

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF AUBURN, ALABAMA

FISCAL YEAR ENDED SEPTEMBER 30, 2018

Comprehensive Annual Financial Report

The City of Auburn, Alabama
For the Fiscal Year Ended September 30, 2018

City Council

Ron Anders, Jr., *Mayor*

Connie Fitch Taylor, *Ward 1*

Kelley Griswold, *Ward 2*

Beth Witten, *Mayor Pro Tem, Ward 3*

Brett Smith, *Ward 4*

Steven Dixon, *Ward 5*

Bob Parsons, *Ward 6*

Jay Hovey, *Ward 7*

Tommy Dawson, *Ward 8*

Management Team

James C. Buston, III, *City Manager*

Kevin Cowper, *Assistant City Manager/COO*

Rick Davidson, *City Attorney*

John Hoar, *Inspection Services Director*

Megan McGowan, *Development Services Director*

Christopher Warren, *Library Director*

Phillip Dunlap, *Economic Development Director*

James McLaughlin, *Municipal Judge*

Alison Frazier, *Engineering Services Director*

Rebecca O. Richardson, *Parks and Recreation Director*

Timothy Woody, *Environmental Services Director*

Forrest Cotton, *Planning Director*

Penny L. Smith, *Finance Director/Treasurer*

William H. James, *Public Safety Director*

Steven A. Reeves, *Human Resources Director*

Scott Cummings, *Public Works Director*

Greg Nelson, *Information Technology Director*

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

Prepared by the City of Auburn Finance Department

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

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Rachel Seibenhener, *Finance Information Officer*

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 28, 2019

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, 2018 is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Auburn management. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government and its component units. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The Report

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

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

Governmental Accounting Standards Board (GASB) Reporting Requirements The City of Auburn presents financial information that meet the requirements of accounting standards issued by the Governmental Accounting Standards Board (GASB). Each year, management evaluates new GASB reporting requirements to determine applicability to the City. The requirements issued by GASB that became effective during this fiscal period and those that will become effective in the next fiscal period are described in this section.

The City implemented the following statements during fiscal year 2018:

- GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," requires the recognition of a liability for obligations incurred under postemployment benefit plans.
- GASB Statement 81, "Irrevocable Split-Interest Agreements," improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement does not currently affect the City.
- GASB Statement 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73," addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City early implemented this statement in fiscal year 2016.
- GASB Statement 85, "Omnibus 2017," addresses practice issues that have been identified during implementation and application of certain GASB statements, including blending component units, goodwill, fair value measurement and application, and postemployment benefits.
- GASB Statement 86, "Certain Debt Extinguishment Issues," provides new guidance for in-substance defeasance of debt. This statement does not currently affect the City.

Management is aware of the following statements and will implement those applicable to the City in future years:

- GASB Statement 83, "Certain Asset Retirement Obligations," addresses accounting and financial reporting for certain legally enforceable liabilities associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this statement are effective for the fiscal 2019 reporting period.
- GASB Statement 84, "Fiduciary Activities," establishes criteria for identifying fiduciary activities by focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This statement becomes effective for the fiscal 2020 reporting period.
- GASB Statement 87, "Leases," improves accounting and financial reporting for leases by governments, which will better meet the information needs of financial statement users. This statement becomes effective for the fiscal 2021 reporting period.
- GASB Statement 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements," improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statement is effective for the fiscal 2019 reporting period.
- GASB Statement 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, as well as simplifies the accounting for interest cost incurred before the end of a construction period. This statement is effective for the fiscal 2020 reporting period.
- GASB Statement 90, "Majority Equity Interests," improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. This statement is effective for the fiscal 2019 reporting period.

City Profile

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

During 2018, Auburn was included on Southern Living’s list of The South’s Best College Towns. Livability ranked Auburn number 93 on its list of 2018 Top 100 Best Places to Live. Auburn ranked number 8 on Niche.com’s list of the best places to raise a family. Business Facilities Magazine ranked the Auburn-Opelika MSA number 1 in economic growth potential and number 3 in job growth for small metro areas in its 2018 Metro Rankings Report.

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



Auburn is conveniently located on Interstate 85.

Auburn has been among the fastest growing communities in Alabama, since beginning humbly in 1900 with a population of 1,831. During the past four decades, the City has seen tremendous growth from 22,767 residents in 1970 to 63,973 residents per the U. S. Census Bureau. 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. James C. Buston, III has served as City Manager since March 2017. During this fiscal year, the City Manager reorganized several departments to align the City’s resources with growing demand for public services and infrastructure. While the reorganization was complete August 1, financial reporting remained under the previous organizational structure for the remainder of fiscal year 2018, which is how this report is presented.

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

Approximately 512 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

In fiscal year 2018, the City continued to prioritize school funding. The City contributed \$13.4 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.

On May 8, 2018 the City issued \$30.6 million in General Obligation Warrants for the construction of a new Public Safety Complex. The new facility will be approximately 70,000 square feet and house the City's Public Safety Administrative office, Police Division, 911 Dispatch Center, Municipal Court, City Council, and Fire Station 1.

The City of Auburn transitioned to single-stream recycling during fiscal year 2018. Residents received 95-gallon recycling containers that they can place all their recyclables in. These large carts are the same size as the garbage carts and provide extra capacity for bulky recyclables, as well as help to keep recyclables contained and dry.

The City completed the first phase of the Boykin Community Center improvements in fiscal year 2018. Renovations included new restrooms, installation of access controls, interior finishes in classrooms, senior area and offices, a new fire alarm system, and exterior ADA sidewalk and ADA parking.

The City completed the construction of its second fuel depot, located next to the City's Bailey-Alexander Complex which houses the Water Resource Management Department and Utility Billing Office. The new fueling station gives the City a secondary location for fueling its fleet. The fueling station consists of two 12,000 gallon tanks for diesel and a 525 gallon DEF (Diesel Exhaust Fluid) station.

Construction began on widening and realigning Richland Road at the intersection of Shug Jordan Parkway to improve traffic flow for the new elementary school that opened in August 2018. The project adds additional turn lanes, a multi-use path, and new traffic signal to the area.

As part of the City's plan to improve downtown parking, in February 2018 the City purchased a site for a new parking deck. Design of the Wright Street Parking Deck is underway with the proposed parking facility adding approximately 300 – 350 parking spaces to the area.

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 143 full-time and 13 part-time sworn officer positions, providing an average emergency call response time of 2-3 minutes. The Auburn University Police Department merged with the City of Auburn Public Safety Department effective July 1, 2004. All law enforcement and public safety services for the campus are now handled by the City. During fiscal 2017, the City opened a precinct on campus staffed with 39 officers. 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 49 regular, full-time firefighters and an average of 55 student firefighters, operating five fire stations. The City currently has a 2/2X 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 as well as enforcing nuisance 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. Public Works expends approximately \$2.0 million per fiscal year on road maintenance. The Engineering Division of the Public Works Department performs planning and design services for the City's future highway, bikeway, and sidewalk systems. In addition, Public Works also monitors and inspects the construction and renovation of City facilities, including buildings and parks. The Traffic Engineering Division maintains 62 traffic signalized intersections, along with over 270 City-owned street lights and 116 LED edge lit signs.

Environmental Services Given Auburn University's origins as an agricultural and mechanical college, it is not surprising that Auburn's residents give a high priority to its environmental quality of life. Environmental Services collects household waste, recyclables, and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. During fiscal year 2018, approximately 15,784 households were served with 13,917 tons of garbage, 1,666 tons of recycling and 13,678 tons of yard waste collected. 70% of the yard waste collected was recycled. The City transitioned to single-stream recycling during this fiscal year, which allows citizens to place all recyclables into one container instead of having to separate them into different containers.

In an effort to provide residents the opportunity to do a holistic cleanup around their properties each spring, Environmental Services provides an annual trash amnesty period where fees are waived for oversized debris piles. Environmental Services also hosts a bi-annual household hazardous waste collection event and an annual comprehensive neighborhood clean-up event. This year's first household hazardous waste collection event had 289 participants that disposed of eight tons of material. The annual comprehensive clean-up event involves several other City departments and addresses public works infrastructure and codes related items along the rights of way. Environmental Services is also responsible for animal control and maintenance of the City's vehicle fleet.

Leisure Services In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and the Auburn Public Library provide many leisure time choices to residents. The Auburn Public Library has 36 internet-connected computer workstations available to the public. During fiscal 2018, there were 53,895 logins on these computers. Additionally, the Auburn Public Library offers wireless internet access for patrons bringing their own laptops, tablets, and other portable devices. During fiscal 2018, library patrons checked out 448,776 books, audiobooks, ebooks, and movies. In addition, 33,479 patrons attended the library's 1,003 programs offered for children, teens, and adults. Programs offered by the Auburn Public Library included ten weekly early literacy story times, One Book One Auburn, the Third Grade Reading Dragons, classes for new business owners, one-on-one technology assistance, various book clubs, and the Summer Learning Challenge, all sponsored in whole or in part by the Friends of the Auburn Public Library. With the use of federal LSTA (Library Services and Technology Act) grant funds, the Auburn Public Library hosted a Family Literacy Night for local children and their caregivers, supported professional development for library staff, and added to the library's collection of ebooks, early readers, picture books, and board books.

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

Education Services Auburn City Schools provide services to more than 8,700 students. It is the fastest growing school system in Alabama over the past five years, averaging 300 to 400 new students each year. Auburn City Schools consistently experiences record enrollment growth each year as parents are drawn to the excellent teachers, facilities and programming it has to offer.

Currently, students are housed on thirteen separate campuses. These campuses include nine elementary schools, one 6th grade school, one 7th grade school, one junior high school, and one high school. Excellent choral, drama, art, band, academic teams, sports, and other extracurricular programs are offered. All schools have a media center, art teacher, music teacher, and one or more full-time counselors. A new elementary school opened this year.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. Auburn High School consistently produces an average of five National Merit finalists/semi-finalists each year from the senior class. The graduation rate for Auburn High School was 91% and seniors were awarded more than \$16.7 million in scholarships. Concurrent college enrollment, through Auburn University and Southern Union State Community College, is available for students who wish to take courses not taught at Auburn High School.

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

Auburn University, in Auburn

Columbus State University, Columbus, GA

Tuskegee University, Tuskegee

LaGrange College, LaGrange, GA

Huntingdon College, Montgomery

Southern Union State Community College, Opelika

Faulkner University, Montgomery

Chattahoochee Valley Community College, Phenix City

Auburn University, Montgomery

Central Alabama Community College, Alexander City

Troy University at Montgomery

Alabama State University, Montgomery

Auburn University, located adjacent to downtown Auburn, is a comprehensive research institution blending arts and applied sciences. The student body is taught by approximately 1,330 full-time faculty members, and the student to faculty ratio is 19 to 1. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates. Auburn offers degrees in 15 schools and colleges with over 140 majors at the undergraduate, graduate, and professional levels. Auburn has awarded more than 250,000 academic degrees since it opened in 1856.



Auburn University's Historic Samford Hall

As the City's largest employer with over 5,100 employees, Auburn University is a major contributor to the local economy. Enrollment was 29,776 for fall semester of the 2017/2018 academic year, an increase of 1,486 students over the previous year.

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

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

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

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

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

Factors Affecting Financial Conditions

Local Economy

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

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

The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having assisted in the recruitment of more than forty

companies, resulting in the creation of over 6,900 jobs in the last 25 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the first phase of the newest park, Auburn Technology Park West, was completed in 2008. Construction of Phase II of this park is substantially complete and additional property was acquired in 2014 with development underway in 2015 with substantial completion in 2017.

The industrial sector showed continued growth in 2018. Briggs & Stratton Corporation selected Auburn as the location for its Alabama distribution hub to serve customers in the Southeast region. Several other existing manufacturers also increased their capital investment in 2018, including Borbet Alabama, Inc., Donghee Alabama, LLC, Leehwa America, Inc., Pyongsan America, Inc., Rausch & Pausch, LP, Rexnord Corporation, SCA, Inc., and Straehle+Hess USA, Inc. The new industry announcements and expansions that occurred in 2018 will produce a combined total of 177 new jobs for Auburn and a planned capital investment of approximately \$70 million. Auburn continues to maintain a presence in other key sectors such as aerospace, automotive and information technology.

The City's Commercial Development Incentive Program, managed by the Development Services Executive Director, has brought numerous new and redeveloped commercial enterprises to our area. During 2018, this program facilitated the continued renovation and expansion of: Auburn Mall, which added a Starbucks and additional dining options; Flint's Crossing Shopping Center, adding Michaels to the market; and Market Square Shopping Center. These commercial centers have grown as a result of this program and continue to be strong revenue generators for the City. The program also facilitated new investment in: Cary Crossing, which will be anchored by Russell Building Supply; Commerce Center, a new shopping center on Opelika Road; and Chef David Bancroft's highly anticipated second restaurant, Bow and Arrow.

The City's Community Services Division, a branch of the Development Services Business Unit, provides a variety of opportunities to improve the quality of life for Auburn's citizens. The Community Development Block Grant (CDBG) is administered by the Community Services Division. These Federal funds help facilitate programs specifically targeted to Housing, Public Service and Special Economic Development activities which will directly impact citizens identified as low to moderate-income. Affordable Housing, Emergency Housing Rehab, Housing Reconstruction, and Utility and Mortgage Assistance are examples of programs available to qualifying citizens in need. The East Alabama Food Bank, the North Auburn Housing Development Corporation, and Presbyterian Community Ministries (PCM) are a few agencies that administer CDBG funding and provide supportive services directly to applicants residing within the City limits. During 2018, the Community Development Division relocated to the newly renovated Boykin Community Center, after completion of the renovations funded by CDBG. Along with the Community Services Division, several other tenants such as Auburn Day Care Center, Auburn Senior Center, Boys and Girls Clubs of Greater Lee County, and Joyland Development Center operate out of the Boykin Community Center to provide services to and help meet the needs of qualifying citizens.



Boykin Community Center

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, there are four (4) active loans issued to entities operating within the City of Auburn committed to job creation for low to moderate-income workers.

In fiscal 2018, building permits were issued for 443 new single-family detached residences valued at \$139.9 million and 67 new single-family attached residences valued at \$13.5 million. The average valuation for single-family detached homes was \$315,962 and \$202,434 for single-family attached homes. Also, fifty new commercial and industrial facilities valued at \$57.8 million were permitted during fiscal 2018.

CompPlan 2030

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

Risk Management

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

Long-term Financial Planning

The City’s capital improvements plan identifies potential capital projects for fiscal years 2019 through 2024. Project areas include sidewalk and neighborhood projects, downtown improvements, technology investments, public safety projects and major equipment, parks and cultural projects, and City facility improvements. Various funding options, including debt and grants, will be identified at the appropriate time. Several of the most significant projects planned are listed below.

- Construction of a new Public Safety complex
- Construction of the Wright Street parking deck
- Boykin Recreation Center improvements – Phase II
- South College Street and Samford Avenue intersection improvements
- Various projects identified through the Parks, Recreation and Cultural master plan

Financial Information

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate data are compiled to allow for the presentation of financial statements in conformance with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute,

assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) that valuation of costs and benefits requires estimates and judgments by management.

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

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

Budgeting Although, accountability for budgetary compliance is held at the department level, 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. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The City Manager has the authority to make adjustments between budget line items.

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

Ordinances and resolutions enacted during the year by the governing body are incorporated into the budget through amendments at mid-biennium and, if necessary, at fiscal year-end. Activities of the General Fund, the Debt Service fund, and most Special Revenue funds are included in the budget. Encumbrances for outstanding purchase orders lapse at year-end; however, departments may request, with City Manager approval, a carryover of encumbrances should a positive budget balance remain. All encumbrances associated with contracts are signed commitments of the government and will be re-appropriated at the beginning of the new fiscal year.

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

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

During fiscal year 2018, idle cash was invested in U.S. treasury notes with 21 month - 27 month terms and rates ranging from .728% to 2.195%. The City's idle cash was also invested in various money market accounts with rates ranging from .25% to 2.00% and one certificate of deposit with a 12-month term and a rate of 2.27%. The City's demand deposit operating account earned .50%.

During fiscal year 2018, the City only had one remaining investment in its portfolio of school debt proceeds. This consisted of a 29-month certificate of deposit with a rate of 1.15%. The City invested debt proceeds for the Public

Safety complex into a portfolio consisting of U. S. treasury notes and securities with 23 day – 24 month terms and rates ranging from .625% to 1.875%.

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 2018 period was 58.6%, exceeding management’s informal goal.

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*) and the Uniform Guidance effective December 26, 2014, the City’s audit report must be signed by a certified public accountant. The accounting firm of Machen McChesney completed the City’s fiscal year 2018 audit. The auditor’s report on the basic financial statements and the combining and individual fund statements and schedules is included in the *financial* section of this report.

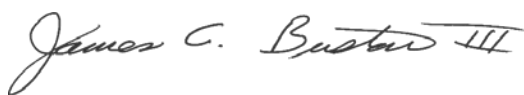
Information related to this Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor’s reports on the internal control structure and compliance with applicable laws and regulations, are generally meaningful only to oversight agencies and therefore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

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its CAFR for the fiscal year ended September 30, 2017. This was the thirty-first 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, 2018. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

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

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



James C. Buston, III
City Manager



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



City of Auburn



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, 2017

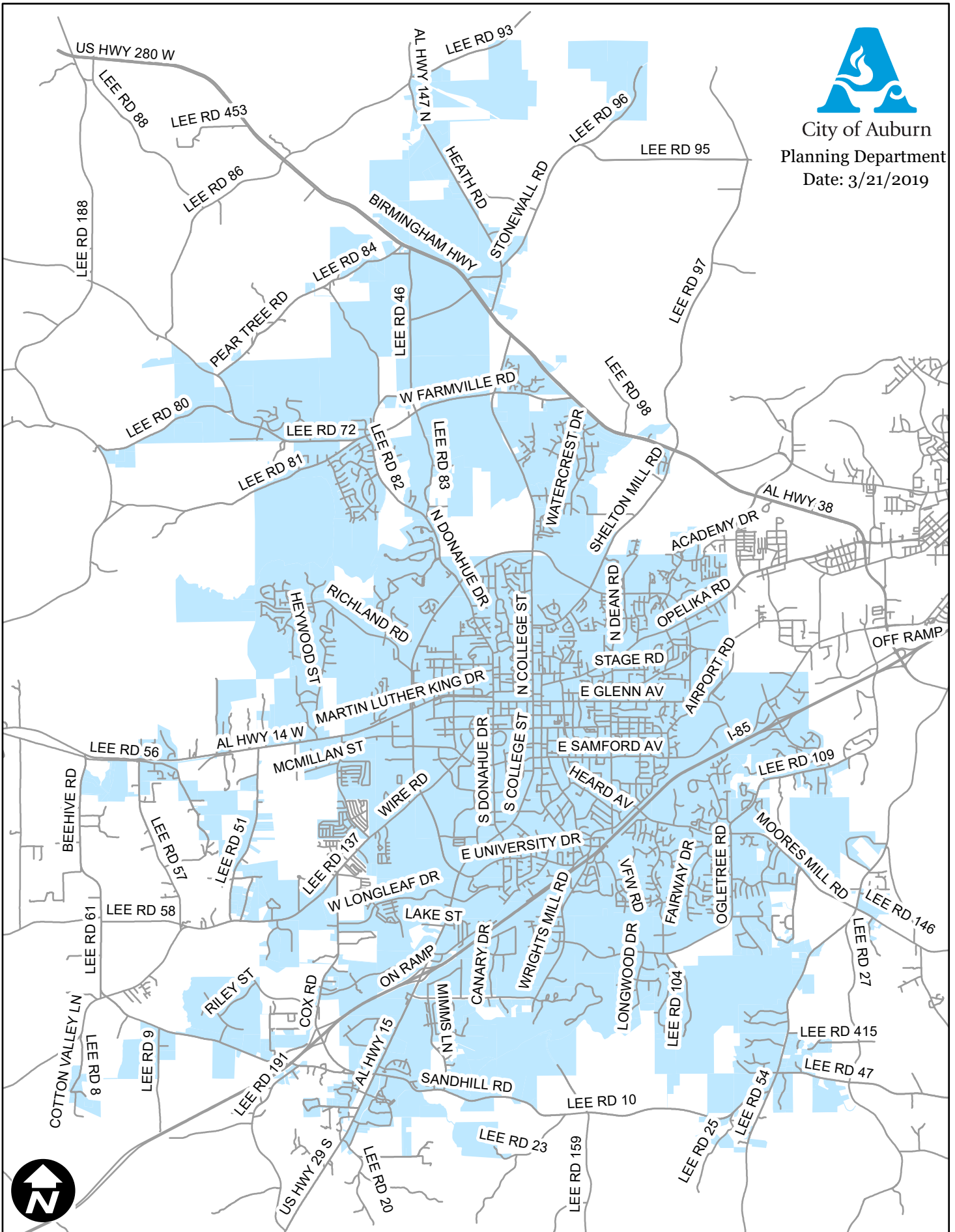
Christopher P. Morill

Executive Director/CEO

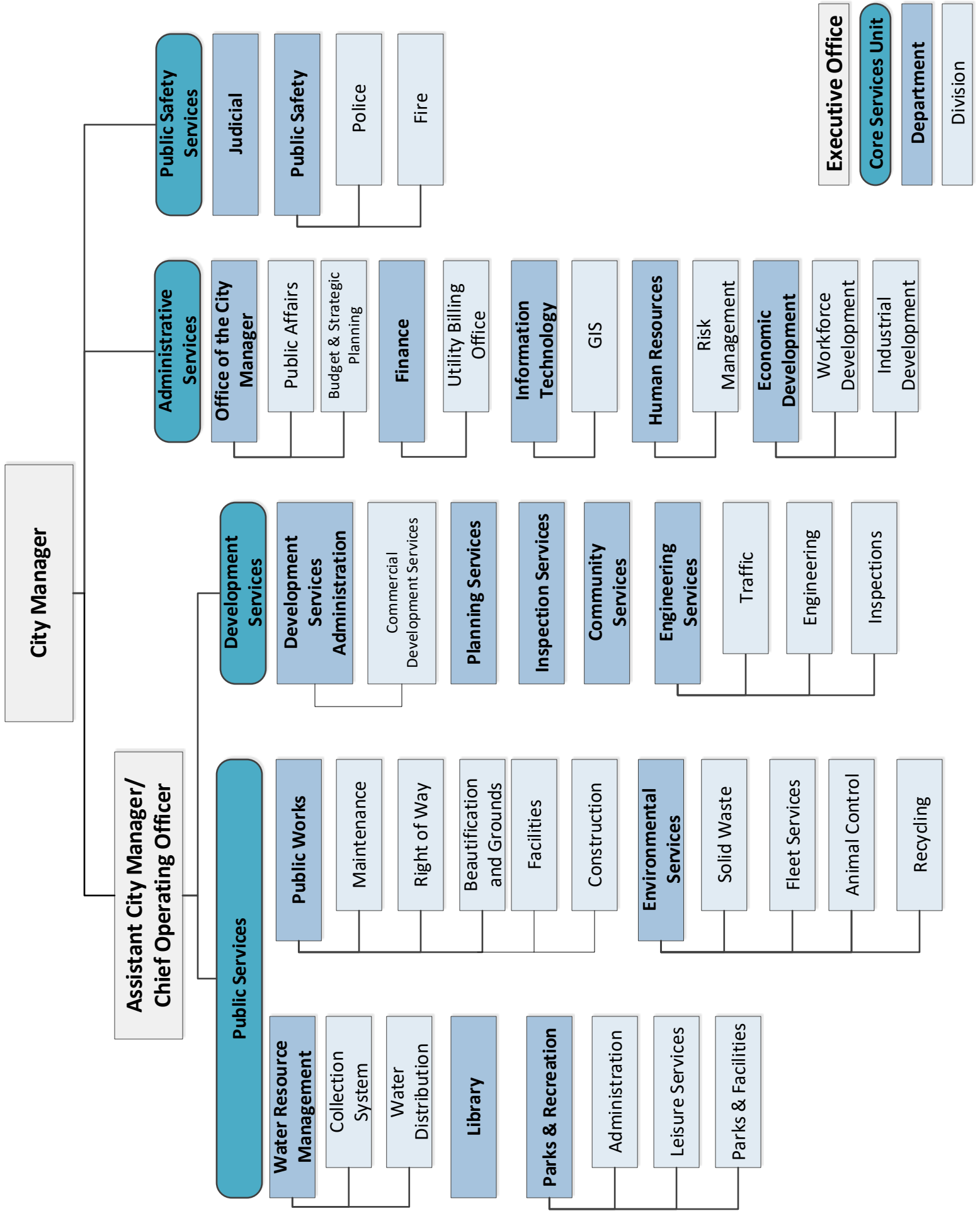
City of Auburn as of March 20, 2019



City of Auburn
Planning Department
Date: 3/21/2019



The City of Auburn, Alabama does not guarantee or warrant the accuracy of this map or any information contained herein. Information may contain errors and should be verified by an appropriately qualified, licensed and independent professional.





City of Auburn

INDEPENDENT AUDITOR'S REPORT

The Honorable Ron Anders, 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Auburn, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special School Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 21 through 48), budgetary comparison information (page 147), pension information (pages 148 through 149), and OPEB information (page 150) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, 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 the effectiveness of the City of Auburn, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburn, Alabama's internal control over financial reporting and compliance.

Machen McChesney, LLP

Auburn, Alabama
March 18, 2019



City of Auburn

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Auburn's Comprehensive Annual Financial Report (CAFR) presents City management's discussion and analysis (MD&A) of the City's financial performance during the fiscal year that ended on September 30, 2018. Please read this in conjunction with the City's financial statements and the accompanying notes, which follow this section, and the additional information furnished in the letter of transmittal in the introductory section of the CAFR.

FINANCIAL HIGHLIGHTS

- The assets of the City of Auburn exceeded its liabilities at the close of the fiscal year by \$125.5 million (net position). Of this amount, the City had a deficit unrestricted net position of \$148.3 million offset by \$40.0 million in restricted net position and \$233.8 million in net investment in capital assets.
- The primary government experienced a 12.9% increase in net position from \$111.1 million at September 30, 2017 to \$125.5 million at September 30, 2018.
- At the close of fiscal 2018, the City's governmental funds reported a *combined* fund balance of \$111.3 million. This was an increase of \$21.5 million (23.9%) from the prior year.
- At the end of fiscal 2018, total fund balance for the General Fund was \$52.4 million or 58.6% of total General Fund expenditures and other financing uses; total fund balance increased by \$4.7 million (9.9%) from fiscal year 2017. Total ending fund balance in the General Fund comprised 57.1% of total revenues in 2018 and 54.9% in 2017.
- The unassigned fund balance for the General Fund was \$31.2 million, or 34.9% of total General Fund expenditures and other financing uses; this was a decrease of \$669,574 (2.1%) from fiscal 2017.
- Sales and use tax, the City's single largest revenue source, increased by \$2.4 million (6.0%) during the 2018 fiscal year.
- Other significant changes in revenue in the City's General Fund during 2018 include the following: charges for services increased by \$1.1 million (13.7%); occupation license fees increased by \$826,598 (6.8%); general property tax increased by \$427,609 (8.0%); licenses and permits increased by \$478,364 (3.7%); and contributions from the public decreased by \$1.0 million (46.7%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

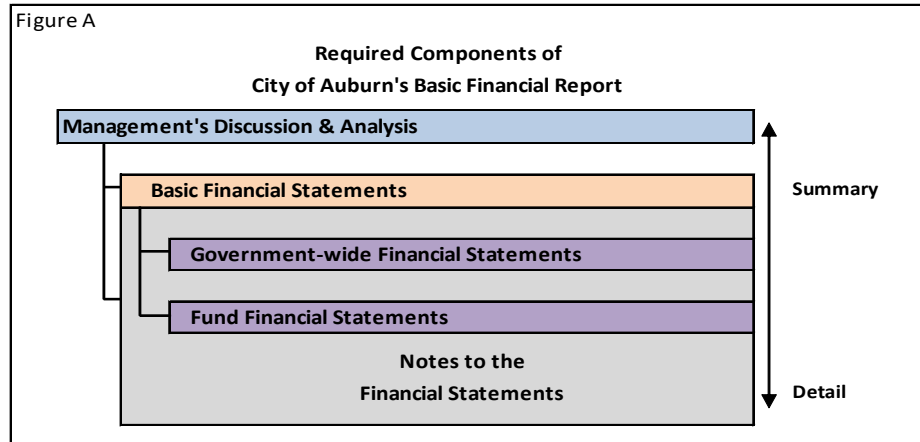


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

Government-wide Statements

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

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

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

Figure B

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

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

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

- *Governmental activities.* Most of the City's basic services are included in this category, such as the services provided by the Public Safety, Public Works, Parks and Recreation, Human Resources, and Finance departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities.* The City charges fees to customers to help cover the costs of certain services it provides to the public. The City's Sewer 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. These entities include the City of Auburn Board of Education (Auburn City Schools), 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 Auburn Downtown Redevelopment Authority. Please refer to Note 1.A. within the Notes to the Financial Statements regarding the availability of separately issued component unit financial statements.

Fund Financial Statements

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

- State law requires gasoline tax funds to be accounted for separately, because the expenditures are restricted for specific uses.
- The City Council establishes other funds to control the use of monies for particular purposes, such as property taxes that are legally dedicated for repayment of long-term debt for voted projects or for support of the City school system.

- The City also establishes funds to demonstrate compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and the spending of grant revenues.

The City has three kinds of funds:

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

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Net position

The City's *combined* net position at September 30, 2018 totaled \$125.5 million (see Table 1). Governmental Activities' net position increased by \$11.8 million (20.2%), while Business-type Activities' net position increased \$2.6 million (4.9%) during the year.

The primary government's total net position increase of \$14.4 million (12.9%) in fiscal 2018 includes the following major changes: 1) a decrease in the deficit in unrestricted net position of \$4.9 million, 2) a decrease in restricted net position of \$9.8 million, and 3) an increase in net investment in capital assets of \$19.3 million.

Table 1

City of Auburn's Net Position
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 124,724,984	\$ 103,993,901	\$ 13,579,834	\$ 14,504,760	\$ 138,304,818	\$ 118,498,661
Capital assets	206,102,636	188,660,233	81,759,607	80,376,319	287,862,243	269,036,552
Total assets	330,827,620	292,654,134	95,339,441	94,881,079	426,167,061	387,535,213
Deferred outflows of resources	8,996,508	10,038,398	3,303,852	3,572,060	12,300,360	13,610,458
Current liabilities	22,168,902	21,952,219	4,865,391	4,426,643	27,034,293	26,378,862
Long-Term debt and other liabilities	245,155,362	222,140,560	38,414,055	41,373,659	283,569,417	263,514,219
Total liabilities	267,324,264	244,092,779	43,279,446	45,800,302	310,603,710	289,893,081
Deferred inflows of resources	2,165,238	70,588	226,604	73,409	2,391,842	143,997
Net position:						
Net investment in capital assets	187,712,319	172,516,412	46,067,480	41,989,278	233,779,799	214,505,690
Restricted	37,759,824	47,557,073	2,266,933	2,266,933	40,026,757	49,824,006
Unrestricted	(155,137,517)	(161,544,320)	6,802,829	8,323,217	(148,334,688)	(153,221,103)
Total net position	\$ 70,334,626	\$ 58,529,165	\$ 55,137,242	\$ 52,579,428	\$ 125,471,868	\$ 111,108,593

Net investment in capital assets (buildings, equipment, roads, etc.) is the primary component of Governmental Activities' net position. The net investment in capital assets at September 30, 2018 was \$187.7 million. Debt outstanding related to the capital assets was \$43.6 million. The large negative unrestricted net position in FY 2017 (\$161.5 million) and FY 2018 (\$155.1 million) is primarily the result of a common financing circumstance in Alabama. The City of Auburn issues debt (repaid with legally dedicated ad valorem taxes) in the City's name for the benefit of Auburn City Schools (ACS), a discretely presented component unit of the City. Therefore, the City must report the debt in its financial statements. However, the City typically does not have a legal right (title) to the assets associated with the debt (which are owned by ACS); hence, the large negative unrestricted net position balances. Total debt outstanding for school issues was \$155.8 million as of September 30, 2018. The last debt the City issued on behalf of the Board of Education was \$18.0 million in General Obligation Warrants in fiscal 2017, used by Auburn City Schools to construct a new elementary school. In addition, the City holds and invests the debt proceeds and transfers the proceeds to the School Board as needed to pay for construction. Any unused proceeds are classified as restricted net position, further increasing the deficit in unrestricted net position.

Similar to the school funding situation, the City entered into an agreement with Auburn University to issue general obligation debt, enabling Auburn University to finance an expansion of the City's tennis complex. The City leases a portion of the complex to Auburn University. These lease payments fund principal and interest on the City's debt. The City's Public Park and Recreation Board, a component unit of the City, owns and operates the joint tennis facility. With respect to the Tennis Center, the debt principal of \$1.9 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.

Also contributing to the large unrestricted net position balance are liabilities related to pensions and other post-employment benefits (OPEB). The City implemented GASB Statement 68 – *Accounting and Financial Reporting for Pensions* in fiscal 2015. The City and its employees contribute to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participants. The net pension liability of governmental activities required to be included in the long-term liabilities section of the Statement of Net Position as of September 30, 2018 was \$31.7 million. In fiscal 2018, the City implemented GASB Statement 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the recognition of a liability for obligations incurred under postemployment benefit plans. The

City's OPEB plan provides medical benefits to employees upon retirement based on certain eligibility requirements. The retirees pay 100% of the premium costs and specific deductibles. The City pays for all costs in excess of premiums and deductibles. The net OPEB liability of governmental activities required to be included in the long-term liabilities section of the Statement of Net Position was \$3.3 million as of September 30, 2018.

Table 2 displays 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 outstanding at September 30, 2018, was \$155.8 million, a decrease of \$4.5 million (2.8%) from the prior year. This decrease results from principal repayments on existing debt during the year. Debt outstanding in respect to agreements made with Auburn University was \$1.9 million, a decrease from the prior year of \$191,099 (9.3%). This decrease is also attributable to the City's principal repayments.

Governmental Activities' unrestricted net position (excluding the effects of others' debt) increased by \$1.7 million to \$2.5 million at the end of fiscal 2018. This is primarily the result of growth in revenue offset by a decrease in governmental activities' expenses.

The City's governmental activities' had an overall positive net position of \$70.3 million at the end of the 2018 fiscal year, an increase of \$11.8 million (20.2%).

Table 2

Governmental Activities

Net Position	<u>2018</u>	<u>2017</u>
	\$	\$
Net investment in capital assets	187,712,319	172,516,412
Restricted		
Capital Projects	3,873,941	1,127,908
Debt Service	6,018,214	4,717,407
Federal and State Grants	4,215,840	4,467,881
Other projects	2,212,799	2,438,562
Special Revenue, non-grant	21,439,030	34,805,315
Unrestricted (deficit)		
Governmental Activities	2,519,604	841,496
City School Debt	(155,802,957)	(160,340,553)
Auburn University Debt	(1,854,164)	(2,045,263)
Total Net Position-Governmental	<u>70,334,626</u>	<u>58,529,165</u>

Net position of the City's business-type activities increased by \$2.6 million to \$55.1 million in fiscal year 2018, from \$52.6 million in fiscal year 2017. This increase is primarily due to a positive change in net position from combined business-type operations revenues over expenses of \$4.2 million offset by nonoperating interest expense of \$1.5 million. Other activity contributing to the increase in net position was a net increase of \$965,717 in capital assets being depreciated. This consisted of an increase in asset acquisitions totaling \$3.4 million offset by an increase in accumulated depreciation (a contra asset) of \$2.5 million. The most significant of the asset acquisitions was the generator replacement project at the H.C. Morgan Water Pollution Control Facility.

The primary government's net position increased by \$14.4 million (12.9%) in fiscal year 2018. Total assets increased by \$38.6 million (10.0%), while total liabilities increased by \$20.7 million (7.1%). The net increase in assets is attributable to several factors:

- Restricted investments increased by \$27.0 million (140.2%). During fiscal 2018, the City issued \$30.6 million in general obligation warrants for construction of a new public safety complex.

Proceeds from this debt issue are invested in United States Treasuries, maturing based on an estimated spenddown schedule.

