714,193)</u>	<u>20,651,594</u>	<u>675,000</u>
Accumulated annual leave	97,768	4,744	(6,320)	96,192	-
Other postemployment benefits liability	20,278	7,565	-	27,843	-
	<u>118,046</u>	<u>12,309</u>	<u>(6,320)</u>	<u>124,035</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 21,483,833</u>	<u>\$ 12,309</u>	<u>\$ (720,513)</u>	<u>\$ 20,775,629</u>	<u>\$ 675,000</u>

Bonds payable at September 30, 2013, 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.

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2013, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2013	Year of Final Principal Maturity
Business type activities						
Bonds payable:						
Capital improvement bonds, Dated 06/01/10	3.0% to 5.0%	3/1-9/1	Revenues	<u>\$ 21,595,000</u>	<u>\$ 19,640,000</u>	2032

The following schedule shows debt service to maturity for bonds payable of the Water Works Board of the City of Auburn at September 30, 2013:

Year ending September 30	Principal	Interest	Total
2014	\$ 675,000	\$ 874,088	\$ 1,549,088
2015	710,000	840,338	1,550,338
2016	735,000	819,038	1,554,038
2017	770,000	782,288	1,552,288
2018	810,000	743,788	1,553,788
2019-2023	4,635,000	3,120,800	7,755,800
2024-2028	5,685,000	2,070,000	7,755,000
2029-2032	<u>5,620,000</u>	<u>586,750</u>	<u>6,206,750</u>
Total	<u>\$ 19,640,000</u>	<u>\$ 9,837,090</u>	<u>\$ 29,477,090</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, 2013.

**Industrial Development Board**

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Balance 10/1/2012	Additions	Reductions	Balance 9/30/2013	Due Within One Year
Long-term notes payable	\$ 25,418,882	\$ 6,547,636	\$ (1,120,393)	\$ 30,846,125	\$ 2,068,407
Short term notes payable	2,252,810	11,891,264	(4,747,136)	9,396,938	9,396,938
Bonds payable	<u>5,060,000</u>	-	<u>(220,000)</u>	<u>4,840,000</u>	<u>235,000</u>
Total	<u>\$ 32,731,692</u>	<u>\$ 18,438,900</u>	<u>\$ (6,087,529)</u>	<u>\$ 45,083,063</u>	<u>\$ 11,700,345</u>

Short-term notes were issued to finance construction costs for improvements to property held for resale and buildings held for leasing prior to obtaining permanent financing, and for short-term financing for a new industry locating in Auburn.

CITY OF AUBURN, ALABAMA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Bonds payable

Bonds payable at September 30, 2013 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, 2014. The City intends to fund the appropriations through additional tax revenues derived from future industrial recruitment. The Appropriation Agreement has been assigned and pledged by the Industrial Development Board as security for the bonds.

The bonds mature on July 1, 2026, and bear interest at a variable rate determined weekly by the IDB's remarketing agent, The Frazer Lanier Company, Inc., with the interest payable in arrears on the first business day of the following month. The rate is the lowest rate that would, in the opinion of the remarketing agent, result in the market value of the bonds being 100% of the purchase price on the date of determination, with a maximum rate of 10% per annum. This method was used beginning on September 22, 2011, the date the bonds were remarketed. The weighted average interest rate for fiscal year 2013 was 0.194%. Interest incurred for the fiscal year amounted to \$293,315.

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, 2014. 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, 2015. 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>	
2014	\$ 235,000
2015	<u>4,605,000</u>
	<u>\$ 4,840,000</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.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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>
2014	\$ 235,000
2015	255,000
2016	270,000
2017	290,000
2018	315,000
2019	335,000
2020	360,000
2021	385,000
2022	415,000
2023	445,000
2024	475,000
2025	510,000
2026	<u>550,000</u>
Total	<u>\$ 4,840,000</u>

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2013, using the variable interest rate in effect on the last day of the fiscal year (0.18%):

<u>Fiscal Year</u>	<u>Series 2006-A</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 235,000	\$ 8,641	\$ 243,641
2015	255,000	8,212	263,212
2016	270,000	7,749	277,749
2017	290,000	7,257	297,257
2018	315,000	6,727	321,727
2019	335,000	6,154	341,154
2020	360,000	5,544	365,544
2021	385,000	4,888	389,888
2022	415,000	4,186	419,186
2023	445,000	3,430	448,430
2024	475,000	2,620	477,620
2025	510,000	1,755	511,755
2026	<u>550,000</u>	<u>825</u>	<u>550,825</u>
Total	<u>\$ 4,840,000</u>	<u>\$ 67,988</u>	<u>\$ 4,907,988</u>

*Swap payments and associated debt* – With respect to the Series 2006-A bonds, the IDB entered into an interest rate swap agreement with Allied Irish Bank to hedge the changes in cash flows on the variable-rate bonds (see Note 5). Using rates as of September 30, 2013, 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.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Fiscal Year	Series 2006-A Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2014	\$ 235,000	\$ 8,641	\$ 273,207	\$ 516,848
2015	255,000	8,212	259,643	522,855
2016	270,000	7,749	244,988	522,737
2017	290,000	7,257	229,433	526,690
2018	315,000	6,727	212,691	534,418
2019	335,000	6,154	194,574	535,728
2020	360,000	5,544	175,272	540,816
2021	385,000	4,888	154,547	544,435
2022	415,000	4,186	102,317	521,503
2023	445,000	3,430	-	448,430
2024	475,000	2,620	-	477,620
2025	510,000	1,755	-	511,755
2026	550,000	825	-	550,825
Total	<u>\$ 4,840,000</u>	<u>\$ 67,988</u>	<u>\$ 1,846,672</u>	<u>\$ 6,754,660</u>

Long-term notes payable

Notes payable of the IDB at September 30, 2013, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/13	Year of Final Principal Maturity
AuburnBank	5.000%	Monthly	\$ 8,670,000	\$ 6,371,306	2019
AuburnBank	6.000%	Monthly	1,556,795	1,460,121	2017
AuburnBank	6.470%	Monthly	300,000	255,720	2016
AuburnBank	6.000%	Monthly	1,079,500	850,039	2015
AuburnBank	5.670%	Monthly	3,144,057	3,065,995	2018
AuburnBank	6.000%	Monthly	2,146,000	2,042,573	2017
AuburnBank	6.000%	Monthly	1,290,000	1,066,163	2017
AuburnBank	4.500%	Monthly	3,026,000	2,792,467	2018
AuburnBank	4.500%	Monthly	2,274,000	2,147,917	2017
AuburnBank	6.470%	Monthly	1,025,000	843,379	2017
AuburnBank	6.000%	Monthly	1,955,000	1,865,249	2017
AuburnBank	5.000%	Monthly	2,380,000	2,114,896	2019
AuburnBank	6.470%	Monthly	491,000	458,298	2017
AuburnBank	6.470%	Monthly	825,000	734,696	2014
AuburnBank	6.000%	Monthly	165,250	165,250	2019
Aliant Bank	5.500%	Monthly	2,656,136	2,586,063	2018
Compass Bank	6.250%	Monthly	644,692	307,761	2016
City of Auburn	3.030%	Monthly	1,800,000	1,718,232	2023
Total notes payable			<u>\$ 35,428,430</u>	<u>\$ 30,846,125</u>	

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

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

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

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2013:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2014	\$ 2,068,407	\$ 1,566,985	\$ 3,635,392
2015	2,211,412	1,487,292	3,698,704
2016	1,667,045	1,380,090	3,047,135
2017	9,685,476	973,913	10,659,389
2018	7,808,847	520,835	8,329,682
2019	6,710,399	52,080	6,762,479
2020	189,662	19,126	208,788
2021	195,625	13,163	208,788
2022	201,720	7,068	208,788
2023	107,532	1,235	108,767
Total	<u>\$ 30,846,125</u>	<u>\$ 6,021,787</u>	<u>\$ 36,867,912</u>

**Housing Authority**

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

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

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

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

Year ending June 30	Principal	Balance Due
2014	\$ 75,000	\$1,350,000
2015	75,000	1,275,000
2016	75,000	1,200,000
2017	75,000	1,125,000
2018	75,000	1,050,000
2019-2023	375,000	675,000
2024-2028	375,000	300,000
2029-2032	300,000	-
Total	<u>\$1,425,000</u>	

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 12. UNEARNED PROGRAM REVENUE**

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2013, totaled \$295,919.

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, 2013, totaled \$1,383,718.

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

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

Under the terms of the Loan Guarantee Assistance Contract, the monies received from HUD were loaned to the Auburn Housing Authority for the purpose of refurbishing a public housing complex. When the City made this loan, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loan made under this program is for a period of 20 years and the Auburn Housing Authority will make annual principal payments of \$75,000 beginning in July of 2013. At that time, unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The loans outstanding at September 30, 2013, totaled \$1,428,101, of which \$1,350,000 is listed as advances to component units.

**NOTE 13. LEASE AGREEMENTS****COMPONENT UNITS****Industrial Development Board**

Description of leasing arrangements - The IDB's leasing activities consist of the leasing of industrial space in facilities owned by the IDB (operating leases) and sales-type capital leases to various industries for land, buildings and/or equipment located in the IDB's industrial parks. The operating leases expire over the next fourteen years and the capital leases expire over the next twenty-three 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, 2013, was \$5,701,182 and \$44,327,841, respectively; accumulated depreciation on the buildings was \$6,282,068. Rents received during 2013 were \$3,437,584. The sixteen leases in effect at September 30, 2013, were noncancelable. One lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term; the lease provides for automatic one-year renewal terms ending on June 1, 2015, and annual minimum rentals of \$24,000.



## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 13. LEASE AGREEMENTS - CONTINUED**

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. In September 2011, the lease was further amended to conform to the terms of the amended trust agreement related to the Series 2006-A bonds (see Note 11). Pursuant to the terms of an interest rate swap (see Note 5), rentals due under the lease were changed in 2009 to variable amounts equal to the total debt service on the Series 2006-A bonds, including certain fees related to the debt, and payments due under the rate swap agreement. The lease was further amended in 2013 to incorporate an additional expansion. Because the debt service payments are based on variable rates and include payments due under the swap, rental amounts included in the following schedule are calculated using rates in effect as of September 30, 2013.

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, 2013:

<u>Fiscal Year</u>	
2014	\$ 3,381,812
2015	3,299,793
2016	3,212,891
2017	3,065,503
2018	2,866,084
2019	1,845,884
2020	1,692,789
2021	1,689,071
2022	1,205,522
2023	972,190
2024 and thereafter	<u>1,283,494</u>
Total	<u>\$ 24,515,033</u>

Capital leases

- A. The IDB has leased, under capital leases, twelve parcels of land located in its Industrial Parks. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2014 to 2035, and several of the leases provide for renewal terms. No lease payments were received in fiscal year 2013, and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal. See Note 29 for disclosures pertaining to leases involving related parties.
- B. The IDB has two sales-type capital leases. One involves manufacturing equipment with a lease term expiring in 2016. The other involves land and buildings in the Auburn Industrial Park with a lease term expiring in 2023. The components of the net investment in sales-type capital leases at September 30, 2013 are as follows:

Total minimum lease payments to be received	\$ 2,371,680
Less: unearned income	<u>(323,744)</u>
Net investment in capital lease	<u>\$ 2,047,936</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 13. LEASE AGREEMENTS - CONTINUED**

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

Fiscal Year		
2014	\$	341,899
2015		341,899
2016		295,619
2017		211,483
2018		211,483
2019		211,483
2020		211,483
2021		211,483
2022		211,483
2023		<u>123,365</u>
Total	\$	<u>2,371,680</u>

- C. The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. Eight of the operating leases are non-cancelable and two are cancelable with 120 days notice. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during fiscal year 2013 were \$90,243. As of September 30, 2013, seven of the non-cancelable leases expire within one year and one expires in 2015. One cancelable lease expires in 2016, and the other one expires in 2017. Future minimum rentals due under the noncancelable leases are as follows:

Fiscal Year		
2014	\$	13,590
2015		<u>335</u>
Total	\$	<u>13,925</u>

**NOTE 14. DEFINED BENEFIT PENSION PLANS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

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

*Funding Policy.* Covered employees are required by State statute to contribute 7.50% of their salaries/wages to the System. The City is required by the same statute to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by the statute. The City's contribution rate for the year-ended September 30, 2013, was 10.17% of covered payroll.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

*Annual Pension Cost.* The City's annual pension cost of \$2,387,958 was equal to the City's required and actual contributions. In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/10	\$ 2,075,866	100%	\$0
9/30/11	\$ 2,328,028	100%	\$0
9/30/12	\$ 2,286,330	100%	\$0

The required contribution was determined as part of the September 30, 2012, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 8.0%, b) projected annual rate of salary increases ranging from 3.75% to 7.25%, based on age, and c) no cost-of-living adjustments. Both a) and b) included an inflation component of 3.00%. The actuarial value of the plan's assets was determined using the 5-year smoothed market value of investments. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2012, was 28 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

*Funded Status and Funding Progress.* As of September 30, 2012, the most recent actuarial valuation date, the plan was 62.4% funded. The actuarial accrued liability for benefits was \$72,579,218 and the actuarial value of assets was \$45,277,566, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,301,752. The covered payroll (annual payroll of active employees covered by the plan) was \$22,074,093, and the ratio of the UAAL to the covered payroll was 123.7%.

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

Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability (AAL) - Entry Age (b)**	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ( (b - a)/c )
9/30/10 <sup>a</sup>	\$ 44,619,638	\$ 72,941,848	\$ 28,322,210	61.2%	\$ 23,588,767	120.1%
9/30/11 <sup>c</sup>	\$ 44,730,894	\$ 74,290,173	\$ 29,559,279	60.2%	\$ 23,034,488	128.3%
9/30/12 <sup>d</sup>	\$ 45,277,566	\$ 72,317,578	\$ 27,040,012	62.6%	\$ 22,074,093	122.5%
9/30/12 <sup>b,d</sup>	\$ 45,277,566	\$ 72,579,318	\$ 27,301,752	62.4%	\$ 22,074,093	123.7%

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

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

<sup>a</sup> Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

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

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

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

Effective January 1, 2013, new members are classified as Tier 2 participants. Benefits for Tier 2 participants vest after 10 years of creditable service. A member is eligible to retire at age 62 with 10 years of creditable service. Under the retirement benefit formula, retirees are allowed 1.65% of their average final salary (best five of the last ten years) for each year of service. The retirement benefit cannot exceed 80% of the average final salary. Disability retirement benefits and pre-retirement death benefits are calculated in the same manner at Tier 1 participants.

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

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

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

Fiscal year ended September 30,	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Contributions:</b>			
<b>Tier 1</b>			
Percentage contributed by the Board	10.08%	10.00%	12.51%
Percentage contributed by the employees	7.50%	7.25%	5.00%
Total percentage of covered payroll	17.58%	17.25%	17.51%
<b>Tier 2</b>			
Percentage contributed by the Board	9.44%		
Percentage contributed by the employees	6.00%		
Total percentage of covered payroll	15.44%		
Contributed by the Board	\$ 3,703,009	\$ 3,547,315	\$ 4,349,691
Contributed by the employees	<u>2,751,618</u>	<u>2,571,824</u>	<u>1,738,777</u>
Total contributions	<u>\$ 6,454,627</u>	<u>\$ 6,119,139</u>	<u>\$ 6,088,468</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

The AWWB also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City. The AWWB's contribution rate for the year-ended September 30, 2013, was 6.53% of annual covered payroll; and the AWWB's annual pension cost of \$91,417 was equal to its required and actual contributions. The remaining amortization period at September 30, 2012, was 18 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/10	\$ 60,926	100%	\$0
9/30/11	\$ 75,672	100%	\$0
9/30/12	\$ 83,754	100%	\$0

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

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL) - Entry Age (b)**	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ( (b - a)/c )
9/30/10 <sup>a</sup>	\$ 2,390,038	\$ 3,142,820	\$ 752,782	76.0%	\$ 1,572,780	47.9%
9/30/11 <sup>c</sup>	\$ 2,371,888	\$ 3,166,667	\$ 794,779	74.9%	\$ 1,561,583	50.9%
9/30/12 <sup>d</sup>	\$ 2,423,406	\$ 3,049,038	\$ 625,632	79.5%	\$ 1,483,749	42.2%
9/30/12 <sup>b,d</sup>	\$ 2,423,406	\$ 3,062,838	\$ 639,432	79.1%	\$ 1,483,749	43.1%

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

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

<sup>a</sup> Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

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

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

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 14. DEFINED BENEFIT PENSION PLANS – CONTINUED****Housing Authority**

The Housing Authority also contributes to the Employees' Retirement Systems of Alabama under the same plan description and statutory requirements as the City. The Housing Authority's contribution rate for the year-ended September 30, 2013, was 0.37% of annual covered payroll; and the Authority's annual pension cost of \$2,589 was equal to its required and actual contributions.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/10	\$ 2,089	100%	\$0
9/30/11	\$ 2,176	100%	\$0
9/30/12	\$ 2,325	100%	\$0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ((b - a)/c)
9/30/2010	\$ 10,643,995	\$ 2,785,013	\$ (7,858,982)	382.2%	\$ 633,282	-1241.0%
9/30/2011	\$ 10,445,003	\$ 2,803,743	\$ (7,641,260)	372.5%	\$ 574,595	-1329.9%
9/30/2012	\$ 10,395,727	\$ 2,749,465	\$ (7,646,262)	378.1%	\$ 691,216	-1106.2%

**NOTE 15. OTHER POSTEMPLOYMENT BENEFITS****CITY OF AUBURN PRIMARY GOVERNMENT**

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

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

**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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

employees OPEB Plan are established by City ordinance and can only be amended by City Council. OPEB benefits are administered by City personnel. No separate financial statements are issued.

Funding policy

The City currently pays for postemployment health care benefits on a pay-as-you-go basis. The City could establish a trust to accumulate and invest assets necessary to pay for the accumulated liability, however the actuarial assumption used in these financial statements is that pay-as-you-go funding will continue.

Annual required contribution

The City's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, closed 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, 2013 is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal cost as of beginning of year	\$ 95,184	\$ 108,750	\$ 103,571
Amortization of the unfunded AAL (UAAL) for 30 years	<u>117,416</u>	<u>132,934</u>	<u>126,547</u>
Total normal cost and amortization payment	212,600	241,684	230,118
Interest to end of year	<u>8,504</u>	<u>9,667</u>	<u>9,205</u>
Annual required contribution (ARC)	<u>\$ 221,104</u>	<u>\$ 251,351</u>	<u>\$ 239,323</u>

Net postemployment benefit obligation

The table below shows the City's net other postemployment benefit (OPEB) obligation at September 30, 2013:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$ 221,104	\$ 251,351	\$ 239,323
Interest on net OPEB obligation (NOO) to end of year	11,001	7,492	4,787
NOO amortization adjustment to the ARC	<u>(15,905)</u>	<u>(10,832)</u>	<u>(6,921)</u>
Annual OPEB cost	216,200	248,011	237,189
Actual annual employer contribution - pay-go cost	<u>(74,531)</u>	<u>(160,290)</u>	<u>(169,573)</u>
Change in net OPEB obligation	141,669	87,721	67,616
Beginning net OPEB obligation	<u>275,019</u>	<u>187,298</u>	<u>119,682</u>
Ending net OPEB obligation	<u>\$ 416,688</u>	<u>\$ 275,019</u>	<u>\$ 187,298</u>
Percentage of annual OPEB cost contributed	34.5%	64.6%	71.5%
Ending net OPEB obligation by employer			
City of Auburn General Fund	\$ 338,919	\$ 222,424	\$ 152,852
Sewer Revenue Fund of City of Auburn	19,202	12,040	8,181
Solid Waste Management Fund of City of Auburn	30,724	20,278	12,487
Water Works Board of City of Auburn	<u>27,843</u>	<u>20,278</u>	<u>13,778</u>
Total	<u>\$ 416,688</u>	<u>\$ 275,020</u>	<u>\$ 187,298</u>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 15. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**Funded status and funding progress

In the fiscal year ending September 30, 2013, the City contributed \$74,531 to its postemployment benefits plan. This represents 34.5% of the annual OPEB cost. The plan has no assets and therefore has a funded ratio of zero. As of September 30, 2012, the most recent actuarial valuation, the actuarial accrued liability was \$2,111,571, which is defined as that portion, as determined by a particular actuarial cost method, of the actuarial present value of postemployment plan benefits and expenses which is not provided for by the future normal cost. Since the plan is not funded, the entire actuarial accrued liability was unfunded. The schedule of funding progress is included in the table below.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage o Covered P/R ( (b - a)/c )
9/30/2010	\$ -	\$ 2,275,792	\$ 2,275,792	0%	\$ 23,129,637	9.8%
9/30/2011	-	2,390,640	2,390,640	0%	23,668,496	10.1%
9/30/2012	-	2,111,571	2,111,571	0%	22,357,728	9.4%

Actuarial methods and assumptions

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer portion has been estimated as the average claims plus administrative expenses, less the employee portion paid, over the preceding year for the retired group and has been used as the basis for projecting the medical trend assumption into the future. After age 65, Medicare becomes primary, but retirees are allowed to remain on this plan with the same contribution amount. The unfunded actuarial accrued liability is being amortized over 30 years.

Turnover rates are based on a standard actuarial termination table adjusted for the City's historical turnover experience. These rates approximate to an 8% average turnover annually. It is also assumed that 50% of retirees elect not to have retiree medical coverage because of the employee premium required.

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

In the September 30, 2013, actuarial valuation, the liabilities were computed using the projected unit credit cost method with linear proration to decrement and level dollar amortization over 30 years based on an open group. The actuarial assumptions utilized a 4% discount rate and a 3% inflation rate. The expected rate of increase in medical cost is based on the plans actual experience initially with subsequent years based on a combination of employer history, national trend surveys, and professional judgment. The valuation assumes an 8.0% healthcare cost trend increase for fiscal year 2014, graded down to an ultimate annual rate of 5% for 2020 and later.

**COMPONENT UNITS**Board of Education

The ABOE contributes to the Alabama Retired Education Employee's Health Care Trust (Trust), a multiple employer cost sharing defined benefit health care plan established in 2007 under the provisions of Act 2007-16 as an irrevocable trust fund. The Trust is administered by members of the Public Education Employees' Health Insurance Board (PEEHIB). The Trust provides health care benefits to state and local school system retirees. *Code of Alabama 1975*, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. The Alabama Retired Education Employees' plan issues a stand-alone financial report that includes financial statements and required supplementary



## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

information for the Trust. That report may be obtained at the Public Education Employees' Health Insurance Plan website <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Statements tab.

*Code of Alabama 1975*, Section 16-25A-8 provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. Retirees eligible for Medicare benefits must pay \$10 per month for coverage while those not eligible for Medicare must pay \$151 per month for coverage. The employer's share of premiums for retired ABOE employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. The fiscal year 2013 rate paid by the ABOE was \$714 per active participant per month; \$216.90, or approximately 30.38% 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, 2013 and 2012 were approximately \$2,310,126 and \$2,354,379 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, 2013 and 2012 were approximately \$218,451 and \$284,109 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.

**NOTE 16. LIABILITY AND WORKMEN'S COMPENSATION SELF-INSURANCE**

The City has retained risk of loss for general liability claims and 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 for these two risk areas during the past two fiscal years:

	Fiscal Year	
	2013	2012
Unpaid claims, beginning of year	\$ 230,235	\$ 80,472
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	37,068	245,469
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	(51,464)	(13,532)
Total incurred claims	(14,396)	231,937
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(30,509)	(80,818)
Claims attributable to prior years' events where the City has retained risk of loss	(115,619)	(1,356)
Total payments	(146,128)	(82,174)
Unpaid claims, end of year	\$ 69,711	\$ 230,235

Total general liability for uninsured risks and workmen's compensation claims liability at September 30, 2013, is recorded as follows: \$34,526 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$35,185, along with the estimated liability for insured risks of \$211,621, 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, 2012

**NOTE 17. MEDICAL SELF-INSURANCE**

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

	<u>Fiscal Year</u>	
	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	<u>\$ 74,767</u>	<u>\$ 117,017</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	2,623,390	2,471,918
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>61,914</u>	<u>47,859</u>
Total incurred claims	<u>2,685,304</u>	<u>2,519,777</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(2,550,325)	(2,397,152)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(68,340)</u>	<u>(164,875)</u>
Total payments	<u>(2,618,665)</u>	<u>(2,562,027)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 141,406</u>	<u>\$ 74,767</u>

The unpaid claims as of September 30, 2012, are reported in the General Fund.

**NOTE 18. UNEMPLOYMENT COMPENSATION**

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2012, by the State (\$30,920) to individuals is reflected as an expense of the General Fund.

**NOTE 19. AD VALOREM TAX COLLECTION EXPENSE**

The City is charged a collection fee by the County Revenue Commissioner for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year-ended September 30, 2012:

<u>Funds</u>	<u>Millage</u>	<u>Taxes Collected</u>	<u>Collection Fee</u>	<u>Reappraisal Costs</u>	<u>Net Received by the City</u>
General Fund	5	\$ 3,759,692 *^	\$ 85,480	\$ 32,515	\$ 3,641,697
Special 5-Mill Tax Fund	5	3,752,491 ^	85,480	32,515	3,634,496
Special School Tax Fund	<u>16</u>	<u>12,759,368</u>	<u>288,565</u>	<u>110,320</u>	<u>12,360,483</u>
Property tax totals	<u>26</u>	<u>\$ 20,271,551</u>	<u>\$ 459,525</u>	<u>\$ 175,350</u>	<u>\$ 19,636,676</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, 2013

**NOTE 20. INTERFUND RECEIVABLES AND PAYABLES**

Primary Government interfund receivables and payables for the year ended September 30, 2013 consist of the following:

Amount	Due From Other Funds	Due To Other Funds	Purpose
\$ 512,750	General Fund	Nonmajor Governmental Funds	Provide cash flow for grants program and fund capital projects
<u>25,665</u>	Nonmajor Governmental Funds	Nonmajor Governmental Funds	Provide cash flow for grants program
<u>\$ 538,415</u>			

**NOTE 21. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers for the year ended September 30, 2013:

	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 398,416	\$ 595,845
Nonmajor Governmental Funds	<u>282,629</u>	<u>550,060</u>
Total governmental activities	<u>681,045</u>	<u>1,145,905</u>
Major Proprietary Fund		
Sewer Revenue Fund	-	75,985
Nonmajor proprietary fund	<u>595,845</u>	<u>55,000</u>
Total business-type activities	<u>595,845</u>	<u>130,985</u>
Total primary government	<u>\$ 1,276,890</u>	<u>\$ 1,276,890</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.

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 SEPTEMBER 30, 2013

**NOTE 22. INTRA-ENTITY TRANSACTIONS**

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

A. Short-term receivables and payables

	Due To	Due From
Component Units		
Industrial Development Board	\$ 1,581	\$ -
Water Works Board	526,248	635,038
Primary Government		
General Fund	280	394,709
Nonmajor governmental funds	28	-
Sewer Revenue Fund	620,156	85,716
Nonmajor proprietary fund	<u>14,574</u>	<u>47,404</u>
Total	<u>\$ 1,162,867</u>	<u>\$ 1,162,867</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

	Advances To	Advances From
Primary Government		
Nonmajor governmental funds	\$ 1,350,000	\$ -
Component Units		
Housing Authority	<u>-</u>	<u>1,425,000</u>
Total	<u>\$ 1,350,000</u>	<u>\$ 1,425,000</u>

Amounts loaned from the City of Auburn to the Auburn Housing Authority represent pass through grant funds for the purpose of renovation and revitalization of low-income housing. See the Auburn Housing Authority detail of Note 11 for detail of the repayment terms.