- Restricted cash decreased by \$12.4 million (61.8%). This change can be attributed to expenditures related to construction of an elementary school facility. During fiscal 2017, the City issued \$18.0 million in general obligation warrants on behalf of Auburn City Schools for construction of a new elementary school. The City is holding and investing these funds, and as construction progresses, funds are transferred to the school board to pay contractors. The majority of these funds were transferred to the school board prior to September 30, 2018 causing restricted cash to decrease by \$13.4 million (84.0%).
- Capital assets, both depreciated and not being depreciated, increased by \$18.8 million (7.0%) in fiscal year 2018. The largest component of this change is an increase of \$9.5 million in infrastructure projects completed and capitalized during the year. Also, buildings and improvements increased capital assets by \$7.0 million. One component of this change was \$2.7 million in improvements at the Boykin Community Center. Also, the City constructed a second fueling station on W. Samford Avenue to be used by all City departments. This facility was capitalized at \$1.2 million. More information on the change in capital assets is included in the *Capital Assets* section.

The increase in total liabilities of \$20.7 million (7.1%) is a result of three major changes. As mentioned above, the City issued \$30.6 million in general obligation warrants for construction of a new public safety complex. This coupled with regular payments of debt principal resulted in a net increase in long-term debt of \$18.7 million (8.2%). Also contributing to the increase in total liabilities is \$3.7 million in OPEB liabilities recorded this year as required by GASB Statement 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Offsetting these two increases is a decrease related to pensions. The City's net pension liability decreased by \$2.3 million (6.4%), based on actuary plan information provided by the Retirement Systems of Alabama.

Governmental Activities

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

Table 3

Excerpt of Governmental Activities
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2018 and 2017

Governmental Activities	<i>Expenses</i>		<i>Program Revenues*</i>		<i>Net (Expense) Revenue</i>	
	2018	2017	2018	2017	2018	2017
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
General government	9,610,859	9,943,090	16,999,074	16,548,917	7,388,215	6,605,827
Public works	8,763,899	9,360,886	6,720,610	10,000,553	(2,043,289)	639,667
Environmental services	2,670,295	2,392,134	-	4,913	(2,670,295)	(2,387,221)
Public safety	23,779,334	21,414,563	6,539,873	5,645,224	(17,239,461)	(15,769,339)
Library	2,093,484	1,954,493	38,355	86,279	(2,055,129)	(1,868,214)
Parks and recreation	7,046,091	6,826,158	1,231,233	1,009,162	(5,814,858)	(5,816,996)
Social and economic development	6,044,055	4,766,718	442,283	1,081,834	(5,601,772)	(3,684,884)
Other functions	3,724,006	3,492,147	1,061,741	1,013,618	(2,662,265)	(2,478,529)
Education (payments to Board of Ed)	35,438,202	47,502,333	-	-	(35,438,202)	(47,502,333)
Interest on long-term debt	7,494,434	7,041,045	-	-	(7,494,434)	(7,041,045)
Total governmental activities	106,664,659	114,693,567	33,033,169	35,390,500	(73,631,490)	(79,303,067)

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

The cost of governmental activities this year was \$106.7 million. Program revenues provided \$33.0 million to finance the cost of the City's governmental activities. The amount that Auburn taxpayers paid to provide for governmental activities' expenses through general revenues (taxes, license fees, interest earnings, etc.) was \$73.6 million. This net expense is a \$5.7 million (7.2%) decrease from fiscal 2017.

There are three items of note in the change in net expense of governmental activities. Payments for education decreased by \$12.1 million (25.4%) from fiscal 2017. During fiscal 2015, the City issued \$78.1 million in general obligation bonds on behalf of Auburn City Schools for construction of a new high school. In addition, the City issued \$18.0 million in general obligation warrants in fiscal 2017 on behalf of Auburn City Schools for construction of a new elementary school. The City holds and invests funds from both issues, and as construction progresses, funds are transferred to the school board for construction payments. The total amount transferred for these projects in fiscal 2018 was \$15.7 million, a decrease of \$13.8 million (46.7%) from fiscal 2017. The new high school was substantially complete during fiscal 2017 and classes began in the school in August of 2017. The new elementary school was substantially complete and opened for classes in August 2018.

Another significant change in net expense occurred in the public works function. This change resulted from a decrease in capital grants and contributions from 2017. During fiscal 2017, the City received \$2.2 million in grant revenue for public works related projects. The majority of this grant revenue was used to construct the bridge that crosses I-85 on Moores Mill Road. Also in 2017, the City received \$5.0 million in streets and bridges constructed and donated by developers and \$1.2 million in private funds pursuant to a development agreement between the City and the developer of a student housing apartment complex in downtown. Although the City received grant funds and contributions for infrastructure in fiscal 2018, the amounts were significantly less. Grant revenue for this function decreased by \$586,994 (26.2%) while assets constructed and donated by developers decreased by \$1.3 million (25.0%) from 2017. In addition, private funds for projects decreased by \$1.1 million (93.3%). These changes resulted in net expense of \$2.0 million in 2018 as compared to a net revenue of \$639,667 in 2017, representing a \$2.7 million (419.4%) decrease.

In addition to these two changes, net expense for the City's social and economic development function increased by \$1.9 million (52.0%). Expenses of this function increased by \$1.3 million (26.8%), while program revenue decreased by \$639,551 (59.1%). The major component of the increase in expenses is related to commercial development incentives. In 2011, the City implemented the Commercial Development Incentive Program (CDIP) to stimulate redevelopment of existing commercial property as well as a way to attract new business to locate in the community. Incentives paid under the CDIP is based on verified, hard costs expended by the business and may be tailored to rebate for specific costs related to facades, enhanced landscaping, or demolition costs prior to renovation. The program is performance based meaning that a company must produce sales and use taxes to receive an incentive. In fiscal 2017, this program was accounted for in the general government function, but in fiscal 2018, the City decided to move this activity to the social and economic development function. This accounting change resulted in the addition of \$1.6 million in expenses to this function. The decrease in program revenue of \$639,551 (59.1%) is primarily attributable to grant revenue received from the Department of Housing and Urban Development's Community Development Block Grant (CDBG) in fiscal 2017. A portion of CDBG funds were used for construction and improvements to the Boykin Community Center. Grant revenue for capital activities was \$836,088 in fiscal 2017 while grant revenue for capital activities was \$203,068 in fiscal 2018.

Total City program income exceeded expenses for only one function in fiscal 2018; general government produced an excess of \$7.4 million, an increase of \$782,388 (11.8%) over fiscal 2017. Factors contributing to this change include a decrease in expenses of \$332,231 (3.3%) and an increase in program revenue of \$450,157 (2.7%). As mentioned above, expenses related to the City's CDIP program were reported in this function in previous years. In fiscal 2018, these expenses were moved to the social and economic development function. Offsetting this large decrease in expenses were an increase in leave payouts of

\$332,534 and an increase in services/commodities purchases of \$238,310. Atypical leave payouts are allowed for employees who meet certain eligibility requirements and can vary greatly from year to year. Services/commodities purchases in this function also vary greatly from year to year. In fiscal 2018, the City performed maintenance on the municipal parking deck and contracted to have the deck inspected, increasing the miscellaneous services and commodities related to the deck. 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. Variances of around 3.0% and less are considered typical.

Table 4

Excerpt of Governmental Activities
from the
Statement of Activities

Governmental Activities	<i>Net (Expense) Revenue</i>	
	2018	2017
	\$	\$
Net expense of the total governmental activities	(73,631,490)	(79,303,067)
<i>General revenues:</i>		
Sales taxes	42,010,312	39,648,005
Property taxes	27,098,517	25,187,386
Occupational license fees	12,894,663	12,068,066
Rental and leasing taxes	886,630	890,599
Lodging taxes	2,373,878	2,355,985
Motor fuel taxes	416,979	386,296
Other taxes	290,675	281,809
Interest and investment earnings	965,995	505,746
Gain (loss) on disposal of assets	125,796	(221,202)
Miscellaneous	130,222	43,522
<i>Total general revenues</i>	<u>87,193,667</u>	<u>81,146,212</u>
Transfers	<u>559,003</u>	<u>110,605</u>
<i>Change in net position</i>		
General revenues and transfers less net expenses	14,121,180	1,953,750
Beginning net position	58,529,165	56,575,415
Prior period adjustment	(2,315,719)	-
Ending net position	<u>70,334,626</u>	<u>58,529,165</u>

Table 5 divides total governmental program revenue by source for 2018 and 2017 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative following the table provide insight into the changes in program revenue.

Table 5

Program revenue by source:	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
	\$	\$
Charges for services	23,535,699	22,016,430
Operating grants and contributions	2,640,821	2,307,693
Capital grants and contributions	6,856,649	11,066,377
<i>Total Program Rev - Governmental Activities</i>	<u>33,033,169</u>	<u>35,390,500</u>

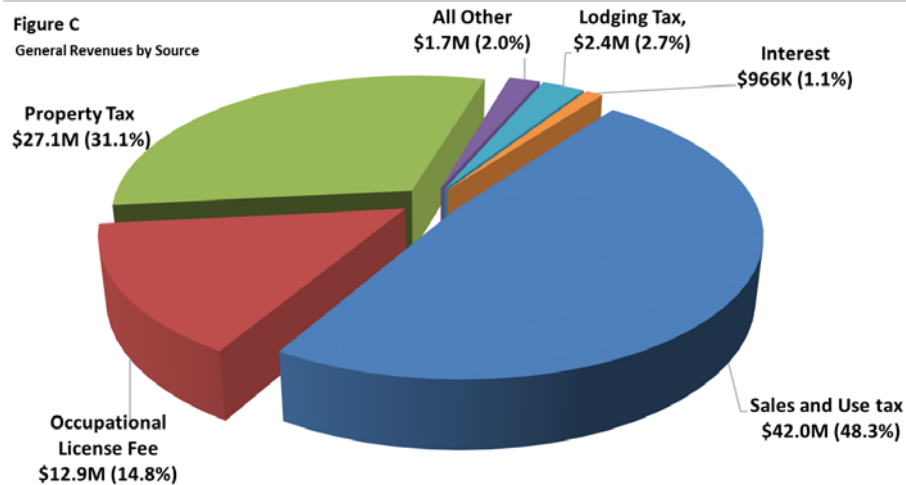
Some of the program costs of governmental activities in 2018 were paid by revenues collected from those who directly benefit from the programs (\$23.6 million). These revenue sources include the following:

- General business license fees of \$7.5 million that support general government services.
- Residential rental license fees of \$1.9 million that fund a portion of general government services. The City charges this fee to owners of residential property used primarily for rental purposes.
- Court fines and tickets for \$675,989 that support essential public safety and judicial services within the City.
- Construction permit fees of \$1.2 million that fund construction and building inspections in an effort to meet Auburn's building requirement standards as well other general government services.
- Public safety fees of \$4.3 million paid by Auburn University fund fire and police services on campus.

Operating and capital grants and contributions of \$9.5 million also supported program costs during fiscal 2018. These revenues were down by \$3.9 million (29.0%) from fiscal year 2017. Details of this change are described below.

- Grant funding is included in program revenue. A large portion of the City's grant funding relates to transportation and comes from various agencies through the Alabama Department of Transportation (ALDOT). The timing and amount of grant funding can vary greatly from year to year based on the availability of grant funds and the workload of both the City's public works department and ALDOT. As mentioned in the public works function section above, the City recognized \$2.2 million in grant funding in fiscal 2017 for infrastructure improvements, including \$2.0 million for construction of a new bridge on Moore's Mill Road that crosses I-85. In fiscal 2018, grant funding totaled \$1.7 million, a \$586,994 (26.2%) decrease from 2017.
- Private funds for projects is also included in program revenue. In fiscal 2017, the City received \$1.0 million pursuant to a development agreement between the developers of a large student housing development in downtown Auburn. These funds will be used by the City to offset costs associated with infrastructure improvements necessary to ready the area for additional pedestrian and traffic needs as a result of the large development. In fiscal 2018, private funds for projects decreased to \$77,575.
- Gifts and donations, including donations of assets, are included in operating and capital grants and contributions, as well. This includes streets contributed by developers as part of subdivision development and easements donated to the City. Both street and easement donations can vary greatly from year to year based on subdivision development and construction activity. Streets and easements contributed during fiscal 2018 totaled \$4.0 million, which is a decrease of \$1.3 million (25.0%) over similar donations in fiscal 2017.

The City financed net expenses of \$73.6 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 2018:



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

- The largest of the City’s general revenues is sales and use tax, comprising 48.3% of total general revenues. The sales tax rate for purchases made in the City of Auburn is 9%, which includes 4% for the State, 4% for the City, and 1% for Lee County.
- The second largest source of general revenues is property taxes (31.1%). Of the total 26 mills the City receives in property taxes, 16 mills are legally dedicated to the Auburn City Schools.
- The third largest general revenue source is occupational license fees (14.8%). This fee is levied at 1% of gross wages earned within the City limits.

Business-type Activities

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

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

Table 6

Excerpt of Business Type Activities (Condensed)
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2018 and 2017

Business-Type Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2018	2017	2018	2017	2018	2017
Functions and programs	\$	\$	\$	\$	\$	\$
Sewer Fund	9,169,743	8,705,876	12,372,374	12,894,805	3,202,631	4,188,929
Solid Waste Management Fund	5,149,644	4,576,422	5,187,892	4,873,931	38,248	297,509
Total business-type activities	14,319,387	13,282,298	17,560,266	17,768,736	3,240,879	4,486,438

*Program revenue for business-type activities are displayed and analyzed in detail below.

<u>Business-Type Activities</u>		
Program revenue by source:	<u>2018</u>	<u>2017</u>
	\$	\$
Charges for services	16,555,045	16,907,301
Operating grants and contributions	288,986	672
Capital grants and contributions	716,235	860,763
<i>Total Program Rev - Business-Type Activities</i>	<u>17,560,266</u>	<u>17,768,736</u>

Table 6 shows that program revenue of the Sewer Revenue Fund business-type activity, including charges for services (sewer treatment and disposal), operating grants and contributions, and capital grants and contributions decreased from the prior year by \$522,431 (4.1%). There are three components to this change. Sewer service fee revenue decreased by \$202,034 (2.0%). Sewer user fees are calculated based on water usage. In years with abundant rainfall, water usage typically decreases which also decreases sewer service fees. The City experienced above average rainfall in both 2017 and 2018. Also, sewer access fees decreased by \$175,500 (9.7%). Sewer access fees are fees charged to customers for new access to the sewer system. Also contributing to the change in sewer program revenue is a decrease of \$259,380 (31.2%) in sewer lines contributed by developers. Lines contributed during fiscal 2018 totaled \$570,735, as compared to \$830,115 in fiscal 2017. This type of contribution, driven by development, can vary greatly from year to year.

Sewer Fund expenses (operating plus interest expense) increased by \$463,867 (5.3%) to \$9.2 million. The major components of this change include the following:

- Depreciation expense increased by \$154,976 (6.0%) as a result of various asset acquisitions, including five vehicles, a ramjet truck, and sewer lines contributed by developers.
- Professional services expenses increased by \$131,976 (128.6%). This expense varies from year to year based on the City's need to hire consultants for services such as general engineering and sewer flow monitoring. One item of note was expenses of \$92,147 for professional services related to a green infrastructure master plan.
- Transfers to component units from the Sewer Fund increased by \$135,000 (100.0%). Pursuant to a development agreement between the City, Auburn City Schools (ACS), and a private contractor, the contractor was responsible for a portion of the sanitary sewer pump station built by ACS to serve a new elementary school as well as a portion of an adjacent subdivision. The City billed the contractor for their portion and subsequently transferred the funds to ACS, a component unit of the City, to offset the construction cost.
- Other factors include normal variations in staffing, repairs and maintenance, and administrative expenses.

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

As Table 6 shows, revenue exceeded expenses by \$38,248 in fiscal 2018. Like the sewer function, user fees cover the cost of providing solid waste and recycling services. The City reviews and analyzes these fees regularly to ensure they continue to cover these costs. The current rate for curbside garbage service is \$23.50 with residents who receive backdoor service currently paying \$10.00 per month more. As projected operating and capital needs of the solid waste function change, the need for further analysis becomes necessary. During late fiscal 2017 and early fiscal 2018, the City worked with a consultant to develop a solid waste rate model for the City's solid waste and recycling program. Although no specific action has been taken to adjust rates based on this study, the model provides the City with a management tool to anticipate future needs, including both operating and capital costs for the solid waste and recycling function. This model also provides a means to anticipate the significance of capital expenditures on overall system financial health.

Also shown in Table 6, program revenue of the SWMF business-type activity, including charges for services (garbage and recycling collection), operating contributions and grants, and capital contributions and grants, increased from the prior year by \$313,961 (6.4%). This increase in program revenue primarily reflects an increase in operating grants and contributions of \$288,896 (100.0%). During fiscal 2018, the City transitioned to single-stream recycling in an effort to make recycling easier for citizens. This allows customers to place all recyclables into one container and place the container at the curbside for pickup on their regularly scheduled garbage collection day. The City applied for and was awarded a grant from the Alabama Department of Environmental Management (ADEM) used to purchase carts for this program.

Expenses of the SWMF increased by \$573,222 (12.5%). The largest component of this increase is related to the implementation of single-stream recycling. The City purchased 5,600 recycling carts using the ADEM grant funds mentioned above. In addition, salaries and benefits for regular, full-time employees (including overtime) increased by \$173,952 (7.3%). This change is the result of scheduled merit and cost of living increases and vacant positions being filled, as well as increased overtime in deploying the new recycling carts. The remainder of the increase in expenses is the result of typical increases in other operating expenses, such as fuel and minor tools and equipment. These changes are normal for operations of solid waste and recycling activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2018 fiscal year, its governmental funds reported a *combined* fund balance of \$111.3 million, a \$21.5 million (23.9%) increase over the prior year. The total increase in fund balance is comprised of a \$4.7 million (9.9%) increase in the General Fund's fund balance; a \$12.7 million (34.8%) decrease in special revenue funds' fund balances; a \$1.3 million (27.6%) increase in the debt service fund; and a \$28.1 million (2,491.9%) increase in capital projects funds' fund balances. The following narrative discusses the financial activities that comprise the major changes in governmental fund balances.

Governmental revenues and other financing sources

Total revenues of the governmental funds showed growth of \$6.2 million (5.5%) over the prior year. Major components of this change are described below, in statement presentation order.

- Sales and use tax, the General Fund's single largest revenue source, represents 35.8% of governmental funds revenue in fiscal 2018. This major revenue source increased by \$2.4 million (6.0%) over fiscal 2017. This increase reflects continued steady growth in Auburn's economy, as well as the addition of several new commercial businesses. Also, Auburn University's football schedule greatly impacts the City's sales tax revenue. The number of home games as well as the teams played at home affect sales tax. In fall of calendar year 2017 (fiscal 2018), Auburn hosted several major SEC teams, including Ole Miss, Georgia and Alabama.
- Occupational license fees increased by \$826,598 (6.8%) in fiscal 2018 as compared to 2017. This fee is levied at 1% of gross wages earned within the City limits. Contributing to this increase are fees paid by construction companies, which has been abundant in Auburn for the past two years. In addition, several of the largest employers in the City increased salaries or paid bonuses in the past year. Industrial and commercial growth in the City also contribute to increased occupational license fees.
- General property tax revenues increased by \$1.9 million (7.6%). Property taxes continue to show steady growth in Auburn. This increase comes in the form of new property developed within the City as well as increases in assessed values on existing property. Auburn has seen growth in single-family, multi-family and student housing developments. This growth is also due to Auburn's ability to remain an attractive City and the overall health of the realty market in the Auburn area (low foreclosure rate and low turnover).
- Charges for services increased by \$1.1 million (13.7%). The majority of this increase relates to public safety charges to Auburn University. The City received \$4.3 million from the university in fiscal 2018, an increase of \$1.0 million (31.3%) over fiscal 2017. The City contracts with the university to provide police services on campus. The contract is negotiated and covers a five-year period. The annual negotiated contract amounts factor in personnel costs, capital needs, and inflation. Fiscal 2018 is year two of the contract and includes a full year of additional personnel hired during the first year of the contract.
- State shared taxes increased by \$303,057 (20.0%). The primary component of this increase is the change in accounting for a state shared use tax. The Simplified Sellers Use Tax (SSUT), set up by state legislation, allows eligible sellers to participate in a program to collect, report and remit a flat eight percent (8%) sellers use tax on all sales made in Alabama. The total tax is shared with the City based on population. Originally, the City accounted for this tax with other sales and use taxes. In fiscal 2018, the City began accounting for SSUT separately in the state shared tax category. The City received \$363,976 from the state for SSUT in fiscal 2018.
- Contributions from the public decreased by \$1.1 million (47.0%) from fiscal 2017. As discussed in the *Governmental Activities* section, the City received \$1.0 million in fiscal 2017 pursuant to a development agreement between the developers of a large student housing development in downtown Auburn. These funds will be used by the City to offset costs associated with infrastructure improvements necessary to ready the area for additional pedestrian and traffic needs as a result of the large development. In fiscal 2018, private funds for projects decreased to \$77,575.
- Grant revenue decreased by \$1.3 million (36.8%). This decrease has two major components. A large portion of the City's grant funding relates to transportation and comes from various agencies through the Alabama Department of Transportation (ALDOT). Revenue from these public works related grants decreased by \$590,952 (26.3%). This includes a large grant for construction of a new bridge on Moore's Mill Road that crosses I-85. Grant revenue is recognized as work is completed by the State. In fiscal 2017, the City recognized \$2.0 million for this grant while only \$1.5 million was recognized in fiscal 2018. Another significant component of the City's grant revenue comes from the Community Development Block Grant (CDBG) program administered by

the Department of Housing and Urban Development. Revenue from CDBG decreased by \$638,362 (59.1%) over the prior year. A portion of CDBG funds from the 2016 CDBG grant year was used for construction and improvements to the Boykin Community Center in fiscal 2017, causing an unusual increase in grant revenue for fiscal 2017.

- Program income increased by \$897,474 (247.4%) over fiscal 2017. In fiscal 2011, the City was approved for a guaranteed loan under Section 108 of Title 1 of the Housing and Community Development Act of 1974. The City loaned \$1.5 million of these funds to the Auburn Housing Authority. During fiscal 2018, the Auburn Housing Authority paid off the remaining balance of the loan, creating \$1.0 million in program income for the City.
- Interest revenue increased by \$460,248 (91.0%) in fiscal 2018. This increase is partially attributable to increases in investment interest rates as well as diversification of investments during the year. The City primarily invests in interest-bearing demand and time deposits as well as United States Treasuries. Also contributing to this increase is the investment of bond proceeds. In May 2018, the City issued \$30.6 million in general obligation warrants. The net proceeds, including an original issue premium of \$2.7 million, are being invested in securities. Interest earned on this issue in 2018 was \$225,730.

Other financing sources, excluding transfers between governmental funds, increased by \$15.4 million (84.7%) in fiscal 2018 as compared to fiscal 2017. As mentioned above, the City issued \$30.6 million in General Obligation Warrants in fiscal 2018 for construction of a public safety complex. Offsetting this increase is a decrease from a debt issue in fiscal 2017. During fiscal 2017, the City issued \$18.0 million in General Obligation Warrants on behalf of Auburn City Schools for construction of a new elementary school. More information on debt issuances and/or refunding can be found in the *Long-term Debt* section of this MD&A.

Governmental expenditures and other financing uses

Total governmental expenditures decreased by \$8.2 million (5.9%) in fiscal 2018 from fiscal 2017. There are several components of this change, and the most notable of these components are described below, in statement presentation order.

- Departmental expenditures increased by \$3.8 million (8.3%). The most significant changes were seen in general government (decrease of \$960,159 or 14.9%), public safety (increase of \$2.1 million or 10.2%), and economic development (increase of \$1.9 million or 128.9%). Details of these changes are listed below.
 - The general government function decrease of \$960,159 (14.9%) is primarily the result of a change in accounting for the City's Commercial Development Incentive Program (CDIP). As mentioned in the *Governmental Activities* section, the City implemented the CDIP in fiscal 2011 to stimulate redevelopment of existing commercial property as well as a way to attract new business to locate in the community. In fiscal 2017, this program was accounted for in the general government function, but in fiscal 2018, the City decided to move this activity to the social and economic development function. In fiscal 2017, \$1.4 million was accounted for in this function, while \$1.6 million was reported in the social and economic development function in fiscal 2018. Excluding this accounting change, the general government function expenditures increased by \$435,108 (8.7%). The majority of this increase is seen in salaries and benefits from merit raises and vacant position being filled.
 - Public safety activities experienced an increase of \$2.1 million (10.4%). There are several components to this change. First, salaries and overtime for regular, full-time employees in police increased by \$744,464 (8.9%). During fiscal 2017, there were 20 additional positions authorized in police. These positions staff the new Auburn University precinct

and help the police division work towards adding one additional patrol officer per beat (territories being patrolled). A full year of these new positions in fiscal 2018 contributed to the increase in public safety expenditures. Also, the police division provides extra duty as requested by Auburn University and other private businesses during special events. This extra duty is paid as overtime to police employees, and a good portion of this overtime is reimbursed by the outside organizations. Another factor in the increase in public safety expenditures is related to health insurance. Health insurance in public safety increased by \$816,319 (158.3%) in fiscal 2018 over 2017. The City is self-insured and tracks insurance premiums and claims in a sub-fund of the General Fund, the Employee Benefit Self-Insurance Fund. At the end of each fiscal year, claims are distributed from a consolidated claims account in this sub-fund to each employee's department in the General Fund. Health insurance claims can fluctuate significantly from year to year depending on employee needs. Other factors affecting public safety expenditures were new positions in the codes enforcement division, typical salaries and benefits increases from the City's merit pay plan, and miscellaneous expenditures necessary to equip the new police officers mentioned above.

- The economic development function increased by \$1.9 million (128.9%) in fiscal 2018 as compared to 2017. This change is primarily attributable to moving the CDIP expenditures from the general government function to this function. Details of this change are mentioned above.
- The City's payments to its component units decreased by \$12.7 million (25.5%) in fiscal 2018 as compared to 2017. The most significant component of this change is a decrease in debt proceeds transferred to Auburn City Schools. In fiscal 2015, the City issued \$78.1 million in general obligation bonds on behalf of Auburn City Schools for construction of a new high school. In addition, in fiscal 2017, the City issued \$18.0 million in general obligation warrants on behalf of Auburn City Schools for construction of a new elementary school. The City is holding and investing funds from both issues, and as construction progresses, funds are transferred to the school board to pay contractors. The high school opened in August 2017 and the new elementary school opened in August 2018. These transfers of debt proceeds totaled \$15.7 million in fiscal 2018, a decrease of \$13.8 million (46.7%) from transfers in 2017.

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

Table 7
Governmental Funds - Expenditures Comparison

<u>Paid to component units:</u>	<u>FY18</u>	<u>FY17</u>	<u>FY 18 > FY 17</u>
Auburn City Schools	\$	\$	\$
General revenues	13,379,911	13,174,623	205,288
Education property taxes	6,332,238	4,832,707	1,499,531
Debt issuance - Schools	15,726,053	29,489,709	(13,763,656)
Subtotal to Schools	35,438,202	47,497,039	(12,058,837)
Industrial Development Board			
Operating Costs	1,011,500	845,000	166,500
West Tech Park Improvements	211,090	1,155,035	(943,945)
Subtotal to IDB	1,222,590	2,000,035	(777,445)
Public Park & Rec Board	369,496	201,675	167,821
Total - Component Units	37,030,288	49,698,749	(12,668,461)

- Payments to Auburn City Schools decreased by \$12.1 million (25.4%) in fiscal 2018 as compared to 2017. Details of this change are included below.
 - The City appropriated \$13.4 million (an increase of \$205,288 or 1.6%) out of its general revenue to the Auburn City Schools in fiscal year 2018. The City has committed to providing 1.25 of its 4 pennies of sales tax to the Schools. This commitment includes a floor of \$11.5 million, meaning that when 1.25 pennies of total sales tax collected is less than \$11.5 million, the City will not lower the amount appropriated to the Schools.
 - 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 Auburn City Schools and provides additional funds for operating expenses of the school system. This payment of additional operating funds of \$6.3 million in fiscal 2018 is a \$1.5 million (31.0%) increase from 2017. The school system opened a new high school in fall of 2017. This increase in operating funds includes operations for the new school.
 - As described on the previous page, the City transferred debt proceeds to the schools during 2018 for construction of a new high school and a new elementary school. The City holds and invests these proceeds, and as construction progresses, funds are transferred to the school board to pay contractors. The total amount transferred for these projects in fiscal 2018 was \$15.7 million, a decrease of \$13.8 million (46.7%) from fiscal 2017.
- The City appropriates funds to the Industrial Development Board (IDB) for economic development initiatives. This funding decreased by \$777,445 (38.9%) in fiscal 2018 as compared to 2017. Details of this change are included below.
 - Payments for the operating costs of the IDB increased by \$166,500 (19.7%) during fiscal 2018. The City Council continues to promote aggressive economic development as a long-term goal in providing jobs and expanding the City's revenue base. Payments to the IDB for general operations, workforce development, commercial development, and industrial development help with this continuing economic development focus.
 - In addition to operating transfers to the IDB, the City of Auburn transferred \$211,090 in fiscal 2018 for construction of infrastructure in the Auburn Technology Park West, which is a \$943,945 (81.7%) decrease. This transfer will continue to decline as work winds down in this phase of the park.
- 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 2018, the transfer increased by \$167,821 (83.2%) to \$369,496. Participation in leagues and tournaments varies from year to year which causes a fluctuation in court fee revenue. This fluctuation affects the transfer needed from the General Fund.

Proprietary Funds

The City of Auburn has two proprietary funds, which account for its business-type activities. The Sewer Revenue Fund, an enterprise fund, accounts for sewer collection, treatment and disposal services provided to residents and businesses within the City limits. The Solid Waste Management Fund, also an enterprise fund, accounts for services to collect and dispose of solid waste and recycling materials provided to the same customers. Net position of these proprietary funds combined increased by \$2.6 million (4.9%) from fiscal 2017 to fiscal 2018.

Proprietary funds' revenues, other resources

Sewer Revenue Fund operating revenues decreased by \$416,825 (3.5%) in 2018 as compared to 2017. This change in operating revenue is composed primarily of decreases in both sewer service fees and sewer access fees. Sewer service fees are user fees charged to customers based on their water usage. Sewer service fees decreased by \$202,033 (2.0%), which is attributable to wet weather conditions during the year. Sewer access fees decreased by \$175,500 (9.7%). Sewer access fees are fees charged to customers for new access to the sewer system. These fees can vary greatly from year to year depending on the level of development. In addition to changes in operating revenue, the Sewer Fund's net position increased by \$716,235 from developers' contributions of sewer lines in fiscal 2018, which is a \$113,877 (13.7%) decrease from contributions in 2017. Sewer line contributions are contingent upon completion of commercial and residential developments in the City and like access fees, can vary significantly from year to year.

Operating revenues in the Solid Waste Management Fund increased by \$342,495 (7.1%) in 2018. This increase is primarily attributable to an increase in operating grants of \$288,986 (100%). As mentioned in the *Business-type Activities* section above, the City began single-stream recycling in an effort to make recycling easier for citizens. This allows customers to place all recyclables into one container and place the container at the curbside for pickup on their regularly scheduled garbage collection day. The City applied for and was awarded a grant from the Alabama Department of Environmental Management (ADEM) used to purchase carts for this program.

Proprietary funds' expenses

In the Sewer Revenue Fund, operating expenses for fiscal 2018 increased by \$463,372 (6.6%). Components of this increase include the following:

- Depreciation increased by \$154,971 (6.0%) to \$2.7 million. Sewer lines contributed by developers in fiscal 2017 began being depreciated in October 2017 (FY18) totaling \$830,115. In addition, this fund acquired two large pieces of equipment during fiscal 2018; there was an excavator purchased for \$185,079 and a vactor ramjet truck purchased for \$233,006. As assets are capitalized, depreciation increases.
- Professional services increased by \$117,670 (77.9%) to \$268,663. As mentioned in the *Business-type Activities* section, this expense varies from year to year based on the City's need to hire consultants for services such as general engineering and sewer flow monitoring. During fiscal 2018, sewer staff worked with a consultant to prepare a green infrastructure master plan. These expenses totaled \$92,147.
- Salaries and benefits increased by \$116,558 (9.4%) to \$1.4 million. The primary component of this increase is a \$97,333 (10.9%) increase in regular full-time salaries due to normal adjustments from the City's merit pay plan as well as a cost of living adjustment effective October 1.

In the Solid Waste Management Fund, operating expenses increased by \$573,222 (12.5%) in fiscal 2018 over 2017. There are two main components of this increase:

- Minor equipment and tools increased by \$293,178 (431.4%). As mentioned on the previous page, the City transitioned to single-stream recycling during fiscal 2018. Grant funds were used to purchase 5,600 recycling carts, resulting in an expense of \$290,006 in this line item.
- Salaries and benefits increased by \$173,952 (7.3%). Regular full-time salaries, including overtime, increased by \$136,804 (7.4%) due to normal increases based on the employee merit pay plan and a cost of living adjustment effective October 1. Overtime also increased during the implementation of single-stream recycling.

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

Analysis of Changes in Major Funds

Major funds are funds whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The General Fund is a major fund every year. In addition to the General Fund, the Special School Tax Fund (a special revenue fund) and the 2018 Public Safety Complex Fund (a capital projects fund) were determined by testing to be the only other major governmental funds in 2018. The Sewer Revenue Fund is the only major fund in the business-type activities.

The General Fund (Governmental)

At the end of fiscal 2018, total fund balance of the City’s General Fund increased by \$4.7 million (9.9%) from the prior year ending balance. Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. The 2018 total ending fund balance was \$52.4 million, compared to \$47.7 million at the end of 2017.

In accordance with GASB Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance categories include the following: nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance increased by \$68,528 (1.0%) from 2017. These balances represent investments, inventories, prepaid items, advances, and land held for resale. The restricted and assigned categories increased by \$5.3 million (60.1%), primarily the result of a \$5.3 million increase in assigned fund balance. In accordance with GASB Statement 54 – *Fund Balance Classifications*, the amount budgeted for fund balance drawdown for the next fiscal year (FY19) must be set aside as assigned fund balance.

The General Fund’s total assets decreased by \$3.6 million (6.3%) during 2018. The major components of this change are listed below, in statement presentation order.

- Cash and cash equivalents increased by \$2.2 million (9.1%) in fiscal 2018 as compared to 2017. This increase is directly attributable to excess revenue over expenditures of \$2.2 million.
- Receivables increased by \$1.1 million (9.9%). Accruals made at year-end in accordance with GASB 33 – *Accounting and Financial Reporting for Nonexchange Transactions* increased by \$1.1 million over the same accrual in fiscal 2017. This accrual is dependent on revenue collections in the first two months of the next fiscal year and can vary based on the economy as well as Auburn University’s home football game schedule early in the season.

Total liabilities of the General Fund decreased by \$1.2 million (13.5%) in 2018. This is a result of typical fluctuations in accounts payable and other accrued liabilities, as well as a decrease in payables to other governments. Vendor accounts payable decreased by \$407,758 (13.2%). This is a typical fluctuation in amounts due to vendors at the end of a fiscal year. Payables to other governments decreased by \$929,337 (100.0%). In fiscal 2010, the City agreed to pay the Alabama Department of Transportation (ALDOT) for all right-of-way acquisition and any construction overruns for the realignment of State Highway 14. A

condemnation proceeding for the right-of-way was litigated and resulted in the City recognizing a payable to ALDOT of \$1.7 million. Reconciliation of a project of this size by ALDOT can take up to ten years. A portion of this payable was settled in fiscal 2017 with the remaining balance of the receivable settled with an invoice from ALDOT in the amount of \$929,337 in fiscal 2018.

Special School Tax Fund (Governmental)

The Special School Tax Fund, a special revenue fund, accounts for sixteen mills of education ad valorem tax revenue used to pay principal and interest on City bonds and warrants 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 2018. This is a \$1.5 million (31.0%) increase from 2017. 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. The school system opened a new high school in October 2017, resulting in the need to draw additional operations funds from this fund. In addition to the operating transfer, the City transferred \$15.7 million of borrowing proceeds to the Schools for final expenditures related to the new high school as well as for construction of a new elementary school. In fiscal 2015, the City issued \$78.1 million in general obligation bonds for construction of a new high school, and in fiscal 2017, the City issued \$18.0 million for construction of a new elementary school. The City holds and invests the proceeds from both debt issues until the Schools request a draw to pay construction invoices. The City then transfers borrowing proceeds necessary to cover those cash outlays.

Revenues increased by \$1.2 million (7.8%) in this fund. Expenditures, including the transfers mentioned above and debt service on borrowings, decreased by \$11.1 million (26.9%). Also changing significantly was debt related other financing sources and uses. As mentioned above, \$18.0 million in general obligation warrants were issued for the Schools in fiscal 2017 for construction of a new elementary school. There were no debt issuances in fiscal 2018, thus causing a large decrease in other financing sources and uses.