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

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

**NOTE 22. INTRA-ENTITY TRANSACTIONS - CONTINUED**

C. Payments between the City and Component Units

	Appropriations To	Payments From
Primary Government		
General Fund	\$ 333,591	\$ 12,692,295
Special School Tax Fund	-	6,300,000
Nonmajor governmental funds	-	1,412,149
Component Units		
Auburn City Board of Education	15,850,759	-
Industrial Development Board	4,364,002	333,591
Public Parks and Recreation Board	189,683	-
Total	\$ 20,738,035	\$ 20,738,035

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.

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 \$5,969,807. The City also makes debt service payments on behalf of the Commercial Development Authority that are not included in the schedule above. The debt payments (including bond trustee fees) paid on behalf of the Commercial Development Authority are reflected on the City's books as debt service expenditures and amounted to \$1,100,540.

In a prior year, the City advanced money to the Industrial Development Board for the purchase of industrial property and to finance improvements to the property, to purchase and improve a speculative building, and to finance improvements to property held for leasing by the Board. The amount of the advance at October 1, 2012 was \$2,361,853. During fiscal year 2013, the City and the IDB agreed to write off the advance by recording a current year appropriation of \$2,361,853.

In addition to the advance that was charged off, the City appropriated \$2,002,149 to the IDB for various operating purposes, including industrial recruitment, commercial development, workforce development, improvements to property for resale, and other general operating expenses.

In March 2013, the Industrial Development Board purchased an industrial building from the City, and issued an Industrial Development Revenue Bond in the amount of \$1,800,000 to the City to finance the purchase. The City's book value of the land and building purchased was \$1,466,409, and the remaining \$333,591 was recorded by the IDB as a subsidy to the City. The building was subsequently leased by the IDB under a capital lease. The Industrial Development Revenue Bond is reported by the IDB as a long-term note payable.

**NOTE 23. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND**

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

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 23. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND-CONTINUED**

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.

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

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Section 108 Loan Program*	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 13,512	\$ 138,242	\$ 10,960	\$ 7,366	\$ 98,172	\$ -	\$ 268,252
Receivables, net	-	-	-	-	-	1,118	1,118
Mortgages receivable	102,750	43,519	149,650	884,919	498,798	78,102	1,757,738
Advance to component units	-	-	-	-	-	1,350,000	1,350,000
Restricted cash	-	-	-	-	-	157,485	157,485
<b>Total assets</b>	<b>\$ 116,262</b>	<b>\$ 181,761</b>	<b>\$ 160,610</b>	<b>\$ 892,285</b>	<b>\$ 596,970</b>	<b>\$ 1,586,705</b>	<b>\$ 3,534,593</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,244	\$ 1,244
Due to other funds	-	-	-	-	25,665	-	25,665
Unearned revenues	102,750	43,519	149,699	884,919	498,798	1,428,101	3,107,786
<b>Total liabilities</b>	<b>102,750</b>	<b>43,519</b>	<b>149,699</b>	<b>884,919</b>	<b>524,463</b>	<b>1,429,345</b>	<b>3,134,695</b>
<b>Fund balance:</b>							
Restricted - social & economic	13,512	138,242	10,911	7,366	72,507	157,360	399,898
<b>Total fund balance</b>	<b>13,512</b>	<b>138,242</b>	<b>10,911</b>	<b>7,366</b>	<b>72,507</b>	<b>157,360</b>	<b>399,898</b>
<b>Total liabilities and fund balance</b>	<b>\$ 116,262</b>	<b>\$ 181,761</b>	<b>\$ 160,610</b>	<b>\$ 892,285</b>	<b>\$ 596,970</b>	<b>\$ 1,586,705</b>	<b>\$ 3,534,593</b>
<b>Revenues</b>							
Program income	\$ 13,035	\$ 82,640	\$ 6,747	\$ 13,936	\$ 336,621	\$ 156,899	\$ 609,878
Grant income	-	-	-	-	-	85,000	85,000
Miscellaneous	-	-	57	145	123	-	325
Interest	456	2,878	3,261	1,394	10,079	8,040	26,108
<b>Total revenues</b>	<b>13,491</b>	<b>85,518</b>	<b>10,065</b>	<b>15,475</b>	<b>346,823</b>	<b>249,939</b>	<b>721,311</b>
<b>Expenditures</b>							
Economic development	-	3,839	69,366	-	-	85,015	158,220
Debt service - interest	-	-	-	-	-	7,635	7,635
<b>Total expenditures</b>	<b>-</b>	<b>3,839</b>	<b>69,366</b>	<b>-</b>	<b>-</b>	<b>92,650</b>	<b>165,855</b>
Excess (deficiency) of revenues over expenditures	13,491	81,679	(59,301)	15,475	346,823	157,289	555,456
<b>Other financing sources (uses)</b>							
Transfers out	-	-	-	(8,109)	(274,520)	-	(282,629)
<b>Net changes in fund equity</b>	<b>13,491</b>	<b>81,679</b>	<b>(59,301)</b>	<b>7,366</b>	<b>72,303</b>	<b>157,289</b>	<b>272,827</b>
Fund balance, beginning of year	21	56,563	70,212	-	204	71	127,071
<b>Fund balance, end of year</b>	<b>\$ 13,512</b>	<b>\$ 138,242</b>	<b>\$ 10,911</b>	<b>\$ 7,366</b>	<b>\$ 72,507</b>	<b>\$ 157,360</b>	<b>\$ 399,898</b>

\*Net of interfund eliminations.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 24. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE REVENUE FUND**

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

	State Funded Seizures	Public Safety Substance Abuse (other seizures)	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 87,300	\$ 65,451	\$ 152,751
<b>Liabilities and fund equity</b>			
Accounts payable and accrued liabilities	\$ 16,598	\$ -	\$ 16,598
<b>Fund equity</b>			
Restricted - law enforcement	70,702	65,451	136,153
<b>Total liabilities and equity</b>	<b>\$ 87,300</b>	<b>\$ 65,451</b>	<b>\$ 152,751</b>
<b>Revenues</b>			
Contributions from the public	\$ 29,083	\$ -	\$ 29,083
Interest	427	336	763
<b>Total revenues</b>	<b>29,510</b>	<b>336</b>	<b>29,846</b>
<b>Expenditures</b>			
Public safety	7,108	5,292	12,400
Capital outlay	29,372	5,974	35,346
<b>Total expenditures</b>	<b>36,480</b>	<b>11,266</b>	<b>47,746</b>
Excess (deficiency) of revenues over expenditures	(6,970)	(10,930)	(17,900)
<b>Other financing sources (uses)</b>			
Sale of surplus assets	-	3,898	3,898
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>3,898</b>	<b>3,898</b>
<b>Net changes in fund balances</b>	<b>(6,970)</b>	<b>(7,032)</b>	<b>(14,002)</b>
Fund equity, beginning of year	77,672	72,483	150,155
Fund equity, end of year	\$ 70,702	\$ 65,451	\$ 136,153

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

	General Government <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	\$ 14,536,692	\$ 2,778,916	2,216,900	\$ 626,586	\$ 20,159,094
Certificates of deposit	9,511,438	292,218	1,000,000	1,000,000	11,803,656
Investments	1,718,232	-	-	-	1,718,232
Receivables, net	7,217,541	1,649,057	20,719	2,693	8,890,010
Due from other funds	512,750	-	-	-	512,750
Due from component units	350,081	-	44,628	-	394,709
Inventories	16,055	-	-	-	16,055
Prepaid items	467,074	-	-	-	467,074
Advances to other agencies	421,436	-	-	-	421,436
Restricted Cash	298,191	-	-	-	298,191
Property for resale	4,131,127	-	-	-	4,131,127
<b>Total assets</b>	<b><u>\$ 39,180,617</u></b>	<b><u>\$ 4,720,191</u></b>	<b><u>\$ 3,282,247</u></b>	<b><u>\$ 1,629,279</u></b>	<b><u>\$ 48,812,334</u></b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 2,148,706	\$ 241,575	\$ 945	\$ 34,526	\$ 2,425,752
Payables to other governments	1,683,273	-	-	-	1,683,273
Due to component units	280	-	-	-	280
Customer deposits	216,902	-	-	-	216,902
Claims payable	-	-	166,980	-	166,980
Unearned revenue	665,910	4,735,235	-	-	5,401,145
<b>Total liabilities</b>	<b><u>4,715,071</u></b>	<b><u>4,976,810</u></b>	<b><u>167,925</u></b>	<b><u>34,526</u></b>	<b><u>9,894,332</u></b>
<b>Fund balances</b>					
<b>Nonspendable</b>					
Investments	1,718,232	-	-	-	1,718,232
Inventories	467,074	-	-	-	467,074
Prepaid items	16,055	-	-	-	16,055
Advances	421,436	-	-	-	421,436
Property for resale	4,131,127	-	-	-	4,131,127
<b>Restricted</b>					
Law enforcement	298,192	-	-	-	298,192
<b>Assigned</b>					
Social and economic	143,466	-	-	-	143,466
General	1,892,181	805,181	-	-	2,697,362
Unassigned	26,241,124	(1,061,800)	2,527,298	1,318,436	29,025,058
<b>Total fund balances</b>	<b><u>35,328,887</u></b>	<b><u>(256,619)</u></b>	<b><u>2,527,298</u></b>	<b><u>1,318,436</u></b>	<b><u>38,918,002</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 40,043,958</u></b>	<b><u>\$ 4,720,191</u></b>	<b><u>\$ 2,695,223</u></b>	<b><u>\$ 1,352,962</u></b>	<b><u>\$ 48,812,334</u></b>



CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
<b>Revenues</b>					
Sales and use taxes	\$ 31,831,180	\$ -	\$ -	\$ -	\$ 31,831,180
Occupational license fees	9,683,892	-	-	-	9,683,892
Motor fuel taxes	610,968	-	-	-	610,968
Lodging taxes	1,559,012	-	-	-	1,559,012
Rental and leasing taxes	571,248	-	-	-	571,248
Other taxes	236,605	-	-	-	236,605
Licenses and permits	10,210,208	-	-	-	10,210,208
General property tax	4,459,732	-	-	-	4,459,732
Charges for services	5,620,508	-	808,123	-	6,428,631
Fines and forfeitures	1,450,501	-	-	-	1,450,501
State shared taxes	1,756,276	-	-	-	1,756,276
Contributions from the public	323,388	658,576	-	-	981,964
Grants	92,054	-	-	-	92,054
Interest	128,931	33,810	12,402	6,451	181,594
Miscellaneous	67,242	-	708	-	67,950
<b>Total revenues</b>	<b>68,601,745</b>	<b>692,386</b>	<b>821,233</b>	<b>6,451</b>	<b>70,121,815</b>
<b>Expenditures</b>					
General government and administration	4,964,444	-	-	-	4,964,444
Public works	3,505,062	-	-	-	3,505,062
Environmental services	1,956,168	-	-	-	1,956,168
Public safety	17,677,594	-	-	-	17,677,594
Library	1,602,868	-	-	-	1,602,868
Parks and recreation	4,684,929	-	-	-	4,684,929
Planning	635,402	-	-	-	635,402
Economic development	1,057,223	-	-	-	1,057,223
Employee services	675,100	-	-	-	675,100
Risk management	170,153	-	762,312	116,062	1,048,527
<b>Total departmental</b>	<b>36,928,943</b>	<b>-</b>	<b>762,312</b>	<b>116,062</b>	<b>37,807,317</b>
Non-departmental	1,539,705	-	-	-	1,539,705
<b>Debt service:</b>					
Administrative charges	15,620	-	-	-	15,620
Interest	1,478,777	33,454	-	-	1,512,231
Principal retirement	6,348,049	182,910	-	-	6,530,959
Capital outlay	4,036,946	746,652	-	-	4,783,598
Intergovernmental	1,027,795	-	-	-	1,027,795
Payments to component units	12,692,295	-	-	-	12,692,295
<b>Total expenditures</b>	<b>64,068,130</b>	<b>963,016</b>	<b>762,312</b>	<b>116,062</b>	<b>65,909,520</b>
Excess (deficiency) of revenues over expenditures	4,533,615	(270,630)	58,921	(109,611)	4,212,295

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

	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 Eliminations)
Other financing sources (uses)					
Sale of surplus assets	1,874,819	-	-	-	1,874,819
Transfers in	338,416	-	-	60,000	398,416
Transfers out	<u>(595,845)</u>	-	-	-	<u>(595,845)</u>
Total other financing sources (uses)	<u>1,617,390</u>	-	-	<u>60,000</u>	<u>1,677,390</u>
Net changes in fund balances	6,151,005	(270,630)	58,921	(49,611)	5,889,685
Fund balances, beginning of year	<u>29,177,880</u>	<u>14,012</u>	<u>2,468,378</u>	<u>1,368,047</u>	<u>33,028,317</u>
Fund balances, end of year	<u>\$ 35,328,885</u>	<u>\$ (256,618)</u>	<u>\$ 2,527,299</u>	<u>\$ 1,318,436</u>	<u>\$ 38,918,002</u>

**NOTE 26. WATER RIGHTS**

**COMPONENT UNITS**

**Water Works Board**

The AWWB entered into a Water Supply Agreement with the City of Opelika Water Board in June 1983 (See Note 11.) Auburn's share, as computed under the agreement, of the initial expenditures, capital contributions, bonds payable, and interest incurred through October 27, 1986 (when the agreement became operational), has been capitalized as water rights. On October 27, 1986, the date Opelika's source supply became operational; amortization of the water rights over the remaining life of the agreement began. A summary of water rights at September 30, 2013, follows:

Water rights, beginning of year	\$ 112,968
Amortization of water rights	<u>(112,968)</u>
Water rights, end of year	<u>\$ -</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 27. 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 \$6,510,313 as of September 30, 2013.

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 2013, the City paid Veolia \$1,529,914 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:

<u>Fiscal Year</u>	<u>Appropriation</u>
2014	\$ 360,513
2015	359,039
2016	360,706
2017	361,574
2018	359,214
2019	361,630
2020	357,512
2021	357,858
2022	358,835
2023	356,706
2024	357,875
2025	<u>358,818</u>
Total	<u>\$ 4,310,280</u>

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 \$635,933. 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 not generated. These agreements, with annual caps of \$482,500, have various terms with the longest term (30 years) expiring in 2041. Total rebated taxes paid on these agreements are \$566,175.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 27. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED**

Claims and Litigation - As of September 30, 2013, the City had been named defendant in four pending lawsuits. None of the suits specify a dollar amount of damages claimed. City management intends to vigorously defend these suits, and estimates that the City's potential loss in these actions will not exceed \$175,000.

In fiscal year 2013, the City expended \$148,357 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 reroofing of Yarborough Elementary School which is being funded with Alabama Public School and College Authority (PSCA) funds and/or proceeds from a bond issued by the City of Auburn as follows:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>
Yarborough Elementary School Roof	\$ 705,702	\$ 624,366	\$ 81,336

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 \$89,798 for the fiscal year ended September 30, 2013.

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 67,140
2015	37,102
2016	<u>7,713</u>
Total	<u>\$ 111,955</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, 2013, was \$27,422.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 27. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED**

The following is a summary of changes in obligations under capital leases of the ABOE for the year ended September 30, 2013:

	Capital Lease Payable
Balance, September 30, 2012	\$ 879,796
Retirement of debt	(817,797)
Issuance of new debt	<u>1,904,630</u>
Balance, September 30, 2013	<u>\$ 1,966,629</u>

The approximate remaining annual minimum lease payments under the capital leases existing as of September 30, 2013, are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 672,252	\$ 56,840	\$ 729,092
2015	634,093	35,907	670,000
2016	582,187	15,598	597,785
2017	<u>78,097</u>	<u>1,714</u>	<u>79,811</u>
	<u>\$ 1,966,629</u>	<u>\$ 110,059</u>	<u>\$ 2,076,688</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. The cost to complete the projects as of September 30, 2013 is approximately \$4,397,463.

The Water Works Board also entered into an agreement in May 2011 to purchase water from Sandy Springs Farm II, LLC. The agreement includes a minimum annual purchase of 210,240,000 gallons per year at an initial rate of \$.50 per 1,000 gallons (\$105,120 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index. The term of the agreement is twenty years, with six five year extension options.

**Industrial Development Board**

**Commitments** - As of September 30, 2013, the IDB was committed under certain construction contracts in the amount of \$461,000. Additionally, various incentive packages were committed to seven companies as incentives to locate in Auburn or to expand existing operations. The incentives include property acquisition at discounted values and cash assistance for site preparation, relocation and training. As of the date of these financial statements, cash incentives of \$50,000 had been paid.

In connection with a package of incentives offered to a company that chose to locate in Auburn during fiscal year 2008, the IDB agreed to make available for a period of five years a 25-acre lot in Auburn Technology Park West. During 2013, the company exercised its option, and the IDB committed 31 +/- acres to a new construction project for the company. The property will be conveyed upon completion of construction. Additionally, the IDB committed as 13 +/- acre lot to an industry located in Auburn Technology Park West 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 27. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED**

**Auburn Housing Authority**

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

**NOTE 28. 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 2013. The \$154,000 reported as landfill post closure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2013, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 29. RELATED PARTY TRANSACTIONS**

**COMPONENT UNIT**

**Industrial Development Board**

During fiscal year 1995, the Industrial Development Board entered into a capital lease agreement with one of its Board members. The IDB leased a parcel of land located in one of its Industrial Parks to the Board member for a term of twenty years with lease payments over the term of the lease totaling \$50,000. The lease contains a bargain-purchase option for a minimal amount and all rentals due under the lease (\$50,000) were paid in advance during fiscal year 1995. The Board member has subsequently retired from the IDB.

**NOTE 30. SUBSEQUENT EVENTS**

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

**CITY OF AUBURN PRIMARY GOVERNMENT**

Subsequent to September 30, 2013, the City Council approved various design and construction contracts totaling approximately \$1,415,000, professional services type contracts totaling approximately \$293,000, equipment and computer software purchases totaling approximately \$1,469,000, and the use of up to \$75,000 in repaid Urban Development Action Grant funds to satisfy a mortgage lien indebted to Auburn Bank.

On February 18, 2014, as part of the mid-year adjustment to the biennial budget, the City forgave the remainder of the advance receivable from the Indian Pines Recreational Authority. The amount remaining at that date, \$245,860, was discharged in full.

**COMPONENT UNITS**

**Board of Education**

On December 10, 2013, the ABOE approved bids in the amount of \$255,750 and \$92,256 for the purchase of three 78-passenger Class "D" buses and one 54-passenger special needs bus.

**Water Works Board**

Subsequent to September 30, 2013, the AWWB approved various design and construction contracts totaling approximately \$592,000, professional services type contracts totaling approximately \$30,000, and equipment purchases totaling approximately \$213,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NOTE 30. SUBSEQUENT EVENTS - CONTINUED**

**Industrial Development Board**

Subsequent to September 30, 2013, an industrial tenant that occupied a building owned by the IDB in Auburn Technology Park West defaulted on its lease and vacated the building. Future minimum rentals on the lease were excluded from the schedule contained in Note 13. A replacement tenant has been identified to lease the building as of the date of these financial statements, but a lease agreement has not been signed.

The IDB signed three construction contracts subsequent to September 30, 2013, totaling approximately \$8.34 million. The contracts were for construction of a building, a grading contract, and improvements to Auburn Technology Park West. Short-term construction financing in the amount of \$7 million was obtained by the IDB to finance the construction cost of the building, and loan closing costs in the amount of \$58,229 were paid in connection with the loan. Upon completion, the building will be leased to an industry through an operating lease. Approximately \$200,000 of the grading contract and \$530,000 of the construction contract will be funded by the company that will locate on the site, and the remainder will be funded by the IDB.

In addition to new construction contracts, a building that was under construction at the end of the fiscal year was completed after September 30, 2013, and the outstanding short term construction debt in the amount of \$4.725 million was converted to permanent long term financing. Also, new debt of approximately \$1.08 million was issued on an existing industrial building to provide funding for future capital projects and industrial incentives. Closing costs of approximately \$6,800 were paid in connection with the loan.

Subsequent to September 30, 2013, various incentive packages were committed to three companies as incentives to locate in Auburn. The incentives include property acquisitions at discounted values; cash assistance for relocation, training, and site preparation; tax abatements; and construction financing. As of the date of these financial statements, none of the incentives had been disbursed.

To facilitate economic development within the City, the IDB purchased a historic building in downtown Auburn subsequent to September 30, 2013. The purchase price was \$950,000, and a loan in that amount was obtained by the IDB to finance the purchase. Loan costs in the amount of \$11,608 were paid in connection with the loan, and approval was granted by the IDB to expend up to \$75,000 for clean up, site testing and preliminary planning for the building. Additionally, several capital asset purchases were made by the IDB subsequent to year end (primarily land and building improvements) totaling approximately \$41,000.

Subsequent to September 30, 2013, the IDB entered into a purchase contract for approximately 78 acres adjacent to Auburn Technology Park West. As of the date of these financial statements, the IDB had paid \$15,000 in earnest money, and the IDB had approved approximately \$50,000 for due diligence expenditures. Final contract approval is contingent on the results of testing that was underway as of the date of these financial statements.

**NOTE 31. PRIOR PERIOD ADJUSTMENTS**

**CITY OF AUBURN PRIMARY GOVERNMENT**

During fiscal year 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. This statement requires that debt issuance costs be recognized as expense in the period incurred. Previously, debt issuance costs were capitalized by the City and amortized over the life of the associated debt. In accordance with GASB 65, prior period adjustments in the amounts of \$(1,076,138) in the governmental funds and \$(490,010) in the sewer revenue fund were recorded by the City to remove the net book value of previously capitalized debt issuance costs as of October 1, 2012.

Also during fiscal year 2013, a prior period adjustment of \$340,084 was recorded to book land owned by the City that was not booked at the time of purchase, in the amount of \$450,850 and to remove amounts booked in prior years to construction in progress for a project that it was determined was not City owned in the amount of \$(110,766).

CITY OF AUBURN, ALABAMA  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013

**NOTE 31. PRIOR PERIOD ADJUSTMENTS - CONTINUED**

**COMPONENT UNITS**

**Water Works Board**

During fiscal year 2013, prior period adjustments totaling \$386,357 were recorded.

A prior period adjustment of \$580,314 was recorded to accounts receivable to adjust the accrual for unbilled revenues receivable at the beginning of the fiscal year. During the current fiscal year, the AWWB calculated the year-end accrual based upon various cycle billing dates.

During fiscal year 2013, the AWWB adopted Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. This statement requires that debt issuance costs be recognized as expense in the period incurred. Previously, debt issuance costs were capitalized by the AWWB and amortized over the life of the associated debt. In accordance with GASB 65, a prior period adjustment in the amount of \$(193,957) was recorded by the AWWB to remove the net book value of previously capitalized debt issuance costs as of October 1, 2012.

**Industrial Development Board**

During fiscal year 2013, the IDB adopted Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. This statement requires that debt issuance costs be recognized as expense in the period incurred. Previously, debt issuance costs were capitalized by the IDB and amortized over the life of the associated debt. In accordance with GASB 65, a prior period adjustment in the amount of \$(214,380) was recorded by the IDB to remove the net book value of previously capitalized debt issuance costs as of October 1, 2012.

**NOTE 32. SPECIAL ITEM**

**COMPONENT UNITS**

**Water Works Board**

During fiscal year 2013, the AWWB approved a settlement agreement with a local water authority relating to a dispute over water service areas. As part of this settlement agreement, the authority paid the AWWB \$215,200 in access fees and transferred \$844,789 of water lines to the AWWB. The value of the water lines received from the authority is the estimated fair value at the date of transfer. The AWWB paid the authority \$148,000 in access fees and also transferred \$173,356 of water lines to the authority. The water lines were transferred at the AWWB's adjusted basis, cost less accumulated depreciation. The AWWB recognized a net gain on these transfers of \$738,633, which has been reported as a special item on the Statement of Revenues, Expenses and Changes in Net Position.



# 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.

**Federal Grant Loan Repayment Fund** accounts for mortgage revenue from grants provided by the U.S. Department of Housing and Urban Development used to fund Title I projects within the city.

## 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.

**'03 \$6.3 Million Capital Projects Fund** accounts for the proceeds of the General Obligation Warrant dated December 23, 2003. The proceeds are being used to finance infrastructure construction, road reconstruction, and improvements to the Parks and Recreation and Public Safety departments' facilities.

**2009 Capital Projects Fund** accounts for the revenue and expenditure of bonds issued by the City for the construction and acquisition of public transportation improvements, recreational facility improvements, and fire protection services improvements.

**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, 2013

	Special Revenue Funds							Total
	Public			Federal				
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	
ASSETS								
Cash and cash equivalents	\$ 138,654	\$ 96,704	\$ 225,302	\$ 152,751	\$ -	\$ -	\$ 268,253	\$ 881,664
Receivables, net	13,321	10,467	-	-	1,016,465	-	1,119	1,041,372
Due from other funds	-	-	-	-	-	25,665	-	25,665
Prepaid items	-	-	-	-	620	-	-	620
Mortgages receivable	-	-	-	-	-	-	1,757,738	1,757,738
Advances to component units	-	-	-	-	-	-	1,350,000	1,350,000
Restricted cash	-	-	-	-	-	-	157,485	157,485
Total assets	151,975	107,171	225,302	152,751	1,017,085	25,665	3,534,595	5,214,544
LIABILITIES								
Accounts payable and accrued liabilities	-	-	30,658	16,598	379,708	25,369	1,243	453,576
Due to component units	-	-	-	-	-	28	-	28
Due to other funds	-	-	-	-	512,481	268	25,666	538,415
Unearned revenue	-	-	-	-	-	-	3,107,787	3,107,787
Total liabilities	-	-	30,658	16,598	892,189	25,665	3,134,696	4,099,806
FUND BALANCES:								
Restricted								
Roads, bridges and streets	151,975	107,171	-	-	-	-	-	259,146
Law enforcement	-	-	194,644	136,153	-	-	-	330,797
General grants	-	-	-	-	124,896	-	-	124,896
Social and economic	-	-	-	-	-	-	399,899	399,899
Capital projects	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total fund balances	151,975	107,171	194,644	136,153	124,896	-	399,899	1,114,738
Total liabilities and fund balances	151,975	107,171	225,302	152,751	1,017,085	25,665	3,534,595	5,214,544

	Debt Service Fund		Capital Projects Funds					Total Nonmajor Governmental Funds
	Special 5-Mill Tax Fund	Total	'03 6.3 Mil Capital Projects Fund	2009 Capital Projects Fund	2012 Capital Projects Fund	West Tech Park Phase II Fund	Total	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,976,523	\$ 2,976,523	\$ -	\$ 5,504	\$ 1,160,559	\$ 3,343,899	\$ 8,368,149	
Receivables, net	43,436	43,436	-	2,400	-	-	1,087,208	
Due from other funds	-	-	-	-	-	-	25,665	
Prepaid items	-	-	-	-	-	-	620	
Mortgages receivable	-	-	-	-	-	-	1,757,738	
Advances to component units	-	-	-	-	-	-	1,350,000	
Restricted cash	-	-	-	-	-	-	157,485	
<b>Total assets</b>	<b>3,019,959</b>	<b>3,019,959</b>	<b>-</b>	<b>7,904</b>	<b>1,160,559</b>	<b>3,343,899</b>	<b>12,746,865</b>	
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	-	-	-	7,904	141,228	-	602,708	
Due to component units	-	-	-	-	-	-	28	
Due to other funds	-	-	-	-	-	-	538,415	
Unearned revenue	-	-	-	-	-	-	3,107,787	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,904</b>	<b>141,228</b>	<b>-</b>	<b>4,248,938</b>	
<b>FUND BALANCES:</b>								
Restricted								
Roads, bridges and streets	-	-	-	-	-	-	259,146	
Law enforcement	-	-	-	-	-	-	330,797	
General grants	-	-	-	-	-	-	124,896	
Social and economic	-	-	-	-	-	-	399,899	
Capital projects	-	-	-	-	1,019,331	3,343,899	4,363,230	
Debt service	3,019,959	3,019,959	-	-	-	-	3,019,959	
<b>Total fund balances</b>	<b>3,019,959</b>	<b>3,019,959</b>	<b>-</b>	<b>-</b>	<b>1,019,331</b>	<b>3,343,899</b>	<b>8,497,927</b>	
<b>Total liabilities and fund balances</b>	<b>3,019,959</b>	<b>3,019,959</b>	<b>-</b>	<b>7,904</b>	<b>1,160,559</b>	<b>3,343,899</b>	<b>12,746,865</b>	