2018 Public Safety Complex (Governmental)

The 2018 Public Safety Complex Fund is a new capital projects fund set up to account for the spending of bond proceeds on a new public safety complex. The City issued \$30.6 million in General Obligation Warrants in May 2018. After an original issue premium, proceeds totaled \$33.3 million. During fiscal 2018, this fund reimbursed the General Fund \$1.5 million for funds spent on the complex before the debt issue. In addition, spending on the project totaled \$3.4 million. Total fund balance of this fund was \$28.3 million at the end of the year, and all of this is restricted for capital projects.

Sewer Fund (Business-type activity)

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

The Sewer Fund's net position increased by \$2.9 million (5.9%) in fiscal year 2018. The largest change in the components of net position is an increase of \$3.2 million (8.0%) in net investment in capital assets. This net position category includes asset acquisitions as well as outstanding debt related to the assets.

Assets of the Sewer Fund increased by \$409,745 (0.4%). The main factor contributing to this change is an increase in capital assets not being depreciated of \$417,570 (157.2%). Renovation of the administrative building at the H.C. Morgan Water Pollution Control Facility began in fiscal 2018. Improvements include interior ADA modifications, replacement of floor and ceiling finishes, mechanical, plumbing and electrical modifications, and roof replacement. The existing building was constructed in 1985 and these renovations

are necessary to maintain the useful life of the building. This project is included in construction in progress and is expected to be complete in fiscal 2019.

Sewer Fund liabilities decreased by \$2.8 million (6.4%), primarily the result of principal payments on the fund's warrant payables based on debt amortization schedules. Warrants payable decreased by \$2.7 million (7.0%) in fiscal 2018 as compared to 2017. As of September 30, 2018, the Sewer Fund has \$35.3 million in outstanding warrants. These warrants include debt issued to fund capital improvements to the sewer system as well as refundings issued to take advantage of favorable interest rates. The current portion of warrants payable due in 2019 is \$2.8 million.

Operating revenues of the Sewer Fund decreased by \$416,825 (3.5%). As discussed in the *Proprietary Funds* section, this change in operating revenue reflects decreases in both sewer service fees and sewer access fees. Sewer service fees are user fees charged to customers based on their water usage. Sewer service fees decreased by \$202,033 (2.0%). This is a result of wet weather conditions during the year. Sewer access fees decreased by \$175,500 (9.7%). Sewer access fees are fees charged to customers for new access to the sewer system. These fees can vary greatly from year to year depending on the level of development.

Operating expenses increased by \$463,372 (6.6%). Major components of this increase include an increase in depreciation of \$154,971 (6.0%) due to assets capitalized in fiscal 2017 and 2018; an increase in professional services of \$117,670 (77.9%) for work related to a green infrastructure master plan; and an increase in salaries and benefits due to regular salary adjustments and increased health claims.

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

General Fund Budgetary Highlights

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

The fiscal year 2018 *final* General Fund budget projected \$89.8 million in revenue and \$2.8 million in other financing sources; appropriations were approved for \$99.9 million in expenditures and \$266,276 in other financing uses, producing a planned reduction of \$7.5 million in the General Fund's fund balance. Actual amounts for revenues (\$91.7 million), other financing sources (\$2.6 million), expenditures (\$89.4 million), and other financing uses (\$67,247) netted to a positive change in fund balance. As a result, the General Fund's fund balance increased by \$4.7 million in 2018 from revenues and other sources and expenditures and other uses. Total ending fund balance in the General Fund was \$52.4 million at the end of fiscal 2018.

The *original* revenue projections in the General Fund were \$592,906 under the *final* budget. Budget adjustments resulted from varied growth/decline in revenue sources, with the largest increases found in general property tax (\$227,500 or 4.3%) and contributions from the public (\$224,850 or 24.0%). Should Auburn experience financial difficulty, alteration of spending can be made because of management's assessment of revenue changes during the year, using tools such as monthly financial reports and real-time department budget to actual reports.

The *final* operating budget for all departments increased by \$934,038 (1.8%) over the *original* budget. The two largest increases (\$486,305 and \$174,524) were in the amounts appropriate for the public works and public safety functions, respectively. The adjustment of the public works budget reflected increases in engineering professional services of \$194,157 and infrastructure materials of \$98,400.

Total actual departmental expenditures in the General Fund were under budget by \$3.5 million in fiscal 2018. All individual departments kept expenditures under final budget, with the exception of the library function. This is primarily attributable to health insurance claims allocated to this function at the end of the year. The City is self-insured for health insurance. At the end of each year, claims are allocated to the departments that employ each employee. Health insurance claims can fluctuate significantly depending on the needs of employees. The other City departments were under budget, with the most notable being public safety, public works, and parks and recreation. More details of these departments is included below.

- The public safety function was under budget by \$1.2 million. The majority of this savings is attributable to vacant positions that were approved and budgeted in both the regular and temporary employee categories. Other expenditures, such as fuel and repair parts, were also under budget.
- The public works function was under budget by \$787,629. Engineering services for various capital projects is included in the budget of the public works function. If the services provided are related to a specific project, then those services are recorded in the appropriate capital project expenditure account. If the services are more general in nature, then they are expended as part of the public works function. The final budget for engineering services was \$500,000; however, only \$295,579 in expenditures were incurred for these services. Other expenditures, such as salaries, infrastructure materials, and fuel were also under budget.
- The parks and recreation function was under budget by \$487,257. This function includes a variety of parks and recreation type expenditure types, including temporary employees that work leisure activities and parks maintenance. These temporary positions were budgeted to be \$899,146 while only \$702,279 was expended. Other line items, such as buildings and grounds maintenance supplies and concessions supplies were also under budget.

Capital outlay expenditures were under budget by \$6.6 million. The General Fund budget includes estimated expenditures for capital projects such as streets and roadway improvements and parking improvements. Many of these projects are multi-year although the budget is for the entire project. Any remaining budget for these projects is typically carried over to the next fiscal year.

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, 2018, the City owned \$287.9 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 \$18.8 million (7.0%) over last year. The majority of the increase includes streets contributed by developers, land purchases and donations, and roadway and intersection improvements, building improvements, and equipment.

Table 8 lists the largest capital asset additions to the City for fiscal year 2018. Some of these additions were multi-year projects completed in 2018 and reclassified from construction in progress.

Table 8**Largest Capital Asset Additions
Fiscal Year 2018**

	<u>Total Cost</u>
<i>Land Donation</i>	\$
Miracle Road (Lee County Road 83) and Lee County Road 677	981,658
<i>Roadway and intersection improvements</i>	
Streets constructed and donated by developers	2,545,070
FY16 Resurfacing	1,539,936
Samford/EUD Sidewalk and Culvert	1,037,745
FY16 Resurfacing S/D Completion	796,541
N. Donahue Widening: Cary to Bedell	719,885
<i>Improvements</i>	
Boykin Center Renovations	2,660,060
West Samford Fueling Depot	1,187,608
Glenn Avenue Parking Lot	1,012,729
HC Morgan Water Pollution Control Facility - Generator Replacement	1,174,272
<i>Equipment</i>	
Solid waste side loader trucks (2)	511,778
Total	<u>14,167,282</u>

The City has committed, through general fund funding and potential future borrowings, to continue or complete some major construction projects in fiscal years 2019 and 2020. Although the timing and size of these projects could require adjustments to the schedule, the current capital improvements plan (CIP) for the next two years includes the following:

- Public safety projects including a new Public Safety Center;
- Downtown parking improvements, including a new parking deck;
- Parks and recreation projects;
- Traffic and transportation projects; and
- Sewer improvement projects.

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

Long-term Liabilities

At 2018 fiscal year-end, the City owed \$296.5 million in long-term liabilities outstanding, of which \$13.0 million will mature during fiscal 2019. Long-term liabilities include bonds, warrants, and notes payable, accumulated annual leave, claims payable, landfill closure liability, other post-employment benefits liability, advances from component units, and pension liability. The fiscal 2018 net increase in long-term liabilities, including the current portion, from the previous year was \$19.5 million or 7.0%.

Bonds and warrants payable

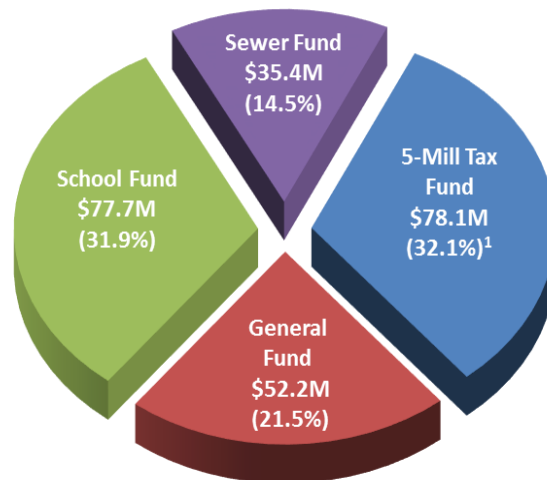
Bonds, warrants, and notes payable outstanding at September 30, 2018 totaled \$243.4 million. As mentioned in the *Net Position* section, the City issues debt for Auburn City Schools and for projects that result from partnerships with Auburn University or component units of the City. Of the \$243.4 million in debt outstanding, \$155.8 million is debt issued for assets that belong to Auburn City Schools and \$1.9 million is debt issued for assets that are owned by the City's Public Park and Recreation Board.

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

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

Figure D

**Debt Principal Outstanding by Repayment Source
September 30, 2018**



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

At the end of fiscal 2018, the Special Five Mill Tax Fund had long-term debt outstanding of \$78.1 million. In April 2015, the City of Auburn held a special municipal bond election allowing the citizens of Auburn to vote on using the Special Five Mill Tax fund for projects for educational purposes. The City issued debt related to this referendum in June 2015. The City Council decided to dedicate the Special Five Mill Tax Fund to Auburn City Schools for use in borrowing for facility needs. Therefore, the City moved existing Special Five Mill Tax fund debt to the General Fund in fiscal 2016, leaving this new education related debt as the only debt being repaid by this fund. There was no new debt issued in this fund in fiscal 2018.

The City also repays debt issued for Auburn City Schools from the Special School Tax Fund, which is a fund that accounts for 16 mills of ad valorem taxes legally designated for education purposes. The principal amount of currently outstanding school debt stands at \$77.7 million, which will be repaid from these dedicated taxes. The most recent debt issue in this fund was in fiscal 2017. The City issued \$18.0 million in general obligation warrants on behalf of Auburn City Schools for construction of a new elementary school. The addition of this elementary school is part of the 10-year plan that was introduced and approved in 2014 after much analysis by community leaders, school system personnel, City representatives and outside consultants.

The Sewer Revenue Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$35.4 million at the end of fiscal 2018. Sewer Fund debt is issued to construct

and improve the sewer system. Although the City issues general obligation debt, sewer service revenue supports debt payments for any sewer related debt. The last debt issuance in this fund was refunding debt issued in fiscal 2015 for \$19.2 million. There was no new debt issued in this fund in fiscal 2018.

The remaining \$52.2 million in outstanding principal will be repaid solely from the General Fund. This total includes the Special Five Mill Tax Fund debt that was moved to the General Fund in fiscal 2016. During fiscal 2018, the City issued \$30.6 million in General Obligation Warrants. The proceeds from this warrant are being used to construct a new public safety complex that will house all public safety divisions, including administration, police, fire (administration and fire station #1), and communications as well as the judicial department and related courtroom. The building will also house the City Council chambers.

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

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, and water and sewer purposes are exempt from the legal debt limit. The City's outstanding debt applicable to this limit is \$49.6 million, resulting in a legal debt margin (additional legal debt capacity) of \$143.9 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 2018 is 14.1%; the ratio for 2017 was 12.6%.

Bond Ratings

In April 2018, Standard and Poor's (S&P) affirmed the City of Auburn's bond rating as AA+. In their report, S&P cites very strong management, as well as Auburn's "strong financial policies, strong budgetary performance, very strong budgetary flexibility, and very strong liquidity" as factors that were considered in the rating. According to S&P, an AA+ rating indicates a "strong capacity to meet financial commitments."

In addition, the City holds a rating of Aa2 from Moody's Investors Service, also issued in April 2018. The Moody's rating report cited the City's "strong financial position, marked by healthy reserve and liquidity" and the City's "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, Auburn has remained a relatively stable and growing economy. The City's unemployment rates typically compare favorably with the State's and national rates. The most recent data available from the Alabama Department of Labor show that for September 2018, Auburn's unemployment rate (Auburn-Opelika metropolitan) was 3.5%. The State's unemployment rate in September 2018 was 3.8%, while the national rate was 3.7% (US Bureau of Labor Statistics, September 2018).

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, has achieved an outstanding level of success in this effort, having assisted in the recruitment of more than forty companies, resulting in the creation of over 6,900 jobs in the last 25 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the first phase of the newest park, Auburn Technology Park West, was completed in 2008. Construction of Phase II of this park is substantially complete and additional property was acquired in 2014 with development underway in 2015 with substantial completion in 2017. The IDB targets small to medium-sized technology based companies that offer a high level of employment to citizens. Many of the recruited industries are based on technology partnerships with the University. In addition, the City's advantageous location on Interstate 85 and its proximity to various automotive manufacturing facilities in Alabama and west central Georgia make Auburn a natural choice for second and third tier automotive suppliers. The additional payrolls brought to the City generate occupational license fees, and sales tax revenues, which enable the City to provide the high levels of services and facilities expected by its citizens. Auburn University, the State's largest land-grant university, is a stabilizing force in the local economy. The proximity of the University to the City's downtown area contributes significantly to a vibrant atmosphere and vigorous business activity.

The City's Commercial Development Incentive Program, managed by the Development Services Executive Director, has brought numerous new and redeveloped commercial enterprises to our area. During 2018, this program facilitated the continued renovation and expansion of: Auburn Mall, which added a Starbucks and additional dining options; Flint's Crossing Shopping Center, adding Michaels to the market; and Market Square Shopping Center. These commercial centers have grown as a result of this program and continue to be strong revenue generators for the City. The program also facilitated new investment in: Cary Crossing, which will be anchored by Russell Building Supply; and Commerce Center, a new shopping center on Opelika Road.

Auburn's consistent growth continues for many reasons. One major reason for this growth is the success of Auburn City Schools (ACS), the City's public school system. ACS has received consistently high ratings for the qualifications of its faculty and staff and the achievements of its students, as well as strong local funding levels. The ACS standard of excellence proves a major factor in the City's residential growth and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family detached homes had dropped back to more typical levels for the area, fiscal 2001 (254 permits) to fiscal 2014 (388 permits), after a period of significant growth from 2004 – 2007, during which an average of 445 single family homes were permitted each year. Single-family detached permits again spiked in 2015, with 455 permits issued. The number of permits issued in this category in fiscal 2016 totaled 413 while fiscal 2017 spiked again with 529 single-family detached house permits. In fiscal 2018, permits for single-family detached returned to typical levels, decreasing by 88 (16.6%) to 441 permits. Commercial/industrial/institutional building activity (including new construction and additions/renovations) increased in fiscal year 2018 compared to the activity of 2017 in terms of valuation (\$36.9 million or 94.5%). A major component of this increase resulted from 12 additional permits in the

office, bank, and professional building category. The City's size has grown from 45.5 square miles in 2001 to 60.9 square miles in 2018. Population growth continues to average about 3% per year.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2019 and 2020. Revenue is budgeted conservatively, yet realistically. Management's strategy has been to continue to contain operating costs in the new biennium while maintaining high levels of service and investing in capital asset maintenance and replacement. As mentioned in the *Capital Assets* section of this report, the City has quite a number of capital projects slated for 2019 and 2020. As 2019 progresses, decisions will be made about the timing of these projects and any changes will be included in a budget adjustment for both years that will be presented to Council in late spring or early summer. In addition, any necessary changes to revenue projections and operating expenditures/expenses will be adjusted at this time. As of the date of this report, staff has already begun planning for the mid-biennium review of the fiscal 2019 and 2020 budget. The main focus will be on capital projects, as well as on maintaining high levels of service for the City's programs. As part of the City's budget process, projected revenues and proposed expenditures are input into the long-term forecasting model to determine the effects on fund balances of various scenarios. Use of the long-term forecasting model is helpful for determining the effects of tax or fee increases that may be considered, as well as the need for borrowing, within the context of proposed expenditure scenarios.

Also considered in the 2019 and 2020 budget process was a reorganization of City departments. This reorganization plan was announced in January 2018, with portions of it effective in August 2018. However, the complete restructuring of the departments' budget and accounting was not effective until the start of fiscal 2019. Financial reporting remained under the previous organizational structure in fiscal 2018. The reorganization emphasis is superior customer service, teamwork, enhanced communication, performance measurement, innovation and continuous improvement. To accomplish this, the City Manager created four Business Service Units:

- Public Services consisting of Water Resource Management, Public Works, Library, Parks & Recreation, and Environmental Services;
- Development Services consisting of Planning, Inspection Services, Engineering Services, Community Services, and Commercial Development;
- Public Safety Services consisting of Public Safety and Judicial; and,
- Administrative Services consisting of the Office of the City Manager, Finance, Information Technology, Human Resources, and Economic Development.

The Business Service Units will provide benefits that assist the City with growth management, customer service, efficiency, community appearance, and quality infrastructure. The reorganization is anticipated to better align the City's resources with growing demand for public services and infrastructure.

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, 2018 was 58.6% of expenditures compared to 53.5% in 2017. The total fund balance includes \$4.2 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 \$4.2 million comprised 53.9% of expenditures and other financing uses. Another useful measure is the comparison of fund balance with total revenues, excluding other financing sources. The General Fund's total fund balance as a percentage of revenues was 57.1% and 54.9% at the end of fiscal 2018 and 2017, respectively, another indication of the stability of fund balance.

The primary government provides wastewater treatment and disposal and solid waste management utility services. As discussed in the *Business-Type Activities* section of this report, the City constantly monitors the need for sewer and solid waste rate changes by studying and evaluating whether existing

rates will meet the projected operating and capital needs of each activity in the future. There are currently no plans for a formal rate study in the Sewer Fund. During late fiscal 2017 and early fiscal 2018, the City worked with a consultant to develop a solid waste rate model for the City's solid waste and recycling program. Although no specific action has been taken to adjust rates based on this study, the model provides the City with a management tool to anticipate future needs, including both operating and capital costs for the solid waste and recycling function.

The Water Works Board of the City of Auburn, a component unit of the City, provides water services to the citizens of Auburn. During fiscal year 2015, based on a consultant's recommendation that the aging spillway at Lake Ogletree was in need of replacement, the Board hired an engineering firm to design a new spillway at Lake Ogletree, the City's main water source. The minimum monthly bill of 3,000 gallons for residential water customers increased from \$13.89 to \$14.58 (5.0%), effective October 1, 2017.

An expanding populace translates into additional needs for public services and facilities. Auburn citizens enjoy and continue to expect a high quality of life from their City government. In the past, Auburn citizens have demonstrated their willingness to pay for these services and facilities by supporting the Council's decision to increase the sales tax rate as necessary. The last increase was in fiscal 2011 when the Council made a decision to increase the sales tax rate from 3% to 4%. 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. Auburn's management team carefully follows potential revenue changes at the state level, as well. As bills that could potentially affect the City's revenue structure are introduced, staff carefully reviews the bills and actively lobbies, as appropriate. Although there are no future changes to tax rates planned, Auburn's management continues to evaluate and project the needs of the City and will make recommendations to the City Council, as necessary.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

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

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
ASSETS				
Current assets:				
Cash and cash equivalents	42,848,183	11,175,815	54,023,998	45,775,645
Certificates of deposit	7,641,690	-	7,641,690	59,377
Receivables, net	11,435,294	2,276,970	13,712,264	2,054,483
Accrued interest receivable	-	-	-	30,161
Due from component units	663,960	52,015	715,975	-
Inventories	287,120	28,883	316,003	492,291
Current portion of assessments receivable	182,910	-	182,910	-
Current portion of mortgages and notes receivable	485,833	-	485,833	183,178
Current portion of net investment in capital leases	-	-	-	357,187
Property tax receivable	-	-	-	7,568,405
Due from other governments	-	-	-	1,027,944
Due from primary government	-	-	-	2,876,828
Other current assets	393,482	46,151	439,633	85,088
Restricted cash	7,646,501	-	7,646,501	200,610
Total current assets	71,584,973	13,579,834	85,164,807	60,711,197
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	-	-	1,182,323
Investments	-	-	-	2,606,798
Interest receivable	-	-	-	4,158
Assessments receivable, net of current portion	548,730	-	548,730	-
Mortgages and notes receivable, net of current portion	2,127,651	-	2,127,651	85,717
Investments	46,249,002	-	46,249,002	-
Net investment in capital leases, net of current portion	-	-	-	4,889,566
Advances to other agencies	83,501	-	83,501	-
Property for resale	4,131,127	-	4,131,127	9,968,201
Capital assets not being depreciated	45,622,170	683,153	46,305,323	38,320,971
Capital assets net of accumulated depreciation	160,480,466	81,076,454	241,556,920	285,904,787
Total noncurrent assets	259,242,647	81,759,607	341,002,254	342,962,521
Total assets	330,827,620	95,339,441	426,167,061	403,673,718
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	321,602
Deferred amount on refunding	3,007,616	2,726,959	5,734,575	637,361
Pension related	5,904,453	568,606	6,473,059	12,756,045
OPEB related	84,439	8,287	92,726	1,910,925
Total deferred outflows of resources	8,996,508	3,303,852	12,300,360	15,625,933

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

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018
CONTINUED

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	7,325
Due to other government	-	-	-	93,924
Current portion of long-term debt	-	-	-	910,000
Accrued interest payable	-	-	-	253,465
Accounts payable and other accrued liabilities	3,483,578	631,262	4,114,840	4,335,152
Due to component units	2,757,172	119,656	2,876,828	-
Accrued interest payable	2,459,729	445,504	2,905,233	-
Salaries and benefits payable	526,271	65,827	592,098	5,789,562
Claims payable	118,234	-	118,234	-
Customer deposits	302,518	782,717	1,085,235	645,514
Unearned revenue	2,375,707	-	2,375,707	639,785
Current portion of long-term debt	10,145,693	2,820,425	12,966,118	10,092,631
Due to primary government	-	-	-	715,974
Total current liabilities	<u>22,168,902</u>	<u>4,865,391</u>	<u>27,034,293</u>	<u>23,483,332</u>
Noncurrent liabilities:				
Derivative instrument liability	-	-	-	321,602
Long-term debt and other liabilities	210,170,588	35,772,412	245,943,000	72,455,678
Net pension liability	31,644,643	2,303,832	33,948,475	65,087,480
Net OPEB liability	3,340,131	337,811	3,677,942	54,794,371
Total noncurrent liabilities	<u>245,155,362</u>	<u>38,414,055</u>	<u>283,569,417</u>	<u>192,659,131</u>
Total liabilities	<u>267,324,264</u>	<u>43,279,446</u>	<u>310,603,710</u>	<u>216,142,463</u>
DEFERRED INFLOWS OF RESOURCES				
Future property tax revenue	-	-	-	7,568,405
Pension related	2,076,525	217,897	2,294,422	7,360,306
OPEB related	88,713	8,707	97,420	8,424,665
Total deferred inflows of resources	<u>2,165,238</u>	<u>226,604</u>	<u>2,391,842</u>	<u>23,353,376</u>
NET POSITION				
Net investment in capital assets	187,712,319	46,067,480	233,779,799	247,450,144
Restricted for :				
Capital projects	3,873,941	2,266,933	6,140,874	1,182,323
Debt service	6,018,214	-	6,018,214	2,791,908
Federal and state grants	4,215,840	-	4,215,840	-
Restricted for other projects	2,212,799	-	2,212,799	2,297,782
Special revenues (gas tax and road projects)	93,569	-	93,569	-
Special revenues (education)	20,328,006	-	20,328,006	-
Special revenues (public safety)	1,017,455	-	1,017,455	-
Unrestricted (deficit)	<u>(155,137,517)</u>	<u>6,802,829</u>	<u>(148,334,688)</u>	<u>(73,918,345)</u>
Total net position	<u>70,334,626</u>	<u>55,137,242</u>	<u>125,471,868</u>	<u>179,803,812</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, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$	\$	\$	\$	
Primary government:								
Governmental activities:								
General government and administration	9,610,859	15,446,817	1,552,257	-	7,388,215	-	7,388,215	
Public works	8,763,899	2,514	688,030	6,030,066	(2,043,289)	-	(2,043,289)	
Environmental services	2,670,295	-	-	-	(2,670,295)	-	(2,670,295)	
Public safety	23,779,334	6,323,383	143,608	72,882	(17,239,461)	-	(17,239,461)	
Library	2,093,484	21,720	16,635	-	(2,055,129)	-	(2,055,129)	
Parks and recreation	7,046,091	680,600	-	550,633	(5,814,858)	-	(5,814,858)	
Planning	786,636	59,280	1,076	-	(726,280)	-	(726,280)	
Social and economic development	6,044,055	-	239,215	203,068	(5,601,772)	-	(5,601,772)	
Human resources	2,422,500	1,001,385	-	-	(1,421,115)	-	(1,421,115)	
Risk management	514,870	-	-	-	(514,870)	-	(514,870)	
Education (payments to Board of Education)	35,438,202	-	-	-	(35,438,202)	-	(35,438,202)	
Interest on long-term debt	7,494,434	-	-	-	(7,494,434)	-	(7,494,434)	
Total governmental activities	<u>106,664,659</u>	<u>23,535,699</u>	<u>2,640,821</u>	<u>6,856,649</u>	<u>(73,631,490)</u>	<u>-</u>	<u>(73,631,490)</u>	
Business-type activities:								
Sewer Revenue Fund	9,169,743	11,656,139	-	716,235	-	3,202,631	3,202,631	
Solid Waste Management Fund	5,149,644	4,898,906	288,986	-	-	38,248	38,248	
Total business-type activities	<u>14,319,387</u>	<u>16,555,045</u>	<u>288,986</u>	<u>716,235</u>	<u>-</u>	<u>3,240,879</u>	<u>3,240,879</u>	
Total primary government	<u>120,984,046</u>	<u>40,090,744</u>	<u>2,929,807</u>	<u>7,572,884</u>	<u>(73,631,490)</u>	<u>3,240,879</u>	<u>(70,390,611)</u>	
Component units:								
Board of Education	93,523,376	6,338,750	47,160,496	2,407,144	-	-	-	(37,616,986)
Water Works Board	10,639,409	11,081,416	-	1,657,365	-	-	-	2,099,372
Industrial Development Board	5,588,493	4,913,064	-	511,090	-	-	-	(164,339)
Public Park & Recreation Board	781,515	100,496	-	-	-	-	-	(681,019)
Downtown Redevelopment Authority	26,175	-	-	-	-	-	-	(26,175)
Total Component Units	<u>110,558,968</u>	<u>22,433,726</u>	<u>47,160,496</u>	<u>4,575,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,389,147)</u>
General revenues								
Taxes:								
Sales taxes					42,010,312	-	42,010,312	7,752,697
Occupational license fees					12,894,663	-	12,894,663	-
Property taxes					27,098,517	-	27,098,517	13,010,414
Motor fuel taxes					416,979	-	416,979	-
Lodging taxes					2,373,878	-	2,373,878	-
Rental and leasing taxes					886,630	-	886,630	-
Cigarette taxes					60,033	-	60,033	-
Alcoholic beverage taxes					230,642	-	230,642	593,285
Other taxes					-	-	-	57,710
Appropriations from the City of Auburn					-	-	-	31,836,151
Federal and state aid not restricted					-	-	-	3,040
Interest and investment earnings					965,995	77,277	1,043,272	556,486
Gain/(Loss) on disposal of assets					125,796	19,350	145,146	(1,312,347)
Miscellaneous					130,222	6,594	136,816	1,575,277
Transfers					559,003	(559,003)	-	-
Total general revenues and transfers					<u>87,752,670</u>	<u>(455,782)</u>	<u>87,296,888</u>	<u>54,072,713</u>
Change in net position					<u>14,121,180</u>	<u>2,785,097</u>	<u>16,906,277</u>	<u>17,683,566</u>
Net position - beginning					58,529,165	52,579,429	111,108,594	222,475,112
Prior period adjustment					(2,315,719)	(227,284)	(2,543,003)	(60,354,866)
Net position - beginning, as restated					<u>56,213,446</u>	<u>52,352,145</u>	<u>108,565,591</u>	<u>162,120,246</u>
Net position - ending					<u>70,334,626</u>	<u>55,137,242</u>	<u>125,471,868</u>	<u>179,803,812</u>

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

CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Special School Tax Fund	2018 Public Safety Complex Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	25,076,100	11,545,775	-	6,226,307	42,848,182
Certificates of deposit	1,393,836	4,036,182	-	2,211,672	7,641,690
Investments	15,607,338	2,474,218	26,524,888	1,642,558	46,249,002
Receivables, net	11,902,202	174,303	86,011	254,418	12,416,934
Due from other funds	51,426	-	-	-	51,426
Due from component units	663,960	-	-	-	663,960
Inventories	287,120	-	-	-	287,120
Prepaid items	308,019	-	-	-	308,019
Mortgages receivable	-	-	-	2,363,484	2,363,484
Advances to other agencies	83,501	-	-	-	83,501
Restricted cash	313,696	4,835,741	2,369,123	127,942	7,646,502
Property for resale	4,131,127	-	-	-	4,131,127
Total assets	59,818,325	23,066,219	28,980,022	12,826,381	124,690,947
LIABILITIES					
Accounts payable and accrued liabilities	3,317,121	550	666,223	76,638	4,060,532
Due to component units	19,509	2,737,663	-	-	2,757,172
Customer deposits	251,836	-	-	-	251,836
Claims payable	233,869	-	-	-	233,869
Due to other funds	-	-	-	51,426	51,426
Unearned revenue	3,583,245	-	-	2,423,508	6,006,753
Total liabilities	7,405,580	2,738,213	666,223	2,551,572	13,361,588
FUND BALANCES					
Nonspendable					
Investments	2,212,799	-	-	-	2,212,799
Inventories	287,120	-	-	-	287,120
Prepaid items	308,019	-	-	-	308,019
Advances	83,501	-	-	-	83,501
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Roads, bridges and streets	-	-	-	93,569	93,569
Law enforcement	313,696	-	-	1,097,024	1,410,720
Education	-	20,328,006	-	-	20,328,006
General grants	-	-	-	214,155	214,155
Social and economic	-	-	-	1,931,363	1,931,363
Capital projects	-	-	28,313,799	920,485	29,234,284
Debt service	-	-	-	6,018,214	6,018,214
Assigned					
Social and economic	387,093	-	-	-	387,093
General	13,485,849	-	-	-	13,485,849
Unassigned	31,203,543	-	-	-	31,203,543
Total fund balances	52,412,747	20,328,006	28,313,799	10,274,810	111,329,362
Total liabilities and fund balances	59,818,327	23,066,219	28,980,022	12,826,382	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	206,102,636
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(248,469,788)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,881,046
Prepaid items accounted for using the purchases method are not reported in the funds.	85,463
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(2,594,093)
Net position of governmental activities	70,334,626

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, 2018

	General Fund	Special School Tax Fund	2018 Public Safety Complex Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
Revenues					
Sales and use taxes	42,010,313	-	-	-	42,010,313
Occupational license fees	12,894,664	-	-	-	12,894,664
Motor fuel taxes	821,995	-	-	-	821,995
Lodging taxes	2,373,879	-	-	-	2,373,879
Rental and leasing taxes	886,630	-	-	-	886,630
Other taxes	290,677	-	-	-	290,677
Licenses and permits	13,372,006	-	-	-	13,372,006
General property taxes	5,765,698	16,540,365	-	4,792,454	27,098,517
Charges for services	8,983,737	-	-	-	8,983,737
Fines and forfeitures	1,043,789	-	-	125,580	1,169,369
State shared taxes	1,535,602	-	-	283,014	1,818,616
Contributions from the public	1,179,084	-	-	8,082	1,187,166
Grants	-	-	-	2,235,880	2,235,880
Program income	-	-	-	1,260,228	1,260,228
Interest	385,167	243,174	225,730	111,924	965,995
Miscellaneous	132,484	-	-	402	132,886
Total revenues	<u>91,675,725</u>	<u>16,783,539</u>	<u>225,730</u>	<u>8,817,564</u>	<u>117,502,558</u>
Expenditures					
General government and administration	5,462,091	-	-	1,892	5,463,983
Public works	4,485,980	-	-	-	4,485,980
Environmental services	2,481,087	-	-	-	2,481,087
Public safety	22,453,085	-	-	51,952	22,505,037
Library	1,917,996	-	-	16,635	1,934,631
Parks and recreation	5,716,886	-	-	-	5,716,886
Planning	784,564	-	-	1,076	785,640
Economic development	2,914,691	-	-	524,282	3,438,973
Employee services	2,349,094	-	-	-	2,349,094
Risk management	443,694	-	-	-	443,694
Total departmental	<u>49,009,168</u>	<u>-</u>	<u>-</u>	<u>595,837</u>	<u>49,605,005</u>
Non-Departmental	2,766,972	618,101	-	179,649	3,564,722
Debt service					
Administrative charges	8,862	1,430	339,543	806	350,641
Interest	907,584	3,043,709	-	3,421,322	7,372,615
Principal retirement	5,872,459	4,537,596	-	179,000	10,589,055
Capital outlay	14,605,482	-	3,414,303	1,966,664	19,986,449
Intergovernmental	1,587,787	-	-	9,000	1,596,787
Payments to component units	14,688,907	22,058,291	-	283,090	37,030,288
Total expenditures	<u>89,447,221</u>	<u>30,259,127</u>	<u>3,753,846</u>	<u>6,635,368</u>	<u>130,095,562</u>
Excess (deficiency) of revenues over expenditures	<u>2,228,504</u>	<u>(13,475,588)</u>	<u>(3,528,116)</u>	<u>2,182,196</u>	<u>(12,593,004)</u>
Other financing sources (uses)					
Debt issuance	-	-	33,337,726	-	33,337,726
Sale of surplus assets	159,799	-	-	11,870	171,669
Transfers in	2,402,061	-	-	134,383	2,536,444
Transfers out	(67,247)	-	(1,495,811)	(414,383)	(1,977,441)
Total other financing sources (uses)	<u>2,494,613</u>	<u>-</u>	<u>31,841,915</u>	<u>(268,130)</u>	<u>34,068,398</u>
Net changes in fund balances	4,723,117	(13,475,588)	28,313,799	1,914,066	21,475,394
Fund balances, beginning of year	<u>47,689,630</u>	<u>33,803,594</u>	<u>-</u>	<u>8,360,744</u>	<u>89,853,968</u>
Fund balances, end of year	<u>52,412,747</u>	<u>20,328,006</u>	<u>28,313,799</u>	<u>10,274,810</u>	<u>111,329,362</u>

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

CITY OF AUBURN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Net change in fund balances - total governmental funds	\$	21,475,394
<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>		
		13,454,658
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.</p>		
		3,987,744
<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>		
		(22,748,671)
<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>		
		(817,294)
<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>(1,230,651)</u>
Change in net position - statement of activities	\$	<u><u>14,121,180</u></u>