**CITY OF AUBURN, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue Funds										Total
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds				
<b>Revenues</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General property taxes	-	-	-	-	-	-	-	-	-	-	-
State shared taxes	146,117	114,413	-	-	-	-	-	-	-	-	260,530
Fines and forfeitures	-	-	186,015	-	-	-	-	-	-	-	186,015
Contributions from the public	-	-	-	29,083	-	-	-	-	-	-	29,083
Grants	-	-	-	-	1,849,536	660,561	85,000	609,879	-	-	2,595,097
Program income	-	-	-	-	-	-	-	26,109	-	-	26,109
Interest	681	478	727	763	-	-	-	-	-	-	28,758
Miscellaneous	-	-	-	-	-	-	-	325	-	-	325
<b>Total revenues</b>	<b>146,798</b>	<b>114,891</b>	<b>186,742</b>	<b>29,846</b>	<b>1,849,536</b>	<b>660,561</b>	<b>721,313</b>	<b>3,709,687</b>			
<b>Expenditures</b>											
General government and administration	-	-	7,154	-	-	-	-	-	-	-	7,154
Public works	-	-	-	-	26,623	-	-	-	-	-	26,623
Public safety	-	-	-	12,401	63,507	-	-	-	-	-	75,908
Library	-	-	-	-	19,614	-	-	-	-	-	19,614
Economic development	-	-	-	-	-	943,190	158,221	-	-	-	1,101,411
Total departmental	-	-	7,154	12,401	109,744	943,190	158,221	-	-	-	1,230,710
Non-departmental	-	-	-	-	-	-	-	-	-	-	-
Debt service:											
Principal retirement	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Administrative charges	-	-	-	-	-	-	-	7,635	-	-	7,635
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	35,346	1,777,128	-	-	-	-	-	1,812,474
Payments to component units	-	-	-	-	6,524	-	-	-	-	-	6,524
Total expenditures	-	-	7,154	47,747	1,893,396	943,190	165,856	-	-	-	3,057,343
Excess (deficiency) of revenues over expenditures	146,798	114,891	179,588	(17,901)	(43,860)	(282,629)	555,457	-	-	-	652,344
Other financing sources (uses)											
Debt issuance	-	-	-	-	-	-	-	-	-	-	-
Sale of surplus assets	-	-	-	3,898	-	-	-	-	-	-	3,898
Transfers in	-	-	-	-	-	282,629	-	-	-	-	282,629
Transfers out	(125,000)	(100,000)	-	-	-	-	(282,629)	-	-	-	(507,629)
Total other financing sources (uses)	(125,000)	(100,000)	-	3,898	-	282,629	(282,629)	-	-	-	(221,102)
Net changes in fund balances	21,798	14,891	179,588	(14,003)	(43,860)	-	272,828	-	-	-	431,242
Fund balances, beginning of year	130,177	92,280	15,056	150,156	168,756	-	127,071	-	-	-	683,496
Fund balances, end of year	151,975	107,171	194,644	136,153	124,896	-	399,899	-	-	-	1,114,738

	Debt Service Fund		Capital Projects Funds					Total Nonmajor Governmental Funds
	Special 5-Mill Tax Fund	Total	'03 6.3 Mill Capital Projects Fund	2009 Capital Projects Fund	2012 Capital Projects Fund	West Tech Park Phase II Fund	Total	
Revenues	\$	\$	\$	\$	\$	\$	\$	
General property taxes	3,752,491	3,752,491	-	-	-	-	3,752,491	
State shared taxes	-	-	-	-	-	-	260,530	
Fines and forfeitures	-	-	-	-	-	-	186,015	
Contributions from the public	-	-	-	3,803	-	-	32,886	
Grants	-	-	11,870	12,000	-	-	2,618,967	
Program income	-	-	-	-	-	-	609,879	
Interest	19,538	19,538	154	2,259	11,852	11,622	74,183	
Miscellaneous	-	-	-	-	-	-	325	
Total revenues	3,772,029	3,772,029	12,024	18,062	11,852	11,622	7,535,276	
Expenditures								
General government and administration	-	-	-	-	-	-	7,154	
Public works	-	-	14,837	21,323	457	-	63,240	
Public safety	-	-	-	-	-	-	75,908	
Library	-	-	-	-	-	-	19,614	
Economic development	-	-	-	-	-	-	1,101,411	
Total departmental	-	-	14,837	21,323	457	-	1,267,327	
Non-departmental	117,995	117,995	-	-	-	-	117,995	
Debt service:								
Principal retirement	3,295,000	3,295,000	-	-	-	-	3,295,000	
Interest	873,570	873,570	-	-	-	-	881,205	
Administrative charges	5,775	5,775	-	-	-	12,500	18,275	
Capital outlay	-	-	-	576,675	3,237,305	420,710	6,047,164	
Intergovernmental	-	-	-	-	-	-	6,524	
Payments to component units	-	-	-	-	-	1,412,149	1,412,149	
Total expenditures	4,292,340	4,292,340	14,837	597,998	3,237,762	1,845,359	13,045,639	
Excess (deficiency) of revenues over expenditures	(520,311)	(520,311)	(2,813)	(579,936)	(3,225,910)	(1,833,737)	(5,510,363)	
Other financing sources (uses)								
Debt issuance	-	-	-	-	-	5,525,000	5,525,000	
Sale of surplus assets	-	-	-	-	-	-	3,898	
Transfers in	-	-	-	-	-	-	282,629	
Transfers out	-	-	(42,431)	-	-	-	(550,060)	
Total other financing sources (uses)	-	-	(42,431)	-	-	5,525,000	5,261,467	
Net changes in fund balances	(520,311)	(520,311)	(45,244)	(579,936)	(3,225,910)	3,691,263	(248,896)	
Fund balances, beginning of year	3,540,270	3,540,270	45,244	579,936	4,245,241	(347,364)	8,746,823	
Fund balances, end of year	3,019,959	3,019,959	-	-	1,019,331	3,343,899	8,497,927	

**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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	118,500	118,500	146,117	27,617
Interest	500	500	681	181
Total revenues	<u>119,000</u>	<u>119,000</u>	<u>146,798</u>	<u>27,798</u>
Other financing uses				
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net changes in fund balances	(6,000)	(6,000)	21,798	27,798
Fund balances, beginning of year	<u>130,177</u>	<u>130,177</u>	<u>130,177</u>	<u>-</u>
Fund balances, end of year	<u><u>124,177</u></u>	<u><u>124,177</u></u>	<u><u>151,975</u></u>	<u><u>27,798</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	95,000	95,000	114,413	19,413
Interest	500	500	478	(22)
Total revenues	<u>95,500</u>	<u>95,500</u>	<u>114,891</u>	<u>19,391</u>
Other financing uses				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net changes in fund balances	(4,500)	(4,500)	14,891	19,391
Fund balances, beginning of year	<u>92,280</u>	<u>92,280</u>	<u>92,280</u>	<u>-</u>
Fund balances, end of year	<u><u>87,780</u></u>	<u><u>87,780</u></u>	<u><u>107,171</u></u>	<u><u>19,391</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Contributions from the public	1,500	24,389	29,083	4,694
Interest	875	875	763	(112)
Total revenues	<u>2,375</u>	<u>25,264</u>	<u>29,846</u>	<u>4,582</u>
Expenditures				
Public safety	3,000	9,000	12,401	(3,401)
Capital outlay	15,000	15,000	35,346	(20,346)
Total expenditures	<u>18,000</u>	<u>24,000</u>	<u>47,747</u>	<u>(23,747)</u>
Excess (deficiency) of revenues over expenditures	<u>(15,625)</u>	<u>1,264</u>	<u>(17,901)</u>	<u>(19,165)</u>
Other financing sources				
Sale of surplus assets	-	-	3,898	3,898
Net changes in fund balances	(15,625)	1,264	(14,003)	(15,267)
Fund balances, beginning of year	<u>150,156</u>	<u>150,156</u>	<u>150,156</u>	<u>-</u>
Fund balances, end of year	<u><u>134,531</u></u>	<u><u>151,420</u></u>	<u><u>136,153</u></u>	<u><u>(15,267)</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	3,818,406	3,818,406	3,752,491	(65,915)
Interest	30,000	30,000	19,538	(10,462)
Total revenues	<u>3,848,406</u>	<u>3,848,406</u>	<u>3,772,029</u>	<u>(76,377)</u>
Expenditures				
Non-departmental	150,000	150,000	117,995	32,005
Debt service:				
Principal retirement	3,295,000	3,295,000	3,295,000	-
Interest	993,794	983,446	873,570	109,876
Administrative charges	10,000	10,000	5,775	4,225
Total expenditures	<u>4,448,794</u>	<u>4,438,446</u>	<u>4,292,340</u>	<u>146,106</u>
Net changes in fund balances	(600,388)	(590,040)	(520,311)	69,729
Fund balances, beginning of year	<u>3,540,270</u>	<u>3,540,270</u>	<u>3,540,270</u>	<u>-</u>
Fund balances, end of year	<u><u>2,939,882</u></u>	<u><u>2,950,230</u></u>	<u><u>3,019,959</u></u>	<u><u>69,729</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.

**CITY OF AUBURN, ALABAMA**  
**DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**

	Public Park and Recreation Board
	\$
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	154
Other current assets	1,161
Total current assets	1,315
Noncurrent assets	
Capital assets, net of accumulated depreciation	5,570,576
Total assets	5,571,891
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and other accrued liabilities	11,711
<b>NET POSITION</b>	
Net investment in capital assets	5,570,576
Unrestricted (deficit)	(10,396)
Total net position	5,560,180

**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 2013**

	Public Park and Recreation Board
	\$
Operating revenues	
Tennis center revenue	73,841
Miscellaneous	61,126
Total operating revenues	134,967
Operating expenses	
Salaries and wages	136,839
Employee benefits	30,729
Repairs and maintenance	23,133
Advertising	340
Utilities	94,560
Rentals and leasing	1,846
Insurance	3,469
Professional services	742
Recreational supplies	11,510
Depreciation/amortization	307,350
Travel and training	75
Miscellaneous	753
Total operating expenses	611,346
Operating income (loss)	(476,379)
Non-operating revenues (expenses)	
Interest and investment earnings	14
Appropriations from the City of Auburn	189,683
Interest and fiscal charges	(359)
Total non-operating revenues (expenses)	189,338
Change in net position	(287,041)
Net position--beginning of year	5,847,221
Net position--end of year	5,560,180

**CITY OF AUBURN, ALABAMA**  
**DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER, 30 2013**

	Public Park and Recreation Board
	\$
Cash flows from operating activities	
Cash collected from customers	174,946
Payments to suppliers for goods and services	(136,865)
Payments to employees for services	(167,569)
Net cash provided (consumed) by operating activities (A)	(129,488)
Cash flows from noncapital financing activities	
Operating transfers in	189,683
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(59,845)
Interest and fiscal fees paid	(360)
Net cash provided (consumed) by capital and related financing activities	(60,205)
Cash flows from investing activities	
Interest on investments	14
Net increase (decrease) in cash	4
Cash and cash equivalents, beginning of year	150
Cash and cash equivalents, end of year	154

**Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):**

Operating income (loss)	(476,379)
Add:	
Depreciation/amortization expense	307,350
Decrease in accounts receivable	39,979
Decrease in prepaid expenses	1,147
Less:	
Decrease in accounts payable/accrued liabilities	(1,585)
Net cash provided (consumed) by operating activities:	(129,488)

## **Capital Assets Used in the Operation of Governmental Funds**

These schedules present supplementary information on capital assets by source and by function and activity. In addition, the changes in capital assets from the prior fiscal year are presented by function and activity.



City of Auburn

**CITY OF AUBURN, ALABAMA**  
**CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**SEPTEMBER 30, 2013**

Governmental funds capital assets	\$
Land, buildings and improvements	58,365,432
Construction in progress	5,075,973
Communication equipment	375,752
Heavy equipment	2,486,594
Office equipment	3,305,976
Small tools and equipment	1,029,754
Vehicles	8,242,007
Infrastructure	<u>133,430,991</u>
Total governmental funds capital assets	<u><u>212,312,479</u></u>
Investment in governmental funds capital assets by source	
General fund revenues	139,244,564
Capital projects funds	54,313,529
Federal grants	9,068,882
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	1,747,001
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	<u>3,839,129</u>
Total investment in governmental funds capital assets	<u><u>212,312,479</u></u>

**CITY OF AUBURN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2013**

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	1,980,766	27,021	104,070	36,262	-	1,287,368	48,548	67,120	410,377
Information technology	236,641	-	-	-	-	236,641	-	-	-
Geographical information systems	18,222	18,222	-	-	-	-	-	-	-
Judicial	593,924	570,251	-	-	-	-	-	23,673	-
Administrative	846,461	-	-	-	-	828,281	-	18,180	-
Finance									
<b>Total general government and administration</b>	<b>3,676,014</b>	<b>615,494</b>	<b>104,070</b>	<b>36,262</b>	<b>-</b>	<b>2,352,290</b>	<b>48,548</b>	<b>108,973</b>	<b>410,377</b>
Public works administration	141,675,135	4,625,348	4,961,670	-	1,476,818	89,435	60,966	1,105,450	129,355,448
Environmental services	2,373,711	891,309	-	-	311,797	6,659	134,987	1,028,959	-
Public safety administration	5,356,172	4,600,999	-	212,678	-	379,406	-	21,763	141,326
Fire	3,479,460	219,034	-	-	256,073	-	227,737	2,776,616	-
Police	2,924,705	130,593	-	126,812	-	178,644	245,888	2,242,768	-
Codes enforcement	95,327	-	-	-	-	7,421	-	87,906	-
Library	5,200,422	5,019,439	-	-	-	180,983	-	-	-
Parks and recreation	27,334,974	22,246,353	10,233	-	441,906	5,425	311,628	795,589	3,523,840
Planning	42,769	-	-	-	-	5,583	-	37,186	-
Human resource management	592,773	473,202	-	-	-	100,130	-	19,441	-
Economic development	314,496	297,140	-	-	-	-	-	17,356	-
<b>Total departmental</b>	<b>193,065,958</b>	<b>39,118,911</b>	<b>5,075,973</b>	<b>375,752</b>	<b>2,486,594</b>	<b>3,305,976</b>	<b>1,029,754</b>	<b>8,242,007</b>	<b>133,430,991</b>
Nondepartmental	19,246,521	19,246,521	-	-	-	-	-	-	-
<b>Total governmental funds capital assets</b>	<b>212,312,479</b>	<b>58,365,432</b>	<b>5,075,973</b>	<b>375,752</b>	<b>2,486,594</b>	<b>3,305,976</b>	<b>1,029,754</b>	<b>8,242,007</b>	<b>133,430,991</b>



**CITY OF AUBURN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2013**

	Governmental Funds Capital Assets September 30, 2012 \$	Transfers/ Additions \$	Transfers/ Deductions \$	Governmental Funds Capital Assets September 30, 2013 \$
General government and administration				
Information technology	2,109,029	78,694	(227,736)	1,959,987
Geographical information systems	225,321	24,802	(13,481)	236,642
Judicial	18,222	-	-	18,222
Administrative	275,099	647,026	(328,202)	593,923
Finance	793,784	98,532	(55,738)	836,578
Total general government and administration	3,421,455	849,054	(625,157)	3,645,352
Public works administration	136,865,618	9,600,913	(4,791,396)	141,675,135
Environmental services	1,600,869	767,777	(47,762)	2,320,884
Public safety administration	5,549,678	-	(58,653)	5,491,025
Fire	3,396,754	152,874	(63,177)	3,486,451
Police	2,836,969	383,751	(265,353)	2,955,367
Codes enforcement	95,327	-	-	95,327
Library	5,187,200	13,222	-	5,200,422
Parks and recreation	23,885,993	7,292,823	(3,871,939)	27,306,877
Planning	42,769	-	-	42,769
Human resource management	592,773	-	-	592,773
Economic development	281,090	-	(110,766)	170,324
Total departmental	183,756,495	19,060,414	(9,834,203)	192,982,706
Nondepartmental	19,324,464	5,309	-	19,329,773
Total governmental funds capital assets	203,080,959	19,065,723	(9,834,203)	212,312,479



City of Auburn

# STATISTICAL SECTION

This part of the City of Auburn’s comprehensive annual financial report presents detailed information about the government’s economic condition. This section aids in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Page</b>
<p><b>Financial Trends – Tables 1-5</b> .....</p> <p style="margin-left: 40px;"><i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i></p>	<p><b>150</b></p>
<p><b>Revenue Capacity – Tables 6-8</b> .....</p> <p style="margin-left: 40px;"><i>These schedules contain information to help the reader assess the government’s most significant revenue source, sales tax.</i></p>	<p><b>157</b></p>
<p><b>Debt Capacity – Tables 9-13</b> .....</p> <p style="margin-left: 40px;"><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></p>	<p><b>159</b></p>
<p><b>Demographic and Economic Information – Tables 14-15</b> .....</p> <p style="margin-left: 40px;"><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></p>	<p><b>163</b></p>
<p><b>Operating Information – Tables 16-18</b> .....</p> <p style="margin-left: 40px;"><i>These schedules contain information to help the reader understand the government’s operations and resources.</i></p>	<p><b>165</b></p>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities										
Net investment in capital assets	23,976,799	28,158,145	27,697,793	57,850,766	74,502,152	75,764,472	81,866,977	87,677,067	91,886,384	100,145,164
Restricted	4,901,497	6,983,053	8,295,236	8,621,350	9,642,375	10,992,367	12,021,563	11,418,353	12,643,443	12,142,108
Unrestricted	(15,733,465)	(47,533,915)	(45,338,108)	(52,786,017)	(56,231,481)	(63,639,574)	(74,342,301)	(67,271,114)	(74,219,051)	(64,934,181)
Total governmental activities net position	13,144,831	(12,392,717)	(9,345,079)	13,686,099	27,913,046	23,117,265	19,546,239	31,824,306	30,310,776	47,353,091
Primary government - business-type activities										
Net investment in capital assets	11,725,340	12,376,420	14,868,116	22,279,811	24,755,968	25,486,581	25,830,053	25,570,257	26,690,464	29,798,149
Restricted	4,444,361	1,460,163	1,931,130	-	-	20,739,857	3,876,709	1,956,004	1,070,064	-
Unrestricted	339,141	4,510,401	3,535,503	1,747,051	(574,995)	(20,859,392)	(2,025,635)	818,835	5,052,411	7,194,747
Total business-type activities net position	16,508,842	18,346,984	20,334,749	24,026,862	24,180,973	25,367,046	27,681,127	28,345,096	32,812,939	36,992,896
Total primary government	35,702,139	34,830,697	42,565,909	80,130,577	99,258,120	101,251,053	107,697,030	113,247,324	118,576,848	129,943,313
Net investment in capital assets	9,345,858	8,443,216	10,226,366	8,621,350	9,642,375	31,732,224	15,898,272	13,374,357	13,713,507	12,142,108
Restricted	(15,394,324)	(37,319,646)	(41,802,605)	(51,038,966)	(56,806,476)	(84,498,966)	(76,367,936)	(66,452,279)	(69,166,640)	(57,739,434)
Unrestricted	29,653,673	5,954,267	10,989,670	37,712,961	52,094,019	48,484,311	47,227,366	60,169,402	63,123,715	84,345,987

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government and administration	4,189,200	4,789,687	4,660,538	5,283,272	6,174,239	6,155,735	6,270,653	6,696,333	6,882,510	7,292,682
Public works	2,724,146	2,960,817	9,169,765	7,507,853	7,078,353	7,574,881	6,844,357	7,176,200	7,087,489	7,212,310
Environmental services*	3,498,406	4,038,158	4,008,405	4,066,793	4,604,401	1,770,911	1,670,173	1,759,158	1,903,429	2,097,261
Public safety	10,699,162	12,634,612	12,887,286	13,516,129	15,143,318	16,288,317	16,904,689	17,484,211	17,966,335	18,470,037
Library	1,052,313	1,146,947	1,292,363	1,370,600	1,550,700	1,678,410	1,613,894	1,641,371	1,686,566	1,708,144
Parks and recreation	3,745,118	4,247,362	4,962,677	11,055,017	5,287,171	6,207,871	5,377,218	5,611,356	5,607,803	5,520,692
Planning	381,375	502,342	492,700	604,603	648,516	614,034	665,283	573,462	562,555	635,202
Social and economic development	1,559,427	3,894,096	5,765,202	12,049,201	10,794,553	5,353,639	17,864,393	3,302,021	5,235,985	7,206,018
Human resources	440,976	472,238	483,065	536,067	584,270	697,585	704,963	702,065	698,236	725,083
Risk management	426,002	506,603	1,018,109	933,550	768,281	1,297,761	1,289,942	1,069,339	1,585,905	876,140
Payments to component units**	10,404,387	-	-	-	-	-	-	-	-	-
Education (payments to Board of Education)	-	42,322,984	10,001,243	12,625,643	11,995,523	21,544,112	13,530,795	14,624,398	35,412,033	15,850,759
Interest on long-term debt	3,508,570	3,929,464	5,519,505	5,688,402	5,954,377	5,860,550	5,346,829	5,914,822	5,753,942	5,420,673
<b>Total governmental activities expenses</b>	<b>42,629,082</b>	<b>81,445,310</b>	<b>60,260,858</b>	<b>75,237,130</b>	<b>70,583,702</b>	<b>75,043,806</b>	<b>78,083,189</b>	<b>66,554,736</b>	<b>90,382,788</b>	<b>73,015,001</b>
<b>Business-type activities:</b>										
Sewer Fund	4,434,526	4,753,076	6,221,067	6,305,910	6,903,856	7,825,230	7,804,203	8,173,912	8,038,127	7,470,780
Solid Waste Management Fund*	-	-	-	-	-	3,178,574	3,385,837	3,522,953	3,757,884	3,948,022
Industrial Parks	226	213	284	141,742	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>4,434,752</b>	<b>4,753,289</b>	<b>6,221,351</b>	<b>6,447,652</b>	<b>6,903,856</b>	<b>11,003,804</b>	<b>11,190,040</b>	<b>11,696,865</b>	<b>11,796,011</b>	<b>11,418,802</b>
<b>Total primary government expenses</b>	<b>47,063,834</b>	<b>86,198,599</b>	<b>66,482,209</b>	<b>81,684,782</b>	<b>77,487,558</b>	<b>86,047,610</b>	<b>89,273,229</b>	<b>78,251,601</b>	<b>102,178,799</b>	<b>84,433,803</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government and administration	6,997,753	7,455,522	8,109,059	9,018,591	9,203,949	11,254,130	10,890,570	10,540,374	12,332,933	12,579,879
Public works	1,906	-	-	-	-	-	-	-	250	-
Environmental services	2,304,068	2,459,025	2,571,865	2,686,555	2,789,426	-	-	-	-	-
Public safety	799,832	2,620,202	2,611,876	2,907,125	3,144,717	3,091,180	3,218,920	3,677,033	3,203,403	4,208,044
Library	12,427	16,125	30,226	29,236	32,435	37,558	42,893	34,621	35,799	39,368
Parks and recreation	231,676	413,535	690,660	715,521	670,682	807,267	785,095	791,821	729,455	596,199
Planning	58,427	60,323	59,962	61,459	43,379	30,002	38,322	40,872	59,489	62,175
Employee services	-	-	-	-	-	-	-	-	-	-
Risk management	144,095	187,407	457,318	361,578	415,381	716,141	741,130	745,281	782,796	808,123
Operating grants and contributions	2,093,912	1,678,375	2,051,801	1,841,713	2,112,431	2,975,232	2,378,429	2,747,298	3,831,256	3,590,979
Capital grants and contributions	548,829	306,081	861,585	1,337,648	14,639,704	1,898,595	4,238,477	3,698,776	3,687,087	3,552,787
<b>Total governmental activities program revenue</b>	<b>13,192,925</b>	<b>15,196,595</b>	<b>17,444,352</b>	<b>18,959,426</b>	<b>33,052,104</b>	<b>20,810,105</b>	<b>22,333,836</b>	<b>22,276,076</b>	<b>24,662,468</b>	<b>25,437,554</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Sewer Fund	5,223,391	5,271,475	6,098,422	6,736,899	6,486,904	7,758,337	8,722,591	9,493,840	10,938,292	10,448,380
Solid Waste Management Fund*	-	-	-	-	-	3,118,925	3,133,116	2,961,625	3,590,771	3,898,217
Operating grants and contributions	-	-	-	-	-	1,000	39,831	21,595	19,369	44,553
Capital grants and contributions	900,675	979,578	1,524,865	2,961,120	610,781	1,178,184	605,467	373,520	244,653	1,177,207
<b>Total business-type activities program revenues</b>	<b>6,124,066</b>	<b>6,251,053</b>	<b>7,623,287</b>	<b>9,698,019</b>	<b>7,097,685</b>	<b>12,056,446</b>	<b>12,501,005</b>	<b>12,850,580</b>	<b>14,793,085</b>	<b>15,568,357</b>
<b>Total primary government program revenues</b>	<b>19,316,991</b>	<b>21,447,648</b>	<b>25,067,639</b>	<b>28,657,445</b>	<b>40,149,789</b>	<b>32,866,551</b>	<b>34,834,841</b>	<b>35,126,656</b>	<b>39,455,553</b>	<b>41,005,911</b>
<b>Net (expense)/revenue</b>										
Governmental activities	(29,436,157)	(66,248,715)	(42,816,506)	(56,277,704)	(37,531,598)	(54,233,701)	(55,749,353)	(44,278,660)	(65,720,320)	(47,577,447)
Business-type activities	1,689,314	1,497,764	1,401,936	3,250,367	193,829	1,052,642	1,310,965	1,153,715	2,997,074	4,149,555
<b>Total primary government net expense</b>	<b>(27,746,843)</b>	<b>(64,750,951)</b>	<b>(41,414,570)</b>	<b>(53,027,337)</b>	<b>(37,337,769)</b>	<b>(53,181,059)</b>	<b>(54,438,388)</b>	<b>(43,124,945)</b>	<b>(62,723,246)</b>	<b>(43,427,892)</b>

\*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.

\*\*GFOA recommended that we not have the payments to component units. Starting with FY 2005, payments to the IDB are included in social and economic development. Payments to the Board of Education are listed separately.