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

CITY OF AUBURN, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Sales and use taxes	42,900,000	42,900,000	42,010,313	(889,687)
Occupational license fees	11,856,000	12,000,000	12,894,664	894,664
Motor fuel taxes	790,400	790,400	821,995	31,595
Lodging taxes	2,520,000	2,420,000	2,373,879	(46,121)
Rental and leasing taxes	839,450	850,000	886,630	36,630
Other taxes	288,400	290,900	290,677	(223)
Licenses and permits	12,612,500	12,775,500	13,372,006	596,506
General property taxes	5,342,500	5,570,000	5,765,698	195,698
Charges for services	8,869,135	8,758,541	8,983,737	225,196
Fines and forfeitures	1,031,000	983,000	1,043,789	60,789
State shared taxes	1,015,000	1,065,000	1,535,602	470,602
Contributions from the public	937,094	1,161,944	1,179,084	17,140
Interest	247,051	257,051	385,167	128,116
Miscellaneous	8,000	27,100	132,484	105,384
Total revenues	89,256,530	89,849,436	91,675,725	1,826,289
Expenditures				
General government and administration	5,718,281	5,766,782	5,462,091	304,691
Public works	4,787,304	5,273,609	4,485,980	787,629
Environmental services	2,607,668	2,627,268	2,481,087	146,181
Public safety	23,476,016	23,650,540	22,453,085	1,197,455
Library	1,855,194	1,893,491	1,917,996	(24,505)
Parks and recreation	6,155,663	6,204,143	5,716,886	487,257
Planning	808,015	853,515	784,564	68,951
Economic development	2,906,375	3,039,632	2,914,691	124,941
Employee services	2,493,680	2,508,180	2,349,094	159,086
Risk management	792,226	717,300	443,694	273,606
Total departmental	51,600,422	52,534,460	49,009,168	3,525,292
Non-departmental	3,150,811	2,731,982	2,766,972	(34,990)
Debt service:				
Administrative charges	2,200	2,200	8,862	(6,662)
Interest	2,299,125	1,032,403	907,584	124,819
Principal retirement	7,120,581	5,947,459	5,872,459	75,000
Capital outlay	16,034,115	21,238,919	14,605,482	6,633,437
Intergovernmental	1,759,829	1,759,829	1,587,787	172,042
Payments to component units	14,526,250	14,642,250	14,688,907	(46,657)
Total expenditures	96,493,333	99,889,502	89,447,221	10,442,281
Excess (deficiency) of revenues over expenditures	(7,236,803)	(10,040,066)	2,228,504	12,268,570
Other financing sources (uses)				
Sale of surplus assets	60,000	125,000	159,799	34,799
Transfers in	1,166,250	2,668,337	2,402,061	(266,276)
Transfers out	(260,000)	(266,276)	(67,247)	199,029
Total other financing sources (uses)	966,250	2,527,061	2,494,613	(32,448)
Net changes in fund balances	(6,270,553)	(7,513,005)	4,723,117	12,236,122
Fund balances, beginning of year	47,689,630	47,689,630	47,689,630	-
Fund balances, end of year	41,419,077	40,176,625	52,412,747	12,236,122

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property taxes	15,771,855	16,569,575	16,540,365	(29,210)
Interest	54,500	154,500	243,174	88,674
Total revenues	<u>15,826,355</u>	<u>16,724,075</u>	<u>16,783,539</u>	<u>59,464</u>
Expenditures				
Non-Departmental	588,955	593,655	618,101	(24,446)
Debt service				
Administrative charges	2,180	2,180	1,430	750
Interest	3,325,428	3,325,428	3,043,709	281,719
Principal retirement	4,333,605	4,333,605	4,537,596	(203,991)
Payments to component units	4,711,789	27,136,839	22,058,291	5,078,548
Total expenditures	<u>12,961,957</u>	<u>35,391,707</u>	<u>30,259,127</u>	<u>5,132,580</u>
Excess (deficiency) of revenues over expenditures	<u>2,864,398</u>	<u>(18,667,632)</u>	<u>(13,475,588)</u>	<u>5,192,044</u>
Net changes in fund balances	2,864,398	(18,667,632)	(13,475,588)	5,192,044
Fund balances, beginning of year	<u>33,803,594</u>	<u>33,803,594</u>	<u>33,803,594</u>	<u>-</u>
Fund balances, end of year	<u><u>36,667,992</u></u>	<u><u>15,135,962</u></u>	<u><u>20,328,006</u></u>	<u><u>5,192,044</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, 2018

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	10,487,988	687,827	11,175,815
Receivables, net	1,680,130	596,840	2,276,970
Due from component units	52,015	-	52,015
Inventories	20,465	8,418	28,883
Other current assets	29,232	16,919	46,151
Total current assets	12,269,830	1,310,004	13,579,834
Noncurrent assets			
Capital assets not being depreciated	683,153	-	683,153
Capital assets net of accumulated depreciation	78,743,609	2,332,844	81,076,453
Total noncurrent assets	79,426,762	2,332,844	81,759,606
Total assets	91,696,592	3,642,848	95,339,440
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	2,726,959	-	2,726,959
Pension related	248,382	320,224	568,606
OPEB related	3,753	4,534	8,287
Total deferred outflows of resources	2,979,094	324,758	3,303,852
LIABILITIES			
Current liabilities			
Accounts payable	286,540	344,834	631,374
Salaries and benefits payable	17,475	48,240	65,715
Due to component units	91,967	27,689	119,656
Accrued interest payable	445,504	-	445,504
Customer deposits	591,533	191,184	782,717
Current portion of long-term debt	2,813,871	6,554	2,820,425
Total current liabilities	4,246,890	618,501	4,865,391
Noncurrent liabilities			
Long-term debt and other liabilities	35,669,730	102,682	35,772,412
Net pension liability	981,393	1,322,439	2,303,832
Net OPEB liability	153,297	184,514	337,811
Total noncurrent liabilities	36,804,420	1,609,635	38,414,055
Total liabilities	41,051,310	2,228,136	43,279,446
DEFERRED INFLOWS OF RESOURCES			
Pension related	95,617	122,280	217,897
OPEB related	3,943	4,764	8,707
Total deferred inflows of resources	99,560	127,044	226,604
NET POSITION			
Net investment in capital assets	43,734,636	2,332,844	46,067,480
Restricted for capital projects	2,266,933	-	2,266,933
Unrestricted	7,523,247	(720,418)	6,802,829
Total net position	53,524,816	1,612,426	55,137,242

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, 2018

	Major Fund	Solid Waste Management	Total
	Sewer Revenue Fund	Fund	
	\$	\$	\$
Operating revenues			
Charges for services	11,656,139	4,898,906	16,555,045
Grants	-	288,986	288,986
Miscellaneous	2,156	4,438	6,594
Total operating revenues	<u>11,658,295</u>	<u>5,192,330</u>	<u>16,850,625</u>
Operating expenses			
Salaries and wages	1,039,211	1,978,772	3,017,983
Employee benefits	318,341	575,678	894,019
Repairs and maintenance	25,609	32,732	58,341
Utilities	673,203	675	673,878
Professional services	268,663	764,032	1,032,695
Rentals and leasing	91,347	-	91,347
Insurance	26,599	29,799	56,398
Office supplies	26,534	7,132	33,666
Fuels and lubricants	55,385	216,856	272,241
Agricultural and chemical supplies	33,988	4,359	38,347
Minor equipment and tools	71,238	361,131	432,369
Repair parts and materials	196,033	292,383	488,416
Clothing and linens	14,545	6,277	20,822
Sewer service fees	215,711	-	215,711
Management fees	1,677,885	334,000	2,011,885
Depreciation/amortization	2,727,353	529,078	3,256,431
Travel and training	33,928	8,483	42,411
Miscellaneous	1,282	8,257	9,539
Total operating expenses	<u>7,496,855</u>	<u>5,149,644</u>	<u>12,646,499</u>
Operating income (loss)	<u>4,161,440</u>	<u>42,686</u>	<u>4,204,126</u>
Nonoperating revenues (expenses)			
Interest earned	72,721	4,556	77,277
Interest and fiscal charges	(1,537,888)	-	(1,537,888)
Payments to component units	(135,000)	-	(135,000)
Gain (loss) on disposal of capital assets	(1,308)	20,658	19,350
Total nonoperating revenues (expenses)	<u>(1,601,475)</u>	<u>25,214</u>	<u>(1,576,261)</u>
Income (loss) before transfers and capital contributions	2,559,965	67,900	2,627,865
Transfers	(288,945)	(270,058)	(559,003)
Capital contributions - developers	716,235	-	716,235
Change in net position	2,987,255	(202,158)	2,785,097
Net position - beginning	50,640,482	1,938,947	52,579,429
Prior period adjustment	(102,921)	(124,363)	(227,284)
Net position - beginning, as restated	<u>50,537,561</u>	<u>1,814,584</u>	<u>52,352,145</u>
Net position - ending	<u>53,524,816</u>	<u>1,612,426</u>	<u>55,137,242</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, 2018

	Major Fund		Total
	Sewer Revenue Fund	Solid Waste Management Fund	
	\$	\$	
Cash flows from operating activities			
Cash collected from customers	11,488,342	4,908,130	16,396,472
Other cash collected	2,156	4,438	6,594
Customer deposits collected	8,256	15,783	24,039
Proceeds from operating grant	-	288,986	288,986
Payments to suppliers for goods and services	(3,441,623)	(1,862,481)	(5,304,104)
Payments to employees for services	(1,322,131)	(2,520,018)	(3,842,149)
Net cash provided (consumed) by operating activities (A)	<u>6,735,000</u>	<u>834,838</u>	<u>7,569,838</u>
Cash flows from noncapital financing activities			
Transfers in	34,805	32,442	67,247
Transfers out	(323,750)	(302,500)	(626,250)
Net cash provided (consumed) by noncapital financing activities	<u>(288,945)</u>	<u>(270,058)</u>	<u>(559,003)</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(2,680,000)	-	(2,680,000)
Proceeds from sale of assets	89,761	43,428	133,189
Acquisition and construction of capital assets	(2,749,508)	(1,408,251)	(4,157,759)
Cash contributions from developers	145,500	-	145,500
Interest and fiscal fees paid	(1,612,615)	-	(1,612,615)
Net cash provided (consumed) by capital and related financing activities	<u>(6,806,862)</u>	<u>(1,364,823)</u>	<u>(8,171,685)</u>
Cash flows from investing activities			
Interest on investments	72,721	4,556	77,277
Net cash provided (consumed) by investing activities	<u>72,721</u>	<u>4,556</u>	<u>77,277</u>
Net increase (decrease) in cash	(288,086)	(795,487)	(1,083,573)
Cash and cash equivalents, beginning of year	10,776,074	1,483,314	12,259,388
Cash and cash equivalents, end of year	<u>10,487,988</u>	<u>687,827</u>	<u>11,175,815</u>
Reconciliation of operating income (loss) to net cash provided by operating activities (A):			
Operating income (loss)	4,161,440	42,686	4,204,126
Add:			
Depreciation	2,727,353	529,078	3,256,431
Increase in accounts payable	111,508	200,025	311,533
Decrease in accounts receivable	-	9,224	9,224
Decrease in prepaid items	-	3,076	3,076
Increase in customer deposits	8,256	15,783	24,039
Increase in accrued leave	9,017	3,067	12,084
Decrease in amounts due from component units	2,302	-	2,302
Increase in amounts due to component units	-	532	532
Decrease in deferred pension contributions	26,866	30,829	57,695
Increase in pension related deferred inflows	71,306	73,182	144,488
Increase in OPEB related deferred inflows	3,943	4,764	8,707
Increase in OPEB liability	5,362	6,480	11,842
Deduct:			
Increase in accounts receivable	(170,098)	-	(170,098)
Decrease in amounts due to component units	(3,031)	-	(3,031)
Increase in prepaid items	(3,151)	-	(3,151)
Decrease in pension related liabilities	(77,320)	(79,354)	(156,674)
Increase in OPEB related deferred outflows	(3,753)	(4,534)	(8,287)
Net cash provided by operating activities	<u>6,870,000</u>	<u>834,838</u>	<u>7,704,838</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	570,735	-	570,735
	<u>570,735</u>	<u>-</u>	<u>570,735</u>

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2018

	Major Component Units				Total
	Board of Education	Water Works Board	Industrial Development Board	Nonmajor Component Units	
	\$	\$	\$	\$	\$
ASSETS					
Current assets:					
Cash and cash equivalents	36,809,143	7,817,942	1,142,803	5,757	45,775,645
Certificates of deposit	-	-	59,377	-	59,377
Receivables, net	58,864	1,727,407	247,082	21,130	2,054,483
Accrued interest receivable	19,219	-	10,942	-	30,161
Inventories	186,818	305,473	-	-	492,291
Current portion of mortgages and notes receivable	-	-	183,178	-	183,178
Current portion of net investment in capital leases	-	-	308,651	48,536	357,187
Property tax receivable	7,568,405	-	-	-	7,568,405
Due from other government	976,470	1,474	50,000	-	1,027,944
Due from primary government	2,737,663	139,165	-	-	2,876,828
Other current assets	-	65,329	16,341	3,418	85,088
Restricted cash	-	-	200,610	-	200,610
Total current assets	<u>48,356,582</u>	<u>10,056,790</u>	<u>2,218,984</u>	<u>78,841</u>	<u>60,711,197</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	-	1,182,323	-	-	1,182,323
Investments	-	2,606,798	-	-	2,606,798
Interest receivable	-	4,158	-	-	4,158
Mortgages and notes receivable, net of current portion	-	-	85,717	-	85,717
Net investment in capital leases, net of current portion	-	-	3,616,853	1,272,713	4,889,566
Property for resale	-	-	9,968,201	-	9,968,201
Capital assets not being depreciated	28,563,016	1,894,798	7,863,157	-	38,320,971
Capital assets, net of accumulated depreciation	<u>151,780,119</u>	<u>74,318,631</u>	<u>55,654,427</u>	<u>4,151,610</u>	<u>285,904,787</u>
Total noncurrent assets	<u>180,343,135</u>	<u>80,006,708</u>	<u>77,188,355</u>	<u>5,424,323</u>	<u>342,962,521</u>
Total assets	<u>228,699,717</u>	<u>90,063,498</u>	<u>79,407,339</u>	<u>5,503,164</u>	<u>403,673,718</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	-	-	321,602	-	321,602
Deferred amounts on refunding, net	-	637,361	-	-	637,361
OPEB related	1,906,546	3,753	-	626	1,910,925
Pension related	<u>12,590,982</u>	<u>136,497</u>	<u>-</u>	<u>28,566</u>	<u>12,756,045</u>
Total deferred outflows of resources	<u>14,497,528</u>	<u>777,611</u>	<u>321,602</u>	<u>29,192</u>	<u>15,625,933</u>
LIABILITIES					
Current liabilities:					
Liabilities payable from restricted assets:					
Accounts payable	-	7,325	-	-	7,325
Due to other government	93,924	-	-	-	93,924
Current portion of long-term debt	-	910,000	-	-	910,000
Accrued interest payable	-	122,951	130,514	-	253,465
Accounts payable and other accrued liabilities	3,280,361	965,452	73,366	15,973	4,335,152
Salaries and benefits payable	5,789,562	-	-	-	5,789,562
Customer deposits	-	645,514	-	-	645,514
Unearned revenue	619,585	-	20,200	-	639,785
Current portion of long-term debt	582,726	-	9,461,369	48,536	10,092,631
Due to primary government	-	715,974	-	-	715,974
Total current liabilities	<u>10,366,158</u>	<u>3,367,216</u>	<u>9,685,449</u>	<u>64,509</u>	<u>23,483,332</u>
Noncurrent liabilities:					
Derivative instrument liability	-	-	321,602	-	321,602
Long-term debt and other liabilities	587,971	33,663,334	36,913,613	1,290,760	72,455,678
Net OPEB liability	54,646,267	148,104	-	-	54,794,371
Net pension liability	64,799,000	149,568	-	138,912	65,087,480
Total noncurrent liabilities	<u>120,033,238</u>	<u>33,961,006</u>	<u>37,235,215</u>	<u>1,429,672</u>	<u>192,659,131</u>
Total liabilities	<u>130,399,396</u>	<u>37,328,222</u>	<u>46,920,664</u>	<u>1,494,181</u>	<u>216,142,463</u>
DEFERRED INFLOWS OF RESOURCES					
Future property tax revenue	7,568,405	-	-	-	7,568,405
OPEB related	8,420,065	3,943	-	657	8,424,665
Pension related	<u>6,652,000</u>	<u>697,742</u>	<u>-</u>	<u>10,564</u>	<u>7,360,306</u>
Total deferred inflows of resources	<u>22,640,470</u>	<u>701,685</u>	<u>-</u>	<u>11,221</u>	<u>23,353,376</u>
NET POSITION					
Net investment in capital assets	180,343,135	42,338,085	20,617,314	4,151,610	247,450,144
Restricted for:					
Capital projects	-	1,182,323	-	-	1,182,323
Debt service	-	2,606,798	185,110	-	2,791,908
Other projects	2,297,782	-	-	-	2,297,782
Unrestricted	<u>(92,483,538)</u>	<u>6,683,996</u>	<u>12,005,853</u>	<u>(124,656)</u>	<u>(73,918,345)</u>
Total net position	<u>90,157,379</u>	<u>52,811,202</u>	<u>32,808,277</u>	<u>4,026,954</u>	<u>179,803,812</u>

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
September 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Total Component Units		
					Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	
Governmental activities:							
Auburn Board of Education							
Functions/Programs							
Instruction	54,914,578	1,346,033	33,115,638	909,516	(19,543,391)	-	(19,543,391)
Instructional support	17,507,906	948,709	8,722,487	61,720	(7,774,990)	-	(7,774,990)
Operation and maintenance	7,907,069	98,386	1,527,907	947,453	(5,333,323)	-	(5,333,323)
Auxiliary services							
Student transportation services	5,111,896	159,262	2,983,858	488,455	(1,480,321)	-	(1,480,321)
Food services	3,818,299	2,943,469	221,467	-	(653,363)	-	(653,363)
General administrative services	3,119,270	2,350	415,281	-	(2,701,639)	-	(2,701,639)
Other	1,144,358	840,541	173,858	-	(129,959)	-	(129,959)
Total governmental activities	<u>93,523,376</u>	<u>6,338,750</u>	<u>47,160,496</u>	<u>2,407,144</u>	<u>(37,616,986)</u>	<u>-</u>	<u>(37,616,986)</u>
Business-type activities:							
Water Works Board	10,639,409	11,081,416	-	1,657,365	-	2,099,372	2,099,372
Industrial Development Board	5,588,493	4,913,064	-	511,090	-	(164,339)	(164,339)
Public Park & Recreation Board	781,515	100,496	-	-	-	(681,019)	(681,019)
Downtown Redevelopment Authority	26,175	-	-	-	-	(26,175)	(26,175)
Total business-type activities	<u>17,035,592</u>	<u>16,094,976</u>	<u>-</u>	<u>2,168,455</u>	<u>-</u>	<u>1,227,839</u>	<u>1,227,839</u>
Total component units	<u>110,558,968</u>	<u>22,433,726</u>	<u>47,160,496</u>	<u>4,575,599</u>	<u>(37,616,986)</u>	<u>1,227,839</u>	<u>(36,389,147)</u>
General revenues:							
Taxes:							
Sales taxes					7,752,697	-	7,752,697
Property taxes					13,010,414	-	13,010,414
Alcoholic beverage taxes					593,285	-	593,285
Other taxes					57,710	-	57,710
Unrestricted appropriations from the City of Auburn					30,433,648	1,402,503	31,836,151
Federal/state aid not restricted					3,040	-	3,040
Interest and investment earnings					203,399	353,087	556,486
Loss on disposal of assets					-	(1,312,347)	(1,312,347)
Miscellaneous					1,141,220	434,057	1,575,277
Total general revenues					<u>53,195,413</u>	<u>877,300</u>	<u>54,072,713</u>
Change in net position					15,578,427	2,105,139	17,683,566
Net position - beginning					134,813,744	87,661,368	222,475,112
Adjustment to record proportionate share of collective net OPEB liability					(60,234,792)	(120,074)	(60,354,866)
Net position, beginning, as restated					<u>74,578,952</u>	<u>87,541,294</u>	<u>162,120,246</u>
Net position - ending					<u>90,157,379</u>	<u>89,646,433</u>	<u>179,803,812</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
September 30, 2018

	Major Business-type Component Units			Total \$
	Water Works Board	Industrial Development Board	Nonmajor Business-type Component Units	
	\$	\$	\$	
Operating revenues				
Lease income	-	4,913,064	-	4,913,064
Water sales and service	11,081,416	-	-	11,081,416
Tennis center revenue	-	-	100,496	100,496
Miscellaneous	150,541	173,420	110,096	434,057
Total operating revenues	11,231,957	5,086,484	210,592	16,529,033
Operating expenses				
Water treatment and pumping expense	2,900,480	-	-	2,900,480
Water distribution expense	1,241,245	-	-	1,241,245
Meter reading expense	787,772	-	-	787,772
Operations administration expense	400,073	-	-	400,073
Utility billing office expense	1,186,617	-	-	1,186,617
General operations expense	1,053,267	-	-	1,053,267
Salaries and wages	-	-	197,613	197,613
Employee benefits	-	-	52,910	52,910
Repairs and maintenance	-	275,986	63,006	338,992
Advertising	-	36,429	-	36,429
Utilities	-	121,499	126,385	247,884
Rentals and leasing	-	-	1,453	1,453
Insurance	-	-	5,903	5,903
Minor equipment and tools	-	-	13,988	13,988
Professional services	-	249,754	1,543	251,297
Office supplies	-	17,646	633	18,279
Agricultural and chemical supplies	-	-	120	120
Depreciation	2,177,000	1,433,915	317,942	3,928,857
Industrial recruitment	-	378,311	-	378,311
Industrial incentives granted	-	377,324	-	377,324
Travel and training	-	12,759	-	12,759
Special events	-	106,339	-	106,339
Workforce development	-	46,876	-	46,876
Miscellaneous	-	10,246	16	10,262
Total operating expenses	9,746,454	3,067,084	781,512	13,595,050
Operating income (loss)	1,485,503	2,019,400	(570,920)	2,933,983
Non-operating revenues (expenses)				
Interest and investment earnings	120,896	206,013	26,178	353,087
Appropriations from the City of Auburn	-	1,011,500	369,496	1,380,996
Amortization	(166,268)	-	-	(166,268)
Interest and fiscal charges	(726,687)	(2,521,409)	(26,178)	(3,274,274)
Gain/(loss) on disposal of assets	6,775	(1,319,122)	-	(1,312,347)
Total non-operating revenues (expenses)	(765,284)	(2,623,018)	369,496	(3,018,806)
Income (loss) before capital contributions	720,219	(603,618)	(201,424)	(84,823)
Capital contributions				
From other governments	-	511,090	-	511,090
From primary government	21,507	-	-	21,507
From developers	600,165	-	-	600,165
From access fees	1,057,200	-	-	1,057,200
Total capital contributions	1,678,872	511,090	-	2,189,962
Change in net position	2,399,091	(92,528)	(201,424)	2,105,139
Net position - beginning	50,515,032	32,900,805	4,245,531	87,661,368
Prior period adjustment	(102,921)	-	(17,153)	(120,074)
Net position, beginning, as restated	50,412,111	32,900,805	4,228,378	87,541,294
Net position - ending	52,811,202	32,808,277	4,026,954	89,646,433

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

**CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018**

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
ASSETS	
Current assets:	
Cash and cash equivalents	633,400
Total assets	633,400
NET POSITION	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	121,537
Auburn Soccer Organization	444,384
Auburn Youth Football	21,736
Auburn Community Tennis Association	22,031
Auburn Cemetery Trust	23,712
Total net position	633,400

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

**CITY OF AUBURN, ALABAMA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Youth Athletic Associations' Private-purpose Trust Fund
ADDITIONS	\$
Program revenues:	
Baseball/Softball	130,904
Soccer	240,297
Football	30,881
Tennis	2,047
Total program revenues	404,129
Investment earnings:	
Baseball/Softball interest	360
Soccer interest	698
Football interest	41
Tennis interest	8
Cemetery Trust interest	59
Total investment earnings	1,166
Total additions	405,295
DEDUCTIONS	
Program expenses:	
Baseball/Softball	162,054
Soccer	201,931
Football	29,682
Tennis	3,440
Total deductions	397,107
Change in net position	8,188
Net position - beginning	625,212
Net position - ending	633,400

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, 2018

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

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

City of Auburn Board of Education (ABOE)

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

Water Works Board of the City of Auburn (AWWB)

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

City of Auburn Industrial Development Board (IDB)

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

City of Auburn Public Park and Recreation Board (PPRB)

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

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

Commercial Development Authority of the City of Auburn (CDA)

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

The City is the CDA's primary source of operating funds. The City has responsibility for funding deficits and operating deficiencies of the CDA and City Council exercises significant influence over the CDA's actions. The Commercial Development Authority of the City of Auburn is presented as a proprietary fund type or business-type activity. The Commercial Development Authority had no activity for the year ending September 30, 2018, and no assets or liabilities as of September 30, 2018.

Auburn Downtown Redevelopment Authority (ADRA)

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RELATED ORGANIZATIONS

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

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

JOINT VENTURE

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

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July, 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2018, the City's remaining net investment in the Indian Pines Golf Course is \$503,300, which represents the initial cost of the land capitalized by the City.

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

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

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

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Indian Pines Recreation Authority

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

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2018, is as follows:

Total assets and deferred outflows	
of resources	\$ 1,836,351
Total liabilities and deferred inflows	
of resources	<u>(312,849)</u>
Total net position	<u>\$ 1,523,502</u>
Total operating revenues	\$ 1,105,545
Total operating expenses	(1,154,130)
Other revenues	<u>396</u>
Net decrease in net position	<u>\$ (48,189)</u>

Lee-Russell Council of Governments

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

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

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

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

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

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Lee County Youth Development Center

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

East Alabama Medical Center

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

Auburn-Opelika Tourism Bureau

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

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

MAJOR FUNDS

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

The City reports the following major governmental funds:

The General Fund (See note above).

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

The 2018 Public Safety Complex Fund, a capital projects fund, accounts for funds received from the issuance of long-term debt to be expended on various capital projects approved by the City Council.

The City reports the following major proprietary fund:

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

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

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

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

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

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

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

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

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**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 \$248,469,788 difference are as follows:

Bonds and warrants payable	\$ 205,437,361
Less: Deferred amount on refunding	(3,007,614)
Add: Issuance premium	9,347,474
Notes payable	2,608,000
Compensated absences	2,518,381
Claims and judgments	286,066
Landfill closure and post-closure care	119,000
Other postemployment benefits	3,340,131
Net pension liability	31,644,643
Less: Deferred outflow pension related	(5,904,453)
Less: Deferred outflow OPEB related	(84,439)
Add: Deferred inflow pension related	2,076,525
Add: Deferred inflow OPEB related	<u>88,713</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 248,469,788</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this \$13,454,658 difference are as follows:

Capital outlay	\$ 19,986,449
Depreciation expense	<u>(6,531,791)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 13,454,658</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e. sales, trades, and donations) is to increase (decrease) net position." The details of this \$3,987,744 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	\$ 4,033,618
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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>(45,874)</u>
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Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*

<u>\$ 3,987,744</u>

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond issue insurance, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$22,748,671 difference are as follows:

Debt issued or incurred:

General obligation warrants	\$ (30,610,000)
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Issue premiums on new debt	(2,727,726)
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Principal repayments	<u>10,589,055</u>
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Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*

<u>\$ (22,748,671)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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 \$817,294 difference are as follows:

Compensated absences	\$ 88,221
Accrued interest	(452,039)
Claims and judgments	(26,655)
Landfill closure and post-closure care	7,000
Other post employment benefits	(124,938)
Net pension liability	(650,414)
Amortization of deferred amount on refunding	(306,726)
Amortization of bond premiums	636,946
Amortization of prepaid expenses	<u>11,311</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (817,294)</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 2018 fiscal year for the General Fund, Seven-Cent Gas Tax Fund, Four and Five-Cent Gas Tax Fund, Special School Tax Fund, Municipal Court Judicial Administration Fund, Public Safety Substance Abuse Fund, Special 5-Mill Tax Debt Service Fund, Sewer Revenue fund, and the Solid Waste Management Fund.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for the department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
7. All budgetary appropriations expire at fiscal year-end. Encumbrances of departments that did not exceed their departmental budgets may be added to the subsequent year's appropriations at the time of the mid-biennium budget review, if the City Manager so recommends and if the Council approves.
8. Excess of expenditures over appropriations: In the General Fund, Library expenditures of \$1,917,996 exceeded appropriations of \$1,893,491; non-departmental expenditures of \$2,766,972 exceeded appropriations of \$2,731,982; debt service administrative charges of \$8,862 exceeded appropriations of \$2,200; and payments to component units of \$14,688,907 exceeded appropriations of \$14,642,250. In the Special School Tax Fund, non-departmental expenditures of \$618,101 exceeded appropriations of \$593,655; and debt service principal retirement of \$4,537,596 exceeded appropriations of \$4,333,605.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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 all highly liquid investments with an original 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.

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

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

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

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

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

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

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

- 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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

L. Risk Financing

CITY OF AUBURN PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, and torts related to municipal operations. These risks are covered by commercial insurance purchased from independent third parties or the City's Liability Risk Retention self-insurance fund. 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. These estimates are based primarily upon historical trends. There were only minimal changes to insurance coverage from coverage in the prior year. Also, no settlements have exceeded insurance coverage in the past three fiscal years.

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

The City has chosen to retain the risk of loss for risks associated with its employees' health insurance plan. Premiums are charged to other funds and component units that account for employees eligible for coverage by the plan. Total premiums allocated to the participating entities are calculated using medical cost trends and 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 \$55,000 aggregating specific deductible. Liabilities associated with the plan are recorded in the City's Liability Risk Retention self-insurance 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 \$450,000 (\$500,000 for police officers and firefighters) per injury in an accident period are covered through a private insurance carrier. Stop loss coverage is purchased through the General Fund. Liabilities include an amount for claims within the coverage deductible that have been incurred but not reported and are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

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

Employee health insurance is provided through the Public Education Employees' Health Insurance Plan (PEEHIP), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The PEEHIP 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 16-1-18.1(d). Any unreimbursed medical expenses and costs that the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustments. The State Board of Adjustments is a state agency with which employees can file claims against the ABOE to collect reimbursement for damages when all other means have been exhausted. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from the state appropriated funds at no cost to the ABOE.

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

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

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

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

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

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. The Industrial Development Board is covered by this insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The IDB had no liability for unpaid claims at September 30, 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

For risk of loss from claims arising from torts (general liability), the PPRB is covered by the City's commercial insurance purchased from third parties. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The PPRB had no liability for unpaid claims at September 30, 2018. 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.

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 year's service receive an additional three days annual leave on their anniversary date and employees with fifteen year's 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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

- O. Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 14.
- P. Pensions** - The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.
- Q. Fund Balance** - The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
 - Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution, which are equally binding. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The City has no amount classified as committed fund balance as of September 30, 2018.
 - Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has by resolution authorized the Finance Director to assign fund balance. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).
 - Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

- R. Net Position** - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.
- Net investment in capital assets - represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
 - Restricted net position - represents liquid assets which have third party (statutory, bond covenant or granting agency) limitations on their use. Certain enterprise funds and component units have assets that are restricted for construction that is being funded with long-term debt and therefore, there are no net restricted assets for these amounts. The City would typically use restricted net position first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.
 - Unrestricted net position - represents unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.
- S. Interfund Transactions** - Interfund transactions are either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within governmental activities or within business-type activities are eliminated upon consolidation in the government-wide statements.

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

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

1. Interfund receivables and payables - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 19.
2. Interfund advances - consist of longer term loans between funds, which are not expected to be repaid within one year. These longer term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources. There were no interfund advances outstanding at year end.
3. Interfund transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or payments between the City and component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 20.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- T. **Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- U. **Recently Implemented Accounting Pronouncements** – GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended.

GASB Statement No. 85, *2017 Omnibus*, addresses a variety of topics including the presentation of payroll-related measures in required supplementary information for purposes of reporting by employers that provide OPEB. This statement enhances consistency in the application of accounting and financial reporting requirements and improves usefulness of information for users of these financial statements.

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2018, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, the Public Park and Recreation Board, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority are held in a certified qualified public depository, and as such, are deemed fully insured. As of September 30, 2018, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority did not have any deposits.

NOTE 3. DEPOSITS AND INVESTMENTS

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

A summary of the City's certificates of deposits and investments held as of September 30, 2018, is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>
<u>Governmental Activities</u>			
Certificates of deposit			
General Fund	\$ 1,393,836	\$ 1,393,836	2019
Special School Tax Fund	4,036,182	4,036,182	2019
Debt Service Fund	<u>2,211,672</u>	<u>2,211,672</u>	2019
Total certificates of deposit	<u>\$ 7,641,690</u>	<u>\$ 7,641,690</u>	
Investments			
U.S. Treasury Notes			
General Fund	\$ 13,394,540	\$ 13,394,540	2018-2019
Special School Tax Fund	2,474,218	2,474,218	2018-2019
2018 Public Safety Complex Fund	26,524,888	26,524,888	2018-2019
Federal Grant Loan Repayment Fund	1,642,558	1,642,558	2018-2019
Industrial Development Revenue Bond	891,550	891,550	2023
Limited Obligation Revenue Bond	<u>1,321,248</u>	<u>1,321,248</u>	2035
Total investments	<u>\$ 46,249,002</u>	<u>\$ 46,249,002</u>	

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

During fiscal year 2013 the City sold a building to the Industrial Development Board for \$1,800,000. The IDB in turn issued an Industrial Development Revenue Bond to the City in that same amount. The City recognized an investment that will be reduced as payments of \$17,399 are received from the IDB on a monthly basis that commenced on May 1, 2013 and will continue through April 1, 2023, at an interest rate of 3.03% per annum. The balance of the City’s investment at September 30, 2018, was \$891,550.

During fiscal year 2015 the City invested \$1,450,000 into the Auburn Downtown Redevelopment Authority to facilitate the redevelopment of downtown property. The City recognized an investment that will be reduced as payments of \$6,126 are received from ADRA on a monthly basis that commenced on December 1, 2015, and will continue through October 1, 2035, at an interest rate of 2.50% per annum. Also due on October 1, 2035, is a balloon payment of \$300,000 that bears no interest. The balance of the City’s investment at September 30, 2018, was \$1,321,248.

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

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

COMPONENT UNITS

Board of Education

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

At September 30, 2018, the Board of Education’s restricted cash and investments were composed of the following, all of which are insured through the SAFE Program:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash - General Fund		
Educational Trust Fund		
Advancement & Technology Fund	\$ 471,248	\$ 471,248
Penny Trust Fund	3,605	3,605
Cash - Other Governmental Funds		
Child Nutrition Program	1,803,837	1,803,837
Dental Clinic	151,356	151,356
E-rate	9,988	9,988
	<u>\$ 2,440,034</u>	<u>\$ 2,440,034</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

Water Works Board

At September 30, 2018, the Water Works Board's restricted cash, cash equivalents, and investments were comprised of the following:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (Access Fee Account)	\$ 926,679	\$ 926,679
Pooled investments with City of Auburn	255,644	255,644
Bank of New York Mellon U.S. Treasury Securities Money Market Fund	<u>2,606,798</u>	<u>2,606,798</u>
Total restricted cash and investments	<u>\$ 3,789,121</u>	<u>\$ 3,789,121</u>

The Bank of New York Mellon U.S. Treasury Securities Money Market Fund listed above is an open-end mutual fund comprised of U.S. Treasury securities totaling \$2,606,798. The fair value of the units in the fund equals the carrying value.

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

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

Industrial Development Board

At September 30, 2018, the Industrial Development Board's investments were comprised of the following:

<u>Restricted cash</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (SAFE deposit)		
Restricted for debt service	\$ 200,050	\$ 200,050
Restricted for capital projects	<u>560</u>	<u>560</u>
Total restricted cash	<u>\$ 200,610</u>	<u>\$ 200,610</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. Cash restricted for capital projects is restricted to the payment of construction costs.

<u>Unrestricted investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificate of deposit		
AuburnBank, 0.05%, maturity date February 24, 2019	<u>\$ 59,377</u>	<u>\$ 59,377</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

The fair value balance and notional amount of the IDB's derivative instrument outstanding at September 30, 2018, and the change in its fair value for the year then ended as reported in the 2018 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at 9/30/18</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>\$ 263,423</u>	Long term liability	<u>\$ 321,602</u>	<u>\$ 3,475,000</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.