Table 2 Continued

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>General Revenues and Other Changes in Net Position</b>										
Government activities:										
Taxes:										
Sales taxes	17,959,076	18,429,013	20,773,724	21,784,157	21,044,830	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180
Occupational license fees	7,197,943	6,785,103	7,402,470	7,826,656	8,174,202	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892
Property taxes	10,176,644	11,791,602	12,658,858	15,057,103	16,953,172	19,053,631	20,169,135	20,966,105	21,424,164	20,971,590
Motor fuel taxes	495,322	461,800	491,778	504,228	502,460	260,447	278,467	293,425	311,846	311,022
Lodging taxes	568,887	668,094	1,085,063	1,369,273	1,425,637	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012
Rental and leasing taxes	1,463,934	1,456,463	1,591,682	1,501,112	538,541	451,563	420,201	473,732	515,164	571,248
Cigarette taxes	96,708	91,188	93,177	86,776	84,663	78,290	77,423	79,304	77,145	75,880
Alcoholic beverage taxes	27,051	29,473	30,551	34,984	83,521	119,781	121,710	131,668	142,503	160,725
Appropriations from component units	-	-	-	-	-	-	-	-	-	333,591
Interest and investment earnings	854,188	981,502	1,884,183	1,996,272	1,255,843	827,049	512,963	362,808	241,936	287,977
Gain (loss) on disposal of assets	2,644	18,245	139,743	(23,936)	31,509	(166,665)	-	33,639	64,005	-
Miscellaneous	28,312	6,655	38,151	31,970	30,927	10,277	38,073	31,441	29,967	34,558
Special items	-	173,492	(453,119)	(1,624,916)	1,727,516	-	-	-	-	-
Extraordinary items	-	221,070	-	-	-	-	-	-	-	-
Transfers	120,424	(95,349)	127,883	(5,110)	106,111	(631,870)	(232,893)	(248,354)	(626,769)	(464,859)
<b>Total governmental activities</b>	<b>38,991,133</b>	<b>41,018,351</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>
Business-type activities:										
Interest and investment earnings	321,665	245,029	416,657	370,249	43,263	139,237	45,538	48,728	33,440	32,518
Gain (loss) on disposal of assets	-	-	18,895	66,128	22,625	28,748	12,598	(754)	9,820	20,789
Miscellaneous	-	-	278,160	258	504	3,999	37,087	7,656	6,085	2,246
Special items	-	-	-	-	-	-	675,000	-	-	464,859
Transfers	(120,424)	95,349	(127,883)	5,110	(106,111)	(38,553)	232,893	248,354	626,769	-
<b>Total business-type activities</b>	<b>201,241</b>	<b>340,378</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>Total primary government</b>	<b>39,192,374</b>	<b>41,358,729</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>Changes in Net Position</b>										
Governmental activities	9,554,976	(25,230,364)	3,047,638	(7,739,135)	14,427,334	(4,795,780)	(3,581,026)	11,237,746	(1,513,537)	17,778,369
Business-type activities	1,890,555	1,838,142	1,987,765	3,692,112	154,110	1,186,073	2,314,081	1,457,699	3,673,188	4,669,967
<b>Total primary government</b>	<b>11,445,531</b>	<b>(23,392,222)</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>

**Table 3**  
**City of Auburn ~ Primary Government**  
**General Government Tax Revenues by Source <sup>(1)</sup>**

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Sales & Use Tax	Cigarette & ABC* Tax	Motor Fuel Tax	Lodging and Rental Tax	Financial			Totals
					Institution Tax	Motor Vehicle Tax	General Property Tax	
2004	\$ 17,959,076	\$ 172,784	\$ 751,944	\$ 1,019,463	\$ 79,347	\$ 89,209	\$ 9,959,852	\$ 30,031,675
2005	18,429,013	159,533	695,734	1,091,843	193,876	110,811	11,342,765	32,023,575
2006	20,773,724	170,340	717,911	1,584,378 <sup>(2)</sup>	450,412	87,880	12,699,720	36,484,365
2007	21,784,157	159,104	724,202	1,857,539	269,083	112,779	14,650,666	39,557,530
2008	21,044,830	162,266	739,673	1,910,610	277,306	115,165	16,420,033	40,669,884
2009	20,143,854	164,539	749,811	1,612,284	245,537	138,276	18,696,415	41,750,715
2010	21,081,231	146,915	788,560	1,662,229	-	108,006	19,739,993	43,526,934
2011	22,987,405 <sup>(3)</sup>	168,268	818,351	1,839,015	184,886	126,685	20,333,624	46,458,234
2012	30,890,400	173,478	876,592	1,958,908	173,972	129,888	20,503,864	54,707,103
2013	31,831,180	177,243	871,498	2,126,307	147,553	137,809	20,271,550	55,563,140

\* State Alcoholic Beverage Control Board

<sup>(1)</sup> Includes state shared taxes.

<sup>(2)</sup> Lodging tax increased from 4% to 7% in FY2006.

<sup>(3)</sup> Sales tax rate increased from 3.0% to 4.0% effective 8/1/11.

Table 4  
**City of Auburn**  
*Fund Balances of Governmental Funds*  
 Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Reserved	8,697,744	7,820,742	9,305,314	8,701,444	12,967,664	8,844,309	7,451,985	-	-	-
Unreserved	21,426,238	19,488,460	18,451,274	19,436,335	15,882,269	19,983,950	19,649,481	-	-	-
Nonspendable	-	-	-	-	-	-	-	7,504,505	7,038,187	6,753,924
Restricted	-	-	-	-	-	-	-	176,679	237,639	298,192
Assigned	-	-	-	-	-	-	-	4,854,720	4,778,855	2,840,828
Unassigned	-	-	-	-	-	-	-	16,489,870	20,973,636	29,025,058
Total general fund	30,123,982	27,309,202	27,756,588	28,137,779	28,849,933	28,828,259	27,101,466	29,025,774	33,028,317	38,918,002
All other governmental funds										
Reserved	4,520,843	2,991,480	4,190,300	1,888,965	2,166,922	2,135,901	4,075,582	-	-	-
Unreserved, reported in:										
Special revenue funds	2,526,426	4,634,413	3,898,499	4,924,456	5,072,970	5,692,659	4,766,559	-	-	-
Debt service funds	1,523,137	2,116,996	2,499,525	2,748,975	3,163,736	3,898,630	3,831,043	-	-	-
Capital projects funds	4,775,796	6,405,416	11,280,128	8,362,129	1,667,086	6,402,424	1,297,837	-	-	-
Nonspendable	-	-	-	-	-	-	-	560,000	-	-
Restricted	-	-	-	-	-	-	-	10,015,439	13,631,350	13,152,780
Unassigned	-	-	-	-	-	-	-	-	(347,364)	-
Total all other governmental funds	13,346,202	16,148,305	21,868,452	17,924,525	12,070,714	18,129,614	13,971,021	10,575,439	13,283,986	13,152,780

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



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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Sales and use taxes	17,959,076	18,429,013	20,773,724	21,784,157	21,044,830	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180
Occupational license fees	7,197,943	6,785,103	7,402,470	7,826,656	8,174,202	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892
Motor fuel taxes	495,322	456,302	485,810	498,404	496,966	511,874	547,407	576,855	612,720	610,968
Lodging taxes	568,887	668,094	1,085,063	1,369,273	1,425,637	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012
Rental and leasing taxes	1,463,934	1,456,463	819,682	1,473,112	538,541	451,563	420,201	473,732	515,164	571,248
Other taxes	123,759	120,661	123,728	121,760	168,183	198,072	199,133	210,972	219,648	236,605
Licenses and permits	5,597,240	6,001,452	6,518,522	7,311,513	8,266,168	9,350,937	9,002,598	8,860,187	10,222,535	10,210,208
General property tax	10,470,043	12,111,245	13,088,499	15,057,103	16,953,172	19,053,632	20,169,134	20,966,105	21,424,165	20,971,590
Charges for services	4,197,384	6,371,963	6,901,624	7,087,603	7,440,776	5,231,625	5,286,945	5,777,642	5,544,334	6,428,631
Fines and forfeitures	876,748	1,013,374	1,083,225	1,335,798	1,267,362	1,201,777	1,323,548	1,247,137	1,452,953	1,636,516
State shared taxes	838,939	1,021,092	1,285,313	1,165,920	1,178,766	1,390,567	881,140	1,057,737	1,278,040	2,016,806
Contributions from the public	1,371,735	194,769	320,747	494,010	606,144	2,329,064	868,428	1,624,491	600,544	1,014,850
Grants	2,011,292	793,940	1,284,695	1,475,458	1,699,127	2,125,631	2,555,213	2,205,074	2,959,710	2,711,021
Program income	481,957	549,327	127,229	1,206,632	350,544	836,384	521,164	385,822	305,363	609,879
Interest	855,952	985,974	1,883,720	2,011,961	1,240,177	851,855	512,963	362,808	241,936	287,977
Miscellaneous	108,811	75,695	95,972	122,150	117,144	60,020	89,280	71,438	61,489	68,275
<b>Total revenues</b>	<b>54,619,022</b>	<b>57,034,467</b>	<b>63,280,023</b>	<b>70,341,510</b>	<b>70,967,739</b>	<b>73,028,419</b>	<b>73,160,402</b>	<b>77,212,638</b>	<b>87,465,423</b>	<b>90,448,658</b>
<b>Expenditures</b>										
General government and administration	3,404,365	3,594,853	3,940,430	3,893,452	4,017,923	4,127,351	4,417,596	4,821,147	4,900,632	4,971,598
Public works	2,236,624	2,433,580	2,849,130	3,008,617	2,981,356	4,343,137	3,530,072	3,751,109	3,528,928	3,568,302
Environmental services	3,673,472	3,630,390	3,870,974	3,963,063	4,298,499	1,636,517	1,609,168	1,665,499	1,806,656	1,956,168
Public safety	10,162,166	11,757,986	12,527,380	12,860,510	14,366,534	15,318,545	15,953,686	16,692,869	17,164,517	17,753,502
Library	975,302	1,049,762	1,180,137	1,254,012	1,416,673	1,450,815	1,425,399	1,455,630	1,503,734	1,622,482
Parks and recreation	3,370,517	3,799,044	4,190,163	4,252,011	4,575,572	4,358,992	4,580,462	4,714,322	4,788,245	4,684,929
Planning	373,985	507,098	486,927	600,553	643,259	609,721	664,088	573,465	562,214	635,402
Economic development	653,010	757,920	1,639,314	1,433,446	1,674,592	2,126,883	2,187,721	2,035,324	3,005,858	2,158,634
Employee services	427,345	459,278	472,691	504,822	550,107	637,204	656,148	655,029	642,122	675,100
Risk management	431,210	511,523	246,881	929,627	941,221	1,231,524	1,313,917	1,269,056	1,301,944	1,048,527
Non-departmental	1,403,798	1,422,240	1,867,443	1,495,410	2,213,532	1,906,387	1,937,902	1,915,070	1,978,998	2,056,603
Debt service										
Principal	5,499,994	19,570,595 *	6,183,601	6,836,554	28,354,631 ^	10,060,309	9,989,029	10,464,788	13,013,380	12,501,691
Interest	3,503,675	4,318,811	5,519,505	5,840,756	6,042,452	6,018,665	5,622,881	6,049,543	6,256,774	5,726,573
Capital Outlay	6,530,914	12,983,719	7,328,307	8,359,823	6,939,861	5,702,327	10,521,541	5,774,421	7,261,516	10,830,762
Intergovernmental	809,166	1,177,306	6,742,832	3,141,812	2,515,343	2,198,727	1,022,118	876,083	921,568	1,034,319
Payments to component units	10,404,387	44,097,771	13,098,738	27,895,701	19,939,274	24,919,475	28,818,541	15,755,842	38,546,879	20,404,444
<b>Total expenditures</b>	<b>53,859,930</b>	<b>112,071,876</b>	<b>72,144,453</b>	<b>86,270,169</b>	<b>101,470,829</b>	<b>86,646,579</b>	<b>94,250,269</b>	<b>78,469,197</b>	<b>107,183,965</b>	<b>91,629,036</b>
Excess of revenues over (under) expenditures	759,092	(55,037,409)	(8,864,430)	(15,928,659)	(30,503,090)	(13,618,160)	(21,089,867)	(1,256,559)	(19,718,542)	(1,180,378)

Table 5 Continued

	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Other financing sources (uses)</b>											
Debt issuance	5,196,627	16,356,598	58,835,646	14,740,290	12,200,000	13,927,516	19,590,794	15,155,000	-	24,325,835	5,525,000
Refunding	-	-	-	-	-	11,268,100	-	27,020,000	-	27,879,100	-
Sale of surplus assets	-	-	-	177,942	61,597	50,134	16,919	33,355	33,639	64,006	1,878,717
Transfers in	4,328,628	4,281,419	9,148,733	7,071,256	6,761,798	6,960,429	8,707,117	725,271	565,234	509,453	681,045
Transfers out	(4,216,718)	(4,160,995)	(9,252,339)	(6,957,522)	(6,762,544)	(6,844,749)	(8,659,444)	(958,164)	(813,589)	(1,196,222)	(1,145,905)
Premium on debt issued	-	-	1,120,859	-	105,076	-	-	2,313,257	-	4,147,158	-
Payment to refunded bond escrow	-	-	(5,026,414)	-	-	-	-	(29,084,241)	-	(29,299,697)	-
Total other financing sources (uses)	5,308,537	16,477,022	54,826,485	15,031,966	12,365,927	25,361,430	19,655,386	15,204,478	(214,716)	26,429,633	6,938,857
Extraordinary item											
Insurance proceeds - fire in building	-	-	255,000	-	-	-	-	-	-	-	-
Net changes in fund balances	2,273,381	17,236,114	44,076	6,167,536	(3,562,732)	(5,141,660)	6,037,226	(5,885,389)	(1,471,275)	6,711,091	5,758,479
Debt service as a percentage of non-capital expenditures <sup>(1)</sup>	18.3%	20.1%	25.0%	18.7%	16.4%	36.4%	19.9%	18.6%	22.7%	19.3%	22.6%