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, 2018, 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, 2018, was \$3,475,000.
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:	BBB+/A-2; A2

Credit Risk – As of September 30, 2018, 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 4. DERIVATIVE INSTRUMENTS - CONTINUED

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, 2018, the interest rate on the IDB's hedged variable-rate debt was 2.25% and LIBOR was 2.24219%.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 5. ACCOUNTS RECEIVABLE

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

	General Fund	Special School Tax Fund	2018 Public Safety Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Nonmajor Proprietary Fund	Component Units	Total
Receivables:								
Revenues receivable	\$ 13,555,397	\$ 135,606	\$ -	\$ 299,984	\$ 1,717,825	\$ 646,449	\$ 2,102,043	\$ 18,457,304
Grants receivable	-	-	-	135,250	-	-	-	135,250
Receivable from other governmental units	1,017,834	-	-	-	-	-	-	1,017,834
Other receivables	<u>1,173,194</u>	<u>38,697</u>	<u>86,011</u>	<u>3,701</u>	<u>83,577</u>	-	<u>38,441</u>	<u>1,423,621</u>
Gross receivables	15,746,425	174,303	86,011	438,935	1,801,402	646,449	2,140,484	21,034,009
Less: allowance for uncollectibles	<u>(3,844,223)</u>	-	-	<u>(184,517)</u>	<u>(121,272)</u>	<u>(49,609)</u>	<u>(86,001)</u>	<u>(4,285,622)</u>
Net receivables	<u>\$ 11,902,202</u>	<u>\$ 174,303</u>	<u>\$ 86,011</u>	<u>\$ 254,418</u>	<u>\$ 1,680,130</u>	<u>\$ 596,840</u>	<u>\$ 2,054,483</u>	<u>\$ 16,748,387</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

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

The balance of the notes receivable at September 30, 2018 was \$83,501 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
2019	\$ 18,163	\$ 2,633	\$ 20,796
2020	18,809	1,987	20,796
2021	19,478	1,318	20,796
2022	20,170	626	20,796
2023	6,881	44	6,925
	<u>\$ 83,501</u>	<u>\$ 6,608</u>	<u>\$ 90,109</u>

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

COMPONENT UNITS**Industrial Development Board**

Mortgages and notes receivable consist of the following as of September 30, 2018:

	Balance 10/01/2017	Additions	Reductions	Balance 09/30/2018	Due Within One Year
Mortgages receivable	\$ 84,568	\$ -	\$ (9,000)	\$ 75,568	\$ 75,568
Notes receivable - other	275,365	-	(82,038)	193,327	107,610
Total	<u>\$ 359,933</u>	<u>\$ -</u>	<u>\$ (91,038)</u>	<u>\$ 268,895</u>	<u>\$ 183,178</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. As of September 30, 2018, the balance of \$75,568 remained outstanding. Subsequent to September 30, 2018, the IDB purchased the company's facility and the loan balance was collected at closing.

Notes Receivable

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 6. MORTGAGES AND NOTES RECEIVABLE – CONTINUED

In September of 2017, the IDB made three loans to a new company locating in Auburn to help the company cover additional facility construction costs. The principal amount of the first loan was \$74,400, and the note bears interest at a rate of 5.25%. Monthly payments of principal and interest are due until July 1, 2022, at which time the loan matures. The principal amount of the second loan was \$67,728, and the note bears interest at a rate of 5.0%. Monthly payments of principal and interest are due until December 1, 2019, at which point the note matures. The principal amount of the third loan was \$82,160, and the note bears interest at a rate of 5.0%. Monthly payments of principal and interest are due until December 1, 2019, at which point the note matures.

Future payments due under the notes are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 107,610	\$ 6,461	\$ 114,071
2020	56,099	2,375	58,474
2021	15,786	1,194	16,980
2022	<u>13,832</u>	<u>339</u>	<u>14,171</u>
	<u>\$ 193,327</u>	<u>\$ 10,369</u>	<u>\$ 203,696</u>

NOTE 7. PROPERTY FOR RESALE

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2003, the City purchased seven outparcels of land for future mall expansion totaling \$4,131,127. One of the lots has been leased to Lee County for \$1 per year for 10 years beginning May 2007. The County extended the lease in May 2017 for an additional five-year term. The County can extend the lease for one additional five-year term 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, 2018:

	Balance <u>10/1/2017</u>	Additions	Reclassi- fications	Disposals	Balance <u>9/30/2018</u>
Land and buildings	\$ 4,332,727	\$ 1,877	\$ -	\$ -	\$ 4,334,604
Improvements in progress	<u>5,416,229</u>	<u>217,368</u>	<u>-</u>	<u>-</u>	<u>5,633,597</u>
Total property held for resale	<u>\$ 9,748,956</u>	<u>\$ 219,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,968,201</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 8. PROPERTY TAXES

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Balance 10/1/2017</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 23,709,395	\$ 631,382	\$ -	\$ 24,340,777
Construction in progress	<u>15,246,041</u>	<u>17,687,279</u>	<u>(11,651,927)</u>	<u>21,281,393</u>
Total capital assets, not being depreciated	<u>38,955,436</u>	<u>18,318,661</u>	<u>(11,651,927)</u>	<u>45,622,170</u>
Capital assets, being depreciated:				
Buildings and improvements	47,565,864	5,668,826	(27,878)	53,206,812
Communication equipment	381,851	32,339	-	414,190
Heavy equipment	3,817,916	156,330	(229,264)	3,744,982
Office equipment	4,349,555	200,722	(17,118)	4,533,159
Small tools and equipment	1,613,317	127,805	(14,693)	1,726,429
Vehicles	9,821,296	1,529,303	(771,813)	10,578,786
Infrastructure	<u>186,768,834</u>	<u>9,634,783</u>	<u>-</u>	<u>196,403,617</u>
Total capital assets, being depreciated	<u>254,318,633</u>	<u>17,350,108</u>	<u>(1,060,766)</u>	<u>270,607,975</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,394,408)	(1,413,373)	19,658	(18,788,123)
Communication equipment	(373,228)	(4,793)	-	(378,021)
Heavy equipment	(2,169,668)	(252,181)	223,620	(2,198,229)
Office equipment	(3,059,343)	(345,574)	17,118	(3,387,799)
Small tools and equipment	(1,136,602)	(172,458)	14,693	(1,294,367)
Vehicles	(7,212,103)	(1,053,479)	743,030	(7,522,552)
Infrastructure	<u>(73,268,484)</u>	<u>(3,289,934)</u>	<u>-</u>	<u>(76,558,418)</u>
Total accumulated depreciation	<u>(104,613,836)</u>	<u>(6,531,792)</u>	<u>1,018,119</u>	<u>(110,127,509)</u>
Total capital assets, being depreciated, net	<u>149,704,797</u>	<u>10,818,316</u>	<u>(42,647)</u>	<u>160,480,466</u>
Governmental activities capital assets, net	<u>\$ 188,660,233</u>	<u>\$ 29,136,977</u>	<u>\$ (11,694,574)</u>	<u>\$ 206,102,636</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 9. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2018, was as follows:

	Balance 10/1/2017	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2018
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>100,957</u>	<u>1,967,398</u>	<u>(1,549,828)</u>	<u>518,527</u>
Total capital assets, not being depreciated	<u>265,583</u>	<u>1,967,398</u>	<u>(1,549,828)</u>	<u>683,153</u>
Capital assets, being depreciated:				
Buildings and improvements	20,885,555	1,205,121	-	22,090,676
Sewage plants and lines	78,493,143	719,655	(310,967)	78,901,831
Machinery and equipment	3,612,259	872,460	(86,263)	4,398,456
Small tools and equipment	7,200	-	-	7,200
Vehicles	<u>5,645,543</u>	<u>1,538,752</u>	<u>(602,526)</u>	<u>6,581,769</u>
Total capital assets, being depreciated	<u>108,643,700</u>	<u>4,335,988</u>	<u>(999,756)</u>	<u>111,979,932</u>
Less accumulated depreciation for:				
Buildings, improvements, plants and lines	(23,095,801)	(2,184,456)	219,898	(25,060,359)
Machinery and equipment	(1,515,166)	(416,734)	86,263	(1,845,637)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	<u>(3,914,797)</u>	<u>(655,241)</u>	<u>579,755</u>	<u>(3,990,283)</u>
Total accumulated depreciation	<u>(28,532,964)</u>	<u>(3,256,431)</u>	<u>885,916</u>	<u>(30,903,479)</u>
Total capital assets, being depreciated, net	<u>80,110,736</u>	<u>1,079,557</u>	<u>(113,840)</u>	<u>81,076,453</u>
Business-type activities capital assets, net	<u>\$ 80,376,319</u>	<u>\$ 3,046,955</u>	<u>\$ (1,663,668)</u>	<u>\$ 81,759,606</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, 2018, the City incurred interest costs of \$1,561,110; total interest expense was \$1,536,048, and interest cost of \$25,062 was capitalized in connection with the cost of construction in progress.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 9. CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
General government and administration	\$ 437,969
Public works	3,765,733
Environmental services	202,702
Public safety	963,840
Library	153,489
Parks and recreation	922,318
Planning	1,784
Economic development	6,119
Employee services	<u>77,838</u>
Total depreciation expense - governmental activities	<u>\$ 6,531,792</u>
Business-type activities:	
Sewer revenue fund	\$ 2,727,353
Solid waste management fund	<u>529,078</u>
Total depreciation expense - business-type activities	<u>\$ 3,256,431</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 9. CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

Board of Education

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Balance 10/1/2017</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,960,062	\$ 227,461	\$ (6,903)	\$ 12,180,620
Construction in progress	<u>77,473,004</u>	<u>14,668,495</u>	<u>(75,759,103)</u>	<u>16,382,396</u>
Total capital assets, not being depreciated	<u>89,433,066</u>	<u>14,895,956</u>	<u>(75,766,006)</u>	<u>28,563,016</u>
Capital assets, being depreciated:				
Land improvements	5,423,466	74,793	-	5,498,259
Buildings and improvements	105,632,532	77,752,449	-	183,384,981
Furniture, equipment and vehicles	<u>15,844,403</u>	<u>1,124,908</u>	<u>(3,475,101)</u>	<u>13,494,210</u>
Total capital assets, being depreciated	<u>126,900,401</u>	<u>78,952,150</u>	<u>(3,475,101)</u>	<u>202,377,450</u>
Less accumulated depreciation for:				
Land improvements	(3,170,845)	(174,300)	-	(3,345,145)
Buildings and improvements	(35,614,158)	(3,364,137)	-	(38,978,295)
Furniture, equipment and vehicles	<u>(10,575,419)</u>	<u>(1,156,344)</u>	<u>3,457,872</u>	<u>(8,273,891)</u>
Total accumulated depreciation	<u>(49,360,422)</u>	<u>(4,694,781)</u>	<u>3,457,872</u>	<u>(50,597,331)</u>
Total capital assets, being depreciated, net	<u>77,539,979</u>	<u>74,257,369</u>	<u>(17,229)</u>	<u>151,780,119</u>
Total governmental activities capital assets, net	<u>\$ 166,973,045</u>	<u>\$ 89,153,325</u>	<u>\$ (75,783,235)</u>	<u>\$ 180,343,135</u>

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

Governmental activities:	
Instruction	\$ 3,808,663
Instructional support	53,047
Operation and maintenance	68,905
Auxiliary services	
Student transportation services	708,872
Food services	45,769
General administrative services	<u>9,525</u>
Total depreciation expense - governmental activities	<u>\$ 4,694,781</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 9. CAPITAL ASSETS - CONTINUED**Water Works Board**

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/1/2017	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2018
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,338,503	\$ 11,007	\$ -	\$ 1,349,510
Construction in progress	<u>17,054,850</u>	<u>3,440,833</u>	<u>(19,950,395)</u>	<u>545,288</u>
Total capital assets, not being depreciated	<u>18,393,353</u>	<u>3,451,840</u>	<u>(19,950,395)</u>	<u>1,894,798</u>
Capital assets, being depreciated:				
Utility system and plant	76,618,980	20,208,360	(271,886)	96,555,454
Buildings and improvements	6,850,626	294,181	-	7,144,807
Office equipment	686,415	62,620	-	749,035
Mobile equipment	1,535,236	183,557	(76,031)	1,642,762
Tools	<u>412,425</u>	<u>7,317</u>	<u>-</u>	<u>419,742</u>
Total capital assets, being depreciated	<u>86,103,682</u>	<u>20,756,035</u>	<u>(347,917)</u>	<u>106,511,800</u>
Less accumulated depreciation for:				
Utility system and plant	(25,988,873)	(1,637,992)	271,886	(27,354,979)
Buildings and improvements	(2,760,411)	(274,298)	-	(3,034,709)
Office equipment	(494,666)	(56,843)	-	(551,509)
Mobile equipment	(793,236)	(178,322)	76,031	(895,527)
Tools	<u>(326,901)</u>	<u>(29,545)</u>	<u>-</u>	<u>(356,446)</u>
Total accumulated depreciation	<u>(30,364,087)</u>	<u>(2,177,000)</u>	<u>347,917</u>	<u>(32,193,170)</u>
Total capital assets, being depreciated, net	<u>55,739,595</u>	<u>18,579,035</u>	<u>-</u>	<u>74,318,630</u>
Business-type activity capital assets, net	<u>\$ 74,132,948</u>	<u>\$ 22,030,875</u>	<u>\$ (19,950,395)</u>	<u>\$ 76,213,428</u>

It is the AWWB's policy to capitalize net interest costs on funds borrowed to finance the construction of capital assets. For the year ended September 30, 2018, the AWWB incurred interest costs of \$1,402,616; total interest expense was \$721,811, and interest cost of \$680,805 was capitalized in connection with the cost of construction in progress.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Balance 10/1/2017</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 9/30/2018</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 9,114,495	\$ -	\$ (1,252,663)	\$ 7,861,832
Construction in progress	<u>1,996,511</u>	<u>225,142</u>	<u>(2,220,328)</u>	<u>1,325</u>
Total capital assets, not being depreciated	<u>11,111,006</u>	<u>225,142</u>	<u>(3,472,991)</u>	<u>7,863,157</u>
Capital assets, being depreciated:				
Buildings	65,110,815	-	(1,396,207)	63,714,608
Building improvements	2,581,370	13,884	276,333	2,871,587
Land improvements	1,792,248	-	-	1,792,248
Equipment	546,785	-	-	546,785
Vehicles	<u>170,075</u>	<u>-</u>	<u>-</u>	<u>170,075</u>
Total capital assets, being depreciated	<u>70,201,293</u>	<u>13,884</u>	<u>(1,119,874)</u>	<u>69,095,303</u>
Accumulated depreciation				
Buildings	(10,080,699)	(1,285,724)	99,923	(11,266,500)
Building improvements	(614,581)	(64,808)	3,806	(675,583)
Land improvements	(766,742)	(61,271)	-	(828,013)
Equipment	(527,130)	(3,654)	-	(530,784)
Vehicles	<u>(121,538)</u>	<u>(18,458)</u>	<u>-</u>	<u>(139,996)</u>
Total accumulated depreciation	<u>(12,110,690)</u>	<u>(1,433,915)</u>	<u>103,729</u>	<u>(13,440,876)</u>
Total capital assets, being depreciated, net	<u>58,090,603</u>	<u>(1,420,031)</u>	<u>(1,016,145)</u>	<u>55,654,427</u>
Total capital assets, net	<u>\$ 69,201,609</u>	<u>\$ (1,194,889)</u>	<u>\$ (4,489,136)</u>	<u>\$ 63,517,584</u>

It is the IDB's policy to capitalize net interest costs on funds borrowed to finance construction. For the year ended September 30, 2018, the IDB incurred interest costs of \$2,454,655; total interest expense was \$2,445,230, and interest costs of \$9,425 were capitalized in connection with construction of buildings owned by the IDB.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Balance 10/1/2017</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2018</u>
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,362,551	\$ 85,311	\$ (38,225)	\$ 7,409,637
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>7,464,108</u>	<u>85,311</u>	<u>(38,225)</u>	<u>7,511,194</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,985,310)	(315,609)	38,225	(3,262,694)
Machinery and equipment	(48,454)	(2,333)	-	(50,787)
Vehicles	<u>(46,103)</u>	<u>-</u>	<u>-</u>	<u>(46,103)</u>
Total accumulated depreciation	<u>(3,079,867)</u>	<u>(317,942)</u>	<u>38,225</u>	<u>(3,359,584)</u>
Business-type activity capital assets, net	<u>\$ 4,384,241</u>	<u>\$ (232,631)</u>	<u>\$ -</u>	<u>\$ 4,151,610</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance <u>10/1/2017</u>	Additions	Reductions	Balance <u>9/30/2018</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 87,165,000	\$ -	\$ (1,840,000)	\$ 85,325,000	\$ 1,915,000
General obligation warrants	98,072,416	30,610,000	(8,570,055)	120,112,361	7,784,275
Add: bond issue premiums	<u>7,256,694</u>	<u>2,727,726</u>	<u>(636,946)</u>	<u>9,347,474</u>	<u>-</u>
Total bonds and warrants payable	192,494,110	33,337,726	(11,047,001)	214,784,835	9,699,275
Notes payable	2,787,000	-	(179,000)	2,608,000	180,000
Accumulated annual leave	2,606,602	203,362	(291,583)	2,518,381	143,782
Claims payable	238,495	357,547	(309,976)	286,066	115,635
Landfill closure and postclosure care liability	126,000	-	(7,000)	119,000	7,000
Other postemployment benefits liability	903,748	2,436,383	-	3,340,131	-
Net pension liability	<u>33,819,768</u>	<u>-</u>	<u>(2,175,125)</u>	<u>31,644,643</u>	<u>-</u>
Governmental activity long-term liabilities	<u>232,975,723</u>	<u>36,335,018</u>	<u>(14,009,685)</u>	<u>255,301,056</u>	<u>10,145,692</u>
Business-type activities:					
General obligation warrants payable:					
Warrants payable	38,050,000	-	(2,680,000)	35,370,000	2,810,000
Add: warrant issue premiums	3,285,743	-	(236,237)	3,049,506	-
Less: warrant issue discounts	<u>(2,943)</u>	<u>-</u>	<u>2,523</u>	<u>(420)</u>	<u>-</u>
Total warrants payable	41,332,800	-	(2,913,714)	38,419,086	2,810,000
Accumulated annual leave	161,668	19,579	(7,496)	173,751	10,425
Other postemployment benefits liability	98,685	239,126	-	337,811	-
Net pension liability	<u>2,460,506</u>	<u>-</u>	<u>(156,674)</u>	<u>2,303,832</u>	<u>-</u>
Business-type activity long-term liabilities	<u>44,053,659</u>	<u>258,705</u>	<u>(3,077,884)</u>	<u>41,234,480</u>	<u>2,820,425</u>
Total primary government long-term liabilities	<u>\$ 277,029,382</u>	<u>\$ 36,593,723</u>	<u>\$ (17,087,569)</u>	<u>\$ 296,535,536</u>	<u>\$ 12,966,117</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.

In the current year and prior years, the government defeased various general obligation bonds and warrants by placing the proceeds of the new bonds or warrants in an irrevocable trust account to provide for all future debt service payments on the old bonds and warrants. Accordingly, the trust account assets and the liabilities for the defeased bonds and warrants are not included in the government's financial statements. At September 30, 2018, \$61,230,000 of defeased bonds and warrants remain outstanding.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

Bonds, notes, and warrants payable of the City of Auburn at September 30, 2018, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2018	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
General obligation bonds,						
Dated 7/1/09 ('09 Capital Projects)	2%-4%	5/1-11/1	Full faith credit and taxing power of the City of Auburn	\$ 9,000,000	\$ 2,660,000	2021
General obligation bonds,						
Dated 5/1/12 ('12 Capital Projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,000,000	2,295,000	2024
General obligation refunding bonds,						
Dated 8/1/12						
(Refund '98, '99, '02, and '05 bonds)						
('98 bonds - S. College Imp.; '99 bonds - Library, Watson Complex; '02 bonds - Soccer, Town Creek; '05 bonds - '05 Projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	6,180,000	880,000	2021
General obligation refunding bonds,						
Dated 10/28/14						
(Partially refund '07 bonds)	2%-4%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	2,510,000	1,345,000	2021
General obligation bonds,						
Dated 6/23/15 (New High School and School Capital Improvements)	2.25%-5%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	78,145,000	78,145,000	2045
Total bonds payable				<u>99,835,000</u>	<u>85,325,000</u>	
Notes Payable:						
Note payable, U. S. Dept of Housing and Urban Development, Dated 3/27/12	LIBOR+0.2%	Monthly	Section 108 Loan Program Fund	3,312,000	2,608,000	2034
(Loan Guarantee Assistance)						

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2018	Year of Final Principal Maturity
Warrants payable:						
General obligation warrants						
Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	1,854,164	2026
General obligation warrants						
Dated 12/19/08 (Auburn HS renovations)	4.76%	Monthly	Special School Tax Fund ad valorem taxes	8,500,000	5,217,035	2028
General obligation refunding school warrants, Dated 6/1/10 (Refund '02 School Warrants)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,020,000	16,255,000	2026
General obligation warrants						
Dated 7/27/10 (Refund IDB '00-A Bonds)	2.90%	Monthly	Full faith credit and taxing power of the City of Auburn	3,010,000	646,596	2020
General obligation warrants						
Dated 7/27/10 (Refund IDB '04-A Bonds)	4.84%	Monthly	Full faith credit and taxing power of the City of Auburn	10,275,000	5,213,267	2024
General obligation warrants						
Dated 8/20/10 (Purch Bldg - 155 AL St.)	3.03%	Monthly	Full faith credit and taxing power of the City of Auburn	1,870,000	700,767	2022
General obligation school warrants						
Dated 2/22/12 (Pick elementary school and land)	2.78%	Monthly	Special School Tax Fund ad valorem taxes	18,500,000	13,479,914	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	731,640	2022
General obligation warrants						
Dated 8/1/12 (refund '99 warrants)	2% - 5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	1,790,000	280,000	2019
('99 warrants - City Hall, streets, etc)						
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	15,360,000	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	2,417,970	2022

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2018	Year of Final Principal Maturity
General obligation warrants						
Dated 10/28/14 (partially refund '05 warrants - school improvement)	1% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	10,240,000	10,045,000	2035
General obligation school warrants						
Dated 08/04/17 (New Elementary School)	2.58%	2/1-8/1	Special School Tax Fund ad valorem taxes	18,000,000	17,301,008	2037
General obligation warrants						
Dated 05/08/18 (New Public Safety Complex & Other Improvements)	2% - 5%	5/1-11/1	Full faith credit and taxing power of the City of Auburn	30,610,000	30,610,000	2048
Total warrants payable				158,949,100	120,112,361	
Total governmental activity bonds, notes, and warrants payable				262,096,100	208,045,361	
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	810,000	2018
General obligation warrants						
Dated 9/1/09 (Partial refund '01 Warrants)	3.5%-5%	1/1-7/1	Sewer Fund	15,245,000	11,330,000	2024
General obligation warrants						
Dated 8/1/12 (Refund '01 warrants; Sewer capital projects)						
('01 warrants - sewer plant and expansion)	2% - 5%	2/1-8/1	Sewer Fund	10,030,000	4,230,000	2032
General obligation warrants						
Dated 10/28/14 (Partial refund '08 warrants)	3%-5%	6/1-12/1	Sewer Fund	19,240,000	19,000,000	2033
Total business type activity warrants payable				69,885,000	35,370,000	
Total bonds, notes, and warrants payable				\$331,981,100	\$ 243,415,361	

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds, notes, and warrants payable of the City of Auburn at September 30, 2018:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity		
	Principal	Interest	Total	Bonds, Notes, and Warrants Payable			Warrants Payable		
				Payable from General Governmental Issues	Interest	Requirements	Principal	Interest	Requirements
2019	\$ 12,689,275	\$ 9,776,350	\$ 22,465,625	\$ 9,879,275	\$ 8,297,275	\$ 18,176,550	\$ 2,810,000	\$ 1,479,075	\$ 4,289,075
2020	12,795,220	9,291,142	22,086,362	9,895,220	7,950,767	17,845,987	2,900,000	1,340,375	4,240,375
2021	13,696,515	8,765,950	22,462,465	10,666,515	7,559,625	18,226,140	3,030,000	1,206,325	4,236,325
2022	12,197,012	8,251,301	20,448,313	9,042,012	7,170,838	16,212,850	3,155,000	1,080,463	4,235,463
2023	12,471,256	7,775,036	20,246,292	9,181,256	6,828,542	16,009,798	3,290,000	946,494	4,236,494
2024	12,742,248	7,250,692	19,992,940	9,317,248	6,447,614	15,764,862	3,425,000	803,078	4,228,078
2025	9,677,731	6,768,029	16,445,760	8,247,731	6,074,335	14,322,066	1,430,000	693,694	2,123,694
2026	11,382,075	6,340,062	17,722,137	9,882,075	5,719,368	15,601,443	1,500,000	620,694	2,120,694
2027	9,095,060	5,828,228	14,923,288	7,520,060	5,284,034	12,804,094	1,575,000	544,194	2,119,194
2028	9,284,827	5,421,520	14,706,347	7,624,827	4,957,701	12,582,528	1,660,000	463,819	2,123,819
2029	9,135,915	5,019,728	14,155,643	7,395,915	4,640,534	12,036,449	1,740,000	379,194	2,119,194
2030	9,431,032	4,664,876	14,095,908	7,626,032	4,352,557	11,978,589	1,805,000	312,319	2,117,319
2031	9,822,645	4,331,426	14,154,071	7,962,645	4,073,932	12,036,577	1,860,000	257,494	2,117,494
2032	9,344,058	4,061,628	13,405,686	7,424,058	3,862,112	11,286,170	1,920,000	199,516	2,119,516
2033	8,771,266	3,760,761	12,532,027	7,176,266	3,637,136	10,813,402	1,595,000	123,625	1,718,625
2034	9,096,692	3,351,956	12,448,648	7,421,692	3,310,081	10,731,773	1,675,000	41,875	1,716,875
2035	7,652,799	2,961,942	10,614,741	7,652,799	2,961,942	10,614,741			
2036	5,765,607	2,639,591	8,405,198	5,765,607	2,639,591	8,405,198			
2037	5,994,129	2,410,529	8,404,658	5,994,129	2,410,529	8,404,658			
2038	5,065,000	2,170,369	7,235,369	5,065,000	2,170,369	7,235,369			
2039	5,280,000	1,948,844	7,228,844	5,280,000	1,948,844	7,228,844			
2040	5,510,000	1,716,169	7,226,169	5,510,000	1,716,169	7,226,169			
2041	5,750,000	1,471,506	7,221,506	5,750,000	1,471,506	7,221,506			
2042	6,000,000	1,228,156	7,228,156	6,000,000	1,228,156	7,228,156			
2043	6,260,000	974,156	7,234,156	6,260,000	974,156	7,234,156			
2044	6,540,000	709,056	7,249,056	6,540,000	709,056	7,249,056			
2045	6,805,000	453,250	7,258,250	6,805,000	453,250	7,258,250			
2046	1,660,000	187,050	1,847,050	1,660,000	187,050	1,847,050			
2047	1,720,000	126,875	1,846,875	1,720,000	126,875	1,846,875			
2048	1,779,999	64,525	1,844,524	1,779,999	64,525	1,844,524			
Total	\$ 243,415,361	\$ 119,720,703	\$ 363,136,064	\$ 208,045,361	\$ 109,228,469	\$ 317,273,830	\$ 35,370,000	\$ 10,492,234	\$ 45,862,234

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

On May 8, 2018, the City issued its \$30,610,000 General Obligation Warrants. The net proceeds of \$32,998,183 (after receiving an original issue premium of \$2,727,726 and payment of \$339,543 in issuance costs) were used to fund the construction and development of a new public safety complex, other public building improvements, public parking improvements, public park and other public capital improvements with the City. The Warrants bear interest at rates from 2% to 5%. Principal and interest payments are due semiannually beginning November 2018 and continuing through May of 2048.

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

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2010 issue	\$ 16,750,000	\$ -	\$ (810,000)	\$15,940,000	\$ 850,000
Bonds payable - 2015 issue	16,635,000	-	(55,000)	16,580,000	60,000
Premiums on bonds	<u>2,103,382</u>	<u>-</u>	<u>(110,677)</u>	<u>1,992,705</u>	<u>-</u>
	<u>35,488,382</u>	<u>-</u>	<u>(975,677)</u>	<u>34,512,705</u>	<u>910,000</u>
Accumulated annual leave	58,391	3,409	(1,171)	60,629	-
Other postemployment benefits liability	39,820	108,284	-	148,104	-
Net pension liability	<u>770,235</u>	<u>-</u>	<u>(620,667)</u>	<u>149,568</u>	<u>-</u>
	<u>868,446</u>	<u>111,693</u>	<u>(621,838)</u>	<u>358,301</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 36,356,828</u>	<u>\$ 111,693</u>	<u>\$ (1,597,515)</u>	<u>\$34,871,006</u>	<u>\$ 910,000</u>

Bonds payable at September 30, 2018, are comprised of an original bond issue of \$21,595,000 dated June 1, 2010 and an original bond issue of \$16,695,000 dated November 24, 2015. The 2010 bond proceeds were used to call the 2001 and 2002 series bonds dated July 1, 2001 and August 1, 2002, respectively, and to fund various capital projects. The 2010 bonds were issued at an average interest rate of 4.35%. The stated maturity dates of the 2010 bonds are September 1 beginning in 2011 and continuing through 2032. The 2015 bond proceeds were used to fund the Lake Ogletree spillway project. The 2015 bonds were issued at an average interest rate of 4.68%. The stated maturity dates of the 2015 bonds are September 1 beginning in 2017 and continuing through 2040.

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2018, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2018	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	\$ 21,595,000	\$ 15,940,000	2032
Capital improvement bonds, Dated 11/24/15	3.0% to 5.0%	3/1-9/1	Revenues	\$ 16,695,000	\$ 16,580,000	2040

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds payable of the Water Works Board of the City of Auburn at September 30, 2018:

Year ending September 30	Principal	Interest	Total
2019	\$ 910,000	\$ 1,475,412	\$ 2,385,412
2020	950,000	1,432,013	2,382,013
2021	995,000	1,386,613	2,381,613
2022	1,030,000	1,354,725	2,384,725
2023	1,060,000	1,321,738	2,381,738
2024-2028	6,040,000	5,879,675	11,919,675
2029-2033	7,580,000	4,337,275	11,917,275
2034-2038	9,495,000	2,417,200	11,912,200
2039-2040	4,460,000	310,800	4,770,800
Total	<u>\$ 32,520,000</u>	<u>\$ 19,915,451</u>	<u>\$ 52,435,451</u>

Water Revenue Bonds are collateralized by a pledge of net system revenues derived and to be derived from the operation of the AWWB's water system. The AWWB is also required to maintain such rates and charges for the water service and other services supplied from the system, and make collections from the users thereof in such a manner as shall produce revenues sufficient at all times (i) to provide for payment of all operating expenses, (ii) to produce annual net income of not less than 110% of the then applicable maximum annual debt service requirement, and (iii) to make all monthly payments provided herein to be made into each of the special funds. These coverage requirements have been met by the AWWB for the year ended September 30, 2018.

Industrial Development BoardChanges in long-term liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
Long term notes payable	\$ 46,884,926	\$ 1,300,000	\$ (5,284,944)	\$ 42,899,982	\$ 9,126,369
Short term notes payable	1,300,000	-	(1,300,000)	-	-
Bonds payable	3,790,000	-	(315,000)	3,475,000	335,000
Total	<u>\$ 51,974,926</u>	<u>\$ 1,300,000</u>	<u>\$ (6,899,944)</u>	<u>\$ 46,374,982</u>	<u>\$ 9,461,369</u>

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

Bonds payable

Bonds payable at September 30, 2018, 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 River Bank & Trust. 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, 2019.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

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

The bonds mature on July 1, 2026, and bear interest at a variable rate determined weekly by the IDB's remarketing agent, The Frazer Lanier Company, Inc., with the interest payable in arrears on the first business day of the following month. The rate is the lowest rate that would, in the opinion of the remarketing agent, result in the market value of the bonds being 100% of the purchase price on the date of determination, with a maximum rate of 10% per annum. This method was used beginning on September 22, 2011, the date the bonds were remarketed. The weighted average interest rate for fiscal year 2018 was 1.702%. Interest incurred for the fiscal year amounted to \$219,475.

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 day's 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 River Bank & Trust, 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 1, 2019. If notice is not given by River Bank & Trust within one hundred twenty days of the expiration of the letter of credit, it is automatically renewed in one-year periods until September 1, 2023. 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. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

<u>Fiscal Year</u>	<u>Principal Maturities</u>
2019	\$ 335,000
2020	<u>3,140,000</u>
	<u>\$ 3,475,000</u>

The IDB is required to pay to River Bank & Trust annual fees for the letter of credit in the amount of 1.80% of the outstanding principal amount of the stated principal amount of the letter of credit. In addition, the remarketing agent is paid an annual fee of one-eighth of one percent of the weighted average daily principal amount of the bonds outstanding.

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

<u>Fiscal Year</u>	<u>Series 2006-A</u>
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>\$ 3,475,000</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2018, using the variable interest rate in effect on the last day of the fiscal year (2.25%):

Fiscal Year	Series 2006-A		Total
	Principal	Interest	
2019	\$ 335,000	\$ 76,928	\$ 411,928
2020	360,000	69,296	429,296
2021	385,000	61,102	446,102
2022	415,000	52,327	467,327
2023	445,000	42,877	487,877
2024	475,000	32,751	507,751
2025	510,000	21,932	531,932
2026	550,000	10,307	560,307
Total	<u>\$ 3,475,000</u>	<u>\$ 367,520</u>	<u>\$ 3,842,520</u>

Swap payments and associated debt – With respect to the Series 2006-A bonds, the IDB entered into an interest rate swap agreement with Allied Irish Bank to hedge the changes in cash flows on the variable-rate bonds (see Note 4). Using rates as of September 30, 2018, debt service requirements of the variable rate debt and net swap payments on the associated hedging derivative instrument are presented below. These amounts assume that current interest rates on the variable-rate bonds and the current reference rates of the hedging derivative instrument will remain the same for their term. As these rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year	Series 2006-A Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2019	\$ 335,000	\$ 76,928	\$ 124,035	\$ 535,963
2020	360,000	69,296	111,731	541,027
2021	385,000	61,102	98,519	544,621
2022	415,000	52,327	65,224	532,551
2023	445,000	42,877	-	487,877
2024	475,000	32,751	-	507,751
2025	510,000	21,932	-	531,932
2026	550,000	10,307	-	560,307
Total	<u>\$ 3,475,000</u>	<u>\$ 367,520</u>	<u>\$ 399,509</u>	<u>\$ 4,242,029</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

Long-term notes payable

Notes payable of the IDB at September 30, 2018, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/2018	Year of Final Principal Maturity
AuburnBank	5.000%	Monthly	\$ 8,670,000	\$ 4,798,345	2024
AuburnBank	5.000%	Monthly	2,157,341	1,928,806	2020
AuburnBank	5.000%	Monthly	300,000	210,107	2022
AuburnBank	5.000%	Monthly	1,079,500	584,776	2020
AuburnBank	5.000%	Monthly	3,144,057	2,583,161	2019
AuburnBank	5.000%	Monthly	2,146,000	1,678,781	2022
AuburnBank	5.000%	Monthly	1,290,000	774,051	2022
AuburnBank	5.000%	Monthly	2,274,000	1,733,718	2022
AuburnBank	5.000%	Monthly	1,025,000	624,533	2022
AuburnBank	5.000%	Monthly	4,753,000	4,149,735	2021
AuburnBank	5.000%	Monthly	2,380,000	1,637,997	2024
AuburnBank	5.000%	Monthly	491,000	331,771	2022
AuburnBank	5.000%	Monthly	825,000	568,946	2019
AuburnBank	6.000%	Monthly	165,250	96,570	2024
AuburnBank	5.750%	Monthly	4,250,000	3,611,260	2019
AuburnBank	5.750%	Monthly	475,000	403,609	2019
AuburnBank	5.000%	Monthly	1,300,000	1,271,851	2023
AuburnBank	4.850%	Monthly	7,000,000	6,297,840	2020
AuburnBank	5.000%	Monthly	260,000	216,268	2021
AuburnBank	5.000%	Monthly	422,500	412,108	2023
AuburnBank	5.000%	Monthly	3,685,863	3,558,450	2022
AuburnBank	4.500%	Monthly	2,700,000	2,603,258	2022
River Bank & Trust	4.950%	Monthly	2,656,136	1,932,491	2024
City of Auburn	3.030%	Monthly	1,800,000	891,550	2023
Total notes payable			<u>\$ 55,249,647</u>	<u>\$ 42,899,982</u>	

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

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2018:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2019	\$ 9,126,369	\$ 1,938,253	\$ 11,064,622
2020	10,128,910	1,547,802	11,676,712
2021	5,594,811	993,218	6,588,029
2022	10,769,527	688,020	11,457,547
2023	2,373,973	286,727	2,660,700
2024	4,906,392	41,178	4,947,570
Total	<u>\$ 42,899,982</u>	<u>\$ 5,495,198</u>	<u>\$ 48,395,180</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 11. UNEARNED PROGRAM REVENUE

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2018, totaled \$155,636.

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, 2018, totaled \$1,421,880.

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) under a Loan Guarantee Assistance contract pursuant to Section 108 of Title 1 of the Housing and Urban Development Act of 1974. Under the terms of the loans, the monies received from HUD are loaned to qualified borrowers as micro-loans or as part of a Commercial and Industrial Loan Program. When the City made these loans, unearned revenue equal to the principal amount of the loan was recorded in the governmental fund financial statements. The loans made under this program are repaid according to the terms of each individual loan agreement. As the City receives amortized payments of principal and interest, unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The loans outstanding at September 30, 2018, totaled \$783,122.

NOTE 12. LEASE AGREEMENTS

COMPONENT UNITS

Industrial Development Board

Description of leasing arrangements - The IDB's leasing activities consist of the leasing of industrial space in facilities owned by the IDB (operating leases) and sales-type capital leases to various industries for land, buildings and/or equipment located in the IDB's industrial parks. The operating leases expire over the next twenty-two years and the capital leases expire over the next twenty-seven 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, 2018, was \$7,861,832, and \$63,714,608, respectively; accumulated depreciation on the buildings was \$11,266,500. Rents received during 2018 were \$4,768,716. Of the twenty-two leases in effect at September 30, 2018, seventeen were noncancelable. Four leases are month-to-month and one lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term; the lease provides for automatic one-year renewal terms ending on May 31, 2025, and annual minimum rentals of \$35,000 payable in advance.

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. In September 2011, the lease was further amended to conform to the terms of the amended trust agreement related to the Series 2006-A bonds (see Note 10). Pursuant to the terms of an interest rate swap (see Note 4), rentals due under the lease were changed in 2009 to variable amounts equal to the total debt service on the Series 2006-A bonds, including certain fees related to the debt, and payments due under the rate swap agreement. The lease was further amended in 2013 to incorporate an additional expansion. Because the debt service payments are based on variable rates and include payments due under the swap, rental amounts included in the following schedule are calculated using rates in effect as of September 30, 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 12. LEASE AGREEMENTS - CONTINUED

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, 2018:

<u>Fiscal Year</u>	<u>Future Minimum Rental Payments</u>
2019	\$ 4,641,421
2020	4,621,820
2021	4,629,853
2022	4,442,320
2023	4,156,256
2024	3,536,751
2025	3,107,106
2026	2,680,182
2027	2,305,110
2028	1,765,893
2029	1,362,601
2030	1,045,061
2031	580,984
2032	580,984
2033	199,286
Thereafter	<u>396,292</u>
Total	<u>\$ 40,051,920</u>

Capital leases

- A. The IDB has leased, under capital leases, ten parcels of land located in its Industrial Parks. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2021 to 2045, and several of the leases provide for renewal terms. No lease payments were received in fiscal year 2018, and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal.

During fiscal year 2014, 2017 and 2018, four existing companies conveyed property to the IDB, and the Board leased the property back to the companies under prepaid capital leases. Remaining payments under the leases consist solely of payments due under the bargain-purchase options, which are minimal, and no payments were received in fiscal year 2018. The leases expire in 2019, 2024, 2027 and 2043.

- B. The IDB has two sales-type capital leases involving land and buildings in the Auburn Industrial Park and the Auburn Technology Park West with lease terms expiring in 2023 and 2034, respectively. The components of the net investment in sales-type capital leases at September 30, 2018 are as follows:

Total minimum lease payments to be received	\$ 5,466,300
Less: unearned income	<u>(1,540,796)</u>
Net investment in capital lease	<u>\$ 3,925,504</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 12. LEASE AGREEMENTS - CONTINUED

Future minimum lease payments due under the leases are as follows:

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2019	\$ 494,017
2020	494,017
2021	494,017
2022	494,017
2023	405,899
2024	282,534
2025	282,534
2026	282,534
2027	282,534
2028	282,534
Thereafter	<u>1,671,663</u>
Total	<u>\$ 5,466,300</u>

- C. The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. Four of the operating leases in effect at the end of the fiscal year are non-cancelable, one is month-to-month, two are cancelable with 120 days' notice and two are cancelable with 90 days' notice. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during fiscal year 2018 were \$144,348. As of September 30, 2018, all of the non-cancelable leases expire within one year. Future minimum rentals of \$9,769 are due under the non-cancelable leases in fiscal year 2019.

NOTE 13. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1985, Section 36-27-6*.

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

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active Members	55,941
Post-DROP participants who are still in active service	168
	<u>88,517</u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2018, the City’s active employee contribution rate was 5.65 percent of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 9.09 percent of pensionable payroll.

The City’s contractually required contribution rate for the year ended September 30, 2018 was 10.15 percent of pensionable pay for Tier 1 employees, and 7.06 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$2,883,730 for the year ended September 30, 2018.

Net Pension Liability. The City’s net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2016	\$ 100,477,433	\$ 100,851,997
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017	2,348,855	2,348,855
(d) Transfers Among Employers	-	174,097
(e) Actual Benefit Payments and Refunds for the period October 1, 2016 - September 30, 2017	<u>(5,144,094)</u>	<u>(5,144,094)</u>
(f) TPL as of September 30, 2017 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$ 105,269,861</u>	<u>\$ 105,847,551</u>

Actuarial assumptions. The total pension liability in the September 30, 2017, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected salary increases	3.25%-5.00%
Investment rate of return*	7.75%
* Net of pension plan investment expense.	

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

<u>Asset Class</u>	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 100,477,433	\$ 64,050,108	\$ 36,427,325
Changes for the year:			
Service cost	2,348,855	-	2,348,855
Interest	7,587,667	-	7,587,667
Changes of assumptions	-	-	-
Difference between expected and actual experience	403,593	-	403,593
Contributions - employer	-	2,895,132	(2,895,132)
Contributions - employee	-	1,613,441	(1,613,441)
Net investment income	-	8,171,480	(8,171,480)
Benefit payments, including refunds of employee contributions	(5,144,094)	(5,144,094)	-
Transfers among employers	174,097	174,097	-
Net changes	<u>5,370,118</u>	<u>7,710,056</u>	<u>(2,339,938)</u>
Balances at September 30, 2017	<u>\$ 105,847,551</u>	<u>\$ 71,760,164</u>	<u>\$ 34,087,387</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 47,723,037	\$ 34,087,387	\$ 22,729,627

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2018, the City recognized pension expense of \$695,923. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,103,789	\$ 119,823
Change of assumptions	2,627,511	-
Net difference between projected and actual earnings on pension plan investments	-	2,185,162
Employer contributions subsequent to the measurement date	2,770,332	-
	<u>\$ 6,501,632</u>	<u>\$ 2,304,985</u>

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

Year ended September 30:	
2019	\$ 116,632
2020	528,747
2021	(256,012)
2022	(1,953)
2023	659,481
Thereafter	<u>379,420</u>
	<u>\$ 1,426,315</u>

COMPONENT UNITS**Board of Education**

Plan Description. The ABOE employees are members of the Teachers' Retirement System of Alabama (TRS). The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to *the Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). *The Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

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

Participating employers' contractually required contribution rate for the year ended September 30, 2018, was 12.24% of annual pay for Tier 1 members and 11.01% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$5,413,982 for the year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2018, the Board reported a liability of \$64,799,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2017, the Board's proportion was 0.659297%, which was an increase of 0.010370% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the Board recognized pension expense of \$6,957,838. At September 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,778,000
Changes of assumptions	3,868,000	-
Net difference between projected and actual earnings on pension plan investments	-	3,874,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,309,000	-
Employer contributions subsequent to the measurement date	5,413,982	-
	<u>\$ 12,590,982</u>	<u>\$ 6,652,000</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date (\$5,413,982) will be recognized as a reduction of the net pension liability in the year ended September 30, 2019.

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

Year ended September 30:		
2019	\$	758,000
2020		1,546,000
2021		(786,000)
2022		(968,000)
2023		(25,000)
	\$	<u>525,000</u>

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return*	7.75%
Projected salary increases	3.25%-5.00%

*Net of pension plan investment expense.

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and over.

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate. The following table presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Board's proportionate share of collective net pension liability	\$ 89,378,000	\$ 64,799,000	\$ 44,006,000

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2017. The auditor’s report dated August 20, 2018, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2017, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Water Works Board

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

For the year ended September 30, 2018, AWWB’s active employee contribution rate was 3.00 percent of covered employee payroll, and AWWB’s average contribution rate to fund the normal and accrued liability costs was 4.37 percent of pensionable payroll.

The AWWB’s contractually required contribution rate for the year ended September 30, 2018 was 8.35 percent of pensionable pay for Tier 1 employees and 4.94 percent of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the AWWB were \$103,212 for the year ended September 30, 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability. The AWWB's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2016	\$ 3,541,279	\$ 3,104,204
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017	99,641	99,641
(d) Transfers Among Employers	-	6,048
(e) Actual Benefit Payments and Refunds for the period October 1, 2016 - September 30, 2017	<u>(116,494)</u>	<u>(116,494)</u>
(f) TPL as of September 30, 2017 = [(a) x (1+(b))] + (c) + (d) + [(e) x(1+ 0.5*(b))]	<u>\$ 3,794,361</u>	<u>\$ 3,329,460</u>

Changes in Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at September 30, 2016	\$ 3,541,279	\$ 2,771,044	\$ 770,235
Changes for the year:			
Service cost	99,641	-	99,641
Interest	269,935	-	269,935
Changes in assumptions	-	-	-
Differences between expected and actual experience	(470,949)	-	(470,949)
Contributions - employer	-	95,617	(95,617)
Contributions - employee	-	65,618	(65,618)
Net investment income	-	358,059	(358,059)
Benefit payments, including refunds of employee contributions	(116,494)	(116,494)	-
Transfers among employers	<u>6,048</u>	<u>6,048</u>	<u>-</u>
Net changes	<u>(211,819)</u>	<u>408,848</u>	<u>(620,667)</u>
Balances at September 30, 2017	<u>\$ 3,329,460</u>	<u>\$ 3,179,892</u>	<u>\$ 149,568</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents AWWB's net pension liability calculated using the discount rate of 7.75%, as well as what AWWB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net pension liability	\$ 577,443	\$ 149,568	\$ (210,841)

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2018, the AWWB recognized pension income of \$125,568. At September 30, 2018, AWWB reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 602,635
Changes of assumptions	38,142	-
Net difference between projected and actual earnings on pension plan investments	-	95,107
Employer contributions subsequent to the measurement date	98,355	-
Total	<u>\$ 136,497</u>	<u>\$ 697,742</u>

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

Year ended September 30:		
2019	\$	(114,445)
2020		(94,961)
2021		(130,527)
2022		(119,298)
2023		(87,340)
Thereafter		<u>(113,029)</u>
	\$	<u>(659,600)</u>

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS

CITY OF AUBURN PRIMARY GOVERNMENT

The Water Works Board of the City of Auburn and the Public Park and Recreation Board, two component units of the City of Auburn, participate 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 PPRB, and their employees.

General Information about the OPEB Plan

Plan description. The City of Auburn's General Employees' OPEB Plan provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer, defined benefit OPEB plan administered by City personnel. Benefits and contribution requirements (both employee and employer) for the General Employees OPEB Plan are established by City ordinance and can only be amended by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided. 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 must be age 62 with 10 years of service to become eligible for retiree health benefits. Surviving spouses of retirees are eligible for COBRA for 36 months. The retirees pay 100% of the premium costs and specific deductibles. Employees do not contribute to their postemployment benefits costs until they retire and begin receiving those benefits. The City pays for all costs in excess of premiums and deductibles.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employees covered by benefit terms. At September 30, 2018, the following employees were covered by the benefit terms:

	General Fund	Sewer Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Inactive employees or beneficiaries						
currently receiving benefit payments	31	2	-	3	-	36
Active plan members	509	22	29	21	4	585
Total	540	24	29	24	4	621

Total OPEB Liability

The City's total OPEB liability of \$3,844,093 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.125% per year
Salary increases:	3.375% to 5.125%, including inflation
Employer funding policy:	Pay-as-you-go cash basis
Healthcare cost trend rates:	8.0% for 2019, decreasing 0.5% per year to an ultimate rate of 5.0% for 2025 and later years
Cost method:	Entry age normal level percent of salary method

The discount rate was based on a yield for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds. The actual discount rate used in the September 30, 2018 valuation was 4.15%.

Mortality rates were based on the RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement.)

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2016 to September 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Changes in the Total OPEB Liability

	General Fund	Sewer Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Total OPEB Liability 9/30/2017	\$ 3,219,468	\$ 147,935	\$ 178,034	\$ 142,741	\$ 17,153	\$ 3,705,331
Changes for the year:						
Service cost	96,962	4,309	5,207	4,309	718	111,505
Interest	118,857	5,283	6,383	5,283	880	136,686
Changes in assumptions	(103,498)	(4,600)	(5,558)	(4,600)	(766)	(119,022)
Differences between expected and actual experience	98,512	4,378	5,290	4,378	730	113,288
Benefit payments	(90,170)	(4,008)	(4,842)	(4,007)	(668)	(103,695)
Net change in total OPEB liability	120,663	5,362	6,480	5,363	894	138,762
Total OPEB Liability 9/30/2018	\$ 3,340,131	\$ 153,297	\$ 184,514	\$ 148,104	\$ 18,047	\$ 3,844,093
Plan fiduciary net position 9/30/2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes for the year:						
Contributions - employer	90,170	4,008	4,842	4,007	668	103,695
Benefit payments	(90,170)	(4,008)	(4,842)	(4,007)	(668)	(103,695)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position 9/30/2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a % of total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 25,368,445	\$ 1,096,475	\$ 1,445,353	\$ 1,129,589	\$ 188,265	\$ 29,228,127
Net OPEB liability as % of covered payroll	13.17%	13.98%	12.77%	13.11%	9.59%	13.15%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.15 percent) or 1-percentage-point higher (5.15 percent) than the current discount rate:

	1% Decrease (3.15%)	Current Discount Rate (4.15%)	1% Increase (5.15%)
General Fund	\$ 3,703,249	\$ 3,340,131	\$ 3,022,838
Sewer Revenue Fund	164,596	153,297	134,354
Solid Waste Management Fund	198,848	184,514	162,313
Water Works Board	164,387	148,104	134,184
Public Park and Recreation Board	27,663	18,047	22,580
Total	\$ 4,258,743	\$ 3,844,093	\$ 3,476,269

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (9.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
General Fund	\$ 2,975,250	\$ 3,340,131	\$ 3,772,588
Sewer Revenue Fund	132,239	153,297	167,678
Solid Waste Management Fund	159,758	184,514	202,571
Water Works Board	132,072	148,104	167,465
Public Park and Recreation Board	22,224	18,047	28,181
Total	\$ 3,421,543	\$ 3,844,093	\$ 4,338,483

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Plan recognized OPEB expense of \$143,678. At September 30, 2018, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources					
	General Fund	Sewer Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Differences between expected and actual experience	\$ 84,439	\$ 3,753	\$ 4,534	\$ 3,753	\$ 626	\$ 97,105

	Deferred Inflows of Resources					
	General Fund	Sewer Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Change of assumptions or other inputs	\$ 88,713	\$ 3,943	\$ 4,764	\$ 3,943	\$ 657	\$ 102,020

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

Year ended September 30:	General Fund	Sewer Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
	2019	\$ (712)	\$ (32)	\$ (38)	\$ (32)	\$ (5)
2020	(712)	(32)	(38)	(32)	(5)	(819)
2021	(712)	(32)	(38)	(32)	(5)	(819)
2022	(712)	(32)	(38)	(32)	(5)	(819)
2023	(712)	(32)	(38)	(32)	(5)	(819)
Thereafter	(713)	(32)	(38)	(32)	(5)	(820)
	\$ (4,273)	\$ (192)	\$ (228)	\$ (192)	\$ (30)	\$ (4,915)

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**COMPONENT UNITS**Board of EducationGeneral Information about the OPEB Plan

Plan Description. The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIP Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIP Board. The PEEHIP Board is a corporate body for purposes of management of the health insurance plan. The Code of Alabama 1975, Section 16-25A-4 provides the PEEHIP Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits provided. PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions. The Code of Alabama 1975, Section 16-25A-8 and the Code of Alabama 1975, Section, 16-25A-8.1 provide the PEEHIP Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIP Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIP Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIP Board. This reduction in the employer contribution ceases upon notification to the PEEHIP Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2018, the Auburn City Board of Education (ABOE) reported a liability of \$54,646,267 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. The ABOE's proportion of the net OPEB liability was based on a projection of the ABOE's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2017, the ABOE's proportion was .735736%, which was a decrease of .036413% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the ABOE recognized pension expense of \$2,831,540, with no special funding situations. At September 30, 2018, the ABOE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	5,673,917
Net difference between projected and actual earnings on OPEB plan investments	-	290,941
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	2,455,207
Employer contributions subsequent to the measurement date	1,906,546	-
	<u>\$ 1,906,546</u>	<u>\$ 8,420,065</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Deferred outflows of resources related to OPEB resulting from ABOE contributions subsequent to the measurement date (\$1,906,546) will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019.

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

Year ended September 30:	
2019	\$ (1,627,061)
2020	(1,627,061)
2021	(1,627,061)
2022	(1,627,061)
2023	(1,554,326)
Thereafter	<u>(357,495)</u>
	<u>\$ (8,420,065)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases*	3.25% - 5.00%
Long-term investment rate of return**	7.25%
Municipal bond index rate at the measurement date	3.57%
Municipal bond index rate at the prior measurement date	2.96%
Projected year for Fiduciary Net Position (FNP) to be depleted	2042
Single equivalent interest rate at the measurement date	4.63%
Single equivalent interest rate at the prior measurement date	4.01%
Healthcare cost trend rate	
Pre-Medicare eligible	7.75%
Medicare eligible	5.00%
Ultimate trend rate	
Pre-Medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2022

*Includes 3% wage inflation.

**Compounded annually, net of investment expense, and includes inflation.

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, during fiscal year 2017.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016, valuation.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers’ Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target <u>Allocation</u>	Long-Term Expected Rate <u>of Return*</u>
Fixed Income	30.00%	4.40%
US Large Stocks	38.00%	8.00%
US Mid Stocks	8.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	<u>5.00%</u>	1.50%
Total	<u><u>100.00%</u></u>	

*Geometric mean, includes 2.5% inflation

Discount Rate. The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74 used to measure the total OPEB liability at September 30, 2017, was 4.63%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.01%. Premiums paid to the Public Education Employees’ Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016 and it is assumed that the amount will increase by 3.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long term rate of return is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Sensitivity of the Auburn City Board of Education’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following table presents the ABOE’s proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.75% decreasing to 4% for pre-Medicare, 4% for Medicare eligible, and 1% for Optional Plans)	Current Healthcare Trend Rate (7.75% decreasing to 5% for pre-Medicare, 5% for Medicare eligible, and 2% for Optional Plans)	1% Increase (8.75% decreasing to 6% for pre-Medicare, 6% for Medicare eligible, and 3% for Optional Plans)
Board's proportionate share of collective net OPEB liability	\$ 44,120,378	\$ 54,646,267	\$ 68,227,549

The following table presents the ABOE’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.63%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.63%)	Current discount rate (4.63%)	1% Increase (5.63%)
Board's proportionate share of collective net OPEB liability	\$ 66,055,969	\$ 54,646,267	\$ 45,551,311

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 15. WORKMEN'S COMPENSATION SELF-INSURANCE

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

	<u>Fiscal Year</u>	
	<u>2018</u>	<u>2017</u>
Unpaid claims, beginning of year	<u>\$ 104,105</u>	<u>\$ 21,976</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	310,278	110,698
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>(48,839)</u>	<u>4,021</u>
Total incurred claims	<u>261,439</u>	<u>114,719</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(160,864)	(26,130)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(29,442)</u>	<u>(6,460)</u>
Total payments	<u>(190,306)</u>	<u>(32,590)</u>
Unpaid claims, end of year	<u>\$ 175,238</u>	<u>\$ 104,105</u>

Total liability for uninsured workmen's compensation claims at September 30, 2018, is recorded as follows: \$39,808 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$135,430, along with the estimated liability for insured risks of \$110,828, 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, 2018

NOTE 16. MEDICAL SELF-INSURANCE

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

	Fiscal Year	
	2018	2017
Unpaid claims, beginning of year	<u>\$ 133,320</u>	<u>\$ 169,008</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	3,943,011	3,536,417
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>3,507</u>	<u>16,365</u>
Total incurred claims	<u>3,946,518</u>	<u>3,552,782</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(3,824,777)	(3,403,098)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(136,827)</u>	<u>(185,372)</u>
Total payments	<u>(3,961,604)</u>	<u>(3,588,470)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 118,234</u>	<u>\$ 133,320</u>

The unpaid claims as of September 30, 2018, are reported in the General Fund.

NOTE 17. UNEMPLOYMENT COMPENSATION

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2018, by the State (\$3,132) to individuals is reflected as an expense of the General Fund.

NOTE 18. AD VALOREM TAX COLLECTION EXPENSE

The City is charged a collection fee by the County Revenue Commissioner for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year ended September 30, 2018:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 4,799,073 *	\$ 113,598	\$ 66,042	\$ 4,619,433
Special 5-Mill Tax Fund	5	4,792,454 **	113,598	66,042	4,612,814
Special School Tax Fund	<u>16</u>	<u>16,540,366</u>	<u>388,622</u>	<u>229,265</u>	<u>15,922,479</u>
Property tax totals	<u>26</u>	<u>\$ 26,131,893</u>	<u>\$ 615,818</u>	<u>\$ 361,349</u>	<u>\$ 25,154,726</u>

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

** Reduced by industrial tax exemptions.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2018 consist of the following:

<u>Amount</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Purpose</u>
\$ 51,426	General Fund	Nonmajor Governmental Funds	Provide cash flow for grants program

NOTE 20. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2018:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 2,402,061	\$ 67,247
2018 Public Safety Complex Fund	-	1,495,811
Nonmajor Governmental Funds	<u>134,383</u>	<u>414,383</u>
Total governmental activities	<u>2,536,444</u>	<u>1,977,441</u>
Major Proprietary Fund		
Sewer Revenue Fund	34,805	323,750
Nonmajor proprietary fund	<u>32,442</u>	<u>302,500</u>
Total business-type activities	<u>67,247</u>	<u>626,250</u>
Total primary government	<u>\$ 2,603,691</u>	<u>\$ 2,603,691</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.

NOTE 21. INTRA-ENTITY TRANSACTIONS

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

A. Short-term receivables and payables

	<u>Due To</u>	<u>Due From</u>
Component Units		
Auburn City Board of Education	\$ -	\$ 2,737,663
Water Works Board	715,975	139,165
Primary Government		
General Fund	19,509	663,960
Special School Tax Fund	2,737,663	-
Sewer Revenue Fund	91,967	52,015
Nonmajor proprietary fund	<u>27,689</u>	<u>-</u>
Total	<u>\$ 3,592,803</u>	<u>\$ 3,592,803</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 21. INTRA-ENTITY TRANSACTIONS - CONTINUED

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. Payments between the City and Component Units

	Appropriations	Payments
	<u>To</u>	<u>From</u>
Primary Government		
General Fund	\$ -	\$ 14,688,907
Special School Tax Fund	-	22,058,291
Federal Grant Loan Repayment Fund	-	72,000
Nonmajor governmental funds	-	211,090
Sewer Revenue Fund	-	135,000
Component Units		
Auburn City Board of Education	35,573,202	-
Industrial Development Board	1,222,590	-
Public Parks and Recreation Board	<u>369,496</u>	<u>-</u>
Total	<u>\$ 37,165,288</u>	<u>\$ 37,165,288</u>

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

The City appropriated \$35,573,202 to the Board of Education during the year, \$30,433,648 of which is reported as unrestricted appropriations from the City with the balance of \$5,139,554 reported as property tax revenue.

The City appropriated \$986,500 to the Industrial Development Board for various operating purposes, including industrial recruitment, commercial development, workforce development, and other general operating expenses. Additionally, the City appropriated \$236,090 for improvements to the Auburn Technology Park West and Auburn University Research Park. This amount is included in capital contributions in the statement of revenues, expenses and changes in net position.

In addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education and Public Parks and Recreation Board that are not recorded as payments to those component units. 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 \$10,923,910. The debt payments (including bond trustee fees) paid on behalf of the Public Parks and Recreation Board are reflected on the City's books as debt service expenditures and amounted to \$825,336.

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

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

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

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

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Section 108 Loan Program*	Total
Assets							
Cash and cash equivalents	\$ 67,064	\$ 25,950	\$ 44,566	\$ 11,392	\$ 7,760	\$ -	\$ 156,732
Investments	-	-	-	-	-	1,642,558	1,642,558
Receivables, net	-	-	-	-	-	3,701	3,701
Mortgages receivable	51,222	-	103,915	949,213	472,661	786,473	2,363,484
Restricted cash	-	-	-	-	-	127,942	127,942
Total assets	<u>\$ 118,286</u>	<u>\$ 25,950</u>	<u>\$ 148,481</u>	<u>\$ 960,605</u>	<u>\$ 480,421</u>	<u>\$ 2,560,674</u>	<u>\$ 4,294,417</u>
Liabilities and Fund Balance							
Liabilities:							
Accounts payable and accrued liabilities	-	2,400	-	16	-	-	2,416
Unearned revenue	51,672	-	103,964	949,213	472,667	783,122	2,360,638
Total liabilities	<u>51,672</u>	<u>2,400</u>	<u>103,964</u>	<u>949,229</u>	<u>472,667</u>	<u>783,122</u>	<u>2,363,054</u>
Fund balance:							
Restricted - social & economic	66,613	(48,450)	116,517	11,376	7,754	1,777,553	1,931,363
Total fund balance	<u>66,613</u>	<u>(48,450)</u>	<u>116,517</u>	<u>11,376</u>	<u>7,754</u>	<u>1,777,553</u>	<u>1,931,363</u>
Total liabilities and fund balance	<u>\$ 118,285</u>	<u>\$ (46,050)</u>	<u>\$ 220,481</u>	<u>\$ 960,605</u>	<u>\$ 480,421</u>	<u>\$ 2,560,675</u>	<u>\$ 4,294,417</u>
Revenues							
Program income	\$ -	\$ -	\$ 9,401	\$ 38,522	\$ 28,733	\$ 1,183,571	\$ 1,260,227
Miscellaneous	-	-	59	15	328	-	402
Interest	242	117	4,201	527	11,569	56,223	72,879
Total revenues	<u>242</u>	<u>117</u>	<u>13,661</u>	<u>39,064</u>	<u>40,630</u>	<u>1,239,794</u>	<u>1,333,508</u>
Expenditures							
Economic development	-	15,600	14,488	-	-	192,680	222,768
Debt service - interest	-	-	-	-	-	79,054	79,054
Debt service - principal	-	-	-	-	-	179,000	179,000
Payments to component units	-	72,000	-	-	-	-	72,000
Total expenditures	<u>-</u>	<u>87,600</u>	<u>14,488</u>	<u>-</u>	<u>-</u>	<u>450,734</u>	<u>552,822</u>
Excess (deficiency) of revenues over expenditures	242	(87,483)	(827)	39,064	40,630	789,060	780,686
Other financing sources (uses)							
Transfers in	-	72,000	-	-	-	-	72,000
Transfers out	-	-	(72,000)	(29,040)	(33,343)	-	(134,383)
Total other financing sources (uses)	<u>-</u>	<u>72,000</u>	<u>(72,000)</u>	<u>(29,040)</u>	<u>(33,343)</u>	<u>-</u>	<u>(62,383)</u>
Net changes in fund balance	242	(15,483)	(72,827)	10,024	7,287	789,060	718,303
Fund balance, beginning of year	66,371	39,033	117,344	1,352	467	988,493	1,213,060
Fund balance, end of year	<u>\$ 66,613</u>	<u>\$ 23,550</u>	<u>\$ 44,517</u>	<u>\$ 11,376</u>	<u>\$ 7,754</u>	<u>\$ 1,777,553</u>	<u>\$ 1,931,363</u>

* Net of interfund eliminations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 23. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE REVENUE FUND

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

	State Funded Seizures	Public Safety Substance Abuse (other seizures)	Total
Assets			
Cash and cash equivalents	<u>\$ 80,108</u>	<u>\$ 128,321</u>	<u>\$ 208,429</u>
Liabilities and fund balance			
Accounts payable and accrued liabilities	\$ 539	\$ -	\$ 539
Unearned revenue	<u>-</u>	<u>62,870</u>	<u>62,870</u>
Total liabilities	<u>539</u>	<u>62,870</u>	<u>63,409</u>
Fund balance			
Restricted - law enforcement	<u>79,569</u>	<u>65,451</u>	<u>145,020</u>
Total liabilities and fund balance	<u>\$ 80,108</u>	<u>\$ 128,321</u>	<u>\$ 208,429</u>
Revenues			
Contributions from the public	\$ 8,408	\$ (325)	\$ 8,083
Interest	<u>289</u>	<u>463</u>	<u>752</u>
Total revenues	<u>8,697</u>	<u>138</u>	<u>8,835</u>
Expenditures			
Public safety	13,276	448	13,724
Capital outlay	<u>13,905</u>	<u>-</u>	<u>13,905</u>
Total expenditures	<u>27,181</u>	<u>448</u>	<u>27,629</u>
Excess (deficiency) of revenues over expenditures	<u>(18,484)</u>	<u>(310)</u>	<u>(18,794)</u>
Other financing sources (uses)			
Sale of surplus assets	<u>11,560</u>	<u>310</u>	<u>11,870</u>
Total other financing sources (uses)	<u>11,560</u>	<u>310</u>	<u>11,870</u>
Net changes in fund balances	(6,924)	-	(6,924)
Fund balance, beginning of year	<u>86,493</u>	<u>65,451</u>	<u>151,944</u>
Fund balance, end of year	<u>\$ 79,569</u>	<u>\$ 65,451</u>	<u>\$ 145,020</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES

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

	General Government <u>Operations</u>	Special Improvement <u>Projects</u>	Employee Benefit <u>Risk Financing</u>	General Liability <u>Risk Financing</u>	Total (Net of <u>Eliminations)</u>
Assets					
Cash and cash equivalents	\$ 20,243,096	\$ 1,545,437	\$ 1,657,014	\$ 1,630,553	\$ 25,076,100
Certificates of deposit	1,361,336	32,500	-	-	1,393,836
Investments	15,607,338	-	-	-	15,607,338
Receivables, net	10,894,386	983,086	24,730	-	11,902,202
Due from other funds	51,426	-	-	-	51,426
Due from component units	649,887	-	14,073	-	663,960
Inventories	287,120	-	-	-	287,120
Prepaid items	308,019	-	-	-	308,019
Advances to other agencies	83,501	-	-	-	83,501
Restricted cash	313,696	-	-	-	313,696
Property for resale	4,131,127	-	-	-	4,131,127
Total assets	\$ 53,930,932	\$ 2,561,023	\$ 1,695,817	\$ 1,630,553	\$ 59,818,325
Liabilities					
Accounts payable and accrued liabilities	\$ 3,274,748	\$ -	\$ 42,373	\$ -	\$ 3,317,121
Due to component units	19,509	-	-	-	19,509
Customer deposits	251,836	-	-	-	251,836
Claims payable	-	-	118,234	115,635	233,869
Unearned revenue	1,021,949	2,561,296	-	-	3,583,245
Total liabilities	4,568,042	2,561,296	160,607	115,635	7,405,580
Fund balances					
Nonspendable					
Investments	2,212,799	-	-	-	2,212,799
Inventories	287,120	-	-	-	287,120
Prepaid items	308,019	-	-	-	308,019
Advances	83,501	-	-	-	83,501
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Law enforcement	313,696	-	-	-	313,696
Assigned					
Social and economic	387,093	-	-	-	387,093
General	13,486,123	(274)	-	-	13,485,849
Unassigned	27,829,045	(6,276)	1,896,593	1,484,179	31,203,541
Total fund balances	49,038,523	(6,550)	1,896,593	1,484,179	52,412,745
Total liabilities and fund balances	\$ 53,606,565	\$ 2,554,746	\$ 2,057,200	\$ 1,599,814	\$ 59,818,325

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues					
Sales and use taxes	\$ 42,010,313	\$ -	\$ -	\$ -	\$ 42,010,313
Occupational license fees	12,894,664	-	-	-	12,894,664
Motor fuel taxes	821,995	-	-	-	821,995
Lodging taxes	2,373,879	-	-	-	2,373,879
Rental and leasing taxes	886,630	-	-	-	886,630
Other taxes	290,677	-	-	-	290,677
Licenses and permits	13,372,006	-	-	-	13,372,006
General property tax	5,765,698	-	-	-	5,765,698
Charges for services	7,982,352	-	1,001,385	-	8,983,737
Fines and forfeitures	1,043,789	-	-	-	1,043,789
State shared taxes	1,535,602	-	-	-	1,535,602
Contributions from the public	996,174	182,910	-	-	1,179,084
Interest	354,251	16,737	7,672	6,507	385,167
Miscellaneous	132,481	-	3	-	132,484
Total revenues	<u>90,460,511</u>	<u>199,647</u>	<u>1,009,060</u>	<u>6,507</u>	<u>91,675,725</u>
Expenditures					
General government and administration	5,462,091	-	-	-	5,462,091
Public works	4,485,980	-	-	-	4,485,980
Environmental services	2,481,087	-	-	-	2,481,087
Public safety	22,453,085	-	-	-	22,453,085
Library	1,917,996	-	-	-	1,917,996
Parks and recreation	5,716,886	-	-	-	5,716,886
Planning	784,564	-	-	-	784,564
Economic development	2,914,691	-	-	-	2,914,691
Employee services	922,262	-	1,426,832	-	2,349,094
Risk management	140,412	-	-	303,282	443,694
Total departmental	47,279,054	-	1,426,832	303,282	49,009,168
Non-departmental	2,766,972	-	-	-	2,766,972
Debt service:					
Administrative charges	8,862	-	-	-	8,862
Interest	890,573	17,011	-	-	907,584
Principal retirement	5,689,549	182,910	-	-	5,872,459
Capital outlay	14,605,482	-	-	-	14,605,482
Intergovernmental	1,587,787	-	-	-	1,587,787
Payments to component units	14,688,907	-	-	-	14,688,907
Total expenditures	<u>87,517,186</u>	<u>199,921</u>	<u>1,426,832</u>	<u>303,282</u>	<u>89,447,221</u>
Excess (deficiency) of revenues over expenditures	<u>2,943,325</u>	<u>(274)</u>	<u>(417,772)</u>	<u>(296,775)</u>	<u>2,228,504</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Other financing sources (uses)					
Sale of surplus assets	159,799	-	-	-	159,799
Transfers in	2,342,061	-	-	60,000	2,402,061
Transfers out	(67,247)	-	-	-	(67,247)
Total other financing sources (uses)	<u>2,434,613</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>2,494,613</u>
Net changes in fund balances	5,377,938	(274)	(417,772)	(236,775)	4,723,117
Fund balances, beginning of year	<u>43,660,587</u>	<u>(6,276)</u>	<u>2,314,365</u>	<u>1,720,954</u>	<u>47,689,630</u>
Fund balances, end of year	<u>\$ 49,038,525</u>	<u>\$ (6,550)</u>	<u>\$ 1,896,593</u>	<u>\$ 1,484,179</u>	<u>\$ 52,412,747</u>

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES

CITY OF AUBURN PRIMARY GOVERNMENT

Commitments - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was \$30,225,359 as of September 30, 2018.

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 2018, the City paid Veolia \$1,677,885 to operate the wastewater facilities.

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

Fiscal Year	Appropriation
2019	\$ 361,630
2020	357,512
2021	357,858
2022	358,835
2023	356,706
2024	357,875
2025	358,818
Total	<u>\$ 2,509,234</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

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

Claims and Litigation - As of September 30, 2018, the City was not named defendant in any pending lawsuits.

In fiscal year 2018, the City expended \$399,961 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 three remaining commitments on uncompleted contracts for the construction of an elementary school, the development of Master Plan 2028, and a roofing project for the Junior High School, all which are being funded with 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>
New Elementary School	\$ 15,333,904	\$ 15,309,894	\$ 24,010
ACS Master Plan 2028	1,835,529	82,500	1,753,029
Junior High School Roofing Project	<u>7,500</u>	<u>5,250</u>	<u>2,250</u>
Total	<u>\$ 17,176,933</u>	<u>\$ 15,397,644</u>	<u>\$ 1,779,289</u>

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 \$113,935 for the fiscal year ended September 30, 2018.

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 115,452
2020	92,860
2021	<u>11,466</u>
Total	<u>\$ 219,778</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

In April 2018 the ABOE entered into a capital lease agreement with Apple, Inc. for the purchase of 3,330 iPads and iPad cases. The inception date was April 9, 2018, and the maturity date is April 9, 2020. The interest rate is 0.9%. This agreement qualified as a capital lease for accounting purposes and was recorded at the present value of the future minimum lease payments as of the date of inception. There was no interest expense for the year ended September 30, 2018.