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

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

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

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

**Table 6**  
**City of Auburn ~ Primary Government**  
**Components of Sales Tax Revenue**

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

	2004	2005	2006	2007	2008	2009	2010	2011 <sup>^</sup>	2012	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	30,979	38,138	74,473	71,846	66,699	57,276	60,201	68,169	66,354	90,358
Grocery Stores	57,269	59,929	53,307	60,280	51,372	51,435	55,799	70,663	77,901	117,991
Eating & Drinking Establishments	70,983	75,052	101,287	111,409	120,987	120,462	127,753	148,302	131,813	192,114
Mass General Merchandise Stores	98,680	97,799	86,922	88,571	110,116	115,686	114,644	122,437	116,691	148,447
Auto Dealers & Supplies	151,290	160,833	103,690	116,070	40,203	33,484	39,021	42,278	38,291	52,628
Building Materials	28,674	32,569	49,464	55,721	34,454	32,257	31,794	26,698	36,185	60,616
Home Furnishing & Appliances	4,503	2,471	9,240	15,468	14,823	11,085	9,733	11,126	12,477	23,124
All Other Retail Sales	155,255	146,209	211,555	271,889	258,296	244,863	254,509	273,606	289,079	375,762
<b>Totals</b>	<b>597,633</b>	<b>613,000</b>	<b>689,938</b>	<b>791,254</b>	<b>696,950</b>	<b>666,548</b>	<b>693,454</b>	<b>763,279</b>	<b>768,791</b>	<b>1,061,039</b>

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

**Table 7**  
**City of Auburn ~ Primary Government**  
**Revenue Rates for General Sales Tax**

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	City		County		State		Total	
	Sales Tax Rate	Sales Tax Rate	Sales Tax Rate	Sales Tax Rate	Sales Tax Rate	Sales Tax Rate	Sales Tax Rate	
2004	3.0%	1.0%	4.0%	8.0%				
2005	3.0%	1.0%	4.0%	8.0%				
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%				

Source: State of Alabama Department of Revenue

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

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

Current Year and Nine Years Ago  
*Unaudited*

Employer	2004		2013	
	Rank	Rank	Rank	Rank
Wal-Mart	1	1		
Sam's Club				
Auburn University Financial Reporting	2	2		
Kroger	3	3		
Publix #1355				
Academy Sports				
Chartwells				
Publix #1294				
Dillard's (formerly Gayfers)	4	4		
Builders First Source SE (formerly Waid True Value)	5	5		

<sup>1</sup> State law prohibits the disclosure of the amount of sales tax remitted and any information that could enable the disclosure or calculation of confidential taxpayer information

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

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Debt as Percentage of Personal Income	Total Debt Per Capita
	General Obligation Bonds	Capital Leases	Capital Leases	General Obligation Bonds <sup>(2)</sup>	Capital Leases	Total Debt Primary Government		
2004	\$ 79,058	199	38	\$ 30,253	\$ -	109,548	10.05%	\$ 2,376
2005	113,591	68	-	30,111	-	143,770	12.79%	3,022
2006	122,272	-	-	30,054	-	152,326	13.25%	3,131
2007	127,635	-	-	28,263	-	155,898	12.64%	3,136
2008	124,476	-	-	34,220	-	158,696	12.34%	3,133
2009	133,947	-	-	62,240	-	196,187	14.34%	3,720
2010	139,143	-	-	45,880	-	185,023	13.28%	3,460
2011	128,679	-	-	44,775	-	173,454	12.97%	3,179
2012	141,120	-	-	48,950	-	190,070	14.41%	3,434
<b>2013</b>	<b>134,143</b>	-	-	<b>46,840</b>	-	<b>180,983</b>	<b>12.55%</b>	<b>3,201</b>

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

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

<sup>(2)</sup>The City has issued General Obligation Bonds/Warrants for the Sewer Revenue Fund. It is the intention of the Council that the Bonds/Warrants be repaid from Sewer Fund revenue.

**Table 10**  
**City of Auburn ~ Primary Government**  
**Ratios of General Bonded Debt Outstanding**  
 Last Ten Fiscal Years  
 Unaudited

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt <sup>(1)</sup>	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
	\$	\$	\$		\$
2004	78,912,853	1,523,137	77,389,716	17.90%	1,678
2005	113,590,812 <sup>(2)</sup>	2,116,996	111,473,816	22.94%	2,343
2006	122,272,012	2,499,525	119,772,487	21.92%	2,462
2007	127,635,458	2,748,975	124,886,483	19.68%	2,513
2008	124,476,443	3,163,736	121,312,707	17.12%	2,395
2009	133,947,403	3,898,630	130,048,773	17.66%	2,466
2010	139,143,374 <sup>(3)</sup>	3,831,044	135,312,330	18.01%	2,531
2011	128,678,587	3,723,922	124,954,665	15.66%	2,290
2012	141,120,142 <sup>(4)</sup>	3,540,270	137,579,872	17.17%	2,486
<b>2013</b>	<b>134,143,451</b>	<b>3,019,959</b>	<b>131,123,492</b>	<b>16.44%</b>	<b>2,319</b>

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

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

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

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

<sup>(4)</sup> City issued \$18.5 million of G.O. Warrants to pay the costs of new school construction under the jurisdiction of the Board of Education.

**Table 11**  
**City of Auburn ~ Primary Government**  
**Direct and Overlapping Governmental Activities Debt**  
 Fiscal Year 2013  
 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	\$ 134,143,451		
Less: Debt Service Funds Equity	<u>3,019,959</u>		
Net Direct Debt	131,123,492	100%	\$ 131,123,492
<u>Overlapping Debt</u>			
Lee County General Bonded Debt			
and Warrants	\$ 27,935,000	38%	<u>10,632,458</u>
Total Direct and Overlapping Debt			<u><u>\$ 141,755,950</u></u>

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

<sup>(1)</sup>The percentage of overlapping debt applicable is estimated based on population of the City of Auburn as compared to overall population in Lee County. Census Bureau Year 2010.

**Table 12**  
**City of Auburn ~ Primary Government**  
**Legal Debt Margin Information**

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 96,665	\$ 98,146	\$ 98,974	\$ 110,789	\$ 141,724	\$ 147,267	\$ 150,282	\$ 159,565	\$ 160,252	\$ 159,516
Total net debt applicable to limit	33,844	45,617	55,364	54,764	62,451	65,355	73,116	64,479	60,974	56,673
Legal debt margin	<u>62,821</u>	<u>52,529</u>	<u>43,610</u>	<u>56,025</u>	<u>79,273</u>	<u>81,912</u>	<u>77,166</u>	<u>95,086</u>	<u>99,278</u>	<u>102,843</u>
Total net debt applicable to limit as a percentage of debt limit	35.01%	46.48%	55.94%	49.43%	44.07%	44.38%	48.65%	40.41%	38.05%	35.53%

**Legal Debt Margin Calculation for Fiscal Year 2013**

Assessed value	\$ 797,584,460
Debt limit (20% of total assessed value)	\$ 159,516,892
Debt applicable to limit:	
General obligation bonds	\$ 180,983,449
Less: Exempt Debt	124,310,095
Total net debt applicable to limit	56,673,354
Legal debt margin	\$ 102,843,538

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

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Sewer Charges and Other <sup>(3)</sup>	Less: Operating Expenses <sup>(4)</sup>	Sewer G.O. Warrants <sup>(2)</sup>			
			Net Available Revenue	Principal	Interest	Coverage
	\$	\$	\$	\$	\$	
2004	5,543,200	2,312,004	3,231,196	415,000	2,524,900	1.10
2005	5,514,085	2,721,465	2,792,620	430,000	1,261,288	1.65
2006	6,601,081	3,823,649	2,777,432	440,000	1,121,013	1.78
2007	7,169,367	3,993,778	3,175,589	460,000	1,432,052	1.68
2008	6,553,296	4,569,543	1,983,753	475,000	1,236,928	1.16
2009	7,912,095	4,641,814	3,270,281	495,000	1,890,914	1.37
2010	8,803,453	4,548,588	4,254,865	1,060,000	1,788,254	1.49
2011	9,549,042	4,570,730	4,978,312	1,105,000	2,089,603	1.56
2012	10,978,794	4,465,603	6,513,191	1,155,000	1,983,951	2.07
<b>2013</b>	<b>10,510,245</b>	<b>4,074,714</b>	<b>6,435,531</b>	<b>2,110,000</b>	<b>1,792,555</b>	<b>1.65</b>

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

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

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

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



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

Last Ten Fiscal Years  
*Unaudited*

Fiscal Year	Population <sup>(1)</sup>	Personal Income (expressed in thousands) <sup>(2)</sup>	Per Capita Personal Income \$	Unemployment Rate <sup>(3)</sup>
2004	46,111	1,089,695	23,632	4.6%
2005	47,571	1,124,198	23,632	3.0%
2006	48,644	1,149,555	23,632	2.8%
2007	49,705	1,232,883	24,804	2.8%
2008	50,651	1,286,485	25,399	4.1%
2009	52,733	1,368,052	25,943	7.8%
2010	53,380	1,391,350	26,065	7.7%
2011	54,566	1,337,413	24,510	7.5%
2012	54,872	1,308,148	23,840	6.9%
<b>2013</b>	<b>57,051 **</b>	<b>1,455,257</b>	<b>25,508 *</b>	<b>4.9%</b>

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

<sup>(2)</sup> U. S. Department of Commerce, Bureau of Economic Analysis

<sup>(3)</sup> State of Alabama, Department of Labor, (September, 2013)

\* ESRI® Demographic and Income Profile 2012

\*\* Projection based on historical U.S. Census Bureau data

**Table 15**  
**City of Auburn ~ Primary Government**  
**Principal Employers**

Current Year and Nine Years Ago  
*Unaudited*

Employer	2004			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University	7,008	1	33.26%	5,500	1	23.19%
Auburn City Schools	645	3	3.06%	950	2	4.00%
City of Auburn and Auburn Water Works Board	426 *	6	2.02%	750	3	3.16%
Briggs & Stratton Corporation	960	2	4.56%	425	4	1.79%
SCA, Inc.	-	-	-	410	5	1.73%
CV Holdings, LLC	-	-	-	400	6	1.69%
Borbet Alabama, Inc.	-	-	-	350	7 (tie)	1.48%
Wal-Mart Supercenter	-	-	-	350	7 (tie)	1.48%
Rexnord Industries, LLC	-	-	-	230	8	0.97%
Pyongsan America, Inc.	-	-	-	215	9	0.91%
Seohan Auto USA Corporation	-	-	-	205	10	0.86%
<b>Total</b>	<b>9,039</b>		<b>42.90%</b>	<b>9,785</b>		<b>41.25%</b>

\* Includes temporary and seasonal employees.

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

Table 16  
**City of Auburn ~ Primary Government**  
*Regular Full-Time Employees by Function/Program*

Last Ten Fiscal Years  
*Unaudited*

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	75	73	73	74	76	77	77	81	81	77
Economic Development	11	13	14	14	13	13	13	13	12	12
Public Safety										
Police	107	110	109	112	113	115	113	113	113	115
Fire	29	30	43	43	43	43	43	43	43	43
Communications	6	6	7	9	11	11	11	11	11	11
Codes	7	8	9	9	9	9	9	9	8	8
Public Works										
Engineering	10	10	11	11	11	11	11	11	11	11
Construction & Maintenance	15	18	18	18	18	18	18	18	18	18
Inspection	4	4	6	6	6	6	6	6	6	6
Traffic Engineering	3	3	3	3	3	3	3	3	3	3
Environmental Services										
Recycling	16	16	16	16	16	16	16	16	16	16
Solid Waste	14	15	16	16	16	16	16	16	16	16
Animal Control	2	2	2	2	2	2	2	2	2	2
ROW	7	6	7	7	7	7	7	7	7	7
Fleet Services	9	10	10	10	10	10	10	10	10	10
Parks and Recreation										
Leisure Services	15	14	14	15	15	15	15	15	15	15
Parks & Facilities	24	26	26	26	27	26	26	26	26	26
Library	15	14	15	15	16	16	16	17	17	17
Sewer	11	13	19	15	15	16	16	16	17	17
<b>Total</b>	<b>380</b>	<b>391</b>	<b>418</b>	<b>421</b>	<b>427</b>	<b>430</b>	<b>428</b>	<b>433</b>	<b>432</b>	<b>430</b>

Source: City of Auburn Human Resources Department

**Table 17**  
**City of Auburn ~ Primary Government**  
**Operating Indicators by Function/Program**

Last Ten Fiscal Years  
*Unaudited*

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	2,339	2,921	2,574	2,978	3,143	2,480	2,643	2,712	3,096	3,053
Traffic violations	7,892	9,490	10,435	14,077	14,516	19,556	20,618	23,736	25,016	21,510
Fire										
Number of calls answered	1,149	1,147	1,342	2,258	2,330	2,523	4,025	4,065	4,303	4,367
Inspections <sup>^</sup>	6,256	6,324	1,860	1,857	1,792	1,752	1,575	1,391	1,559	1,760
Public Works										
Potholes repaired	403	414	347	230	210	273	750	625	454	70
Environmental Services										
Refuse collected (tons/day)*	72	85	85	86	86	88	91	104	103	102
Recyclable collected (tons/day)*	3.38	3.52	3.89	3.38	4.21	4.39	4.36	4.40	5.82	5.60
Parks and Recreation										
Athletic participants	5,391	4,956	4,623	5,154	5,648	5,031	4,959	2,964	4,540	4,478
Recreation center admissions	75,001	83,374	114,484	96,106	92,291	111,960	138,751	150,690	164,888	241,042
Sewer										
Average daily sewage treatment (millions of gallons)	6.15	6.86	6.10	5.90	5.60	6.70	6.69	6.02	6.28	6.70

<sup>^</sup>A change in software lowered the number of inspections performed in 2006.

\*Each year consists of 251 work days.

Source: City departments

**Table 18**  
**City of Auburn ~ Primary Government**  
**Capital Asset Statistics by Function/Program**

Last Ten Fiscal Years  
*Unaudited*

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

Source: City departments



City of Auburn

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