The following is a summary of changes in the ABOE’s obligations under capital lease for the year ended September 30, 2018:

	<u>Capital Lease Payable</u>
Balance, September 30, 2017	\$ -
New leases	1,763,960
Principal repayments	<u>(593,263)</u>
Balance, September 30, 2018	<u>\$ 1,170,697</u>

The approximate future minimum lease payments due under the capital lease as of September 30, 2018 are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 582,726	\$ 10,536	\$ 593,262
2020	<u>587,971</u>	<u>5,292</u>	<u>593,263</u>
	<u>\$ 1,170,697</u>	<u>\$ 15,828</u>	<u>\$ 1,186,525</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 totaling \$880,480 as of September 30, 2018.

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

The Water Board also entered into an agreement in May 2011 to purchase water from Sandy Springs Farm II, LLC. The agreement included a land lease and permission to build and operate a well on property located on the farm. Construction was completed and Well No. 3 was placed in service May of 2012. The agreement includes a minimum annual purchase of 210,240,000 gallons per year at an initial rate of \$.50 per 1,000 gallons (\$105,120 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and increased to \$.56 per 1,000 gallons (\$117,734) for the year ended September 30, 2018. The term of the agreement is twenty years, with six five-year extension options. Total water pumped in the 2018 fiscal year was 409,036 thousand gallons with a total annual payment of \$229,060.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

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

Industrial Development Board

Commitments - As of September 30, 2018, the IDB was committed under certain construction contracts in the approximate amount of \$250,000. Additionally, various incentive packages were committed to fifteen companies as incentives to locate in Auburn or to expand existing operations. The incentives include property acquisition at discounted values; cash assistance for site preparation, relocation and training; rent reductions; and tax abatements. Subsequent to year end, but prior to the date of these financial statements, approximately \$270,000 of these incentives were paid by the IDB.

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

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.

NOTE 26. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City’s landfill closed in fiscal year 2000. Post closure care costs are paid only after the date that the landfill stops accepting waste; the City reports these post closure care costs in governmental activities’ long-term debt and other liabilities. There were no expenditures for landfill closure and post closure care during fiscal year 2018. The \$119,000 reported as landfill post closure care liability in the governmental activities’ long-term debt and other liabilities at September 30, 2018, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 27. TAX ABATEMENTS

Property Tax Abatements - The City of Auburn provides property tax abatements pursuant to the provisions of Act No. 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975). Property tax abatements may be granted to an entity committing to a new project or major addition to an existing facility that equals the lesser of \$2 million or 30% of the original cost. Only certain NAICS codes qualify. Property taxes are abated by applying a reduced millage rate to the assessed value to determine the adjusted property tax due. The City abates non-education ad valorem taxes and mortgage recording taxes, excluding those for the benefit of the East Alabama Medical Center or children’s homes operated by Lee County, Alabama. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. The City’s property tax revenues were reduced by \$831,611 during the reporting period as a result of these agreements. The City has not made any commitments as part of the agreements other than to reduce property taxes. No other entity grants abatements for City of Auburn property taxes.

Prior to Act No. 92-599, the City of Auburn provided property tax abatements under Act No. 49-648 and Act No. 51-756. To encourage industrial development, the City entered into leases with certain companies where no part of the project would be subject to property taxes. The City’s property tax revenues were reduced by \$21,222 during the reporting period as a result of the remaining active agreements. The City has no additional commitments as part of the agreements other than to reduce property taxes.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 27. TAX ABATEMENTS-- CONTINUED

Sales and Use Tax Abatements - The City of Auburn provides sales and use tax abatements pursuant to the provisions of Act No. 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975). Sales and use tax abatements may be granted to an entity committing to a new project or major addition to an existing facility that equals the lesser of \$2 million or 30% of the original cost. Only certain NAICS codes qualify. Sales and use taxes are abated by applying a reduced sales and use tax rate to the materials and/or equipment purchased. The City abates 8% of non-educational general sales and use taxes, and 3% of non-educational machinery in manufacturing sales and use taxes. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. The City's sales and use tax revenues were reduced by \$614,124 during the reporting period as a result of these agreements. The City has not made any commitments as part of the agreements other than to reduce sales and use taxes. No other entity grants abatements for City of Auburn sales and use taxes.

The City of Auburn provides sales and use tax rebates through a commercial development incentive program pursuant to Amendment 772 to the Constitution of Alabama of 1901. A portion of sales and use taxes collected within a redeveloped area are rebated to an entity if certain development activities and improvements are performed, including façade enhancements, infrastructure improvements, and possible job creation. During the reporting period, \$977,482 was rebated under these agreements. The City's sales and use tax revenues were not reduced by this amount because the rebates were recorded as expenditures. The City has not made any commitments as part of the agreements other than to rebate a portion of sales and use taxes.

Sales and Lodging Tax Abatements - 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 \$2,250,939. The agreement expires in 2039.

NOTE 28. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

The City has evaluated subsequent events through March 18, 2019, the date these financial statements were available to be issued.

Subsequent to September 30, 2018, the City Council approved various design and construction contracts totaling approximately \$2,759,000, professional services type contracts totaling approximately \$1,090,000, and equipment and computer software purchases totaling approximately \$3,322,000.

On December 4, 2018, the City Council approved the refunding of \$5,259,668 of the Series 2008-I General Obligation Warrants payable from the Special School Tax Fund and \$9,652,000 of the Series 2009-A General Obligation Warrants payable from the Sewer Revenue Fund.

On February 19, 2019, the City Council accepted a grant totaling \$175,200 for recycling education programs and the purchase of recycling carts.

COMPONENT UNITS

Board of Education

On December 9, 2018, the Board approved a change order of \$70,025 and close out of the Auburn High School construction project with Rabren General Contractors, Inc. Additionally, approval was given for a bid by Alabama Roofing & Sheet Metal of Anniston, AL, in the amount of \$88,700 for re-roofing building 300 at Auburn Junior High School.

On December 13, 2018, the Board approved the following: 1) a bid from Busworx/BlueBird, Birmingham, AL, in the amount of \$268,458 (\$89,486 per unit) for three or more 78-passenger Class "D" transit style buses, 2) a bid from Southland International, Birmingham, AL, in the amount of \$96,179 for one or more Type C Special Needs buses, and 3) a change order of \$(709,660) and close-out of the Creekside Elementary School construction project with Bailey-Harris Construction Co., Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 28. SUBSEQUENT EVENTS - CONTINUED

Water Works Board

Subsequent to September 30, 2018, the Board approved construction contracts totaling approximately \$510,000 and equipment purchases totaling approximately \$140,000.

Industrial Development Board

The Board approved two construction contracts subsequent to September 30, 2018, totaling approximately \$420,000. The contracts were for improvements to land and buildings owned by the Board and held for leasing.

Subsequent to September 30, 2018, the Board purchased a building located in the Auburn Industrial Park. The purchase price was approximately \$875,000 and the Board obtained bank financing for the purchase.

Subsequent to September 30, 2018, the Board sold one of its buildings held for leasing for \$1.2 million and executed a prepaid capital lease for the land. Debt of approximately \$650,000 at closing.

Four of the Board's notes payable matured subsequent to September 30, 2018 and were renewed. The total principal amount of the debt was approximately \$8.5 million. The effects of these refinanced loans have been included in Note 6. Closing costs incurred in connection with these loans were approximately \$33,000.

In February 2019, the Board signed a memorandum of understanding (MOU) with an industry that is currently leasing a facility from the Board. The terms of the MOU provide for an expansion of the facility that will be financed by the Board and a capital lease to sell the expanded facility to the tenant. The cost of the expansion is estimated to be approximately \$3.5 million, and the selling price of the expanded facility is estimated to be approximately \$5.8 million. The Board has obtained a loan commitment to finance the expansion.

NOTE 29. PRIOR PERIOD ADJUSTMENT

CITY OF AUBURN PRIMARY GOVERNMENT

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the current year. As a result, beginning net position in the Government-Wide statements was reduced by \$2,315,719 to \$56,213,446 for governmental activities and reduced by \$227,284 to \$52,352,145 for business-type activities in order to adjust the City's net OPEB liabilities at the beginning of fiscal year 2018.

COMPONENT UNITS

Board of Education

The ABOE adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the current year. As a result, beginning net position in the Government-Wide statements was reduced by \$60,234,792 to \$74,578,952 in order to record the Board's proportionate share of the collective net OPEB liability at the beginning of fiscal year 2018.

Water Works Board

The AWWB adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the current year. As a result, beginning net position was reduced by \$102,921 to \$50,412,111 in order to adjust the Board's net OPEB liability at the beginning of fiscal year 2018.

Public Park and Recreation Board

The PPRB adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the current year. As a result, beginning net position was reduced by \$17,153 to \$4,228,378 in order to record the Board's net OPEB liability at the beginning of fiscal year 2018.

Required Supplementary Information

CITY OF AUBURN, ALABAMA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PRESENTED BY LEGAL LEVEL OF BUDGETARY CONTROL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>\$</u>
Revenues	\$	\$	\$	\$
Sales and use taxes	42,900,000	42,900,000	42,010,313	(889,687)
Occupational license fees	11,856,000	12,000,000	12,894,664	894,664
Motor fuel taxes	790,400	790,400	821,995	31,595
Lodging taxes	2,520,000	2,420,000	2,373,879	(46,121)
Rental and leasing taxes	839,450	850,000	886,630	36,630
Other taxes	288,400	290,900	290,677	(223)
Licenses and permits	12,612,500	12,775,500	13,372,006	596,506
General property taxes	5,342,500	5,570,000	5,765,698	195,698
Charges for services	8,869,135	8,758,541	8,983,737	225,196
Fines and forfeitures	1,031,000	983,000	1,043,789	60,789
State shared taxes	1,015,000	1,065,000	1,535,602	470,602
Contributions from the public	937,094	1,161,944	1,179,084	17,140
Interest	247,051	257,051	385,167	128,116
Miscellaneous	8,000	27,100	132,484	105,384
Total revenues	<u>89,256,530</u>	<u>89,849,436</u>	<u>91,675,725</u>	<u>1,826,289</u>
Expenditures				
City Council	190,776	190,776	192,898	(2,122)
Office of City Manager	1,106,530	1,125,980	1,140,508	(14,528)
Judicial	886,335	903,142	860,965	42,177
Information Technology	1,867,740	1,873,844	1,727,311	146,533
Finance	1,666,900	1,673,040	1,524,612	148,428
Economic development	2,906,375	3,039,632	2,914,691	124,941
Employee services	3,285,906	3,225,480	2,792,788	432,692
Public safety	23,476,016	23,650,540	22,453,085	1,197,455
Public works	4,787,304	5,273,609	4,485,980	787,629
Environmental services	2,607,668	2,627,268	2,481,087	146,181
Library	1,855,194	1,893,491	1,917,996	(24,505)
Parks and recreation	6,155,663	6,204,143	5,716,886	487,257
Planning	808,015	853,515	784,564	68,951
Total departmental	<u>51,600,422</u>	<u>52,534,460</u>	<u>48,993,371</u>	<u>3,541,089</u>
Non-departmental	3,150,811	2,731,982	2,782,769	(50,787)
Debt service:				
Administrative charges	2,200	2,200	8,862	(6,662)
Interest	2,299,125	1,032,403	907,584	124,819
Principal retirement	7,120,581	5,947,459	5,872,459	75,000
Capital outlay	16,034,115	21,238,919	14,605,482	6,633,437
Intergovernmental	1,759,829	1,759,829	1,587,787	172,042
Payments to component units	14,526,250	14,642,250	14,688,907	(46,657)
Total expenditures	<u>96,493,333</u>	<u>99,889,502</u>	<u>89,447,221</u>	<u>10,442,281</u>
Excess (deficiency) of revenues over expenditures	<u>(7,236,803)</u>	<u>(10,040,066)</u>	<u>2,228,504</u>	<u>12,268,570</u>
Other financing sources (uses)				
Sale of surplus assets	60,000	125,000	159,799	34,799
Transfers in	1,166,250	2,668,337	2,402,061	(266,276)
Transfers out	(260,000)	(266,276)	(67,247)	199,029
Total other financing sources (uses)	<u>966,250</u>	<u>2,527,061</u>	<u>2,494,613</u>	<u>(32,448)</u>
Net changes in fund balances	(6,270,553)	(7,513,005)	4,723,117	12,236,122
Fund balances, beginning of year	47,689,630	47,689,630	47,689,630	-
Fund balances, end of year	<u>41,419,077</u>	<u>40,176,625</u>	<u>52,412,747</u>	<u>12,236,122</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
Total pension liability				
Service cost	2,348,855	2,263,221	2,096,359	2,020,170
Interest	7,587,667	7,098,665	6,773,185	6,444,210
Differences between expected and actual experience	403,593	1,030,203	(201,519)	-
Changes of assumptions	-	3,582,969	-	-
Benefit payments, including refunds of employee contributions	(5,144,094)	(4,737,008)	(4,462,051)	(4,242,336)
Transfers among employers	174,097	137,570	-	-
Net change in total pension liability	5,370,118	9,375,620	4,205,974	4,222,044
Total pension liability - beginning	<u>100,477,433</u>	<u>91,101,813</u>	<u>86,895,839</u>	<u>82,673,795</u>
Total pension liability - ending (a)	<u>105,847,551</u>	<u>100,477,433</u>	<u>91,101,813</u>	<u>86,895,839</u>
Plan fiduciary net position				
Contributions - employer	2,895,132	2,934,254	2,827,895	2,602,824
Contributions - member	1,613,441	1,597,131	1,548,903	1,341,496
Net investment income	8,171,480	5,923,189	683,202	6,183,165
Benefit payments, including refunds of employee contributions	(5,144,094)	(4,737,008)	(4,462,051)	(4,242,336)
Transfers among employers	174,097	137,570	(66,372)	193,733
Net change in plan fiduciary net position	7,710,056	5,855,136	531,577	6,078,882
Plan net position - beginning	<u>64,050,108</u>	<u>58,194,972</u>	<u>57,663,395</u>	<u>51,584,513</u>
Plan net position - ending (b)	<u>71,760,164</u>	<u>64,050,108</u>	<u>58,194,972</u>	<u>57,663,395</u>
Net pension liability - ending a - b	34,087,387	36,427,325	32,906,841	29,232,444
Plan fiduciary net position as a percentage of the total pension liability	67.80%	63.75%	63.88%	66.36%
Covered payroll ⁽¹⁾	28,547,194	27,235,213	25,894,222	24,266,174
Net pension liability as a percentage of covered-employee payroll	119.41%	133.75%	127.08%	120.47%

⁽¹⁾Employer's covered payroll during the measurement period is the total covered payroll. For FY2018, the measurement period is October 1, 2016 to September 30, 2017. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for FY2017.

CITY OF AUBURN, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$
Actuarially determined contributions*	2,755,194	2,854,621	2,818,007	2,704,775
Actual employer contributions	2,755,194	2,854,621	2,818,007	2,704,775
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll**	30,468,475	28,547,194	27,235,213	25,894,222
Contributions as a percentage of covered-employee payroll	9.04%	10.00%	10.35%	10.45%

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement. of Employer Contributions is based on the 12 month period of the underlying financial statement

**Employer's covered payroll for FY2018 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

- Actuarial cost method: entry age
- Amortization method: level percent closed
- Remaining amortization period: 27.7 years
- Asset valuation method: five year smoothed market
- Inflation: 3.00%
- Salary increases: 3.75 - 7.25%, including inflation
- Investment rate of return: 8.00%, net of pension plan investment expense, including inflation

CITY OF AUBURN, ALABAMA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS

	2018
	\$
Total OPEB Liability	
Service cost	106,479
Interest	130,523
Changes in assumptions	(113,656)
Differences between expected and actual experience	108,181
Benefit payments	(99,020)
Net change in total OPEB liability	132,507
Total OPEB Liability - beginning	3,545,436
Total OPEB Liability - ending	\$ 3,677,943
Covered employee payroll	27,910,274
Total OPEB liability as % of covered payroll	13.2%

Notes to Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018
4.15%

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.

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, 2018

	Special Revenue Funds										Total	Debt		Capital		Total Nonmajor Governmental Funds
	Public											Special 5-Mill Tax Fund	West Tech Park Phase II Fund	Projects Fund	Nonmajor Governmental Funds	
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Sub Fund	Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Special 5-Mill Tax Fund	West Tech Park Phase II Fund						
ASSETS	\$ 33,944	\$ 33,539	\$ 935,057	\$ 208,428	\$ 187,026	\$ -	\$ 156,732	\$ 1,554,726	\$ 3,751,098	\$ 920,485	\$ 6,226,309	\$ -	\$ -	\$ -	\$ 6,226,309	
Cash and cash equivalents	-	-	-	-	-	-	-	1,642,558	-	-	-	1,642,558	-	-	-	1,642,558
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Certificate of deposits	14,558	11,529	33,935	-	27,129	108,121	3,701	198,973	55,444	-	2,211,672	-	-	-	2,211,672	
Receivables, net	-	-	-	-	-	-	2,363,484	2,363,484	-	-	254,417	-	-	-	254,417	
Mortgages receivable	-	-	-	-	-	-	127,942	127,942	-	-	2,363,484	-	-	-	2,363,484	
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	48,502	45,068	968,992	208,428	214,155	108,121	4,294,417	5,887,683	6,018,214	920,485	12,826,382	-	-	-	12,826,382	
LIABILITIES	-	-	16,988	539	-	56,695	2,416	76,638	-	-	76,638	-	-	-	76,638	
Accounts payable and accrued liabilities	-	-	-	-	-	-	-	51,426	-	-	51,426	-	-	-	51,426	
Due to other funds	-	-	-	-	-	-	-	2,360,638	-	-	2,423,508	-	-	-	2,423,508	
Unearned revenue	-	-	16,988	63,409	-	108,121	2,363,054	2,551,572	-	-	2,551,572	-	-	-	2,551,572	
Total liabilities	-	-	16,988	63,409	-	108,121	2,363,054	2,551,572	-	-	2,551,572	-	-	-	2,551,572	
Restricted	48,502	45,068	-	-	-	-	-	93,570	-	-	93,570	-	-	-	93,570	
Roads, bridges and streets	-	-	952,004	145,019	-	-	-	1,097,023	-	-	1,097,023	-	-	-	1,097,023	
Law enforcement	-	-	-	-	214,155	-	-	214,155	-	-	214,155	-	-	-	214,155	
General grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Social and economic	-	-	-	-	-	-	1,931,363	1,931,363	-	-	1,931,363	-	-	-	1,931,363	
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	920,485	-	920,485	
Debt service	-	-	-	-	-	-	-	-	6,018,214	-	6,018,214	-	-	-	6,018,214	
Total fund balances	48,502	45,068	952,004	145,019	214,155	-	1,931,363	3,336,111	6,018,214	920,485	10,274,810	-	-	-	10,274,810	
Total liabilities and fund balances	48,502	45,068	968,992	208,428	214,155	108,121	4,294,417	5,887,683	6,018,214	920,485	12,826,382	-	-	-	12,826,382	

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds										Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	
	Public					Federal								
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Total	Special 5-Mill Tax Fund	West Tech Park Phase II Fund				
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General property taxes	158,569	124,446	-	-	-	-	-	-	-	-	-	4,792,453	-	4,792,453
State shared taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	283,015
Fines and forfeitures	-	-	125,581	-	-	-	-	-	-	-	-	-	-	125,581
Contributions from the public	-	-	-	8,081	-	-	-	-	-	-	-	-	-	8,081
Grants	-	-	-	-	1,793,681	442,200	-	-	-	-	-	-	-	2,235,881
Program income	-	-	-	-	-	-	-	1,260,227	-	-	-	-	-	1,260,227
Interest	147	146	3,257	753	-	-	-	72,879	-	-	-	31,077	-	111,926
Miscellaneous	-	-	-	-	-	-	-	402	-	-	-	-	-	402
Total revenues	158,716	124,592	128,838	8,834	1,793,681	442,200	-	1,333,508	-	-	-	4,823,530	3,667	8,817,566
Expenditures	-	-	1,892	-	-	-	-	-	-	-	-	-	-	1,892
General government and administration	-	-	-	13,724	38,229	-	-	-	-	-	-	-	-	51,953
Public safety	-	-	-	-	16,635	-	-	-	-	-	-	-	-	16,635
Library	-	-	-	-	1,076	-	-	-	-	-	-	-	-	1,076
Planning	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	301,515	-	222,768	-	-	-	-	-	524,283
Total departmental	-	-	1,892	13,724	55,940	301,515	-	222,768	-	-	-	-	-	595,839
Non-departmental	-	-	-	-	-	-	-	-	-	-	-	179,649	-	179,649
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	179,000	-	-	-	-	-	179,000
Interest	-	-	-	-	-	-	-	79,054	-	-	-	3,342,268	-	3,421,322
Administrative charges	-	-	-	-	-	-	-	-	-	-	806	-	-	806
Capital outlay	-	-	20,950	13,905	1,728,741	203,068	-	-	-	-	-	-	-	1,966,664
Intergovernmental	-	-	-	-	9,000	-	-	-	-	-	-	-	-	9,000
Payments to component units	-	-	-	-	-	-	-	72,000	-	-	-	-	211,090	283,090
Total expenditures	-	-	22,842	27,629	1,793,681	504,583	-	552,822	-	-	-	3,522,723	211,090	6,635,370
Excess (deficiency) of revenues over expenditures	158,716	124,592	105,996	(18,795)	-	(62,383)	-	780,686	-	-	-	1,300,807	(207,423)	2,182,196
Other financing sources (uses)	-	-	-	11,870	-	-	-	-	-	-	-	-	-	11,870
Sale of surplus assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	(155,000)	(125,000)	-	-	-	62,383	-	72,000	-	-	-	-	-	134,383
Transfers out	(155,000)	(125,000)	-	-	-	-	-	(134,383)	-	-	-	-	-	(414,383)
Total other financing sources (uses)	3,716	(408)	105,996	(6,925)	-	-	-	(62,383)	-	-	-	-	-	(268,130)
Net changes in fund balances	44,786	45,476	846,008	151,944	214,155	-	-	718,303	-	-	-	1,300,807	(207,423)	1,914,066
Fund balances, beginning of year	48,502	45,068	952,004	145,019	214,155	-	-	1,213,060	-	-	-	4,717,407	1,127,908	8,360,744
Fund balances, end of year								1,931,363				6,018,214	920,485	10,274,810

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	153,500	153,500	158,569	5,069
Interest	140	140	147	7
Total revenues	153,640	153,640	158,716	5,076
Other financing uses				
Transfers out	(155,000)	(155,000)	(155,000)	-
Net changes in fund balances	(1,360)	(1,360)	3,716	5,076
Fund balances, beginning of year	44,786	44,786	44,786	-
Fund balances, end of year	43,426	43,426	48,502	5,076

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	120,000	120,000	124,446	4,446
Interest	150	150	146	(4)
Total revenues	120,150	120,150	124,592	4,442
Other financing uses				
Transfers out	(125,000)	(125,000)	(125,000)	-
Net changes in fund balances	(4,850)	(4,850)	(408)	4,442
Fund balances, beginning of year	45,476	45,476	45,476	-
Fund balances, end of year	40,626	40,626	45,068	4,442

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Contributions from the public	10,000	10,000	8,081	(1,919)
Interest	700	700	753	53
Total revenues	<u>10,700</u>	<u>10,700</u>	<u>8,834</u>	<u>(1,866)</u>
Expenditures				
Public safety	2,850	13,000	13,724	(724)
Capital outlay	59,500	59,500	13,905	45,595
Total expenditures	<u>62,350</u>	<u>72,500</u>	<u>27,629</u>	<u>44,871</u>
Excess (deficiency) of revenues over expenditur	(51,650)	(61,800)	(18,795)	43,005
Other financing sources				
Sale of surplus assets	<u>2,500</u>	<u>2,500</u>	<u>11,870</u>	<u>9,370</u>
Net changes in fund balances	(49,150)	(59,300)	(6,925)	52,375
Fund balances, beginning of year	<u>151,944</u>	<u>151,944</u>	<u>151,944</u>	<u>-</u>
Fund balances, end of year	<u><u>102,794</u></u>	<u><u>92,644</u></u>	<u><u>145,019</u></u>	<u><u>52,375</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	4,582,230	4,812,500	4,792,453	(20,047)
Interest	24,500	14,500	31,077	16,577
Total revenues	<u>4,606,730</u>	<u>4,827,000</u>	<u>4,823,530</u>	<u>(3,470)</u>
Expenditures				
Non-departmental	170,390	171,890	179,649	(7,759)
Debt service:				
Interest	3,342,306	3,342,306	3,342,268	38
Administrative charges	550	550	806	(256)
Total expenditures	<u>3,513,246</u>	<u>3,514,746</u>	<u>3,522,723</u>	<u>(7,977)</u>
Net changes in fund balances	1,093,484	1,312,254	1,300,807	(11,447)
Fund balances, beginning of year	<u>4,717,407</u>	<u>4,717,407</u>	<u>4,717,407</u>	<u>-</u>
Fund balances, end of year	<u><u>5,810,891</u></u>	<u><u>6,029,661</u></u>	<u><u>6,018,214</u></u>	<u><u>(11,447)</u></u>

Nonmajor Component Units

Public Parks and Recreation Board

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

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

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

Auburn Downtown Redevelopment Authority

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

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF NET POSITION
SEPTEMBER, 30 2018

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5,757	-	5,757
Receivables, net	21,130	-	21,130
Current portion of net investment in capital leases	-	48,536	48,536
Other current assets	3,418	-	3,418
Total current assets	30,305	48,536	78,841
Noncurrent assets			
Net investment in capital leases, net of current portion	-	1,272,713	1,272,713
Capital assets, net of accumulated depreciation	4,151,610	-	4,151,610
Total noncurrent assets	4,151,610	1,272,713	5,424,323
Total assets	4,181,915	1,321,249	5,503,164
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related	626	-	626
Pension related	28,566	-	28,566
Total deferred outflows of resources	29,192	-	29,192
LIABILITIES			
Current liabilities			
Accounts payable and other accrued liabilities	15,973	-	15,973
Current portion of long-term debt	-	48,536	48,536
Total current liabilities	15,973	48,536	64,509
Noncurrent liabilities			
Long-term debt and other liabilities	18,047	1,272,713	1,290,760
Net pension liability	138,912	-	138,912
Total noncurrent liabilities	156,959	1,272,713	1,429,672
Total liabilities	172,932	1,321,249	1,494,181
DEFERRED INFLOWS OF RESOURCES			
OPEB related	657	-	657
Pension related	10,564	-	10,564
Total deferred inflows of resources	11,221	-	11,221
NET POSITION			
Net investment in capital assets	4,151,610	-	4,151,610
Unrestricted (deficit)	(124,656)	-	(124,656)
Total net position	4,026,954	-	4,026,954

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 2018

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	100,496	-	100,496
Miscellaneous	110,096	-	110,096
Total operating revenues	<u>210,592</u>	<u>-</u>	<u>210,592</u>
Operating expenses			
Salaries and wages	197,613	-	197,613
Employee benefits	52,910	-	52,910
Repairs and maintenance	63,006	-	63,006
Utilities	126,385	-	126,385
Rentals and leasing	1,453	-	1,453
Insurance	5,903	-	5,903
Office supplies	633	-	633
Professional services	1,543	-	1,543
Agricultural and chemical supplies	120	-	120
Depreciation/amortization	317,942	-	317,942
Minor equipment and tools	13,988	-	13,988
Miscellaneous	16	-	16
Total operating expenses	<u>781,512</u>	<u>-</u>	<u>781,512</u>
Operating income (loss)	<u>(570,920)</u>	<u>-</u>	<u>(570,920)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	3	26,175	26,178
Appropriations from the City of Auburn	369,496	-	369,496
Interest and fiscal charges	(3)	(26,175)	(26,178)
Total non-operating revenues (expenses)	<u>369,496</u>	<u>-</u>	<u>369,496</u>
Change in net position	(201,424)	-	(201,424)
Net position--beginning of year	4,245,531	-	4,245,531
Prior period adjustment	(17,153)	-	(17,153)
Net position - beginning, as restated	<u>4,228,378</u>	<u>-</u>	<u>4,228,378</u>
Net position--end of year	<u><u>4,026,954</u></u>	<u><u>-</u></u>	<u><u>4,026,954</u></u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER, 30 2018

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	209,772	-	209,772
Payments to suppliers for goods and services	(251,979)	-	(251,979)
Payments to employees for services	(246,590)	-	(246,590)
Net cash provided (consumed) by operating activities (A)	<u>(288,797)</u>	<u>-</u>	<u>(288,797)</u>
Cash flows from noncapital financing activities			
Operating transfers in	369,496	-	369,496
Net cash provided (consumed) by noncapital financing activities	<u>369,496</u>	<u>-</u>	<u>369,496</u>
Cash flows from capital and related financing activities			
Interest and fiscal fees paid	(3)	(26,175)	(26,178)
Acquisition and construction of capital assets	(85,311)	-	(85,311)
Net cash provided (consumed) by capital and related financing activities	<u>(85,314)</u>	<u>(26,175)</u>	<u>(111,489)</u>
Cash flows from investing activities			
Interest on investments	3	26,175	26,178
Net cash provided (consumed) by investing activities	<u>3</u>	<u>26,175</u>	<u>26,178</u>
Net increase (decrease) in cash	(4,612)	-	(4,612)
Cash and cash equivalents, beginning of year	<u>10,369</u>	<u>-</u>	<u>10,369</u>
Cash and cash equivalents, end of year	<u><u>5,757</u></u>	<u><u>-</u></u>	<u><u>5,757</u></u>

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

Operating income (loss)	(570,920)	-	(570,920)
Add:			
Depreciation/amortization expense	317,942	-	317,942
Decrease in deferred pension contributions	3,641	-	3,641
Increase in OPEB liability	894	-	894
Increase in pension related deferred inflows	7,506	-	7,506
Increase in OPEB related deferred inflows	657	-	657
Less:			
Increase in accounts receivable	(820)	-	(820)
Increase in prepaid items	(933)	-	(933)
Decrease in accounts payable/accrued liabilities	(37,999)	-	(37,999)
Increase in OPEB related deferred outflows	(626)	-	(626)
Decrease in pension related liabilities	(8,139)	-	(8,139)
Net cash provided (consumed) by operating activities	<u>(288,797)</u>	<u>-</u>	<u>(288,828)</u>



City of Auburn

Capital Assets Used in the Operation of Governmental Funds

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

**CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2018**

Governmental funds capital assets	\$
Land, buildings and improvements	77,547,588
Construction in progress	21,281,393
Communication equipment	414,190
Heavy equipment	3,744,982
Office equipment	4,533,156
Small tools and equipment	1,726,430
Vehicles	10,578,785
Infrastructure	196,403,616
Total governmental funds capital assets	<u>316,230,140</u>
Investment in governmental funds capital assets by source	
General fund revenues	196,037,518
Capital projects funds	60,124,517
Federal grants	16,906,592
State grants	237,711
Special revenue fund revenues	2,637,878
Donations	24,224,633
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	14,816,556
Total investment in governmental funds capital assets	<u>316,230,140</u>

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2018

Function and Activity	Total	Land Buildings & Improvements	Easements	Construction in Progress	Heavy Equipment	Office Equipment	Software	Small Tools and Equipment	Vehicles	Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General government and administration										
Information technology	3,586,107	27,021	-	611,541	44,608	1,938,919	316,350	71,229	67,120	509,319
Geographical information systems	275,827	14,835	-	-	-	224,383	36,609	-	-	-
Judicial	49,162	28,212	-	20,950	-	-	-	-	-	-
Administrative	804,841	776,772	-	-	-	9,889	-	-	18,180	-
Finance	1,115,958	6,272	-	257,704	-	21,835	806,202	-	23,945	-
Total general government and administration	5,831,895	853,112	-	890,195	44,608	2,195,026	1,159,161	71,229	109,245	509,319
Public works administration										
Environmental services	219,483,845	3,928,885	5,152,549	14,790,695	1,371,897	72,004	13,437	257,658	1,836,093	192,060,627
Public safety administration	2,928,466	938,606	-	-	377,869	6,658	-	247,675	1,357,658	-
Fire	11,419,205	5,429,197	-	5,228,175	-	234,232	365,956	-	20,319	141,326
Police	4,616,058	232,980	-	6,460	1,432,876	-	-	290,369	2,653,373	-
Codes enforcement	4,230,087	130,593	-	13,794	-	237,742	75,748	364,524	3,407,686	-
Library	165,587	-	-	-	-	21,234	-	-	144,353	-
Parks and recreation	5,289,748	5,050,907	-	-	-	233,211	-	-	-	5,630
Planning	36,264,516	30,234,009	-	352,074	517,732	32,648	-	494,975	946,364	3,686,714
Human resources	71,328	4,500	-	-	-	5,583	-	-	61,245	-
Economic development	1,230,111	910,312	-	-	-	100,130	194,576	-	25,093	-
	229,559	212,203	-	-	-	-	-	-	17,356	-
Total departmental	291,760,405	47,925,304	5,152,549	21,281,393	3,744,982	3,138,468	1,808,878	1,726,430	10,578,785	196,403,616
Nondepartmental										
	24,469,735	24,469,735	-	-	-	-	-	-	-	-
Total governmental funds capital assets	316,230,140	72,395,039	5,152,549	21,281,393	3,744,982	3,138,468	1,808,878	1,726,430	10,578,785	196,403,616

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2018

	Governmental Funds Capital Assets September 30, 2017 \$	Transfers/ Additions \$	Transfers/ Deductions \$	Governmental Funds Capital Assets September 30, 2018 \$
General government and administration				
Information technology	3,244,850	439,533	(98,276)	3,586,107
Geographical information systems	275,827	-	-	275,827
Judicial	28,212	20,950	-	49,162
Administrative	800,166	14,564	(9,889)	804,841
Finance	955,149	160,809	-	1,115,958
Total general government and administration	5,304,204	635,856	(108,165)	5,831,895
Public works administration	206,172,863	24,186,309	(10,875,327)	219,483,845
Environmental services	2,766,789	293,224	(131,547)	2,928,466
Public safety administration	6,932,857	4,486,348	-	11,419,205
Fire	4,555,567	60,491	-	4,616,058
Police	3,950,318	609,072	(329,303)	4,230,087
Codes enforcement	133,651	54,239	(22,303)	165,587
Library	5,279,590	10,158	-	5,289,748
Parks and recreation	32,348,064	7,532,757	(3,616,305)	36,264,516
Planning	47,269	24,059	-	71,328
Human resources	1,224,459	25,093	(19,441)	1,230,111
Economic development	163,494	66,065	-	229,559
Total departmental	268,879,125	37,983,671	(15,102,391)	291,760,405
Nondepartmental	24,394,944	74,791	-	24,469,735
Total governmental funds capital assets	293,274,069	38,058,462	(15,102,391)	316,230,140



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.

Contents	Page
Financial Trends – Tables 1-5	171
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
Revenue Capacity – Tables 6-8	178
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, sales tax.</i>	
Debt Capacity – Tables 9-13	180
<i>These schedules contain information to help the reader assess the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information – Tables 14-15	185
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information – Tables 16-18	187
<i>These schedules contain information to help the reader understand the government’s operations and resources.</i>	

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Auburn
Net Position by Activity Type

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities										
Net investment in capital assets	75,764,472	81,866,977	87,677,067	91,886,384	100,145,164	110,178,706	118,307,151	149,544,640	172,516,412	187,712,319
Restricted	10,992,367	12,021,563	11,418,353	12,643,443	12,142,108	10,706,845	92,735,176	67,163,363	47,557,073	37,759,824
Unrestricted ⁽¹⁾	<u>(63,639,574)</u>	<u>(74,342,301)</u>	<u>(67,271,114)</u>	<u>(74,219,051)</u>	<u>(64,934,181)</u>	<u>(55,679,045)</u>	<u>(156,555,646)</u>	<u>(160,132,588)</u>	<u>(161,544,320)</u>	<u>(155,137,517)</u>
Total governmental activities net position	<u>23,117,265</u>	<u>19,546,239</u>	<u>31,824,306</u>	<u>30,310,776</u>	<u>47,353,091</u>	<u>65,206,506</u>	<u>54,486,681</u>	<u>56,575,415</u>	<u>58,529,165</u>	<u>70,334,626</u>
Primary government - business-type activities										
Net investment in capital assets	25,486,581	25,830,053	25,570,257	26,690,464	29,798,149	33,236,208	37,097,393	40,247,221	41,989,278	46,067,480
Restricted	20,739,857	3,876,709	1,956,004	1,070,064	-	648,195	1,970,849	509,425	2,266,933	2,266,933
Unrestricted	<u>(20,859,392)</u>	<u>(2,025,635)</u>	<u>818,835</u>	<u>5,052,411</u>	<u>7,194,747</u>	<u>7,361,470</u>	<u>5,291,163</u>	<u>7,353,032</u>	<u>8,323,217</u>	<u>6,802,829</u>
Total business-type activities net position	<u>25,367,046</u>	<u>27,681,127</u>	<u>28,345,096</u>	<u>32,812,939</u>	<u>36,992,896</u>	<u>41,245,873</u>	<u>44,359,405</u>	<u>48,109,678</u>	<u>52,579,428</u>	<u>55,137,242</u>
Total primary government										
Net investment in capital assets	101,251,053	107,697,030	113,247,324	118,576,848	129,943,313	143,414,914	155,404,544	189,791,861	214,505,690	233,779,799
Restricted	31,732,224	15,898,272	13,374,357	13,713,507	12,142,108	11,355,040	94,706,025	67,672,788	49,824,006	40,026,757
Unrestricted ⁽¹⁾	<u>(84,498,966)</u>	<u>(76,367,936)</u>	<u>(66,452,279)</u>	<u>(69,166,640)</u>	<u>(57,739,434)</u>	<u>(48,317,575)</u>	<u>(151,264,483)</u>	<u>(152,779,556)</u>	<u>(153,221,103)</u>	<u>(148,334,688)</u>
Total primary government net position	<u>48,484,311</u>	<u>47,227,366</u>	<u>60,169,402</u>	<u>63,123,715</u>	<u>84,345,987</u>	<u>106,452,379</u>	<u>98,846,086</u>	<u>104,685,093</u>	<u>111,108,593</u>	<u>125,471,868</u>

⁽¹⁾ Please see the Net Position section of Management's Discussion and Analysis for details of negative unrestricted net position, including the large increase in 2015.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses										
Governmental activities:										
General government and administration	6,155,735	6,270,653	6,696,333	6,882,510	7,292,682	7,986,358	8,880,442	9,009,933	9,943,090	9,610,859
Public works	7,574,881	6,844,357	7,176,200	7,087,489	7,212,310	7,253,198	7,600,358	8,743,085	9,360,886	8,763,899
Environmental services ⁽¹⁾	1,770,911	1,670,173	1,759,158	1,903,429	2,097,261	2,180,362	2,201,278	2,272,010	2,392,134	2,670,295
Public safety	16,288,317	16,904,689	17,484,211	17,966,335	18,470,037	19,036,443	19,363,905	20,189,149	21,414,563	23,779,334
Library	1,678,410	1,613,894	1,641,371	1,686,566	1,708,144	1,684,288	1,770,379	1,845,480	1,954,493	2,093,484
Parks and recreation	6,207,871	5,377,218	5,611,356	5,607,803	5,520,692	5,861,786	6,207,847	6,389,142	6,826,158	7,046,091
Planning	614,034	665,283	573,462	562,555	635,202	669,831	583,137	594,714	768,847	786,636
Social and economic development	5,353,639	17,864,393	3,302,021	5,235,985	7,206,018	6,056,184	4,624,506	5,370,638	4,766,718	6,044,055
Human resources	697,585	704,963	702,065	698,236	725,083	755,927	742,752	2,244,797	2,341,425	2,422,500
Risk management	1,297,761	1,289,942	1,069,339	1,585,905	876,140	1,289,854	1,576,913	333,618	381,875	514,870
Education (payments to Board of Education)	21,544,112	13,530,795	14,624,398	35,412,033	15,850,759	16,350,759	24,505,586	60,918,952	47,502,333	35,438,202
Interest on long-term debt	5,860,550	5,346,829	5,914,822	5,753,942	5,420,673	4,968,931	4,772,926	7,253,215	7,041,045	7,494,434
Total governmental activities expenses	75,043,806	78,083,189	66,554,736	90,382,788	73,015,001	74,093,921	82,830,029	125,164,733	114,693,567	106,664,659
Business-type activities:										
Sewer Fund	7,825,230	7,804,203	8,173,912	8,038,127	7,470,780	7,960,070	8,639,882	8,387,444	8,705,876	9,169,743
Solid Waste Management Fund ⁽¹⁾	3,178,574	3,385,837	3,522,953	3,757,884	3,948,022	4,145,364	4,112,900	4,380,090	4,576,422	5,149,644
Total business-type activities expenses	11,003,804	11,190,040	11,696,865	11,796,011	11,418,802	12,105,434	12,752,782	12,767,534	13,282,298	14,319,387
Total primary government expenses	86,047,610	89,273,229	78,251,601	102,178,799	84,433,803	86,199,355	95,582,811	137,932,267	127,975,865	120,984,046
Program Revenues										
Governmental activities:										
Charges for services:										
General government and administration	11,254,130	10,890,570	10,540,374	12,332,933	12,579,879	12,915,500	13,617,202	13,940,978	14,969,365	15,446,817
Public works	-	-	-	250	-	875	1,400	625	856	2,514
Public safety	3,091,180	3,218,920	3,677,033	3,203,403	4,208,044	4,220,666	4,318,581	4,750,953	5,344,659	6,323,383
Library	37,558	42,893	34,621	35,799	39,368	40,388	32,445	27,519	26,604	21,720
Parks and recreation	807,267	785,095	791,821	729,455	596,199	647,827	697,981	684,363	661,328	680,600
Planning	30,002	38,322	40,872	59,489	62,175	46,301	55,663	64,665	68,134	59,280
Human resources ⁽²⁾	-	-	-	-	-	-	-	-	945,484	1,001,385
Risk management ⁽²⁾	716,141	741,130	745,281	782,796	808,123	765,858	769,341	766,273	-	-
Operating grants and contributions	2,975,232	2,378,429	2,747,298	3,831,256	3,590,979	2,531,117	2,354,400	2,342,212	2,307,693	2,640,821
Capital grants and contributions	1,898,595	4,238,477	3,698,776	3,687,087	3,552,787	3,323,007	2,182,193	4,223,636	11,066,377	6,856,649
Total governmental activities program revenue	20,810,105	22,333,836	22,276,076	24,662,468	25,437,554	24,491,539	24,029,206	26,801,224	35,390,500	33,033,169
Business-type activities:										
Charges for services:										
Sewer Fund	7,758,337	8,722,591	9,493,840	10,938,292	10,448,380	11,063,939	11,528,965	11,526,093	12,064,021	11,656,139
Solid Waste Management Fund ⁽¹⁾	3,118,925	3,133,116	2,961,625	3,590,771	3,898,217	4,198,990	4,482,532	4,560,179	4,843,280	4,898,906
Operating grants and contributions	1,000	39,831	21,595	19,369	44,553	43,332	-	5,383	672	288,986
Capital grants and contributions	1,178,184	605,467	373,520	244,653	1,177,207	681,000	1,741,381	458,185	860,763	716,235
Total business-type activities program revenues	12,056,446	12,501,005	12,850,580	14,793,085	15,568,357	15,987,261	17,752,878	16,549,840	17,768,736	17,560,266
Total primary government program revenues	32,866,551	34,834,841	35,126,656	39,455,553	41,005,911	40,478,800	41,782,084	43,351,064	53,159,236	50,593,435
Net (expense)/revenue										
Governmental activities	(54,233,701)	(55,749,353)	(44,278,660)	(65,720,320)	(47,577,447)	(49,602,382)	(58,800,823)	(98,363,509)	(79,303,067)	(73,631,490)
Business-type activities	1,052,642	1,310,965	1,153,715	2,997,074	4,149,555	3,881,827	5,000,096	3,782,306	4,486,438	3,240,879
Total primary government net expense	(53,181,059)	(54,438,388)	(43,124,945)	(62,723,246)	(43,427,892)	(45,720,555)	(53,800,727)	(94,581,203)	(74,816,629)	(70,390,611)

⁽²⁾ In FY17, charges for employee health and dental insurance premiums were regrouped from Risk Management to Human Resources.

Table 2 Continued

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Revenues and Other Changes in Net Position										
Government activities:										
Taxes:										
Sales taxes	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180	34,303,569	37,418,331	39,672,910	39,648,005	42,010,312
Occupational license fees	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202	11,561,046	12,068,066	12,894,663
Property taxes	19,053,631	20,169,135	20,966,105	21,424,164	20,971,590	21,645,465	22,486,529	23,782,006	25,187,386	27,098,517
Motor fuel taxes	260,447	278,467	293,425	311,846	311,022	340,415	365,345	383,488	386,296	416,979
Lodging taxes	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012	1,604,851	1,816,370	2,247,771	2,355,985	2,373,878
Rental and leasing taxes	451,563	420,201	473,732	515,164	571,248	612,457	768,245	799,550	890,599	886,630
Cigarette taxes	78,290	77,423	79,304	77,145	75,880	70,860	73,306	69,249	66,528	60,033
Alcoholic beverage taxes	119,781	121,710	131,668	142,503	160,725	170,559	180,604	202,213	215,281	230,642
Appropriations from component units	-	-	-	-	333,591	-	-	-	-	-
Interest and investment earnings	827,049	512,963	362,808	241,936	287,977	327,499	488,820	729,863	505,746	965,995
Gain (loss) on disposal of assets	(166,665)	-	33,639	64,005	-	68,237	-	-	(221,202)	125,796
Miscellaneous	10,277	38,073	31,441	29,967	34,558	63,801	40,790	81,981	43,522	130,222
Transfers	(631,870)	(232,893)	(248,354)	(626,769)	(464,859)	(309,019)	130,979	118,755	110,605	559,003
Total governmental activities	49,437,921	52,168,327	55,516,406	64,206,783	65,355,816	69,028,763	74,573,521	79,648,832	81,256,817	87,752,670
Business-type activities:										
Interest and investment earnings	139,237	45,538	48,728	33,440	32,518	33,809	34,395	41,216	36,533	77,277
Gain (loss) on disposal of assets	28,748	12,598	(754)	9,820	20,789	22,700	78,422	21,770	40,403	19,350
Miscellaneous	3,999	37,087	7,656	6,085	2,246	5,622	7,326	23,736	16,982	6,594
Special items ⁽¹⁾	-	675,000	-	-	-	-	-	-	-	-
Transfers	(38,553)	232,893	248,354	626,769	464,859	309,019	(130,979)	(118,755)	(110,605)	(559,003)
Total business-type activities	133,431	1,003,116	303,984	676,114	520,412	371,150	(10,836)	(32,033)	(16,687)	(455,782)
Total primary government	49,571,352	53,171,443	55,820,390	64,882,897	65,876,228	69,399,913	74,562,685	79,616,799	81,240,130	87,296,888
Changes in Net Position										
Governmental activities	(4,795,780)	(3,581,026)	11,237,746	(1,513,537)	17,778,369	19,426,381	15,772,698	(18,714,677)	1,953,750	14,121,180
Business-type activities	1,186,073	2,314,081	1,457,699	3,673,188	4,669,967	4,252,977	4,989,260	3,750,273	4,469,751	2,785,097
Total primary government	(3,609,707)	(1,266,945)	12,695,445	2,159,651	22,448,336	23,679,358	20,761,958	(14,964,404)	6,423,501	16,906,277

⁽¹⁾ Concession payment

Table 3
City of Auburn ~ Primary Government
General Government Tax Revenues by Source ⁽¹⁾
 Last Ten Fiscal Years

Fiscal Year	Sales & Use Tax	Cigarette & Alcohol Tax ⁽³⁾	Motor Fuel Tax	Lodging and Rental Tax	Financial Institution Tax	Motor Vehicle Tax	General Property Tax	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
2009	20,143,854	249,621	749,811	1,612,284	245,537	138,276	18,696,415	41,835,797
2010	21,081,231	230,490	788,560	1,662,229	-	108,006	19,739,993	43,610,509
2011	22,987,405 ⁽²⁾	260,180	818,351	1,839,015	184,886	126,685	20,333,624	46,550,146
2012	30,890,400	272,790	876,592	1,958,908	173,972	129,888	20,503,864	54,806,415
2013	31,831,180	292,605	871,498	2,126,307	147,553	137,809	20,271,550	55,678,502
2014	34,303,571	286,155	931,515	2,217,307	159,641	143,293	20,900,546	58,942,028
2015	37,418,331	303,455	991,613	2,584,615	279,282	146,908	21,746,672	63,470,876
2016	39,672,910	313,559	1,035,475	3,045,852	237,816	199,691	22,987,066	67,492,369
2017	39,648,005	312,323	1,044,000	3,246,585	356,709	160,200	24,296,138	69,063,959
2018	42,010,312	312,530	1,105,009	3,260,509	295,199	165,591	26,131,893	73,281,043

⁽¹⁾ Includes state shared taxes.

⁽²⁾ Sales tax rate increased from 3.0% to 4.0% effective 8/1/11.

⁽³⁾ Numbers have been updated to include liquor tax on Wholesale purchases

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

	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Reserved	8,844,309	7,451,985	-	-	-	-	-	-	-	-
Unreserved	19,983,950	19,649,481	-	-	-	-	-	-	-	-
Nonspendable	-	-	7,504,505	7,038,187	6,753,924	9,998,365	15,992,698	19,776,701	6,954,036	7,022,566
Restricted	-	-	176,679	237,639	298,192	341,705	343,988	343,769	305,255	313,696
Assigned	-	-	4,854,720	4,778,855	2,840,828	6,565,787	5,649,101	4,788,112	8,557,221	13,872,942
Unassigned	-	-	16,489,870	20,973,636	29,025,058	25,574,688	22,328,970	24,486,213	31,873,117	31,203,543
Total general fund	28,828,259	27,101,466	29,025,774	33,028,317	38,918,002	42,480,545	44,314,757	49,394,795	47,689,629	52,412,747
All other governmental funds										
Reserved	2,135,901	4,075,582	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	5,692,659	4,766,559	-	-	-	-	-	-	-	-
Debt service funds	3,898,630	3,831,043	-	-	-	-	-	-	-	-
Capital projects funds	6,402,424	1,297,837	-	-	-	-	-	-	-	-
Nonspendable	-	-	560,000	-	-	-	-	-	-	-
Restricted	-	-	10,015,439	13,631,350	13,152,780	9,496,112	90,168,804 ⁽²⁾	49,118,334	42,164,339	58,916,615
Unassigned	-	-	-	(347,364)	-	-	-	-	-	-
Total all other governmental funds	18,129,614	13,971,021	10,575,439	13,283,986	13,152,780	9,496,112	90,168,804	49,118,334	42,164,339	58,916,615

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

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Sales and use taxes	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180	34,303,571	37,418,331	39,672,910	39,648,007	42,010,313
Occupational license fees	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202	11,561,047	12,068,066	12,894,664
Motor fuel taxes	511,874	547,407	576,855	612,720	610,968	669,550	719,367	755,217	760,818	821,995
Lodging taxes	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012	1,604,850	1,816,370	2,247,771	2,355,985	2,373,879
Rental and leasing taxes	451,563	420,201	473,732	515,164	571,248	612,457	768,245	799,550	890,599	886,630
Other taxes	198,072	199,133	210,972	219,648	236,605	241,419	253,910	271,462	281,809	290,677
Licenses and permits	9,350,937	9,002,598	8,860,187	10,222,535	10,210,208	10,638,252	11,302,434	11,856,992	12,893,642	13,372,006
General property tax	19,053,632	20,169,134	20,966,105	21,424,165	20,971,590	21,645,466	22,486,529	23,782,005	25,187,386	27,098,517
Charges for services	5,231,625	5,286,945	5,777,642	5,544,334	6,428,631	6,439,547	6,743,621	7,086,335	7,901,167	8,983,737
Fines and forfeitures	1,201,777	1,323,548	1,247,137	1,452,953	1,636,516	1,579,802	1,420,812	1,241,661	1,140,361	1,169,369
State shared taxes	1,390,567	881,140	1,057,737	1,278,040	2,016,806	1,279,503	1,424,458	1,455,324	1,515,559	1,818,616
Contributions from the public	2,329,064	868,428	1,624,491	600,544	1,014,850	1,826,242	668,974	1,611,684	2,241,224	1,187,166
Grants	2,125,631	2,555,213	2,205,074	2,959,710	2,711,021	1,807,224	3,318,443	820,258	3,537,706	2,235,880
Program income	836,384	521,164	385,822	305,363	609,879	517,638	474,915	287,464	362,754	1,260,228
Interest	851,855	512,963	362,808	241,936	287,977	327,498	488,821	729,862	505,747	965,995
Miscellaneous	60,020	89,280	71,438	61,489	68,275	97,957	64,914	85,438	47,753	132,886
Total revenues	73,028,419	73,160,402	77,212,638	87,465,423	90,448,658	93,721,045	100,174,346	104,264,980	111,338,583	117,502,558
Expenditures										
General government and administration	4,127,351	4,417,596	4,821,147	4,900,632	4,971,598	5,857,396	5,687,183	6,089,761	6,424,142	5,463,983
Public works	4,343,137	3,530,072	3,751,109	3,528,928	3,568,302	3,497,655	3,577,600	4,101,467	4,414,820	4,485,980
Environmental services	1,636,517	1,609,168	1,665,499	1,806,656	1,956,168	2,031,430	1,999,822	2,085,786	2,233,367	2,481,087
Public safety	15,318,545	15,953,686	16,692,869	17,164,517	17,753,502	18,067,357	18,521,534	19,322,321	20,420,507	22,505,037
Library	1,450,815	1,425,399	1,455,630	1,503,734	1,622,482	1,539,862	1,619,702	1,705,483	1,795,959	1,934,631
Parks and recreation	4,358,992	4,580,462	4,714,322	4,788,245	4,684,929	4,862,432	4,975,692	5,501,434	5,693,864	5,716,886
Planning	609,721	664,088	573,465	562,214	635,402	671,214	582,693	592,471	765,579	785,640
Economic development	2,126,883	2,187,721	2,035,324	3,005,858	2,158,634	2,381,356	2,351,410	1,551,178	1,502,143	3,438,973
Employee services	637,204	656,148	655,029	642,122	675,100	696,740	692,462	2,186,194	2,254,673	2,349,094
Risk management	1,231,524	1,313,917	1,269,056	1,301,944	1,048,527	1,356,823	1,660,020	360,932	299,416	443,694
Non-departmental	1,906,387	1,937,902	1,915,070	1,978,998	2,056,603	2,210,562	2,561,619	2,845,963	2,816,728	3,564,722
Debt service										
Principal	10,060,309	9,989,029	10,464,788	13,013,380	12,501,691	13,094,561	11,953,556	11,023,833	10,051,635	10,589,055
Interest	6,018,665	5,622,881	6,049,543	6,256,774	5,726,573	5,272,797	5,548,480	7,243,523	7,365,924	7,723,256
Capital Outlay	5,702,327	10,521,541	5,774,421	7,261,516	10,830,762	11,432,511	10,246,657	10,844,770	21,258,053	19,986,449
Intergovernmental	2,198,727	1,022,118	876,083	921,568	1,034,319	951,428	1,069,266	1,037,158	1,258,457	1,596,787
Payments to component units	24,919,475	28,818,541	15,755,842	38,546,879 ⁽¹⁾	20,404,444	19,679,683	26,858,347 ⁽²⁾	64,065,542 ⁽²⁾	49,698,750	37,030,288
Total expenditures	86,646,579	94,250,269	78,469,197	107,183,965	91,629,036	93,603,807	99,906,043	140,557,816	138,254,017	130,095,562
Excess of revenues over (under) expenditures	(13,618,160)	(21,089,867)	(1,256,559)	(19,718,542)	(1,180,378)	117,238	268,303	(36,292,836)	(26,915,434)	(12,593,004)

⁽¹⁾This increase was due to the issuance of \$18.5 million in warrants for the Board of Education.

⁽²⁾This increase was due to transfers of debt proceeds issued in fiscal 2015 for the Board of Education and held by the City. Transfers of the proceeds are made as construction progresses on the construction of a new high school.

Table 5 Continued

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other financing sources (uses)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt issuance	19,590,794	15,155,000	-	24,325,835	5,525,000	-	94,638,169 ⁽²⁾	-	18,000,000	33,337,726
Refunding	-	27,020,000	-	27,879,100	-	-	-	-	-	-
Sale of surplus assets	16,919	33,355	33,639	64,006	1,878,717	97,656	150,243	64,678	145,670	171,669
Transfers in	8,707,117	725,271	565,234	509,453	681,045	1,354,436	6,707,462	1,906,217	685,412	2,536,444
Transfers out	(8,659,444)	(958,164)	(813,589)	(1,196,222)	(1,145,905)	(1,663,455)	(6,576,483)	(1,787,462)	(574,808)	(1,977,441)
Premium on debt issued	-	2,313,257	-	4,147,158	-	-	-	-	-	-
Payment to refunded bond escrow	-	(29,084,241)	-	(29,299,697)	-	-	(12,680,790)	-	-	-
Total other financing sources (uses)	<u>19,655,386</u>	<u>15,204,478</u>	<u>(214,716)</u>	<u>26,429,633</u>	<u>6,938,857</u>	<u>(211,363)</u>	<u>82,238,601</u>	<u>183,433</u>	<u>18,256,274</u>	<u>34,068,398</u>
Net changes in fund balances	<u>6,037,226</u>	<u>(5,885,389)</u>	<u>(1,471,275)</u>	<u>6,711,091</u>	<u>5,758,479</u>	<u>(94,125)</u>	<u>82,506,904</u>	<u>(36,109,403)</u>	<u>(8,659,160)</u>	<u>21,475,394</u>
Debt service as a percentage of non-capital expenditures ⁽¹⁾	19.9%	18.6%	22.7%	19.3%	22.6%	22.4%	19.5%	14.1%	14.9%	16.6%

⁽¹⁾ Non-capital expenditures equals total expenditures less capital outlay.

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	57,276	60,201	68,169	66,354	67,768	51,655	56,558	53,115	52,416	50,342
Grocery Stores	51,435	55,799	70,663	77,901	88,493	122,960 ⁽¹⁾	130,561	146,793	164,818	169,942
Eating & Drinking Establishments	120,462	127,753	148,302	131,813	144,085	153,152	166,863	184,695	191,206	200,133
Mass General Merchandise Stores	115,686	114,644	122,437	116,691	111,335	81,345 ⁽¹⁾	85,900	87,640	90,626	93,225
Auto Dealers & Supplies	33,484	39,021	42,278	38,291	39,471	48,882	52,936	53,992	55,658	57,961
Building Materials	32,257	31,794	26,698	36,185	45,462	46,000	51,865	55,841	60,923	66,589
Home Furnishing & Appliances	11,085	9,733	11,126	12,477	17,343	18,209	20,302	24,702	25,399	31,690
All Other Retail Sales	244,863	254,509	273,606	289,079	281,822	313,376	335,521	368,646	333,866	364,157
Totals	666,548	693,454	763,279	768,791	795,780	835,579	900,507	975,424	974,912	1,034,039

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

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

Last Ten Fiscal Years

Unaudited

Fiscal Year	City Sales Tax Rate	County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate
2009	3.0%	1.0%	4.0%	8.0%
2010	3.0%	1.0%	4.0%	8.0%
2011 ⁽¹⁾	4.0%	1.0%	4.0%	9.0%
2012	4.0%	1.0%	4.0%	9.0%
2013	4.0%	1.0%	4.0%	9.0%
2014	4.0%	1.0%	4.0%	9.0%
2015	4.0%	1.0%	4.0%	9.0%
2016	4.0%	1.0%	4.0%	9.0%
2017	4.0%	1.0%	4.0%	9.0%
2018	4.0%	1.0%	4.0%	9.0%

Source: State of Alabama Department of Revenue

⁽¹⁾ City sales tax rate increased from 3.0% to 4.0% effective August 1,

Table 8
City of Auburn ~ Primary Government
Principal Revenue Remitters of Sales and Use Tax ⁽¹⁾

Current Year and Nine Years Ago

Unaudited

Employer	2009 Rank	2018 Rank
Wal-Mart Store	1	1
Sam's Club (Opened 2008)	3	2
Auburn University Financial Reporting	2	3
Kroger	4	4
Publix - Cary Creek (Opened 2012)	-	5
Publix - Moore's Mill (Opened 2010)	-	6
Builders First Source SE (formerly Waid True Value)	-	7
Auburn University Dining (Chartwells and Aramark)	-	8
Academy Sports (Opened 2008)	5	9
Wal-Mart Market - East University (Opened 2016)	-	10

⁽¹⁾ State law prohibits the disclosure of the amount of sales tax remitted and any information that could enable the disclosure or calculation of confidential taxpayer information.

Table 9
City of Auburn ~ Primary Government
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

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

Unaudited

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government		
	General Obligation Bonds	Notes Payable	General Obligation Bonds ⁽²⁾	Total Debt Primary Government	Total Debt as Percentage of Personal Income	Total Debt Per Capita
	\$	\$	\$	\$		\$
2009	134,915	-	62,776	197,691	14.45%	3,749
2010	140,282	-	45,694	185,976	13.34%	3,478
2011	129,760	-	44,608	174,368	13.04%	3,196
2012	143,704	1,500	49,528	194,732	14.76%	3,519
2013	140,564	1,585	48,130	190,279	13.19%	3,365
2014	127,035	1,782	45,899	174,716	12.48%	3,023
2015 ⁽¹⁾	196,429	3,143	46,755	246,327	15.91%	3,961
2016	184,967	2,965	44,127	232,059	14.81%	3,739
2017	192,494	2,787	41,333	236,614	13.87%	3,572
2018	214,785	2,608	38,419	255,812	14.34%	3,914

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

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

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

Table 10
City of Auburn ~ 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 ⁽¹⁾	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
	\$	\$	\$		\$
2009	197,691,117	3,898,630	193,792,487	26.32%	3,675
2010	185,975,829 ⁽²⁾	3,831,044	182,144,785	24.24%	3,406
2011	174,367,735	3,723,922	170,643,813	21.39%	3,127
2012	193,232,141 ⁽³⁾	3,540,270	189,691,871	23.67%	3,428
2013	188,694,282	3,019,959	185,674,323	23.28%	3,284
2014	172,934,154	2,477,786	170,456,368	21.96%	2,949
2015	243,183,962 ^(4,5)	2,531,934	240,652,028	29.89%	3,870
2016	229,093,805	3,776,254	225,317,551	26.60%	3,631
2017	233,827,109 ⁽⁶⁾	4,717,407	229,109,702	25.54%	3,566
2018	253,203,920 ⁽⁷⁾	6,018,214	247,185,706	25.54%	3,782

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

⁽¹⁾ Net bonded debt equals: G.O. bonds, notes, and warrants outstanding (net of related premiums, discounts, and adjustments), less Debt Service funds' equity. Calculations exclude the G.O. debt intended to be repaid from sewer fund revenues.

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

⁽³⁾ City issued \$18.5 million of G.O. Warrants to pay the costs of new school construction under the jurisdiction of the Board of Education.

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

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

⁽⁶⁾ City issued \$18 million of G.O. Warrants to pay the costs of new school construction and equipment, under the jurisdiction of the Board of Education.

⁽⁷⁾ City issued \$30.61 million of G.O. Warrants to pay the costs of construction of a new public safety complex.

Table 11
City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt

Fiscal Year 2018

Unaudited

	Debt Outstanding	Estimated Percentage Applicable⁽¹⁾	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 252,203,920	100%	\$ 252,203,920
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 27,046,022	40%	10,772,462
Total Direct and Overlapping Debt			<u>\$ 262,976,382</u>

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

⁽¹⁾The percentage of overlapping Lee County debt applicable is estimated based on estimated population of the City of Auburn as compared to estimated overall population in Lee County. Alabama Center for Business Research 2018.

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

Last Ten Fiscal Years
(amounts expressed in thousands)
Unaudited

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	147,267	150,282	159,565	160,252	159,516	155,255	167,626	169,409	179,407	193,538
Total net debt applicable to limit	<u>65,355</u>	<u>73,116</u>	<u>64,479</u>	<u>60,974</u>	<u>56,673</u>	<u>46,895</u>	<u>38,387</u>	<u>31,083</u>	<u>24,897</u>	<u>49,634</u>
Legal debt margin	<u>81,912</u>	<u>77,166</u>	<u>95,086</u>	<u>99,278</u>	<u>102,843</u>	<u>108,360</u>	<u>129,239</u>	<u>138,326</u>	<u>154,510</u>	<u>143,904</u>
Total net debt applicable to limit as a percentage of debt limit	44.38%	48.65%	40.41%	38.05%	35.53%	30.21%	22.90%	18.35%	13.88%	25.65%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	<u>\$967,691,900</u>
Debt limit (20% of total assessed value)	<u>\$193,538,380</u>
Debt applicable to limit:	
General obligation bonds	\$240,807,361
Less: Exempt Debt	<u>191,172,956</u>
Total net debt applicable to limit	<u>49,634,405</u>
Legal debt margin	<u>\$143,903,975</u>

Table 13
City of Auburn ~ Primary Government
Pledged Revenue Coverage

Last Ten Fiscal Years

Unaudited

Sewer G.O. Warrants ⁽¹⁾

Fiscal Year	Sewer Charges and Other ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue (A)	Principal (B)	Interest (C)	Coverage ⁽⁴⁾ A/(B+C)
	\$	\$	\$	\$	\$	
2009	7,912,095	4,641,814	3,270,281	495,000	1,890,914	1.37
2010	8,803,453	4,548,588	4,254,865	1,060,000	1,788,254	1.49
2011	9,549,042	4,570,730	4,978,312	1,105,000	2,089,603	1.56
2012	10,978,794	4,465,603	6,513,191	1,155,000	1,983,951	2.07
2013	10,510,245	4,074,714	6,435,531	2,110,000	1,792,555	1.65
2014	11,106,938	3,868,822	7,238,116	2,140,000	2,074,208	1.72
2015	11,631,200	4,443,489	7,187,711	2,205,000	2,147,458	1.65
2016	11,587,751	4,270,841	7,316,910	2,395,000	1,765,887	1.76
2017	12,129,675	4,521,369	7,608,306	2,560,000	1,672,393	1.80
2018	11,731,016	5,194,755	6,536,261	2,680,000	1,537,888	1.55

⁽¹⁾ General Obligation warrants issued but paid by Sewer Service Fee revenue.

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

⁽³⁾ Includes operating expenses and operating transfers out less depreciation expense.

⁽⁴⁾ Coverage illustrates the Sewer Revenue Fund's ability to pay its debt service. A ratio of one or greater indicates sufficient earnings to cover the debt payments.

Table 14
City of Auburn ~ Primary Government
Demographic and Economic Statistics
 Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Per Capita Personal Income⁽²⁾</u>	<u>Personal Income (expressed in thousands)⁽³⁾</u>	<u>Unemployment Rate⁽⁴⁾</u>
		\$	\$	
2009	57,828	28,339	1,638,788	7.6%
2010	53,780	28,838	1,550,908	7.3%
2011	54,927	29,800	1,636,825	7.0%
2012	57,058	30,332	1,730,683	5.7%
2013	58,582	30,499	1,786,692	4.9%
2014	60,258	33,064	1,992,371	4.9%
2015	62,059	33,622	2,086,548	4.9%
2016	63,118	34,372	2,169,492	4.9%
2017	63,973	36,941	2,363,227	4.9%
2018	*	*	*	3.5%

⁽¹⁾ U. S. Census Bureau

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

⁽³⁾ "Population" multiplied by "Per Capita Personal Income"

⁽⁴⁾ U.S. Bureau of Labor Statistics

* Data not available at time of publication

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

Employer	2009			2018		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University ⁽¹⁾	5,500	1	15.81%	9,119	1	30.18%
Auburn City Schools	800	2	2.12%	1,010	2	3.34%
City of Auburn and Auburn Water Works Board ⁽²⁾	750	3	2.08%	726	3	2.40%
Briggs & Stratton Corporation	550	4	0.95%	522	4	1.73%
CSP Technologies North America, LLC (Formerly CV Holdings)	260	8	0.69%	400	5	1.32%
SCA, Inc.	175	10	1.36%	345	6	1.14%
Wal-Mart Supercenter	325	6	0.58%	330	7	1.09%
GE Aviation	-	-	-	275	8	0.91%
Borbet Alabama, Inc.	205	9	1.51%	267	9	0.88%
Seohan Auto USA Corporation	-	-	-	239	10	0.79%
Total	8,565		26.60%	13,233		43.79%

⁽¹⁾ Includes temporary and seasonal employees.

⁽²⁾ There was a change in methodology beginning in 2007. In 2007, part-time positions were included in total. For 2018, part-time positions are converted to full-time equivalents.

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

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	77	77	81	81	77	76	76	76	77	77
Economic Development	13	13	13	12	12	12	12	12	12	13
Public Safety										
Police*	115	113	113	113	115	116	116	117	129	142
Fire	43	43	43	43	43	43	43	43	43	43
Communications	11	11	11	11	11	11	11	13	13	13
Codes	9	9	9	8	8	8	8	9	10	13
Public Works										
Engineering	11	11	11	11	11	11	11	11	9	13
Construction & Maintenance^	18	18	18	18	18	18	18	18	19	38
Inspection	6	6	6	6	6	6	6	6	7	7
Traffic Engineering	3	3	3	3	3	3	4	4	5	5
Environmental Services										
Recycling	16	16	16	16	16	16	16	16	16	16
Solid Waste	16	16	16	16	16	16	16	16	16	16
Animal Control	2	2	2	2	2	2	2	2	3	3
ROW^	7	7	7	7	7	7	7	7	7	0
Fleet Services	10	10	10	10	10	10	10	10	10	10
Parks and Recreation										
Leisure Services	15	15	15	15	15	15	16	17	17	19
Parks & Facilities^	26	26	26	26	26	26	26	26	26	23
Library	16	16	17	17	17	18	19	19	19	19
Sewer	16	16	16	17	17	17	19	21	20	18
Total	430	428	433	432	430	431	436	443	458	488

Source: City of Auburn Human Resources Department

* New precinct at Auburn University with additional police officers

^ During FY2018 employees were moved from ES - ROW and PR - P&F to PW - C&M, also 7 positions were converted from TPT to RFT

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	2,480	2,643	2,712	3,096	3,053	3,102	3,679	2,957	2,612	2,703
Traffic violations	19,556	20,618	23,736	25,016	21,510	18,557	21,805	16,518	26,970	27,357
Calls for service	*	*	*	*	*	*	*	184,429	211,860	248,030
Fire										
Number of calls answered	2,523	4,025	4,065	4,303	4,367	4,948	4,950	5,532	5,900	5,850
Inspections	1,752	1,575	1,391	1,559	1,760	1,879	1,946	1,750	2,170	2,170
Public Works										
Potholes repaired	273	750	625	454	70	87	18	23	19	42
Environmental Services										
Refuse collected (tons/day) ⁽¹⁾	88	91	104	103	102	101	104	108	112	116
Recyclable collected (tons/day) ⁽¹⁾	4.39	4.36	4.40	5.82	5.60	4.96	5.03	5.09	5.21	6.65
Parks and Recreation										
Athletic participants	5,031	4,959	2,964	4,540	4,478	6,069	6,846	15,002 ²	17,159	15,818
Recreation center admissions	111,960	138,751	150,690	164,888	241,042	292,933	216,416	379,704 ²	434,806	456,356
Sewer										
Average daily sewage treatment (millions of gallons)	6.70	6.69	6.02	6.28	6.70	7.54	7.50	7.56	8.06	8.46

Source: City departments

* New operating indicator for 2016

⁽¹⁾Each year consists of 251 work days.

⁽²⁾Represents a change in methodology

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	2	2
Patrol units	91	98	94	96	96	94	96	100	113	116
Fire stations	5	5	5	5	5	5	5	5	5	5
Environmental Services										
Collection trucks	8	8	8	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)	693	693	693	700	739	742	⁽¹⁾ 624	⁽¹⁾ 627	⁽¹⁾ 635	⁽¹⁾ 648
Signaled Intersections	58	59	60	60	60	61	61	63	64	64
Parks and Recreation										
Parks acreage	1,944	1,944	1,944	1,944	1,944	1,944	1,956	2,022	2,195	2,195
Swimming pools	2	2	2	2	2	2	2	2	2	1 *
Tennis courts	44	44	44	44	44	44	44	44	44	40 ^
Community centers	3	4	4	4	5	5	5	5	5	5
Sewer										
Sanitary sewers (miles)	245	248	300	300	330	350	350	350	350	350
Maximum daily treatment capacity (millions of gallons)	11	11	11	13	13	13	13	13	13	13

Source: City departments

⁽¹⁾ Represents a change in methodology

* Pool at Drake Middle School no longer in use

^ Replacing 4 tennis court with the Auburn-Opelika Joint Skate Park



City of Auburn